

# FULL-YEAR RESULTS 22/23

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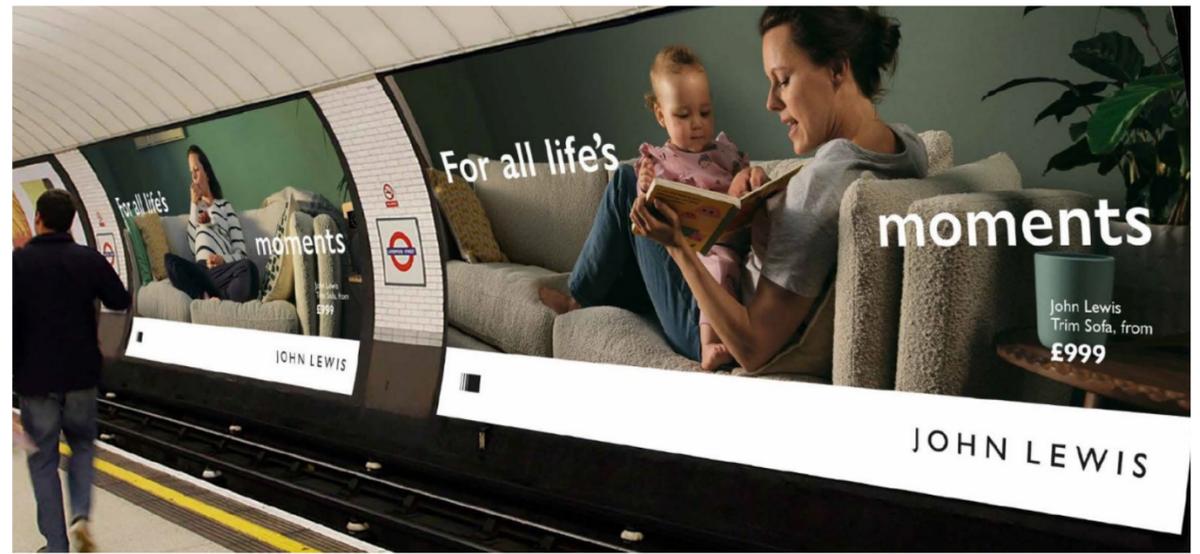
JOHN LEWIS  
& PARTNERS

JOHN LEWIS  
PARTNERSHIP

WAITROSE  
& PARTNERS

# Stepping up our transformation to combat inflation

- **Navigating a challenging backdrop:** inflationary pressure, post Covid shift from online to shops, customers spending less
- **Grew customer numbers** by 4%: 20 million people shopped with us, spending over £12bn
- **Continued to do the right thing** by our customers, Partners, suppliers and communities
- **Now accelerating Partnership Plan:** a clear pathway to profit
- **Strong balance sheet and prudent financial strategy** to support long term growth



# Priorities consistent with last two years of 5-year Partnership Plan - but accelerating pace of change



## Highlights:

### Retail Customers Love

- Customer numbers up 4% to 20m; £12.25bn sales
- Loyalty members; 9m Waitrose and 5m John Lewis

### Partnerships for Growth

- Pushed into 122 convenience stores - Dobbies, Shell
- Deliveroo orders up 33% on last year

### Inspirational New Services

- 22% uplift in FS income, new products
- £500m abrdn investment to build 1k homes

### Lean Simple Fast

- £308m cost savings, beating target
- Targeting £600m cost saving by 2026

# Key financial headlines

Loss before tax, bonus and exceptionals

£(78)m

£181m profit LY

£70m profit 19/20

Loss before tax

£(234)m

£(27)m loss LY

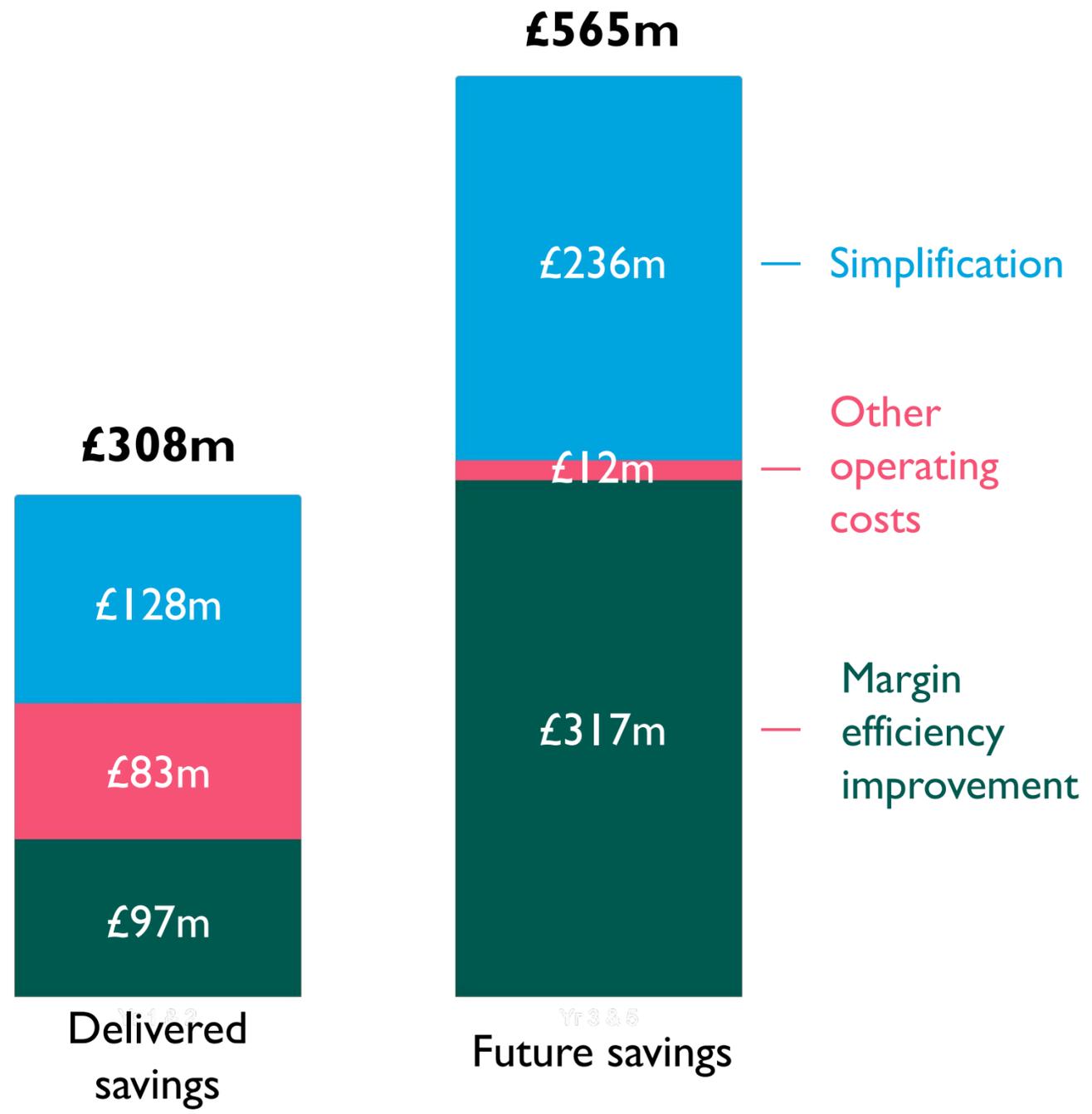
£146m profit 19/20

- **Inflation hit us hard** on several fronts (£179m)
- **Efficiency improvements** of £308m over the past two years, with £181m delivered in the last year
- **Shopping habits changed:** customer numbers up 4% but online normalising and smaller basket sizes in Waitrose
- **Progressed with delivering our plan** (£515m investment - £350m capital investment, £120m revenue investment, and £45m exceptional costs)
- **Exceptional items of £156m**, largely due to Waitrose shops property write downs

# Stepping up efficiency programme to fund investment

- **Achieved £300m Partnership Plan efficiency target** over first two years
- **Savings** through simplifying structures in shop leadership and our offices, more data-led buying, property and procurement savings, and general productivity improvements
- **Going further and faster**, increasing our target by ~£600m to ~£900m, giving us more head room for growth
- **Clear pathway towards the additional ~£600m:** buying, ranging and availability improvements a key driver; further opportunities to simplify how we operate and improve productivity

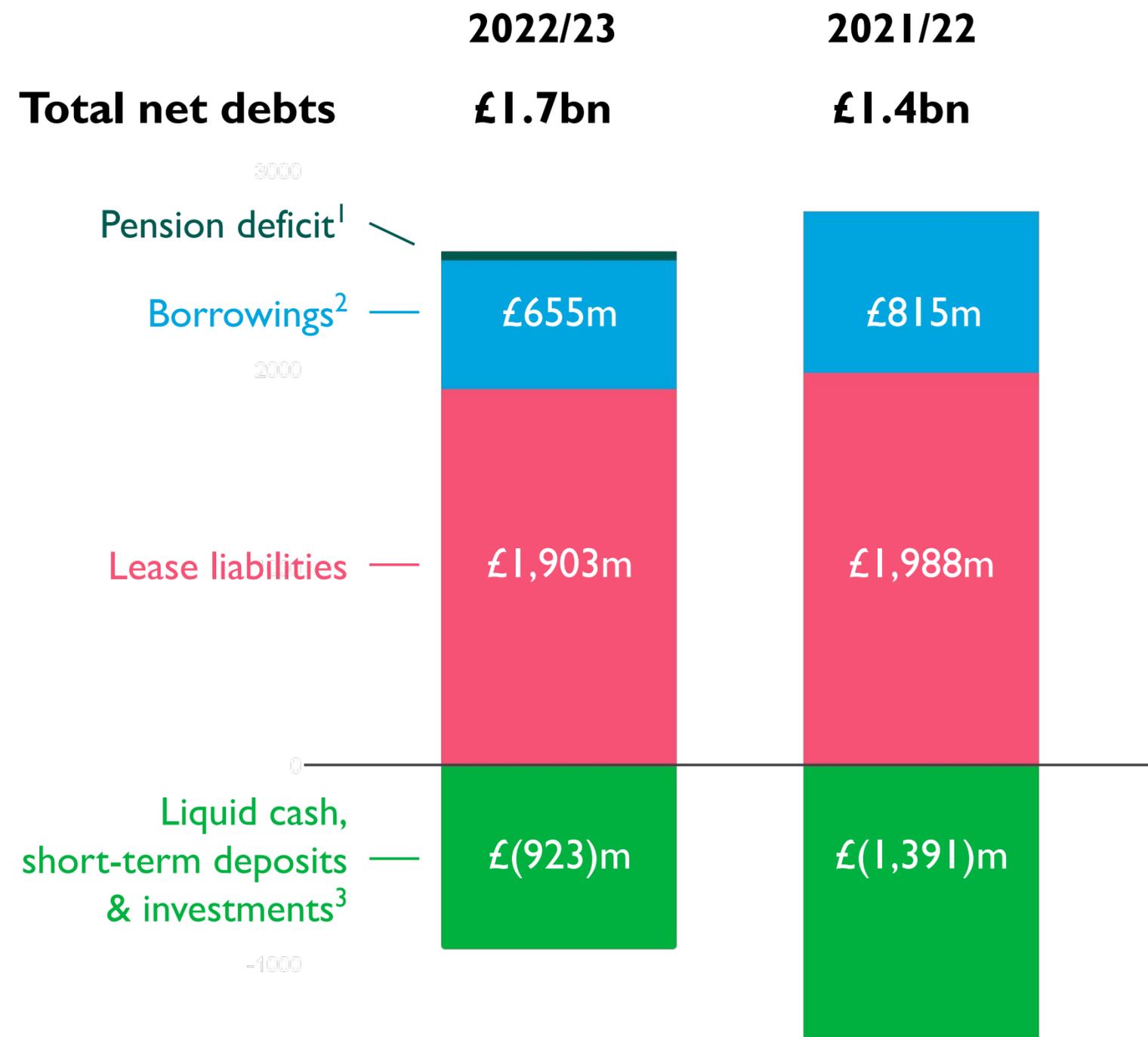
5 Year Target £873m



Note: £19m of the savings delivered in 2022/23 are non permanent in nature and are expected to reverse in 2023/24 resulting in net recurring cumulative savings of £289m

# Strong balance sheet

- **Liquidity strong £1.5bn** (cash and credit facility)<sup>3</sup>
  - £348m of cash generated from operations
  - £515m of investment to deliver Partnership Plan
  - £150m of term loans repaid
  - £73m investment in Partners
  - £77m other (tax and working capital)
- **Total net debt at £1.7bn** - £0.3bn higher than last year but still at historic lows
- **Debt ratio 4.1x**
- **Triennial pension valuation** in final stages, expected to show that scheme is well funded

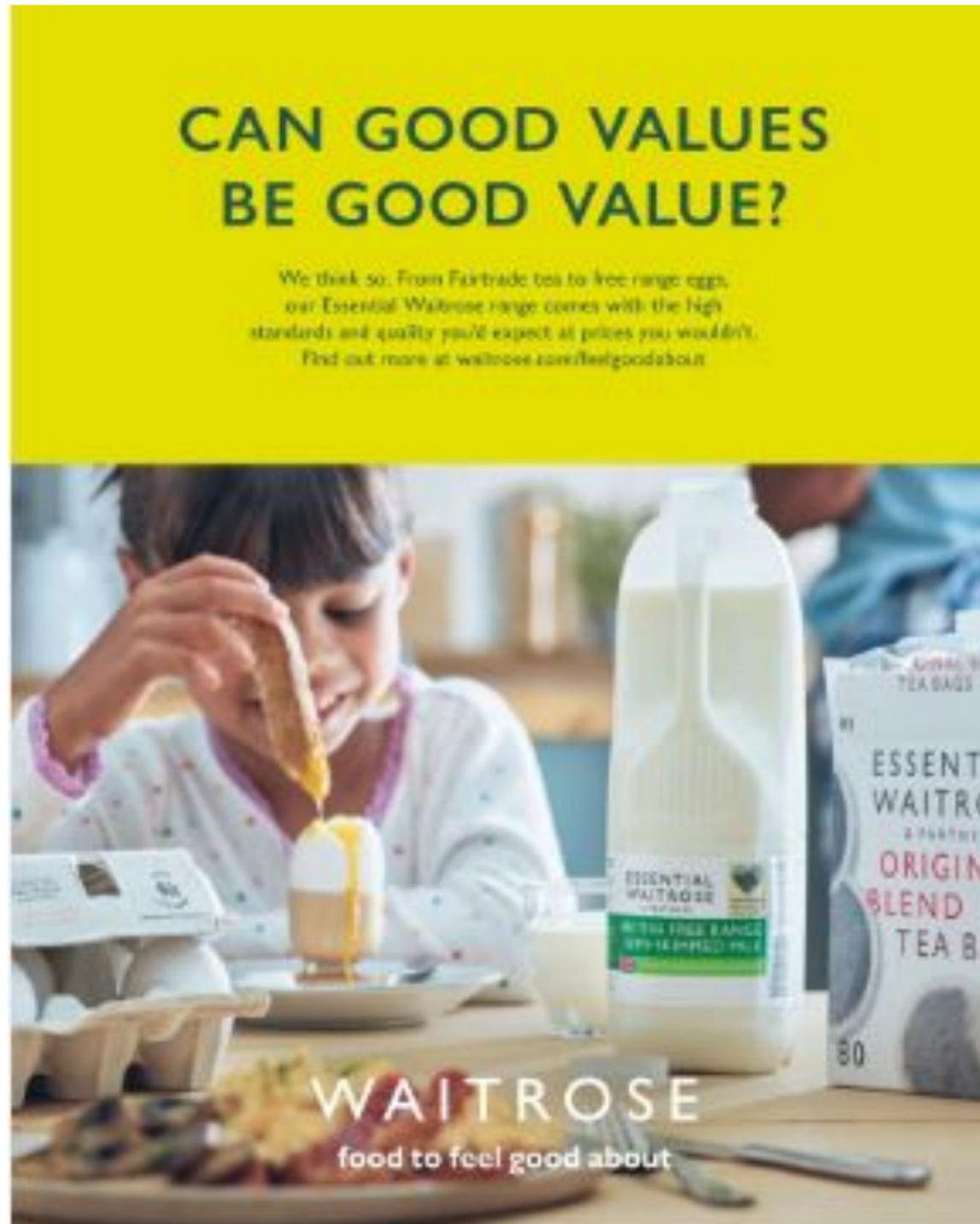


<sup>1</sup>Pension deficit of £75m net of deferred tax. LY surplus of £331m net of deferred tax was not included in the net debt calculation

<sup>2</sup>Borrowings and overdrafts include £350m of loans and bonds that are due to mature in the next two years

<sup>3</sup>Total liquidity of £1.5bn (LY: £1.9bn) includes undrawn committed credit facilities and cash in transit

# Waitrose: Customer growth, committed to what makes us different



- **Sales** of £7.31bn, down 3% year-on-year
  - Online demand normalising vs 2021 COVID bubble drove all sales decline
  - Customer shopping on a budget; basket size down
  - Inflation impacts on consumer confidence, demand and profits
- **Customer numbers** rose 7% to 13.7 million
- **Committed to Waitrose ‘value with values’:**
  - £56m extra to our UK farmers facing unprecedented cost challenges
  - £100m price cuts across 300+ everyday products; no compromise on sourcing standards
  - MyWaitrose £100m in rewards and return of free coffee
  - Highest animal welfare standards in the UK
- **Partnership Plan** beginning to deliver meaningful productivity savings to drive reinvestment in the brand
- **Continued progress expanding our Convenience channel:** 25+ new sites opened in the year via partnerships, pipeline of future opportunities

# Waitrose: More of what makes Waitrose, Waitrose



- **£100m price investment:** on 500+ best selling products
- Full pipeline of **inspirational new products** for customers:
  - 750+ new and improved Waitrose products - e.g. native breeds and #1 restaurant cuts in beef
  - Groundbreaking new cuisine launches
  - More exclusive partnerships: Gail's, Plants by Deliciously Ella, Nero and more
  - Meal Deals: new, upgraded and supercharged versions coming
- Accelerating delivery of **enhanced ranging** with 20+ categories reviewed and renewed
- More than **50 new Convenience sites** via partnerships
- Lifting the lid on our our **incredible 'only at Waitrose' supplier stories** as our customers meet our farmers through #waitrosefarmers
- **Bolder more assertive campaigning** on the food stories that really matter to our customers

# John Lewis: Focusing on delivering our plan saw an increase in sales and customers



- **Sales** of £4.94bn, up 0.2% year-on-year; **online mix** of 59% (down 8% vs LY, up 17% vs 2019/20). Strong online mix and sales growth from shops
- **Customer numbers** up 0.5% to 11.7 million; footfall up 34%, more customers shopping multi-channel
- **Investment in customer experience** through shop optimisation and in digital. Voted top UK retailer for customer service
- **Strong performance in Fashion and Beauty**, and Home consistent in tough market, due to ‘good, better, best’ positioning
- **Successful relaunch of My John Lewis loyalty programme** with five million members who shop 2.5x more than non-members
- **For All Life’s Moments:** our promise to be there whenever customers need us, however big or small the occasion

# John Lewis: Delivering our Plan for 2023



- **Improve margins and reduce costs**
  - Consolidate our supply base and buying power
  - Sourcing processes and near shore plans
  - Curate ranges and rationalise
- **There for customers whenever and wherever they need us**
  - For All Life’s Moments, focus on families - Horsham - and a refreshed 8-14yrs clothing range;
  - Expansion of ANYDAY into schoolwear and shoes;
  - Increase in Click and Collect locations for improved convenience
- **Retain and engage customers**
  - Dialling up design and style credentials in Fashion and Home - launching over 50 new brands this year
  - Step up in loyalty offer
  - Continuing to inspire our customers by investing in visual merchandising
  - Over 500 shop improvements in conjunction with suppliers

# Diversifying into new services

## John Lewis Financial Services

- **Income grew by 22%.; 409k new customers**
- Relaunch of Pet Insurance (new video health check), Point of Sale credit and Travel Money performing particularly well. Trialling Personal Loans.
- **New Partnership (credit) Card:** large scale transition; 600k existing customers successfully applied, average spend higher
- **New trial of product that helps parents and carers invest for the long term future of their children with a John Lewis Junior ISA**

## Building residential homes (build to rent)

- **£500m joint venture with abrdn** to build 1,000 new homes
- Completed second consultations in Bromley and West Ealing
- Planning applications planned for Spring



# Supporting Partners, suppliers and communities through cost of living crisis



- **One-off cost of living payment to Partners equal to £500** per Partner (pro-rated for part-time Partners)
- **Doubled financial assistance** of grants and loans to £800k
- **Provided free meals at work** over winter
- **Invested in farmers facing rising costs** to maintain high standards and protect supply chain (£56m so far)
- **Over £1m of donations to help care leavers** through Building Happier Futures initiative; customers and Partners also donated £4.6m, we added £5.0m, to local charities including FareShare and Home-Start

# In summary



- **Outlook uncertain** inflation falling but household budgets squeezed
- **Full confidence in our plan** to transform and grow our business
- **Trading in 2023/24 started more positively**
- **Strong balance sheet** and prudent financial strategy
- **Continuing to invest in our business**, funded through expanded efficiency programme
- **Identified significant opportunities to be better** operationally (improving replenishment processes, optimising ranges, smarter buying)
- Focusing investment and resources on **doing the right thing for our customers, getting cost out and margins up**



# Questions