THE PARTNERSHIP PLAN
16 OCTOBER 2020
AN AMBITIOUS AND ACHIEVABLE PARTNERSHIP PLAN

- For the first time we have a single, concrete, five-year plan for the Partnership

- Our ambition: be the UK’s go-to brands for customers who want quality, value and sustainability

- There are two phases:
  Years 1 to 2 - Recover profit and lay foundations for growth
  Years 3 to 5 - Accelerate change, reshape and grow

- Backed by major investment in customer experience, with £1bn split equally between modernising our shop estate and transforming online

- Aim to reach £200m profit by the end of year 2 and £400m by end of year 5
DRIVEN BY PURPOSE
OUR PLAN STARTS WITH OUR PURPOSE

- The Partnership was set up to be a force for good and make sufficient, not maximum profit - effectively a social enterprise

- We strive to create a positive impact for Partners, customers, suppliers and our communities, by championing equality, sustainability and wellbeing

- To champion equality, we pledge to recruit people leaving the care system

- Bringing forward our ambition to be net zero carbon by 15 years to 2035

- **Waitrose** commits to source only from net zero carbon farms in the UK by 2035. In addition to **Waitrose’s** commitment to halve food waste in own operations by 2030, we’re today extending this to our supply chain and will help our customers halve their household food waste by 2030

- All **John Lewis** product categories will have a ‘buy back’ or ‘take back’ solution by 2025; all key raw materials in own-brand products will be from sustainable or recycled sources by 2025; and will continue with rental/resale opportunities
OUR PLEDGE TO PARTNERS

- Our Partnership Plan will create a more financially sustainable business, which means we can invest more in our Partners

- All profits are either invested back in the business or shared with Partners

- Will pay all Partners the Real Living Wage when we expect to reach £200m

- We expect to pay a bonus once profits exceed £150m and our debt ratio falls below 4 times

- New Diversity and Inclusion plan and associated targets to deliver on our commitment to build a truly inclusive business
RETAIL CUSTOMERS LOVE
WAITROSE - QUALITY FOOD, RESPONSIBLY SOURCED

- Ambition to be customers’ first choice for food and drink when quality, ethics and service matter

- Refresh our shops, which Partners are proud of and customers love to visit

- Emphasise value for money and ensure that customers feel recognised and rewarded for shopping with us

- Continue expanding waitrose.com, growing from over 190k current weekly orders to beyond 250k (representing 20%+ of total sales)

- Make more products available through convenience routes via new partnerships such as Deliveroo, which has expanded to 30 shops

- Bring the very best John Lewis products to Waitrose customers

- Continue to lead in sustainable, ‘field to fork’ ethical food chains, benefiting people and the planet and making positive change across the food industry
JOHN LEWIS - THERE FOR LIFE’S EVERYDAY MOMENTS

- Ambition to meet the needs of families with a variety of products, services and celebrations, delivered in inspiring and convenient ways in-store and online

- Be no.1 destination for Home and Nursery, with Electrical Home Technology central to the offer

- Be a significant player in Beauty and Fashion, which bring more frequent visits from customers

- Introduce more affordable price points, reinforcing fair value and review Never Knowingly Undersold

- Deliver innovative virtual and in-store experiences, building on our beauty, personal styling and home design services

- Invest in digital as John Lewis becomes 60-70% online by 2025 and stores, to continue to create memorable experiences for customers
BRINGING OUR BRANDS TOGETHER

- Big opportunity to bring our brands closer together for our customers. 30% of Partnership customers shop across both brands.

- All 280 Waitrose shops that currently sell general merchandise to stock John Lewis products by the end of 2021

- Cook and Dine John Lewis products already available in Waitrose, along with Halloween items, Christmas hampers, trees and selected baubles.

- Continue to expand our John Lewis Click & Collect locations with Waitrose

- Introduce more flexibility to allow Partners to work across both brands - saw around 3,000 John Lewis Partners work in Waitrose during pandemic lockdown
PROVIDE THE BEST CUSTOMER SERVICE

- First-class customer service delivered by Partners is our unique strength but we know it’s not always been as easy as it should be to shop with us

- We’re investing in people, systems, and our shops to deliver a fantastic experience - online, on the phone and in-store

- More opportunities for store Partners to interact with customers via webchat and phone as we develop virtual shopping services further

- We have 200 shop Partners supporting their contact centre colleagues with answering customer calls this Christmas

- Provide Partners with more decision-making freedom to deliver a consistently exceptional service
INSPIRATIONAL NEW SERVICES & PARTNERSHIPS FOR GROWTH
NEW AREAS OF GROWTH

- Focused on developing in areas where we are trusted and can fulfil customers’ needs by making a difference to their lives and the planet

- We will commit £400m to expand in areas where we have experience and are targeting 40% of future profits from non-retail by 2030

- Invest in Financial Services to grow existing products and explore new services such as savings and home assurance

- Develop private and social Housing to benefit communities. Seeking planning permission for selected properties we own

- Join up what we already do across both brands in garden furniture and horticulture to launch Outdoor Living online, in-store and as services

- Explore opportunities in rental/resale/recycle. Successful Fat Llama trial showing growing demand for online rental
COMBINING OUR UNIQUE STRENGTHS WITH OTHERS

- We will partner with, or invest in, businesses that respect our ethos and bring capabilities we do not have to help us reach new customers

- Today we are announcing a new partnership with Munich Re Digital Partners, ICE Insuretech, Sedgwick and the Hood Group to deliver an innovative home insurance product from early next year

- A new partnership with BNP Paribas means for the first time from 2021 we will offer customers retail credit across all our channels

- Due to high customer demand, we will expand Fat Llama and Deliveroo trials

- Now working with Deliveroo on joint community initiatives
HOW WE CHOOSE PARTNERSHIPS

We will choose our new partnerships based on five principles, so that they both strengthen our business and expand our reach:

- Be led by customers, creating opportunities to address a specific need, or enable access to new customers
- Bring capabilities or resources we don’t have and can’t easily replicate
- Respect and enhance our purpose, selecting organisations that share our ambitions and values, and bring long-term benefits to our Partnership
- Create relationships where we can work together to address societal, community or environmental challenges
- Engage positively to extend our reach and use our position to influence for good
SIMPLIFY THE WAY WE WORK AND BE MORE AGILE

- To deliver our Partnership plan we will work differently and aim to save £300m per year by 2022
- Create a simpler, faster, head office that can execute the Plan
- Reduce spend on the goods we buy
- Improve operational efficiency and simplify our processes
- Provide Partners with more decision-making freedom and flexible ways of working
THE FINANCIAL CONTEXT

Half-year trading performance in line with 2019

- Positive trading momentum this half year

Record liquidity to offset uncertain outlook

- Liquidity £2.1bn at half-year
- Net debt down £1bn over the last 5 years
FROM PROFIT DECLINE, TO RECOVERY, TO GROWTH

**£400m profit aim**

- **Years 1 to 2 -** Recover profit and lay foundations for growth:
  - Cost reduction
  - Increase investment in:
    - Customer service
    - Digital growth

- **Years 3 to 5 -** Accelerate change, reshape and grow:
  - Accelerate digital and shops transformation
  - Inspirational new services

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*PBTBE - Profit before Partnership Bonus, tax and exceptional items - adjusted by £(50)m to allow comparison post implementation of IFRS16*
KEY FINANCIAL METRICS SHOW SUBSTANTIAL IMPROVEMENTS

**SALES**

- 16/17: £10.2bn
- 19/20: £10.4bn
- 22/23 - Y2: 40%
- 25/26 - Y5: >£11bn

**DEBT RATIO**

- 16/17: 4.0
- 19/20: 3.0
- 22/23 - Y2: ~3x
- 25/26 - Y5: ~3x

**ROIC**

- 16/17: 2%
- 19/20: 6%
- 22/23 - Y2: 10%
- 25/26 - Y5: 10%

*2016/17 profit has been adjusted to allow comparison post implementation of IFRS16*
FINANCIAL STRENGTH & FLEXIBILITY OVER THE PLAN

Our plan is self-funding
- The Plan targets a total of £700m of cash generation (post investment) over 5 years

Debt reduction over the 5 years
- Financial gross debt and total net debts are forecast to reduce over the Plan and we expect to achieve a Debt Ratio of below 3x

Strong liquidity maintained
- Year-end liquidity is forecast to be above £1bn in each year of the Plan
OVER FIVE YEARS OUR PLAN CREATES...

A THRIVING PARTNERSHIP, LOVED BY CUSTOMERS AND PARTNERS