

12 January 2017

Christmas trading (six weeks to Saturday 31 December) and outlook

Highlights include:

- Total sales at the John Lewis Partnership were up 4.9% versus last year¹ to £1,913.0m
- John Lewis and Waitrose traded well, with both brands gaining market share²
- Waitrose gross sales (excluding fuel) were £914.9m, up 4.8%¹ versus last year and up 2.8%¹ on a like-for-like basis
- John Lewis gross sales were £998.1m, up 4.9%¹ versus last year and up 2.7%¹ on a like-for-like basis
- Profit before Partnership Bonus, tax and exceptionals for the year ending 28 January 2017 is expected to be up on last year with lower pension accounting charges offsetting trading pressures on profit
- Partnership strategy will be accelerated to prepare the business for the challenges ahead
- The Partnership Board will decide on the level of Bonus in March, but, given the challenging market outlook and the importance of investment for the future, the Board expects that bonus is likely to be significantly lower than last year

Sir Charlie Mayfield, Chairman of the John Lewis Partnership, commented:

“We traded strongly over Christmas with sales up nearly 5% and both Waitrose and John Lewis grew market share. Sales were particularly strong in the areas that have been the focus for product innovation this year, such as our Waitrose 1 premium range and John Lewis own-brand fashion. Our multi-channel capability has again proved its worth with online accounting for 40% of total sales in John Lewis.

Operational performance was good across both brands. That was thanks to the hard work and commitment of Partners across shops, distribution and head offices. As a result we sustained a strong sales performance right through to Christmas and enabled a great start post Christmas including Clearance.

However, although we expect to report profits up on last year, trading profit³ is under pressure. This reflects the greater changes taking place across the retail sector. We expect those to quicken, especially in the next 12 months as the effects of weaker Sterling feed through. We will now accelerate aspects of our strategy. This will involve a period of significant change, investment and innovation to ensure the Partnership’s success.”

1 The six week period this year to 31 December 2016 includes an additional trading day in shops compared to last year’s six week period to 2 January 2016. Excluding the additional trading day like-for-like sales were broadly level in Waitrose and approximately 2% up in John Lewis

2 Kantar Grocery data for Waitrose / BRC for John Lewis

3 Trading profit is Profit before Partnership Bonus, tax and exceptionals and before pension costs

Waitrose

- Gross sales (excluding fuel) up 4.8% to £914.9m, with like-for-like sales up 2.8%
- Convenience sales up 13.1% and 4.8% on a like-for-like basis
- Online grocery sales up 0.8%

Sales were driven by demand for premium items with the Waitrose 1 'best in class' range seeing a 21.4% uplift.

Hospitality was another key area of growth with sales up 4.9% as customers took advantage of the growing casual dining and snacking opportunities in our shops, while little Waitrose convenience shops also saw strong like for like growth.

A successful promotional campaign, including one day only offers for Christmas staples, such as champagne and crackers, proved effective in building footfall in the pre-Christmas period.

Online grocery sales saw an uplift in both orders and average order value, while John Lewis Click and Collect sales which were picked up in Waitrose shops were up 18.5% on last year.

John Lewis

- Gross sales up 4.9% to £998.1m, with like-for-like sales up 2.7%
- Online sales up 11.8%, representing 40.0% of sales. Shop sales up 0.8%.
- Across product areas: Home up 2.7%, Fashion up 7.2% and EHT up 4.8%

John Lewis outperformed the market again this year, with the pattern of trade characterised by the three peaks of Black Friday, Christmas week, and Clearance.

The channel mix saw a continued shift to online. Shopping on mobile phones was the online channel of choice with sales up 80.9%, accounting for 37% of all traffic. Click & Collect sales were up 14.5%, accounting for 52% of online orders. Shop sales were up, trading well pre-Christmas as last-minute shopping delivered a record week for branches.

Operationally, our supply chain performed particularly well; on the Saturday after Black Friday our Magna Park distribution centre processed 33% more units than the equivalent in 2015.

Outlook

We expect the full year Profit before Partnership Bonus, tax and exceptionals to be ahead of last year. However, that will be substantially as a result of lower pension accounting charges following the changes to our pension scheme from April 2016 and the effect of favourable market interest rates used to determine the pension accounting costs at the beginning of this year. Trading profit is under pressure as a result of wider changes taking place in retail.

The most obvious of these changes is the channel shift from shops to online. The other major influence is pricing, where deflation continues in food and non-food, despite rising input costs as a result of weakness in the Sterling exchange rate.

These factors are significant for the outlook where we expect both inflationary cost pressures and competition to intensify in the market as a whole. The rate of retail market sales growth may slow and the rate of profit growth that is achievable will be affected by margin pressure.

We have decided to comment on Bonus implications at this stage because the Partnership's strong Christmas trading, and the likelihood of higher reported profits, risk overshadowing the importance the Board is placing on the challenging market outlook, our determination to

maintain a strong balance sheet and our commitment to accelerating our strategy. The precise level of the Bonus will be decided as usual in March, but, in view of these factors, it is likely to be significantly lower than last year.

John Lewis Partnership plc will report its full year results ended 28 January 2017 on 9 March 2017.

ENDS

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Notes to editors

The John Lewis Partnership - operates 48 John Lewis shops across the UK, johnlewis.com, 351 Waitrose shops, waitrose.com and business to business contracts in the UK and abroad. The business has annual gross sales of over £11bn. It is the UK's largest example of an employee-owned business where all 88,900 staff are Partners in the business.

Waitrose - winner of the Best Supermarket¹ and Best Food Retailer² awards- currently has 351 shops in England, Scotland, Wales and the Channel Islands, including 62 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 also exports its products to 58 countries worldwide and has eight shops which operate under licence in the Middle East. Waitrose's omnichannel business includes the online grocery service Waitrose.com, as well as specialist online shops including waitrosecellar.com for wine.

¹ Which? Customer Survey

² Verdict Customer Satisfaction Awards

John Lewis - John Lewis operates 48 John Lewis shops across the UK (34 department stores, 12 John Lewis at home and shops at St Pancras International and Heathrow Terminal 2) as well as johnlewis.com. John Lewis 'Best In-Store Experience 2016', 'Best Clothing Retailer 2016', 'Best Electricals Retailer 2016', 'Best Furniture Retailer 2016', 'Best Homewares Retailer 2016' and 'Best Click & Collect Retailer 2016'¹, typically stocks more than 350,000 separate lines in its department stores across fashion, home and technology. Johnlewis.com stocks over 280,000 products and is consistently ranked one of the top online shopping destinations in the UK. John Lewis Insurance offers a range of comprehensive insurance products - home, car, wedding and event, travel and pet insurance and life cover - delivering the values of expertise, trust and customer service expected from the John Lewis brand.

¹Verdict Consumer Satisfaction Awards 2016

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