2014 Preliminary Results:
For the 53 weeks ended 3 January 2015

Wednesday 4 March 2015
Agenda

• Highlights
• Financial performance
• Operational highlights
• Outlook for 2015
• Questions
2014: a year of exceptional progress

• Total sales up 5.5% to £804.0m, own shop LFL up 4.5%
• Pre-tax profit before exceptionals* up 41% to £58.3m
• Continued strong cash generation
• Resuming buyback programme
• Dividend per share up 12.8% to 22.0p

* before exceptional pre-tax charge of £8.5m (2013: exceptional pre-tax charge of £8.1m)
2014 Financial Performance
Richard Hutton
## Group sales and profit

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>804.0</td>
<td>762.4</td>
<td>+5.5%</td>
</tr>
<tr>
<td>Operating profit before exceptionals</td>
<td>58.1</td>
<td>41.5</td>
<td>+40.0%</td>
</tr>
<tr>
<td>Exceptional items*</td>
<td>(8.5)</td>
<td>(8.1)</td>
<td></td>
</tr>
<tr>
<td>Operating profit inc. exceptionals</td>
<td>49.6</td>
<td>33.4</td>
<td></td>
</tr>
<tr>
<td>Finance charges</td>
<td>0.1</td>
<td>(0.2)</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>49.7</td>
<td>33.2</td>
<td></td>
</tr>
</tbody>
</table>

*Property profits included*  
1.5  1.3

*Impact of 53 week year included*  
-0.7  -

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*Exceptional items in 2014 include charges for the restructuring of in-store bakeries and support operations.
Exceptional items in 2013 include charges for shop and supply chain asset impairment, loss on asset disposal and onerous leases.*
2014 sales growth driven by strong LFLs

Own shop like-for-like growth +4.5%

53rd week trading +1.6%

Net reduction in shop numbers -0.6%

+5.5% sales growth

Improving LFL % trend in 2014:

Q1: 3.4%
Q2: 2.9%
Q3: 5.2%
Q4: 6.0%
Operating profit bridge

- Strong contribution from recovery in LFL growth
- Structural change savings, half of ultimate annual benefit achieved in year
- Continuing good momentum in cost reduction activity

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

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 £m</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>804.0</td>
<td>762.4</td>
<td>+5.5%</td>
</tr>
<tr>
<td><strong>Gross margin %</strong></td>
<td>61.5%</td>
<td>59.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Distribution &amp; selling %</strong></td>
<td>49.2%</td>
<td>49.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Admin %</strong></td>
<td>5.0%</td>
<td>4.8%</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit before exceptionals</strong></td>
<td>58.1</td>
<td>41.5</td>
<td>+40.0%</td>
</tr>
<tr>
<td><strong>Operating margin %</strong></td>
<td>7.2%</td>
<td>5.4%</td>
<td></td>
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</tbody>
</table>

- GM reflects input cost deflation, strong LFL and structural cost reduction
- Distribution, selling & admin. costs reflect positive operational gearing impact of LFL and growing investment in processes and systems
- Property gains of £1.5m in 2014 and £1.3m in 2013 (in ‘Distribution and selling’)

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Input costs and inflation

2014:
- Wages & salaries: +1.8% inflation
- Ingredients & packaging: -1.5% deflation
- Occupancy costs: marginally down (rates up, rents down)
- Energy & fuel: neutral
- Other: 41%

2015 outlook:
- Continued ingredient and packaging cost deflation expected in H1
- Wages & salaries award: +2.4%
- Business rate increases continue despite rent reductions
- Energy costs: neutral
- Roughly six months forward cover, more on ingredients, less on energy
Exceptional costs of change

A number of one-off changes made to:

1. Improve operational effectiveness in support areas
2. Consolidate 79 remaining in-store bakeries into regional bakery network (50% complete)

Exceptional charge in year of £8.2m*.
2014 benefit £2.9m, on-going annual benefit from 2015 c.£6m.

Small increase (£0.3m) to exceptional costs arising from strategic review in 2013, total exceptional charge in 2014 £8.5m.

*Includes £7m cash element
Driving efficiencies through our change programme

Efficiencies allowing us to invest in value and margin:

• 2014 structural changes have delivered £2.9m in year
• Will annualise at £6m in 2015
• Other cost saving initiatives delivered £6.5m in 2014
• This will progressively merge with our process & systems programme – together we expect a further £5m in 2015

£m cumulative expected benefit (over 2013 base)
## Tax, earnings and dividend

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax charge (excl. exceptionals)</strong></td>
<td>24.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>- <em>rate incl. exceptionals</em></td>
<td>24.5%</td>
<td>27.0%</td>
</tr>
<tr>
<td><strong>Diluted EPS (excl. exceptionals)</strong></td>
<td>43.4p</td>
<td>30.6p</td>
</tr>
<tr>
<td>- <em>EPS incl. exceptionals</em></td>
<td>36.8p</td>
<td>23.9p</td>
</tr>
<tr>
<td><strong>Dividend per share</strong></td>
<td>22.0p</td>
<td>19.5p</td>
</tr>
<tr>
<td>- <em>earnings cover</em></td>
<td>2.0x</td>
<td>1.6x</td>
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</tbody>
</table>

Guidance for 2015 rate 23.0% falling to 22.75% for 2016.

+41.8% Returned to progressive dividend policy at around 2x earnings cover.
## Capital expenditure

<table>
<thead>
<tr>
<th></th>
<th>2015 plan</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refits and shop equipment</td>
<td>36.0</td>
<td>29.6</td>
<td>26.5</td>
</tr>
<tr>
<td>New shops and re-sites</td>
<td>10.0</td>
<td>4.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Supply chain</td>
<td>9.0</td>
<td>8.8</td>
<td>10.2</td>
</tr>
<tr>
<td>I.T.</td>
<td>9.0</td>
<td>5.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Other</td>
<td>1.0</td>
<td>0.5</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td><strong>c.65.0</strong></td>
<td><strong>48.9</strong></td>
<td><strong>47.6</strong></td>
</tr>
</tbody>
</table>

*Number of gross new shops opened (incl. relocations, excl. franchises)*

- 60-70
- 30
- 53

*Number of refits*

- 200-220
- 213
- 216
Cash flow and balance sheet

• Good cash generation:
  - £97.1m net cash inflow from operating activities
    (2013: £69.3m)

• Strong balance sheet position:
  - £53.6m net cash and short term deposits
    (2013: £24.6m)

• Reviewing capital structure:
  - will maintain net cash position
  - update on capital structure at time of interim results
  - up to £10m H1 buyback in meantime
Operational Highlights
Roger Whiteside
Improved market conditions

• Continued recovery for the UK economy
• Low inflation leading to rising disposable consumer income
• Benign weather conditions compared with 2013
• Food-on-the-go market remains in growth
To be a winning brand in the food-on-the-go market

Great-tasting fresh food
Great shopping experience
Simple & efficient operations
Improvement through change

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

- **Always Fresh. Always Tasty.**

- Changes to product range:
  - New improved coffee blend
  - Re-launch of entire sandwich range
  - Launch of ‘Balanced Choice’ products
  - Improved recipes
  - New flavours

- Outstanding value:
  - Maintained £2 breakfast deal
  - Broadened choice in £3 lunch deal
  - New £2 ‘coffee plus sweet’ deal
  - New impulse take home packs

- Strong pipeline of activity for 2015:
  - New £2 ‘coffee plus savoury’ deal
  - Extension of breakfast range
  - New ‘Balanced Choice’ options
2. A great shopping experience

- Improved availability and extended trading hours
- Greggs Rewards awarded ‘Loyalty Programme of the Year’
- Refurbishment programme:
  - 213 shops refurbished YTD
  - Returns ahead of expectations
- Reshaping estate profile:
  - 50 new shops (20 franchised)
  - Closed 71 shops
  - Increased presence in travel, leisure and work-centered catchments
418 shops remain to be refurbished to FOTG format over 2015/16

- 2018/19 EBITDA

EBITDA - VE

- Right location
- To resite (149)
- To close (76)

300
250
200
150
100
50
0

Number of shops

Shop-level contribution

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EBITDA - VE

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Number of shops

Shop-level contribution

EBITDA - VE

- Right location
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- To close (76)

300
250
200
150
100
50
0

Number of shops

Shop-level contribution
3. Simple and efficient operations

- Consolidated 79 in-store bakeries into regional bakery network
- Restructured support teams
- £2.9m benefit in 2014, rising to c.£6.0m in 2015
- Continuing focus on making all of our operations simpler and more efficient
4. Improvement through change

- 5 year change programme to modernise processes and systems
- Implementation of first two elements:
  - Workforce management
  - Supplier relationship management
- Initial benefits exceeding expectations
- SAP selected as core ERP software supplier, first modules go live in 2015

*Net annual benefit to the business at the conclusion of the programme is expected to be £6 million*
Keeping people, communities and values at the heart of our business

• Professionalism of our people through significant changes

• Profit sharing

• Greggs Foundation distributed more than £1.5m to a range of local community initiatives

• Support for national causes - BBC CIN, DEC Appeal and The Royal British Legion

• Public recognition for work inclusion programme

• Progress across CSR objectives
Strong performance against strategic objectives

Tracking progress against key targets and milestones:

• Strongest like-for-like sales growth since 2007

• Exceeded refit investment criteria by a third

• Completed organisational and supply chain restructuring ahead of schedule

• Exceeded process and systems investment benefit target by £1 million
Current Trading and Outlook for 2015
Current trading and outlook for 2015

- LFL sales in eight weeks to 28 February 2015 up 6.3%
- Weather disruption remains a risk
- Mindful of stronger sales comparatives through the year
- Continued cost benefits and low input inflation
- Return to net shop growth: net 20-30 expected
- Market conditions remain favourable

Overall we are confident of delivering another year of good growth and progress against our strategic plan in 2015
Questions