

# News Release

Release date: 7 January 2020

## Trading update for the 22 weeks to 5 January

For the first 22 weeks of H2 to 5 January, Group like-for-like\* (LFL) sales excluding fuel were down 1.7%, comprising contributions from retail of (1.7)% and wholesale of 0.0%. Group LFL including fuel was down 2.8%. Total sales\* were down 1.8% excluding fuel (down 2.9% including fuel).

For Q3 (the period 5 August to 3 November), LFL excluding fuel was down 1.2%, comprising contributions from retail of (1.1)% and wholesale of (0.1)%. Group LFL including fuel was down 2.5%. Total sales were down 1.3% excluding fuel (down 2.6% including fuel).

Throughout the period, trading conditions remained challenging and the customer uncertainty of the last year was sustained. We kept focussed on our priorities and our customers, and continued to invest in the Morrisons price list while managing costs well. Our basket of key Christmas items was once again very competitive, with most prices the same as or lower than last year. In fuel, our business was affected by a highly promotional market.

In wholesale we were pleased to grow sales with most of our customers, but overall LFL growth was impacted by the lower total sales at McColl's, as previously reported by McColl's for the period up to 24 November. Sales at the first ten conversions from McColl's to Morrisons Daily convenience stores are strong, and together we plan to extend the trial to another c.20 stores during January and February to further tailor and test the proposition as we begin to transition McColl's remaining ex-Co-op stores to Morrisons wholesale supply.

Following an extensive tender process, we recently sold our Camden store and eight acre surrounding site to Berkeley Group for a total consideration of £120m. Berkeley will pay £85m in stages over the years of the project, and will build a new Morrisons supermarket and convenience store on the site at a cost to Berkeley of around £35m.

Also during the period, we opened four new stores (including two replacements), closed four underperforming stores, and launched another 25 Fresh Look stores bringing the total to 44 this year. The new stores include Canning Town, which is our first store with a Market Kitchen food-to-go offer, and Bolsover, our first smaller, community store format. At Bolsover, we also passed the milestone of 1,000 new, local products, which we have sourced from 27 local food maker events across Britain in just the last three years.

Morrisons quality was once again widely recognised. We won Best Fizz for our Best Prosecco in the Good Housekeeping Christmas Taste Test; our Best All Butter Mince Pies, Best Classic Panettone and vegan Best Layered Tart all won their categories at the BBC Good Food Christmas Taste Test; and we won 97 awards at the International Wine Challenge 2020. In addition, our Free From brand continued its multi-year growth, with sales up another 34% over Christmas and New Year.

### **David Potts, Chief Executive, said:**

“It was encouraging that during an unusually challenging period for sales, our execution was strong and our profitability robust, demonstrating the broad-based progress we have made during the turnaround. This was again down to the hard work of Morrisons exceptional team of food makers and shopkeepers. As always, we will take some learnings into the new year, and look forward to 2020 with a strong plan and solid foundations on which to continue to grow.”

**Outlook:**

We managed costs well throughout the period, offsetting some of the impact on LFL sales of the challenging trading conditions and continued uncertainty amongst customers. With four weeks of the year still to go, we expect 2019/20 profit before tax and exceptionals to be within the current range of analysts' forecasts.

\* Reported ex-VAT and in accordance with IFRS 15

**Figure 1 - LFL sales performance (ex-VAT)**

	2018/19			2019/20			
	Q3	9 weeks to 6 Jan	Q4	Q1	Q2	Q3	22 weeks to 5 Jan
Retail contribution to LFL	1.3%	0.6%	0.6%	0.2%	(2.4)%	(1.1)%	(1.7)%
Wholesale contribution to LFL	4.3%	3.0%	3.2%	2.1%	0.5%	(0.1)%	0.0%
<b>Group LFL ex-fuel</b>	<b>5.6%</b>	<b>3.6%</b>	<b>3.8%</b>	<b>2.3%</b>	<b>(1.9)%</b>	<b>(1.2)%</b>	<b>(1.7)%</b>
Group LFL inc-fuel	6.0%	3.4%	3.0%	2.7%	(2.2)%	(2.5)%	(2.8)%

*Reported in accordance with IFRS 15*

**Notes:**

This announcement includes inside information.

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There will be an analyst conference call at 8.15 a.m. today, the details of which are as follows:

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Replay facility available for 7 days:

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