



5 October 2021

**GREGGS PLC**  
**Q3 TRADING UPDATE & CAPITAL MARKETS DAY**

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

**Continuing recovery and increasing potential for growth**

**Q3 highlights**

- Two-year LFL\* for third quarter up 3.5% despite staffing and supply chain disruption
- Delivery sales developing well, 943 shops now involved
- 68 net new shops opened year-to-date (84 openings less 16 closures)
- Continue to expect around 100 net shop openings in 2021
- Broadening of vegan-friendly food and drink options well received
- Inflationary pressures rising towards end of 2021
- Expect full year outcome to be ahead of our previous expectations

\* Like-for-like (LFL) company-managed shop sales performance against comparable period in 2019

**Strategic development**

- Strategic direction remains consistent - further growth in the shop estate supplemented by development of new channels in the food-on-the-go market
- Ambitious target to double turnover over next five years to circa £2.4bn in 2026
- Planning to accelerate rate of net shop number growth to c.150 per year from 2022 with potential for at least 3,000 shops
- Looking to develop multichannel sales by:
  - extending evening trading to more shops
  - building on initial successes in the online / delivery channel
  - roll-out of the new Greggs app to more customers
- Investment programme will equip shops for a multichannel future and create additional supply chain capacity for growth
- Further improvement in sustainability of customer offer as we deliver on the Greggs Pledge

## **Trading performance**

Despite widely reported disruption to staffing and supply chains, it is a credit to our teams that Greggs has continued to trade well over the third quarter with two-year like-for-like sales in company-managed shops rising by 3.5 per cent when compared with the same period in 2019. Growth was particularly strong in August when a 'staycation' effect was evident and remained in positive territory in September, with two-year like-for-like growth of 3.0 per cent in the four weeks to 2 October. Delivery sales have continued to develop well, with 943 shops now involved in supplying customers through this channel.

The broadening of our vegan-friendly food and drink options has been well received, notably the limited edition 'Vegan Sausage, Bean & Cheeze Melt' along with a 'Vegan Ham & Cheeze Baguette' and a vegan-friendly breakfast sausage. Pizza and savoury boxes are supporting the delivery channel and our autumn menu is now available in shops, featuring favourites such as pumpkin spiced latte and spooky bats and buns for Halloween.

## **Shop estate and supply chain development**

In the year to date we have opened 84 new shops and closed 16 shops, giving a total of 2,146 shops trading at 2 October 2021 (comprising 1,785 company-managed shops and 361 franchised units). Openings in the third quarter have included three drive-thru locations and our first shop in London's Canary Wharf. For the year as a whole, we continue to expect around 100 net openings, of which half are planned to be with franchise partners.

Our new automated cold storage facility in Newcastle upon Tyne has commenced operations and is performing well. This will create additional capacity to support our growth ambitions whilst also reducing logistics costs and carbon emissions.

## **Outlook**

Greggs has not been immune to the well-publicised pressures on staffing and supply chains and we have seen some disruption to the availability of labour and supply of ingredients and products in recent months. Food input inflation pressures are also increasing; whilst we have short-term protection as a result of our forward buying positions we expect costs to increase towards the end of 2021 and into 2022.

Operational cost control has been good and the strong sales performance in the third quarter gives us confidence as we move into the autumn. Subject to any unexpected COVID disruption we expect the full year outcome to be ahead of our previous expectations.

## Capital Markets Day event

Today Greggs will host a 'Capital Markets Day' event during which the Company's Operating Board will set out the considerable opportunities that we see in the coming years. Our strategic direction remains consistent - further growth in the shop estate will be supplemented by development of new channels in the food-on-the-go market.

Our success in recent years has enabled us to achieve a five per cent share of the food-on-the-go market, despite offering our services primarily in the walk-in channel and limited to daytime opening hours. As we scale Greggs to become a fully-fledged, multi-channel, food-on-the-go brand for all times of the day we have developed an ambitious target to double revenue to circa £2.4bn by 2026.

Our plans are based on the further opportunities that we see for Greggs in the UK market. In the long term we think there could also be potential for Greggs internationally; we are conducting some very early analysis to help better understand the possible opportunity.

The event content will be made available on our corporate website (<https://corporate.greggs.co.uk/investors/results-centre>) and will focus on the following key opportunity areas:

- **Estate growth** – we continue to see potential for at least 3,000 UK shops and are challenging ourselves to increase the rate of net shop number growth to 150 shops per year from 2022, of which around 50 per year are expected to be opened in partnership with franchisees. The shape of the new shop pipeline reflects opportunities that have been successful for us in recent years as we reposition the estate towards on-the-go locations.

To help understand the different contributions from company-managed and franchised shops the comparative performance of these two classes of shop will be disclosed. On average, a company-managed shop generated a cash return of 42 per cent on capital in 2019. In the same period the average franchised shop generated a cash return of 33 per cent on capital.

- We see **evening** daypart sales as a significant opportunity for the business, as we seek to replicate our success in the daytime beyond traditional trading hours. The introduction of delivery services has made many more of our shops viable in the early evening market and we believe that two thirds of our estate will ultimately be suitable for late trading (both walk-in and delivery). In the short term our target is that 500 of our shops will be open until 8pm by the end of 2022.
- The opportunity to grow **delivery** sales reflects the expanding reach of delivery services across the UK combined with the development of our menu. More than 900 of our shops currently service the delivery channel and we expect this to develop to around 80 per cent of the company-managed estate in the years ahead. Our menu already has great relevance in the early evening daypart and will benefit from planned development of further hot food options. Our success to date has been almost exclusively in the daytime delivery market so evening trading presents further potential. Alongside delivery, 'click and collect' offers further scope to drive sales, including made-to-order range extensions.

- The recent relaunch of our Greggs App lays the foundations for future growth as we recruit many more customers to benefit from our **loyalty** mechanic and take a **CRM** approach to offer them reasons to visit more often. Much of the infrastructure investment to support this is now in place and we will increase marketing investment in the months and years ahead to develop visit frequency and average transaction value. We are focused on significantly increasing our membership base from the current 400k members.
- Our **supply chain** and **IT infrastructure** have benefitted from investment in recent years to establish an efficient basis on which to base further growth. In the coming years we will build on this to expand capacity for both new shops and growth from new channels, as well as restarting our shop refurbishment programme. We expect capex requirements to peak across 2023 and 2024 and that all investments will be self-funded. Details of expected capital expenditure are set out below.
- **Financial impact** – success in driving like-for-like growth in new channels will leverage our existing asset and cost base more efficiently, and will allow us to continue to invest in our price competitiveness as well as even higher standards in terms of the sustainability of our customer offer. We believe that this, and the investment required for growth, can be managed whilst delivering strong returns for shareholders. With a strong net cash position, we are in the process of re-establishing the ordinary dividend policy and see potential for additional distributions in the near term and beyond the investment phase of our plans.

#### ENQUIRIES:

##### Greggs plc

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#### Additional information

Expected five-year capital expenditure, precise phasing to be determined by rate of progress against growth plans:

£million	2021	2022	2023	2024	2025	2026
Retail	37	85	105	105	95	92
Supply chain	20	69	85	94	57	27
IT & other	8	15	15	15	15	15
	<b>65</b>	<b>169</b>	<b>205</b>	<b>214</b>	<b>167</b>	<b>134</b>

Expected sales bridge resulting from the strategy:

	£million
Approximate 2021 revenue	1,200
Covid recovery & wholesale	180
Estate growth	600
Evening walk-in	110
Evening delivery	70
Daytime delivery	100
Loyalty & CRM	140
<b>2026 revenue opportunity</b>	<b>2,400</b>