2018 Interim Results
For the 26 weeks ended 30 June 2018
Agenda

• Highlights

• Financial performance

• Operational & strategic review

• Outlook for 2018

• Questions
Resilient performance in challenging conditions

- Total sales up 5.2% to £476m (2017: £453m)
- Company-managed shop LFL sales up 1.5% (2017: 3.4%)
- Underlying pre-tax operating profit* £25.7m (2017: £27.6m)
- Reported pre-tax profit £24.1m (H1 2017: £19.4m)
- 59 new shops, 25 closures
- Continued strong cash generation: £39.0m net inflow from operating activities (H1 2017: £34.0m)
- Ordinary interim dividend 10.7p (2017: 10.3p)

* Excludes exceptional charge of £1.9m in H1 2018 (H1 2017: £8.3m) and freehold property disposal gains of £0.3m in H1 2018 (H1 2017: £0.3m)
H1 2018 Financial performance
Richard Hutton

Greggs feta and slow-roasted tomato pasta salad
# Group sales and profit

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2017</th>
<th>%Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>476.32</td>
<td>452.85</td>
<td>+5.2%</td>
</tr>
<tr>
<td><strong>Operating profit before property &amp; exceptional items</strong></td>
<td>25.68</td>
<td>27.64</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Property disposal gains</td>
<td>0.27</td>
<td>0.26</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT before exceptional</strong></td>
<td>25.95</td>
<td>27.90</td>
<td>-7.0%</td>
</tr>
<tr>
<td>Net exceptional charge*</td>
<td>(1.87)</td>
<td>(8.35)</td>
<td></td>
</tr>
<tr>
<td><strong>Finance expense</strong></td>
<td>(0.02)</td>
<td>(0.15)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>24.06</td>
<td>19.40</td>
<td>+24.0%</td>
</tr>
</tbody>
</table>

* Exceptional items in H1 2018 relate to costs of previously-announced restructuring of supply chain operations
Improving recent pattern in LFL sales growth

Quarterly company-managed shop LFL sales growth

1 Underlying LFL level excluding Christmas & New Year trading pattern
2 Reported level
## Net margin (before exceptionals)

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>£476.3m</td>
<td>£452.9m</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>63.0 %</td>
<td>63.3 %</td>
</tr>
<tr>
<td><strong>Distribution &amp; selling costs</strong></td>
<td>(52.3)%</td>
<td>(51.5)%</td>
</tr>
<tr>
<td><strong>Admin expenses</strong></td>
<td>(5.3)%</td>
<td>(5.7)%</td>
</tr>
<tr>
<td><strong>Operating margin before property gains</strong></td>
<td>5.4%</td>
<td>6.1%</td>
</tr>
<tr>
<td><strong>Property disposal gains</strong></td>
<td>0.1 %</td>
<td>0.1 %</td>
</tr>
<tr>
<td><strong>EBIT (before exceptionals)</strong></td>
<td>£25.9m</td>
<td>£27.9m</td>
</tr>
<tr>
<td><strong>EBIT margin</strong></td>
<td>5.4%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

- Gross margin under expected pressure from input cost inflation
- Distribution & selling cost ratio reflects operational gearing impact of lower LFL transactions in H1
- Cost control and lower incentive costs reducing admin expense ratio
Exceptional charges peaked, now declining

Exceptional one-off charges being incurred in respect of previously-announced £100m investment programme to reshape manufacturing & logistics operations:

<table>
<thead>
<tr>
<th></th>
<th>‘16/17</th>
<th>H1’18</th>
<th>H2’18</th>
<th>2019</th>
<th>2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash change costs</td>
<td>13.7</td>
<td>1.4</td>
<td>3.7</td>
<td>3.2</td>
<td>3.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Non-cash (asset-related) charges</td>
<td>3.2</td>
<td>0.5</td>
<td>0.5</td>
<td>0.8</td>
<td>-</td>
<td>5.0</td>
</tr>
<tr>
<td>Exceptional P&amp;L charge</td>
<td>16.9</td>
<td>1.9</td>
<td>4.2</td>
<td>4.0</td>
<td>3.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Expected cash cost phasing</td>
<td>5.7</td>
<td>2.6</td>
<td>8.7</td>
<td>5.0</td>
<td>3.0</td>
<td>25.0</td>
</tr>
</tbody>
</table>

£19 million charged to date, further £11 million expected through to 2020 (total £30m)
Cost pressures in line with expectations

Food & energy inputs
- Ingredient inflation continuing to moderate, although heatwave a factor in agricultural commodities
- 4-5 months forward covered on food inputs
- Still expect 3-4% overall food input inflation in 2018
- Energy headwinds: up double-digit % from May

People costs
- 3.6% overall wage & salary inflation expected in 2018
- Pension on-cost +£2.0m in 2018 (auto enrolment rate increase)

Shop occupancy costs
- Agreeing rent reductions on average at lease renewal
- Generally taking on larger new shops – average new rent in H1 £39k vs estate average £32k
Tax, earnings and dividend

<table>
<thead>
<tr>
<th></th>
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<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax charge*</td>
<td>20.9%</td>
<td>21.3%</td>
</tr>
<tr>
<td>- expect 20.9% charge for 2018, continuing thereafter at c.2% above headline rate</td>
<td></td>
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<tr>
<td>Underlying diluted earnings per share*</td>
<td>20.1p</td>
<td>21.4p</td>
</tr>
<tr>
<td>Interim ordinary dividend per share</td>
<td>10.7p</td>
<td>10.3p</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 2x covered by underlying earnings
- **Special** dividends if material surplus capital (target c.£40m net cash position)

*Includes property disposal gains but excludes exceptional items impact

Net exceptional charge assumed to receive tax relief at 18.7% (H1 2017: 20.0%)
## Capital expenditure overview

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>New shops and relocations (fitting &amp; equipment)</td>
<td>9.0</td>
<td>7.8</td>
</tr>
<tr>
<td>Shop fitting – refurbishment</td>
<td>3.4</td>
<td>6.9</td>
</tr>
<tr>
<td>Shop equipment (additional and replacement)</td>
<td>4.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Supply chain</td>
<td>12.7</td>
<td>10.2</td>
</tr>
<tr>
<td>I.T. &amp; other</td>
<td>3.3</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td><strong>33.2</strong></td>
<td><strong>36.4</strong></td>
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*Number of gross new shops*  
*(incl. relocations, excl. franchises)*  

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<tbody>
<tr>
<td>Number of shop refits</td>
<td>56</td>
<td>107</td>
</tr>
</tbody>
</table>

Full year capital expenditure now expected to be £85-90m (2017: £70.4m), no change to overall guidance of £270m across 2018-2020.
Strong cash flow and financial position

- Good cash generation in H1:
  - £39.0m net cash inflow from operating activities (2017: £34.0m)
  - Capital expenditure, dividends and exceptional costs all funded from internally-generated cash flow

- Strong balance sheet position:
  - £43.5m net cash at half year end (2017: £19.9m)
  - Significant second half capex programme
Operational & 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

We want our business to have a positive impact on people’s lives
Five year overview

• Five years since launch of strategic plan to focus on growing food-on-the-go market
• Radically reshaped the business making it better balanced and more efficient
• Growth categories now 30% of sales mix (2013: 15%)
• 35% of shops now located away from shopping locations (2013: 20%)
• 92% of shops in a food-on-the-go format (2013: 25%)
• Now a significant way through transformation programme, scheduled to complete in 2020
• Has required exceptional level of capital investment and business change, but have seen significant benefits
• Completion of investment programme will deliver capacity to grow the estate to circa 2,500 shops, plus a materially more efficient and flexible platform and infrastructure
• Continued strong growth in hot drinks, breakfast, healthier choices and hot food
• These growth categories now 30% of turnover (2013: 15%)
• Increasing range of options for customers across the day
• Deals helping to drive visit frequency & growth in ATV
• Further reinforcement of great value:
  − £2 breakfast deal expanded to include yoghurts and fruit pots
  − new £2 ‘pizza slice + drink’ offer after 4pm
• First vegan product, Mexican Bean Wrap
• Autumn menu to include a greater number of hot sandwich options
• Opened 59 new shops (inc. 19 franchised) and closed 25 shops in H1
• Estate now 1,888 shops (inc. 219 franchised)
• Second ‘Drive-Thru’ shop and first London Underground shop in Westminster Tube
• Openings in other transport locations - Birmingham New Street, Glasgow Buchanan bus terminal and East Midlands Airport
• New shop pipeline remains strong, expect around 100 net openings in 2018 (inc. 60 franchised)
A stronger, better-balanced estate

Moving to FOTG locations

Estate converted to FOTG format

90% of shops now open by 7am
Peak year of the £100m investment in supply chain

- Two bakeries closed
- New Enfield DC commences operations
- Closure of Edinburgh bakery
- Glasgow site extended and new Yum Yum line commissioned
- Cake line installed in Leeds
- Pizzas transferred to Manchester
- New doughnut line in Newcastle
- Site works in Leeds, Manchester, Treforest, Enfield
- Closure of Norwich
- Consolidated platforms in Enfield, Glasgow and Treforest
- Amesbury DC build
- Birmingham DC conversion & extension
Systems transformation nearing completion

Deployment phasing:
- Workforce management, Procurement
- Customer contact
- Finance
- Retail forecasting & replenishment
- HR Payroll
- Real estate
- Manufacturing & distribution

Cash investment £m

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</thead>
<tbody>
<tr>
<td>Workforce management, Procurement</td>
<td>4</td>
<td>10</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Customer contact</td>
<td>3</td>
<td>11</td>
<td>9</td>
<td>5</td>
<td>6</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Finance</td>
<td>2</td>
<td>12</td>
<td>10</td>
<td>6</td>
<td>7</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Retail forecasting &amp; replenishment</td>
<td>1</td>
<td>13</td>
<td>11</td>
<td>7</td>
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<td>4</td>
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<tr>
<td>HR Payroll</td>
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<td>14</td>
<td>12</td>
<td>8</td>
<td>9</td>
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<td>5</td>
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<tr>
<td>Real estate</td>
<td>0</td>
<td>15</td>
<td>13</td>
<td>9</td>
<td>10</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Manufacturing &amp; distribution</td>
<td>0</td>
<td>16</td>
<td>14</td>
<td>10</td>
<td>11</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

Outlook for 2018

• Resilient performance despite challenging market conditions

• Good progress with our strategic investment programme

• Remain cautious in respect of outlook for sales in the balance of the year given consumer backdrop

• Confident in medium and long-term growth potential for the business, supported by customers’ response to our initiatives, our strong cash generation and the ongoing strategic investments that we are making

“Over the year as a whole we continue to believe that underlying profits are likely to be at a similar level to 2017”
Greggs Mexican bean wrap