

Focus on Finance

5 July 2023

Event for analysts



JOHN LEWIS
PARTNERSHIP

JOHN LEWIS

WAITROSE

TODAY'S PRESENTERS

BÉRANGÈRE MICHEL

Executive Director, Finance
Member of Partnership Board and
Executive Team



ANDY MOUNSEY

Group Finance Director
Leads the Finance team at JLP



LYNN LOCHHEAD

Head of Treasury
Leads on Treasury, Pension and
Insurance at JLP



JOHN LEWIS

WAITROSE

Purpose and the Partnership Plan

Bérangère Michel



JOHN LEWIS

WAITROSE

THE PARTNERSHIP MODEL MEANS WE ACT DIFFERENTLY TO OTHER BUSINESSES

Working in Partnership for a Happier World



Happier People

Our happier business starts with happier Partners, enjoying worthwhile and satisfying work in a supportive environment we all help to create.



Happier Business

We build happier businesses that are honest, fair and free to think and act for the long term. We aim to make sufficient profit to retain our financial independence, invest in our Partners and pursue our Purpose.

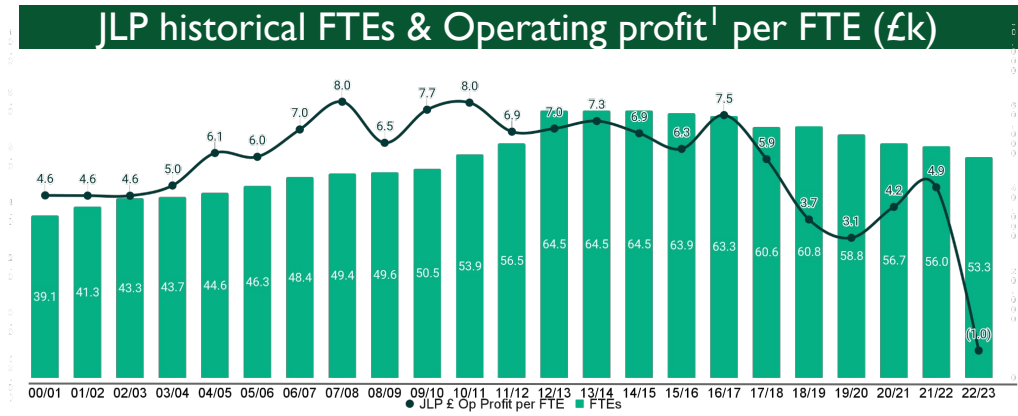
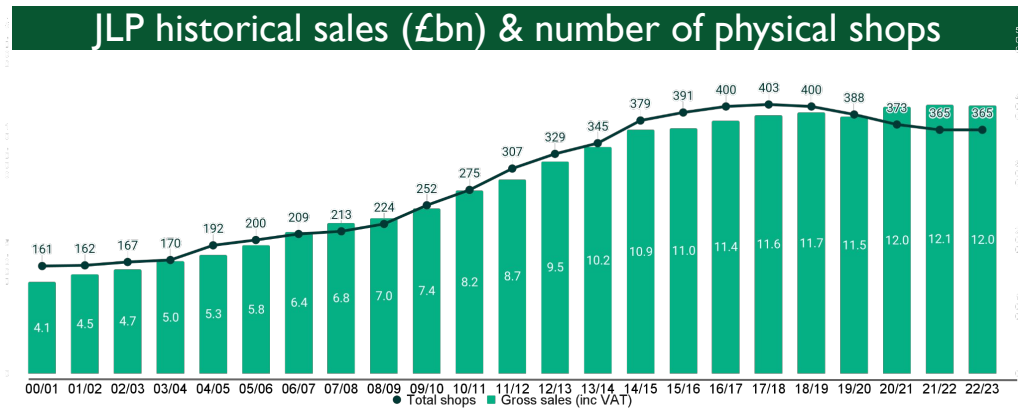


Happier World

We champion the role our Partnership can play in advancing the happiness of the communities we work with and the wellbeing of society.

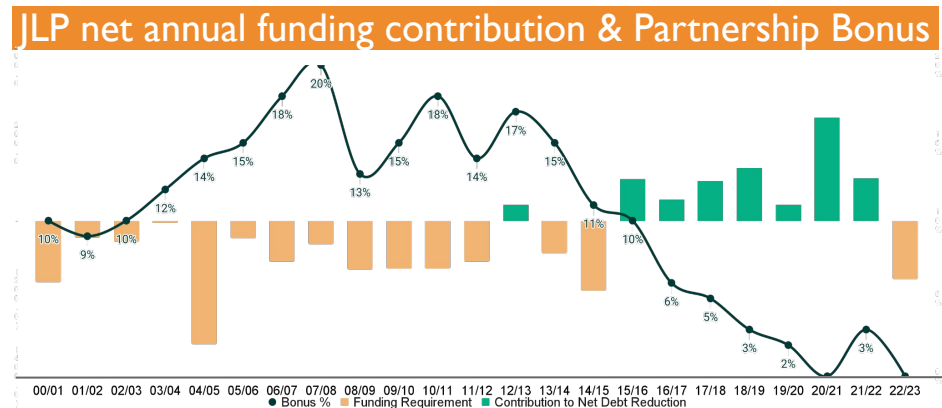
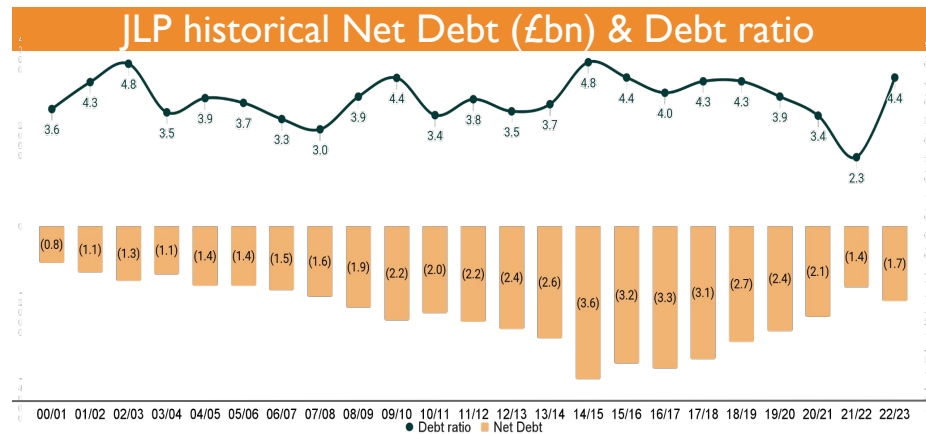
RAPID EXPANSION FROM 2000 - STILL RECOVERING AMIDST ECONOMIC SHOCKS

- Period of rapid expansion for the Partnership, particularly between 2000 and 2015
- Partner numbers (FTEs) grew by c40,000 to c65,000
- John Lewis almost doubled stores from 25 to 43 (and to 50 at its peak)
- Waitrose went from 126 to 336 branches
- As retail became more challenging, profits came under more pressure



RAPID EXPANSION FROM 2000 - STILL RECOVERING AMIDST ECONOMIC SHOCKS

- Between 2000 to 2015 net debt rose from just under £1bn to £3.6bn
- The Partnership's debt ratio widened from 3.6 to 4.8 times
- From 2015 the Partnership focus shifted to improving the balance sheet
- The Partnership Bonus reduced to an average annual rate of 5%



OUR FINANCIAL POSITION IMPROVED BUT WE STILL NEED TO TRANSFORM

| | | |
|---|----------|---|
|  | Net debt |  |
|  | Pensions |  |
|  | Sales |  |

After stabilising our financial position, we embarked on a strategy to transform and sustainably grow the business

CLEAR STRATEGY AND INVESTMENT PLAN TO FUEL GROWTH

THE PARTNERSHIP PLAN

– WORKING IN PARTNERSHIP FOR A HAPPIER WORLD –

RETAIL CUSTOMERS LOVE

Customers shopping the way they want with expert advice, brilliantly edited choices and truly memorable experiences

INSPIRATIONAL NEW SERVICES

Trusted new propositions that allow us to play a bigger role in customers' lives

PARTNERSHIPS FOR GROWTH

Accelerated growth by combining our unique strengths with the capabilities of others

LEAN, SIMPLE, FAST

A lower cost, far simpler business that creates more pace and freedom for Partners and more cash for growth

A THRIVING PARTNERSHIP, LOVED BY PARTNERS AND CUSTOMERS

2023 PRIORITIES



Get margins up



Get costs down



Focus on customers

OUR NO.1 PRIORITY IS BEING A BRILLIANT RETAILER FOR CUSTOMERS



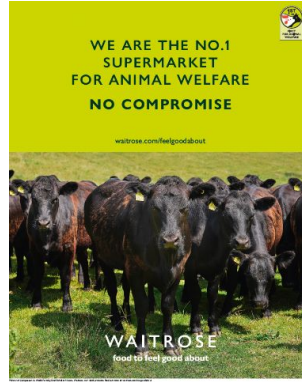
We are investing in John Lewis and Waitrose with a focus on what our customers want and expect from us: quality, service, value and sustainability.

WAITROSE - FOOD TO FEEL GOOD ABOUT



Brilliant customer service

Excellent customer service led by our Partners. Won more Grocer 33 service awards this year than rivals.



Quality and taste

Maintaining the highest standards in quality and taste. No.1 supermarket for animal welfare. Fully committed to fresh food counters.



Value with values

£100m price investment. Lower prices for everyday products, without compromising standards.

Reaching more customers through physical and digital expansion

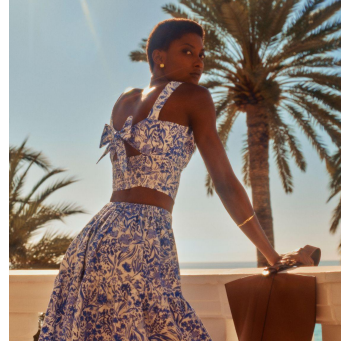
JOHN LEWIS - FOR ALL LIFE'S MOMENTS



Customer service excellence

**'Always at your
service' delivered by
our Partners.**

Excellence across all our
channels - in store and
online - through new
concepts and innovation.



Design & style

**Style & design
focused.**

Combining quality
own-brand with exciting
new brands, many new
and exclusive to John
Lewis.



Category Specialism

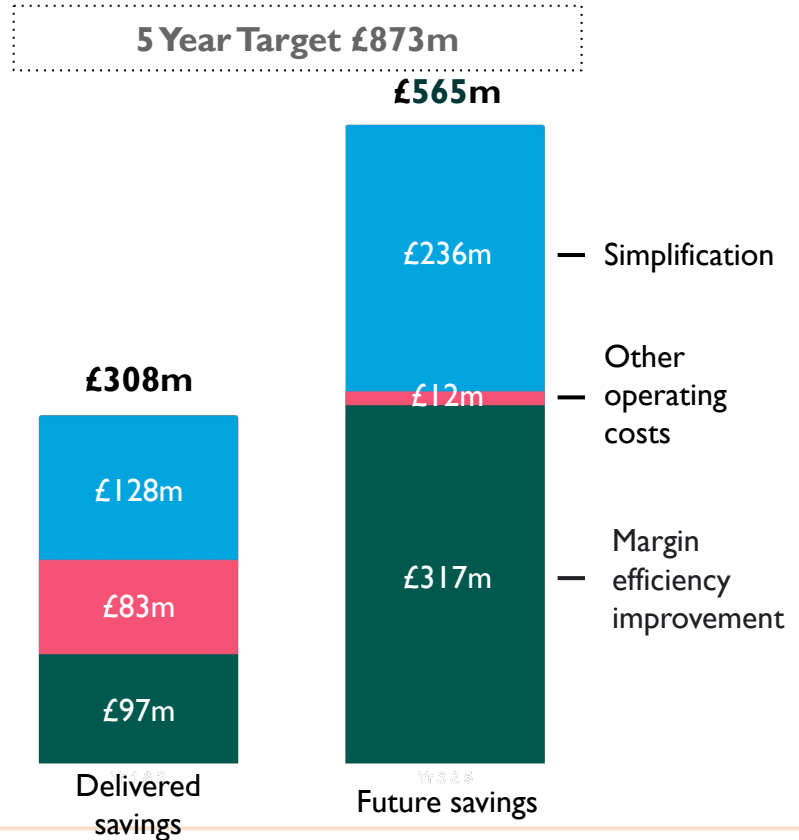
**Curating quality,
beautiful products
with exceptional
services.**

Delivered through
excellence in all
categories.

Expanding our reach through more physical and digital customer touch points

INVESTING IN BRANDS BY MAKING ACHIEVABLE EFFICIENCIES

- Efficiencies to invest in brands are **clear and achievable**
- **Achieved £300m Partnership Plan efficiency target** over first two years
- **Savings** through simplifying structures in shop leadership and our offices, more data-led buying, property and procurement savings, and general productivity improvements
- **Going further and faster**, increasing our target by ~£600m to ~£900m, giving us more head room for growth
- **Clear pathway towards the additional ~£600m:** buying, ranging and availability improvements a key driver; further opportunities to simplify how we operate and improve productivity



PROGRAMMES DELIVERING RESULTS ALREADY



Delivering better buying in 'costs of goods for sale' and 'goods not for resale' programmes



Simplifying processes and investing in technology



Smoothing product returns process to ensure lower cost, higher recovery and faster return to sale

BUILDING RENTAL HOMES



Using our property assets and service credentials to bring high standards and trust to rental property. Improves balance sheet and creates long-term revenue stream using external funding from abrdn.

GROWING FINANCIAL SERVICES



John Lewis financial services operated the Partnership credit card for 20 years. Now creating new products where trust matter, such as pet insurance, credit and investments. Working with partners, not becoming a bank.

SIGNIFICANT OPPORTUNITIES DESPITE HEADWINDS

DIFFERENT PRICE POINTS TO MATCH DIFFERENT BUDGETS

RIGHT RETAIL EXPERIENCE IN THE RIGHT AREAS OF OUR BUSINESS

MANAGING OUR FINANCES PRUDENTLY

INFLATION IS AFFECTING CUSTOMER BEHAVIOUR AND CONFIDENCE

PARTNERS SEE THE OPPORTUNITIES AND ARE MOTIVATED TO MOVE QUICKER

MUCH LOVED BRANDS REMAIN STRONG

INVESTMENT IS RETURNING

COST OF LIVING CRISIS HITTING OUR PARTNERS SO PRIORITY IS TO IMPROVE PAY (BEFORE BONUS)



Strong Financial Foundations

Andy Mounsey



JOHN LEWIS

WAITROSE

STRONG FINANCIAL FOUNDATIONS

TRANSFORMING FROM A STRONG FINANCIAL FOOTING

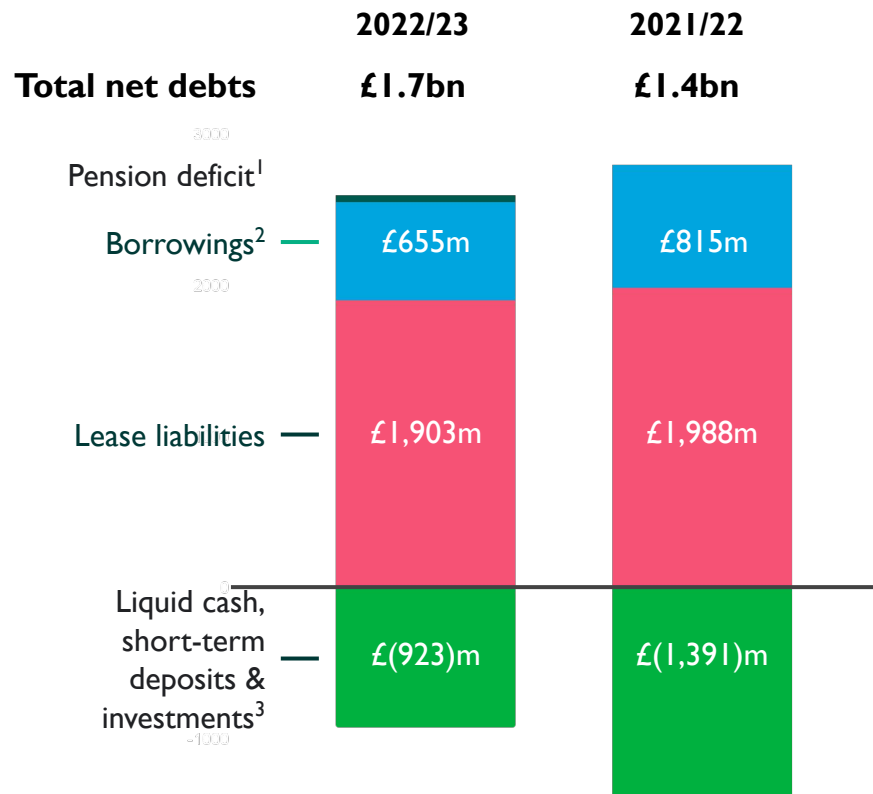
DEBT POSITION AT HISTORIC LOWS

PARTNERSHIP MODEL MEANS WE MANAGE LIQUIDITY PRUDENTLY

CONTINUING TO BE CREATIVE ABOUT FUNDING

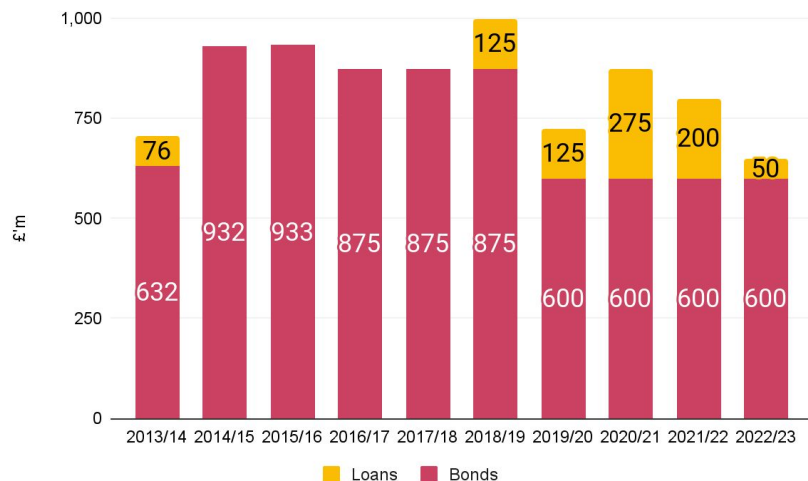
TRANSFORMING FROM A STRONG FINANCIAL FOOTING

- **Liquidity strong £1.5bn** (cash and credit facility)³
 - £348m of cash generated from operations
 - £515m of investment to deliver Partnership Plan
 - £150m of term loans repaid
 - £73m investment in Partners
 - £77m other (tax and working capital)
- **Total net debt at £1.7bn** - £0.3bn higher than last year but still at historic lows



DEBT POSITION AT HISTORIC LOWS

EXTERNAL DEBT AT HISTORIC LOWS



DEBT RATIO HAS INCREASED
EXPECTED TO IMPROVE IN 2023/24 AND ONWARDS

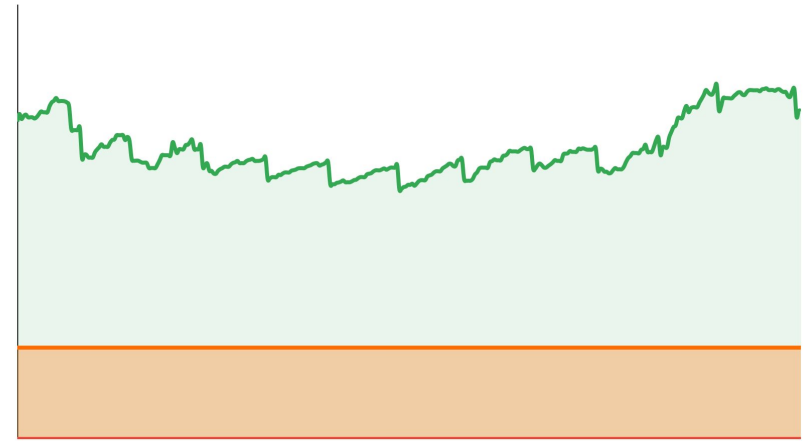
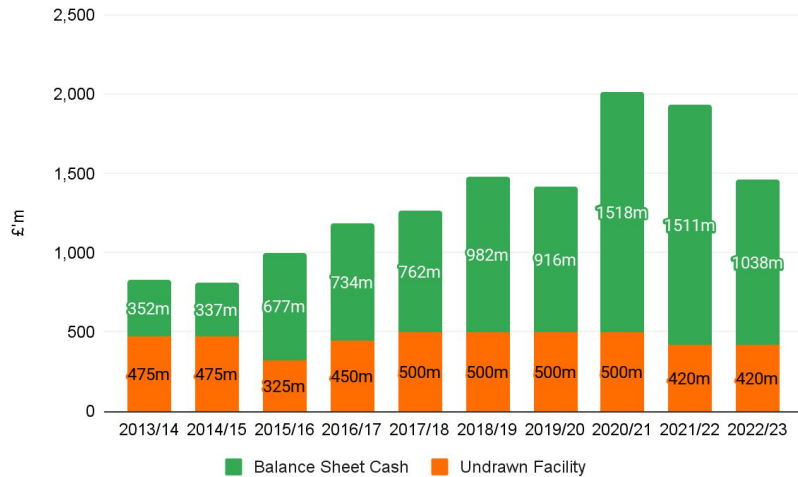
| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|-------------------|---------|---------|---------|---------|---------|
| Debt Ratio | 4.3x | 3.9x | 3.4x | 2.3x | 4.4x |

- Debt ratio has increased due to a reduction in adjusted cash flows throughout 2022
- Expect to improve in 2023/24

PARTNERSHIP MODEL MEANS WE MANAGE LIQUIDITY PRUDENTLY

DESPITE HEADWINDS, 22/23 LIQUIDITY REMAINED VERY STRONG

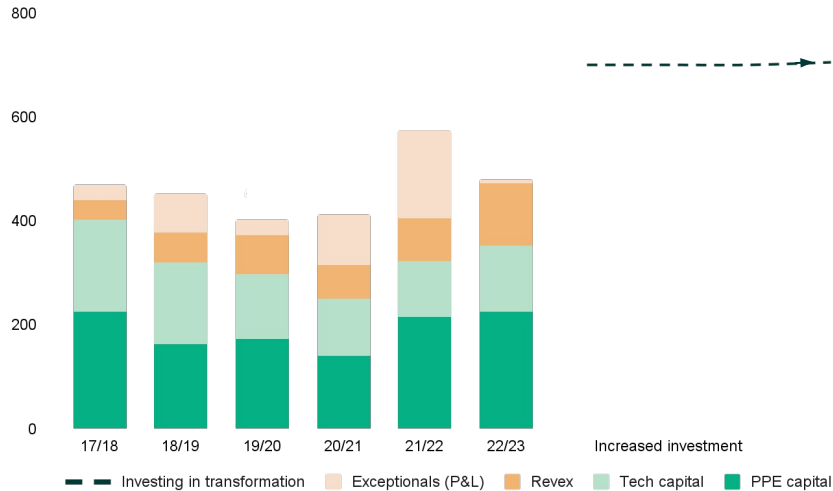
MANAGE CASH VERY CAREFULLY, MAINTAINING HEALTHY CASH BALANCES THROUGHOUT THE YEAR



■ Daily Liquidity ■ RCF ■ Zero

CONTINUING TO BE CREATIVE ABOUT FUNDING OPTIONS

PLAN TO STEP UP OUR LEVEL OF INVESTMENT



WE HAVE MANY FUNDING OPTIONS

Utilise liquidity buffer and generate cash from trading operations

Recycling capital from property assets

Debt

Other - Partnership has always utilised creative funding opportunities where relevant and will continue to do so

Any future funding will be consistent with employee-ownership

Focus on Pensions

Lynn Lochhead



JOHN LEWIS

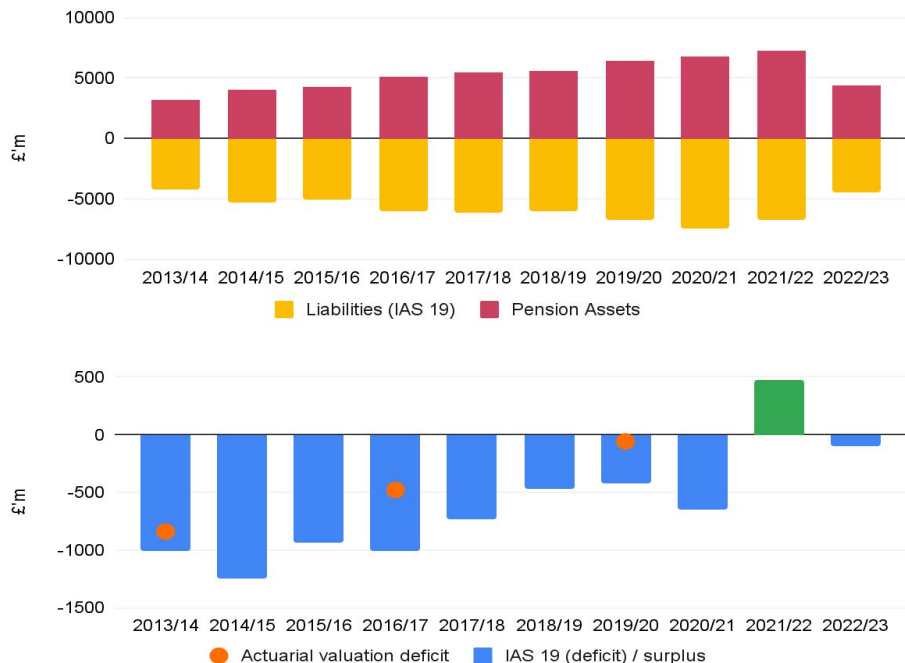
WAITROSE

WHICH PENSION VALUATION METHOD?

| Technical Provisions actuarial valuation | IAS19 accounting valuation |
|--|--|
| <ul style="list-style-type: none">– A prudent measure of liabilities reflecting the amount needed to pay members' benefits in full as they retire– Used to determine any cash contributions that might need to be made to the Scheme– Discount rate used to value liabilities based on assumptions set by the Trustees and agreed by the employer; taking into account the asset investment strategy and strength of the employer– Measured formally at least every 3 years ('triennial valuation'), the valuation process can take over a year to conclude | <ul style="list-style-type: none">– Used to calculate pension liabilities for accounting reporting purposes– Discount rate used to value liabilities is prescribed by accounting standards, set with reference to high quality corporate bonds (AA rated)– Does not take account of scheme investment strategy and has usually produced higher liability valuations– Useful for comparing pension schemes across different businesses, not useful for assessing scheme funding position– Measured at half year and full year |

THE PARTNERSHIP PENSION SCHEME IS HEALTHY & WELL FUNDED

IAS 19 ACCOUNTING POSITION + ACTUARIAL POSITION OVER THE YEARS



ACTIONS TAKEN TO DE-RISK PENSION SCHEME

- Interest rate & inflation hedging protects the funding position
- Made £600m of contributions in recent years. Currently £10m p.a.
- Reduced discretionary pension increases in 2017 and closed the scheme in 2020, limiting the growth of pension liabilities

The Scheme is well funded and the expected timeframe to Low Dependency is materially reduced compared with the 2019 actuarial valuation

KEY TAKEAWAYS

| | |
|---|---|
| 1 | Partnership model means we act differently to other retailers |
| 2 | We have strong financial foundations with a clear strategy and investment plan to fuel growth |
| 3 | Our top priority is being a brilliant retailer for our customers |
| 4 | We're investing in our brands by making achievable efficiencies |
| 5 | Long term diversification is building on retail strengths |