2016 Interim Results:
For the 26 weeks ended 2 July 2016
Tuesday 2nd August 2016
Agenda

- Highlights
- Financial performance
- Operational review
- Outlook for 2016
A good first half performance

- Total sales up 6.0% to £422m
- Company-managed shop LFL sales up 3.8%
- Underlying operating profit* up 6.7%* to £27.2m
- 68 new shops, 36 closures
- Continued strong cash generation
- Ordinary interim dividend 9.5p (2015: 7.4p)

* Before property gains and exceptional pre-tax charge
H1 2016 Financial performance
Richard Hutton
## Group sales and profit

<table>
<thead>
<tr>
<th></th>
<th>H1 2016 £m</th>
<th>H1 2015 £m</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>422.0</td>
<td>398.4</td>
<td></td>
<td>+6.0%</td>
</tr>
<tr>
<td><strong>Operating profit before property &amp; exceptional items</strong></td>
<td>27.2</td>
<td>25.5</td>
<td></td>
<td>+6.7%</td>
</tr>
<tr>
<td>Property disposal gains</td>
<td>2.2</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT before exceptionals</td>
<td>29.4</td>
<td>25.6</td>
<td></td>
<td>+14.9%</td>
</tr>
<tr>
<td>Net exceptional charge*</td>
<td>(4.0)</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>25.4</td>
<td>25.6</td>
<td></td>
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</tr>
</tbody>
</table>

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

- 3.8% LFL growth in first half 2016
- Combination of ATV growth and increased customer numbers
- Strong comps in H1 2015 reflected positive impact of major sandwich relaunch in year before
Net margin (before exceptionals)

<table>
<thead>
<tr>
<th></th>
<th>H1 2016</th>
<th>H1 2015*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>£422.0m</td>
<td>£398.4m</td>
</tr>
<tr>
<td>Gross margin</td>
<td>63.2 %</td>
<td>62.8%</td>
</tr>
<tr>
<td>Distribution &amp; selling costs</td>
<td>(50.8)%</td>
<td>(50.7)%</td>
</tr>
<tr>
<td>Admin expenses</td>
<td>(6.0)%</td>
<td>(5.7)%</td>
</tr>
<tr>
<td>Property disposal gains</td>
<td>0.5 %</td>
<td>0.0%</td>
</tr>
<tr>
<td>EBIT before exceptionals</td>
<td>£29.4m</td>
<td>£25.6m</td>
</tr>
<tr>
<td>Operating margin</td>
<td>6.9%</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

- Gross margin reflects further input cost deflation and cost reduction activity
- Distribution & selling costs reflect increased wage rates mitigated by operational savings and gearing impact of LFL
- Admin costs reflect growing investment in processes and systems and donations from carrier bag levy (0.1%)

*2015 restated to show all wage costs associated with bakery and distribution centre despatch activities in distribution and selling costs, rather than cost of sales (£4.0m transfer)
## Exceptional charge

### Exceptional costs:

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain restructuring</td>
<td>4.4</td>
</tr>
<tr>
<td>Support function restructuring</td>
<td>0.4</td>
</tr>
</tbody>
</table>

\[ £4.8 \text{m charge in H1 (\£0.7 \text{m non-cash})} \]

### Exceptional credit:

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior year property costs</td>
<td>(0.8)</td>
</tr>
</tbody>
</table>

\[ £0.8 \text{m credit in H1 related to release of 2013 exceptional shop & instore bakery closure provisions} \]

### Net exceptional charge

\[ 4.0 \]

- Exceptional costs relate to previously-announced closure of three bakery manufacturing sites
- Full closure costs expected to be c.£7.6m (£1.7m non-cash)
- Still expect c.£25m one-off cash costs for overall programme
Our cost base

Input cost changes

• Food and packaging cost deflation in H1

• Forward cover for most of H2 but expect indirect currency impacts towards end of year

• Wages & salary inflation +3.2% in H1, will be +3.8% in H2 reflecting NLW impact

• Shop rents remain deflationary overall

• Energy/fuel costs marginally deflationary in H1, likely to reverse in H2
## Tax, earnings and dividend

<table>
<thead>
<tr>
<th></th>
<th>H1 2016</th>
<th>H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax charge</strong>*</td>
<td>22.1%</td>
<td>21.5%</td>
</tr>
<tr>
<td>- expect 22% charge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for full year 2016,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>continuing at c.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>above headline rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Diluted earnings per share</strong>*</td>
<td>22.3p</td>
<td>19.5p</td>
</tr>
<tr>
<td><strong>Interim ordinary dividend per share</strong></td>
<td>9.5p</td>
<td>7.4p</td>
</tr>
<tr>
<td>- includes impact of rebalancing in line with approach below</td>
<td></td>
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</tbody>
</table>

### 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>H1 2016 £m</th>
<th>H1 2015 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop refits and equipment</td>
<td>12.9</td>
<td>19.1</td>
</tr>
<tr>
<td>New shops and relocations</td>
<td>7.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Supply chain investment</td>
<td>5.3</td>
<td>4.9</td>
</tr>
<tr>
<td>I.T. &amp; office expenditure</td>
<td>6.0</td>
<td>4.3</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td><strong>31.2</strong></td>
<td><strong>31.3</strong></td>
</tr>
</tbody>
</table>

Full year capital expenditure expected to be c.£85m (2015: £71.7m)
Cash flow and balance sheet

- Good cash generation in H1:
  - £44.7m net cash inflow from operating activities (H1 2015: £34.6m)
  - Capital expenditure funded from cash flow

- Strong balance sheet position:
  - £35.0m net cash at half year (July 2015: £41.4m)
  - Remain mindful of leverage in leasehold estate
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

Operational review
Roger Whiteside
Focused on ‘food-on-the-go’

Breakfast remains our fastest-growing part of the day

Successful relaunch of Greggs Rewards app

Broadened coffee range

Added to Balanced Choice range
Transforming the shop estate

• 86 shop refurbishments to latest ‘bakery food-on-the-go’ format in H1
  - 106 bakery stores left to reformat, plus 108 to relocate
  - Remain on track for 200 refurbishments in the year

• Reshaping estate profile:
  - 68 new shops (31 franchised), 36 closures
  - 1,730 shops inc. 136 franchised
  - Continue to focus on travel, leisure and work-centered catchments

• Strong pipeline of openings, now expect c.70 net new shops in year
Investing in supply chain

- Five year, £100m investment programme in manufacturing & distribution
- Focused on growing future logistics capacity and consolidating manufacturing operations
- First stage involves closing three sites ahead of future investment:
  - Q4 2016 closure of existing Twickenham bakery & transfer of logistics & production to specialist operations at Enfield:

![Diagram showing the closure of Twickenham and the expansion of Enfield distribution and production facilities.](image-url)
Investing in supply chain - Scotland

• Current Scottish operations to be consolidated onto existing Glasgow site

• Extension to expand logistics capacity and create national platform for ‘Yum Yum’ manufacturing

• Further consolidation of manufacturing to follow in next phase

• Edinburgh site to close Q2 2017:

  GLASGOW - 200 shops

  EDINBURGH - 90 shops

  EXTENDED GLASGOW

  350 shops

To close Q2 2017
Investing in supply chain - future

Planning approach for next investment phase:

• Determine the future logistics space requirement at each of our sites

• Remaining space can then be considered for investment in consolidated manufacturing processes

• First example – ‘Yum Yum’ manufacturing at our Glasgow site

• Further investment across the rest of the programme will increase distribution capacity and allow us to relocate distributed manufacturing to more efficient consolidated platforms

• Benefits in product quality, consistency and efficiency
Building systems capability

- 5 year change programme to modernise processes and systems

- Core finance processes migrated to SAP in April 2016

- Provides a platform for implementation of new capabilities across logistics, procurement, product management & ranging

- Trialling new shop stock replenishment processes in H2
Outlook for 2016
Outlook for 2016

• Encouraging start to second half

• Alert to any change in consumer demand resulting from current economic uncertainty

• Will continue with long-term strategic investment programme

• Managing significant change agenda that will benefit capacity & cost structure in the longer term

*Overall, we expect to deliver full-year growth in line with our previous expectations as well as further progress against our strategic plan*
Questions