



Lord Rose
Chairman

2. Chairman's Statement

Performance and market

The UK grocery retail sector continued to face significant challenges. Customers look for greater range, convenience and speed, and added to this, the industry has seen continuing ongoing pressures from falling volumes and price competition, as well as the continued growth of the discount retailers, which has resulted in margin pressure in the market. However, the increased trend for consumers to shop online for groceries, and particularly using mobile devices, has remained, with over 55% of Ocado orders now being placed on a mobile device. Our customer base has grown, now with over 580,000 active customers. We remain one of a small group of significant grocery retailers in the UK that has grown, with Gross Sales (Retail)[Ⓐ] increasing by 13.6% to £1,267.4 million and EBITDA[Ⓐ] up by 3.3% to £84.3 million for the period.

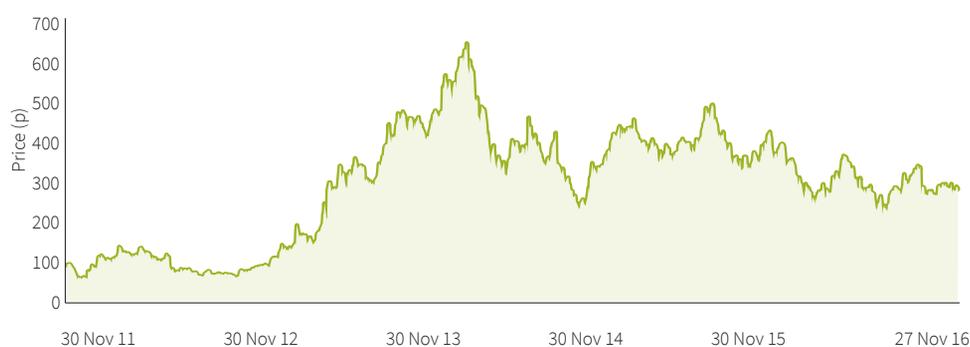
The fall in the Pound since the UK referendum to leave the European Union (EU), has led to greater input cost inflation, and most likely to the start of selling price inflation. Other consequences of leaving the EU for the Group are more difficult to determine at this early stage of the exit process, but management and the Board will continue to monitor the position and work collaboratively with trade organisations and the UK government in its stated aim to achieve the best possible business outcome.

Strategy

Overseas expansion has continued to be a focus for the Group and we continue to be in multiple discussions with retailers across several geographies. Although none of these has yet resulted in a signed deal, we remain confident of signing multiple deals in the medium term.

Share Price Chart

Share price for Ocado on London Stock Exchange: 30 November 2011 to 27 November 2016



During the year, we concluded new arrangements with Morrisons; building on our existing relationship. As reported, they will benefit from 30% of the capacity of Ocado's customer fulfilment centre currently under construction in Erith, South East London. Additionally, Ocado will licence to Morrisons the store pick module from the Ocado Smart Platform. This module will provide Morrisons with all of the software necessary for it to fulfil online orders from its stores alongside those online orders fulfilled by Ocado for Morrisons from the CFCs.

In August 2016 we launched our premium beauty and wellness site, Fabled.com, in conjunction with Marie Claire. Fabled offers a seamless customer experience, with deliveries in one-hour time slots and the webshop features bespoke editorial content drawing on Marie Claire's expertise. To accompany the online offering, we have opened a flagship store in London's West End.

Customers and Suppliers

We have improved the quality of what we offer our customers in terms of service and ease of use, the range of products we sell, and our commitment to good value pricing. At the same time, we continue to work closely with our suppliers, providing more opportunities for them to drive their sales with Ocado as suppliers increasingly embrace the online channel.

Improving Efficiency and Expanding Capacity

We opened our latest CFC in Andover, Hampshire at the end of the year, which uses our new proprietary fulfilment solution, and which we expect to be more efficient to operate than our older facilities. In developing our capacity further, we expect our fourth CFC in Erith, South East London, to become operational in financial year 2018.

Board Changes

As the business continues to transform, so too has the Board. As part of its succession plans, Emma Lloyd was appointed as a Non-Executive Director with effect from 1 December 2016 and I am pleased to welcome her experience to the Board.

Following the period end, the Company announced that Robert Gorrie will step down from the position of Non-Executive Director with effect from the Annual General Meeting on 3 May 2017. We thank Robert for his immense contribution to Ocado for almost 17 years and wish him well in his retirement.

These changes follow the appointment of Andrew Harrison in early 2016 and resignation of David Grigson at the 2016 annual general meeting. Alex Mahon, who has sat on the Board since 2012, was appointed Senior Independent Director as successor to David Grigson.

We note the increasing demands placed on our Non-Executive Directors, particularly the growing workloads of those who chair or are members of our Board committees. We need to consider the requirements of these roles, both as we make new appointments and when we review Non-Executive Director remuneration in future years.

Lord Rose

Chairman
31 January 2017



See Alternative Performance Measures on page 194