

# Uniquely Positioned to Take Advantage

We have developed an entire end-to-end solution to operate online in the grocery market, vertically integrated across software and physical equipment solutions. This enables us to offer a compelling proposition to consumers including highly attractive service, wider and fresher ranges and competitive prices, giving us a unique advantage in the UK grocery retail market to grow our customer base and take market share.

Ocado Smart Platform, our managed service offering of proprietary software and equipment solutions, will offer retail partners a faster, flexible and more cost efficient way of operating online. By offering the only fully integrated end-to-end platform available, we are uniquely positioned to take advantage of the growing global trend of online food shopping.

## Our Progress in 2016

### Strategic Highlights

- Opened our latest customer fulfilment centre (CFC) in Andover, UK, which utilises the first installation of our proprietary equipment solution
- Extension to our agreement with our first commercial customer, Morrisons, to expand capacity for Morrisons.com
- Developed new IP, with multiple patent applications filed
- Launched our premium beauty brand, Fabled, in partnership with Marie Claire
- Ongoing discussions with international retailers to use Ocado Smart Platform

### Operational Highlights

- Believed to be industry leading service levels maintained with 94.9% on time deliveries and 99.0% order accuracy
- Range at Ocado.com broadened to over 50,000 SKUs
- Active customers increased to over 580,000
- Mature CFC efficiency improved by 3.5% to 160 units per hour
- Delivery performance increased by 6.3% to 176 deliveries per van per week
- Average order size on Ocado.com declined by 2.7% to £108.10 reflecting industry deflation
- Low product waste of 0.7%, believed to be most efficient in the food retail sector

### Financial Highlights

- Gross sales (Group) up 15.1% to £1,386.7 million<sup>Ⓐ</sup>
- Gross sales (Retail) up 13.6% to £1,267.4 million<sup>Ⓐ</sup>
- Revenue up 14.8% to £1,271.0 million
- EBITDA up 3.3% to £84.3 million<sup>Ⓐ</sup>
- Profit before tax up 1.3% to £12.1 million



See Alternative Performance Measures on page 194

### CEO Q&A



#### Tim Steiner

**Q: 2016 has been characterised by tough competition, deflation and cost increases. To what extent was Ocado affected by industry conditions?**

**A:** Similar to retailers across the sector, Ocado has felt the headwinds from this challenging retail environment. However, during this time we increased sales and grew our share of the grocery market. We did this by focusing on improving our customer proposition to support growth and driving efficiency through scale, technology and operational improvements. Together this has helped to mitigate the impact on our gross margins.

Despite these challenging conditions we have not stopped further developing our market leading technology and IP to ensure that we offer a sustainable solution for ourselves and our platform customers that is resilient in all market conditions.

**Q: What is the update regarding your next CFC in Andover?**

**A:** Our third CFC located in Andover, Hampshire, in the south of England, commenced operations in November 2016. This CFC incorporates the first installation of our new proprietary physical fulfilment solution.

We expect that the Andover CFC will add capacity of around 65,000 orders per week or approximately £350 million in annual sales when at full scale, enabling us to continue to grow at pace. This complete “fulfilment in a box” solution is modular and scalable, adding significant flexibility to the capacity planning for our own retail business and that of our existing and future partners. This CFC is expected to be more capital efficient compared to our earlier CFCs and more efficient to operate.



Read about the Andover and New Technologies case study on page 19

**Q: Please outline your international aspirations. Should we expect to see deals in 2017?**

**A:** We plan to commercialise our years of learning and innovation through working with international partners using the Ocado Smart Platform. We remain confident in our proposition and continue discussions with multiple retailers across several geographies with the view of signing multiple agreements in the medium term.



Read about Ocado Smart Platform on pages 12 and 13