

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Third Quarter Trading Statement for the 16 weeks to 8 January 2022

Strong Christmas grocery volumes and market share growth; upgrade to profit guidance

**Food First: focus on value, innovation and service delivering volume market share gains**

- **Market share gains:** Our bold investments in value, new products and service have driven volume market share gains, growing ahead of the market through Q3 and the key Christmas period over one and two years<sup>1</sup>
- **Value:** We have invested in the value of our food ranges ahead of the market<sup>2</sup> through the year, Q3 and at Christmas to improve our price position and are more competitive than ever. Following the success of our Sainsbury's Quality, Aldi Price Match Christmas dinner campaign, we are now matching Aldi prices on 150 of our highest volume fresh food products and putting over 2,000 lines into our Price Lock promise so customers can be certain they are getting great value on the items they buy most often
- **Innovation:** We launched over 600 new products in Q3, of which 300 were new Christmas products, as part of our plan to triple our levels of product innovation. New Taste the Difference products in party food, desserts, wines and spirits were really popular and we had record sales of champagne and sparkling wines. Taste the Difference was our fastest growing product tier with sales up 13 per cent over two years in the key Christmas weeks<sup>3</sup>
- **Service:** We launched a record recruitment drive this Christmas, investing to employ 22,000 temporary colleagues to make sure our stores were safe and well stocked and to meet online demand. Online sales were nearly double the level of two years ago<sup>3</sup>. Working with our suppliers and investing in our operations, we improved availability and our customer satisfaction scores. To reward colleagues, we are investing £100m to increase the base pay to £10 per hour from March

**Brands that Deliver: strategy supporting General Merchandise and Clothing profitability**

- General Merchandise and Clothing sales were down year on year reflecting an exceptional performance last year, limited availability in key product areas and our focus on profitable sales, including reduced promotional activity
- Full price Clothing sales were up 38 per cent versus two years ago as we reduced markdowns and promotions
- General Merchandise and Clothing profits are in line with expectations, reflecting stronger gross margins and operating cost transformation

**Upgrade to profit guidance, reflecting strong grocery sales, cost savings delivery and improved Bank outlook**

- We now expect to report underlying profit before tax of at least £720m in the financial year to March 2022<sup>4</sup>

**Q3 and Christmas Trading Highlights<sup>5</sup>**

	YoY Sales growth			Yo2Y Sales growth		
	Q3 16 wks to 8 Jan 22	Christmas 6 wks to 8 Jan 22	Christmas exc. Boxing day 6 wks to 8 Jan 22 <sup>6</sup>	Q3 16 wks to 8 Jan 22	Christmas 6 wks to 8 Jan 22	Christmas exc. Boxing day 6 wks to 8 Jan 22 <sup>6</sup>
Grocery	(1.1)%	0.1%	0.8%	6.6%	6.8%	7.7%
General Merchandise	(16.0)%	(10.6)%	(10.4)%	(11.0)%	(8.6)%	(8.3)%
Clothing	(2.7)%	2.0%	2.9%	(1.7)%	11.6%	12.9%
Total Retail (exc. fuel)	(5.3)%	(2.9)%	(2.4)%	1.4%	2.4%	3.1%
Groceries Online	(16.5)%	(15.1)%	(15.1)%	92.0%	95.2%	95.2%

## Simon Roberts, Chief Executive of J Sainsbury plc, said

“I am really pleased with how we delivered for customers this Christmas. More people ate at home and our significant investment in value, innovation and service led to market share growth. At the same time, we are pleased to increase profit guidance for the full year.

“The backdrop was challenging and our teams worked hard throughout the year to make sure we had all of the products everyone wanted. Our suppliers did a great job in challenging conditions throughout the quarter and I thank them for all their support for our business.

“We were bold in our plan for product, value, innovation and service and delivered volume growth ahead of the market. We delivered our best value food this Christmas, launched our lowest ever priced Christmas dinner heading into the key Christmas shopping week and we had our biggest ever New Year. Customers also treated themselves and new Taste the Difference products in party food, desserts, wines and spirits were really popular and we had record sales of champagne and sparkling wines. Offering great value will be more important than ever this year and we have just launched our bold new Sainsbury’s Quality Aldi Price Match campaign, which targets 150 fresh products that customers buy most often.

“We also delivered a strong digital performance, responding to a surge in demand for online deliveries over Christmas and last-minute online gift shopping at Argos.

“Our teams have done a brilliant job working very hard in exceptional circumstances. We delivered great service in our supermarkets and strong availability this Christmas when it mattered most. I’m hugely grateful to all our team for everything they did to deliver for our customers and we closed all our stores on Boxing Day this year to give our colleagues a well-deserved break. We are increasing base pay for Sainsbury’s and Argos store colleagues to £10 an hour from March to recognise their brilliant efforts every day in serving our customers.”

## Outlook

Our expectations for full year profits are ahead of previous guidance, with investment in the customer proposition and higher operating cost inflation offset by structural cost savings and stronger than expected grocery volumes, driven in part by increased in-home grocery consumption. Argos continued to benefit from stronger margins supported by transformational operating cost reductions. Financial Services profit expectations are running ahead of consensus<sup>7</sup> with bad debts lower than expected and lending volumes starting to recover. We now expect to report underlying profit before tax of at least £720m in the financial year to March 2022. Free cash flow remains strong and we expect to meet our net debt reduction target ahead of schedule.

Total sales performance <sup>5</sup>	2020/21				2021/22 YoY			2021/22 Yo2Y		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3 <sup>8</sup>	Q1	Q2	Q3 <sup>8</sup>
Grocery	10.5%	5.1%	7.4%	7.1%	0.8%	0.8%	(1.1)%	11.3%	6.0%	6.6%
General Merchandise	7.2%	7.6%	6.0%	17.6%	(1.4)%	(11.4)%	(16.0)%	5.6%	(4.7)%	(11.0)%
GM (Argos)	10.7%	10.9%	8.4%	18.1%	(3.7)%	(12.0)%	(16.1)%	6.7%	(2.4)%	(9.1)%
GM (Sainsbury's Supermarkets)	(9.3)%	(6.9)%	(5.4)%	14.8%	11.2%	(8.0)%	(15.7)%	0.9%	(14.4)%	(20.0)%
Clothing	(26.7)%	(7.5)%	0.4%	4.2%	57.6%	9.2%	(2.7)%	15.5%	1.0%	(1.7)%
<b>Total Retail (exc. fuel)</b>	<b>8.5%</b>	<b>5.2%</b>	<b>6.8%</b>	<b>9.2%</b>	<b>1.6%</b>	<b>(1.7)%</b>	<b>(5.3)%</b>	<b>10.3%</b>	<b>3.4%</b>	<b>1.4%</b>
Fuel	(56.1)%	(29.3)%	(29.0)%	(38.5)%	95.1%	36.1%	47.5%	(14.4)%	(3.8)%	3.6%
<b>Total Retail (inc. fuel)</b>	<b>(2.1)%</b>	<b>(0.4)%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>8.5%</b>	<b>2.7%</b>	<b>(0.1)%</b>	<b>6.2%</b>	<b>2.2%</b>	<b>1.7%</b>

Like-for-like sales performance<sup>5</sup>

	2020/21				2021/22		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3 <sup>8</sup>
Like-for-like sales (exc. fuel)	8.2%	5.1%	8.6%	11.3%	1.6%	(1.4)%	(4.5)%
Like-for-like sales (inc. fuel)	(2.3)%	(0.5)%	3.2%	3.2%	8.4%	3.0%	0.6%

Strategic and operational highlights

**Food First**

We continue to make good progress against the plan we set out in November 2020 to put food back at the heart of Sainsbury's. We are committed to delivering brilliant value for our customers on the products that they buy most often, and our new and exciting products are proving to be popular. Q3 grocery sales were slightly below last year's elevated levels, up 6.6 per cent versus Q3 19/20 and ahead of last year over the key Christmas weeks. Fuel sales increased by 47.5 per cent as customer demand normalised and we gained market share.

*Value*

- Our Value Index improved against all key competitors and improved 670bps against Aldi year on year<sup>9</sup>. Customer satisfaction for Value for Money Spent is up 4 percentage points year on year<sup>10</sup>
- In December we launched our biggest ever festive value campaign to match Sainsbury's Quality with Aldi prices on key Christmas dinner items. Turkey Crowns were £6.89 a kilo, a 1.4kg gammon joint was priced at £5.70 and festive vegetables were only 19p a pack. This bold campaign encouraged more customers to do their festive shopping at Sainsbury's and those products sold over 20 per cent more volume than last year<sup>11</sup>
- To kickstart the New Year we have launched a new wave of Sainsbury's Quality, Aldi Price Match with a focus on 150 fresh products that customers buy most often

*Service*

- Colleagues delivered excellent customer service throughout the key Christmas weeks and customers felt safe shopping with us<sup>12</sup>. Friendliness and knowledge of staff scores both improved year on year
- In recognition of the outstanding job our colleagues do for our customers, we are investing £100 million in colleague reward, increasing the base rate for our shop colleagues to £10 per hour from March and increasing the frequency of a higher discount for colleagues when they shop with us
- We delivered strong food availability for Christmas, despite many challenges, benefiting from our scale, strong supplier relationships and the adaptability of our supply chain and logistics operations
- Groceries Online sales grew by 92 per cent versus two years ago, with weekly orders increasing again in recent weeks to over 700,000 per week. Orders in Christmas week were up 41 per cent year on year
- Our On Demand grocery offer continues to grow, operating from around 580 stores through Chop Chop, Deliveroo and Uber Eats
- We opened three new supermarkets during the quarter in Colwick, Ludlow and Aylesbury and opened five convenience stores, with sales ahead of expectations
- As part of our Plan for Better, all new supermarkets have been designed with all natural refrigerants and use 100 per cent renewable electricity
- In partnership with Neighbourly, our stores connected with local partners to redistribute nearly 150,000 meals on Christmas Eve to those in need

## Innovation

- We launched over 300 new Christmas products, including 100 premium Taste the Difference products. This is a significant increase year on year, in line with our target to triple our levels of food product innovation. Standout new products included our Taste the Difference Belgian Chocolate & Salted Caramel Star, Bucks Fizz Smoked Salmon and Lemongrass Skewer Prawn Pops
- Taste the Difference sales were up 13 per cent over two years in the key Christmas weeks, as many customers chose to treat themselves and trade up. Taste the Difference Meat, Fish and Poultry sales were up 25 per cent, Produce sales up 16 per cent and Bakery sales up 12 per cent<sup>13</sup>. Sales of champagne and sparkling wines were the highest ever and we sold our biggest ever volume of Taste the Difference mince pies
- We delivered our best ever Christmas for meat-free alternative centrepieces, with popular products including Plant Pioneers Maple Glazed No Gammon Joint and No Salmon Encroute
- We reduced plastic by nine tonnes in our Christmas chocolate range, brandy butter, roulade and gift sets packaging and launched a plastic-free range of Christmas crackers
- Performance of our first Autumn Editions food range was really strong with many lines exceeding expectations

## Brands that Deliver

- General merchandise sales declines reflect the impacts of both weak demand and limited supply in some key categories and our strategy to focus on profitable sales. The technology, gaming and toy markets all declined by double digits<sup>14</sup>. This reflects tough comparatives against last year's lockdown and also the ongoing impact of global supply chain challenges on product availability
- Sales in some categories continue to be additionally impacted by deliberate choices we made to run fewer promotions and focus on more profitable sales, significantly reducing the number of promotional days versus two years ago<sup>15</sup>. These choices and the relative strength of our home and furniture categories, which benefitted from increased Habitat participation, have supported Argos's gross margins. We outperformed the Furniture market on a two-year basis<sup>14</sup>
- We closed 27 Argos standalone stores in the quarter, bringing the total to 338 and opened 25 Argos stores in Sainsbury's supermarkets, bringing the total to 398. Argos digital participation remains high with 77 per cent of sales originating online
- Full price Clothing sales were up 38 per cent versus two years ago as we reduced markdowns and promotions and focus on good value all year round. Particular highlights this year were Christmas jumpers and matching family pyjamas
- Building on the launch of *My Nectar Prices* in September we continue to drive Nectar digital registrations and now have 8.7 million digital customers. We are currently delivering around 95 million *My Nectar Prices* personalised discounts every week
- In Financial Services we are making good progress reducing costs. We are seeing encouraging first signs of improvement in volumes, with consumer spend and credit demand both increasing and bad debts lower than expected

Tim Fallowfield, Company Secretary and Corporate Services Director, was responsible for the disclosure of this announcement.

### Investor Relations Enquiries

James Collins +44 (0) 20 7695 0080

### Media Enquiries

Rebecca Reilly +44 (0) 20 7695 7295

## Notes

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

A conference call will take place at 09:15. To listen to the audio webcast we recommend that you register in advance. To do so, please visit <https://www.about.sainsburys.co.uk/investors/results-reports-and-presentations> prior to the event and follow the on-screen instructions. A transcript will be available following the conference call.

Sainsbury's will announce its Preliminary Results for the financial year to 5 March 2022 on 28 April 2022.

---

1 Kantar Worldpanel division, Q3= 12 weeks to 26 December 21, 27 December 20 and 29 December 19. Christmas = 4 weeks to 26 December 21, 27 December 20 and 29 December 19. Total Grocery volume growth

2 Nielsen panel data, Top 100 products by retailer, Average Selling Price inflation YoY

3 6 weeks to 8 Jan 22

4 6 July 2021: "We now expect to report underlying profit before tax of at least £660 million in the financial year to March 2022"

5 Including VAT

6 Adjusted for Boxing Day 2021 closure by excluding Boxing Day sales from prior years. 6 weeks to 8 Jan 22

7 Based on latest internal forecasts. Current analyst consensus for Financial Services Underlying Operating Profit: FY21/22 £26m

8 In calculating the sales performance, Q3 2020/21 and Q3 2019/20 comparatives have been adjusted to reflect a 16 week trading period (previously 15 weeks)

9 Value Reality. Sep-Jan 22 vs Sep – Jan 21; Edge by Ascential; internal modelling

10 Service Management Group Competitor Benchmark Survey, Q3 2021/22

11 On SKUs included in the festive SQAPM campaign, sales data for financial week 42 YoY

12 Kokoro safety measures, The Score. Top performing major grocer financial weeks 40-44

13 Taste the Difference sales growth on a two-year basis, 6 weeks to 8 Jan 22

14 Tracked Markets Product Volume Market Share Performance, 3 months ending November 2021, Yo2Y. GfK data for Gaming and Technology. NPD data for Toys

15 Q1-3 21/22 vs Q1-3 19/20