2016 Preliminary Results:
For the 52 weeks ended 31 December 2016
Agenda

• Highlights
• Financial performance
• Strategic progress
• Current trading & outlook
2016: a strong performance

- Total sales up 7.0% to £894.2m
- Company-managed shop LFL sales up 4.2%
- Underlying pre-tax operating profit* up 8.6% to £78.1m
- Ordinary dividend per share up 8.4% to 31.0p
- Food-on-the-go focus delivering results
- Shop estate growing & increasingly well-invested
- Managing major strategic changes in systems and supply chain

* Excludes exceptional charge of £5.2m in 2016 (2015: £ nil) and freehold property disposal gains of £2.2m in 2016 (2015: £1.2m)
2016 Financial performance
Richard Hutton
### Group sales and profit

<table>
<thead>
<tr>
<th></th>
<th>2016 £m</th>
<th>2015 £m</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>894.2</td>
<td>835.7</td>
<td>+7.0%</td>
</tr>
<tr>
<td>Operating profit before property &amp; exceptional items</td>
<td>78.1</td>
<td>71.9</td>
<td>+8.6%</td>
</tr>
<tr>
<td>Property disposal gains</td>
<td>2.2</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>EBIT before exceptionals</td>
<td>80.3</td>
<td>73.1</td>
<td>+9.9%</td>
</tr>
<tr>
<td>Finance expense</td>
<td>(0.0)</td>
<td>(0.1)</td>
<td></td>
</tr>
<tr>
<td>Net exceptional charge*</td>
<td>(5.2)</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>75.1</td>
<td>73.0</td>
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</tbody>
</table>

* Exceptional items in 2016 include charges for the closure of three bakery manufacturing sites combined with credits related to the release of historical shop closure provisions.
Good LFL growth against tough comps

- Full year company-managed shop LFL sales up 4.2% (2015: 4.7%)
- Particularly strong end to the year, aided by favourable Christmas trading pattern
- Excluding final two weeks Q4 LFL was 4.1%
- New Year trading pattern also affected week 1 2017
  - first 8 weeks 2017 started at 2.9% excluding first week
Net margin bridge

- 2015*: LFL impact
- Cost savings
- Cost investment
- Living Wage
- Shop depreciation
- Property gain increase
- 2016: 9.0%
Exceptional charge

2016
£m

Exceptional costs:
Supply chain restructuring 6.4
Support function restructuring 0.4

Exceptional credit:
Settlement of prior year costs (1.6)

Net exceptional charge 5.2

Provision for closure costs of 3 sites, see slide 23 for guidance on phasing
Primarily related to release of exceptional shop & instore bakery closure provisions
Our cost base

Food inputs
- Overall deflation in 2016
- Inflation returned in Q4
- Forward cover largely secured for H1
- H2 costs remain uncertain, subject to cyclical and currency impacts
- Expect 6-7% overall food input inflation in 2017
- Largest drivers = dairy & proteins

People costs
- 3.5% wage & salary inflation in 2016
- Expect 3.1% overall in 2017 (driven by 3.4% for retail assistants)
- Retail assistant pay remains 3% above National Living Wage
- Apprenticeship Levy c.£1.5m on-cost from April ‘17

Shop occupancy costs
- Shop rentals continue to be stable, no signs of inflation
- On average taking on larger new shops to accommodate seating
- Rates revaluation expected to deliver slight reduction from April 2017
Generating further new efficiencies

£m new efficiencies achieved

- 2014/15 benefited from structural changes and ‘early wins’ in systems investment programme
- 2016: £7.1m savings driven by further systems benefits plus broad-based programme across procurement, retail operations & supply chain
- 2017 plan based on more modest system benefits, end-to-end process analysis and initial savings from bakery closures
## Tax, earnings and dividend

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax charge</strong>*</td>
<td>22.5%</td>
<td>21.1%</td>
</tr>
<tr>
<td>- expect 21.25% charge for 2017, continuing at c.2% above headline rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Underlying diluted earnings per share</strong>*</td>
<td>60.8p</td>
<td>55.8p</td>
</tr>
<tr>
<td><strong>Underlying basic earnings per share</strong>*</td>
<td>62.0p</td>
<td>57.3p</td>
</tr>
<tr>
<td><strong>Full year ordinary dividend per share</strong></td>
<td>31.0p</td>
<td>28.6p</td>
</tr>
<tr>
<td>- includes impact of rebalancing in line with approach below</td>
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**Distribution approach**

- **Interim** ordinary dividend set at 1/3 level of previous year’s total ordinary dividend
- **Full year** dividend in line with progressive policy, 2x covered by underlying earnings
- **Special** dividends if material surplus capital

*Includes property disposal gains but excludes exceptional items impact in 2016
## Capital expenditure

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
<th>2017 Plan</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refits and shop equipment</td>
<td>30.0</td>
<td>33.4</td>
<td>34.6</td>
<td></td>
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<tr>
<td>New shops and relocations</td>
<td>21.0</td>
<td>17.3</td>
<td>10.8</td>
<td></td>
</tr>
<tr>
<td>Supply chain</td>
<td>27.0</td>
<td>21.1</td>
<td>17.8</td>
<td></td>
</tr>
<tr>
<td>I.T.</td>
<td>5.0</td>
<td>7.0</td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2.0</td>
<td>1.6</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td>c.85.0</td>
<td>80.4</td>
<td>71.7</td>
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</tbody>
</table>

*Number of gross new shops @ c.£190k (incl. relocations, excl. franchises)*

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<tbody>
<tr>
<td></td>
<td>c.110</td>
<td>89</td>
<td>61</td>
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</table>

*Number of shop refits @ c.£95k*

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<tbody>
<tr>
<td></td>
<td>c.200</td>
<td>208</td>
<td>222</td>
</tr>
</tbody>
</table>
Cash flow and balance sheet

- Good cash generation in 2016:
  - £117.6m net cash inflow from operating activities (2015: £103.7m)
  - Capital expenditure, dividends and exceptional costs all funded from internally-generated cash flow

- Strong balance sheet position:
  - £46.0m net cash at year end (2015: £42.9m)
  - Looking forward target = net cash position of c.£40m at year end
  - Expect to meet this in 2017 whilst funding capital expenditure, ordinary dividends and exceptional costs
  - Board continues to consider capital structure appropriate given leverage in leasehold estate and obligations to all stakeholders
Strategic progress
Roger Whiteside
PURPOSE: Making good, freshly prepared food accessible to everyone

VISION: Customers’ favourite for food-on-the-go

Great tasting FRESHLY PREPARED food
BEST customer experience
COMPETITIVE supply chain
FIRST CLASS support teams

Having a POSITIVE IMPACT on people’s lives
• Outstanding value meal deals
• Breakfast menu choice increasing
• Hot drinks reputation continues to build
• Balanced Choice sales now >£100m
• Growing customer demand for hot food
• Good food: sustainable & ethical with full nutritional information
• Extended opening hours
• Investment to release time for customer-facing activities
• Best in sector for customer satisfaction
• Greggs Rewards allowing behavioural insight
• Greggs Delivered – piloting delivery service
• Net 66 new shops added in 2016
• 208 shop refurbishments in 2016
• 92% of estate now in food-on-the-go format
Moving with the food-on-the-go market

Shop formats mainly FOTG now

<table>
<thead>
<tr>
<th>Year</th>
<th>Bakery</th>
<th>'Old' FOTG</th>
<th>S1 FOTG</th>
<th>S2 FOTG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Exposure to shopping footfall reducing

- Solely workplace, travel, leisure locations
- Shops with some level of shopping exposure

2013: 100%
2016: 60%

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Estate growth

1,764 shops at end of 2016:
- 1,607 company-managed
- 157 franchised

Strong pipeline:
- Continued emphasis on travel & workplace locations
- Further growth in Northern Ireland & South West
COMPETITIVE supply chain

• £100m programme of investment announced in March 2016 – will support growth in shop numbers and improved quality and efficiency in manufacturing

• New Enfield distribution centre opened in 2016, Twickenham bakery subsequently closed

• Good progress on extension of Glasgow bakery, on track for closure of Edinburgh site in Q2 2017

• Proposals communicated for consolidation of manufacturing operations at other sites
## Proposals for manufacturing consolidation

<table>
<thead>
<tr>
<th>Manufacturing platform</th>
<th>Number of sites (current)</th>
<th>Number of sites (future)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandwich rolls</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Sandwich bread</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Doughnuts</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Yum Yums</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Cake</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>High care creams</td>
<td>9</td>
<td>1</td>
</tr>
</tbody>
</table>
Greater logistics capacity

**Before**

- Radial distribution with full range bakery
- Dedicated distribution centre

**After**

- Radial distribution with manufacturing centre of excellence
- (future) Manufacturing-only centre of excellence

*Key:*
- Black: Manufacturing-only centre of excellence
- Orange: Radial distribution with full range bakery
- Blue: Radial distribution with manufacturing centre of excellence
- Light blue: Dedicated distribution centre
Supply chain investment – likely phasing

### Expected investment phasing:

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital investment (£m)</th>
<th>One-off change costs (£m)</th>
<th>Expected cash phasing (£m)</th>
<th>(c.£20m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3</td>
<td>4</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>20</td>
<td>4</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>27</td>
<td>11</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>5</td>
<td>5</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>20</td>
<td>1</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
<td>25</td>
<td>100</td>
<td></td>
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</tbody>
</table>

### Expected P&L phasing:

<table>
<thead>
<tr>
<th>Year</th>
<th>One-off change costs (£m)</th>
<th>Asset-related charges (£m)</th>
<th>Expected exceptional charges (£m)</th>
<th>Expected net benefit to P&amp;L (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5</td>
<td>2</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>2017</td>
<td>9</td>
<td>3</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>2018</td>
<td>5</td>
<td>2</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>2019</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>2020</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>9</td>
<td>34</td>
<td></td>
</tr>
</tbody>
</table>

### Gross investment

- £100m

### Alternative for same capacity

- £50m

### Expected disposal proceeds

- £20m

### Net incremental investment

- £30m

### Ongoing annual cash benefit

- £10m

### Incremental depreciation

- £3m

### Net P&L benefit

- £7m
• Third year of major investment programme in processes & systems

• SAP Finance and Procurement successfully deployed in 2016

• Piloted central forecasting & replenishment in trial shops - roll out planned for 2017 to replace shop-based ordering

• Now planning for centralised logistics & manufacturing system to replace legacy devolved solution
Having a positive impact on people’s lives

- **Customer health**
  We encourage healthier food-on-the-go choices

- **Responsible sourcing**
  We care about where our ingredients come from

- **Community**
  We share our success with the people around us

- **Environment**
  We aim to use energy efficiently and minimise waste

- **People**
  We are committed to creating a great place to work
Current trading & outlook

- Year has started in line with our expectations – total sales up 5.8%
- Company-managed shop LFL sales in the eight weeks to 25 February 2017 up by 2.0%
- Underlying position excluding week 1 trading pattern - LFL sales in subsequent seven weeks up by 2.9%
- UK consumer outlook more challenging than seen in recent years, with industry-wide pressures emerging in commodities as well as labour costs
- As previously stated we expect this to have a modest impact on margins in the short term
- Will continue to progress investment in better systems and transformation and development of our supply chain

“We are confident of making further progress as we implement our plan to grow Greggs as a contemporary food-on-the-go brand”