2013 Preliminary Results:
For the 52 weeks ended 28 December

Wednesday 26 February 2014
Agenda

• 2013 Highlights
• 2013 Financial performance
• Operational highlights
• Outlook for 2014
2013 Highlights

Financial
• Total sales up 3.8% to £762m
• Full year like-for-like sales down 0.8%
• Improving trend of like-for-like sales, with H2 up 1.2% and Q4 up 2.6%
• Pre-tax profit* before exceptional items down 18.9% to £41.3m
• Diluted earnings per share* before exceptional items down 20.1% to 30.6p
• Dividend per share maintained at 19.5p

Operational
• New strategic focus centred on the growing food-on-the-go market
• Record 216 shop refits in the year
• Overall shop numbers unchanged with 68 openings and closures
• 70% of 2013 new shop openings in non-high street locations
• 1,671 shops trading at 28 December 2013 including 25 franchised units

* Before exceptional items: 2013 pre-tax charge £8.1m (2012 pre-tax credit £1.4m)
2013 Financial Performance
Richard Hutton
## Group sales and profit

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Sales</td>
<td>762.4</td>
<td>734.5</td>
</tr>
<tr>
<td>Operating profit before</td>
<td>41.5</td>
<td>51.3</td>
</tr>
<tr>
<td>exceptionals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exceptional items**</td>
<td>(8.1)</td>
<td>1.4</td>
</tr>
<tr>
<td>Operating profit inc.</td>
<td>33.4</td>
<td>52.7</td>
</tr>
<tr>
<td>exceptionals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance charges</td>
<td>(0.2)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>33.2</td>
<td>52.4</td>
</tr>
</tbody>
</table>

* Restated for the impact of IAS19 Revised, profit before tax prior to restatement £53.3m.

** Exceptional items in 2013 include charges for shop and supply chain asset impairment, loss on asset disposal and onerous leases.

Exceptional items in 2012 include £1.1m release of onerous lease provision made in 2011
2013 sales growth driven by new shops

Retail estate growth +4.0% (+£29m)
Wholesale growth +0.6% (+£5m)
LFL -0.8% (-£6m)

+3.8% sales growth (+£28m)

- No net shop number growth expected in year ahead
- Improving LFL % trend in 2013
Operating profit bridge

• Significant impact from LFL decline, particularly in H1
• Partial mitigation from cost saving initiatives

* before exceptional items
# Net margin (before exceptional items)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>£762.4</td>
<td>£734.5</td>
<td>+3.8%</td>
</tr>
<tr>
<td><strong>Gross margin %</strong></td>
<td>59.9%</td>
<td>60.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Distribution &amp; selling %</strong></td>
<td>49.6%</td>
<td>49.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Admin %</strong></td>
<td>4.8%</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit before exceptionals</strong></td>
<td>41.5</td>
<td>51.3</td>
<td>-19.1%</td>
</tr>
<tr>
<td><strong>Operating margin %</strong></td>
<td>5.4%</td>
<td>7.0%</td>
<td></td>
</tr>
</tbody>
</table>

- Gross margin diluted by promotional participation and profitable wholesale and franchise sales growth (net margin enhancing)
- Distribution, selling & admin. costs reflect operational gearing impact of LFL decline and retail impairment
Input costs and inflation

2013:

- Wages & salaries +2.1% inflation
- Ingredients & packaging +3.6% inflation
- Occupancy costs marginally down (rates up, rents down)
- Energy & fuel +6% inflation
- Other

41% 27% 10% 4% 18%

2014 outlook:

- Lower ingredient cost inflation as predicted increases deferred
- Wages & salaries award 1.6%
- Energy costs benefiting from mild winter
- Business rate increases continue despite rent reductions
- Relatively short forward cover at c.4 months
- Strength of economy, current weather and harvests will influence H2
Exceptional costs of strategic change in 2013

Strategic review triggered £8.1m* of one-off costs in respect of:

1. Re-shaping of shop estate (£6.4m):
   - Closure of loss-making shops
   - Stopping ‘Greggs moment’ coffee shop trial
   - Acceleration of relocation and closure activity

2. Changes to supply chain investment plans (£1.7m):
   - Abortive costs of new site acquisition
   - Impairment of existing development site value

* Cash impact in year £0.1m
Further structural change expected in 2014

Currently consulting on proposals to:

1. Consolidate 79 remaining in-store bakeries into our regional bakery network over the next 12-18 months.

2. Improve operational effectiveness in support areas.

Expected one-off costs £9.0m (c.£8m cash)
Expected benefit from mid-2015 £6.0m (c.£2m in 2014)
## Impact of plans on cost base

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structural changes</strong>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In-store bakeries</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Support structures</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td><strong>Process/systems investment</strong>**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>-1</td>
<td>-3</td>
<td>-6</td>
<td>-5</td>
</tr>
<tr>
<td>Benefits</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>-1</td>
<td>-2</td>
<td>-1</td>
<td>6</td>
</tr>
<tr>
<td><strong>Ongoing cost-saving initiatives</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>0</td>
</tr>
</tbody>
</table>

**Net benefit**

- **£9m exceptional in 2014**
- **£25m investment with £38m gross return**

<table>
<thead>
<tr>
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<th>2014</th>
<th>2015</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>+1</td>
</tr>
</tbody>
</table>

* Merges with systems work in time
  +8
Shop performance profile

- Relocation and investment plans to increase overall estate quality
- Progress in dealing with loss-makers, now 76 EBITDA -ve at shop level (2012: 90)
## Tax, earnings and dividend

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax charge (excl. exceptionals)</td>
<td>25.0%</td>
<td>24.0%</td>
</tr>
<tr>
<td>- <em>rate incl. exceptionals</em></td>
<td>27.0%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Diluted EPS (excl. exceptionals)</td>
<td>30.6p</td>
<td>38.3p</td>
</tr>
<tr>
<td>- <em>EPS incl. exceptionals</em></td>
<td>23.9p</td>
<td>39.4p</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>19.5p</td>
<td>19.5p</td>
</tr>
<tr>
<td>- earnings cover</td>
<td>1.6x</td>
<td>2.0x</td>
</tr>
</tbody>
</table>

Rate increase reflects higher proportion of disallowable expenditure with lower profit. Guidance for 2014 rate now 25.0% excluding impact of exceptional costs, falling to 23.5% by 2016.

Cash flow permitting, aim to maintain dividend at or around this level in short term. Medium term aim to return to progressive dividend policy at around 2x earnings cover.
## Capital expenditure

<table>
<thead>
<tr>
<th></th>
<th>2014e</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refits and shop equipment</td>
<td>23.0</td>
<td>26.5</td>
<td>17.4</td>
</tr>
<tr>
<td>New shops and re-sites</td>
<td>9.0</td>
<td>7.9</td>
<td>17.7</td>
</tr>
<tr>
<td>Supply chain</td>
<td>10.0</td>
<td>10.2</td>
<td>10.5</td>
</tr>
<tr>
<td>I.T.</td>
<td>7.0</td>
<td>2.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Other</td>
<td>1.0</td>
<td>0.9</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td><strong>c.50.0</strong></td>
<td><strong>47.6</strong></td>
<td><strong>46.9</strong></td>
</tr>
</tbody>
</table>

- **Number of gross new shops opened (excluding franchises)**
  - 2014e: c.60
  - 2013: 53
  - 2012: 111

- **Number of refits**
  - 2014e: c.200
  - 2013: 216
  - 2012: 118
Cash flow and balance sheet

• Good cash generation:
  – £77m EBITDA before exceptional items (2012: £84m)
  – Progress in reducing stock and trade debtors

• Supports dividend and growth capex

• £24.6m net cash and short term deposits at 28 December 2013 (2012: £19.4m)

• 2014 investment plans financed from cash generation
Operational Highlights
Roger Whiteside
Market background

• Challenging conditions
  o Disposable income under pressure
  o Two periods of extreme weather
  o Competition
  o Online shopping

• Growing market
  o Food-on-the-go market
  o Greggs brand strength
New strategic direction: Focus on food-on-the-go

A winning brand in food-on-the-go

- Great tasting food
- A great shopping experience
- Simple and efficient operations
- Improvement through change

Keeping our people, communities and values at the heart of our business
1. Great tasting food

- Always Fresh. Always Tasty.
- Changes to product range
- Outstanding value
- Strong activity programme for 2014
- New Commercial Director appointed
2. A great shopping experience

- Improved service
- Bakery food-on-the-go refits
- Reshaping estate profile
- Greggs Rewards
3. Simple and efficient operations

- Improving supply chain efficiency
- Simpler and more effective support operations
- In line with Greggs values
4. Improvement through change

- £25m investment in systems
- 5 year change programme
- £38m benefits
- £2m p.a. short term profit impact

“The net annual benefit to the business at the conclusion of the programme is expected to be £6 million”
Keeping people, communities and values at the heart of our business

• Making a difference to local communities:
  - The Greggs Foundation
  - Support for national causes

• A great place for our people to work

• Food our customers can trust

• Reducing our impact on the environment
Tracking progress against strategic objectives

Key targets and milestones that we will use to track progress:

• Restoring like-for-like sales growth
• Achieving targeted returns on our increased investment in shop refits
• Delivery of operational and supply chain efficiencies
• Achieving the planned benefits from our investment in processes and systems
Current Trading and Outlook for 2014
Current trading and outlook for 2014

- 2014 a year of further change
- Market conditions to remain challenging
- Encouragement from improved like-for-like sales
- Cost pressure on margins easing
- Investment in change costs likely to constrain short term profit growth

Organisational changes and investment will help protect profits and provide a platform for profitable growth.
Questions