2015 Preliminary Results:
For the 52 weeks ended 2 January 2016

Tuesday 1 March 2016
Agenda

• Highlights
• Financial performance
• Strategic progress
• Supply chain investment proposals
• Current trading & outlook
Highlights

- 2015 total sales up 5.2%* to £835.7m on comparable basis
- Company-managed shop LFL sales up 4.7%
- Pre-tax profit (before 2014 exceptionals**) up 25.4% to £73.0m
- Strong cash generation supported capex and £20m special dividend
- Total ordinary dividend up 30.0% to 28.6p
- Significant progress across all areas of strategic plan
- New proposals for investment programme in supply chain

* Based on comparing 52 weeks’ sales. Growth vs 53 weeks in 2014 is 3.7%
** before exceptional pre-tax charge of £8.5m in 2014
2015 Financial performance
Richard Hutton
## Group sales and profit

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>£m</td>
<td>£m</td>
<td></td>
</tr>
<tr>
<td></td>
<td>835.7</td>
<td>806.1</td>
<td>+3.7%*</td>
</tr>
<tr>
<td>Operating profit before property profits**</td>
<td>71.9</td>
<td>56.5</td>
<td></td>
</tr>
<tr>
<td>Property profits</td>
<td>1.2</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit</strong>**</td>
<td>73.1</td>
<td>58.0</td>
<td>+25.9%</td>
</tr>
<tr>
<td>Finance (expense)/income</td>
<td>(0.1)</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation**</td>
<td>73.0</td>
<td>58.2</td>
<td></td>
</tr>
</tbody>
</table>

*Statutory basis reflecting 52 weeks’ sales in 2015 vs 53 weeks in 2014

**Excludes £8.5m exceptional charge in 2014 for the restructuring of in-store bakeries and support operations

**Impact of 53 week year in 2014**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.7</td>
<td>0.7</td>
</tr>
</tbody>
</table>
Second year of strong LFL sales growth

Strong growth throughout the year although customer footfall in some shopping locations was subdued in the final quarter
Further strong LFL sales contribution

Systems investment increasing core infrastructure costs but delivering more significant benefits

Benefits from structural change in 2014 and ongoing cost reduction activity

*before exceptional items in 2014*
## Net margin

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014*</th>
<th>2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>835.7</td>
<td>806.1</td>
<td>+3.7%</td>
</tr>
<tr>
<td><strong>Gross margin %</strong></td>
<td>63.5%</td>
<td>62.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Distribution &amp; selling %</strong></td>
<td>49.3%</td>
<td>50.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Admin %</strong></td>
<td>5.4%</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit before exceptionals</strong></td>
<td>73.1</td>
<td>58.0</td>
<td>+25.9%</td>
</tr>
<tr>
<td><strong>Operating margin %</strong></td>
<td>8.7%</td>
<td>7.2%</td>
<td></td>
</tr>
</tbody>
</table>

* Excluding exceptional items in 2014

- Gross margin reflects input cost deflation, strong LFL and structural cost reduction
- Distribution & selling efficiencies resulting from positive operational gearing impact of LFL and benefits of investment in processes and systems
- Admin costs rising with investment in integrated systems platform
Input costs and inflation

2015:

- Wages & salaries +2.3% inflation
- Ingredients & packaging -2.9% deflation
- Occupancy costs marginally down (rates up, rents down)
- Energy neutral, fuel down
- Other

2016 outlook:

- Continued ingredient and packaging cost deflation expected for at least H1
- Overall c.5 months forward cover
- Wages & salaries award:
  - General (base) award +2.75%
  - Shop team members +5.0%
  - £3m extra cost vs base award
- Likely to continue as NLW increases
Second year of strong cost savings

£m new efficiencies achieved

- 2015 benefited from structural changes announced in 2014 (now complete) and ‘early wins’ in systems investment programme (Procurement & Workforce Management)
- Expect lower level of overall cost benefit in 2016 as core ERP installed, then further cost and revenue benefits expected from 2017 (shop ordering, ranging & logistics)
- Further structural savings from 2017 conditional on supply chain proposals
## Tax, earnings and dividend

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax charge</td>
<td>21.1%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>55.8p</td>
<td>43.4p</td>
</tr>
<tr>
<td>Ordinary dividend per share</td>
<td>28.6p</td>
<td>22.0p</td>
</tr>
<tr>
<td>- ord. earnings cover</td>
<td>2.0x</td>
<td>2.0x</td>
</tr>
<tr>
<td>Special dividend per share</td>
<td>20.0p</td>
<td></td>
</tr>
</tbody>
</table>

*Guidance for 2016 rate 22%, thereafter c.2% above headline Corporation Tax rate*

*In line with progressive dividend policy at around 2x earnings cover.*

*Special dividend paid in 2015. Aim for c£40m year end cash position & distribute any further material surplus capital.*

*before exceptional items in 2014*
## Capital expenditure

<table>
<thead>
<tr>
<th></th>
<th>2016 Plan</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refits and shop equipment</td>
<td>35.0</td>
<td>34.6</td>
<td>29.6</td>
</tr>
<tr>
<td>New shops and relocations</td>
<td>15.0</td>
<td>10.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Supply chain</td>
<td>27.0</td>
<td>17.8</td>
<td>8.8</td>
</tr>
<tr>
<td>I.T.</td>
<td>7.0</td>
<td>8.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Other</td>
<td>1.0</td>
<td>0.1</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td><strong>c.85.0</strong></td>
<td><strong>71.7</strong></td>
<td><strong>48.9</strong></td>
</tr>
</tbody>
</table>

**Number of gross new shops @ c.£180k** (incl. relocations, excl. franchises)

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80-90</td>
<td>61</td>
<td>30</td>
</tr>
</tbody>
</table>

**Number of FOTG refits @ c.£95k**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>c.170</td>
<td>202</td>
<td>208</td>
</tr>
</tbody>
</table>

**Number of café conversions @ c.£210k**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>c.40</td>
<td>20</td>
<td>5</td>
</tr>
</tbody>
</table>
Cash flow and balance sheet

• Good cash generation:
  - £103.7m net cash inflow from operating activities (2014: £97.1m)

• Appropriate balance sheet position:
  - £42.9m net cash and short term deposits in line with target (2014: £53.6m)
  - Expect 2016 cash flow will be sufficient to meet investment plans whilst maintaining net cash position in line with target
Strategic progress
Roger Whiteside
Market & trading background

• Trading conditions continued to be favourable
• Low inflation led to further rises in real disposable consumer income
• Market for food-on-the-go remains highly competitive
• Greggs’ performance demonstrates the strength of the brand and our differentiated offer
• Increased numbers of customer visits and growth in average transaction values
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
Strategic objectives met in 2015

- Second consecutive year of strong like-for-like sales growth
- Refit investment returns exceeded hurdle
- Second year of significant cost efficiencies
- Process and systems investment benefits ahead of plan
1. Great tasting fresh food

- Range development:
  - Breakfast menu
  - Investment in coffee capacity
  - New ‘heat-to-eat’ sandwich range
  - Balanced Choice range extension
  - ‘No added sugar’ soft drinks

- 2015 IGD Health and Wellness Award

- Outstanding value - £2 & £3 value deals continue to drive growth

- 2016 - strong pipeline:
  - Improved Hot Drink menu
  - More Balanced Choice development
2. A great shopping experience

- Improved shop labour allocation
- ‘Customer experience visits’
- Greggs Rewards
- Reshaping estate profile:
  - 122 new shops (61 franchised)
  - Closed 74 shops
  - 1,698 shops at end of 2015
  - 90% per cent of new locations away from traditional high streets
- Refurbishment programme:
  - 202 shop refurbishments
  - 20 café conversions
- 2016: expect to open 100-120 shops, and close 50-60
Moving to “Bakery food-on-the-go”

“Bakery”

“Food-on-the-go” (series 1)

“Bakery food-on-the-go” (series 2)

308 shops

654 shops

736 shops

“Bakery” shops – 119 to relocate or close, 189 to refit by end 2016
Reshaping the estate profile

<table>
<thead>
<tr>
<th>Shop numbers</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company-managed shops</td>
<td>1,646</td>
<td>1,605</td>
<td>1,593</td>
</tr>
<tr>
<td>Franchised shops</td>
<td>25</td>
<td>45</td>
<td>105</td>
</tr>
<tr>
<td><strong>Total estate</strong></td>
<td><strong>1,671</strong></td>
<td><strong>1,650</strong></td>
<td><strong>1,698</strong></td>
</tr>
<tr>
<td>Proportion away from ‘High streets’</td>
<td>20%</td>
<td>23%</td>
<td>27%</td>
</tr>
</tbody>
</table>

*Euro Garages Cleckheaton

*Motor Doncaster
3. Simple and efficient operations

- Good progress in making supply and support functions simpler and more efficient
- Benefits achieved through better procurement, investment in manufacturing projects and adoption of more efficient structures
- Overall savings of £12m in 2015
- Acquisition of Enfield depot to provide additional distribution capacity
- Proposals made for major programme of investment in supply chain; far-reaching implications and major benefits
4. Improvement through change

• Significant progress in second year of programme
• Benefits from initial phases in excess of initial expectations
• Successfully installed infrastructure to run SAP as our core ERP system
• New customer contact system in Q4
• Plan to bring existing finance processes into SAP in H1 2016
• Trial improved processes around shop ordering in the latter part of 2016
Keeping people, communities and values at the heart of our business

- Sharing success with our people - record £8.1m profit share for 2015
- Sharing success with our local communities – supported Greggs Foundation to distribute £1.8m
- Breakfast Club programme provided four million free wholesome breakfasts
- More than 600 people helped through our ‘Fresh Start’ employability programme.
- Three star rating in the BITC CR Index
- Tier three assessment from the Business Benchmark on Farm Animal Welfare
- Doubled the amount of end-of-day food that we donated to good causes in 2015
Supply chain investment proposals
Supply chain investment programme

Conclusions from major review of manufacturing and distribution requirements:

• Integrated business model is a competitive advantage, at the heart of our ability to offer outstanding quality and value.

• Need to invest substantially to support growth and reshape supply chain to compete more effectively in food-on-the-go market.

• Plan investment of £100 million in major five-year programme to create additional manufacturing centres of excellence and increase capacity for shop expansion substantially beyond 2,000 outlets in the UK.

• Proposed closure of three bakeries - Twickenham, Edinburgh, and micro-bakery in Sleaford - use disposal proceeds to invest in remaining bakeries

• Difficult changes needed to support long-term growth of the business, may result in a total of 355 roles becoming redundant

• First steps involve investment in existing Enfield and Glasgow bakeries to create manufacturing centres of excellence in the South East and Scotland
Supply chain network

- Bakery distribution centres
- Existing savoury manufacturing centre of excellence
- Proposed closures
- Distribution centres (current & future)

Investment in further manufacturing centres of excellence to consolidate existing manufacturing capacity across the network over five year programme.

Additional distribution capacity:
- Enfield DC in H2 2016
- Additional southern DC towards end of programme
## Financial implications of proposals

### Five year totals (2016-20) (£m)

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure*</td>
<td>85</td>
<td>75</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>One-off change costs (cash)</td>
<td>12</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross programme investment</strong></td>
<td>97</td>
<td>81</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Capex avoided**</td>
<td></td>
<td></td>
<td>-50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum property disposal proceeds</td>
<td></td>
<td></td>
<td>-20</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Maximum net incremental cost</strong></td>
<td>77</td>
<td>75</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

* Expansion of distribution centres, consolidation of manufacturing platforms, distribution vehicles and creation of future new distribution centre to support growth in southern England

** Cost of equivalent expansion of existing model

^ £7m after additional depreciation charges

### Ongoing cash saving from 2020

£10m/annum

---

Overall Group capex guidance

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>c.£85m</td>
</tr>
<tr>
<td>2017</td>
<td>c.£75m</td>
</tr>
<tr>
<td>2018</td>
<td>c.£70m</td>
</tr>
<tr>
<td>2019</td>
<td>c.£70m</td>
</tr>
<tr>
<td>2020</td>
<td>c.£70m</td>
</tr>
</tbody>
</table>
Current Trading and outlook for 2016
Trading outlook

- LFL sales in 8 weeks to 27 Feb 2016 up 4.2%
- Consumer outlook remains positive
- Food input costs again likely to be deflationary in H1
- 5% wage increase for our shop team members
- Another year of significant change
- Confident of delivering a further year of underlying growth
- Board’s expectations for the year remain unchanged
Questions