



News Release

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Customers respond to an improving shopping trip at Christmas

In the nine weeks to 3 January, like-for-like* (LFL) sales excluding fuel were up 0.2% (down 0.6% including fuel) and total sales* excluding fuel were down 1.2% (down 1.7% including fuel). Sales contribution from net new space was negative as expected (1.4%), following the recent disposal of 140 M local stores and previously announced supermarket closures.

We are working at pace to improve all aspects of the shopping trip and customer satisfaction levels remain significantly ahead of last year. We are beginning to attract customers back to Morrisons, with the LFL Number of Transactions up 1.3% year-on-year in our core supermarkets. In addition, online sales grew nearly 100% year-on-year.

We continued to cut prices in the period, driving deflation excluding fuel of 3.2%, and c.7% on a two year basis. This year, we traded without the 'Christmas Collector' scheme and with a greater focus on everyday value, running less multi-save promotions and providing bigger packs with better value. In addition, we saw strong LFLs in premium products and a successful category reset in Beers, Wines & Spirits. All this meant better value and an improved shopping trip for customers, but it did impact Items per Basket.

Our focus on simplifying and speeding up the business continues. Around 800 head office roles have been removed since the start of 2015/16. We are also bringing some teams, such as maintenance, in house to enable us to serve stores and customers better.

We remain committed to optimising our assets and addressing areas of underperformance to improve returns, and we are today announcing that we are entering into consultation to close a further seven supermarkets. We have no further plans for a programme of store closures.

Our financial position remains strong and strengthened further during the period, as we performed well in all areas of debt reduction. Our initial guidance for 2015/16 year-end net debt was £1.9bn-£2.1bn which we reduced to less than £1.9bn in November 2015. We are today further lowering our 2015/16 year-end net debt guidance, to £1.65bn-£1.8bn.

The new Executive Committee is now complete with the appointment today of Andy Atkinson as Group Marketing and Customer Director. Andy has been in the role on an interim basis and has previously held various senior commercial roles at Morrisons over the last four years.

* For supermarkets and online, reported ex-VAT and in accordance with IFRIC 13. Total sales for 2014/15 included M local.

David Potts, Chief Executive, said:

“We are pleased with our improved trading performance over the Christmas period. While there is of course much more to do, we are making important progress in improving all aspects of the shopping trip, and our customers tell us they are pleased with the changes. In addition, we have made further progress in debt reduction, and our financial position is strong and getting stronger.

“I would like to thank our colleagues for their very hard work and dedication, both in serving customers so well over the busy Christmas period and then again in helping their communities, especially in the north of Britain where the flooding has been so severe.”

Outlook

We expect head office restructuring and store closure costs of £60m, at the upper end of the previously guided £50m-£60m range, after incorporating the costs relating to the proposed store closures announced today.

We still expect underlying profit before tax to be higher in the second half of 2015/16 than the first half. We expect full year 2015/16 underlying profit before tax to be in the range of £295m-£310m before the £60m restructuring and store closure costs.

We continue to focus on our cash flow improvement programmes and now expect the benefits, specifically working capital and property proceeds, to be greater than we first anticipated. We will provide a further update at the time of the prelims in March.

Sales performance (ex-VAT)

	2014/15		2015/16			
	9 weeks to 4 Jan	Q4	Q1	Q2	Q3	9 weeks to 3 Jan
Group LFL:						
Sales ex-fuel*	-3.3%	-2.6%	-2.9%	-2.4%	-2.6%	+0.2%
Sales inc-fuel*	-5.1%	-5.1%	-6.6%	-5.4%	-5.1%	-0.6%

* For supermarkets, online and convenience stores (until M local store disposals on 25th October 2015), reported ex-VAT and in accordance with IFRIC 13.

Summary of supermarkets' operational key performance indicators (KPIs)

	2014/15		2015/16			
	9 weeks to 4 Jan	Q4	Q1	Q2	Q3	9 weeks to 3 Jan
LFL Items per Basket y-on-y change*	-1.1%	-0.1%	-0.1%	-1.1%	-1.9%	-3.6%
LFL Number of Transactions y-on-y change*	-1.6%	-1.9%	-3.2%	-2.6%	-2.0%	+1.3%

* Excludes online and convenience

Notes:

Online contributed 0.9% to LFL for the nine weeks.

In prior years, Morrisons reported a six week trading period. For the six weeks to 3 Jan 2016, LFL was +0.5% excluding fuel and +0.6% including fuel.

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