8 March 2022

GREGGS PLC
(“Greggs” or the “Company”)

PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 1 JANUARY 2022

Strong team, brand and financial position;
well placed to execute ambitious strategic plan

2021 Financial highlights

- Total sales up 5.3%* on 2019 level to £1,229.7 million** (2020: £811.3 million, 2019: £1,167.9 million)
- LFL*** sales in company-managed shops 3.3% down on 2019 level
- Pre-tax profit of £145.6 million (2020: £13.7 million loss, 2019: £108.3 million profit)
- Strong cash position supporting planned capital investment programme and special dividend
- Diluted earnings per share 114.3p (2020: 12.9p loss per share, 2019: 85.0p earnings per share)
- Final dividend of 42.0p per share recommended, taking total ordinary dividend per share to 57.0p (2020: nil, 2019: 11.9p****)
- Special dividend of 40.0 pence per share declared
- Colleague profit-sharing recommenced, will share £16.6 million with our people

* comparison with 2019 sales considered more helpful as 2020 figures include the period of shop closure in Q2 2020
** 52 weeks ended 1 January 2022 (2020: 53 weeks ended 2 January 2021, 2019: 52 weeks ended 28 December 2019)
*** like-for-like sales in company-managed shops (excluding franchises) with a calendar year’s trading history
**** 2019 dividend reflects only the interim dividend, the final dividend of 33.0p was proposed but not paid

Strategic progress

Growing and developing the Greggs estate:

- 131 new shops opened in 2021, 28 closures (103 net openings); 2,181 shops trading as at 1 January 2022
- From 2022, targeting 150 annual net new shop openings, with the potential for at least 3,000 shops in the UK over time
- Improving the quality of our estate – 200 refurbishments planned in 2022 to support growth in additional channels

Evening trade:

- Plan to extend late opening to 500 shops in year ahead, offering core menu plus hot food trials

Delivery and digital channels:

- Extending delivery reach from 1,000 to 1,300 shops to complement evening availability
- Further recruitment of, and engagement with, Greggs App customers

Supply chain investment:

- Identifying optimal locations for future investment in supply capacity to facilitate growth ambition

ESG:

- Majority of year one Greggs Pledge targets met, including:
  - food waste reduction both in our shops and our manufacturing sites; and
  - extending the proportion of items on our shelves that are healthier choices

Current trading

- In first nine weeks of 2022, LFL sales in company-managed shops up 3.7% compared to the 2020 level
- For same period LFL sales in company-managed shops up 44.2% against lockdown-affected period in 2021

"Our results and achievements in 2021 show that we have emerged from the pandemic both stronger and better as a business. I would like to thank, once again, all of our teams across the country who rose so well to meet the challenges of the last two years.

"We have started 2022 well, helped by the easing of restrictions. Cost pressures are currently more significant than our initial expectations and, as ever, we will work to mitigate the impact of this on customers, however given this dynamic we do not currently expect material profit progression in the year ahead.

Despite these near-term pressures, we continue to believe that the opportunities for Greggs have never been more exciting. Our investment over recent years has left the business well-placed to move quickly as the economy recovers and we drive our ambitious plans to become a larger, multi-channel business."

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

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

Chair's statement

Greggs returned to the front foot in 2021. With a strong team, brand and financial position we are well placed to embrace the many strategic opportunities ahead of us. We have an ambitious plan and the resources to pursue it for the benefit of all of our stakeholders.

Overview

2021 was a year of further recovery for Greggs as we navigated the ongoing challenges posed by the pandemic and set out a clear strategic plan to address the opportunities that lie ahead. An ability to react quickly to changing conditions has been crucial in recent years and the Greggs team has demonstrated this agility, delivering a strong 2021 financial result in the face of ongoing disruption to demand and in our supply chain.

At the same time we have remained focused on our responsibilities to colleagues and the broader stakeholder community. By publishing The Greggs Pledge we set out clear environmental and social commitments in those areas where we believe we can make the most impact as we seek to build on Greggs strong reputation as a responsible business.

The Board's strategy review was of particular importance in 2021 as we reflected on the learnings of the past year and their implications for our plans. The result is an ambitious strategic plan, founded on broadening access to Greggs across the day and also through new shops and channels. We believe that Greggs' brand strength and the breadth of its customer offer makes the business well-placed to grow quickly as the economy recovers.

Our people and values

The Board makes considerable efforts to stay close to the Greggs team, making sure that we are in tune with the business challenges and issues that they encounter. In the face of continued challenges from a pandemic-affected trading environment our colleagues, once more, responded magnificently, and the Board does not take this for granted. We were pleased to support proposals to bring forward by five months the annual pay award for colleagues to thank them for their contribution in 2021.

A particular focus for the business in recent years has been the desire to progress the equality and diversity agenda. As part of Greggs' ambition to achieve the National Equality Standard (NES) the Board engaged in a training session and reviewed business progress across a wide range of inclusivity initiatives. Directors also attended special interest groups designed to represent the needs of colleagues and promote equality of opportunity. Whilst there is more to do to reach the NES standard the Board is encouraged by the strong progress being made from a solid base, given Greggs' values-driven approach.

In the face of the challenges of the past two years the Board considers it more important than ever to support the work of the Greggs Foundation in the communities where we operate. The charity, independent of, but supported by, the Company has been working to build stronger, healthier communities for 35 years. The Greggs Foundation has been chaired for the past 20 years by Andrew Davison OBE, who retired from this voluntary role in 2021. I would like to record the Board's immense gratitude to Andrew for his leadership and commitment over so many years, and for the impact that this has had on so many people. We look forward to working with Andrew's successor, Joanna Dyson OBE, to further the work of the Greggs Foundation over the years ahead.

Another important relationship has been with the trustee of the Company's legacy defined benefit pension scheme. Richard Bottomley OBE has recently retired from chairing the trustee group, a position he held for twelve years, and leaves the scheme in a very strong position. On behalf of the Company and the scheme's members I would like to thank Richard for the great progress made under his period of stewardship.

The Board

The Board has a plan in place for succession for both Executive and Non-Executive Directors. In March 2021 I explained that, although under the UK Corporate Governance Code I would have normally been expected to step down as Chair, the Board had asked me to remain in place to provide continuity of leadership as we addressed the Chief Executive's succession.

In 2021 the Company's Nominations Committee commenced a recruitment process to address Chief Executive succession as Roger Whiteside approached retirement age. The Committee appointed an executive search firm to conduct a comprehensive search, which considered internal and external candidates. The quality of candidates was strong and, following a rigorous process, the Committee recommended the appointment of Roisin Currie, Greggs Retail and Property Director, as Chief Executive to succeed Roger Whiteside. Roisin was appointed as Chief Executive Designate and as an Executive Director on 1 February 2022 and will take over as Chief Executive at the end of the Company's Annual General Meeting on 17 May 2022. Roger Whiteside will step down from the Board at the close of the AGM but will remain available to support the transition process until 5 January 2023.

Roger has led Greggs through a period of extraordinary and sustained success and I would like to thank him for his exceptional leadership since his appointment in 2013. His straightforward, personable and engaging style has engendered great trust within the business and an enthusiastic following amongst all our stakeholders. I would like to wish Roger a long and happy retirement.

As part of our plan to phase succession of Non-Executive Directors the Board announced the appointment of Mohamed Elsarky as an independent Non-Executive Director in June 2021, and Peter McPhillips retired as an independent Non-Executive Director in July 2021. Sandra Turner, Senior Independent Director, took over from Peter as the Non-Executive Director responsible for overseeing colleague engagement.

In the second half of 2022 the Nominations Committee will commence activity to identify my successor as Chair of the Board. As previously communicated, I expect to remain in position only as long as is necessary to ensure a good transition to the new Chief Executive and whilst the process of identifying my successor takes place.

Further details of the Board's work are included in the governance and committee sections of the annual report.

Dividend

At the time of the interim results in August 2021 the Board declared an interim ordinary dividend of 15.0 pence per share and stated its intention to return to a full-year ordinary dividend that is around two times covered by underlying earnings after taxation (profit after tax excluding exceptional items). In line with this ordinary dividend policy, the Board intends to recommend at the AGM a final dividend of 42.0 pence per share (2020: nil), giving a total ordinary dividend for the year of 57.0 pence (2020: nil).

Going forward our dividend policy will continue to target a progressive ordinary dividend, normally around two times covered by profit after taxation, with further surplus cash being returned to shareholders as appropriate. Having taken into account our strong balance sheet position and the Company's investment and working capital requirements, and the intention to maintain our progressive ordinary dividend policy, the Board has declared an additional special dividend of 40.0 pence per share (2020: nil), to be paid in April.

Our Finance Director, Richard Hutton, outlines the expected application of the distribution policy in more detail in the financial review.

Looking ahead

Greggs has once again demonstrated its resilience and the cash-generative nature of its business model. It is a great business with an excellent team, and although short-term trading conditions remain challenging we have great confidence in the opportunities that lie ahead and strong liquidity to support our investment plan that will unlock further growth.

Ian Durant
Chair
8 March 2022

Chief Executive's Report

In a second year dominated by disruption due to Covid, our teams once again coped magnificently with unprecedented and rapidly-changing conditions. We set out at the beginning of the year to show that we could not only cope with Covid, but emerge from this crisis both stronger and better as a business. Our results and achievements in 2021 show that we achieved both those ambitions, and I would like to take this opportunity to, once again, thank all of our teams across the country who rose so well to meet these challenges.

Adapting to the unexpected

We began the year with the country in lockdown, but with safe operating practices in place we were able to continue trading, albeit with restricted customer footfall in many areas. In a foretaste of things to come we faced the first of many unpredictable disruptions when new regulations in Scotland left us with no option but to close our shops there as we developed new solutions to protect our colleagues, who were required to serve from our doorways. Our Scottish teams worked tirelessly to redesign our operating procedures so that we could open again.

Thankfully, conditions eased in the spring as first non-essential retail, and subsequently the seated hospitality sector, were allowed to open their doors again. In that period we saw customer footfall returning in traditional locations, although not to pre-Covid levels, with customers remaining cautious. Nevertheless, demand in our walk-in channel rose sufficiently alongside strong delivery sales to see us return to positive total like-for-like sales growth in the second quarter when compared to 2019, which was ahead of our expectations. We had done well to accelerate our services in the delivery channel as Covid struck and, now that walk-in footfall was returning, delivery demand was proving to be largely incremental to this, extending the reach of our shops beyond customers passing by.

Our battle with Covid took a new turn in the summer, when employee absence climbed dramatically as the test and trace system imposed increased levels of isolation for those encountering the virus. Pressure on our teams increased again with high levels of absence combined with a tightening labour market, making recruitment more difficult as we sought to fill vacancies and create new teams for our shop opening programme. While absence levels settled down later in the autumn, the recruitment challenge became more difficult with key skill shortages, particularly for drivers in our supply chain.

Employee absence and skill shortages also contributed to the broader challenges we were experiencing in our supply chain. With a recovering global economy seeing demand exceed supply in many areas, unpredictable supply shortages became a daily feature of our operations. Part of our response was to return to focusing on our best-selling lines, and to restrict our programme of new product launches.

Despite all these challenges we continued to deliver positive like-for-like-sales growth with travel restrictions creating a 'staycation' tailwind in the summer. Some of that momentum fell back in the autumn as VAT support reduced, followed by a step back in customer footfall approaching Christmas as new Covid guidance saw a return to working from home.

In my long retail career I have never experienced such high levels of prolonged disruption to operations, and we owe our success last year to the commitment and willingness of our teams to work around these problems. We chose to recognise that effort by bringing forward our annual pay award for all our operational teams by five months from 2022 into 2021, both as a special thank you, but also to help us recruit additional support for them by increasing our attraction in the labour market as we entered the new year.

Financial results

Total sales grew to a record £1,229.7 million in 2021 (2020: £811.3 million, 2019: £1,167.9 million), a 5.3% increase on the level seen in 2019. Within this, company-managed shop like-for-like sales were 3.3% lower than the equivalent period in 2019, with sales growth returning following the lifting of restrictions seen in the first quarter.

Pre-tax profit for the year was £145.6 million (2020: £13.7 million loss, 2019: £108.3 million profit). As a result of the return to profitability we are able to recommence our long tradition of sharing ten per cent of our profits with colleagues each year and in March 2022 we will share £16.6 million with our people as a result of our performance in 2021. We finished 2021 with a very strong cash position that will support our ambitious plans to invest for further growth, as outlined below, as well as the recommencement of dividend payments to our shareholders.

Coming back stronger

Having demonstrated our resilience in coping with all that these two years of crisis have thrown at us, we were determined to demonstrate that we could come back stronger as a business. While Greggs has enjoyed tremendous success in recent years as we sought to become the customer's favourite for food-on-the-go, our journey is far from over. In October we held a Capital Markets Day for shareholders and investors in which we set out our ambitious plan to double sales over the next five years. The fundamental strategic pillars of our business model have not changed but we have identified four key growth drivers which will become the focus of our plan to reach our full potential in the years ahead.

Growing and developing the Greggs estate

In restarting our shop opening programme following the initial impact of Covid, we set out a new ambition to reach at least 3,000 shops as the next target against which to plan supply chain capacity. Covid has led to a significant increase in the availability of retail property, creating an opportunity for Greggs to accelerate its shop opening programme. In 2021 Greggs opened 131 new shops and closed 28, growing the estate to 2,181 shops. Our new shop pipeline is in good shape and we have increased our annual shop-opening target to 150 net new shops, effective from the start of 2022, to take advantage of these conditions.

The versatility of our brand allows us to operate a full range of formats, and new digital channels enable us to extend the reach of each location to more customers. We have good representation in traditional towns and suburban locations and are therefore continuing to focus our efforts on new on-the-go locations where people work, travel and/or access by car. Central London is one geographic region where lower rents now allow entry for value-led brands, and we have a strong pipeline in development. Openings in 2021 included our first shops in Canary Wharf and Kings Cross Station, together with several standalone 'drive thru' shops.

Franchise partners play an important role in providing access to otherwise restricted locations. We currently have 375 franchise locations with twelve corporate partners, and expect franchise shops to account for around 20% of our estate in the years ahead. Our wholesale partnership with Iceland sits outside of our shop estate, but increases the reach of our brand to compete in the at-home grocery market where we have enjoyed strong sales growth, with further scope for range development.

In 2022 we will also begin our next generation of shop refits, which will see us create dedicated space for digital channels and increased capabilities in food preparation in around 200 shops. We will also continue to improve the quality of our estate through relocations, seeking larger, better premises offering more channels, and coffee shop seating where appropriate.

Evening trade

In addition to new shops, we have a strategic opportunity to extend the trading hours in many of our shops to compete for food-on-the-go sales in the evening. Market research shows that sales after 4pm accounted for 35% of food-to-go sales in 2021, the largest proportion of the market by time of day. Greggs shops typically close at around 6pm and therefore we currently account for just 1% by value of this ‘dinner time’ market compared with nearly 8% of the lunchtime market and 11% of the breakfast market (source: NPD/Crest 2021).

With 86% of demand in this dinner time market being ‘take out’ in nature, Greggs is well positioned to compete for sales provided we can tailor our menu to meet customer expectations at that time of day. Market research shows that we are not starting from a zero base, with over 30% of customers surveyed believing our existing menu has options suited to the evening.

Initial trials in 100 shops show that by combining walk-in with delivery sales, offering the existing menu, we can already grow the evening daypart to an average of 17% of daily sales. In 2022 we will extend late opening (with delivery service) to a total of 500 shops, including our hot food menu trials and supported with marketing activity.

Digital channels

We set out to develop digital channels to market in 2019, which meant that when the pandemic hit in 2020 we were in a position to rapidly accelerate our plans. During the year we rolled out delivery with our partners Just Eat from 600 to 1,000 shops nationwide. While there is some small level of switching between channels, delivery sales remained strong and accretive when walk-in sales increased again, extending the reach of our shops beyond just customers who are passing by. Delivery offers the added attraction of serving multiple customers in one order, with average basket sizes at three times the walk-in levels.

We can reach more customers still by rolling out delivery to more shops, increasing capacity and improving our operational procedures to fulfil demand. In 2022 we plan to roll out this service to a further 300 shops, resulting in 1,300 shops offering delivery by the end of the year. The increased reach from delivery will also be key to accelerating our plans for later opening. A significant proportion of market demand for delivery comes post-5pm, and we estimate that the combination of walk-in and delivery will make two thirds of our shops viable for late trading over time.

Beyond delivery, we believe digital channels open new opportunities for Greggs to compete more effectively at all times of day. As a daily sell-out fresh food business, Click + Collect offers customers the ability to easily browse our menu, guarantee availability, skip the queues and ultimately personalise their order. In 2021, we integrated our Click + Collect service with our new Greggs App, and 2022 will see us begin to promote these services to our customers.

Greggs already offers a made-to-order service which is the core of our breakfast sandwich offer. Digital channels will allow us to extend this option to other categories. In 2022, we will begin trials with pizza toppings before moving onto baguettes. Made-to-order will extend product choice from the existing ingredient list, encourage customers to trade up, speed up service by removing payment at the till and has the potential to reduce waste.

Making Greggs mean more to more people

We have successfully repositioned the Greggs brand in recent years to become recognised as the customers’ favourite for food-on-the-go. Market research shows that we operate in a growing market, but that we account for less than 7% of customer visits (source NPD/ Crest) and that three quarters of our App customers visit Greggs less than once a week. Digital engagement with customers can help us communicate how Greggs can mean more things to more people, so that we can be a brand considered by more people, more of the time, in more places and at all times of day when they need food-on-the-go.

In 2021, we launched our new Greggs App offering a market-leading reward scheme and integrating Click + Collect services. Downloads of the new App are now in excess of one million and digital engagement tools will be deployed at scale in 2022 to drive visit frequency and average transaction values. Existing customers will be encouraged to sign up to the App and in addition, we will partner with strategic brands to grow our customer base.

Investing in our supply chain and systems for a bigger business.

Over recent years, Greggs has transformed its supply chain and systems infrastructure to become a centralised food-on-the-go business. By making better use of space and investing in centralised automation we have delivered a step-change improvement in the quality of our products and our supply chain cost structure. This has created a template on which to build additional capacity as the business continues to grow.

Our ambition to double sales revenues will require investment in both our manufacturing and logistics capacity. In 2021 we successfully opened our new automated frozen distribution centre in Newcastle, completed the building extension work at our Treforest bakery in Wales and increased capacity in our savoury plant at Balliol Park in Newcastle. In addition, new SAP systems were successfully rolled out to an additional six of our manufacturing and distribution centres, with the final two locations to be completed this year.

Work is now underway to confirm optimal locations for future investment in capacity including considering a southern-based manufacturing centre and additional primary and radial logistics capacity.

Building a centralised business model has required a transformational investment in systems. Our multi-year implementation of SAP is almost complete, and we have accelerated our digital transformation programme. In 2021, we increased capacity and resilience in our IT network and migrated our business intelligence solution to Microsoft Power BI. With this new platform in place, we see significant opportunities to grow our digital capabilities and enable more efficient operations, which will drive a programme of continuous improvement as the business grows.

In 2021 we successfully implemented our new sandwich labelling system to comply with Natasha's Law, safeguarding customers with allergies. This was a massive cross-functional team effort deployed on time across all shops, despite major supply chain and Covid disruption. It will now provide the platform to develop our made-to-order services offering product personalisation.

Coming back better – The Greggs Pledge

In addition to coming back stronger as a business, we were determined that we should also come back better, so in February 2021 we launched The Greggs Pledge. Ever since John Gregg founded the business in 1939, we have always tried to do the right thing by our people, customers, suppliers and communities. These values are at the heart of our culture and so it is natural that we want to conduct our business in a responsible manner.

The Greggs Pledge commits us to ten things that we're doing to help make the world a better place by 2025 – and beyond. We arrived at these pledges by talking with our own people and our external stakeholders, and by considering the issues that are most relevant to our business. Our pledges align with the ambitions of the UN Sustainable Development Goals (SDGs).

We have chosen to concentrate our efforts on the challenges where we think we can make the most difference:

We want to help build stronger, healthier communities

Even before the pandemic ravaged our economy, far too many people were struggling with poverty and hunger in this country. The Greggs Breakfast Clubs feed around 44,000 children every school day and we will continue to grow the scheme. We are also doing what we can to ensure that perfectly good food doesn't get wasted, but instead gets to people who need it. We recognise that poor nutrition is another issue where we have a role to play and are doing more to guide our customers towards healthier choices.

We want to make our planet safer

The impact of unchecked climate change would be catastrophic. We want to make Greggs a carbon-neutral, zero-waste business. We actively support the BRC's Climate Action Roadmap which aims to make the UK's retail industry net zero, well ahead of the Government's 2050 target. In addition, we are reducing our use of packaging, looking at how we can apply 'circular economy' thinking to our business and working with our suppliers to make efficient use of resources.

We want to be a better business

The corporate world can be a powerful force for good when it is guided by a moral compass. As well as continuing to support our communities by paying our taxes and providing thousands of fairly-paid jobs, we are redoubling our efforts to make Greggs a great place to work. We are also setting high standards for what we purchase, encouraging our suppliers to raise their game too.

We will give back to the communities that support us and take less from the environment that we all rely on. We want Greggs to play a meaningful role, not just in getting Britain back on its feet but in getting us to a better place. We made good progress in 2021 achieving the majority of the targets set out in our pledge which are reported in detail in our separate sustainability report

Looking forward

As I approach retirement, this will be my final year as Chief Executive of Greggs and it has been my privilege to have led this business for the past eight years, setting us on a new course to become the customers' favourite for food-on-the-go. In that time, I have tried my best to change the things that needed changing but more importantly to protect and nurture those things that shouldn't change – most importantly, the culture: the 'what makes Greggs, Greggs'.

Every business needs to constantly evolve to stay relevant for its customers and for that it needs the right strategic plan, but that is only part of the story. The main risk in leading a growing business is that change is poorly managed, resulting in the organisation undermining its culture and values that have taken decades to develop, earning the trust of colleagues and customers alike. That is why I am delighted that Roisin Currie has been appointed as my successor, because in working alongside her for many years, I know that she embodies our values and will continue to protect them as she leads the business to meet the exciting growth opportunities that lie ahead.

We have started 2022 well, helped by the easing of restrictions. Against a very low base in 2021, when the UK was in a more restrictive period of lockdown, company-managed like-for-like sales in the first nine weeks of 2022 have grown by 44.2%. On a two-year basis, which we reported throughout 2021, company-managed like-for-like sales in the first nine weeks were 3.7% higher than the equivalent period of 2020.

Cost pressures will be a particular feature of the year ahead, with inflation impacting on raw materials, energy and people costs, and these pressures are currently more significant than our initial expectations. As ever, we will work to mitigate the impact of this on customers, protecting Greggs' reputation for exceptional value in the freshly-prepared food-to-go market. Given this dynamic, we do not currently expect material profit progression in the year ahead.

Despite these near-term pressures, we continue to believe that the opportunities for Greggs have never been more exciting. Our investment over recent years has left the business well-placed to move quickly as the economy recovers and we drive our ambitious plans to become a larger, multi-channel business.

Roger Whiteside OBE
Chief Executive
8 March 2022

Financial review

Greggs came back strongly in 2021, restoring profitability and increasing the pace of growth in the shop estate. With comparatively modest capital expenditure in 2021 the Group's cash position is very strong. This will be put to use in 2022 as we pursue our ambitious growth plans whilst investing further in the sustainability of the business and enhancing returns to shareholders.

	2021 £m	2020 £m	2019 £m
Revenue	**1,229.7**	811.3	1,167.9
Operating profit / (loss)	**153.2**	(7.0)	114.8
Net finance expense	**(7.6)**	(6.7)	(6.5)
Profit / (loss) before tax	**145.6**	(13.7)	108.3
Income tax	**(28.1)**	0.7	(21.3)
Profit / (loss) after tax	**117.5**	(13.0)	87.0

Sales

Total Group sales for the 52 weeks ended 1 January 2022 were £1,229.7 million (2020: £811.3 million, 2019: £1,167.9 million). Sales continued to be affected by Government restrictions in the first quarter of the year but progressively improved as conditions eased. The comparative sales results for 2020 were significantly impacted by the closure of the Greggs shop estate for most of the second quarter therefore we have continued to report 2021 financial performance relative to the 2019 level.

Reporting 'like-for-like' sales (sales in company-managed shops with more than one calendar year's trading history) is a key alternative performance measure for Greggs, as it shows underlying estate sales performance excluding the impact of new shop openings and closures. In reporting like-for-like sales in 2021 we have compared our performance with the equivalent period of 2019, generating a 'two year like-for-like' KPI. The results across 2021 reflected the difficult conditions at the start of the year, followed by a strong recovery and then the impact of the Omicron variant and VAT increase in the fourth quarter:

	Q1	Q2	Q3	Q4	**2021**
Company-managed like-for-like sales compared with 2019 level	(21.5%)	2.8%	3.5%	0.8%	**(3.3%)**

Total group revenue reflects sales from company-managed shops, which include delivery sales, and sales through business-to-business (B2B) channels with our franchise and wholesale partners. Whilst year-on-year comparisons are distorted by the closure period in Q2 2020, both company-managed and B2B sales developed through the year as customer numbers recovered and we grew the size of the shop estate. We are still learning how delivery sales behave seasonally and under different trading conditions. Absolute delivery sales were strongest in the second quarter of the year and reduced slightly in the fourth quarter. The primary driver of B2B sales growth continues to be expansion of the franchised shop estate.

	Q1 £m	Q2 £m	Q3 £m	Q4 £m	**2021 £m**
Company-managed shop sales	209	280	299	311	**1,099**
[£m relating to delivery channel]	*[19.7]*	*[21.8]*	*[20.9]*	*[18.5]*	*[80.7]*
B2B sales	27	30	35	39	**131**
Total revenue	236	310	334	350	**1,230**

Profit for the year

Profit before tax in 2021 was £145.6 million (2020: £13.7 million loss, 2019: £108.3 million profit). There were no exceptional items (2020: £0.8 million charge, 2019: £5.9 million charge).

Overall wage and salary cost inflation was 3.0% in 2021. The planned 2022 pay increase for operational teams was brought forward by five months, adding £4.5 million to costs in 2021. Looking forward, as a result of the latest pay awards overall wage and salary inflation is expected to be approximately 4.3% in 2022. In addition, the rate of National Insurance on wages and salaries is due to increase by 1.25% from April 2022.

As expected, the rate of food, packaging and energy cost inflation increased towards the end of the second half of 2021 as forward contracts were renewed, and in the year ahead we expect that cost inflation in these areas will increase further. In addition the restoration of the full rate of VAT on hot food and drink sales will be effective from the start of April 2022.

Shop occupancy costs continue to improve as we negotiate rent reductions on renewal of our commitment to leased properties. Greggs strong covenant is attractive to the landlords of shop premises and this is an important factor in gaining access to new catchments as well as improving our cost ratios where we already trade. In 2021 the ratio of IFRS16 ‘right of use’ charges on leased property assets to company-managed shop sales was 4.9%, down from 5.1% in 2019, and we expect this ratio to improve further in the year ahead.

Taken together, the impact of inflation in employment and other input costs is expected to result in a cost inflation headwind of around 6-7% in 2022. A proportion of this is forward-covered but the outlook for many commodity costs remains uncertain. This has necessitated some price increases, which were made at the start of this year, and further changes are expected to be necessary. Our competitive pricing position is strong and, as ever, we will be protective of Greggs reputation for outstanding value for money in managing this inflationary environment.

As we reported at the half year stage, the improved performance and trading outlook of our shops resulted in us deciding to repay all Coronavirus Job Retention Scheme (‘CJRS’) support claimed in the first half of 2021, a total of £4.9 million. The sector-wide business rates relief for retail, hospitality and leisure businesses temporarily reduced costs by £14.9 million in the first half of the year.

The improved performance and trading outlook for our shops resulted in the net reversal of £2.2 million of previously-provided shop asset impairment charges. A further £1.3 million of impairment has been released in respect of land and bakery plant & machinery which is no longer considered to be impaired.

Financing charges

The net financing expense of £7.6 million in the year (2020: £6.7 million, 2019: £6.5 million) comprised £6.3 million in respect of the IFRS 16 interest charge on lease liabilities, £1.1 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.

Taxation

The Company has a simple corporate structure, carries out its business entirely in the UK and all taxes are paid here. We aim to act with integrity and transparency in respect of our taxation obligations.

The Group's overall effective tax rate on profit in 2021 was 19.3% (2020: 5.2% rate on losses, 2019: 19.7% rate on profit). The effective rate on profit in the year reflects the revaluation of deferred tax balances resulting from the expected increase in the Corporation Tax rate from April 2023 and additional "super-deductions" relating to capital expenditure in 2021.

The impact of super-deduction capital allowances will affect the Group's effective rate of taxation in 2022. We expect the effective rate for 2022 to be around 17.5% and the effective rate for 2023 to be around 24.0%. Going forward the effective rate is expected to be around 1.0% above the headline corporation tax rate; this is principally because of disallowed expenditure such as depreciation on non-tax-deductible qualifying properties and costs of acquisition of new shops.

Earnings per share and dividend

Diluted earnings per share in 2021 were 114.3 pence (2020: 12.9 pence loss per share, 2019: 85.0 pence earnings per share).

The Board recommends a final ordinary dividend of 42.0 pence per share (2020: nil). Together with the interim dividend of 15.0 pence (2020: nil) paid in October 2021, this makes a total ordinary dividend for the year of 57.0 pence (2020: nil). This is covered two times by diluted earnings per share in line with our progressive ordinary dividend policy, which aims to increase the dividend in line with growth in earnings per share.

The ordinary dividend is set at a level designed to provide capacity for the Group to invest in the many attractive opportunities for further growth. In situations where the Board concludes that the cash position is above the level required to support the Group's investment and working capital needs its policy is to make an additional return to shareholders by way of a special dividend. In application of this policy the Board has declared a special dividend of 40.0 pence per share, to be paid on 29 April 2022 to shareholders on the register at 25 March 2022.

Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on 20 May 2022 to shareholders on the register at 19 April 2022.

Balance sheet

Capital expenditure

We invested a total of £57.4 million (2020: £58.7 million, 2019: £86.0 million) in capital expenditure during 2021. In addition to expenditure on new shops, key projects included the roll out of new coffee machines as we extend our capabilities in hot drinks, the completion of the Balliol Park automated cold store and investments in increased capacity for savoury and pizza production. Retail estate expenditure continued to be relatively low and will increase in 2022 as we increase the rate of company-managed shop openings and recommence the shop refurbishment programme.

Depreciation and amortisation on property, plant and equipment and intangibles in the year was £58.7 million (2020: £60.8 million, 2019: £59.9 million). A further £48.7 million (2020 £51.9 million, 2019: £50.8 million) of depreciation was charged in respect of right-of-use assets as a result of capitalised leases.

At our Capital Markets Day event in October 2021 we outlined ambitious targets to double turnover over the next five years. As well as investing in a faster rate of estate growth the plans require additional capacity in our manufacturing and logistics network. Our plans for 2022 include capital expenditure of around £170 million as we increase the pace of shop investment, invest in a new site to be the focus of our capacity expansion for southern England, and add further manufacturing capacity to our savoury manufacturing plant at Balliol Park in Newcastle upon Tyne. The required investment is planned to be funded from our existing cash reserves and future operational cash generation.

Management of return on capital

We manage return on capital against predetermined targets and monitor performance through our Investment Board, a management committee where all capital expenditure is subject to rigorous appraisal before and after it is made. For investments in new shops we target an average cash return on invested capital of 25%, with a hurdle rate of 22.5%, over an average investment cycle of eight years. Other investments are appraised using discounted cash flow analysis. With market conditions for the acquisition of shop sites being favourable we have been active in sourcing opportunities in locations such as transport hubs and in central London. Some of these sites will trade below their mature level in the short term but are expected to strengthen as the impact of the pandemic recedes.

Working capital

We ended the year with Group net current assets of £59.2 million (2020: net current liabilities of £45.4 million, 2019: net current liabilities of £66.4 million), the result of carrying a closing cash and cash equivalents position of £198.6 million (2020: £36.8 million, 2019: £91.3 million). Excluding cash and cash equivalents, net current liabilities have increased from £82.2 million to £139.4 million over the year. This reflects the increase in trade and other payables as turnover levels have recovered over the past year, reversing the outflow experienced in 2020.

Pension scheme

The net liability shown on the balance sheet for the Company's closed defined benefit pension scheme was £2.4 million at the end of 2021 (2020: £11.9 million net liability). The improvement in the balance sheet position was mainly as a result of the increase in the discount rate applied to future liabilities. The scheme underwent a full actuarial revaluation in 2020, the results of which showed a deficit in funding. The Company is making additional contributions of £2.5 million each year from 2022 to 2026 to ensure that any funding requirements are met over the medium term as the scheme works towards full de-risking.

Cash flow and capital structure

The net cash inflow from operating activities after lease payments in the year was £236.5 million (2020: £1.5 million, 2019: £169.5 million). At the end of the year the Group had net cash and cash equivalents of £198.6 million (2020: £36.8 million, 2019: £91.3 million).

In normal circumstances the Group aims to maintain a year-end net cash position of around £50 million to allow for seasonality in our working capital cycle and to protect the interests of all creditors. The current cash position is clearly above this level, reflecting the strength of performance in 2021 and some short-term beneficial changes to working capital. With a significant capital expenditure programme ahead it is appropriate to carry an above-normal level of cash into 2022; however the Board's assessment is that the Group is in a position to make an additional distribution to shareholders of £40.6 million. As indicated above, the Board proposes to do so by way of a special dividend.

The Company's revolving credit facility, which runs to December 2024, 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). This facility is designed to provide protection to the business should it experience significant interruptions to trading.

With a strong cash position and committed facilities the Company is in a position to invest in its growth plans whilst supporting its many stakeholders and enhancing shareholder returns.

Richard Hutton
Finance Director
8 March 2022

Greggs plc

Consolidated income statement
for the 52 weeks ended 1 January 2022 (2020: 53 weeks ended 2 January 2021)

	2021 **£m**	2020 £m
Revenue	**1,229.7**	811.3
Cost of sales	**(447.7)**	(300.4)
Cost of sales excluding exceptional items	**(447.7)**	(299.6)
Exceptional items	**-**	(0.8)
Gross profit	**782.0**	510.9
Distribution and selling costs	**(567.6)**	(465.8)
Administrative expenses	**(61.2)**	(52.1)
Operating profit/(loss)	**153.2**	(7.0)
Finance expense (net)	**(7.6)**	(6.7)
Profit/(loss) before tax	**145.6**	(13.7)
Income tax	**(28.1)**	0.7
Profit/(loss) for the financial year attributable to equity holders of the Parent	**117.5**	(13.0)
Basic earnings/(loss) per share	**115.7p**	(12.9p)
Diluted earnings/(loss) per share	**114.3p**	(12.9p)

Greggs plc

Consolidated statement of comprehensive income
for the 52 weeks ended 1 January 2022 (2020: 53 weeks ended 2 January 2021)

	2021 £m	2020 £m
Profit/(loss) for the financial year	**117.5**	(13.0)
Other comprehensive income		
Items that will not be recycled to profit and loss:		
Remeasurements on defined benefit pension plans	**7.1**	(11.2)
Tax on remeasurements on defined benefit pension plans	**(1.7)**	2.1
Other comprehensive income for the financial year, net of income tax	**5.4**	(9.1)
Total comprehensive income for the financial year	**122.9**	(22.1)
	=======	=======

Greggs plc

Consolidated Balance Sheet
at 1 January 2022 (2020: 2 January 2021)

	2021 £m	2020 £m
ASSETS		
Non-current assets		
Intangible assets	**14.9**	15.6
Property, plant and equipment	**343.8**	345.3
Right-of-use assets	**263.6**	270.1
	622.3	631.0
Current assets		
Inventories	**27.9**	22.5
Trade and other receivables	**37.6**	39.4
Assets held for resale	**1.6**	-
Current tax	**0.4**	-
Cash and cash equivalents	**198.6**	36.8
	266.1	98.7
Total assets	**888.4**	729.7
LIABILITIES		
Current liabilities		
Trade and other payables	**(153.4)**	(91.1)
Lease liabilities	**(49.3)**	(48.6)
Provisions	**(4.2)**	(4.4)
	(206.9)	(144.1)
Non-current liabilities		
Other payables	**(3.2)**	(3.7)
Defined benefit pension liability	**(2.4)**	(11.9)
Lease liabilities	**(233.9)**	(243.1)
Deferred tax liability	**(10.0)**	(2.3)
Long-term provisions	**(2.8)**	(3.0)
	(252.3)	(264.0)
Total liabilities	**(459.2)**	(408.1)
Net assets	**429.2**	321.6
	=======	=======
EQUITY		
Capital and reserves		
Issued capital	**2.0**	2.0
Share premium account	**20.0**	15.7
Capital redemption reserve	**0.4**	0.4
Retained earnings	**406.8**	303.5
Total equity attributable to equity holders of the Parent	**429.2**	321.6
	=======	=======

Greggs plc
Statements of changes in equity
for the 52 weeks ended 1 January 2022 (2020: 53 weeks ended 2 January 2021)

53 weeks ended 2 January 2021

	Attributable to equity holders of the Company				
	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 year					
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
Dividends to equity holders	-	-	-	-	-
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
	=======	=======	=======	=======	=======

Greggs plc
Consolidated statement of changes in equity (continued)

52 weeks ended 1 January 2022

	Attributable to equity holders of the Company				
	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 year					
Profit for the financial year	**-**	**-**	**-**	**117.5**	**117.5**
Other comprehensive income	**-**	**-**	**-**	**5.4**	**5.4**
Total comprehensive income for the year	**-**	**-**	**-**	**122.9**	**122.9**
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	**-**	**4.3**	**-**	**-**	**4.3**
Sale of own shares	**-**	**-**	**-**	**0.3**	**0.3**
Purchase of own shares	**-**	**-**	**-**	**(10.0)**	**(10.0)**
Share-based payment transactions	**-**	**-**	**-**	**2.2**	**2.2**
Dividends to equity holders	**-**	**-**	**-**	**(15.3)**	**(15.3)**
Tax items taken directly to reserves	**-**	**-**	**-**	**3.2**	**3.2**
Total transactions with owners	**-**	**4.3**	**-**	**(19.6)**	**(15.3)**
Balance at 1 January 2022	**2.0**	**20.0**	**0.4**	**406.8**	**429.2**
	=======	=======	=======	=======	=======

Greggs plc
Consolidated statement of cashflows
for the 52 weeks ended 1 January 2022 (2020: 53 weeks ended 2 January 2021)

	2021	2020 Restated (see Note 1)
	£m	£m
Operating activities		
Cash generated from operations (see page 23)	**312.1**	61.6
Income tax paid	**(19.2)**	(10.7)
Interest paid on lease liabilities	**(6.3)**	(6.5)
Interest paid on borrowings and other related charges	**(1.1)**	(0.8)
Net cash inflow from operating activities	**285.5**	43.6
Investing activities		
Acquisition of property, plant and equipment	**(50.5)**	(58.8)
Acquisition of intangible assets	**(3.8)**	(2.8)
Proceeds from sale of property, plant and equipment	**0.3**	1.8
Interest received	**-**	0.6
Net cash outflow from investing activities	**(54.0)**	(59.2)
Financing activities		
Proceeds from issue of share capital	**4.3**	2.2
Sale of own shares	**0.3**	1.5
Purchase of own shares	**(10.0)**	(0.5)
Proceeds from loans and borrowings	**-**	150.0
Dividends paid	**(15.3)**	-
Repayment of loans and borrowings	**-**	(150.0)
Repayment of principal on lease liabilities	**(49.0)**	(42.1)
Net cash outflow from financing activities	**(69.7)**	(38.9)
Net Increase/(decrease)in cash and cash equivalents	**161.8**	(54.5)
Cash and cash equivalents at the start of the year	**36.8**	91.3
Cash and cash equivalents at the end of the year	**198.6**	36.8
	=======	=======

Cash flow statement – cash generated from operations

	2021 £m	2020 £m
Profit/(loss) for the financial year	**117.5**	(13.0)
Amortisation	**4.5**	4.0
Depreciation – property, plant and equipment	**54.2**	56.9
Depreciation – right-of-use assets	**48.7**	51.9
Impairment reversal – property, plant and equipment	**(1.9)**	5.2
Impairment reversal– right-of-use assets	**(1.6)**	8.8
Loss on sale of property, plant and equipment	**0.9**	0.5
Release of Government grants	**(0.5)**	(0.5)
Share-based payment expenses	**2.2**	0.9
Finance expense	**7.6**	6.7
Income tax expense	**28.1**	(0.7)
(Increase)/decrease in inventories	**(5.4)**	1.4
Decrease/(increase) in receivables	**1.8**	(12.3)
Increase/(decrease) in payables	**58.9**	(48.2)
Decrease in provisions	**(0.4)**	-
Decrease in pension liability	**(2.5)**	-
Cash from operating activities	**312.1**	61.6

1. Basis of preparation and accounting policies

The preliminary announcement has been prepared in accordance with international accounts standards in conformity with the requirements of the Companies Act 2006 and, as regards the Group accounts, UK-adopted International Accounting Standards. It does not include all the information required for full annual accounts.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 1 January 2022 or 2 January 2021 but is derived from these accounts. Statutory accounts for the 53 weeks ended 2 January 2021 have been delivered to the registrar of companies, and those for the 52 weeks ended 1 January 2022 will be delivered in due course. The auditor has reported on those accounts; the audit reports were (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.

The preliminary announcement has been prepared using the accounting policies published in the Group’s accounts for the 53 weeks ended 2 January 2021, which are available on the Company’s website www.greggs.co.uk. From 3 January 2021 the following amendments were adopted by the Group:

- 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.

Restatement of comparatives

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 accounts in the context of recent trading performance, the impact of the latest variant of Covid-19 and the trading outlook of the Group. At the end of the reporting period the Group had available liquidity totalling £268.6 million, comprised of cash and cash equivalents of £198.6 million plus an undrawn revolving credit facility (RCF) (which is committed to December 2024) of £70.0 million. The RCF includes financial covenants the Group must comply with related to maximum leverage and a minimum fixed charge cover.

The RCF was originally put in place in December 2020 to provide liquidity, specifically in the event of further lockdowns due to the Covid-19 pandemic. Performance has recovered through 2021 and the Group has not needed to utilise the RCF at any point.

The Directors have reviewed cash flow forecasts prepared for the period up to December 2023 as well as covenant compliance for that period. In reviewing the cash flow forecasts the Directors considered the current trading performance of the Group and the likely capital expenditure and working capital requirements of its growth plans. The main uncertainty for the review period 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 through the pandemic. 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.

After reviewing these cash flow forecasts and considering the continued uncertainties and mitigating actions that can be taken, the Directors believe that it is appropriate to prepare the accounts on a going concern basis. After making enquiries, the Directors are confident that the Company and the Group will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Judgements and estimates

In preparing this preliminary announcement, 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.

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 Covid-19 crisis meant that during 2020 all shops had periods of no, or reduced, sales and was deemed to be an impairment trigger and as a result assets in company-managed shops were tested for impairment. Sales have recovered during 2021 but in some locations the level of sales is still below the 2019 level of sales. As recovery from the pandemic continues, there remains inherent uncertainty in the rate of sales along with cost pressures from increasing inflation.

As a result, an impairment review was carried out for the company-managed shop estate using the following assumptions:

- Shops have been categorised into different catchment areas (e.g. city centres, transport hubs) and assumptions made on the rate of like-for-like sales recovery for each catchment;
- Like-for-like sales have been assumed to grow from December 2021 levels to a level equivalent to the pre-Covid-19 levels (on average across the estate) by the end of 2022 (excluding the incremental impact of delivery). Like-for-like sales for the period 2023 to 2026 are then assumed to grow by an average of 3% per annum.
- Where shops are currently used to fulfil orders for delivery, or are planned to offer delivery in 2022, the net cash flows for fulfilling these orders are included within the estimated cash flows for the shop;
- Earnings before interest, tax, depreciation, amortisation and rent ('EBITDAR') is used as a proxy for net cash flow excluding rental payments;
- The discount rate is based on the Group's weighted average cost of capital ('WACC') with an uplift for risk in the current environment and at 1 January 2022 was 6.9% (2 January 2021: 6.7%); and
- Consideration of the appropriate period over which to forecast cash flows, including reference to the lease term. Where considered appropriate cashflows have been included for periods beyond the lease probable end date (to a maximum of five years in accordance with IAS36).

On the basis of these calculations and given the improved outlook, a net impairment release of £2.2 million has been recognised during the current year (of which £0.6 million relates to fixtures and fittings and £1.6 million relates to right-of-use assets) resulting in an impairment provision of £4.9 million being retained at 1 January 2022 in respect of 59 shops (of which £1.6 million relates to fixtures and fittings and £3.3 million relates to right-of-use assets).

Given the uncertainties of the current trading environment, the sensitivities of these assumptions on the impairment calculation have been tested:

- A 1% increase in the discount rate would result in an increased impairment of £0.3 million, with the same number of shops impaired. A 1% decrease in the discount rate would result in a reduced impairment of £0.4 million, with one fewer shop impaired.
- A 5% increase in the sales recovery assumption (per annum) would result in a reduced impairment of £1.6 million with 15 fewer shops impaired. A 5% decrease in the sales recovery assumption would result in an increased provision of £2.1 million with an additional 11 shops impaired.

In addition to the impairment movements resulting from the review of company-managed shops noted above a further £1.3 million has been released to the income statement in 2021 in respect of land and bakery plant & machinery which is no longer considered to be impaired.

2. Segmental analysis

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.

All revenue in 2021 and 2020 was recognised at a point in time.

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.

	2021	**2021**	**2021**	2020	2020	2020
	Retail company-managed shops	**B2B**	**Total**	Retail company-managed shops	B2B	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**1,098.2**	**131.5**	**1,229.7**	715.3	96.0	811.3
	=======	**=======**	**========**	=======	=======	========
Trading profit*	**207.1**	**28.5**	**235.6**	-	-	66.4
Overheads including profit share			**(82.4)**			(73.4)
Operating profit/(loss)			**153.2**			(7.0)
Finance expense			**(7.6)**			(6.7)
Profit/(loss) before tax			**145.6**			(13.7)
			=======			=======

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

3. Taxation

Recognised in the income statement

	2021 Total £m	2020 Total £m
Current tax		
Current year	**19.1**	(0.6)
Adjustment for prior years	**(0.2)**	(0.6)
	18.9	(1.2)
Deferred tax		
Origination and reversal of temporary differences	**10.2**	0.4
Adjustment for prior years	**(1.0)**	0.1
	9.2	0.5
Total income tax expense in income statement	**28.1**	(0.7)

4. Earnings per share

Basic earnings/(loss) per share

Basic earnings per share for the 52 weeks ended 1 January 2022 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the 52 weeks ended 1 January 2022 as calculated below.

Diluted earnings/(loss) per share

Diluted earnings per share for the 52 weeks ended 1 January 2022 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted for the effects of all dilutive potential ordinary shares (which comprise share options granted to employees) in issue during the 52 weeks ended 1 January 2022 as calculated below.

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 recognised a loss for the 53 weeks ended 2 January 2021, none of the potential ordinary shares were considered to be dilutive for that period.

Profit/(loss) attributable to ordinary shareholders

	2021 Total	2020 Total
	£m	£m
Profit/(loss) for the financial year attributable to equity holders of the Parent	**117.5**	(13.0)
	=======	=======
Basic earnings/(loss) per share	**115.7p**	(12.9p)
Diluted earnings/(loss) per share	**114.3p**	(12.9p)

Weighted average number of ordinary shares

	2021 Number	2020 Number
Issued ordinary shares at start of year	**101,426,038**	101,155,901
Effect of own shares held	**(221,851)**	(302,104)
Effect of shares issued	**284,386**	113,334
Weighted average number of ordinary shares during the year	**101,488,573**	100,967,131
Effect of share options in issue	**1,261,311**	-
Weighted average number of ordinary shares (diluted) during the year	**102,749,884**	100,967,131
	=========	=========

5. Dividends

The following tables analyse dividends when paid and the year to which they relate:

	2021 Per share pence	2020 Per share pence
2021 interim dividend	**15p**	-
	=======	=======

The special dividend, declared on 8 March 2022, amounts to 40.0 pence (£40.6 million) and the proposed final dividend in respect of 2021 amounts to 42.0 pence (£42.8 million). These dividends are not included as a liability in these accounts.

	2021 £m	2020 £m
2021 interim dividend	**15.3**	-
	=======	=======

6. Related parties

The Group has a related party relationship with its subsidiaries, associates, Directors and executive officers and pension schemes.

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

7. Principal risks and uncertainties

Approach to risk management

Understanding and managing our key risks is essential to enabling us to deliver our strategy and make sound decisions. Risk in the business cannot be avoided, but should be actively managed to help us to achieve our objectives. An effective and robust risk management process is fundamental to protecting the business, our customers and colleagues, and shareholder value.

Our Board has ultimate responsibility for risk management across the business, and determines the nature and extent of risk we are prepared to take. The Audit Committee fulfils elements of the Board's responsibility for risk which are delegated to it, such as reviewing the effectiveness of the overall approach, and receiving regular reports on assurance activity. Proactive risk management is the responsibility of the Risk Committee, which is a committee of our Operating Board and incorporates senior management representation from across the business. Throughout the business, the responsibility for operational management of risks sits within each function.

The Business Assurance function supports with the preparation and review of the risk registers across the business. The function also supports the Audit Committee in reviewing the effectiveness of our systems of internal control.

Changes in 2021

Although our risk management approach is well established and embedded in the business, we have taken the opportunity this year to reflect on our methodology and look for improvements. We appointed Marsh Advisory, who helped us to redefine our key risks and update our risk management process.

We have refreshed our strategic risk listing, identifying anything which may hinder the achievement of our strategic objectives, or our commitments under the Greggs Pledge. Our risks are categorised into four broad groups – strategic, operational, financial and legal / regulatory. Each risk is also linked to the relevant strategic pillars of our plan (including the Greggs Pledge) which would be impacted if the risk were to occur.

Our new strategic risk register describes the causes and consequences of each risk, which is allocated to a risk owner from our Operating Board. Key controls are recorded, and their effectiveness in terms of design and implementation is assessed. Residual risk is scored in terms of likelihood and impact, and we retain a trend of historic scoring. Actions taken and potential further mitigations are also recorded.

We continue to review all of our key strategic risks at each Risk Committee meeting, to discuss any movement in the risk level, and determine whether any additional mitigating action is required. Risk owners provide an update on current and planned activity which may impact on levels of risk. Committee meetings take place at least three times a year. Where a significant risk is identified or there is a marked change in exposure, this is raised directly with the Operating Board to facilitate a timely assessment and response.

Plans for 2022

During the coming year, we plan to transfer our existing functional risk registers into the same format as that used for our strategic risks, to ensure consistency across the whole organisation. This will help us to ensure the "bottom-up" approach for operational risk is clearly linked and aligned to the "top-down" approach for principal risks. It will also provide a standardised approach for identifying, measuring and managing risk.

We are developing a risk management tool which will enable us to produce a series of dashboards and visual representations of our risks. It will also allow us to capture future planned and potential mitigations more effectively, to inform our decision making.

Risk appetite

Risk appetite is the level of risk which we are prepared to accept in working towards our strategic priorities. Significant decisions taken by the business will always involve an assessment of the level of risk to which we may be exposed and the risk we are prepared to take.

We will reassess our appetite for risk and formalise our assessment process in the coming months as part of our ongoing project. The Board will then include a consideration and approval of our appetite as part of its annual review of our risk management processes.

Changes to principal risks and our risk profile

Principal risks and uncertainties are those which could result in a threat to our business model, future performance, solvency or liquidity, or significantly erode the value of the business. The key changes to principal risks and our risk profile identified by the Board are as follows:

- Our previously identified risk relating to business transformation is no longer considered a principal risk, due to the project nearing completion. The impact of any delay or disruption is therefore significantly reduced.

- A previous risk relating to third-party relationships has been refined to focus on our franchise, wholesale and delivery partners.

- We disclosed a risk relating to allergens and associated labelling requirements in our 2020 Annual Report, in response to the increased focus on this area and new legislation being introduced. These specific requirements are now embedded within our standard procedures, and we have redefined the risk more broadly to acknowledge this.

- The Brexit risk has reduced since our last annual report, when there was significant uncertainty about the regulatory requirements and operational disruption. Although we still suffer some operational challenges, this is now treated as ‘business as usual’, so no longer merits disclosure as a principal risk. Similarly, our response to the pandemic is not a principal risk, as we have established ways of working safely. However, its ongoing impact is felt through a number of the other principal risks.

- We are working with our cyber security specialists and other advisors to improve our management of our cyber and data security risk, due to the rapidly evolving nature and complexity of the threat. Projects are in progress across the business to increase our resilience, working towards the implementation of globally accredited standards. We have robust security measures in place to protect our network, and provide our teams with the knowledge and equipment to manage our cyber risk effectively. However, we consider our exposure to cyber and data security risk to be increased at the present time compared to that disclosed previously.

Emerging risks

The identification and subsequent management of emerging risks forms a key component of our risk process. Such risks are raised and discussed at our Risk Committee meetings and, where appropriate, they are documented in the strategic risk register and escalated to the Board if the potential impact is significant.

Emerging risks are identified using the following approaches:

- Horizon scanning by the relevant subject matter experts in the business;
- Monitoring consumer trends; and
- Taking advice from third parties with whom we work.

Current areas of emerging risks which we are monitoring include climate change, our Environmental, Social and Governance (ESG) strategy and various changes to regulation.

Principal risks and uncertainties

The Directors have carried out a robust assessment of the principal and emerging risks facing the business, focussing on those which would impact our business model or the achievement of our strategy, or threaten Greggs' solvency or liquidity.

The following table sets out our principal risks, movement during the year, and a summary of key developments and mitigations. This does not include all of our risks, and is not in priority order. Additional risks not presently known to us, or which we currently consider to be less significant, may also have a negative impact on the business. The exposure to each of the risks will change as we take mitigating actions, or as new risks emerge. The position stated below is a summary of the status at the date of this preliminary announcement.

What is the risk?	Key mitigations	Risk category	Strategic pillars	Movement
Supply chain disruption There is a risk that we could be subject to a significant business interruption event impacting key operational locations. Examples include a physical damage incident, a prolonged power outage, or denial of access. External supply could also be disrupted, which would have an impact on our ability to operate our production sites. Either of these events would impact our ability to supply our customers.	We have contingency plans in place for our sites which are tested periodically. Our new freezer facility has redundancy built into its design, allowing it to continue operating in the event of a breakdown to one of its primary systems, If a distribution centre is impacted, we are able to flex up operations at other centres to meet demand. Insurance cover is in place, and we work closely with our insurers throughout the year. We avoid single source supply for key ingredients, and implement contingency plans when necessary.	Operational	1,2,3,4,5	Increased

Deterioration of relationship with key partner In addition to our company-managed shops, we also work with key franchise, wholesale and delivery partners to help us broaden our service offer. For this to be effective, we must be fully aligned in our strategy, goals and operation.	We work with respected brands, and have an onboarding process. We have widened the range of partners with whom we are working. Contracts and service level agreements are in place. Franchise partners are subject to the same audit process as our company-managed shops.	Strategic	1,2,3,4	Decreased
Ability to attract / retain / motivate people In an increasingly competitive labour market, we need to be able to offer opportunities which meet individual needs. Without the right people with appropriate skills, we are unable to offer the range and service levels which our customers expect. We may lose talented resource, resulting in increased workloads and greater training needs. Our company culture may change as a result.	We offer competitive remuneration and benefit packages, and flexible working arrangements. Our teams are supported and developed through training and appraisal. Opinion surveys and listening groups help us to identify where we can improve our approach to recruitment and retention.	Operational	1,2,3,4,5	Increased
Damage to reputation As the business grows, so does the risk of our brand reputation being damaged, and customer trust being lost if we fail to respond appropriately to an incident. Our greater digital presence increases this risk due to the speed of public communication. Working with a wider range of partners also results in greater risk, as we have less direct control.	Our company-managed shops and those of our franchise partners are subject to regular audits to make sure that appropriate standards are met. We have a robust crisis management process in place. We work with PR agencies to support us where appropriate.	Strategic	2,3	No change

Cyber & data security incident A cyber security incident could impact our IT infrastructure, potentially leading to the loss of data. This could cause operational disruption, litigation and fines, and reputational damage	Third parties provide expertise and support, including penetration testing. Appropriate technical measures are in place and updated in line with changing requirements. We have cyber insurance in place. Training & education for colleagues, including a planned simulation exercise for the Operating Board. We are implementing recognised information security control sets.	Operational	2,3,4	Increased
Prolonged system downtime / interruption Our systems are becoming more integrated and interconnected as we streamline the business and increase our reliance on technology. Any system issues therefore have a much greater impact, potentially resulting in disruption to operations and supply into our stores.	We continue to invest significantly in our IT infrastructure. Multiple layers of resilience are built into our SAP system. We work with partners to provide additional expertise when required.	Operational	2,3,4	No change
Significant food safety incident / product quality issue The products which we sell may be unsafe, or not of the expected quality. This could be caused by contamination, incorrect allergen labelling, or procedures not being followed correctly. This would damage our reputation as a food retailer, could cause harm to our customers, and affect our financial performance	Internal and external audit and quality assurance monitoring processes are in place across our operations. We audit our key ingredient suppliers, based on the level of risk. Defined specifications are in place for all of our manufactured goods to ensure consistency. Training is provided on a regular basis to our teams. Complaints are fully investigated to determine the root cause. Stringent hygiene measures are in place.	Operational	1,2,3,4,5	No change

Changes in regulatory landscape In an increasingly challenging regulatory environment, we need to be ready to adapt quickly to comply with any new legislation. In particular, environmental and health concerns may result in new requirements being implemented, which could require changes to our range. We have greater exposure in some areas than our competitors.	Regular horizon scanning activities are undertaken Our Trade Association involvement and government links allow us to monitor upcoming legislative changes. We also monitor new legal requirements including information from industry forums.	Legal / regulatory	1,2,3,4	No change
Significant fines for non-compliance We are potentially exposed to large fines for legislative breaches across many parts of our business, such as Health and Safety, transport and environmental requirements. This would also damage the reputation of the business.	Due diligence controls are in place across the business to monitor our compliance. Audit processes confirm whether the correct procedures are being followed. Modern slavery considerations are taken into account when we appoint new suppliers.	Financial	1,2	No change

Links to strategic pillars are as follows:

1	Great tasting, freshly prepared food	2	Best customer experience
3	Competitive supply chain	4	First class support teams
5	The Greggs Pledge		

8. Alternative Performance Measures

The Group uses alternative performance measures ('APM's) which, although financial measures of either historical or future performance, financial position or cash flows, are not defined or specified by IFRSs. The Directors use a combination of these APMs and IFRS measures when reviewing the performance, position and cash of the Group. The APMs in respect of pre-exceptional results are reconciled in the Income Statement and Notes 3 and 5.

Like-for-like (LFL) sales growth – compares year-on-year cash sales in our company-managed shops, with a calendar year's trading history and is calculated as follows:

	Two-year LFL 2021 v 2019	**2021**	2020
	£m	**£m**	£m
Current year LFL sales	**981.5**	**981.5**	665.2
Prior year LFL sales	**1,015.0**	**643.9**	1,042.2
(Decline)/growth	**(33.5)**	**337.6**	(377.0)
LFL sales (decline)/growth percentage	**(3.3%)**	**52.4%**	(36.2%)

Return on capital employed - calculated by dividing profit before tax by the average total assets less current liabilities for the year.

	2021	2020
	£m	£m
Profit/(loss) before tax	**145.6**	(13.7)
Capital employed:		
Opening	**585.6**	576.8
Closing	**681.5**	585.6
Average	**633.6**	581.2
Return on capital employed	**23.0%**	(2.3%)

Notional return on capital employed - calculated by dividing profit before tax by the average total assets less current liabilities for the year and taking into account the pre-agreed adjustments in respect of IFRS 16 used by the Remuneration Committee for determination of incentive outcomes.

	2021 As reported £m	IFRS 16 adjustments £m	2021 Notional £m
Profit before tax	145.6	4.7	150.3
	=======	=======	=======
Capital employed			
Opening	586.5	(235.4)*	351.1
Closing	681.5	(245.9)*	435.6
	-------------		-------------
Average	633.6		393.3
	=======		=======
Return on capital employed	23.0%		38.2%

	2020 As reported £m	IFRS 16 adjustments £m	2020 Notional £m
Loss before tax	(13.7)	5.1	(8.6)
	=======	=======	=======
Capital employed	576.8	(219.2)*	357.6
Opening	585.6	(235.3)*	350.3
Closing	-------------		-------------
	581.2		354.0
Average	=======		=======
	(2.4%)		(2.4%)

* These adjustments are based on forecasts made on transition and therefore cannot be reconciled to the accounts.

Net cash inflow from operating activities after lease payments - calculated by deducting the repayment of principal of lease liabilities from net cash flow from operating activities

	2021 **£m**	2020 £m
Net cash inflow from operating activities	**285.5**	43.6
Repayment of principal of lease liabilities	**(49.0)**	(42.1)
	-------------	-------------
Net cash inflow from operating activities after lease payments	**236.5**	1.5
	=======	=======

Ratio of IFRS16 ‘right of use’ charges on leased property assets to company-managed shop sales – calculated by dividing land and buildings right-of-use asset charges by company-managed shop turnover

	2021 **£m**	2019* £m
Company-managed shop turnover	**1,098.2**	1,073.8
	=======	=======
Land and buildings right-of-use assets depreciation	**47.7**	48.9
Land and buildings right-of-use assets interest charge	**6.3**	6.5
	-------------	-------------
Right-of-use asset charges	**54.0**	55.4
	=======	=======
	4.9%	5.1%
	=======	=======

*as disclosed in the 2019 annual report and accounts