

News Release

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Wm Morrison Supermarkets PLC Q3 Interim Management Statement – 13 weeks to 2 November 2014

Morrisons third quarter showed continued progress on the three year plan. In the 13 weeks to 2 November 2014, total sales[†] excluding fuel were down by 3.6% (down 5.6% including fuel), and like-for-like* (LFL) sales were down 6.3% (8.0% including fuel). Online contributed 0.7% to LFL during the period.

As outlined at the interim results, it will take time for our initiatives to fully benefit our sales performance. In the meantime, we continue to see encouraging progress in all components of our strategy and in our volume-related key performance indicators (KPIs). Items per Basket continued to improve and was down 2.4% year-on-year, significantly better than the low of -6.9% in Q4 2013/14. Other operational KPIs also showed further improvement.

We continue to substantially increase our investment in the Morrisons proposition. Alongside further investment in price during the period, we launched Match & More, our new price match and points card which provides a unique price guarantee against Aldi and Lidl as well as Tesco, Sainsbury's and Asda. The card is already proving extremely popular with customers.

Match & More is a good example of the progress we are making with the strategy we communicated in March. An improving IT platform is enabling Morrisons to better understand and serve customers, and drive cost out of the business. Also, all major in-store cost initiatives – such as restructuring our teams to make them more effective, up-streaming some of the invisible manufacturing, and simplifying the range – saw significant progress during the quarter.

We are actively progressing our plans for greater capital discipline across the business. In September we announced a proposal to close our produce packing facility in the Netherlands (Bos Brothers BV), and plan to transfer operations either to growers or our existing UK produce facilities during 2015. During the period, we also exchanged contracts to re-assign eight of the ten former Kiddicare leasehold sites, and expect completion in the coming weeks.

We opened 12 new M local stores and three new core stores, plus one replacement. We are on schedule to meet our target of opening 60-70 new M local stores by the year end. We also successfully opened a new online hub in Greater Manchester, and will be operational in Merseyside very soon.

The financial position of the Group remains strong, with net debt of £2.6bn. Progress on debt reduction is particularly encouraging, and we now expect year-end net debt to be £2.3bn-£2.4bn, £100m better than initially guided and £400m-£500m lower year-on-year.

Dalton Philips, Chief Executive, said:

“Morrisons is meeting the challenges created by a period of intense industry competition and structural change with quick and decisive action. I am encouraged by the further progress we have made, especially on a number of key operational measures, cash flow and costs.

“The launch of the Match & More card was another big move for Morrisons. We are the only supermarket that is price matching the discounters and the successful launch last month was a testament to the positive way our 120,000 colleagues are delivering innovation and embracing the changes at Morrisons.

“We look forward to the key Christmas period focussed on offering customers the best in quality fresh food and value for money that Morrisons is famous for.”

Outlook

We are making good progress on all components of the plan we set out in March, and remain confident that we will generate £2bn of cash and £1bn of cost savings over three years.

We also remain confident in our full year 2014/15 profit outlook. We now expect underlying profit before tax to be in the narrower range £335m-£365m (previously £325m-£375m), after £65m of new business development costs and £70m of one-off costs.

** 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
Group LFL:				
Sales exc-fuel	-5.7%	-7.1%	-7.6%	-6.3%
Sales inc-fuel	-6.4%	-8.2%	-7.5%	-8.0%

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

* Excludes online and convenience

** Q4 number is for SKU count as at start of programme

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