

FY21 Results Presentation

8th February 2022

ocado
GROUP

Forward-looking statements

DISCLAIMER

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The Chair's Introduction

Rick Haythornthwaite



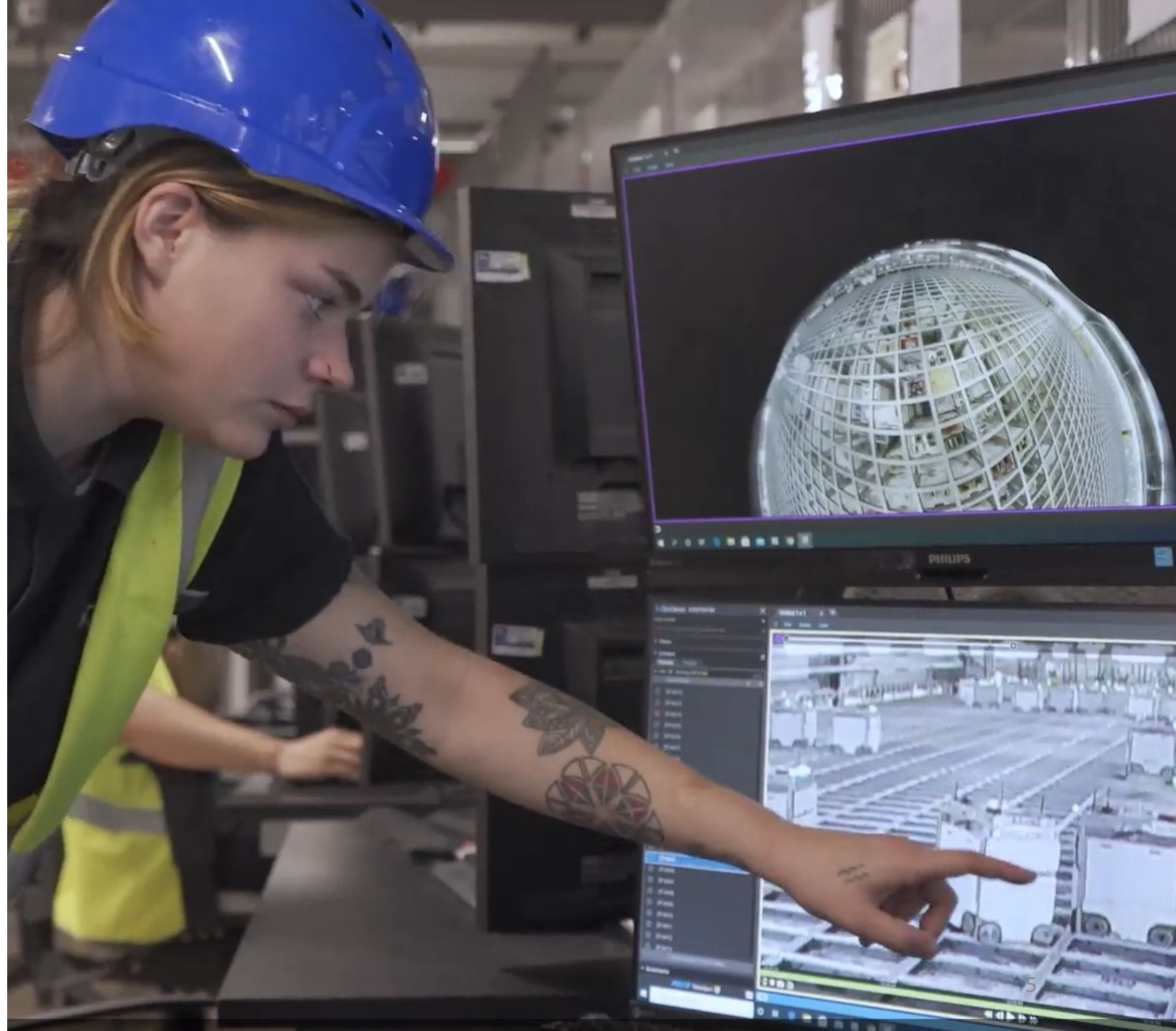
Opening Remarks

Tim Steiner, CEO



Financial Review

Stephen Daintith, CFO



Update on priorities

Priorities to support sustained growth

OSP economics

Capital allocation

Balance sheet

Evolution of Group Operations functions to support growth

Progress so far

- ✓ Solutions focused KPIs announced today
- ✓ Improved clarity around OSP economics
- ✓ Ocado Re:Imagined; investments expected to strengthen our position as lowest cost operator, driving growth and returns
- ✓ £500m senior unsecured note successfully raised Sept-21
- ✓ Continued strong liquidity position of £1.5bn
- ✓ New accounting and treasury systems implemented
- ✓ Finance team strengthened and restructured to enable greater specialisation and business partnering

Empowering the business to make the most of a large and growing opportunity set

Financial Summary

£ million	FY 2021	FY 2020 restated ³	Change
Revenue¹	2,498.8	2,331.8	7.2%
EBITDA	61.0	73.1	(12.1m)
Loss before tax²	(176.9)	(52.3)	(124.6m)
<i>Cash and cash equivalents and treasury deposits</i>	1,468.6	2,076.8	(608.2m)

- **Revenue growth (+7%) driven by:**
 - **Continued strong demand for Retail proposition;** period compares to exceptional 2020 and is inclusive of the challenges associated with the UK labour market and disruption as a result of the Erith fire in the second half
 - **Strong fee revenue growth in both UK and International Solutions segments** reflecting increased capacity roll out
- **EBITDA performance** reflects good revenue and gross margin performance in Retail and increased partner capacity and productivity improvements in UK Solutions & Logistics, offset by disruption at Erith and investment (total cash investment of £255m) to support platform development
- **Increase in loss before tax** as a result of increased depreciation, amortisation and impairment costs (+41%) related to investment in and increasing roll out of OSP, partially offset by lower net exceptional income and reduced net finance costs
- **Healthy liquidity position** supported by successful refinancing activity in the year, including issuance of £500m unsecured bond

Note: (1) Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs and associated fees to our UK Solutions clients and International Solutions clients are also included in revenue with the exception of recharges to Ocado Retail which are eliminated on consolidation. (2) Loss before tax is stated post-exceptional items (3) Reflecting a change in accounting policy in respect of IAS 38 Intangible Assets, FY20 loss before tax has been restated to derecognise previously capitalised SaaS related costs amounting to £8.3 million. This amount has been expensed as an exceptional item.

Ocado Retail: strong underlying momentum and resilient trading through temporary challenges

Orders driving revenue growth, with basket size and ASP broadly flat

£ million	FY 2021	FY 2020	FY 2019	Change		Changes (%)			
				vs 2020	vs 2019	Average	1H	2H	FY
Revenue¹	2,289.9	2,188.6	1,618.1	4.6%	41.5%	OPW (000s)	+20	+5	+12
EBITDA²	150.4	148.5	40.6	+1.9m	+109.8m	Basket size (£)	-	(12)	(6)
						Eaches per basket	(2)	(12)	(7)

- **Revenue and EBITDA performance demonstrate operating step change compared with pre-pandemic 2019**
- **Continued revenue growth against exceptional 2020**, notwithstanding operational disruption associated with the Erith fire and UK labour market challenges in the second half, as well as continued reversion to pre pandemic shopping habits (smaller baskets, more peaks and troughs). Underlying demand remains strong
- **Progress on Retail KPIs evidences strong demand:**
 - Active customers **+22% to 832k** vs. 680k in FY20
 - Orders per week (OPW) **+12% to 357k** vs. 319k in FY20³
- **Improving gross margin inclusive of investment in retail prices**
- **Cost growth ahead of revenue growth** as underlying efficiency gains in fulfilment and delivery offset by a combination of temporary costs related to additional incentives to attract and retain staff and disruption from the Erith fire, as well as investments in marketing made to support long term growth

Note: (1) Retail segment includes results from Speciality Stores Limited ("Fetch") until its disposal on 31 January 2021. Revenue growth excluding results from Fetch in 2020 and 2021 was +6.3% (2) EBITDA* does not include the impact of exceptional items (3) Orders per week (OPW) calculated on actual basket sizes. Not normalised to pre-Covid basket size

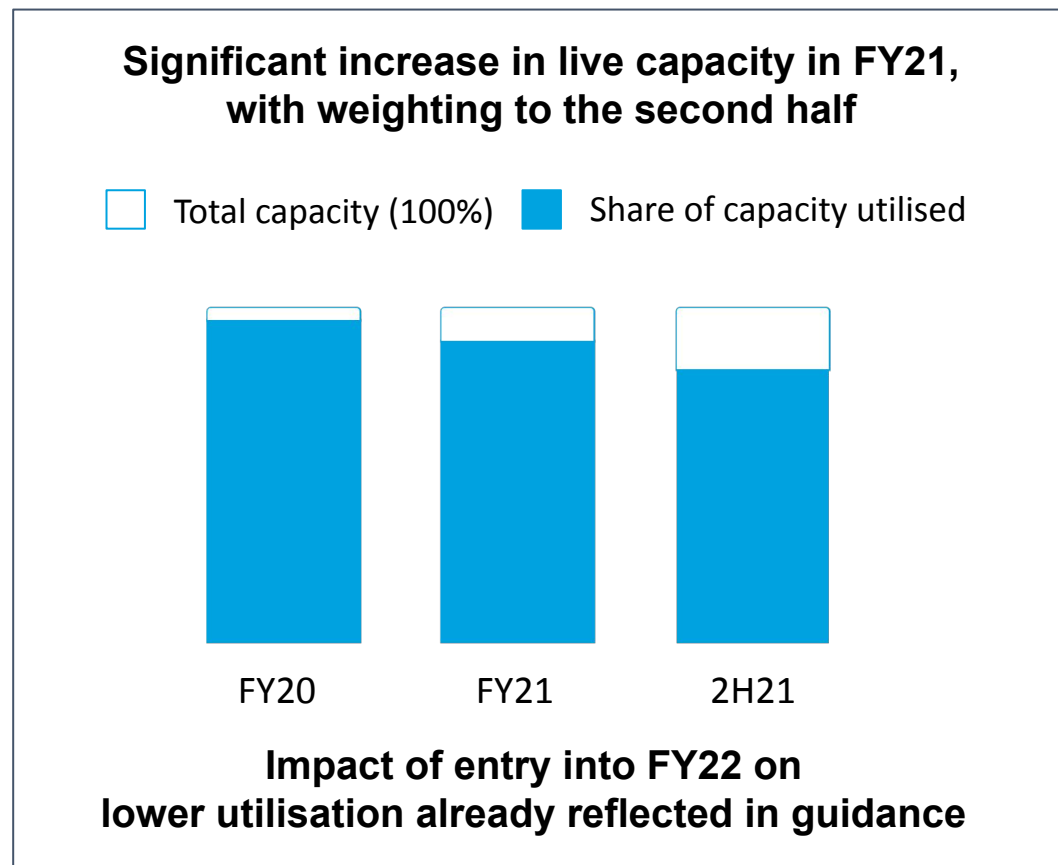
Ocado Retail: a closer look at operating performance

% revenue	FY 2021	FY 2020 restated ²	change (bps)		
Gross margin (incl. media)	35.9%	33.6%	232	→	Strong underlying margin due to unique online model; large range, low waste, value added insight for suppliers. Further benefit from higher order volumes, improved product mix, changes in sourcing arrangements, and cost savings
Trunking and delivery costs	(11.0)%	(10.8)%	-19	→	Non repeating Covid costs, offset by investments in labour incentives and Drops per van per week (DPV) of 177
CFC costs	(7.9)%	(7.2)%	-65	→	Immaturity of three new CFCs launched in year, operational disruption in Erith and temporary labour incentives. Underlying efficiency improved with Units per Hour (UPH) up to 170² , 172 excluding fire disruption
Other operating costs	(0.7)%	(0.5)%	-10		
Marketing costs	(1.8)%	(1.0)%	-75	→	Investing in brand and multi channel approach, to drive growth, versus reduced marketing activity in 2020
Fees (OSP fee only)	(3.9)%	(3.4)%	-54	→	Significant growth in available capacity with opening of new CFCs in Bristol (1Q), Andover (3Q) and Purfleet (4Q)
Operating contribution	10.7%	10.7%	10		
Admin costs	(4.1)%	(4.0)%	-31	→	Investments in platforms and teams made to support growth, partially offset by reduced accounting charge related to management incentive scheme
EBITDA	6.6%	6.8%	-22		

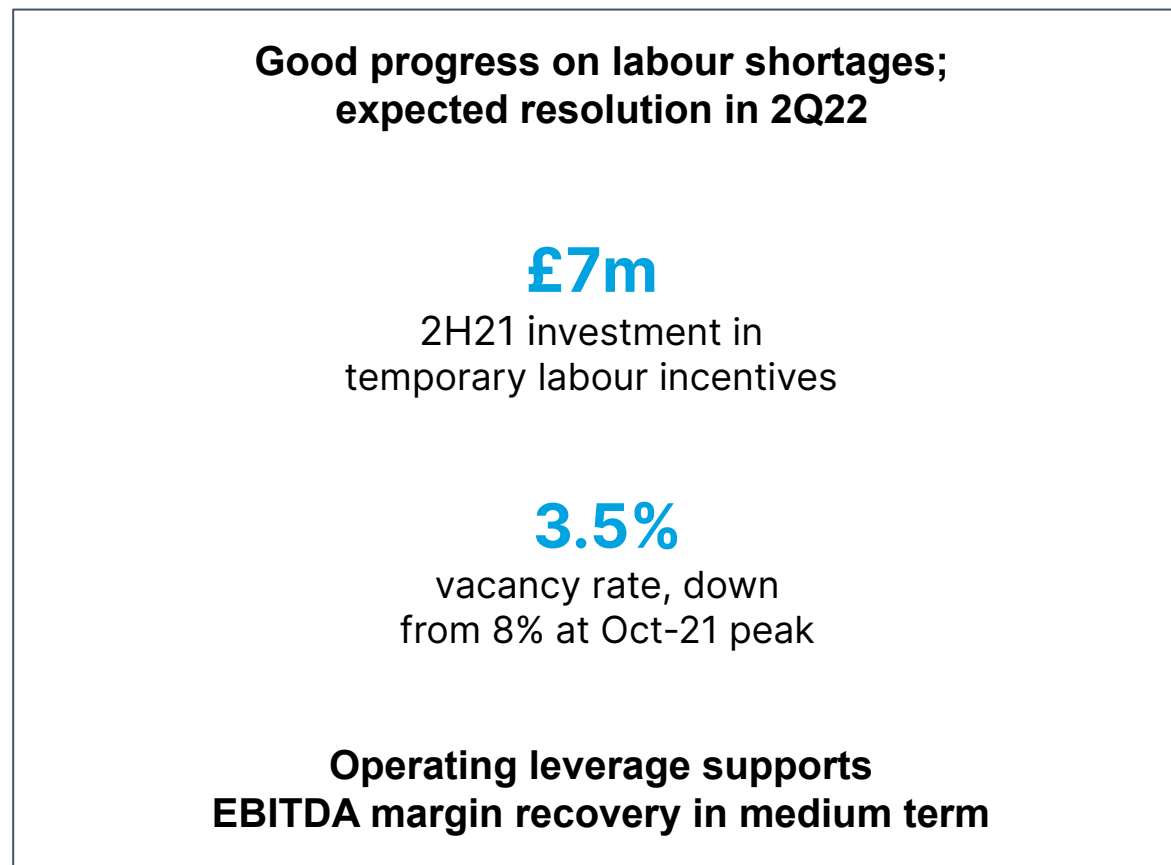
Note: (1) Payment processing costs of £14.5 million (2020: £13.9 million) have been reclassified from distribution costs to cost of sales, to more accurately reflect the nature of these costs. Other operating costs reflect capital recharge elements of fees (2) UPH means average units processed per labour hour at mature sites. Mature sites are Hatfield, Dordon and Erith CFCs (CFC 1, 2, 4).

Labour challenges of 2H easing

Erith disruption, compounded by labour shortages, constrained growth into fresh capacity in 2H21



Expect strong mid teens revenue growth in Ocado Retail in FY22, driving improved capacity utilisation



Ambition for EBITDA margin to rebuild towards FY21 levels following significant year of investment in FY22

Underlying dynamics reinforce confidence in long term trajectory

Strong underlying demand supports investments to accelerate growth

Demand for online grocery is strong

17.9%

2025 expected online share of UK grocery market¹

22%

Ocado Retail active customer growth in FY21

Ocado Retail is investing to successfully seize this opportunity for the long term

Capacity - Transformation - Marketing

Pipeline to 700k OPW in FY23 +60% vs FY20

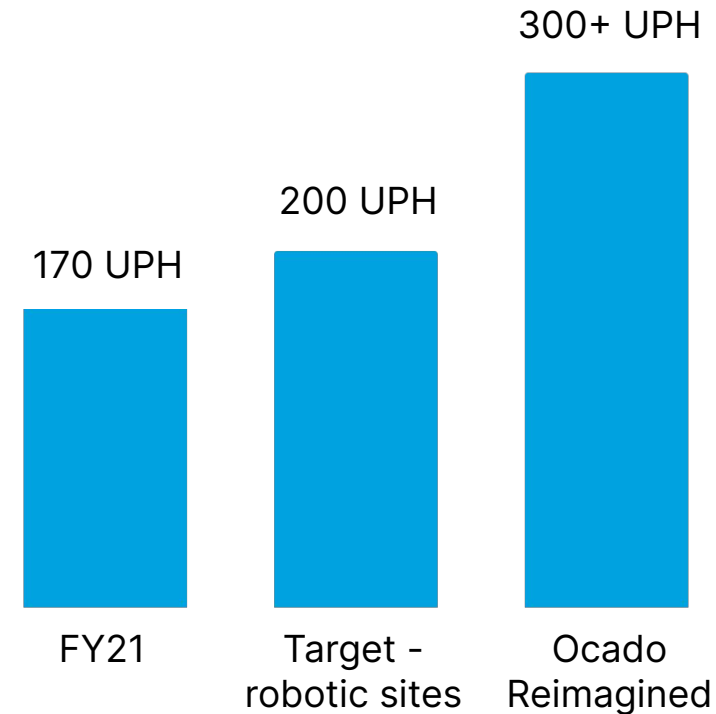
Data capabilities, IT infrastructure, buying and marketing teams

Brand-driven, multi channel

Announced today: two CFCs in the North-West and South-East to c200k OPW, planned for 2024

Technology underpins long term margins

In addition to operating leverage, significant efficiency improvements still to come



UK Solutions & Logistics: progress reflects client capacity growth

£ million	FY 2021	FY 2020	Change
Fee revenue	149.7	117.1	27.8%
Cost recharges ¹	560.7	537.2	4.4%
Revenue	710.4	654.3	8.6%
EBITDA	68.5	44.4	+24.1m

- **Strong fee growth with the opening of three new CFCs** in Bristol (Q1), Andover (Q3) and Purfleet (Q4) and the return of Morrisons to Erith. All new CFCs showed strong early ramp ups, with total potential CFC capacity now over 750k OPW (of which 600k Ocado Retail)
- **Cost recharges grew slightly ahead of growth in total volume throughput (+4%)** reflecting higher costs as new sites ramp to full efficiency and investments made in labour incentives, partially offset by improving efficiencies
- **Productivity (UPH) at CFCs launched in 2021 is approaching or ahead of mature site UPH**
- **Engineering costs (included in distribution costs) down 36%** on a cost per each basis at Erith, progressing towards target and ahead of plan, despite the operational disruption as a result of the fire. Engineering costs at Bristol are in line with Erith less than a year after opening

International Solutions: starting to recognise material revenue

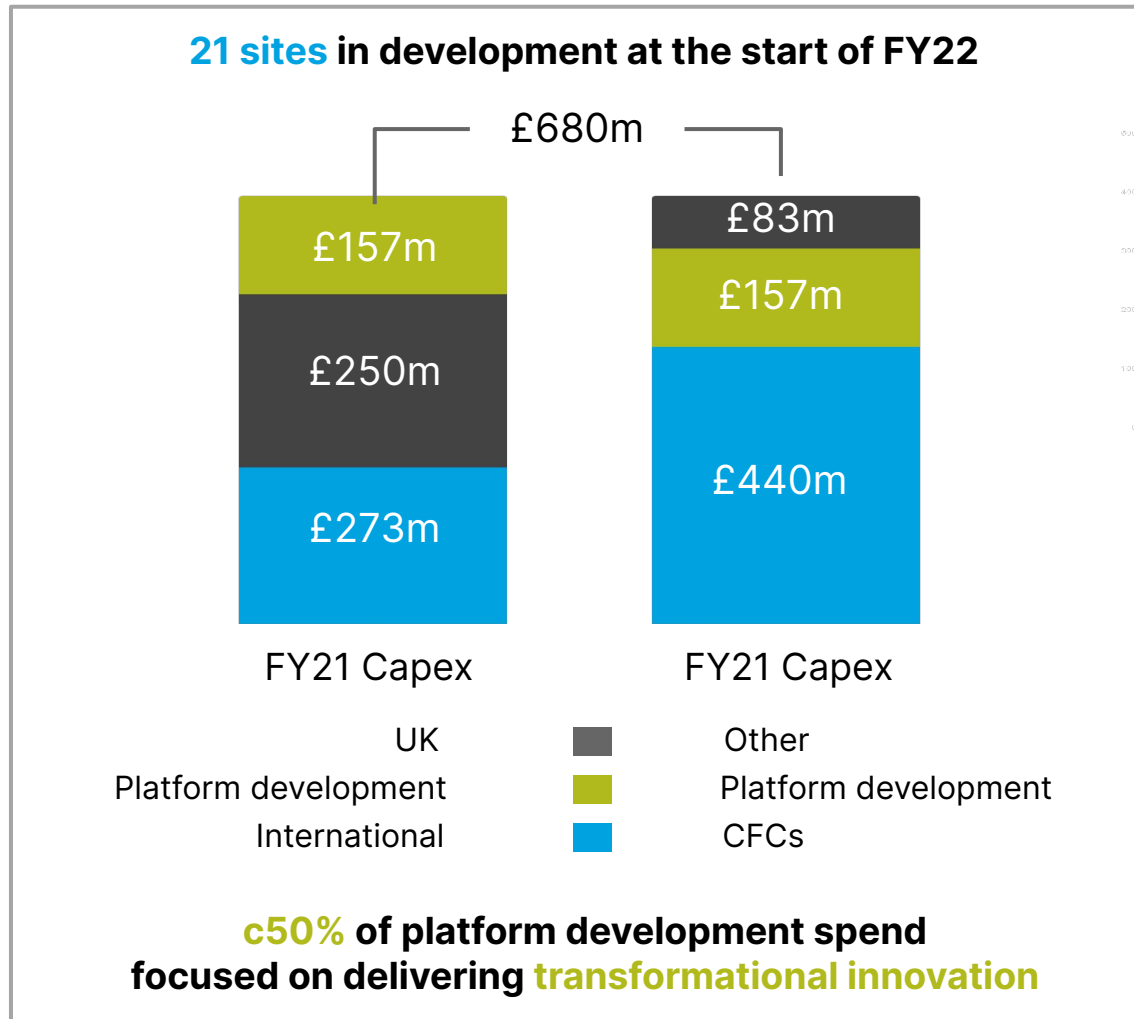
£ million	FY 2021	FY 2020	Change
Fees invoiced	143.0	123.9	15.4%
Revenue¹	66.6	16.6	301.2%
EBITDA	(119.3)	(83.3)	(36.0)m

- **Starting to deliver material revenue; £49m of OSP fee revenue recognised from partners** with CFCs ramping in France and Canada and the go-live of the first two CFCs in the US. Sites opened on time and ramping in line with expectations. Three more CFCs in Sweden, Canada and the US launched since year end.
- **Acceleration of OSP rollout** drives cost increase (+£84m) through a higher allocation of investments made in technology talent to develop the platform, and personnel and cloud costs to support clients in CFC go-live and early ramp
- **Travel restrictions remained a constraint during much of the year, reflected in fees invoiced.** We maintain a strong pipeline of CFC and ISF commitments from partners, including our tenth partner, Alcampo, added during the year.

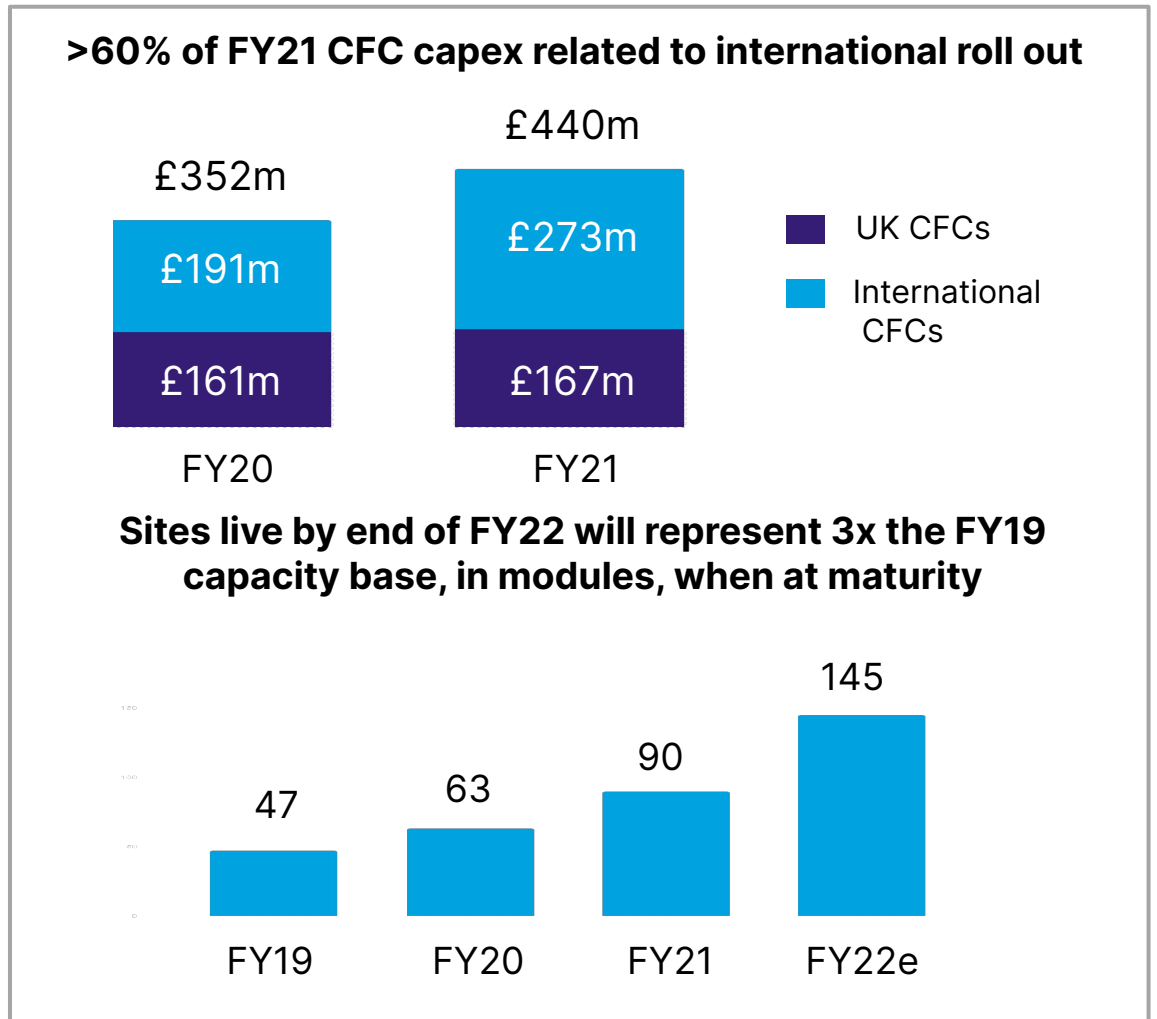
Note: (1) Revenue includes £9.6 million revenue from Kindred Systems, and £8.1 million of equipment sales to retail partners recognised as revenue under IFRS 15. The cost of this equipment is recognised in Cost of sales, with the resulting impact on EBITDA of [nil]

Scaling up and investing to support our growth ambitions

Step up in capex as OSP roll out picks up globally



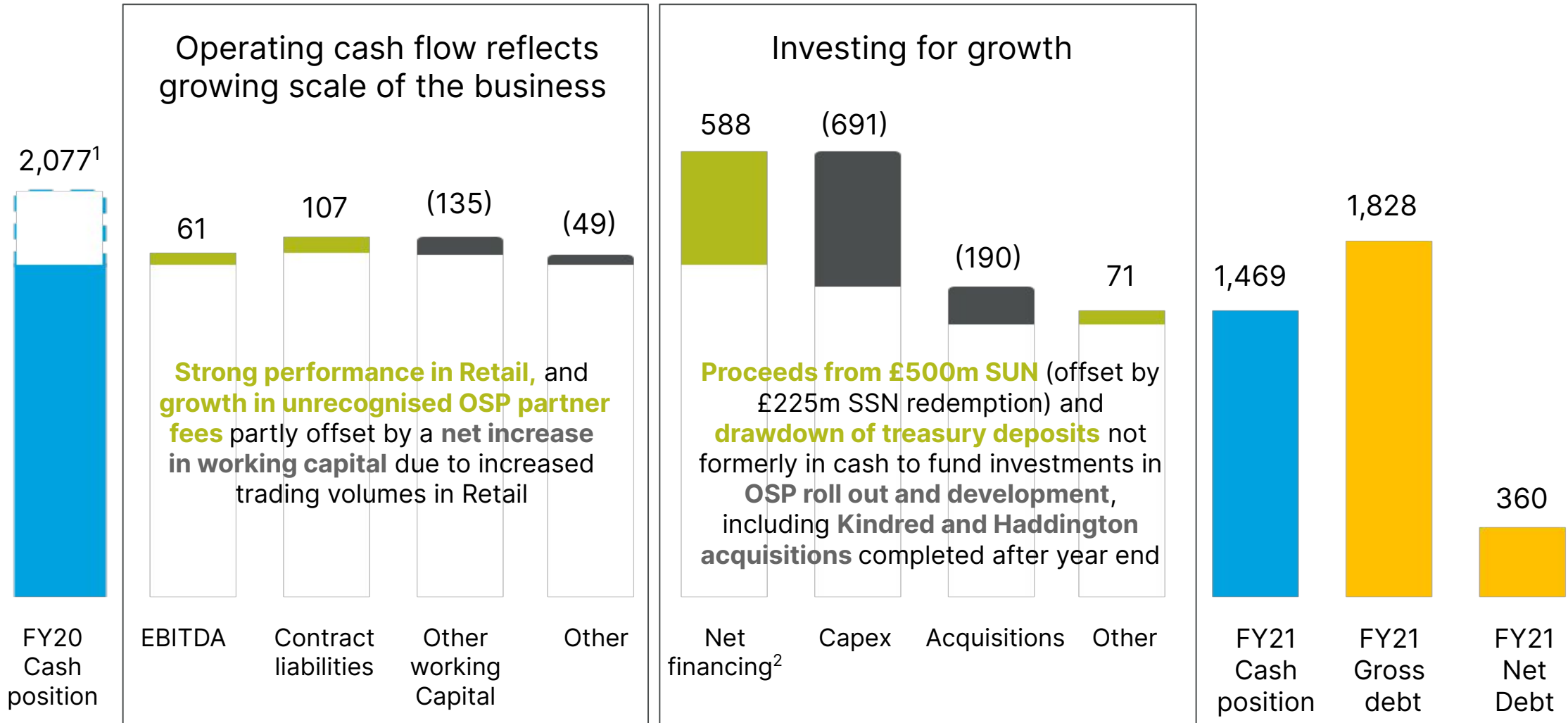
International expansion underpins uplift in CFC capital investment



Notes: (1) Capital expenditure includes tangible and intangible assets (2) Capital expenditure excludes assets leased from MHE JVCo under lease liability arrangements (3) Capital expenditure includes MHE JVCo capital expenditure in 2021 of £2.8 million and in 2020 of £3.4 million (4) 2020 reflects changes in the allocation of certain expenditure between UK Operations, International CFCs and Technology, Fulfilment Development and Innovation to support appropriate comparison with 2021

Strong cash position supports our significant growth plans

£1.5bn: healthy liquidity position to meet existing commitments and deliver future growth in the near term



Note: (1) including £370m of treasury deposits, not recognised in cash (2) inclusive of £370m drawdown of treasury deposits

Outlook for FY22

- **Revenue**

- **Ocado Retail: return to strong, mid-teens revenue growth in 2022**
- **UK Solutions & Logistics:**
 - **Fee growth of over 30%** reflecting the accelerated capacity build out in UK
 - **Cost recharges to grow at least in line with Retail revenue growth** as we support our clients to build into the growing capacity
- **International Solutions:**
 - **OSP fee revenue to more than double** with increase of live international CFCs from 4 to 12, and continued ramp in ISF volumes
 - **Double digit growth in Kindred revenues** from £10m in FY21

- **EBITDA**

- **Ocado Retail: as previously announced, increased investments of around £50m to support long term growth. Ambition for EBITDA margin to rebuild towards 2021 levels following a significant year of investment in 2022**, with long-term margins underpinned by technology and operating leverage
- **UK Solutions & Logistics: EBITDA to increase by around 50%**, reflecting increased fees due to the increasing live capacity for clients and then engineering costs growing at a slower rate relative to this new capacity
- **International Solutions: flat versus 2021**; rising margin contribution as revenues grow, offset by increased investments in platform development and a minimum level of engineering cost required to support new CFCs in the early stages of ramp

Outlook for FY22

- **Central P&L costs associated with Group Operations and Technology costs, to grow broadly in line with Group revenue growth**
 - **£30m increase in Technology investments** in key areas of OSP platform development including additional focus areas such as autonomy
 - **£5m increase in Group Operations to around £80m;** focused on building capabilities to support increased complexity and scale
 - Central P&L costs are allocated across UK Solutions & Logistics (c. $\frac{1}{3}$) and International Solutions (c. $\frac{2}{3}$) and are **expected to grow significantly below Group revenue growth** after 2022, **reflecting inherent operational leverage when at scale**
- **Capex forecast of around £800m driven by accelerating roll out of OSP worldwide**
 - **30% UK** of which 60% dedicated to the continued roll out of CFC and Zoom sites, inclusive of land, build and MHE cost, given consolidation of the Ocado Retail joint venture
 - **50% International**, reflecting an additional 8 CFCs to go-live during the year, of a total of 13 CFCs in build internationally at the end of 2021
 - **20% Technology investment** to support key areas of OSP platform development including additional focus areas such as autonomy

Ocado Re:Imagined

Tim Steiner, CEO



Ocado Reimagined: the next leap in innovation

In January 2022, we unveiled the next leap of game-changing technology underpinning the unique and proprietary Ocado Smart Platform.

This initiative brings together **groundbreaking innovation across seven key aspects of the platform:**

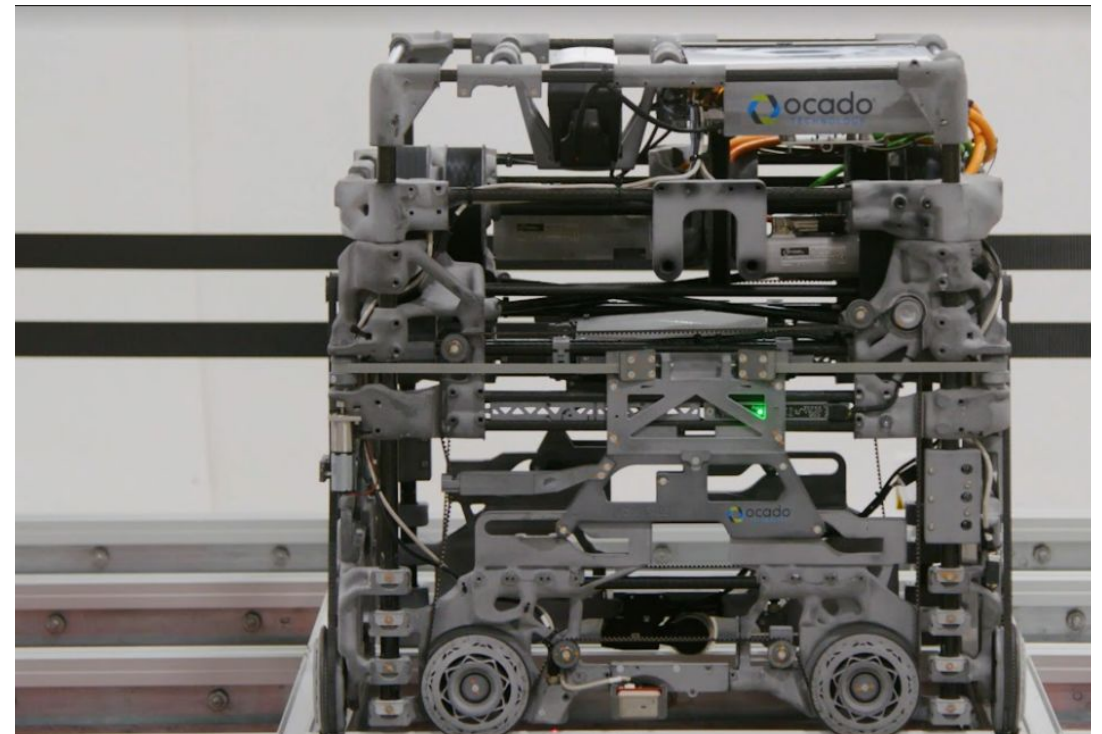
- The new 600 Series bot
- The 600 grid and optimised site design
- Automated Frameload
- On-Grid Robotic Pick
- Ocado Orbit (the world's first Virtual Distribution Centre)
- Ocado Swift Router
- Ocado Flex

The 600 series bot

The world's lightest and most efficient grocery fulfilment bot, enabled by advances in topology optimisation and additive manufacturing in design

Benefits

- **Lower cost to build:** 3D printed, 5x lighter
- **Lower cost to maintain:** ultra energy efficient, less stress on grid
- **Lower carbon footprint**
- **Higher throughput:** almost no down time with continual software updates and on demand parts



Timeline: available for CFCs launching from 2H23

The 600 grid and optimised site design

The lightweight design of 600s bot allows us to build lighter grids, faster, that are cheaper to run

Benefits

- **Shorter installation time:** ambient and chilled grids built simultaneously
- **Reduced construction costs:** lighter grid needs less material, less chill equipment due to lower heat load
- **Lower carbon footprint:** less energy use
- **Easier to use existing buildings**

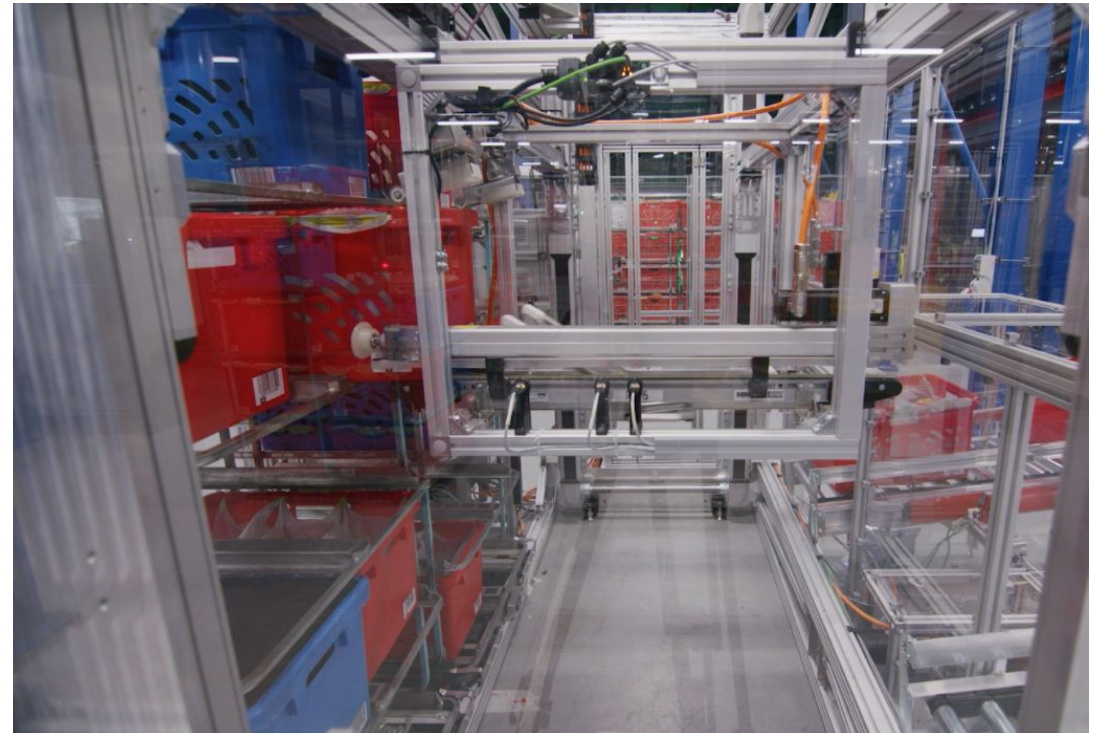
Timeline: available for CFCs launching from 2H23

Automated Frameload (AFL)

Automates the loading of totes with ready customer orders onto delivery frames ready for dispatch

Benefits

- **lower labour costs**
- **higher human productivity**
- **reducing most taxing job in the warehouse; HSE benefit**



Timeline: first installation in partner CFC in 2H 2022

On-Grid Robotic Pick (OGRP)

Automates the picking and packing of customer orders

Benefits

- **Lower labour costs** (targeting over 50% of range by end of 2023)
- **Faster ramp up**
- **Higher throughput:** pick direct from grid enables optimisation of warehouse design
- **Off peak stock management:** enabler of virtual distribution centre (Orbit)



Timeline: available for CFCs launching from 2H23

Ocado Orbit: the world's first Virtual Distribution Centre

Brings together the efficiencies of a centralised fulfilment model with the benefit of being closer to the customer for shorter lead times

Benefits

- **minimal supply chain costs** of large CFC
- **shorter lead times** for large basket shop (nearly all same-day delivery, up to half in 2-4hrs)
- **ability to offer large ranges with low operating costs** (supply chain, waste)

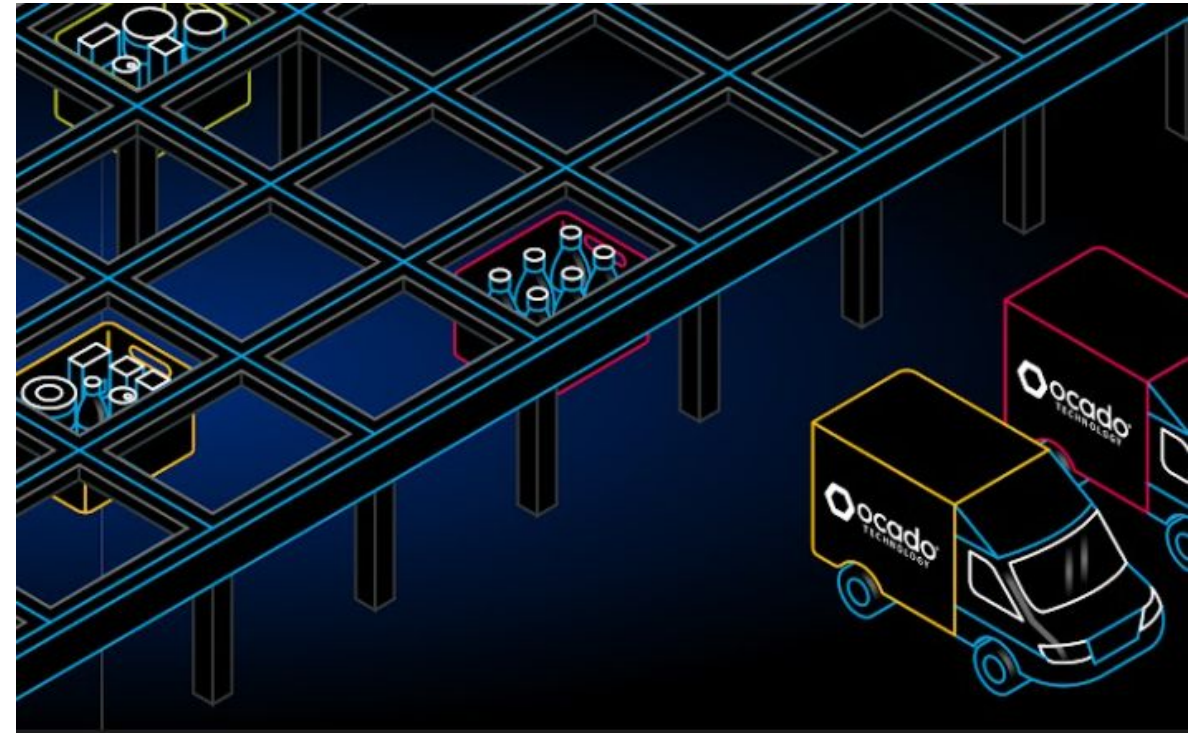
Timeline: available for CFCs launching from 2H23

Ocado Swift Router

Using OSP's processing capability to enable delivery of last minute immediacy orders as well as larger, longer lead-time orders from the same van

Benefits

- **partners need no longer make a trade-off** between the benefits of immediacy and a today-for-tomorrow service
- **customers can have choice, value and immediacy (<2 hrs): "the best of all worlds"**



Timeline: available for CFCs launching from 2H23

Ocado Flex

Partners can power their own digital storefronts with OSP AI and ML processing for increased customer experience, efficiency, and profitability

Benefits

- **Partners can use their own webshop and app solutions** while taking advantage of the data-collecting and analytics of OSP
- **Partners no longer need to write-off historic investment** in their webshop to be able to benefit from OSP's market-leading customer analytics

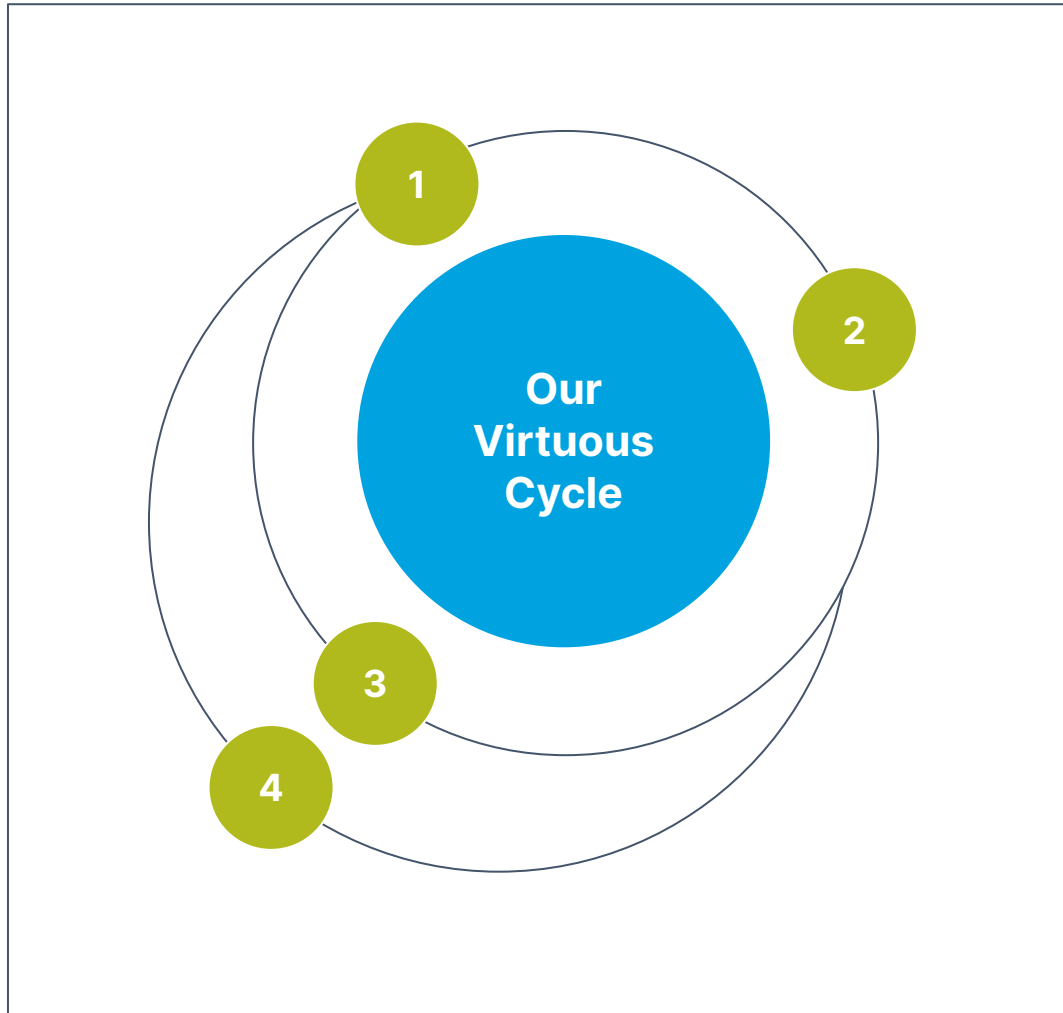
Timeline: available today

Implications of Ocado Re:Imagined

Tim Steiner, CEO with
Stephen Daintith, CFO



The virtuous cycle: creating a bigger opportunity, served sooner



1. Increased investment

2. Enhanced OSP platform

- Lowest cost operations
- Market leading customer offer
- Unique flexibility

3. Faster partner growth

- Greater efficiency and market-leading customer service enables them to win share in their market and grow faster with OSP

4. Ability to serve more markets

- Lower cost to market increases the addressable market opportunity
- New opportunities to meet demand in 'problematic markets'

These innovations significantly expand our serviceable opportunity set

Resetting the bar in online grocery: today versus tomorrow

Targeting step changes in capital and operating costs, for partners and Ocado Group

Operational performance indicators		Today	Ocado Re: Imagined
			2024 target
Productivity	Direct labour cost in a site (£m)	variable	>30% lower
	Robotic site mature productivity (UPH)	200	300+
Flexibility	Time for installation and testing of MHE (months) ¹	10	5
	Share of orders delivered <4hrs from order placed ^{1,2}	<10%	>50%

Clients ordering a CFC today for delivery in 2H23 will have the following features enabled: 600 Series bots; 600 grid and Optimised Site Design; Automated Frameload; On-grid Robotic Pick; Ocado Swift Router; and Ocado Flex.

Orders made prior to the launch of Ocado Re:Imagined for delivery at the end of FY23 can be retrofitted to include many of these enhancements.

Note: (1) for a standard 6 module CFC (2) lead times are dependent on both the location of CFC relative to its first delivery location ('stem' distance' as well as density within a given delivery area. Short lead time route efficiency can be comparable to current next day delivery efficiency where density is high. High density is defined as a location with 5-10+ orders per week per square kilometre

Judging our progress: refreshing our KPIs

Aside from Revenue, EBITDA and PBT, we have a number of KPIs. We are updating these to improve clarity on Solutions performance

Current	KPI	FY21	FY20	change	Context around changes
Ocado Retail	Active customer base (000s)	832	680	22%	
	Orders per week (000s)	357	319	12%	
	Average basket value (£)	129	137	(6%)	
UK Solutions & Logistics	Units per hour (UPH)	170	169	1%	
	Drops per van per week (DPV)	177	184	(4%)	
International Solutions	Fees invoiced from partners (£m)	143	124	15%	To remove now that we are recognising material revenues
New					
Group Solutions¹	Number of modules live ^{2,3}	61	44	39%	Evidences progress on execution
	Number of modules ordered ^{3,4} <i>Average of 6 modules per CFC ordered to date</i>	213	168	26%	Adds clarity around short to medium term build plans
	Direct operating cost of OSP ⁵ (% of live sales capacity)	2.7%	3.7%	27%	Shows progress towards guided 2ppts long term target

Note: (1) Group Solutions KPIs reflect performance of aggregated UK and International Solutions segments (2) A module is considered live when it has been fully installed and available for use by our partner (3) A module of capacity is assumed as approximately 5,000 eaches per hour dependent on the specific metrics of a partner (4) A module is classified as ordered when a contractual agreement has been signed with a partner and an invoice has been sent for the associated fees. This excludes modules which are required to be ordered in order to maintain exclusivity agreements, but which have not yet been agreed and invoiced (5) Reflecting the exit rate position in the year. Direct operating costs include engineering, cloud, and other technology support costs.

Conclusion

- **The grocery market is at an inflection point.** A huge market opportunity exists online for grocery retailers who can deliver the **best customer proposition**, with the **best economics**, across **every customer mission**
- The **game-changing innovation** driving the development of the Ocado Smart Platform allows our partners to fully take advantage of this opportunity
- Partners ordering CFCs today will be able to **go-live quicker**, at **lower cost**, and achieve **higher margins and return on capital**
- For Ocado Group, this means **a bigger addressable market**, the opportunity to **win new partners** more quickly, and **fresh opportunities for growth**
- **Ocado Group has consistently raised the bar in online grocery retailing** over the last twenty years. Our deep culture of innovation is enabling us, once again, to reset the bar decisively, for **the benefit of our partners, their customers, our shareholders and the communities we serve**

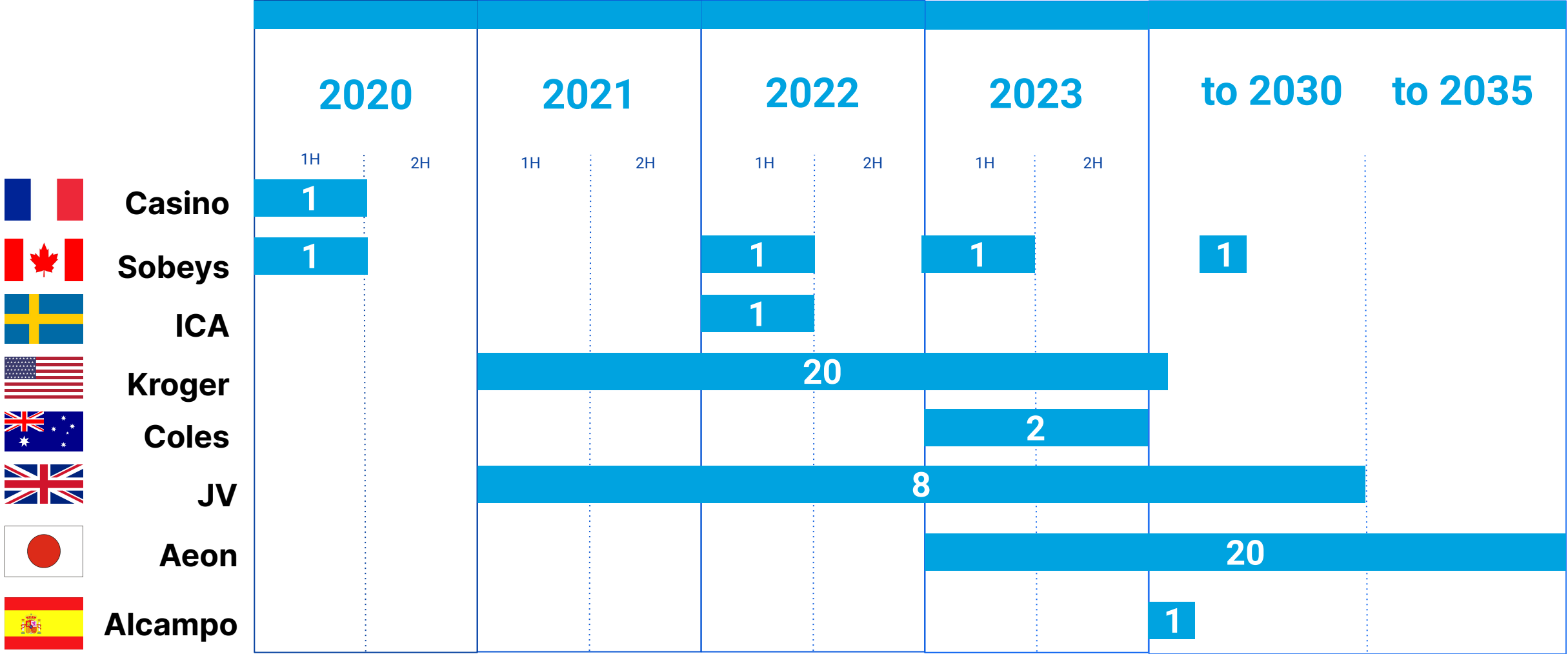
Q&A

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Appendix: announced roll out plans equivalent to 57 CFCs so far



Exclusivity in each market is conditional on partners meeting pre-agreed capacity targets into perpetuity

Note: Phasing reflects publicly announced CFC commitments as of 28th November 2021, with CFC capacity commitments reflecting announced sites and/or sales based capacity commitments apportioned into £350m equivalent 'standard' sized CFCs based on average exchange rate since time of announcement. Site sizes will vary. Does not include ISF commitments ©2020 Ocado Group plc. All rights reserved.

Appendix: Group and segmental summary: revenue and EBITDA

£ million	FY 2021	FY 2020	Change
Revenue¹			
Retail	2,289.9	2,188.6	4.6%
UK Solutions & Logistics	710.4	654.3	8.6%
International Solutions	66.6	16.6	301.2%
Inter-segment and Other	(568.1)	(527.7)	7.7%
Group	2,498.8	2,331.8	7.2%
EBITDA²			
Retail	150.4	148.5	+1.0
UK Solutions & Logistics	68.5	44.4	+24.1
International Solutions	(119.3)	(83.3)	(36.0)
Group and other	(38.6)	(36.5)	(2.1)
Group	61.0	73.1	(12.1)

Note: (1) Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs and associated fees to our UK Solutions clients and International Solutions clients are also included in revenue with the exception of recharges to Ocado Retail which are eliminated on consolidation (2) EBITDA* is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items*