

News Release

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Wm Morrison Supermarkets PLC Improving performance in a very competitive market

Morrisons sales trends improved over the Christmas period as we continued to make progress in all components of the trading strategy we laid out last March. Like-for-like (LFL) sales improved on recent quarters. We grew volume market share in Food[†] through better pricing and execution, which has helped us deliver further improvements in our operational KPIs.

In the six weeks to 4 January, total sales^{**} excluding fuel were down by 1.3% and LFL sales^{**} excluding fuel down were down 3.1%. After passing on the benefit of lower oil prices to our customers, total sales including fuel were down 3.6% and LFL sales including fuel were down 5.2%. Online contributed 1.0% to LFL during the period.

On operational KPIs, Items per Basket improved from -2.4% year-on-year in Q3 to -0.2%, and Number of Transactions from -3.3% to -1.7%. Black Friday impacted the start of the reporting period, but we were encouraged that LFL and volume performance was stronger in the last four weeks, the key trading weeks for Food.

It was the first Christmas for Match & More, online and many M locals:

- Match & More launched well, sign-up is ahead of our expectations, and customer feedback has been excellent;
- Our online business achieved industry-leading customer service metrics. Even during the busy pre-Christmas week, on time delivery was 97.5% and product substitutions were just 1.4%. Last weekend, we delivered our one millionth order on our first anniversary of launch;
- We served almost double the number of customers in our growing convenience store business this year, and a total of 5 million during the six weeks.

We have opened 17 M local stores so far during the fourth quarter, bringing the total to 46 new stores year-to-date.

In addition to this operational progress, we remain committed to rigorous and optimal capital discipline. We continually review the performance of all stores. Today we are announcing the proposed closure of 10 loss making stores during 2015.

Morrisons financial position remains strong. For 2014/15, we expect property disposal proceeds of £400m-£500m and year-end net debt of £2.3bn-£2.4bn, in line with guidance.

Chief Executive Officer, Dalton Philips, said:

“I would like to thank colleagues for delivering a stronger Christmas proposition for our customers. Our like-for-like sales were a step-up on recent quarters and trends in the key operational measures continued to improve. Our three-year cost saving and cash flow targets remain on track. Although there is still much to do, we are building the platform to enable us to compete better in an industry that we expect to be highly competitive in the year ahead”

Outlook

We continue to expect 2014/15 underlying profit before tax to be in the range £335m-£365m, after £65m of new business development costs and £70m of one-off costs.

* Nielsen five weeks to 28th December

** For supermarkets, online and convenience stores, reported exc. VAT and in accordance with IFRIC 13.

Sales Performance (ex VAT)

	2013/14	2014/15			
	Q4	Q1	Q2	Q3	6 weeks to 4 Jan
Group LFL: **					
Sales exc-fuel	(5.7)%	(7.1)%	(7.6)%	(6.3)%	(3.1)%
Sales inc-fuel	(6.4)%	(8.2)%	(7.5)%	(8.0)%	(5.2)%

Summary of operational key performance indicators (KPIs)

	2013/14	2014/15			
	Q4	Q1	Q2	Q3	6 weeks to 4 Jan
LFL Items per Basket <i>y-on-y change</i> ***	-6.9%	-5.9%	-3.2%	-2.4%	-0.2%
LFL Number of Transactions <i>y-on-y change</i> ***	-1.4%	-3.6%	-5.0%	-3.3%	-1.7%
Number of SKUs****	24,500	23,600	22,400	22,150	22,050
Number of Items on Promotion <i>y-on-y change</i>	+6.0%	-5.0%	-12.9%	-13.6%	-9.6%
Promotional Participation <i>y-on-y change (bps)</i>	+140	-30	-140	-240	-190

*** Excludes online and convenience. **** Q4 number is for SKU count as at start of programme

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