

News Release

Release date: 10 January 2017

Christmas sales grow as Morrisons serves customers better

In the nine weeks to 1 January, like-for-like* (LFL) sales excluding fuel were up 2.9% (up 4.7% including fuel), our strongest performance for seven years. Total sales* were also up (2.0% excluding fuel, or 4.0% including fuel), despite the continuing impact of store closures. LFL transaction growth was again strong, up 5.2% year-on-year during the period.

This growth was achieved by improving the offer, becoming more competitive, and serving customers better. Fresh categories such as Fruit & Veg, together with Beers, Wines & Spirits, 'Best' and Nutmeg clothing all performed well. Our performance shows that when we improve the shopping trip, customers respond.

We continue to serve our customers better both in the stores and online. Service standards improved at the checkouts and on the shop floor, and Morrisons.com achieved its biggest ever week for sales.

Our new 'Best' range is already proving very popular, with over half of customer baskets including at least one 'Best' item. We launched over 100 new 'Best' products especially for Christmas shoppers in addition to the first 470 which were launched in the Autumn. Customer feedback on quality and breadth of the range has been excellent, and we see further significant potential for 'Best'.

In addition, in recent months a new automated ordering system has been introduced into all stores in Grocery and many Fresh categories. It is the first of its kind for Morrisons. The system is capital light, utilising cloud technology and store-specific historic sales data to forecast stock requirements. It is simpler and saves time for colleagues, availability has improved significantly, and stock levels are down.

David Potts, Chief Executive, said:

"This Christmas we made further improvements to the customer shopping trip. We stocked more of what our customers wanted to buy, more tills were open more often, and product availability improved as over half of sales went through our new ordering system. Both like-for-like and total sales grew, which was very encouraging.

"Eighteen months ago I said that this would be a colleague-led turnaround, and our improving performance is entirely due to the continuing hard work of the Morrisons team of food makers and shopkeepers. I would like to thank all colleagues for making Christmas and New Year extra special for our customers."

Outlook:

As previously guided, we expect 2016/17 year-end net debt to be around £1.2bn.

We now expect 2016/17 Underlying profit before tax (UPBT) to be ahead of consensus**, in the range £330m to £340m.

* For supermarkets and online, reported ex-VAT and in accordance with IFRIC 13.

** Consensus UPBT £326m (Source: VUMA. Published on Investor section of Morrisons website, 2nd December 2016)

Sales performance (ex-VAT)

	2015/16		2016/17			
	9 weeks to 3 Jan	Q4	Q1	Q2	Q3	9 weeks to 1 Jan
Group LFL:						
Sales ex-fuel*	0.2%	0.1%	0.7%	2.0%	1.6%	2.9%
Sales inc-fuel*	-0.6%	-0.2%	1.2%	2.4%	3.4%	4.7%

* For supermarkets and online, reported ex-VAT and in accordance with IFRIC 13.

Summary of supermarkets' operational key performance indicators (KPIs)

	2015/16		2016/17			
	9 weeks to 3 Jan	Q4	Q1	Q2	Q3	9 weeks to 1 Jan
LFL:						
Number of Transactions*	1.3%	1.6%	3.1%	4.3%	4.1%	5.2%
Items per Basket*	-3.6%	-3.4%	-2.8%	-5.0%	-5.5%	-5.3%

* Excludes online

Notes:

Online contributed 0.6% to LFL for the nine weeks.

This announcement includes inside information.

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