

Chairman's statement

These are extraordinary times in society and in retail. The Partnership is well placed to successfully navigate the changes that face us.

OUR FUTURE PARTNERSHIP



KEY FINANCIAL HEADLINES

PROFIT

Our Partnership profit before Bonus, tax, exceptional items and IFRS 16 was £123m, down 23% on last year, a weaker performance than hoped for. As a result, we announced to Partners that there would be a modest Bonus of 2% this year, as we focus on reducing debts and investing for future growth. Over the year, total net debts reduced by more than £230m, helped by strong cash flow generation and the decision to close the final salary defined benefit pension scheme. The Partnership's Debt Ratio improved to 3.9 times cash flow and we continue to review plans to reduce it to around three times cash flow within four years.

OUTLOOK

Our financial strategy is focused on improving our financial strength and flexibility and managing cash and liquidity tightly. This will be even more vital during 2020 as the business adapts to the impact of Coronavirus. In 2020, we will also undertake a Strategic Review of the business, to create a growth plan for the future.



The Partnership does not have external shareholders. Indeed, our Constitution requires us to make 'sufficient' profit, not the maximum amount possible.

Dear Partner

I am honoured to be the new Chairman of the John Lewis Partnership. The Partnership is the biggest employee-owned business in the UK, and amongst the biggest in the world. Through our two brands – John Lewis and Waitrose – we have been serving customers for over 155 years.

As a co-owned business we seek to provide our customers with exceptional service and over the past few months we have been going above and beyond for our customers as we deal with the impact of Coronavirus. This is the Partnership at its best, coming together for collective good, supporting the community and helping the most vulnerable at a time of global crisis. At moments like this, our purpose – people and the community before profit – and the trust it instils in our brands comes to the fore.

Our Partners have been outstanding – supporting each other and responding to the huge surge in demand at Waitrose and at johnlewis.com. Thousands of John Lewis Partners have transferred over to Waitrose and our online businesses to help and even more so when we had to make the unimaginable decision to temporarily close our John Lewis shops for the first time in our 155 year history. I am truly grateful to everyone for their hard work and commitment and that's why it was important we provided a recognition award.

The Partnership is focused on providing our Partners with fulfilling work, that pays a decent wage and offers the chance to progress. We are investing substantially in apprenticeships, in mental wellbeing services working closely with Samaritans, and in leadership programmes. We believe that happy Partners make for happy customers. With that in mind, making the decision to furlough was extremely tough. It was made with the safety and wellbeing of Partners in mind, ensuring we were creating satisfying and meaningful work, while also protecting the financial sustainability of the Partnership.

The Partnership does not have external shareholders. Indeed, our Constitution requires us to make 'sufficient' profit, not the maximum amount possible. This means we can invest in the business for the long-term good of our customers and give back to our communities. Last year the John Lewis & Partners Foundation donated £800,000 to UK and overseas communities where John Lewis operates. The Waitrose & Partners Foundation accrued funds of £1.8 million, to support our overseas producers.

We are a business that was established with the very objective to put people and the community ahead of profit. We are setting standards in animal welfare and Waitrose is one of the top five companies in the world for farm animal welfare standards. Last year we launched a trial of 'Unpacked' in four of our Waitrose shops, tackling head-on the use of plastics. And in John Lewis Oxford, fashion and beauty packaging buy-back schemes have been introduced and will be rolled out to a further six shops and one Waitrose shop. We are also working towards our ambition to be net zero carbon in our heavy goods vehicles fleet by 2028. The Partnership should be seeking to be the most ethical and sustainable business in the UK.

Coming new to retail, I am all too conscious of the rapid pace of change caused by technology. Customers have more choice of how and when they shop, and more value than ever before. I saw similar changes in my old industry – the media – where established TV companies face competition from streamers like Netflix and Amazon. The Partnership is not immune to these changes and we need to up the pace of change in order to continue to serve customers with the ease, convenience and high levels of service they expect.

Profits last year of £123m were weaker than we had hoped for and we want to improve our profitability so that we can invest in our customers and in our Partners in the way we would wish. In the last year we have begun a major reorganisation and streamlining of our central functions to take out duplication and cost, make it easier for customers to shop between our two brands and for Partners in branches to provide more local assortments of product and services. More than 1,200 Partners left the business through redundancy in the last year and there will be further job losses in the coming year. These decisions are never taken lightly and there is a need to reassess these future plans and the achievable timescales due to the impact of Coronavirus.

Nevertheless, to date we have been investing significantly in the expansion of waitrose.com in anticipation of the new tie-up between Ocado and M&S in September. Waitrose online will then be the only digital place that customers can buy Waitrose products delivered by Partners. We hope to invest more in our customer service which has not always been as consistent as it should be, particularly where customers make purchases that touch on different parts of the business and our supply chain.

We will also be revamping our Home offer in John Lewis to provide a better range of inspiring products at more accessible prices. With more of us shopping online, we will continue to look at our store estate to ensure that it is fit for the future. In some instances that will mean repurposing or reducing the size of existing stores as we have



We are a business that was established with the very objective to put people and the community ahead of profit.

done at John Lewis Peterborough and Waitrose Cheltenham. In other cases it may mean opening new stores in different formats or it may mean closing stores. In the last year we closed 12 Waitrose shops and one John Lewis shop – Knight & Lee in Southsea.

We also need to secure the future of the Partnership over the long term, not just the next few years. We have launched a Strategic Review which will consider how we further develop our existing services and products, as well as new services outside retail. We will undoubtedly be required to reprioritise the phasing and shape of the Strategic Review over the coming months as the Coronavirus pandemic evolves. Therefore it is likely that our Strategic Review will take longer than originally planned. What is certain, is that however our plans develop and however long this takes, customers and Partners remain firmly at the heart of everything we do and every decision we make. We will engage with the Partnership's three governing authorities, which includes our Partnership Council, and with Partners more widely as we set our course for the future.

Finally, I want to pay tribute to Charlie Mayfield, my predecessor as Chairman, and to Paula Nickolds and Rob Collins, former Managing Directors respectively of John Lewis and Waitrose. Charlie leaves the Partnership after 20 years, 13 of them as Chairman. He leaves an extraordinary legacy, having established John Lewis' online business. Paula and Rob have served the Partnership with passion and professionalism. I also want to give thanks to Keith Williams, the Partnership's Deputy Chairman and Non-Executive Director who will step down on 15 April after six years. He has made a significant contribution and I wish him well for the future.

The impact of Coronavirus means none of us know what is going to happen over the coming weeks and months. All of us will have anxieties about the wellbeing of friends and families and the disruption to normal life. My priority is that Partners and the people we love are safe and cared for.

I also know that the Partnership is well placed to successfully navigate these tough times – we are two of the best loved brands on the high street; we have a corporate structure that allows us to take a long-term view; we have a track record of enterprise and innovation; and we have knowledgeable and passionate Partners, committed to the highest levels of customer service.

Pages 4 to 51 comprise the Group Strategic Report. The Group Strategic Report was approved by the Partnership Board on 15 April 2020.

SHARON WHITE

Partner & Chairman
John Lewis Partnership plc
15 April 2020