3 August 2021

INTERIM RESULTS FOR THE 26 WEEKS ENDED 3 JULY 2021

Greggs is a leading UK food-on-the-go retailer, with more than 2,100 retail outlets throughout the country

A strong first half recovery

First half financial highlights

	H1 2021	H1 2020	H1 2019
Total sales	**£546.2m**	£300.6m	£546.3m
Underlying pre-tax profit/(loss)**	**£55.5m**	(£64.5m)	£40.7m
Statutory pre-tax profit/(loss)	**£55.5m**	(£65.2m)	£36.7m
Diluted earnings/(loss) per share	**43.2p**	(53.4p)	28.5p
Ordinary interim dividend per share	**15.0p**	Nil	11.9p

- Two-year LFL* for first half down 9.2%
- Two-year LFL* positive since non-essential retail reopened
- Strong cash position and good liquidity, with net cash at period end of £118.3m

* Like-for-like (LFL) company-managed shop sales performance against comparable period in 2019
** 2020 H1 and 2019 H1 underlying profit before exceptional charges (2020: £0.7m; 2019: £4.0m) and taxation

Operational and strategic development

- **Shop opening pipeline**: 48 new shops opened in first half, 11 closures; 2,115 shops as at 3 July 2021. Anticipate circa 100 net new shop openings in 2021; expected to create 500 new retail roles in second half
- **New channels**: delivery service now available from 837 shops; delivery sales represented 8.5% of company-managed shop sales in the first half of 2021
- **New Greggs Rewards app** launched offering customer rewards across the full range of purchases
- **New product development**: continued to drive menu development, including an expanded range of vegan-friendly products and options for other diets and dayparts
- **Investment in supply chain**: new automated frozen distribution facility commenced operation
- **Greggs Pledge** commitments well-received by colleagues, customers and investors

"Greggs once again showed its resilience in a challenging first half, emerging from the lockdown months in a strong position and rebuilding sales as social restrictions were progressively relaxed.

"We continue to make good progress with our strategic priorities, growing the shop estate and investing in our digital capabilities to compete in all channels and dayparts of our market.

"Whilst there continue to be general uncertainties in the market, given our recent performance we now expect full year profit to be slightly ahead of our previous expectation."

- ***Roger Whiteside OBE, Chief Executive***

ENQUIRIES:

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An audio webcast of the analysts' presentation will be available to download later today at http://corporate.greggs.co.uk/

CHIEF EXECUTIVE'S REPORT

Greggs once again showed its resilience in a challenging first half, emerging from the lockdown months in a strong position to rebuild sales as social restrictions were progressively relaxed. Total sales for the 26 weeks to 3 July 2021 were £546 million and like-for-like sales in company-managed shops, measured on a two-year basis, were 9.2 per cent lower than the equivalent period of 2019.

Sales in the second quarter exceeded our expectations, delivering like-for-like sales growth versus the second quarter of 2019. We continue to make good progress with our strategic priorities, growing the shop estate and investing in our digital capabilities to compete in all channels and dayparts of the food-on-the-go market.

Operational review

Sales developed progressively through the first half in response to our recovery initiatives and the easing of social restrictions. To provide a consistent reference point we are currently reporting like-for-like sales on a two-year basis, against the level achieved in 2019. On this basis sales in the first quarter were 21.5 per cent lower than the 2019 level. In the second quarter the lifting of restrictions, particularly the re-opening of non-essential retail, made a significant difference to footfall and resulted in 2.8 per cent growth on a two-year like-for-like basis. Walk-in customer transactions were still below the level seen in 2019 but were compensated for by higher average transaction values and increases in delivery sales.

We continue to experience differential performance by location type across our broad and diversified estate. Shops in public transport hubs and large city centres continue to lag the overall Group recovery rate whilst customers staying closer to home are supporting our heartland shops in suburban and high street areas. The strongest locations continue to be shops typically accessed by car, including many operated by our franchise partners.

The strongest-performing parts of the estate are also the locations where we see significant potential for further expansion, making Greggs accessible to more customers on-the-go. In the first half of 2021 we opened 48 new shops (including 17 franchised units) and closed 11 shops, giving a total of 2,115 shops (of which 343 are franchised) trading at 3 July 2021.

Strategic development

We have refreshed our five-year plan and, in doing so, have reinforced our confidence in Greggs' ability to deliver sustainable, profitable growth into the long term. The key areas of strategic development in the first half are outlined below; we expect to be in a position to provide a more detailed update on our plans later in the year.

Estate growth

Greggs has the opportunity to expand its UK estate to at least 3,000 shops, presenting a multi-year growth path. Our strong, proven covenant is attractive to landlords and opportunities are now greater in number than they were before the pandemic. As well as growing the overall size of the estate we will continue to relocate existing shops to enable them to better deal with the increased demands of multi-channel growth. Our latest shop design, to be used for all new shops and relocations, will support collection of digital orders and incorporate kitchen modifications to allow better product customisation and menu development.

Seventy per cent of our shop openings in the first half were in car-accessed locations such as roadsides, petrol stations, retail parks and supermarkets. We have also been able to gain access on improved terms to sites in central London and transport interchanges, which we see being good strategic sites in the medium term. Our pipeline of new shop opportunities remains strong and we expect around 100 net openings in the year as a whole, of which around half are anticipated to be with franchise partners, creating approximately 500 new retail roles in the second half of 2021.

New channels and dayparts

Alongside estate expansion to serve our walk-in customers, Greggs has invested to meet customer needs for food via new channels and at additional times of the day. The most developed of these is our delivery partnership with Just Eat, which continues to grow and is now available across the UK from 837 of our shops. In the first half of 2021 delivery sales represented 8.5% of company-managed shop sales.

Customers are becoming more used to pre-ordering food, either for delivery or to guarantee availability when they 'click and collect'. Pre-ordering presents us with the opportunity to improve availability of our standard menu as well as offering personalised choices where customers can, for example, adapt the ingredients in their sandwich or the topping on their pizza. Pre-ordering is a market trend that we believe will support, in particular, our ambition to grow sales in the evening daypart, a segment of the market where we are currently underrepresented. Delivery will also have a role to play here, giving customers convenient access to Greggs' products wherever they are throughout the day.

Greggs Rewards

In today's consumer environment, it is key to have strong digital capabilities; we have invested significantly in recent years in this area to strengthen our customer proposition. Our new Greggs Rewards app and new customer website have recently been launched to make the customer journey as convenient as possible. Our new app offers customers rewards across the full range of their purchases and is integrated with our click and collect service, described above. Improved features such as an upgraded shop finder and access to nutritional information all work to make the customer journey with us easier.

Greggs Rewards will allow us to strengthen our relationship with our customers, better understanding their needs and providing us with improved communication tools to encourage increased visit frequency and wider menu participation.

Menu development

Our focus during the Covid pandemic has been to maintain full service on our best-selling lines. We have seen strong growth in traditional areas such as our bakery range, which has been supported by our recent investments in centralised production platforms.

Following a temporary suspension in 2020, our new product development pipeline has been restarted. Recent launches have included new options in our vegan-friendly range such as a 'Vegan Ham & Cheeze Baguette' and a vegan-friendly breakfast sausage. Our latest line, the 'Vegan Sausage, Bean & Cheeze Melt' is due in our shops from 5 August.

We continue to develop our menu, adapting to offer greater choice in growth categories such as coffee and hot food, and reflecting consumer demand for dietary variety. Further progress has been made in developing the health credentials of our food and drink, reducing fat, salt and sugar wherever possible and offering more choices in low-calorie and vegan-friendly ranges. We are increasing our in-store capabilities with the roll-out of more sophisticated coffee machines that can offer decaffeinated and dairy-free options. We are developing new offers in the delivery channel including sharing-box combinations and additional pizza toppings.

Supply chain

The growth opportunity ahead of us will require further development of our supply chain to meet demand for our in-house specialities and to create the logistical capacity to reach many more shops. Our centralised manufacturing platforms have proved to be an efficient, high-quality basis from which to supply the bakery favourites that we are famous for and will be the template for capacity expansion in the years ahead. In the short term we have plans to increase pizza capacity with a new manufacturing line at our Enfield manufacturing site and have already begun operating from our new automated frozen distribution facility at Balliol Park in Newcastle upon Tyne.

Support systems

Systems capability is key to meeting our growth ambitions. The successful deployment of our SAP platform will complete in the second half and we have moved forward rapidly with new Microsoft Office capabilities, cloud database and reporting systems and leading customer relationship management solutions. Our support teams have successfully adapted to remote working and we are increasingly seeing opportunity to bring technology solutions to our shop environment, making tasks easier and enabling more choice for customers. We have begun deployment of our new shop sandwich production and labelling systems to meet new legislative requirements due by 1 October, and these are also key for our made-to-order ambitions.

Greggs Pledge

Carrying out our plans in a responsible manner has always been an essential element of our approach. In February 2021 we launched the Greggs Pledge, our commitment to further improve our ESG credentials in ten key areas. This has been well-received by colleagues, customers and investors alike and will challenge us to be an even better business for the long term.

Board changes

As previously announced, Peter McPhillips retired as an independent non-executive director on 31 July 2021. Peter has provided great support and commitment to the Board and management team during a period of significant change for the business and its supply chain operations. On 21 June 2021 the Board announced the appointment of

Mohamed Elsarky as an independent non-executive director. Mohamed is an experienced international food manufacturing executive, who has held senior positions in Kellogg, Danone, and Godiva Chocolatier. He is currently Executive Chairman of Artisan du Chocolat, and has previously held non-executive director positions including at Nomad Foods, a company listed on the New York Stock Exchange.

We thank Peter for his support and guidance over the past seven years and look forward to working with Mohamed as we develop the business further. Sandra Turner, senior independent director, will take over from Peter as non-executive director responsible for overseeing colleague engagement.

Financial performance

Pre-tax profit was £55.5 million in the first half of 2021 (H1 2020: £64.5 million loss, H1 2019: £40.7m profit, both before exceptional costs). Structural cost reduction resulting from our actions in 2020 to reduce overheads and logistics costs, and the temporary benefit of relief from business rates, helped to mitigate the impact of restricted trading in the first quarter. The better performance in the second quarter was further supported by stronger sales, relatively low levels of food input inflation and strong margins as a result of good cost control.

The improved performance and trading outlook of our shops resulted in us deciding to repay all CJRS support received in the first half and to reverse £2.0 million of previously-provided asset impairment charges. Looking forward, commodity cost pressure is increasing; nonetheless overall we still expect relatively modest food input inflation in 2021 as a result of our forward purchasing cover.

The net financing expense of £3.9 million in the period (2020: £3.0 million, 2019: £3.2 million) comprised £3.1 million in respect of the IFRS 16 interest charge on lease liabilities, £0.6 million of facility charges under the Company's (undrawn) financing facilities and £0.2m relating to the Company's defined benefit pension scheme and foreign exchange losses.

Diluted earnings per share for the period were 43.2 pence (2020: 53.4 pence loss, 2019: 28.5 pence earnings).

Capital expenditure and financial position

Capital expenditure during the first half was £23.5 million (2020: £33.6 million; 2019: £33.2 million) as we completed work on our automated frozen distribution facility, commenced the roll out of new coffee machines and added 31 new shops to the company-managed estate. We now expect total capital expenditure in 2021 to be circa £65 million (2020: £58.7 million; 2019: £86.0m).

The recovery in trading performance in the first half, and the related working capital inflow, generated strong cash flow and we ended the period with a cash balance of £118.3 million (27 June 2020: £26.2 million net debt). In addition, the Company has access to a revolving credit facility that allows it to draw up to £100 million in committed funds, subject to it retaining a minimum liquidity of £30 million (i.e. maximum net borrowings are £70 million).

Dividends

Greggs last paid a dividend in October 2019, after which the planned final dividend for 2019 was cancelled in order to preserve cash in the early months of the pandemic. Whilst there are still significant uncertainties in the months ahead, we now have a strong cash position and additional financing facilities to draw on if required.

With all this in mind the Board has declared an interim ordinary dividend of 15.0 pence per share. It is the Board's current intention to target a full-year ordinary dividend that is around two times covered by underlying earnings.

The Board acknowledges that the business will be carrying a higher-than-normal cash balance in the short term but believes this is a prudent position to adopt given the backdrop, and intends to return any surplus cash to shareholders in due course, in line with its longstanding policy.

The interim dividend will be paid on 8 October 2021 to those shareholders on the register at the close of business on 10 September 2021.

Outlook

As we reported in our most recent trading update the level of sustained sales recovery in recent months was stronger than we had anticipated. In the most recent four weeks to 31 July, like-for-like sales in company-managed shops, measured on a two-year basis, were 0.4 per cent above the equivalent period of 2019.

Despite the general uncertainties in the market, Greggs has traded well in recent months and demonstrated the resilience of its business model as well as its potential for longer-term growth as a multi-channel food-on-the-go brand. As a result, we now expect full year profit to be slightly ahead of our previous expectation.

Roger Whiteside
Chief Executive
3 August 2021

Greggs plc
Consolidated income statement
For the 26 weeks ended 3 July 2021

	26 weeks ended 3 July 2021	26 weeks ended 27 June 2020	53 weeks ended 2 January 2021
	Total	Total	Total
	£m	£m	£m
Revenue	**546.2**	300.6	811.3
Cost of sales	**(196.3)**	(122.9)	(300.4)
Cost of sales excluding exceptional items	**(196.3)**	(122.2)	(299.6)
Exceptional items (see note 4)	**-**	(0.7)	(0.8)
Gross profit	**349.9**	177.7	510.9
Distribution and selling costs	**(257.8)**	(210.6)	(465.8)
Administrative expenses	**(32.7)**	(29.3)	(52.1)
Operating profit/(loss)	**59.4**	(62.2)	(7.0)
Finance expense	**(3.9)**	(3.0)	(6.7)
Profit/(loss) before tax	**55.5**	(65.2)	(13.7)
Income tax	**(11.1)**	11.4	0.7
Profit/(loss) for the period attributable to equity holders of the parent	**44.4**	(53.8)	(13.0)
Basic earnings/(loss) per share	**43.8p**	(53.4p)	(12.9p)
Diluted earnings/(loss) per share	**43.2p**	(53.4p)	(12.9p)

Greggs plc
Consolidated statement of comprehensive income
For the 26 weeks ended 3 July 2021

	26 weeks ended 3 July 2021 £m	26 weeks ended 27 June 2020 £m	53 weeks ended 2 January 2021 £m
Profit/(loss) for the period	**44.4**	(53.8)	(13.0)
Other comprehensive income/(expense)			
Items that will not be recycled to profit and loss:			
Remeasurements on defined benefit pension plans	**13.8**	(13.8)	(11.2)
Tax on remeasurements on defined benefit pension plans	**(3.5)**	2.6	2.1
Other comprehensive income/(expense) for the period, net of income tax	**10.3**	(11.2)	(9.1)
Total comprehensive income/(expense) for the period	**54.7**	(65.0)	(22.1)

Greggs plc
Consolidated balance sheet
as at 3 July 2021

	3 July 2021	27 June 2020 Restated (see page 14)	2 January 2021
	£m	£m	£m
ASSETS			
Non-current assets			
Intangible assets	15.0	16.0	15.6
Property, plant and equipment	340.3	354.0	345.3
Right-of-use assets	269.2	264.3	270.1
Defined benefit pension asset	4.3	-	-
	628.8	634.3	631.0
Current assets			
Inventories	24.8	20.8	22.5
Trade and other receivables	36.3	23.5	39.4
Current tax asset	-	4.9	-
Cash and cash equivalents	118.3	52.9	36.8
Investments – short-term deposits	-	70.0	-
	179.4	172.1	98.7
Total assets	808.2	806.4	729.7
LIABILITIES			
Current liabilities			
Trade and other payables	(115.5)	(70.7)	(91.1)
Current tax liability	(1.3)	-	-
Borrowings	-	(150.0)	-
Lease liabilities	(49.4)	(54.5)	(48.6)
Provisions	(3.1)	(5.6)	(4.4)
	(169.3)	(280.8)	(144.1)
Non-current liabilities			
Other payables	(3.5)	(4.0)	(3.7)
Defined benefit pension liability	-	(14.4)	(11.9)
Lease liabilities	(240.1)	(224.6)	(243.1)
Deferred tax liability	(5.9)	(1.0)	(2.3)
Long-term provisions	(3.8)	(3.5)	(3.0)
	(253.3)	(247.5)	(264.0)
Total liabilities	(422.6)	(528.3)	(408.1)
Net assets	385.6	278.1	321.6
EQUITY			
Capital and reserves			
Issued capital	2.0	2.0	2.0
Share premium account	19.3	14.8	15.7
Capital redemption reserve	0.4	0.4	0.4
Retained earnings	363.9	260.9	303.5
Total equity attributable to equity holders of the Parent	385.6	278.1	321.6

Greggs plc
Consolidated statement of changes in equity
For the 26 weeks ended 3 July 2021

26 weeks ended 27 June 2020 (Restated – see page 14)

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£m	£m	£m	£m	£m
Balance at 29 December 2019	2.0	13.5	0.4	325.2	**341.1**
Total comprehensive income for the period					
Loss for the period	-	-	-	(53.8)	**(53.8)**
Other comprehensive income	-	-	-	(11.2)	**(11.2)**
Total comprehensive income for the period	-	-	-	(65.0)	**(65.0)**
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	-	1.3	-	-	**1.3**
Sale of own shares	-	-	-	1.4	**1.4**
Purchase of own shares	-	-	-	(0.5)	**(0.5)**
Share-based payment transactions	-	-	-	1.4	**1.4**
Tax items taken directly to reserves	-	-	-	(1.6)	**(1.6)**
Total transactions with owners	-	1.3	-	0.7	**2.0**
Balance at 27 June 2020	2.0	14.8	0.4	260.9	**278.1**

53 weeks ended 2 January 2021

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	**Total**
	£m	£m	£m	£m	£m
Balance at 29 December 2019	2.0	13.5	0.4	325.2	341.1
Total comprehensive income for the period					
Loss for the financial year	-	-	-	(13.0)	(13.0)
Other comprehensive income	-	-	-	(9.1)	(9.1)
Total comprehensive income for the year	-	-	-	(22.1)	(22.1)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	-	2.2	-	-	2.2
Sale of own shares	-	-	-	1.5	1.5
Purchase of own shares	-	-	-	(0.5)	(0.5)
Share-based payment transactions	-	-	-	0.9	0.9
Tax items taken directly to reserves	-	-	-	(1.5)	(1.5)
Total transactions with owners	-	2.2	-	0.4	2.6
Balance at 2 January 2021	2.0	15.7	0.4	303.5	321.6

26 weeks ended 3 July 2021

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	**Total**
	£m	£m	£m	£m	**£m**
Balance at 3 January 2021	2.0	15.7	0.4	303.5	**321.6**
Total comprehensive income for the period					
Profit for the period	-	-	-	44.4	**44.4**
Other comprehensive income	-	-	-	10.3	**10.3**
Total comprehensive income for the period	-	-	-	54.7	**54.7**
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	-	3.6	-	-	**3.6**
Sale of own shares	-	-	-	0.3	**0.3**
Share-based payment transactions	-	-	-	2.5	**2.5**
Tax items taken directly to reserves	-	-	-	2.9	**2.9**
Total transactions with owners	-	3.6	-	5.7	**9.3**
Balance at 3 July 2021	2.0	19.3	0.4	363.9	**385.6**

Greggs plc
Consolidated statement of cash flows
For the 26 weeks ended 3 July 2021

	26 weeks ended 3 July 2021	26 weeks ended 27 June 2020	53 weeks ended 2 January 2021 Restated (see page 14)
	£m	£m	£m
Cash flows from operating activities			
Cash generated from / (absorbed by) operations (see page 13)	**130.8**	(56.7)	61.6
Income tax paid	**(6.7)**	(5.7)	(10.7)
Interest paid on lease liabilities	**(3.1)**	(3.3)	(6.5)
Interest paid on loans and borrowings	**(0.8)**	(0.8)	(0.8)
Net cash inflow/(outflow) from operating activities	**120.2**	(66.5)	43.6
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(17.3)**	(36.1)	(58.8)
Acquisition of intangible assets	**(1.6)**	(1.2)	(2.8)
Proceeds from sale of property, plant and equipment	**0.2**	0.6	1.8
Interest received	**-**	0.5	0.6
Acquisition of investments	**-**	(70.0)	-
Net cash outflow from investing activities	**(18.7)**	(106.2)	(59.2)
Cash flows from financing activities			
Proceeds from issue of share capital	**3.6**	1.3	2.2
Sale of own shares	**0.3**	1.4	1.5
Purchase of own shares	**-**	(0.5)	(0.5)
Proceeds from loans and borrowings	**-**	150.0	150.0
Repayment of loans and borrowings	**-**	-	(150.0)
Repayment of principal of lease liabilities	**(23.9)**	(17.9)	(42.1)
Net cash (outflow) / inflow from financing activities	**(20.0)**	134.3	(38.9)
Net increase / (decrease) in cash and cash equivalents	**81.5**	(38.4)	(54.5)
Cash and cash equivalents at the start of the period	**36.8**	91.3	91.3
Cash and cash equivalents at the end of the period	**118.3**	52.9	36.8

Greggs plc
Consolidated statement of cash flows (continued)
For the 26 weeks ended 3 July 2020

Cash flow statement – cash generated from operations

	26 weeks ended 3 July 2021	26 weeks ended 27 June 2020	53 weeks ended 2 January 2021
	£m	£m	£m
Profit/(loss) for the period	**44.4**	(53.8)	(13.0)
Amortisation	**2.2**	2.0	4.0
Depreciation – property, plant and equipment	**26.9**	27.6	56.9
Depreciation – right-of-use assets	**23.9**	25.9	51.9
Impairment – property, plant and equipment	**(0.6)**	3.7	5.2
Impairment – right-of-use assets	**(1.4)**	3.8	8.8
Loss on sale of property, plant and equipment	**0.3**	0.4	0.5
Release of government grants	**(0.2)**	(0.2)	(0.5)
Share-based payment expenses	**2.5**	1.4	0.9
Finance expense	**3.9**	3.0	6.7
Income tax expense / (credit)	**11.1**	(11.4)	(0.7)
(Increase) / decrease in inventories	**(2.2)**	3.1	1.4
Decrease / (increase) in receivables	**3.1**	3.6	(12.3)
Increase / (decrease) in payables	**19.9**	(67.5)	(48.2)
(Decrease) / increase in provisions	**(0.5)**	1.7	-
Decrease in pension liability	**(2.5)**	-	-
Cash from operating activities	**130.8**	(56.7)	61.6

Notes

1. Basis of preparation

The condensed accounts have been prepared for the 26 weeks ended 3 July 2021. Comparative figures are presented for the 26 weeks ended 27 June 2020. These condensed accounts have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all the information required for full annual accounts, and should be read in conjunction with the Group accounts for the 53 weeks ended 2 January 2021.

These condensed accounts are unaudited and were approved by the Board of Directors on 3 August 2021.

The comparative figures for the 53 weeks ended 2 January 2021 are not the Company's statutory accounts for that financial year. Those accounts were reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Restatement of comparatives

a) Deferred tax

As noted in the 2020 Annual Report there was a prior year restatement of deferred tax balances in 2020 following a change in accounting policy. As a result, a deferred tax asset of £5.7 million relating to buildings which previously qualified for industrial buildings allowances that was first recognised in 2008 was derecognised in the opening position for the comparative period due to not being considered recoverable. Consequently, the balance sheet at 27 June 2020 which is presented in this interim statement has also been restated.

This restatement has resulted in the following changes to the Group balance sheet at 27 June 2020 whereby deferred tax is adjusted by £5.7 million, resulting in derecognition of the previous deferred tax asset and recognition of a deferred tax liability, and retained earnings reduced by £5.7 million. There is no impact on profit and loss or earnings per share.

	At 27June 2020 £ m
Deferred tax asset / (liability)	
As originally stated – deferred tax asset	4.7
Adjustment	(5.7)
As restated – deferred tax liability	(1.0)
	=====
Retained earnings	
As originally stated	266.6
Adjustment	(5.7)
As restated	260.9
	=====

b) Cash flows from financing activities

Due to a drafting error in the preparation of the accounts for the 53 weeks ended 2 January 2021 the figures in the cash flow statement for the proceeds from and the repayment of loans and borrowings were incorrectly stated as £100.0 million. These figures should have been stated as £150.0 million. The comparative financial information within financing activities for the 53 weeks ended 2 January 2021 has been restated. The restatement does not impact upon the overall cash out flow from financing activities or on the net decrease in cash and cash equivalents for the 53 weeks ended 2 January 2021 as previously presented.

Going concern

The Directors have considered the adoption of the going concern basis of preparation for these condensed accounts. The Directors have reviewed cash flow forecasts prepared for a period of 18 months from the date of approval of these condensed accounts and considered the impact that further lockdowns would have on the liquidity of the Group.

At the end of the reporting period the Group had £188.3 million of available liquidity including £118.3 million cash and cash equivalents and £70.0 million of the undrawn revolving credit facility ('RCF').

In reviewing the cash flow forecasts the Directors considered the current trading position of the Group and the likely capital expenditure and working capital requirements of its growth plans. The main uncertainty for the review period ahead is the possibility of further lockdowns that would limit or prevent the business from trading. Should such scenarios arise the Directors consider that the RCF provides significant additional liquidity based on their experience in 2020. The Directors consider the likelihood of a complete closure scenario to be remote given the widespread vaccination programme and the demonstrated ability of the sector to operate successfully in a Covid-secure environment.

Based on the current trading and forecasts the Directors have invoked a switch election within the RCF that has allowed the Group to move to covenants based on Leverage and Fixed Charge Cover. The cashflow forecasts show that the Group expects to comply with the covenants included within the RCF agreement throughout the review period.

Taking into account the current cash level and the committed facilities the Directors are confident that the Group will have sufficient funds to allow it to continue to operate. After reviewing the projections and sensitivity analysis, and considering the continued uncertainties and mitigating actions that can be taken, the Directors believe that it is appropriate to prepare the condensed accounts on a going concern basis.

Judgements and estimates

In preparing these condensed accounts, management have made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In addition to the key estimates and judgements disclosed in the consolidated accounts for the 53 weeks ended 2 January 2021 the following additional areas have been identified or updated for the 26 weeks ended 3 July 2021.

Impairment

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For example, shop fittings and right-of-use assets may be impaired if sales in that shop fall. When a review for impairment is conducted, the recoverable amount is estimated based on either value-in-use calculations or fair value less costs of disposal. Value-in-use calculations are based on management's estimates of future cash flows generated by the assets and an appropriate discount rate. Consideration is also given to whether the impairment assessments made in prior years remain appropriate based on the latest expectations in respect of recoverable amount. Where it is concluded that the impairment has reduced, a reversal of the impairment is recorded.

The uncertainty of future trading conditions at the end of 2020 was considered to be an impairment trigger and a full impairment review was undertaken across all core shops in the company-managed estate. With the significantly improved trading levels in the first half of 2021, this impairment review has been updated to determine if the level of impairment remains appropriate.

The update was carried out using the following assumptions:

- Shops have been split by location type and separate LFL sales recovery or decline versus 2019 levels have been plotted for each location. Latest trading performance for June has been used as the starting sales assumptions with performance gradually reverting to 2019 levels during the remainder of 2021, except for some highly impacted locations types such as airports;
- LFL sales growth of 1 per cent per annum has been forecast for subsequent years to a maximum of 105 per cent;
- EBITDAR is used as a proxy for net cash flow excluding rental payments;
- The discount rate is based on a WACC calculation, with an uplift for risk in the current environment; and
- Consideration of the remaining lease term.

On the basis of these calculations a release of impairment provisions of £2.0 million has been made in respect of 86 shops. No additional shops have been impaired as a result of this review.

2. Accounting policies

The accounting policies applied by the Group in these condensed accounts are the same as those applied by the Group in its consolidated accounts for the 53 weeks ended 2 January 2021 other than as disclosed below:

- Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16: Interest Rate Benchmark Reform – Phase 2

Their adoption did not have a material effect on the accounts.

Principal risks and uncertainties

The Directors have considered the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining 26 weeks of the financial year. The Covid-19 pandemic continues to have an impact on our business. The assessment of principal risks and uncertainties made in the 2020 Annual Report and Accounts remains valid but we believe that the following risks have increased:

- Management of third-party relationships - business interruption suffered by third party suppliers, subsequently impacting on our operations. This is primarily the result of Covid-19 pressures on resource levels, which is restricting the availability and movement of goods in the short term. We have contingency plans in place to mitigate the impact of this.
- Ability to attract / retain / motivate people – along with many other businesses, we are facing challenges recruiting staff into current vacancies. We are streamlining our recruitment processes and making adjustments to trading hours where necessary to respond to this.

The Covid-19 pandemic remains a risk to the business. We continue to increase our capacity to provide products to our customers across all levels of potential restrictions, and have established a safe operating model for all of our colleagues. Our estate growth and development of new channels for customers to access Greggs provide the business with additional opportunities in this environment.

The assessment above should be read in conjunction with the statement of principal risks described on pages 47-50 in the 2020 Annual Report and Accounts. Other than the matters described above we believe our exposure to the principal risks faced by the business is not significantly different to that described in that statement.

3. Operating segments

The Board is considered to be the 'chief operating decision maker' of the Group in the context of the IFRS 8 definition. In addition to its company-managed retail activities, the Group generates revenues from its business to business ('B2B') channel which includes franchise and wholesale activities. Both channels were categorised as reportable segments for the purposes of IFRS 8.

Company-managed retail activities – the Group sells a consistent range of fresh bakery goods, sandwiches and drinks in its own shops or via delivery channels. Sales are made to the general public on a cash basis. All results arise in the UK.

B2B channel – the Group sells products to franchise and wholesale partners for sale in their own outlets as well as charging a licence fee to franchise partners. These sales and fees are invoiced to the partners on a credit basis. All results arise in the UK.

In the current period the Board has regularly reviewed the revenues and trading profit of each segment. During 2020 the Board regularly reviewed the revenues of each segment. However, a review of the trading profit for each segment was not possible during 2020 as there was no basis on which meaningfully to allocate costs during the period when company-managed shops were closed. The Board receives information on overheads, assets and liabilities on an aggregated basis consistent with the Group accounts.

	26 weeks ended 3 July 2021	26 weeks ended 3 July 2021	26 weeks ended 3 July 2021	26 weeks ended 27 June 2020	26 weeks ended 27 June 2020	26 weeks ended 27 June 2020	53 weeks ended 2 January 2021	53 weeks ended 2 January 2021	53 weeks ended 2 January 2021
	Retail company-managed shops	B2B	Total	Retail company-managed shops	B2B	Total	Retail company-managed shops	B2B	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue	**488.3**	**57.9**	**546.2**	262.5	38.1	300.6	715.3	96.0	811.3
Trading profit/(loss)*	86.9	12.1	99.0			(33.6)			66.4
Overheads including profit share			(39.6)			(28.6)			(73.4)
Operating profit/(loss)			59.4			(62.2)			(7.0)
Finance expense			(3.9)			(3.0)			(6.7)
Profit/(loss) before tax			55.5			(65.2)			(13.7)

* Trading profit is defined as gross profit less supply chain costs and retail costs (including property and direct management costs) and before central overheads.

4. Exceptional items

		26 weeks ended 3 July 2021	26 weeks ended 27 June 2020	53 weeks ended 2 January 2021
		£m	£m	£m
Cost of sales				
Supply chain restructuring	- redundancy	**-**	**0.1**	0.1
	- transfer of operations	**-**	**0.6**	0.7
Total exceptional items		**-**	**0.7**	0.8

Supply chain restructuring

This charge arises from the decisions, announced in 2016 and 2017, to invest in and reshape the Company's supply chain in order to support future growth. The costs related to accelerated depreciation and the expenses incurred as a result of transferring manufacturing processes between sites, including additional running costs. This restructuring is now complete and therefore no further exceptional costs have been incurred in 2021.

5. Defined benefit pension scheme

The valuation of the defined benefit pension scheme for the purposes of IAS 19 (Revised) as at 2 January 2021 has been updated as at 3 July 2021 and the movements have been reflected in these condensed accounts.

6. Taxation

The taxation charge for the 26 weeks ended 3 July 2021 and 27 June 2020 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit or loss for the period using rates substantively enacted by the half year date as required by IAS34 'Interim Financial Reporting'.

An increase in the rate of UK corporation tax from 19 per cent to 25 per cent with effect from 1 April 2023 was substantively enacted on 24 May 2021. Consequently, deferred tax balances at 3 July 2021 have been calculated at 25 per cent (27 June 2020: 19 per cent) as this is the rate at which they are expected to unwind.

7. Earnings per share

	26 weeks ended 3 July 2021	26 weeks ended 27 June 2020	53 weeks ended 2 January 2021
	Total	Total	Total
	£m	£m	£m
Profit/(loss) for the period attributable to equity holders of the parent	**44.4**	(53.8)	(13.0)
Basic earnings/(loss) per share	**43.8p**	(53.4p)	(12.9p)
Diluted earnings/(loss) per share	**43.2p**	(53.4p)	(12.9p)

Weighted average number of ordinary shares

	26 weeks ended 3 July 2021	26 weeks ended 27 June 2020	53 weeks ended 2 January 2021
	Number	Number	Number
Issued ordinary shares at start of period	**101,426,038**	101,155,901	101,155,901
Effect of shares issued	**126,480**	19,031	113,334
Effect of own shares held	**(168,244)**	(374,748)	(302,104)
Weighted average number of ordinary shares during the period	**101,384,274**	100,800,184	100,967,131
Effect of share options in issue	**1,252,095**	-	-
Weighted average number of ordinary shares (diluted) during the period	**102,636,369**	100,800,184	100,967,131
Issued ordinary shares at end of period	**101,813,986**	101,313,006	101,426,038

Potential ordinary shares can only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share. As the Group has recognised a loss for the 26 weeks ended 27 June 2020 and the 53 weeks ended 2 January 2021, none of the potential ordinary shares were considered to be dilutive for those periods.

8. Dividends

No dividends were paid during the 26 weeks ended 3 July 2021 (26 weeks ended 27 June 2020: nil, 53 weeks ended 2 January 2021: nil). The proposed interim dividend of 15.0 pence in respect of 2021 amounting to £15.3 million has not been recognised as a liability in these condensed accounts.

9. Related party transactions

There have been no related party transactions in the first 26 weeks of the current financial year which have materially affected the financial position or performance of the Group.

Related parties are consistent with those disclosed in the Group's Annual Report and Accounts for the 53 weeks ended 2 January 2021.

10. Half year report

The condensed accounts were approved by the Board of Directors on 3 August 2021. They will be available on the Company's website, corporate.greggs.co.uk

11. Calculation of Alternative Performance Measures

Two-year like-for-like (LFL) sales decline – Like-for-like (LFL) company-managed shop sales performance against comparable period in 2019

	26 weeks ended 3 July 2021
	£m
Current year LFL sales	438.7
2019 LFL sales	483.2
Decline	(44.5)
LFL sales decline percentage	(9.2%)

12. Statement of Directors' responsibilities

The Directors named below confirm on behalf of the Board of Directors that to the best of their knowledge:

- the condensed set of accounts has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

(a) DTR4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed set of accounts; and a description of the principal risks and uncertainties for the remaining 26 weeks of the year; and

(b) DTR4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the financial year and that have materially affected the financial position or performance of the Group during the period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Greggs plc are listed in the Annual Report and Accounts for the 53 weeks ended 2 January 2021. On 21 June 2021 Mohamed Elsarky was appointed as an independent Non-Executive Director and on 31 July 2021 Peter McPhillips retired from the Board.

For and on behalf of the Board of Directors

Roger Whiteside **Richard Hutton**