Christmas trading statement for seven weeks to 5 January 2019

Trading highlights:
- Gross sales at the John Lewis Partnership were up 1.4% versus last year to £2,207m\(^1\).
- Waitrose & Partners gross sales (excluding fuel) were £1,047m, up 0.2% versus last year and up 0.3% on a like-for-like basis, despite reduced promotional activity.
- John Lewis & Partners gross sales were £1,160m, up 2.5% versus last year and up 1.0% on a like-for-like basis and outperformed the market\(^2\) by 2.0%.
- Black Friday contributed to the biggest sales week in John Lewis & Partners’ history and in Waitrose & Partners online sales over the Christmas period increased by 12.8%.
- Good progress on our business strategy focusing on differentiated products and services and maintaining investment in new capabilities.

Sir Charlie Mayfield, Chairman of the John Lewis Partnership, said: “Two main factors are affecting the retail sector - oversupply of physical space and relatively weak consumer demand. Despite this, we had a positive Christmas trading period thanks to the extraordinary efforts of Partners in our business, delivering differentiated products and service to customers.

John Lewis & Partners like-for-like sales grew by 1.0% overall, with particularly positive performances in Fashion up 6.8%, with stand outs in Beauty up 11.2% and own-brand Womenswear up 14.7%. However, gross margins remained under pressure in what was an intensely competitive pricing environment. Waitrose & Partners achieved the best operational performance we have seen for some years, with good availability, low wastage and Partners focused on providing better customer service. Like-for-like sales increased by 0.3%, despite a sharp reduction in the level of promotions as we focused on our most loyal customers. We are well on track to grow Waitrose & Partners’ profits for the full year.

We continue to expect full year total Partnership profits to be substantially lower this year, driven by slower sales growth over the year and margin pressure in John Lewis & Partners along with higher costs, mainly as a result of our continued investment in our IT capability. The actions taken in recent years to prepare for the current pressures in retail mean that the Partnership has the financial strength and flexibility to pay a modest bonus this year, without impacting our ambitious investment programme. However, the Board will need to consider carefully in March, following the usual process, whether payment of a bonus is prudent in the light of business and economic prospects at that time.”

Delivering our strategy
In summer 2018 we outlined an update to our business strategy and we have continued to make good progress. This sees Waitrose & Partners and John Lewis & Partners focusing on differentiation not scale and offering increasingly unique and exclusive products and services to customers;

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\(^1\) Seven week period this year runs from 18 November 2018 to 5 January 2019 (last year - seven weeks to 6 January 2018).

\(^2\) British Retail Consortium (BRC).
enhancing the role that Partners play in driving our difference and competitiveness; maintaining investment levels at £400m-£500m a year; and strengthening our balance sheet by £500m over three years.

We expect to deliver significant positive free cash flow this year, continuing to prioritise a very strong liquidity position and a reduction in our Debt ratio over the medium to-long-term. We will repay the maturing £275m April 2019 bond out of existing cash reserves, which we have further increased with the recent addition of £125m of medium-term bank debt, therefore reducing outstanding debt by £150m.

**Waitrose & Partners**

This Christmas saw Waitrose & Partners offer a strong and innovative product range and we are on track to deliver full year profit growth. A well-planned, smooth-running operation and good availability allowed our Partners to focus on providing great customer service, with particularly strong growth online at 12.8%.

**Differentiation: Product innovation**

- Increased own brand and exclusive festive products, launching over 500 new and improved Waitrose & Partners lines. These included the new Honeycomb Bubble Dessert.
- A total of 25 new vegan and vegetarian products, such as Jackfruit Tacos were launched in the lead up to Christmas - helping drive a 94.3% increase in sales of vegetarian meals.
- English and Welsh wine continued its strong performance with sales growth of 21.4%.
- Free From products and dairy alternatives saw a rapid rise in sales - up 12.2% and 40.9% respectively.

**Differentiation: Great service**

- Customer satisfaction improved significantly year-on-year due to improvements in stock availability, Partner service quality and ease and speed of the checkout process.
- Customers saw availability, both instore and online, improve by 165 basis points on last year.

**Differentiation: Doing the right thing**

- As part of our commitment to eliminate hard-to-recycle black plastic packaging from own-label products by the end of 2019, we removed it from many of our Christmas puddings, mince pies, party food, biscuits and chocolate boxes. Our own-label meat, fish, fruit and vegetables also no longer have black plastic packaging, delivering on our commitment to do this by the end of 2018.
- In a supermarket first, we also announced that by Christmas 2020 our own-label cards, wrap, crackers, tags, flowers and plants will either be glitter free or an environmentally friendly alternative will be used.

**John Lewis & Partners**

John Lewis & Partners grew like-for-like sales and, despite significant outperformance of the market last year, outperformed once again; with notably strong trading in Fashion, particularly in Womenswear and Beauty.
The trading period was defined by a longer Black Friday promotion, a very strong week running into Christmas including a record Christmas Eve in shops, as customers took advantage of the full shopping weekend, and an encouraging first week of Clearance.

Differentiation: Desirable products

- We had a strong performance in Fashion, with sales up 6.8%. We continue to make good progress with both our own-brand and exclusive products with particularly strong performance in own-brand Womenswear, up 14.7%.
- Beauty performed exceptionally well, with sales up 11.2% owing to the investments in our beauty halls that have extended popular brands, not widely distributed in the market, such as Charlotte Tilbury. We have also seen excellent performance across our premium fragrance ranges which have benefited from newly refurbished displays.
- Technology continued to be popular with standout lines such as Dyson Airwrap, Apple Airpods and Macbook Air proving popular presents.
- Customers turned to us for gifting and to decorate their homes for Christmas. As a result, we had a record year for Gift Food and our personalised Quality Street tin service created excitement in our shops as well as our new own brand gift collection ‘Find Keep Give’ exceeded expectations.

Differentiation: Exceptional service

- Leveraging our excellent operational performance enabled us to extend the cut off for Click & Collect orders to all our shops and, for the first time, over 100 Waitrose & Partners shops so customers could order later for delivery in time for Christmas.
- We fulfilled 26,000 Click & Collect orders on Christmas Eve alone, up 52% compared to last year and also enjoyed a record Christmas Eve in shops.

Differentiation: Services

- We continue to see growing demand for our personalised experiences. We saw higher than expected results from our new services, including Beauty Studios and private shopping, which was fully booked during the Christmas trading period. Plans are underway to roll these out to more shops.
- Partnership Card enjoyed a record level of applications over the peak period.

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Notes to editors

The John Lewis Partnership johnlewispartnership.co.uk owns and operates two of Britain’s best-loved retail brands - John Lewis & Partners and Waitrose & Partners. Started as a radical idea nearly a century ago, the Partnership is now the largest employee-owned business in the UK, with 83,000 employees who are all Partners in the business and share in its profits. The Partnership operates on strong democratic principles, which means that every Partner has a say in how the organisation is run. The business has annual gross sales of over £11.5bn, 400 shops and a leading online business. Its commercial strategy is focused on differentiation rather than scale, through investment in innovation and Partner led service.

Waitrose & Partners has 349 shops in England, Scotland, Wales and the Channel Islands, including 65 convenience branches, and another 27 shops at Welcome Break locations. It combines the convenience of a supermarket with the expertise and service of a specialist shop - dedicated to offering quality food that has been responsibly sourced, combined with high standards of customer service. Waitrose & Partners exports products to more than 50 countries worldwide and has nine shops which operate under licence in the Middle East. The retailer’s omnichannel business includes the online grocery service, Waitrose.com, as well as specialist online shops including waitrosecellar.com for wine and waitroseflorist.com for plants and flowers.

John Lewis & Partners operates 51 John Lewis & Partners shops across the UK (37 department stores, 12 John Lewis at home and shops at St Pancras International and Heathrow Terminal 2) as well as johnlewis.com. The retailer stocks around 350,000 separate lines in its department stores and on johnlewis.com across fashion, home and technology. This year John Lewis & Partners won, 'Best Multichannel Retailer 2018', 'Best Clothing Retailer 2018', and 'Best Furniture Retailer 2018' at the GlobalData Retail Customer Satisfaction Awards 2018. John Lewis Finance offers a range of comprehensive financial services products - including Insurance, Foreign Currency, International Payments and the Partnership Card - delivering the values of expertise, trust and customer service expected from the John Lewis brand johnlewisfinance.com