2019 Interim Results
For the 26 weeks ended 29 June 2019
Agenda

1. Highlights
2. Financial performance
3. Operational and strategic review
4. Outlook for 2019
5. Questions
Exceptionally strong trading performance

- Total sales up 14.7% to £546m (2018: £476m)
- Company-managed shop LFL sales up 10.5% (2018: 1.5%)
- Underlying pre-tax operating profit* £40.6m (2018: £25.7m)
- Reported pre-tax profit £36.7m (H1 2018: £24.1m)
- 54 new shops, 23 closures
- Strong cash generation supporting investment programme and enhanced returns to shareholders
- Ordinary interim dividend 11.9p (2018: 10.7p)
- Special dividend 35.0p (2018: Nil)

* Excludes exceptional charge of £4.0m in H1 2019 (H1 2018: £1.9m) and freehold property disposal gains of £0.1m in H1 2019 (H1 2018: £0.3m)
H1 2019
Financial performance
Richard Hutton
## Group sales and profit

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 £m</th>
<th>H1 2018 £m</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>546.3</td>
<td>476.3</td>
<td><strong>+14.7%</strong></td>
</tr>
<tr>
<td><strong>Operating profit before property &amp; exceptional items</strong></td>
<td>43.8</td>
<td>25.7</td>
<td></td>
</tr>
<tr>
<td>Property disposal gains</td>
<td>0.1</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT before exceptionals</strong></td>
<td>43.9</td>
<td>26.0</td>
<td></td>
</tr>
<tr>
<td>Finance expense (inc. leases)</td>
<td>(3.2)</td>
<td>(0.0)</td>
<td></td>
</tr>
<tr>
<td><strong>PBT before exceptional items</strong></td>
<td>40.7</td>
<td>26.0</td>
<td><strong>+57.1%</strong></td>
</tr>
<tr>
<td>Net exceptional charge**</td>
<td>(4.0)</td>
<td>(1.9)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>36.7</td>
<td>24.1</td>
<td></td>
</tr>
</tbody>
</table>

* 2019 figures reflect the adoption of IFRS16 (lease accounting) and are not directly comparable with 2018, which has not been restated. The overall first half result for 2019 reflects net additional costs estimated as £2.1m as a result of the change in accounting (operating profit increase of £1.2m less £3.3m finance expense).

** Exceptional charges relate to costs of previously-announced restructuring of supply chain operations.
Exceptional charges nearing completion

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

<table>
<thead>
<tr>
<th></th>
<th>16-18</th>
<th>H1'19</th>
<th>H2'19</th>
<th>20/21</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash change costs</td>
<td>18.9</td>
<td>3.7</td>
<td>2.5</td>
<td>2.0</td>
<td>27.1</td>
</tr>
<tr>
<td>Non-cash (asset-related) charges</td>
<td>3.9</td>
<td>0.3</td>
<td>0.1</td>
<td>0.2</td>
<td>4.5</td>
</tr>
<tr>
<td>Exceptional P&amp;L charge</td>
<td>22.8</td>
<td>4.0</td>
<td>2.6</td>
<td>2.2</td>
<td>31.6</td>
</tr>
<tr>
<td>Expected cash cost phasing</td>
<td>14.7</td>
<td>5.8</td>
<td>4.0</td>
<td>2.6</td>
<td>27.1</td>
</tr>
</tbody>
</table>
Step-change in sales performance

Quarterly company-managed shop LFL sales growth
Modest cost inflation in H1, with higher costs expected in H2

**Food and energy costs**
- Modest ingredient inflation in H1, increasing due to pork prices in H2
- c.6 months forward covered on food inputs
- Rebuilding physical stock positions ahead of October
- Expect c.4% overall food inflation in 2019
- Energy costs reducing in H2, overall better than expected

**People costs**
- 4.3% overall wage and salary inflation expected in 2019
- Includes pension auto enrolment rate increase

**Shop occupancy costs**
- Modest deflation overall on lease renewals
- Most significant rent decreases in town centres
- Business rates continue to rise
Tax, earnings and dividend

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax charge*</td>
<td>20.4%</td>
<td>20.9%</td>
</tr>
<tr>
<td>- expect 20.4% full year effective rate in 2019, continuing thereafter at c.1.75% above headline rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underlying diluted earnings per share*</td>
<td>31.7p</td>
<td>20.1p</td>
</tr>
<tr>
<td>Interim ordinary dividend per share</td>
<td>11.9p</td>
<td>10.7p</td>
</tr>
<tr>
<td>Special dividend per share</td>
<td>35.0p</td>
<td>n/a</td>
</tr>
</tbody>
</table>

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 year end cash position)

*Includes property disposal gains but excludes exceptional items impact
Net exceptional charge assumed to receive tax relief at 18.9% (H1 2018: 18.7%)*
## Capital expenditure overview

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 2019</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>New shops and relocations (fitting and equipment)</td>
<td>7.9</td>
<td>9.0</td>
</tr>
<tr>
<td>Shop fitting (refurbishment)</td>
<td>2.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Shop equipment (additional and replacement)</td>
<td>5.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Supply chain</td>
<td>14.7</td>
<td>12.7</td>
</tr>
<tr>
<td>I.T. and other</td>
<td>2.5</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td><strong>33.2</strong></td>
<td><strong>33.2</strong></td>
</tr>
</tbody>
</table>

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

- 2019: 38
- 2018: 40

**Number of shop refits**

- 2019: 33
- 2018: 56

Full year capital expenditure expected to be £90-100m (2018: £73.0m), medium-term outlook unchanged.
Strong cash flow and financial position

- Strong cash position at end of H1: £85.9m (H1 2018 £43.5m)
- Current strong cash position leaves £35m available for special dividend, to be paid at same time as interim dividend on 3 October 2019
- Significant H2 weighting of capex programme, works ongoing in H1 2020
- New Corporation Tax instalment rules create a one-off timing change to payment of tax, resulting in 18 months' tax payable in one year
- Expect to carry c.£60m into 2020 to cover these needs and meet working capital requirements ahead
- IFRS16 adoption in 2019 – ‘right of use assets’ of £276m recognised at June 2019 along with lease liabilities of £277m. No cash impact
Operational and strategic progress

Roger Whiteside
Vision
Customers’ favourite for food-on-the-go

Purpose
Making good, freshly prepared food accessible to everyone

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
Great tasting, freshly prepared food

- Growth categories continue to be hot drinks, breakfast, hot food and dietary choice
- Increased customer visits driving sales of traditional bakery products
- Vegan-friendly sausage roll a top seller and has driven growth in the broader savoury category
- Sweet product sales benefiting from improved quality following investment
- Marketing initiatives driving increased number of customer visits
- Popularity of our Fairtrade coffee puts Greggs third in UK coffee market
- Autumn focus on hot food range to support extended shop opening hours
Changing brand perceptions

**SMILE**
**IT’S AUTUMN**

**LIMITED EDITION**
Pumpkin Spice Latte

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**YES**
**WE DO PIZZA**

*After 4pm*
Pizza Deal

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**ROLL ON BREAKFAST**
The Nation’s Favourite Bacon Roll
Best customer experience

• New and returning customers appreciating significant investment in shop estate

• Opened 54 new shops (inc. 16 franchised) and closed 23 shops in H1, estate now 1,984 shops (inc. 275 franchised)

• 38% of estate now serving work or travel-focused catchments, fourth ‘Drive-Thru’ shop opened in July

• New shop pipeline remains strong, expect around 100 net openings in 2019 (c. 40 franchised)

• Click and collect pilot extended to seven cities and delivery trial extended to include Just Eat alongside Deliveroo
Competitive supply chain

• New platforms for bread roll manufacturing commissioned at Manchester and Enfield sites

• Doughnuts now produced in Newcastle, cream cakes in Leeds

• New distribution centre in Amesbury on track for operation at end of 2019

• Works to extend capacity of Treforest site in South Wales planned for H2

• Commencing two-year project to expand both production and frozen storage capabilities of Balliol Park site in Newcastle
First class support teams

- Successful deployment of SAP manufacturing to Balliol Park production site
- Good progress in transition to integrated HR and payroll platform
- Strategic initiatives investment includes improvements to digital capabilities
Outlook for 2019

• Current trading remains strong

• Continue to expect rate of LFL growth to begin to normalise

• Commodity cost pressure modest in H1, but expect higher food input costs in balance of year

• EU exit continues to present significant uncertainties, contingency plans in place

• Decision to increase investment in strategic initiatives in the second half of the year for further growth in years ahead

• As a result previous expectations for underlying profits for the year maintained

• Strong financial position allows enhanced shareholder returns
Questions