

J Sainsbury plc

Interim Results and Strategy Update

2020/21



J Sainsbury plc

Kevin O'Byrne
Chief Financial Officer



Agenda

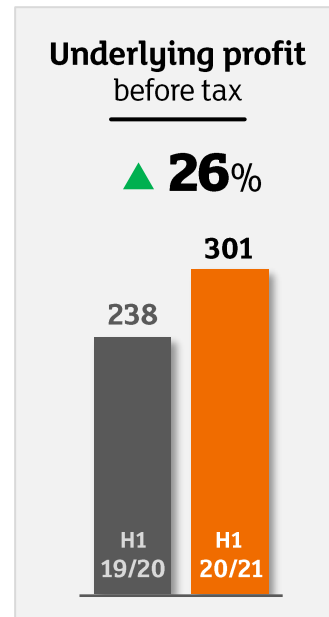
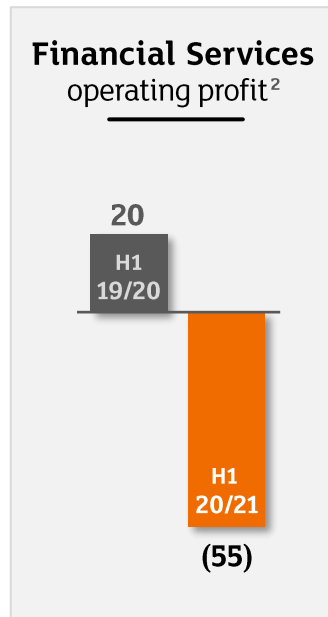
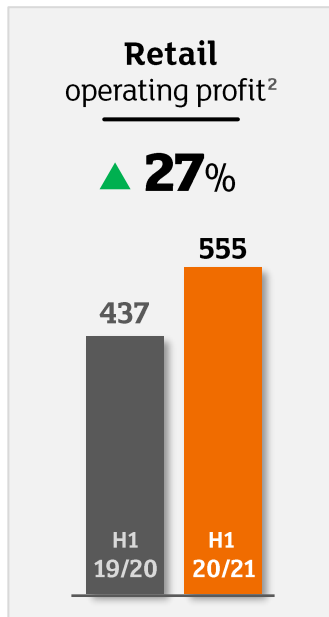
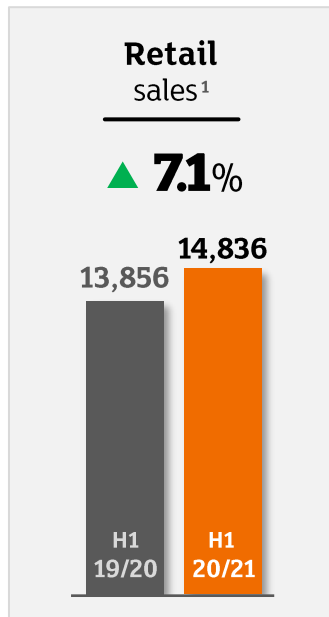
1

H1 financial highlights

2

**Strategy update and
operational performance**

Group performance overview



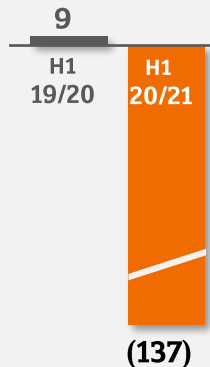
All figures £m

¹ Exc. Fuel. (Retail sales inc. Fuel (1.4)%)

² Underlying

Group performance overview

Statutory profit/loss before tax



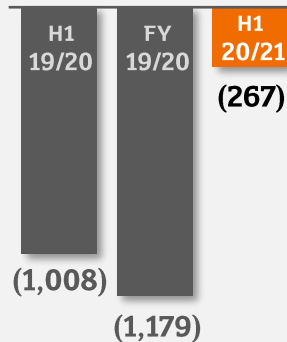
Free cash flow

▲ 35%

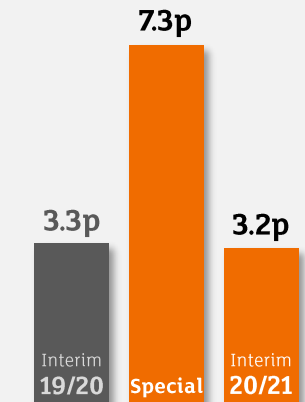


Net debt (excluding leases)

▼ £912m



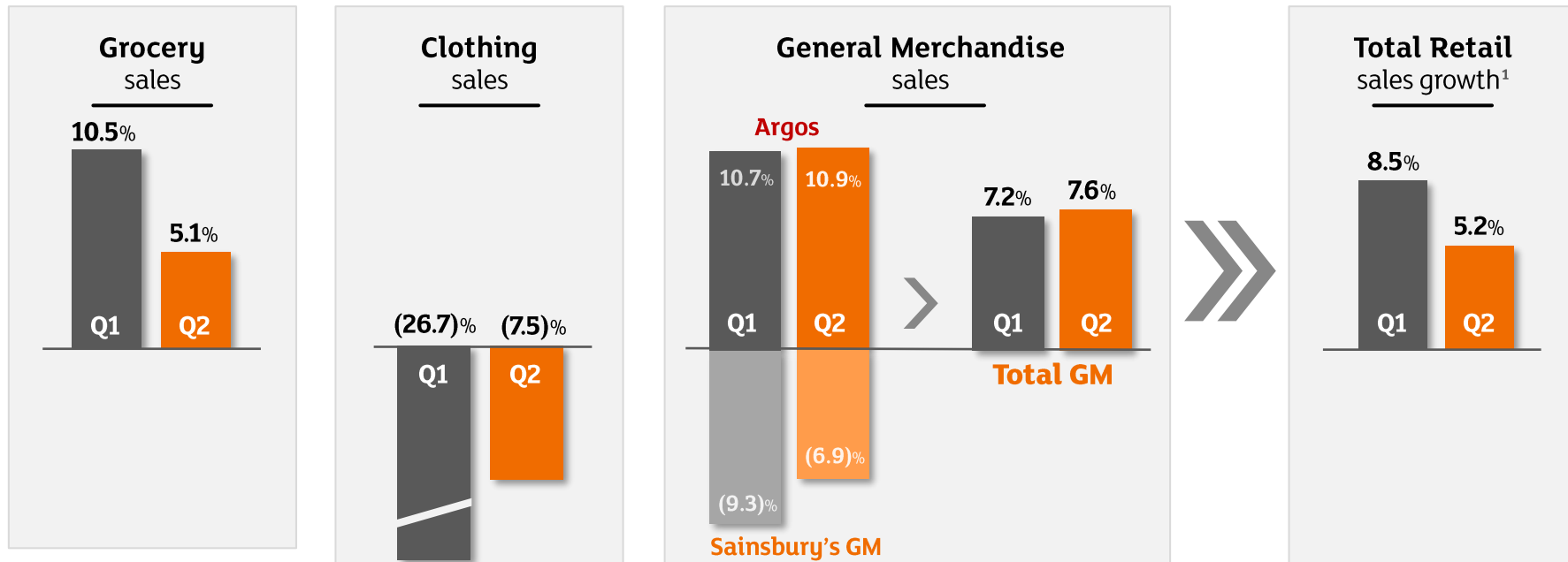
Dividend per share¹



All figures £m

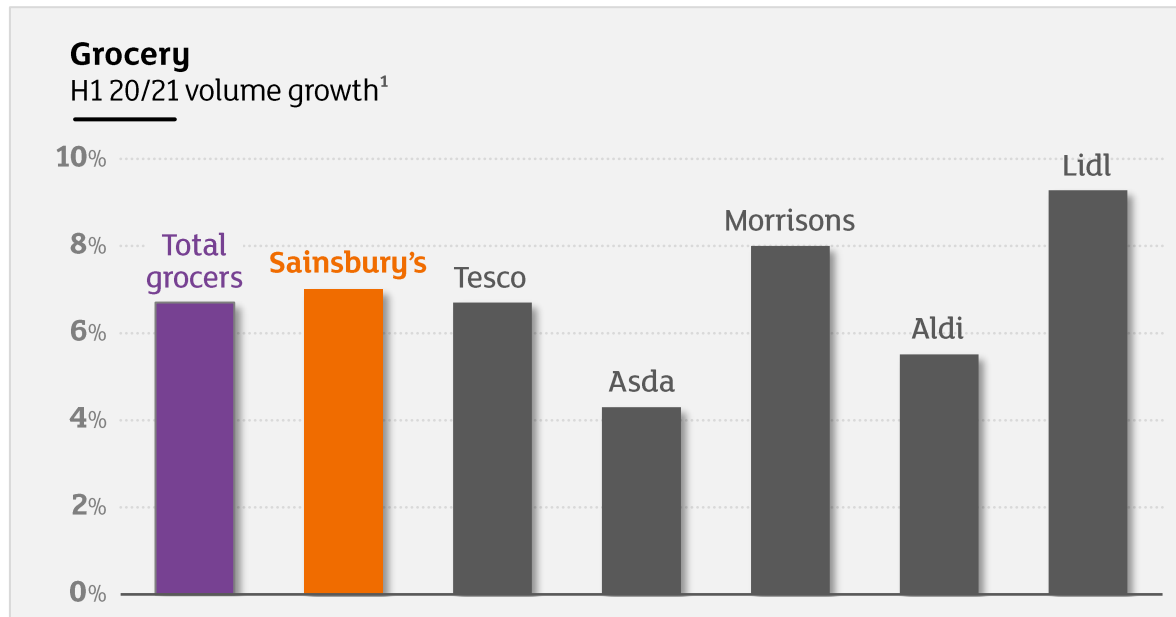
¹ Special dividend of 7.3p to be paid in lieu of final dividend for the 2019/20 financial year, aligned to policy of 1.9x full year dividend cover by underlying earnings. Interim dividend of 3.2p, in line with policy of paying 30 per cent of prior full year dividend

Retail sales growth by category



¹ Exc. fuel

Sales performance versus market

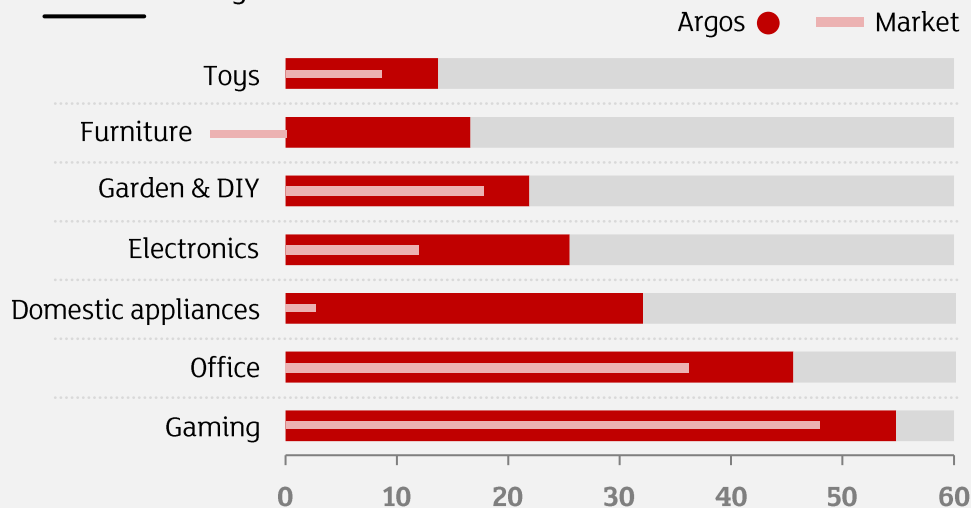


¹ Nielsen Panel volume growth YoY. Total FMCG (excluding Kiosk & Tobacco), H1 20/21. Market Universe: Total Outlets.

GM&C performance versus market

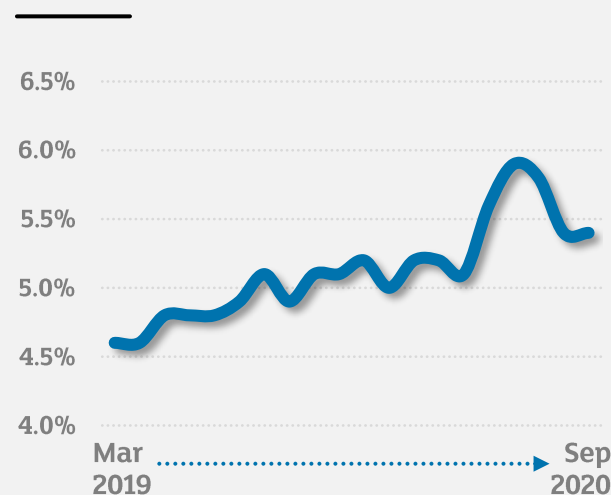
Argos

H1 20/21 sales growth vs market¹



Tu Clothing

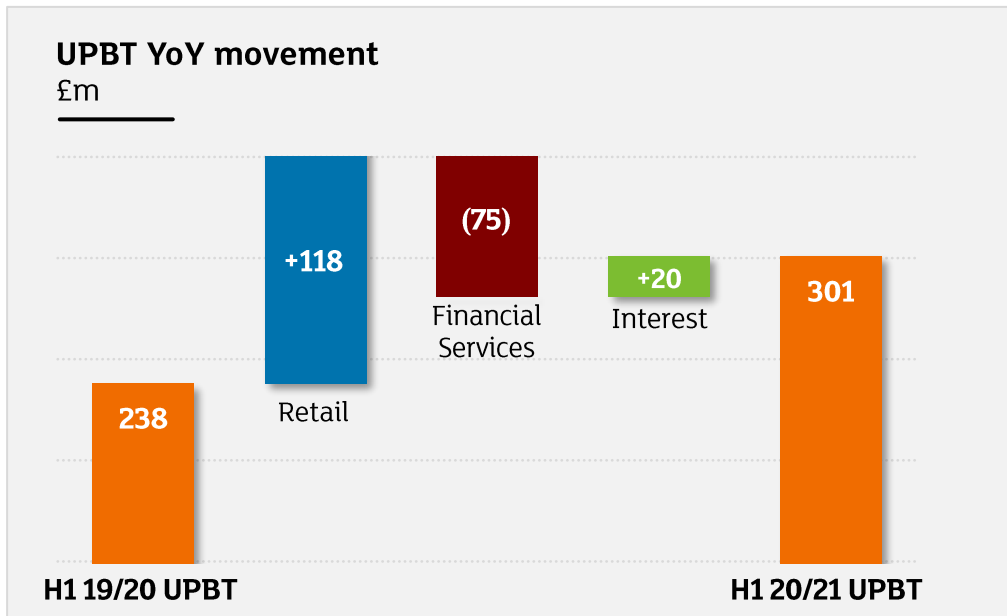
Market share²



¹ GfK market ex. Argos sales value growth, vs Argos sales growth. Toys market = NPD. Furniture = BRC. 28 weeks to 19 Sept 2020

² Kantar 24 week volume market share data: Total Clothing, Footwear and Accessories

Underlying profit before tax

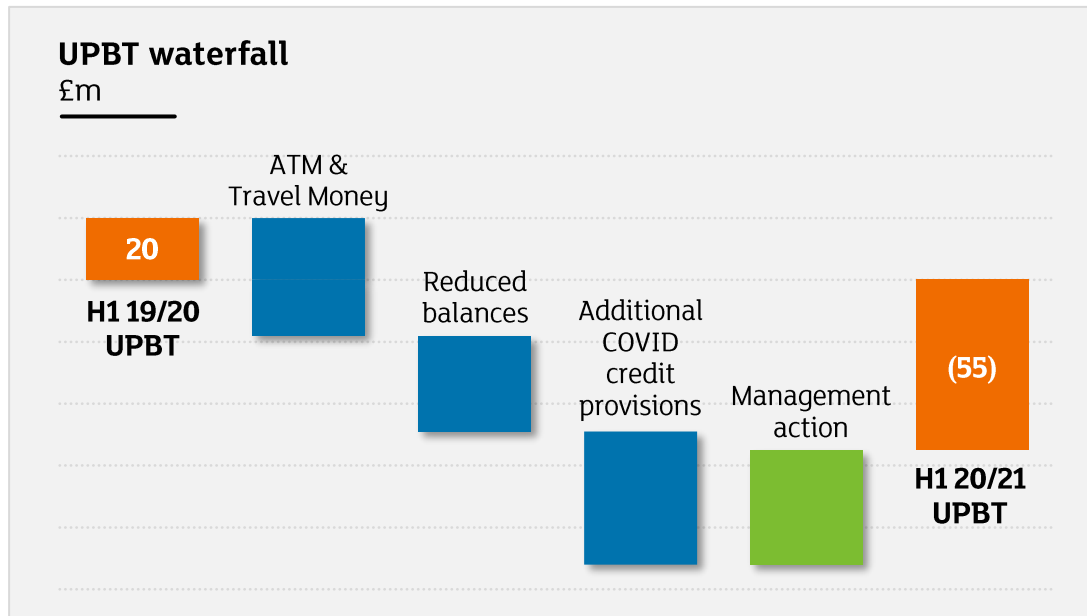


Retail COVID costs £m	H1 2020/21	FY 2020/21F
Colleague costs ¹	(179)	(290)+
Operating costs ²	(84)	(120)+
Other	(28)	(50)+
Total Retail COVID costs	(291)	(460)+
Business rates relief	230	453

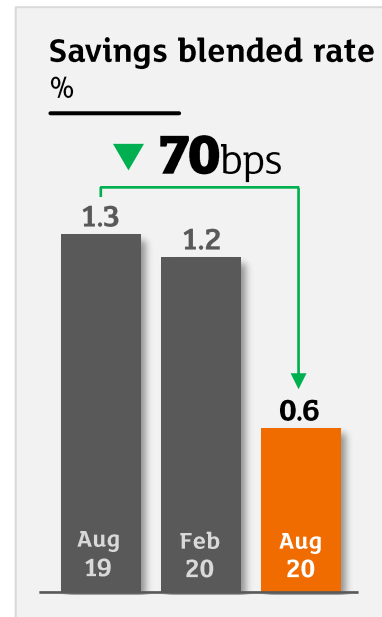
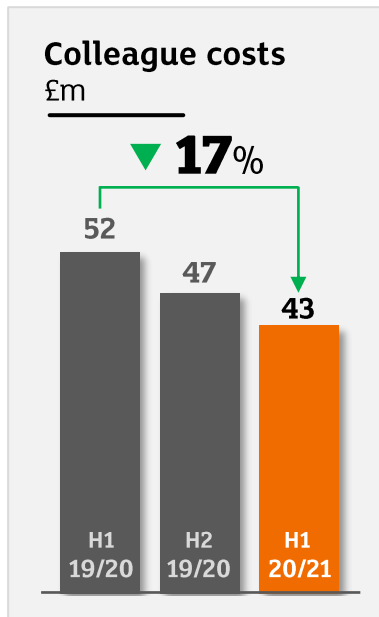
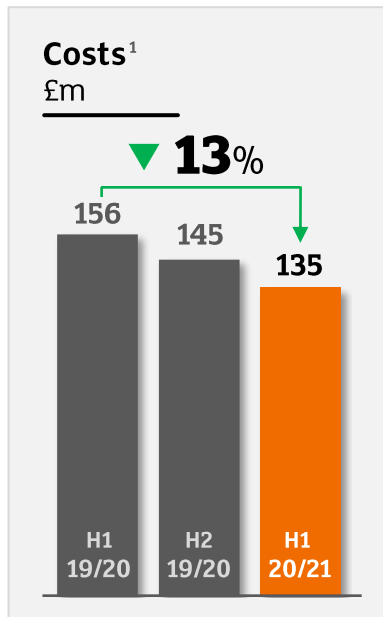
¹ Higher absence costs, pay for vulnerable colleagues, front line colleague bonus

² Customer and colleague protection measures, distribution costs, reduced rental income

Financial Services: UPBT bridge



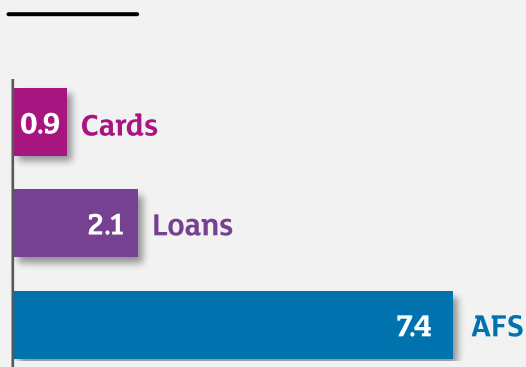
Financial Services: management action



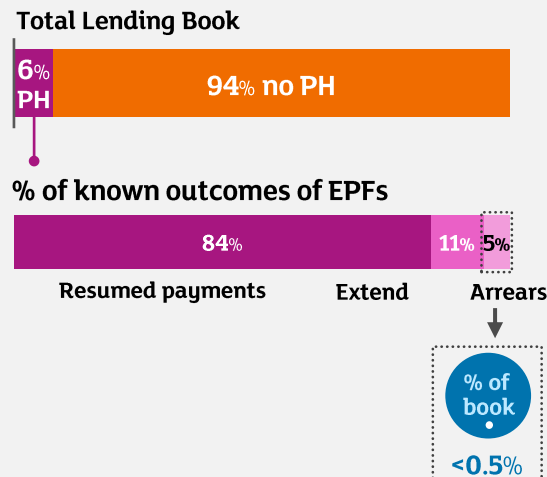
¹ Group contribution basis

Financial Services: quality of book

90+ days past due at 18 months^{1,2}



Payment holidays³



Credit Provisions

	Aug 19	Aug 20
Secured lending (gross) ⁴	£1.9bn	£1.6bn
Expected Credit Losses ⁵ (£m)	1	3
Coverage Ratio	0.0%	0.2%
Unsecured lending (gross)	£5.8bn	£4.9bn
Expected Credit Losses ⁵ (£m)	292	325
Coverage Ratio	5.0%	6.6%
Total lending (gross)	£7.7bn	£6.5bn
Expected Credit Losses⁵ (£m)	293	328
Coverage Ratio	3.8%	5.0%

¹ By volume. 3-monthly average to Sept 2020

² Cards and Loans comprise 83% of the Financial Services unsecured loan book, and AFS comprises 17% of the unsecured loan book

³ As % of balance sheet value. As at 18 Oct 2020

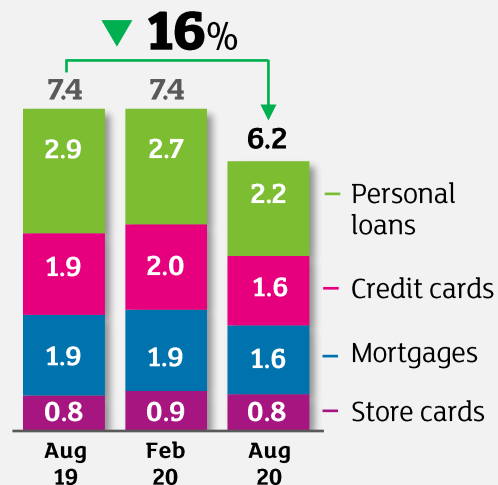
⁴ Amounts due from customers excluding provisions

⁵ Includes ECL provisions for on and off-balance sheet

Financial Services: balance sheet

Customer assets¹

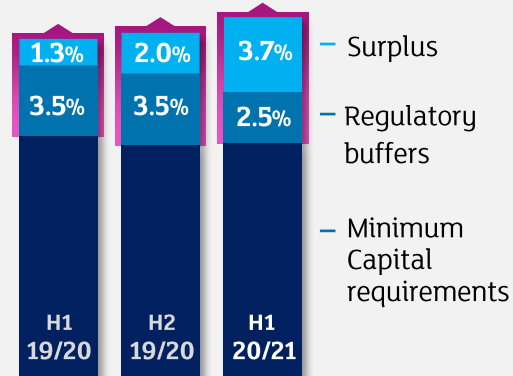
£bn



Capital ratios

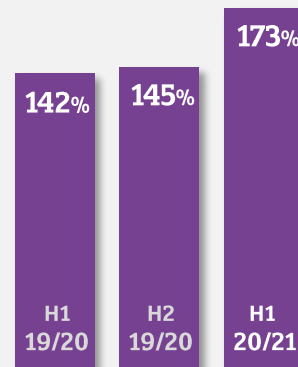
%

Protection during stress



Liquidity coverage ratio

12 mth avg, %



¹ Amounts due from customers net of provisions

Items excluded from underlying results

£m	H1 2020/21	H1 2019/20
Restructuring programmes ¹	(259)	(131)
Impairment charges ^{2,3}	(214)	(97)
Financial Services transition and other	(7)	(15)
Restructuring, impairment and integration	(480)	(243)
ATM business rates reimbursement	42	-
IAS 19 pension income/(expenses)	8	11
Property, finance and acquisition adjustments	(8)	3
Total items excluded from underlying results	(438)	(229)

Impairment charges and closure provisions relating to:

- Argos store closures
- Logistics integration

- Retail and Financial Services

Guidance

- Restructuring, impairment and integration one-off costs of £900m-£1bn by FY23/24 (c. £300m cash)
- c.£625m of total one-off costs in FY20/21 (c. £100m cash)

¹ PY restructuring includes Property Strategy Programme and Retail Restructuring

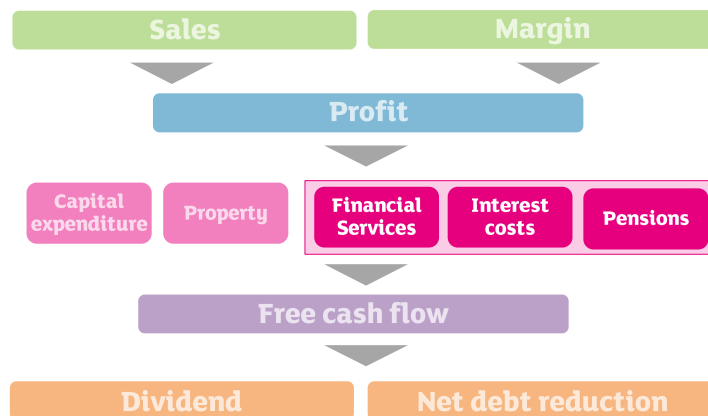
² The effect of COVID-19 and accelerated structural integration programme are deemed an impairment indicator in line with IAS 36. A full review has therefore been performed covering Retail and Financial Services assets

³ PY impairment charges were reported within the Property Strategy Programme in the prior year

Net debt and retail free cash flow

£m – IFRS 16 basis	H1 2020/21	H1 2019/20	
Net cash from operating activities	1,418	1,041	
<i>of which working capital movements</i>	571	251	
Capital expenditure	(290)	(248)	
Disposal proceeds ¹	41	172	
Bank capital injections	-	(35)	
Lease repayments ²	(226)	(232)	
Retail free cash flow	943	698	
Dividends paid on ordinary shares	-	(174)	
Other ³	(164)	44	
Movement in net debt	779	568	
Opening net debt⁴	(6,947)	(7,346)	
Closing net debt⁴	(6,168)	(6,778)	
Of which:			
Lease liabilities	(5,901)	(5,770)	FY 2019/20
Net debt excluding lease liabilities⁴	(267)	(1,008)	(1,179)

Structural changes made to improve cash flow:

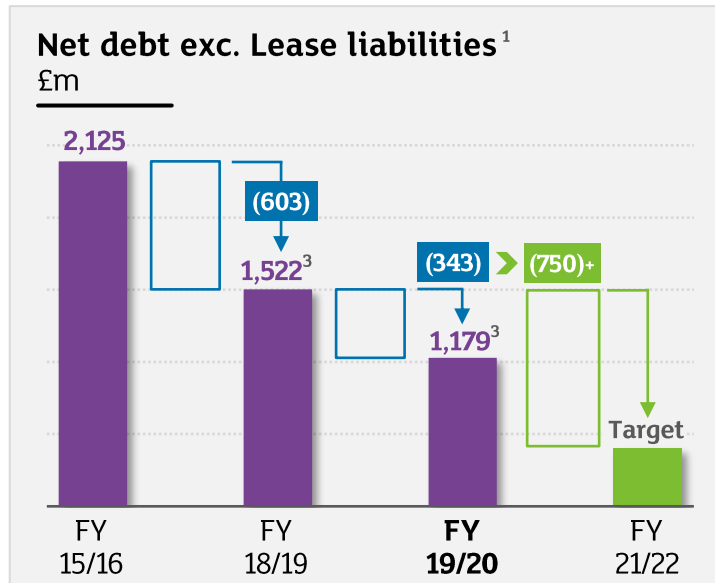


- 1 Includes dividends received from JVs, net of JV capital injections
- 2 Includes initial direct costs on right-of-use assets
- 3 Includes the net movement to lease liabilities, reflecting non-cash additions in the period offset by payments made. Also includes cash impact of share purchases and share issuances.
- 4 Net debt definition excludes derivatives not linked to borrowings, and includes perpetual securities as debt

▼ (912)

Balance sheet targets

- Net debt reduction of £750m+ by 21/22
- Medium leverage reduction target:
Net debt/EBITDAR² less than 3x



¹ Net debt definition now excludes derivatives not linked to borrowings, and includes perpetual securities as debt

² Net debt (inc. perpetual securities) on a post-IFRS 16 basis divided by Group underlying EBITDAR. We previously disclosed adjusted Net debt/ EBITDAR, but net debt on a post-IFRS 16 basis now includes lease liabilities

³ FY18/19 Net Debt exc. Leases of £1,522m compares to the previously reported Net Debt of £1,636m less £(122)m of finance leases, plus £8m other (predominantly derivatives no longer reported within net debt)

Summary and Outlook

Strong first half

- Excellent execution
- Strong, profitable digital sales growth and a particularly good contribution from Argos
- One-off costs reflecting accelerated ambition and change within strategy update
- Good underlying free cash flow generation
- Interim dividend and special dividend

Outlook – H2

- H2 Grocery and GM trading to date still strong
- Well set to deliver for an uncertain Christmas
- Investing in value

Outlook – Full Year

- Group UPBT up at least 5% year on year

J Sainsbury plc

Simon Roberts
Chief Executive Officer



Agenda

▶ H1 reflections and the impact of COVID

▶ Our business

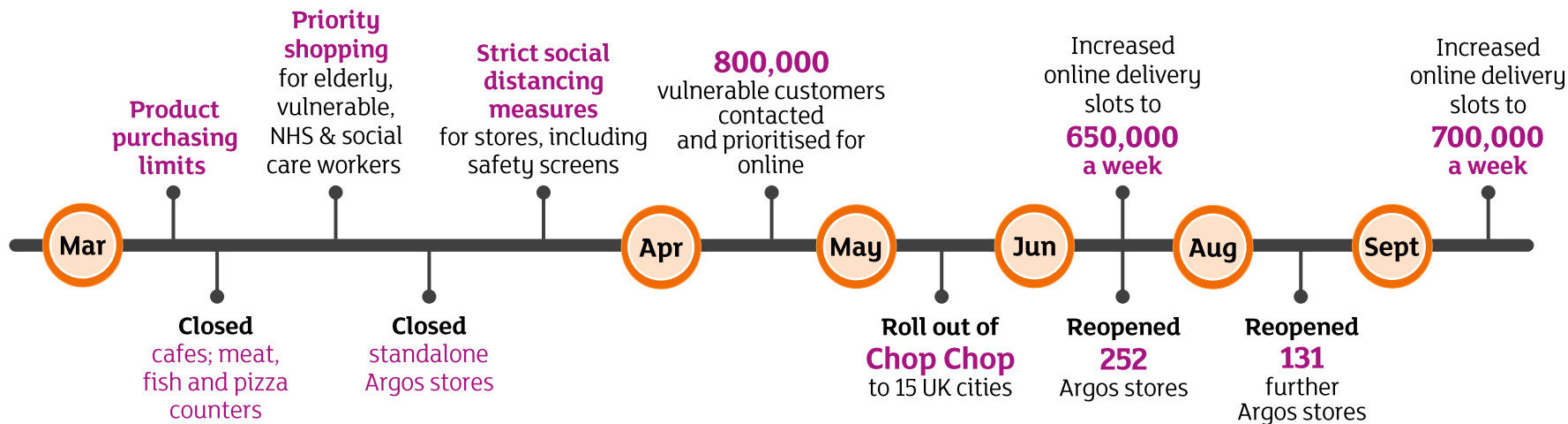
▶ Our purpose

▶ Our priorities

▶ What we will deliver

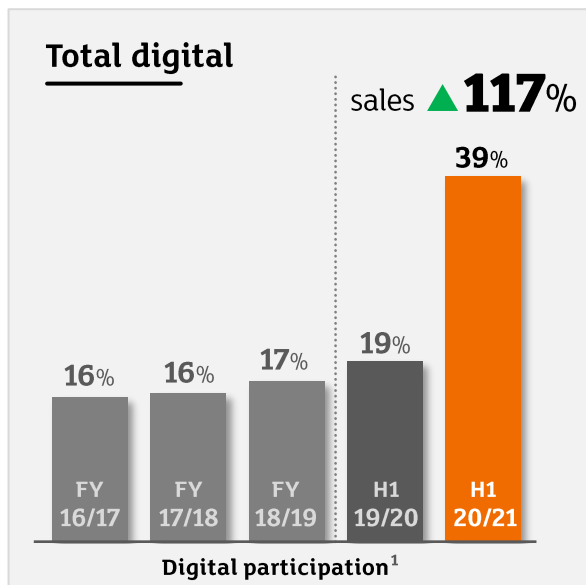
COVID-19

Sainsbury's Timeline

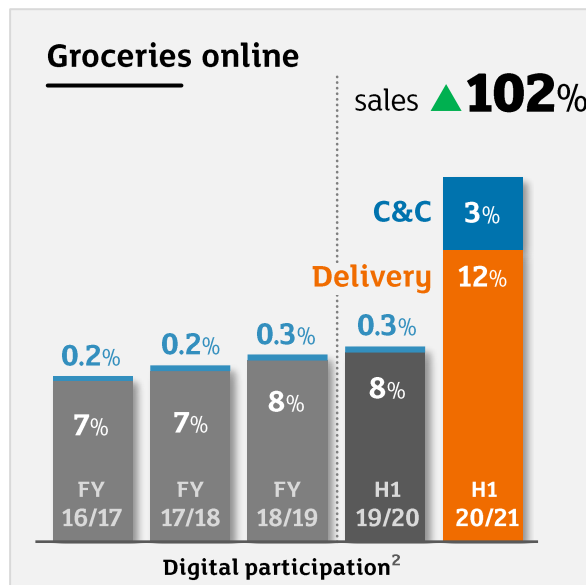


H1 digital sales £5.8bn

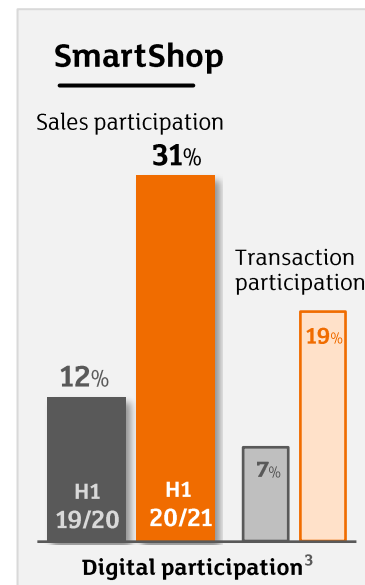
Rapid change in how customers want and need to shop



¹ Of total Retail sales exc. Fuel. Includes SmartShop sales

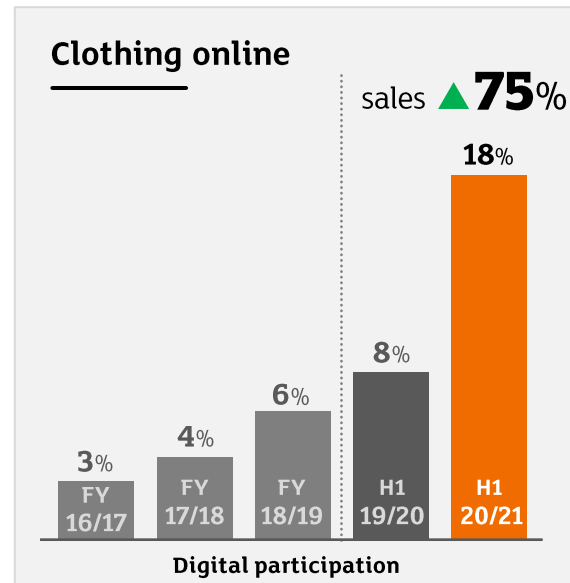
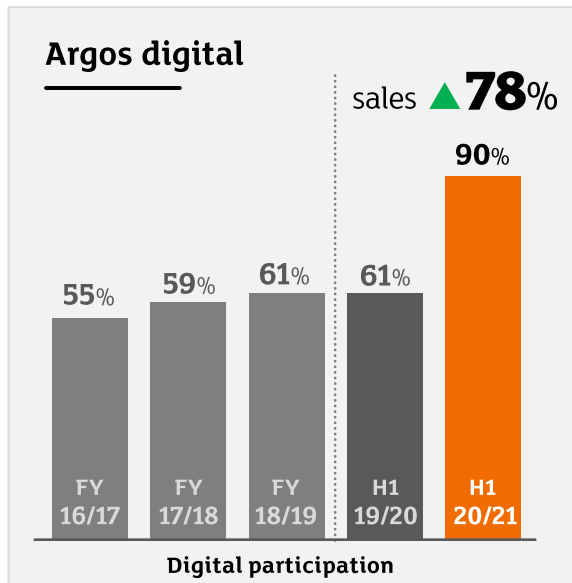


² Of total Grocery sales



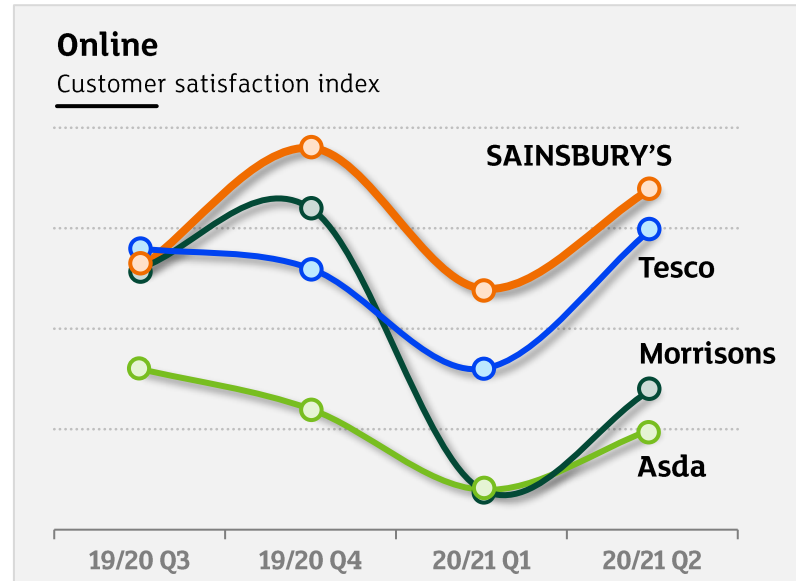
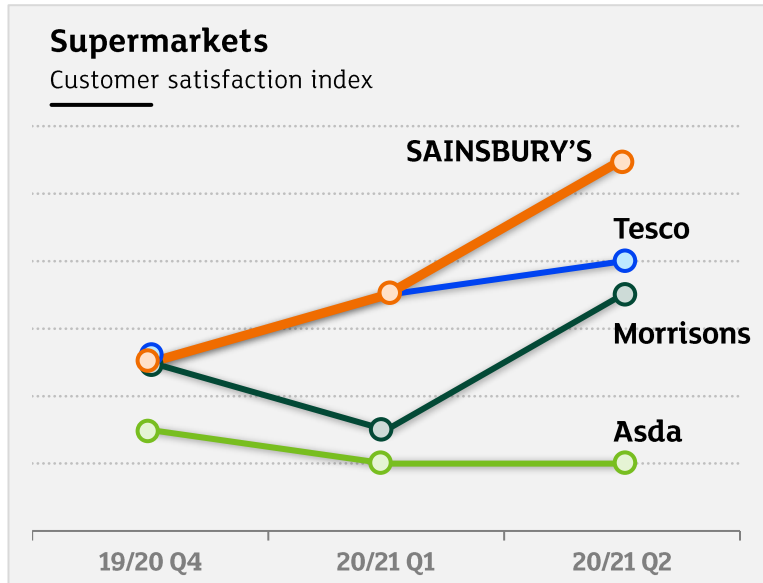
³ Participation in stores with handsets

90% of Argos sales are now online



Customers are positive about how we are handling the crisis

Higher customer satisfaction



Supermarket and Online customer satisfaction %. Source: Competitor benchmarking survey.

Dynamic market conditions



**No let up in
competitive
intensity**



**Accelerated
shift online**



**Continued
growth of
Amazon
in GM**



**Discounters
– ongoing
capacity
increase**



**Disruption for
sub scale
grocers and
food service
operators**

Key consumer trends and priorities

Flight to value



Shift to digital



Ultra convenience



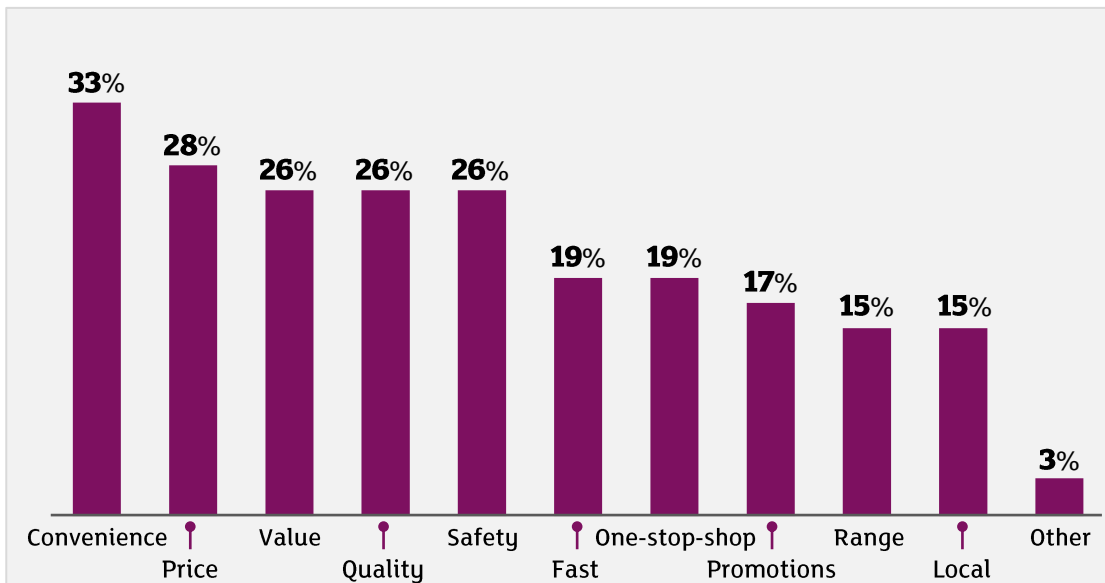
Source local, buy local



Health and sustainability



Customer Priorities¹



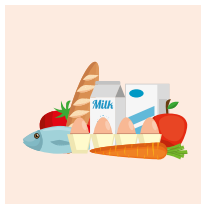
¹ Source: Bain EMEA COVID-19 Consumer/Shopper Survey, powered by Dynata; Wave 2 = Mid July 2020

Building on our brand and strong assets

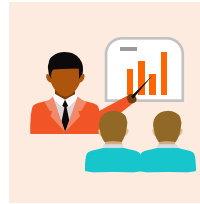


Sainsbury's

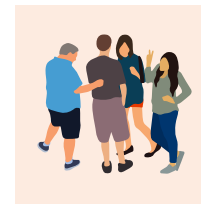
Sainsbury's brand
and own brand heritage



Scale
number 2 position in food



Strong operating cash flow



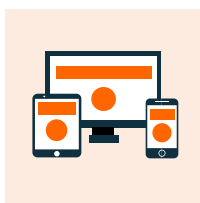
Attractive customer base



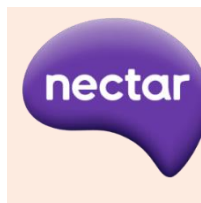
Our stores
Good catchments,
strength in convenience



Reputation for service



Online scale and capability



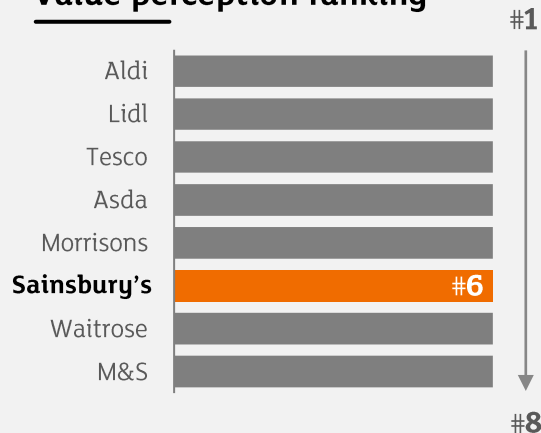
Nectar, investment in digital & innovation

Underpinned by data and technology innovation and capability

Listening to our stakeholders

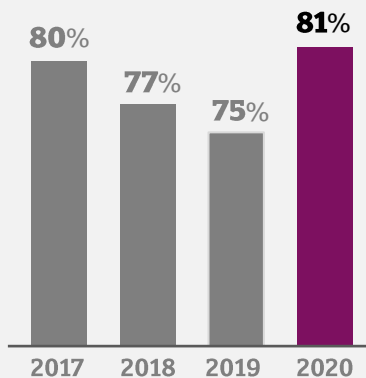
Customers

Value perception ranking ¹



Colleagues

Colleague engagement ²

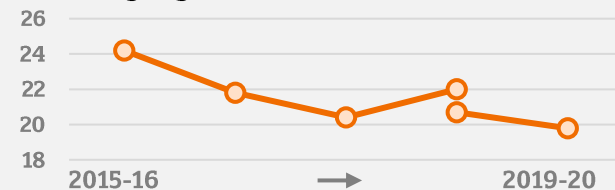


Suppliers



Shareholders

Underlying EPS



¹ Savanta Brand Tracking P7 2020 'Genuine value for money' perceptions (% agree)

² Sustainable engagement: strength of colleagues' connection to business over the long term

Driven by our passion for food

Together we
serve and
help every
customer



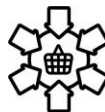
In the next 3 years we will transform our business

We are clear on our priorities



Food First

- Better value and innovation
- Underpinned by buying benefits and lower cost to serve



Brands that Deliver

- Customer and profit focus
- Supporting the core food business



Save to Invest

- Structurally lower operating costs to fuel investment in the core
- Cutting complexity and increasing pace of execution



Connected to Customers

Know and serve our customers better, use the power of Nectar



Net Zero 2040

Become net zero by 2040

What will be different?

From



To

Food as part of a portfolio of brands



Food back at the heart of Sainsbury's

Multi-brand, multi-channel 'ecosystem'



Portfolio brands supporting food, delivering for **customers and shareholders** in their own right

Cost savings offset by increases
- no change to net cost position



Structurally lower cost position
(by at least 2% of sales)

Bias to build



Pursue partnerships or outsource where faster

Weak earnings performance



Robust profit delivery, consistent dependable cashflow

Inconsistent metrics and linkage to incentives



7 key metrics, consistent reporting, linked to incentives

7 key metrics

Delivering for customers and driving stronger financial outcomes

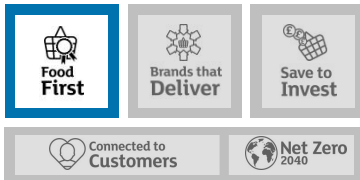
Operational

- Strong customer satisfaction scores
 - Maintain strong colleague engagement
 - Deliver our Net Zero commitment
-

Financial

- UPBT growth
 - Grocery market share performance
 - 200bp+ reduction in retail operating cost to sales
 - Dependable retail free cash flow: £500m pa average
-

Our priorities



- Better value and innovation
- Underpinned by buying benefits and lower cost to serve

- Improve real and perceived **value for money**
- Increase **innovation** pace
- Grow **Online** capacity and extend routes to market
- Expand physical points of distribution, focusing on **Convenience**
- Deliver **Net Zero** commitment
- **Tailor** price, proposition and operations to catchments and local customers
- Adapt **supermarket formats** for changing role and to drive efficiency
- Focus **customer service and operational excellence** on what matters for customers

Delivering better value to customers

Price investment

- Focus on **consistent value**
- Addressing **price perception gap**
- Stronger **communication**
- Focus on **fresh foods**

Price Lock:



Price Drop:

Over 300 prices dropped in October

Volume uplift¹

Meat, fish and poultry

Pre-investment

Post-investment

▲ **11%**



+27%²



+10%²

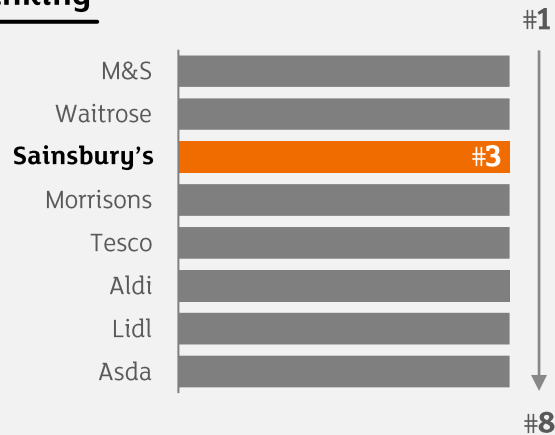
¹ Growth in volume across all invested MFP SKUs, weeks 32-33 20/21 vs weeks 22-30 19/20

² Volume growth of individual SKUs, weeks 32-33 20/21 vs weeks 22-30 19/20

We will reignite food innovation

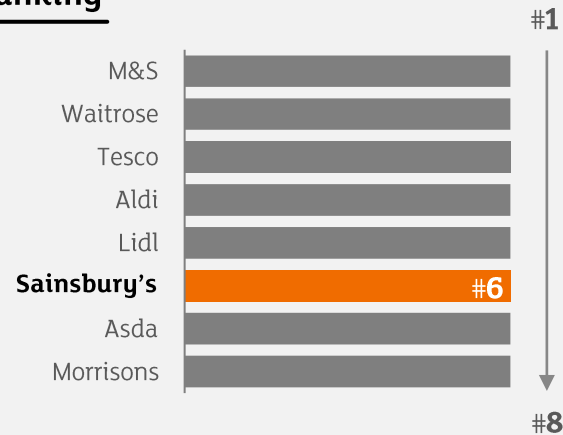
Perception of Quality¹

Ranking



Perception of Innovation²

Ranking



¹ Source: YouGov. Total Population. Net score for question "which brand represents good or poor quality" 12 week rolling average to 4 Sept 2020

² Source: Savanta Brand Tracking. 6 month average score to P7 20/21. Question: "Provides innovative and exciting food and grocery products that I can't get anywhere else"

We will reignite food innovation

We will:

Triple the number of
new product launches

Expand our in-house
innovation team

Speed up the
product development
process by 1/3

Focus on
Taste the Difference,
organic and healthier products



Our Net Zero sustainability plan

Four focus areas over the next 3 years



Reduce carbon emissions
within own operations
to Net Zero

Carbon emissions down
14% YOY

LED programme on track
to complete by end of
2022



Healthy & sustainable diets
for all

Expansion of meat-
alternative range,
Plant Pioneers

Continued to expand
Love Your Veg! range -
further launches
planned for next year



Reduce food waste
by 50% by 2030

Food waste down
23% YoY

Working with WRAP
to implement best
practice guidance
on labelling



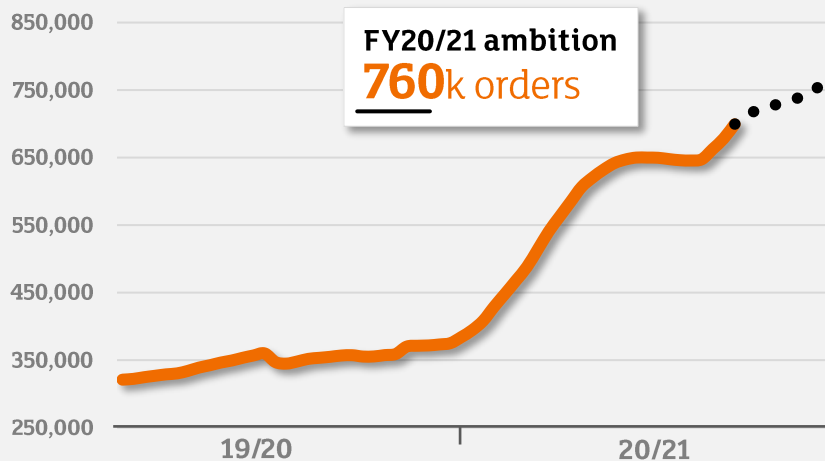
Reduce plastic packaging
by 50% by 2025

Collaborating with food
manufacturers,
packaging suppliers,
raw material scientists



Groceries Online: growing volume, improving profitability

Orders more than doubled¹

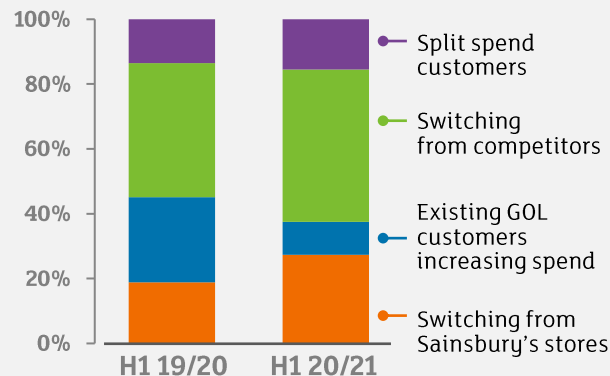


¹ Weekly GOL orders, 12 week rolling average

² Nielsen: Source of Sainsbury's GOL spend growth P7 20/21 vs P7 19/20

Incremental growth

More than half of GOL spend growth is from customers new to Sainsbury's²



Groceries Online: driving productivity

Rapid profitable expansion leveraging technology investments

Orders per van

+35%¹

Average basket size

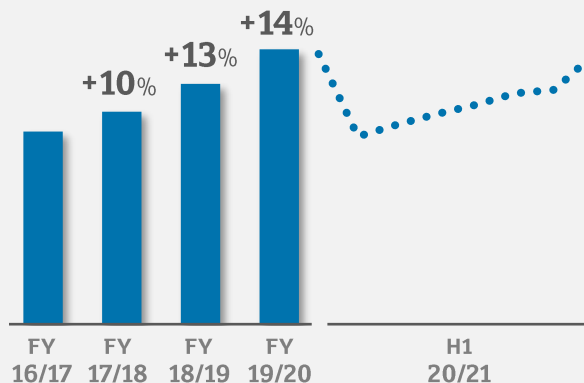
+17%

Click and Collect
participation

from **3%** to **20%**²

Further productivity opportunities

Items picked per hour



¹ exc. C&C orders

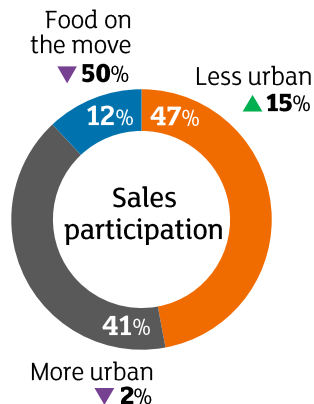
² Sales participation of total groceries online sales H1 20/21 vs H1 19/20

Convenience: accelerating our ambition

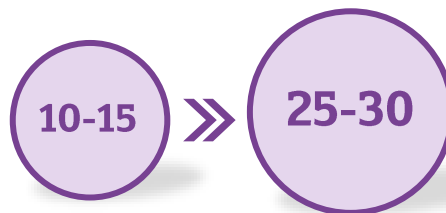
Strong local performance

H1 YoY Growth

Sales
+15%
in local
'less urban'
stores



Acceleration of ambition



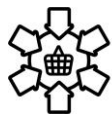
new convenience stores and neighbourhood hubs per year

New formats





Our priorities



**Brands that
Deliver**

- Customer and profit focus
- Supporting the core food business



Tu

habitat 

Reduce cost to serve
Improve profit delivery



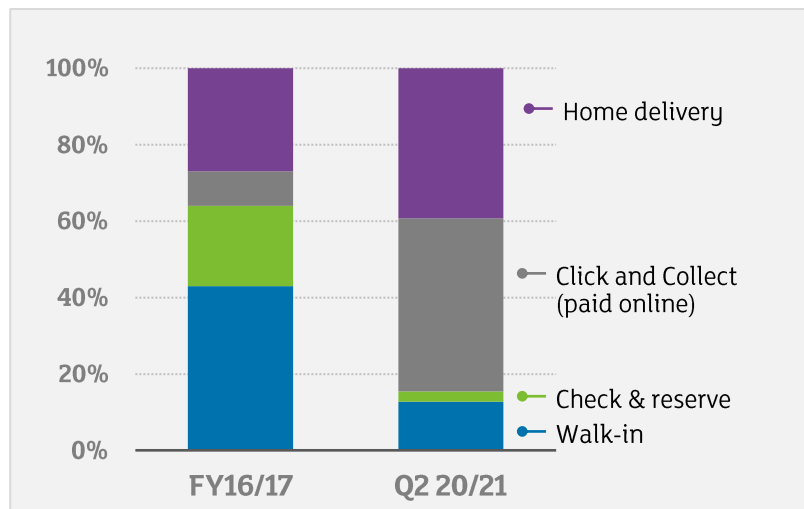
Focus on food, coalition
and data monetisation

**Sainsbury's
Bank**

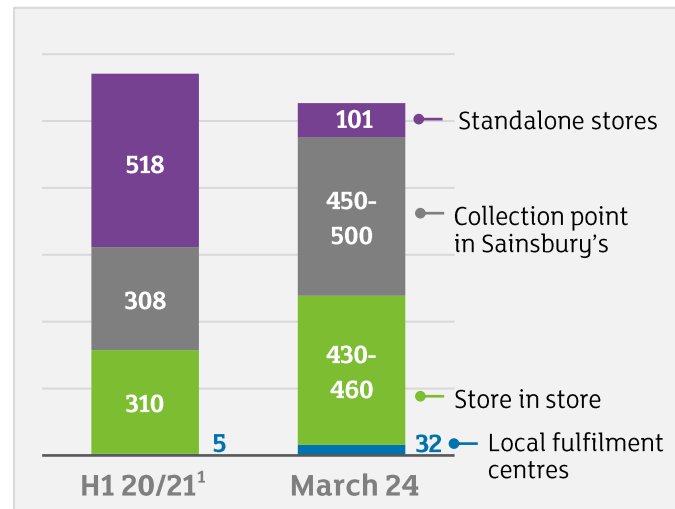
Deliver 5 year plan

Argos: accelerating store rationalisation

Customers have changed the way they shop



Our store rationalisation plan



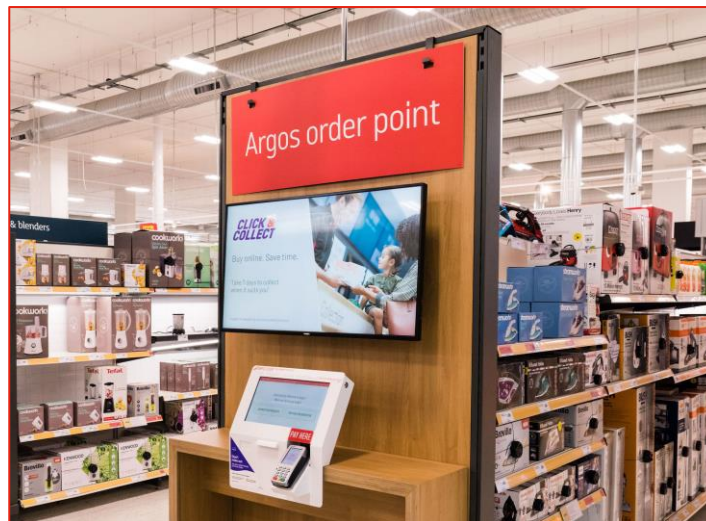
¹ exc. Republic of Ireland stores

Argos: lower cost to serve, improved customer offer

Argos

Lower cost to serve
£105m¹
profit improvement

- Stock reduction:
working capital benefit
- Improved availability
- Lower prices
- Catalogue



¹ by March 2024

Expanding the reach of the Habitat brand

- Bringing Habitat together with Sainsbury's and Argos
- Will become lead Home and Furniture own brand in Sainsbury's and Argos
- Integrating systems, fulfilment and commercial operations
- Rationalising Habitat store network
- £12m annual operating cost savings

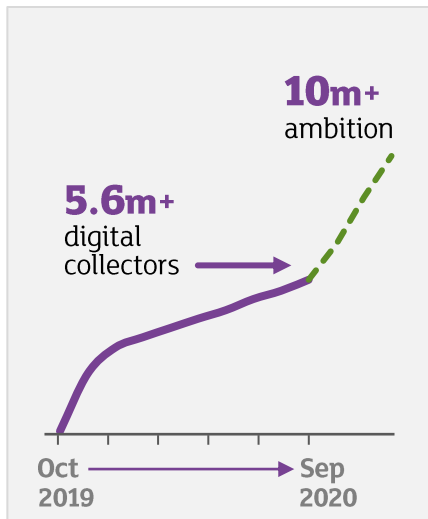


Nectar: supporting Food First, accelerating media revenue plans

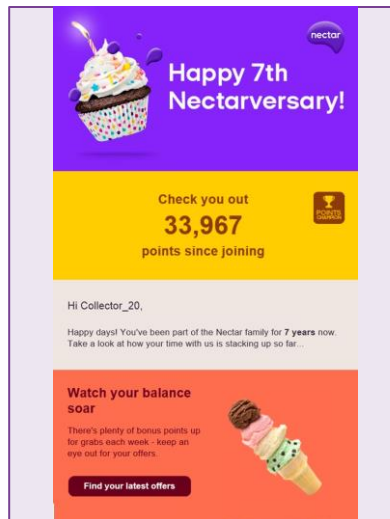
Enhanced focus

- Leveraging data to support 'Food First'
- Faster profit growth from digital media business

Digital Nectar



Personalised value



Nectar 360



Nectar: supporting the portfolio, growing the coalition

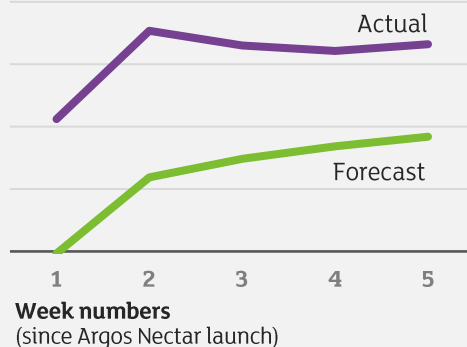
Additional priorities

- Support the portfolio
- Grow coalition

Integration of Argos

Argos Nectar spend participation ahead of plan

Spend penetration



Role of coalition



Financial Services

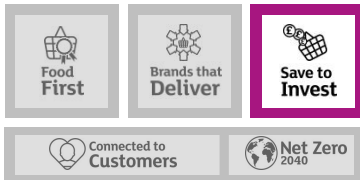
Material short term COVID-19 impact but on track for longer term commitments

- | | |
|---|---|
| 1 Stop putting cash into Financial Services | » No capital input from the group ¹ |
| 2 Improve returns | » Double UPBT; double digit ROCE within 5 years |
| 3 Financial services cash generative | » Upstream cash within 5 years ² |
| 4 Transform the cost base | » Cost to Income c.50% ³ within 5 years |
| 5 Reduce risk profile to group | » Mortgage acquisition ceased; stable balance sheet |
| 6 Focus on Sainsbury's customer base | » Increase connectivity and value for group |

¹ Subject to regulatory changes/ requirements

² Subject to regulatory approval

³ on a Group contribution basis



Save to Invest

- Structurally lower operating costs to fuel investment in the core
- Cutting complexity and increasing pace of execution

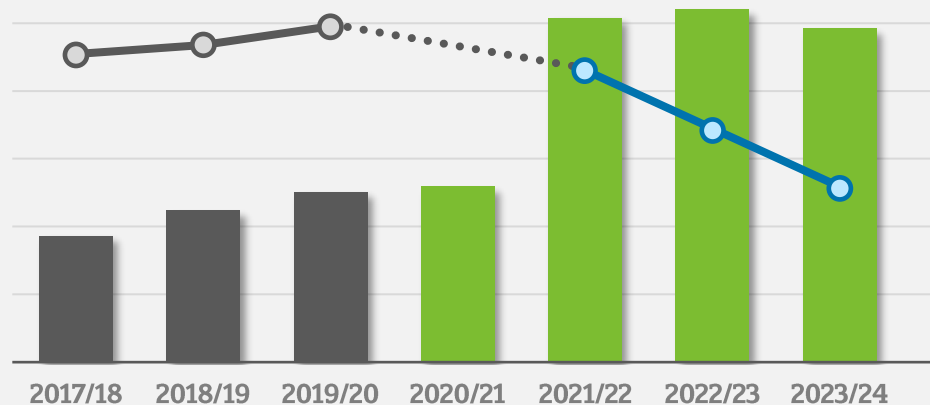
Structural change to accelerate cost reduction

- Reduce operating costs to **fuel investment in the core**
- Transform our approach to costs and radically simplify our organisation
- Reduce retail operating costs to sales by more than **200bp**
- Work with suppliers to drive value

Strategic cost reduction: £600m additional headroom

Reduce retail operating costs/ sales % by 200 bp+
£m

Retail op. costs/ sales %



■ Cost savings, £m

— Op. costs/ sales, %

Accelerated cost saving plans

- Addressing inflationary cost pressures and volume related increases
- Meeting increased groceries online demand
- Creating £600m of additional annualised capacity creating firepower to invest in the offer and drive returns

Key cost reduction imperatives

- Significant increase in ambition and pace of cost reduction
- Simplification, prioritisation and structural reduction
 - Cross-functional opportunities and reduction in-function

Key examples¹

£150m

Supply chain
and logistics

£105m

Argos store transformation
and fulfilment model

£60m

Counter closures

£30m

Sainsbury's property
rationalisation

¹ by March 2024

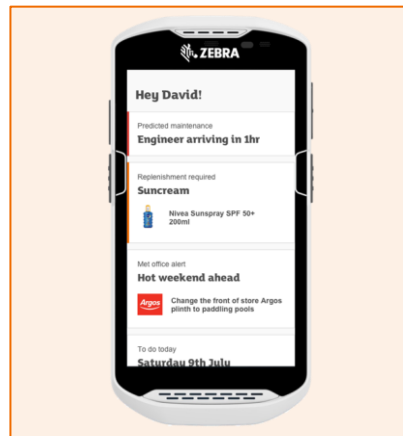
Technology investment supporting performance and efficiency

Focus on simplification, back end integration, cost reduction through innovation

Customer experience



Colleague experience



Structural agility and efficiency



Strategic growth

N E C
T A R
3 6 0

Creating the team to deliver

Know our customers



Mark Given
Chief Marketing Officer

- Understand customer needs
- How we connect with our customers
- Unlock power of Nectar

Buy, range and innovate



Rhian Bartlett
Food Commercial
Director



Mike Luck
GM&C Commercial
Director

- Design and build winning product and value proposition

Serve our customers



Clo Moriarty
Retail and Digital Director

- Serving customers wherever and however they want to shop with us

What will be different?

From



To

Food as part of a portfolio of brands



Food back at the heart of Sainsbury's

Multi-brand, multi-channel 'ecosystem'



Portfolio brands supporting food, delivering for **customers and shareholders** in their own right

Cost savings offset by increases
- no change to net cost position



Structurally lower cost position
(by at least 2% of sales)

Bias to build



Pursue partnerships or outsource where faster

Weak earnings performance



Robust profit delivery, consistent dependable cashflow

Inconsistent metrics and linkage to incentives



7 key metrics, consistent reporting, linked to incentives

Delivering for shareholders

Profit inflection

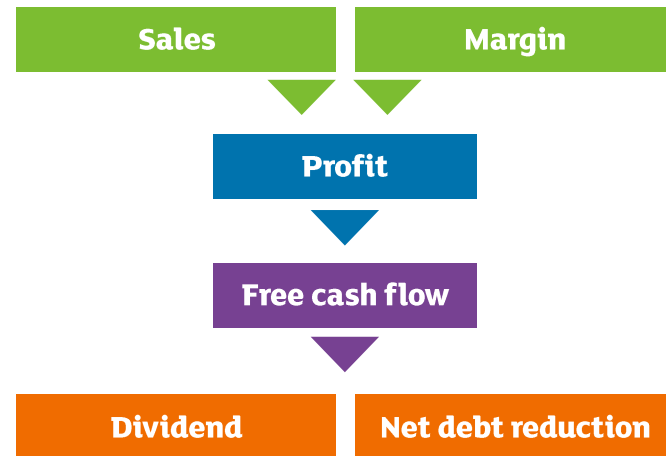
- Cost transformation: 200bp reduction in cost to sales
- Working with suppliers to unlock value
- Funding stronger food performance
- 2021/22 UPBT higher than 2019/20¹

High returning capital projects

- Reducing cost to serve and improving working capital
- Argos transformation capital cost £143m, annual cost reduction £105m²
- Logistics and infrastructure capital cost £209m, annual cost reduction £150m²
- Capital expenditure £700m-£750m p.a. 3 years to March 2024
- Total one-off costs £900m-£1bn to March 2024, of which around £300m cash

Strong free cash flow

- £750m net debt reduction March 2019 to March 2022
- £500m average FCF for the three years to March 2025
- Sustainable, well covered dividend



¹ 2019/20 UPBT £586m

² by March 2024

In the next 3 years we will transform our business

We are clear on our priorities



Food First

- Better value and innovation
- Underpinned by buying benefits and lower cost to serve



Brands that Deliver

- Customer and profit focus
- Supporting the core food business



Save to Invest

- Structurally lower operating costs to fuel investment in the core
- Cutting complexity and increasing pace of execution



Connected to Customers

Know and serve our customers better, use the power of Nectar



Net Zero 2040

Become net zero by 2040

J Sainsbury plc

Q&A



J Sainsbury plc

Appendices



Guidance for 2020/21

Profit

- FY 20/21 Group UPBT expected to be at least 5% higher than 19/20
- Group UPBT in FY21/22 expected to exceed level reported in FY19/20

Space

- In FY 20/21, Sainsbury's expects to open two supermarkets and 15-20 new convenience stores and to close c.11 supermarkets and c.16 convenience stores
- In FY 20/21, Argos expects to open 30-35 stores in Sainsbury's, and close c.170 Argos standalone stores
- The standalone Argos store estate will reduce to c.100 stores by March 2024, while we expect to open up to 150 new Argos stores in Sainsbury's supermarkets and 150-200 collection points

Depreciation and amortisation

- Depreciation and amortisation expected to be c. £1.2bn, including c.£500m right of use asset depreciation

Financial Services

- Financial Services is expected to report an underlying profit in H2 of FY 20/21
- No capital injections into the Bank are expected

Finance costs

- Net finance costs of c.£360m, including c.£300m lease interest.

One-off items

- Restructuring, impairment and integration one-off costs of £900m-£1bn by FY23/24 (c. £300m cash)
- c.£625m total one-off costs in FY20/21 (c. £100m cash)

Dividend

- Fixed at 1.9x cover by underlying earnings

Net debt

- Expect non-lease net debt to reduce by at least £750m by 21/22
- £500m average FCF for the three years to March 2025

Capital expenditure

- Core retail cash capital expenditure is expected to be c.£600m in FY 20/21
- Expected to be c. £700-750m in the 3 years to March 2024, reflecting investment in high-returning supply chain, logistics and infrastructure projects

Leverage

- Medium term leverage reduction targets of Net Debt/EBITDAR of less than 3x

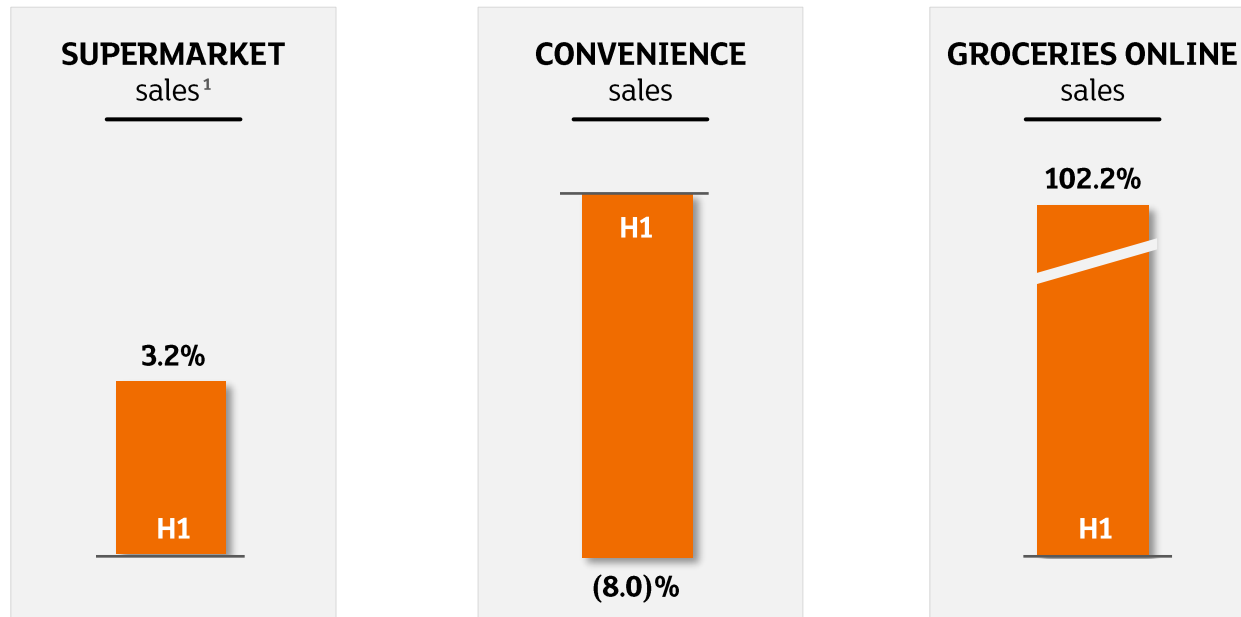
Tax rate

- Expect an underlying tax rate in 20/21 of c.26 per cent

Retail sales

Total sales performance by category £bn, inc. VAT	28 weeks to 19 September 2020	28 weeks to 21 September 2019	H1 sales growth
Grocery	11.2	10.3	8.2% ▲
General Merchandise	3.2	3.0	7.4% ▲
Clothing	0.4	0.5	18.3% ▼
Retail (exc. fuel)	14.8	13.9	7.1% ▲
Fuel sales	1.5	2.7	44.6% ▼
Retail (inc fuel)	16.3	16.6	1.4% ▼

Grocery sales growth by channel

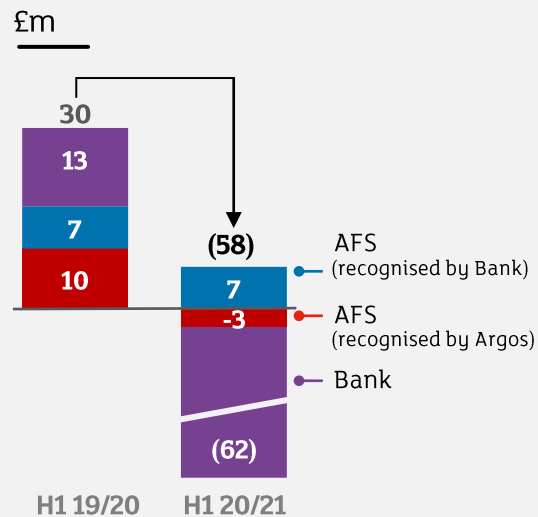


¹ inc. Argos stores in Sainsbury's

Financial Services

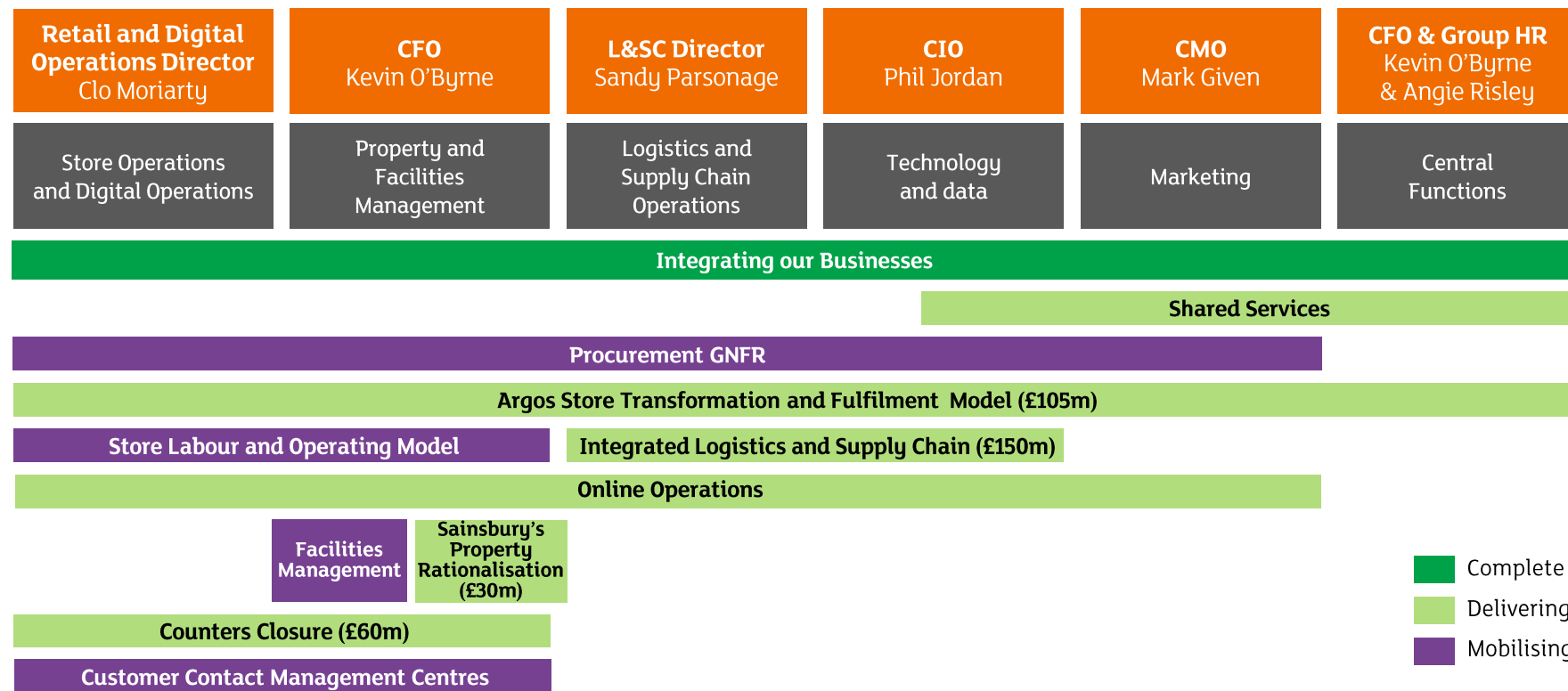
Group contribution basis	H1 2020/21	H1 2019/20	Change
Total income ¹	£170m	£233m	27% ↓
Underlying operating profit	£(58)m	£30m	293% ↓
Customer lending ^{2,3}	£6.2bn	£7.4bn	£1.2bn ↓
Customer deposits ³	£5.4bn	£6.3bn	£0.9bn ↓
Active customers – Bank	2.0m	2.1m	5% ↓
Active customers – Argos FS	2.3m	2.2m	5% ↑
Cost/income ratio	79%	67%	12% ↑
Net interest margin ⁴	3.1%	3.5%	40bps ↓
Bad debt as a percentage of lending ⁵	2.7%	1.3%	140bps ↑
CET 1 Ratio ⁶	14.9%	13.7%	120bps ↑
Total Capital Ratio ⁷	17.8%	16.7%	110bps ↑
Liquidity Coverage Ratio ⁸	173%	142%	310bps ↑
Total Resource	2,103	2,367	11% ↓

Financial Services UPBT



- 1 Net interest, net commission and other operating income
- 2 Amounts due from customers at the Balance Sheet date in respect of loans, mortgages, credit cards and store cards net of provisions
- 3 Amounts due from customers at the Balance Sheet date (comparative is Feb-20) in respect of loans, mortgages, credit cards and store cards net of provisions.
- 4 Net interest receivable / average interest-bearing assets
- 5 Bad debt expense / average net lending
- 6 Common equity tier 1 capital / risk-weighted assets
- 7 Total capital / risk-weighted assets
- 8 Liquidity coverage ratio 12 month average

Key cost reduction programmes



Sainsbury's sales area and store numbers

As at 19 September 2020

Supermarkets

	Area (‘000 sq ft)	Number
Opening figures 2020/21	21,167	608
New stores	-	-
Closures	-	-
Replacement stores	-	-
Extensions / refurbishments / downsizes	(1)	-
Space optimisation	-	-
Closing figures H1 2020/21	21,166	608

Convenience

	Area (‘000 sq ft)	Number
Opening figures 2020/21	1,898	807
New stores	14	5
Closures	(5)	(2)
Replacement stores	-	-
Extensions / refurbishments / downsizes	6	-
Space optimisation	-	-
Closing figures H1 2020/21	1,913	810

Total

	Area (‘000 sq ft)	Number
Opening figures 2020/21	23,065	1,415
New stores	14	5
Closures	(5)	(2)
Replacement stores	-	-
Extensions / refurbishments / downsizes	5	-
Space optimisation	-	-
Closing figures H1 2020/21	23,079	1,418

Sainsbury's store estate

As at 19 September 2020

Number of stores

Sq ft sales area	Under 10,000	10,000 to 20,000	20,001 to 40,000	40,001 to 60,000	Over 60,000	Total
Convenience	810	0	0	0	0	810
Supermarkets	45	122	198	177	66	608
Total stores	855	122	198	177	66	1,418

Space by store size ('000 sq ft)

Sq ft sales area	Under 10,000	10,000 to 20,000	20,001 to 40,000	40,001 to 60,000	Over 60,000	Total
Convenience	1,913	-	-	-	-	1,913
Supermarkets	350	1,830	5,808	8,593	4,584	21,166
Total stores	2,263	1,830	5,808	8,593	4,584	23,079

Argos and Habitat store numbers

	As at 7 March 2020	New stores	Disposals/closures	As at 19 Sept 2020
Argos stores	570	-	(14)	556
Argos in Sainsbury's	306	4	-	310
Argos in Homebase	6	-	-	6
Other	-	-	-	-
Argos total store numbers	882	4	(14)	872
Argos Collection points	281	31	(4)	308
Habitat ¹	16	-	-	16
Total Argos and Habitat points of presence	1,179			1,196

Sainsbury's investment programme

H1 2020/21

Convenience

New stores

Milton Wootton, Folkes Road	Q2
Greenwich, Banning Street	Q2
Leicester Square	Q2
Swindon, Tadpole Garden Village	Q2
Camden, Abbey Road	Q2

Closures

Garforth	Q2
Liverpool, Bold Street	Q2

Retail margin

As of 21 September 2020

£m	H1 2020/21	H1 2019/20	Change
Retail sales (inc VAT, inc fuel)	16,338	16,567	1.4% ↓
Retail sales (ex VAT, inc fuel)	14,715	14,808	0.6% ↓
Retail underlying EBITDAR ¹	1,194	1,067	11.9% ↑
Retail underlying EBITDAR margin % ²	8.11	7.20	91bps ↑
at constant fuel prices	8.02	7.20	82bps ↑
Retail underlying operating profit ³	555	437	27% ↑
Retail underlying operating margin % ⁴	3.77	2.95	82bps ↑
at constant fuel prices	3.73	2.95	78bps ↑

¹ Retail underlying operating profit before net rental income of £4 million and underlying depreciation and amortisation of £635million

² Retail underlying EBITDAR divided by underlying retail sales excluding VAT

³ Retail underlying earnings before interest, tax and Sainsbury's underlying share of post-tax profit from joint ventures

⁴ Retail underlying operating profit divided by underlying retail sales excluding VAT

Group retail

	H1 2020/21	H1 2019/20
Return on capital employed ¹	7.9%	7.1%
Net debt to EBITDAR ²	2.7x	3.1x
Fixed charge cover ³	2.8x	2.6x
Underlying tax rate	27.6%	26.5%
Core retail capex / sales ⁴	1.9x	1.8x

¹ ROCE: Return is defined as a 52 week rolling underlying profit before interest and tax. Capital employed is defined as group net assets excluding the pension deficit/surplus and excluding net debt. The average is calculated on a 14 point basis.

² Net debt of £6,168 million includes lease obligations under IFRS 16 and perpetual securities treated as debt, divided by Group underlying EBITDAR of £2,253, million, calculated for a 52-week period to 19 September 2020.

³ Group underlying EBITDAR divided by rent (both capital and interest) and net finance costs, where interest on perpetual securities is treated as an underlying finance costs.

⁴ Retail sales inc. VAT inc. fuel

Plc Board



Martin Scicluna
Chairman



Simon Roberts
Chief Executive



Kevin O'Byrne
Chief Financial
Officer



Brian Cassin
Non-Executive Director



Jo Harlow
Non-Executive Director



Tanuj Kapilashrami
Non-Executive Director



David Keens
Non-Executive Director



Dame Susan Rice
Senior
Independent Director



Keith Weed
Non-Executive Director

Plc Board

Martin Scicluna

Chairman

Appointment to the Board: 1 November 2018

Martin joined the Board as Chairman Designate and Non-Executive Director on 1 November 2018. He was appointed Chairman of the Board on 10 March 2019.

Committee membership

Chair of the Nomination Committee and member of the Corporate Responsibility and Sustainability Committee.

Skills and experience

Martin is Chairman of RSA Insurance Group plc and was previously Chairman of Great Portland Estates plc. He brings a wealth of past and current experience from over 25 years' service as an executive and non-executive board director in a wide range of companies.

Career experience

Previous roles include Chairman of Great Portland Estates plc, Senior Independent Director and Chair of the Audit Committee of Worldpay Inc., and Non-Executive Director and Chair of the Audit Committee of Lloyds Banking Group plc. He was a partner at Deloitte LLP for 26 years, serving as Chairman from 1995 to 2007, where his clients included Dixons, WH Smith, Alliance Unichem and Cadbury.

Current directorships/business interests

Chairman of RSA Insurance Group plc.

Specific contributions to the Company

Martin has held board positions for over 25 years, with extensive experience as a Chair. In addition, he brings valuable knowledge and skills in developing strategy and evaluating business opportunities, along with understanding of the financial services sector and how it operates. Martin also led a robust selection process, culminating in the appointment of Simon Roberts as Sainsbury's next Chief Executive Officer.

Simon Roberts

Chief Executive Officer

Appointment to the Board: 1 June 2020

Committee membership

Corporate Responsibility and Sustainability Committee.

Skills and experience

Simon joined Sainsbury's and the Operating Board in July 2017 as Retail & Operations Director responsible for Stores, Central Operations and Logistics. He brought a wide range of experience and leadership skills to the Board from previous executive and non-executive roles.

Career experience

Simon was Executive Vice President of Walgreens Boots Alliance and President of Boots with responsibility for commercial and retail operations across the UK and Ireland. Prior to Boots, Simon was at Marks and Spencer Group Plc, where he held operational and customer leadership roles across stores, divisions and central operations.

Current directorships/business interests

Non-Executive Chairman at the Institute of Customer Service.

Specific contributions to the Company

Simon has been extremely effective during his three years at Sainsbury's, leading our store and logistics teams through great change in that time. Simon is a dedicated, determined and enthusiastic champion of the customer and of our colleagues, driving sustained improvements in our competitiveness. He is a champion of diversity and inclusion and has enabled a significant transformation in capabilities and leadership across Sainsbury's operations.

Plc Board

Kevin O'Byrne Chief Financial Officer

Appointment to the Board: 9 January 2017

Skills and experience

Kevin brings a wealth of retail and finance experience to the Board from his various Chief Executive and Chief Financial Officer roles. His skills and experience in leading Finance and driving performance improvement provides the business with valuable expertise in pursuing its strategy.

Career experience

Kevin was previously Chief Executive Officer of Poundland Group Limited until December 2016 and held executive roles at Kingfisher plc from 2008 to 2015, including Divisional Director UK, China and Turkey, Chief Executive Officer of B&Q UK & Ireland and Group Finance Director. Prior to this, he was Group Finance Director of Dixons Retail plc and European Finance Director of Quaker Oats. He was a Non-Executive Director of Land Securities Group PLC from 2008 to September 2017, where he was Chairman of the Audit Committee and Senior Independent Director.

Current directorships/business interests

Non-Executive Director and Chairman of the Audit Committee of Centrica plc.

Specific contributions to the Company

Kevin is a skilled Chief Financial Officer, with extensive UK and international retail and finance experience gained during previous and current executive and non-executive positions. He has applied this knowledge to the Finance, Internal Audit, Investor Relations, Property, Procurement and Strategy functions, driving the performance of the business.

Brian Cassin Non-Executive Director

Appointment to the Board: 1 April 2016

Committee membership:

Audit Committee and Nomination Committee.

Skills and experience

Brian brings present day experience of running a FTSE 30 group with knowledge of big data and analytics, both topics of key importance to Sainsbury's. As CEO of Experian plc, Brian brings with him strong leadership experience and a substantial background in operating within a regulated environment.

Career experience

Brian joined Experian plc as Chief Financial Officer in April 2012, a post he held until his appointment as Chief Executive Officer in July 2014. Prior to this, Brian spent his career in investment banking at Greenhill & Co, where he was Managing Director and Partner. Brian has also held various roles at Baring Brothers International and at the London Stock Exchange.

Current directorships/business interests

Chief Executive Officer of Experian plc.

Specific contributions to the Company

Brian's experience as a current chief executive and his work in the financial and technology sector provide valuable industry insight.

Plc Board

Jo Harlow Non-Executive Director

Appointment to the Board: 11 September 2017

Committee membership

Chair of the Corporate Responsibility and Sustainability Committee and member of the Nomination Committee and Remuneration Committee.

Skills and experience

Jo brings a wealth of experience in consumer-facing businesses and in the telecoms and technology industries, both in the UK and internationally.

Career experience

Jo most recently held the position of Corporate Vice President of the Phones Business Unit at Microsoft Corporation. She was previously Executive Vice President of Smart Devices at Nokia Corporation, following a number of senior management roles at Nokia from 2003. Prior to that, she held marketing, sales and management roles at Reebok International Limited from 1992 to 2003 and at Procter & Gamble Company from 1984 to 1992.

Current directorships/business interests

Jo currently serves as Non-Executive Director and Chair of the Remuneration Committee of InterContinental Hotels Group plc, Non-Executive Director and Chair of the Remuneration Committee of Halma plc, and a Member of the Supervisory Board of Ceconomy AG.

Specific contributions to the Company

Jo has broad experience from executive and non-executive roles and, as Chair of the Corporate Responsibility and Sustainability Committee, she has helped the business deliver the business's sustainability strategy. She also brings current external Remuneration Committee experience.

Tanuj Kapilashrami Non-Executive Director

Appointment to the Board: 1 July 2020

Committee membership

Member of the Nomination and Remuneration Committees.

Skills and experience

Tanuj is a highly experienced HR professional with significant experience in talent and change management, both in the UK and internationally.

Career experience

Tanuj is currently Group Head of HR at Standard Chartered Bank. She joined Standard Chartered in 2017 from HSBC, where she spent 17 years in key global and regional HR leadership roles. She is also a Trustee of Asia House.

Specific contributions to the Company

Tanuj is an excellent addition to the Board as we continue to adapt our business and support our colleagues in a rapidly changing marketplace.

David Keens Non-Executive Director

Appointment to the Board: 29 April 2015

Committee membership

Chair of the Audit Committee and a member of the Nomination Committee.

Skills and experience

David has extensive retail experience and knowledge of consumer-facing businesses, together with core skills in finance.

Career experience

David was formerly Group Finance Director of NEXT plc from 1991 to 2015 and their Group Treasurer from 1986 to 1991. Previous management experience includes nine years in the UK and overseas operations of multinational food manufacturer Nabisco and, prior to that, seven years in the accountancy profession.

Specific contributions to the Company

David contributes with his expertise in finance and the industry knowledge that he has gained over almost 30 years as a board member, providing continuity and knowledge to our long-term decision-making processes as Chair of the Audit Committee. He plays a key role in monitoring the integrity of financial information provided to shareholders and the systems of internal controls and risk management.

Plc Board

Dame Susan Rice Senior Independent Director

Appointment to the Board: 1 June 2013

Committee membership

Chair of the Remuneration Committee and a member of the Nomination Committee.

Skills and experience

Susan has extensive experience as a Non-Executive Director, as well as in retail banking, financial services, leadership and sustainability. Her career in retail banking is particularly relevant to the ownership of Sainsbury's Bank and Argos Financial Services.

Career experience

Susan has been a member of the Scottish First Minister's Council of Economic Advisors, a Managing Director of Lloyds Banking Group Scotland and Chief Executive, and then Chairman, of Lloyds TSB Scotland plc. She has also held a range of non-executive directorships, including at the Bank of England and SSE plc.

Current directorships/business interests

Chair of Scottish Water and Business Stream, Chair of the Banking Standards Board, Chair of the Scottish Fiscal Commission and Senior Independent Director of the North American Income Trust.

Specific contributions to the Company

Susan provides insight to the Board from her extensive experience gained as Chair, Senior Independent Director and Non-Executive Director of various businesses. As Chair of the Remuneration Committee, she has played a key role in revising the remuneration policy and strategy, which will be presented for approval by shareholders at this year's Annual General Meeting. Susan also led the selection process to recruit the current Chairman. She is an expert in financial services, which is invaluable to the Board as part of their oversight of Sainsbury's Bank and Argos Financial Services.

Keith Weed Non-Executive Director

Appointment to the Board: 1 July 2020

Committee membership

Member of the Audit, CR&S and Nomination Committees.

Skills and experience

Keith is an exceptionally capable marketing and digital leader. He has championed new ways of integrating sustainability into business and building brands with purpose. Keith has a strong business background, having spent 36 years at Unilever, most recently as Chief Marketing and Communications Officer, which included leading the company's groundbreaking sustainability programme globally.

Career experience

While at Unilever, Keith led different parts of Unilever's businesses, including Unilever's Home and Personal Care business in the UK in the early 2000s, where he worked closely with Sainsbury's and other retailers. He has strong international experience and knowledge, having run international businesses and worked in other countries. He is currently a Non-Executive Director of WPP PLC, President of the Advertising Association, Trustee Director of Business in the Community and proposed President of the Royal Horticultural Society.

Specific contributions to the Company

Keith plays an important role as we focus on helping our customers to live well for less and building our Net Zero by 2040 plan. He has an excellent understanding of digital and the ways that technology is transforming businesses.

Retirements in 2020/21

Mike Coupe retired from the Board on 1 June 2020.

Matt Brittin retired from the Board on 2 July 2020

Jean Tomlinson retired from the Board on 2 July 2020

Life President Lord Sainsbury of Preston Candover KG

Operating Board



Simon Roberts
Chief Executive Officer



Kevin O'Byrne
Chief Financial Officer



Jim Brown
Chief Executive Officer,
Sainsbury's Bank



Tim Fallowfield OBE
Company Secretary and
Corporate Services Director



Mark Given
Chief Marketing Officer



Phil Jordan
Chief Information Officer



Paul Mills-Hicks
Commercial Director



Clo Moriarty
Chief Digital Officer



Angie Risley
Group HR Director

Operating Board

Simon Roberts
Chief Executive Officer
 See Appendix page xx

Kevin O'Byrne
Chief Financial Officer
 See Appendix page xx

Jim Brown
Chief Executive Officer, Sainsbury's Bank

Date of appointment: June 2019

Skills and experience

Jim joined Sainsbury's Bank in June 2019. He has held a number of senior international financial services roles, most recently for RBS in the UK as CEO of Williams and Glyn and, prior to that, as CEO of Ulster Bank in Northern Ireland and the Republic of Ireland. Before moving to Ireland, Jim was based in Hong Kong and was CEO Retail and Commercial Banking, Asia and the Middle East for RBS and ABN AMRO. He has also been a member of the RBS Group Management Committee, ABN AMRO Top Executive Group, ABN AMRO Global Consumer Leadership Team and the RBS/Bank of China Joint Steering Committee. Earlier in his career, he held a number of senior executive roles for Citibank in Asia, Australia and New Zealand. Jim has also held various board positions including at Ulster Bank, Saudi Hollandi Bank, The Royal Bank of Scotland (China) Co. Ltd and RBS (Pakistan) Ltd. He is a past President of the Institute of Banking in Ireland. He is currently a Certified Bank Director.

Tim Fallowfield MBE
Company Secretary and Corporate Services Director

Date of appointment: September 2004

Skills and experience

Tim joined Sainsbury's in 2001 as Company Secretary, having previously held the position of Company Secretary and General Counsel at Exel plc, the global logistics company, now part of DHL. Tim is a qualified solicitor and began his career at the international law firm, Clifford Chance. He joined Sainsbury's Operating Board in September 2004 and, in addition to his role as Company Secretary, he is responsible for the Corporate Services Division comprising Legal Services, Data Governance and Information Security, Safety, Shareholder Services, Insurance and Central Security. He chairs the Group Safety Committee and the Data Governance Committee.

Tim is Chairman of the Disability Confident Business Leaders Group, which works with Government in shaping the disability employment agenda and in raising awareness of the benefits of employing disabled people. He was awarded an OBE for services to disability awareness in the 2020 New Year's Honours List.

Operating Board

Mark Given**Chief Marketing Officer****Date of appointment: June 2020****Skills and experience**

Mark joined the Operating Board in June 2020, bringing experience and expertise in customer insight, brand communication and digital marketing. He was appointed Chief Marketing Officer in August 2019 and has responsibility for marketing across Sainsbury's, Argos, Tu and Home brands. Mark joined Sainsbury's in 2012, becoming Marketing Director for the Sainsbury's Food business in 2017. He has also been responsible for the overall Nectar coalition since the business was acquired by Sainsbury's in 2018. Prior to joining Sainsbury's, Mark built his digital skills leading the Priority programme at O2, successfully revitalised a number of established brands at Heineken UK, and worked across Europe on a variety of brands at Procter & Gamble UK.

Phil Jordan**Chief Information Officer****Date of appointment: January 2018****Skills and experience**

Phil joined the Board in January 2018 and has brought a fresh, global perspective on technology to the Operating Board, in addition to a wealth of experience in digital, data and business transformation. Prior to joining Sainsbury's, Phil had a long and successful track record in telecommunications. Most recently, he was Global Chief Information Officer at Telefonica, overseeing Digital Transformation and Information Technology and, prior to that, was Chief Information Officer for Vodafone UK/Ireland. Phil has worked as a Non-Executive Adviser on Technology in the investment and retail banking sector and is currently a Non-Executive Director, member of the Audit Committee and Chair of the Cyber-Security Committee of TalkTalk Telecom Group PLC.

Paul Mills-Hicks**Commercial Director****Date of appointment: May 2014****Skills and experience**

Paul joined the Operating Board in May 2014, having spent over ten years at Sainsbury's. As Commercial Director, he is accountable for delivering the commercial performance of the business and Sainsbury's brands. During his time at Sainsbury's, Paul has held a variety of roles in commercial, strategy and finance, most recently as Food Commercial Director. Prior to Sainsbury's, Paul was European Controller at Marks and Spencer Group PLC and a Director at UBS Warburg.

Operating Board

Clodagh Moriarty
Chief Digital Officer**Date of appointment: June 2018****Skills and experience**

Clodagh was appointed Retail and Digital Director in June 2020, having served as Chief Digital Officer since June 2018. She also joined the Operating Board in June 2018. Clodagh is responsible for our Stores and Central Operations as well as our e-commerce channels and digital products, ensuring an integrated and seamless customer experience across Sainsbury's, Argos, Tu, Sainsbury's Bank and Nectar. In addition to being the Operating Board sponsor for Wellbeing, she is also a newly appointed member of the Sainsbury's Bank Board and sits on its Nomination and Remuneration Committees. Prior to this, Clodagh has been Director of Online, Head of Online Trading, Merchandising & Content and Category Manager for the Meal Solutions business. She joined Sainsbury's as Head of Strategy, following nine years at Bain & Company where she worked across the London, New York and Johannesburg offices in corporate, private equity and not-for-profit sectors across multiple industries.

Angie Risley
Group HR Director**Date of appointment: January 2013****Skills and experience**

Angie was appointed Group HR Director and member of the Operating Board with responsibility for human resources in January 2013. Before joining Sainsbury's, Angie was the Group HR Director for Lloyds Banking Group and an Executive Director of Whitbread PLC with responsibility for HR and Corporate Social Responsibility. Prior to her current role as Non-Executive Director and Chair of the Remuneration Committee at Smith & Nephew plc, Angie spent six years as Non-Executive Director and Chair of the Remuneration Committee of Serco plc.

Supplementary financial details

1. Weighted average number of shares

HY 2020/21: **2,221.7m** (2,317.1m diluted)

HY 2019/20: 2,207.4m (2,461.3m diluted)

2. Dividend

		2020/21	2019/20
Interim		3.2p	3.3p
Final		-	-
Special	7.3p	-	-
Total	7.3p	3.2p	3.3p

3. Financial calendar

Q3 trading statement 13 January 2021
(15 weeks to 2 January 2021)

Preliminary results 28 April 2021
(52 weeks to 6 March 2021)

The interims and special dividend dates:

	Ordinary shares
Ex-dividend	12 November 2020
Record	13 November 2020
Payment	18 December 2020