

## **JOHN LEWIS PARTNERSHIP UNAUDITED RESULTS FOR THE 52 WEEKS ENDED 27 JANUARY 2024**

**14 March 2024**



## JOHN LEWIS PARTNERSHIP UNAUDITED FULL YEAR RESULTS FOR THE 52 WEEKS ENDED 27 JANUARY 2024

### John Lewis Partnership returns to profit and progresses transformation

- Profit before tax and exceptional items<sup>1</sup> of £42m, an improvement of £120m compared to a £78m loss in 2022/23
- Profit before tax of £56m, a £290m improvement year-on-year
- Operating profit margins<sup>2</sup> increased 1.2 percentage points in the year
- Partnership sales<sup>3</sup> were £12.4bn, up 1% on last year
- One million more customers shopped with us in the year taking the total to 22.6 million
- Net cash generated from operating activities increased by £201m to £433m and total liquidity increased to £1.7bn giving us the financial flexibility to self-fund our transformation
- Improved Debt ratio from 4.4x to 3.4x
- Improved performance will allow us to accelerate investment for our customers (£542m planned this year, up from £312m in 2023/24) and in pay for our Partners - our highest ever pay investment amounting to £116m
- After careful consideration, we believe that investing in Partner pay and improving our business must continue to take priority over paying a bonus. Consequently, there will be no Partnership Bonus paid this year

The John Lewis Partnership, home to Waitrose and John Lewis, reports a return to profit for the full year 2023/24.

Following a challenging set of results in 2022/23, profit before tax and exceptional items<sup>1</sup> was £42m, a £120m improvement on the prior year loss of £78m. Improvement was achieved through a combination of sales growth, gross margin rate improvement and sustainable productivity improvements. Profit before tax (PBT) was £56m, up from a loss of £234m in 2022/23.

Partnership sales reached £12.4bn, up by £176m (1%) from a year earlier, while total revenue<sup>4</sup> was up 2% to £10.8bn. Gross margin rate increased by 0.6 percentage points this year. Customer numbers across the Partnership grew by 1 million, to reach 22.6 million.

Profit growth was supported by a further £111m of productivity improvements in the year. This brings recurring productivity savings since the start of the Partnership plan in January 2021 to £420m, on track against the target of £900m by 2027/28.

<sup>1</sup> Profit/loss before tax, Partnership Bonus and exceptional items (PBTBE/LBTBE). Additional detail is included in the glossary. Partnership Bonus is £nil for 2023/24 and 2022/23 and exceptional items are described on page 7

<sup>2</sup> Operating profit margin is operating profit before exceptional items and property profit/(loss) as a percentage of revenue. Additional detail is included in the glossary

<sup>3</sup> All references to sales are Total trading sales which includes VAT, sale or return and other non-cash accounting adjustments

<sup>4</sup> Revenue is Total trading sales, less VAT, sale or return and other non-cash accounting adjustments

Net cash generated from operating activities of £433m improved by £201m, due principally to improved profit. This allows us to step up our investment in transforming our business, increasing investment levels from £312m this year to £542m in 2024/25.

We raised additional funding last December of £260m through a combination of sale and leaseback of 11 Waitrose shops and a new term loan. We have sufficient liquidity<sup>5</sup> of £1.7bn in place (up from £1.4bn) to fund our investment growth for the period of the Partnership Plan and repay our £300m bond, maturing in January 2025, reducing further our external borrowings in the year ahead. Our Debt ratio improved to 3.4x as a result of improved cash generation, only partially offset by an increase in accounting pensions deficit.<sup>6</sup>

As employee-owners, we have a shared responsibility to ensure the Partnership is sustainable into the long-term. We've consistently said that at this point in our transformation, this is best served by investing in our retail businesses and in Partners' base pay. So after careful consideration we do not believe it would be right to award a Partnership Bonus this year. We are increasing overall pay by £116m in 2024 - a record investment.

## Waitrose

Sales were up 5% to £7.7bn and a record number of customers chose to shop with Waitrose. Trading Operating Profit of £1,064m improved by £170m. Sales growth, combined with strong delivery of productivity programmes across stores, cost of goods and supply chain underpinned this improvement. For the full year, volume was down 1.5% and average item price up by 6.6%.

Market dynamics of inflation and low consumer confidence, especially in the first half of the year, shaped the pattern of trade. Slower volumes in the first half and only passing on half of the market rate of inflation to our customers meant our market share (Kantar) declined.

Customer and trade dynamics recovered strongly through the second half as our customers responded to our New Lower Prices campaign. Volume growth returned in four months of the second half when we grew volume market share. Over the full year store transactions grew 6.8%.

Waitrose has now delivered eight consecutive quarters of growth in customer numbers and this year a record number chose to shop with us - customer numbers were up 8.1% to 15.0m. We invested £100m in lower prices and launched innovative products like the Japan Menyū range. The major replatforming of our supply systems is substantially complete and product availability is at record levels.

Nearly 2.5 million customers shopped at our fresh food counters, up 4%. Personal service from our Partners, embodied in our counter offer, remains a core differentiator for us. Our service

<sup>5</sup> Including undrawn credit facility of £420m

<sup>6</sup> The accounting pensions deficit is measured at each year end date in accordance with IFRS. Our actuarial valuation as at 31 March 2022 showed a surplus

credentials were recognised through a record 21 *The Grocer* 33 awards and we won The Grocer Gold customer service award for the third year running.

## John Lewis

In a challenging year for the sector, we delivered improved profitability in John Lewis helped by improved gross margin rate and productivity. John Lewis sales were £4.8bn, down 4%. Sales in Fashion, including Beauty, were up on the year while we saw weaker sales in Home and Technology. John Lewis attracted a record 13.4 million customers, underlining the reach of the brand.

Trading Operating Profit of £689m<sup>7</sup> was £13m better year-on-year as we converted sales into greater profit. Gross margin improvement of 1.0 percentage point and efficiency savings across supply chain and stores underpinned this improvement.

We introduced over 170 new brands. Customers continued to turn to John Lewis for independent, unbiased advice; over 200 of our Partners are now dedicated to fashion personal styling (appointments up 27%), nursery (appointments up 25%) and home (appointments up 5%).

Our customers told us they wanted more ways to spread the cost of their purchases. In response, we launched new payment options for customers wanting to pay in stages. John Lewis remained committed to pricing competitively during the year - ensuring that customers can be confident they are getting great value and service when buying from us.

We continue to enhance customers' experience across the John Lewis app and website, making it quicker and easier to shop online for delivery or collection at over 13,000 locations. Fifty-three percent of our customers use digital channels for their shopping, which demonstrates the importance of our omni-channel offer, with app use a growing component of sales.

## Looking forward

In 2023/24, our focus has been on returning to profitability through improved trading and productivity, while boosting our customer offer. This has been achieved. In 2024/25, we expect continued improvement in key financial performance measures: Profit before tax, Partnership Bonus and exceptional items (PBTBE), Debt ratio and Operating profit as a percentage of sales.

Given the significant changes in the economy since we announced our strategy in 2020, we have refreshed our plan. We're laser focused on providing a brilliant retail experience for our customers, inspired by our Partners. We're simplifying our business and improving productivity to generate stronger performance, from which we will invest to modernise and energise our unique customer offer.

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<sup>7</sup> Trading operating profit from our financial services business is included in John Lewis

In support of our refreshed plan, we are entering a year of significant investment - £542m planned (over 70% up on the year) - much of which will focus on modernising our technology, refreshing our shops and simplifying how we work.

This year, we will open new Waitrose shops in areas where the brand is underserved and 80 refurbishments of existing stores are planned over the next three years.

In John Lewis, we will improve our offer to customers with around 80 new brands and strengthened own-brand, while revitalising our Home category. We're improving visual merchandising in stores, investing in technology to improve customer service and continuing to invest in value. We will invest in improving our online experience through easier navigation and personalised product recommendations.

We are investing significantly in training and development, supporting Partners in delivering a differentiated experience for customers, with enhanced service training for every Waitrose and John Lewis store Partner.

While our relentless focus is on investing to improve our retail brands, we continue to create a family of businesses over the long term by growing financial services and building rental homes. With the economic environment (particularly around interest rates and inflation) having changed so dramatically since 2020, the refreshed plan does not set a specific target for the scale of our broader business. In 2023/24, income across our portfolio of financial services products was up 15% and we attracted over 97,000 new Partnership Card customers, taking the total to just under a million. Alongside this, turning retail property into residential homes will improve the strength of our balance sheet.

**Sharon White, Chairman of the John Lewis Partnership,** said: "We have made significant progress in the last year to return the business to profitability and delivered results that allow us to increase investment in our retail businesses; we expect profits to grow further this year.

"This shows our plan is working, while we know there's much more to do. Our improved performance has been supported by our customers' love for both brands, with more people choosing to shop with us than ever before, and our Partners' commitment to delivering excellent customer service.

"This year we will unashamedly focus on investing back into our retail businesses for our customers, including opening new Waitrose shops and continuing to modernise our brand offering in John Lewis, while prioritising pay for our Partners."

**Nish Kankiwala, CEO of the John Lewis Partnership,** said: "I'm grateful for the hard work and dedication of our Partners in delivering our return to profit while growing our customer numbers, accelerating the pace of transformation and driving significant improvements in productivity.

“It’s great to see an increasing number of customers embrace our Partner-led service and our unique credentials for quality and value, while we deliver exciting new innovations in both Waitrose and John Lewis. I’m very confident in the next phase of our refreshed Plan, which will focus on delighting our retail customers, offering excellent service delivered by our Partners.”

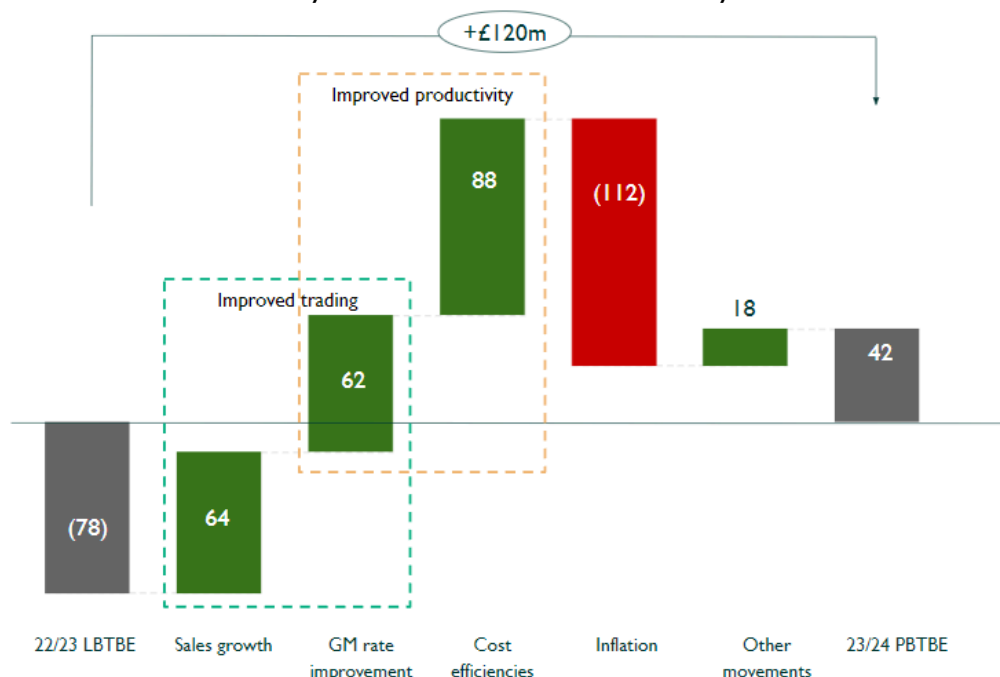
## UNDERSTANDING OUR PROFIT PERFORMANCE

Within the Partnership we measure John Lewis and Waitrose performance as Trading Operating Profit. The composition and movement in Trading Operating Profit is outlined in the table below. A reconciliation of Trading Operating Profit to PBTBE and PBT is included in the Glossary.

	Waitrose			John Lewis		
	2023/24	2022/23	% vs 22/23	2023/24	2022/23	% vs 22/23
<b>Total trading Sales (£m)</b>	<b>7,661</b>	<b>7,312</b>	<b>5%</b>	<b>4,765</b>	<b>4,938</b>	<b>(4)%</b>
Total trading Sales LFL*	7,661	7,296	5%	4,765	4,938	(4)%
Revenue (£m)	7,139	6,750	6%	3,644	3,784	(4)%
<b>Trading operating profit (£m)</b>	<b>1,064</b>	<b>894</b>	<b>19%</b>	<b>689</b>	<b>676</b>	<b>2%</b>
<b>Trading operating profit (%)</b>	<b>14%</b>	<b>12%</b>		<b>14%</b>	<b>14%</b>	

\* We report sales using two measures: in total and like-for-like. 'In total' is the comparison between the balances for two periods of time (e.g. this year to last year). 'Like-for-like' sales are the 'in total' sales after adjustments to remove the impact of shop openings and closures. Waitrose like-for-like sales excludes fuel. Like-for-like sales gives a better comparison of our underlying performance.

The chart below outlines the key movements in PBTBE since last year.



The £120m improvement in PBTBE identified in the chart is a result of:

- **Growth in Partnership sales** of 1% - the impact of which at the 2022/23 gross margin rate is an improvement in profit of £64m
- **Improvement in margin rate** of 0.6 percentage points - the impact of which is £62m incremental profits from stronger gross margin rate, measured on 2023/24 sales
- **Cost efficiencies** - We delivered £88m of efficiencies within the cost base - principally through better matching Partner hours to customer and business need in Waitrose shops, through a reduction in energy usage, through automation of the supply chain in John Lewis, through a continued review of our spend on goods not for resale such as technology and carriers and through simplified ways of working across shops and central teams.
- In total across gross margin and operating costs, we delivered £111m of efficiencies in 2023/24. This brings recurring productivity savings since the start of the Partnership plan in January 2021 to £420m, on track against the target of £900m
- **Inflation** - we saw continued inflation across operating costs, amounting to £112m, principally in Partner pay and utilities costs

### Exceptional items

For 2023/24, our exceptional items are a net £14m of income, principally a net release of shop impairment provisions and a gain on exit of the lease from a previously closed store. In 2022/23, the net charge of £156m related principally to shop impairments and a one-off cost of living payment to Partners.

### Notes

A glossary of financial and non-financial terms is included on pages 8 to 12 of this document.

### ENQUIRIES

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## GLOSSARY OF FINANCIAL AND NON-FINANCIAL TERMS

This glossary gives an explanation of financial and non-financial terms included in the results statement. Where applicable tables have been included to give a year-on-year comparison.

### Adjusted cash flow

Operating profit before Partnership Bonus, exceptional items, depreciation and amortisation, but after lease adjusted interest and tax. This measure is important to assess our Debt ratio.

	2023/24	2022/23
	£m	£m
Operating profit/(loss)	147	(160)
<i>add back</i>		
Depreciation, amortisation and write-offs	495	481
Exceptional items (net)	(14)	156
Partnership Bonus	-	-
<i>less</i>		
Lease adjusted interest	(93)	(101)
Tax excluding tax on exceptional items	(12)	21
<b>Adjusted cash flow</b>	<b>523</b>	<b>397</b>

### Capital investment

Cash outflows in relation to additions to tangible assets (property, plant and equipment) and intangible assets (IT software) recognised on the balance sheet.

### Debt ratio

Comparison of our Total net debts to Adjusted cash flow. This measure is important as it provides an indication of our ability to repay our debts.

	2023/24	2022/23
	£m	£m
Total net debts	(1,761)	(1,736)
Adjusted cash flow	523	397
Debt ratio	3.4x	4.4x

### Exceptional items

Items of income and/or expense which are significant by virtue of their size and nature are presented as exceptional items. The separate reporting of exceptional items helps to provide an indication of the Partnership's underlying business performance.



### Investment

Total investment spend includes capital investment, revenue investment, restructuring and redundancy costs, and lease disposal costs.

### Profit/loss before tax, Partnership Bonus and exceptional items (PBTBE/LBTBE)

Profit/loss before tax, Partnership Bonus and exceptional items. This measure is important as it allows for a comparison of underlying profit performance.

	2023/24	2022/23
	£m	£m
Profit/(loss) before tax, Partnership Bonus and exceptional items	42	(78)
Exceptional items	14	(156)
Partnership Bonus	-	-
Profit/(loss) before tax	56	(234)

### Revenue investment

Investment spend recognised directly in the income statement.

### Total liquidity

The cash, short term investments and undrawn committed credit facilities we have available to us, which we can use to settle liabilities as they fall due.

### Total net debts

The Partnership's borrowings and overdrafts, derivative financial instruments, IAS 19 pension deficit (net of deferred tax), other liabilities held at amortised cost and lease liabilities, less any liquid cash, short-term deposits and investments.

	2023/24	2022/23
	£m	£m
Borrowings and overdrafts	(733)	(655)
Derivative financial instruments	(14)	0
Pension deficit (after deferred tax)	(260)	(100)
Other liabilities held at amortised cost	(62)	-
Lease liabilities	(1,849)	(1,903)
Liquid cash, short-term deposits and investments	1,157	922
<b>Total net debts</b>	<b>(1,761)</b>	<b>(1,736)</b>

### Total trading sales

Total trading sales represents the full customer sales value, including VAT, that is used to assess ongoing sales performance. It is before adjustment for sale or return sales and other accounting adjustments. A reconciliation between Total trading sales and Revenue is provided below.

### Trading operating profit

Trading operating profit represents operating profits used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to them. It excludes centrally managed costs, including fixed property costs, technology costs and depreciation.

	Waitrose £m	John Lewis £m	Partnership £m
<b>2023/24</b>			
Trading operating profit	1,064	689	1,753
Centrally managed costs incl property			(1,125)
Depreciation and amortisation			(495)
Net finance costs			(91)
<b>PBTBE</b>			<b>42</b>
Exceptional items			14
Partnership Bonus			-
<b>Profit before tax</b>			<b>56</b>
	Waitrose £m	John Lewis £m	Partnership £m
<b>2022/23</b>			
Trading operating profit	894	676	1,570
Centrally managed costs incl property			(1,093)
Depreciation and amortisation			(481)
Net finance costs			(74)
<b>LBTBE</b>			<b>(78)</b>
Exceptional items			(156)
Partnership Bonus			-
<b>Loss before tax</b>			<b>(234)</b>

## Reconciliation of Total trading sales to Revenue

	Waitrose £m	John Lewis £m	Partnership £m
<b>2023/24</b>			
<b>Total trading sales</b>	<b>7,661</b>	<b>4,765</b>	<b>12,426</b>
<i>Deduct:</i>			
Value added tax	(443)	(772)	(1,215)
Sale or return and other accounting adjustments	(79)	(349)	(428)
<b>Revenue</b>	<b>7,139</b>	<b>3,644</b>	<b>10,783</b>

	Waitrose £m	John Lewis £m	Partnership £m
<b>2022/23</b>			
<b>Total trading sales</b>	<b>7,312</b>	<b>4,938</b>	<b>12,250</b>
<i>Deduct:</i>			
Value added tax	(425)	(800)	(1,225)
Sale or return and other accounting adjustments	(137)	(354)	(491)
<b>Revenue</b>	<b>6,750</b>	<b>3,784</b>	<b>10,534</b>

## Reconciliation of Operating profit/(loss) to PBTBE

	2023/24 £m	2022/23 £m
Operating profit/(loss)	147	(160)
<i>Add back:</i>		
Exceptional items	(14)	156
Partnership Bonus	-	-
<i>Deduct:</i>		
Net finance costs	(91)	(74)
<b>Profit/(loss) before Partnership</b>		
<b>Bonus, tax and exceptional items</b>	<b>42</b>	<b>(78)</b>

## Reconciliation of Profit before tax to PBTBE

	2023/24	2022/23
	£m	£m
Profit/(loss) before tax	56	(234)
<i>Add back:</i>		
Exceptional items	(14)	156
Partnership Bonus	-	-
<b>Profit/(loss) before Partnership</b>		
<b>Bonus, tax and exceptional items</b>	<b>42</b>	<b>(78)</b>