30 July 2024

GREGGS PLC
("Greggs" or "the Company")

INTERIM RESULTS FOR THE 26 WEEKS ENDED 29 JUNE 2024

Continued strategic progress with ambitious growth plans on track

First half financial highlights

	H1 2024	H1 2023
Total sales	**£960.6m**	£844.0m
Underlying pre-tax profit excluding exceptional items *	**£74.1m**	£63.7m
Underlying diluted earnings per share excluding exceptional items*	**53.8p**	46.8p
Ordinary interim dividend per share	**19.0p**	16.0p

** Excludes H1 2023 impact of £16.3 million exceptional net income related to settlement of a Covid business interruption insurance claim. Including this exceptional gain, H1 2023 pre-tax profit was £80.0 million and diluted earnings per share were 59.0p.*

- Total first-half sales up 13.8%, with company-managed shop LFL** sales up 7.4%
- Underlying profit before tax excluding exceptional items up 16.3% to £74.1 million
- Cash balance of £141.5 million at June 2024 (December 2023: £195.3 million), expected to reduce as capital investment programme progresses
- Interim dividend of 19.0p pence per share declared, an increase of 18.8%

*** Like-for-like (LFL) company-managed shop sales performance against 2023 comparable period, where shops have a calendar year's trading history (excluding any shops which opened, relocated or closed in the current or prior year)*

Strategic progress

Estate growth:

- 99 new shops, including 30 relocations, opened in the first half, 18 closures (excluding relocations), giving 51 net new shops in the period
- 2,524 shops trading as at 29 June 2024
- Strong pipeline and remain on track to achieve 140 to 160 net new shop openings in 2024 (openings are typically weighted to the second half)

LFL growth:

- Menu development supporting growth across all dayparts and channels:
    - Over-ice drinks range, including the Mango and Strawberry Cooler and the Strawberries and Cream Refresher, is proving successful and now available in 500 shops, with plans to roll out to a further 200 shops this year
    - Dedicated pizza deals, including the Late Trade Pizza Deal and Pizza Box Deal, driving strong sales growth, with hot food also continuing to perform well. Recently launched a four-slice pizza sharing box option to complement our existing range

- Progress continues in the evening daypart and new channels:
  - Evening daypart sales growing ahead of the average LFL rate, albeit from a low base, increasing share of sales mix by daypart
  - Sales through the delivery channel represented 6.7% of company-managed shop sales in the first half of 2024 (H1 2023: 5.3%)
  - The Greggs App was scanned in 18.3% of company-managed shop transactions (H1 2023: 10.6%)

Supply chain investment:

- Redevelopment of Birmingham and extension of Amesbury distribution centres on track to complete in second half of 2024, creating logistics capacity for an additional 300 shops
- The initial build phase of the new frozen manufacturing and logistics site in Derby, which we expect to be operational in late 2026, is progressing well
- Contracts exchanged for the purchase of a 25-acre plot of land at Symmetry Park in Kettering, on which we will construct our new National Distribution Centre. This site, expected to be operational in the first half of 2027, will support our existing Radial Distribution Centres to service circa 700 more shops through the automated upstream picking of chilled and ambient goods.

"Greggs has made good progress in the first half of the year, further broadening our range of on-the-go food and drink whilst making it more accessible to more customers. Our success is founded on the exceptional value that Greggs offers to customers looking for food and drink on-the-go and the fast and friendly service delivered by our colleagues.

"Our cost outlook for 2024 remains unchanged and we continue to trade in line with our plan. The Board remains confident in the long-term growth strategy, and we are investing to support that growth."

\- ***Roisin Currie, Chief Executive***

ENQUIRIES:

Greggs plc	**Hudson Sandler**
Roisin Currie, Chief Executive Richard Hutton, Chief Financial Officer David Watson, Head of IR	Wendy Baker / Hattie Dreyfus / Nick Moore / Emily Brooker

An audio webcast of the analysts' presentation will be available to download later today at http://corporate.greggs.co.uk/

CHIEF EXECUTIVE'S REPORT

Greggs has had a strong first half, with like-for-like sales in company-managed shops growing by 7.4% when compared with the equivalent period of 2023. Total sales for the 26 weeks to 29 June 2024 were £960.6 million, an increase of 13.8% (H1 2023: £844.0 million).

We continue to make good progress against our strategic plan, which targets growth through both new shop openings and increasing like-for-like sales. To support this strategic plan, we are investing in our supply chain capacity and in the technology that will underpin our ambitions.

Operational and strategic development

The first half of 2024 saw Greggs deliver further strong sales growth and improvement in our brand health metrics, both building on the record levels reported for 2023. We continue to be the UK's leading food-to-go brand (Source: YouGov Brand Index, June 2024) and maintain our sector-leading reputation for value.

Estate growth

In the first half of 2024 we opened 99 new shops, including 25 franchised units and 30 relocated shops. We closed 18 shops (excluding relocations), resulting in 51 net new shops in the period and a total of 2,524 shops (of which 524 are franchised) trading as at 29 June 2024. Our estate expansion programme is expanding our reach into new locations as well as relocating constrained existing shops to larger sites in better locations to facilitate further growth. Consistent with the phasing seen in prior years, our net new shop openings are weighted more to the second half of 2024.

In the first half of the year we refurbished 81 shops, including 21 franchised units, modernising them to our latest look and enhancing their capability for food preparation and collection of digital orders. We anticipate completing between 180 and 190 shop refurbishments, 140 to 145 company-managed and 40 to 45 franchised, in 2024 (2023: 122 refurbishments).

Our assessment of catchments across the UK continues to support our ambition to have significantly more than 3,000 shops. Our confidence in this opportunity is underpinned by success in catchments where Greggs continues to be underrepresented such as retail parks, railway stations, airports, roadsides and supermarkets. We have continued to grow our partnerships with franchisees of the Greggs brand and with supermarket groups; opening 25 shops with franchise partners, five with Tesco and three with Sainsbury's. Greggs is increasingly present in travel hubs – an example in the first half was our opening at Embankment underground station.

Our shop opening programme is improving the quality of the Greggs estate, as well as extending its reach. Shop relocations typically give our shops the space to embrace new channels and grow sales, whilst catchments from which we permanently withdraw a shop are normally trading significantly below the Group average. The diversity of the Greggs estate has also significantly evolved over the last 10 years; in 2014 82% of our estate was located in cities, towns and suburbs; this proportion now stands at just 52%. We have had particular success in growing our presence in roadside locations, which now represent 26% of the estate, helping make our great quality and great value food and drink more accessible to customers on the move.

Greggs is a trusted brand offering a strong covenant to landlords and franchise partners and this continues to generate opportunities in new locations. Our new shop pipeline is strong and we remain confident that we will open between 140 and 160 net new shops in the year as a whole. Given our ambition to grow the estate to significantly more than 3,000 shops in the UK, we are building capacity to support up to 3,500 shops in our latest supply chain investment programme.

Like-for-like growth

Menu development is key to our success and innovation in our food and drink offer has supported growth across all dayparts and channels. Our new over-ice drinks range is proving popular with customers and is now available in 500 shops, with plans to roll out to a further 200 shops this year. We have also launched chilled 'Ready-to-Drink' Latte and Caramel Latte canned products, further extending the choice in our beverage range.

Our dedicated pizza deals, including the Late Trade Pizza Deal (a pizza slice and cold drink purchased after 4pm) and Pizza Box Deal are driving strong sales growth, and a new four-slice pizza sharing box option is now available to buy from £6.50. Our hot food range, in particular our Southern Fried Chicken Goujons and Southern Fried Potato Wedges, continues to perform well and the Katsu Chicken Bake is a tasty addition to our range of rolls and bakes. Seasonal additions, such as our new Pesto Chicken and Spicy Bean Flatbreads, along with the Apple and Strawberry Fruit Pot, have proved popular additions to the Healthier Choice range and the new Pesto and Mozzarella Salad and updated Chicken and Bacon Pasta Salad are performing particularly well.

Our made-to-order hot food trials have been extended to additional shops and now include the Fish Finger Sandwich and Fish Finger Wrap alongside our existing range of chicken burgers and wraps. As ever, Greggs value for money offering shines through, with customers able to enjoy a Crispy Chicken Burger as part of a meal deal, with wedges and a drink from £5.00.

Menu development is also supporting the strategic progress of the Greggs offer in new channels and dayparts:

- ***Evening trade*** – post-4pm sales grew more strongly than the average LFL rate, albeit from a low base. Over the long term we believe that the evolution of our menu and the extent of our suburban shop estate offers a significant opportunity to grow our share of both the walk-in and delivery evening markets.

- ***Delivery*** – having quickly rolled out with Uber Eats as a second aggregator in the second half of 2023 we have continued to increase the number of shops that offer delivery services on both the Just Eat and Uber Eats platforms. Sales through the delivery channel represented 6.7% of company-managed shop sales in the first half of 2024 (H1 2023: 5.3%).

- ***Greggs App*** – growth in use of the Greggs App has continued, with 18.3% of company-managed customer transactions scanned as part of our loyalty programme in the first half of 2024 (H1 2023: 10.6%). We have continued to invest in our customer relationship management ('CRM') approach, which has included migrating to new CRM software.

Investing in our supply chain and technology to support our growth plans

To support our growth plan, we are investing in further supply chain capacity and in technology. We are on track to complete the redevelopment of our Birmingham distribution centre and the extension of our Amesbury distribution centre later this year, which will add a further 300 shops of logistics capacity to our southern network.

To facilitate further expansion, we are building two brand new state-of-the-art facilities in the Midlands. These sites will enable growth without the need to build further Radial Distribution Centres ('RDCs') and provide white space for future manufacturing and logistics capacity.

The first site will be a frozen product manufacturing and logistics facility located in Derby. This will mirror our northern frozen manufacturing campus at Balliol, including an automated cold store but with the addition of automated picking of products to shop level. We have signed an agreement for a lease for the site and the landlord is currently constructing the building. Due to open in 2026, this site will be a consolidation point for our frozen food logistics in the south of the UK, as well as increasing the capacity of our existing RDCs by supporting them with upstream picking. We will initially construct one new manufacturing line on the site, with space to progressively develop further lines in step with future demand.

The second site will be a new National Distribution Centre ('NDC') for the storage, picking and distribution of chilled and ambient goods. We have exchanged contracts to purchase a 25-acre plot of land at Symmetry Park in Kettering. Subject to planning permission being granted we expect the purchase to complete in the fourth quarter of 2024, with the site being developed for opening in H1 2027. This site will replace and expand our two existing NDC facilities in Kettering which will enable our existing RDCs to service circa 700 more shops by providing upstream picking of chilled and ambient goods. We expect to deliver productivity improvements from automation and the scale of the operations, and the site also provides white space to develop future RDC and manufacturing capacity if required.

Our investment in technology continues to drive improved processes and provide greater value and insight from our data. In the first half of 2024 we implemented a new CRM platform which enhances our ability to engage with our customers and further build loyalty. We have also progressed with the implementation of new EPOS till software across the estate, which will enable improved management of pricing and promotions, and started work to migrate to the next version of our SAP ERP solution, with the first modules planned to go live in 2025.

The Greggs Pledge

We continue to make good progress against our ten Greggs Pledge sustainability commitments, including moving 60% of our natural gas to a renewable alternative and replacing the diesel used by our distribution fleet at Enfield Distribution Centre with hydrogenated vegetable oil (HVO). Looking forward, we are currently considering the views of our various stakeholder groups which will help to inform our priorities for the evolution of the Greggs Pledge for 2025 and beyond.

Financial performance

Total sales for the 26 weeks to 29 June 2024 were £960.6 million (H1 2023: £844.0 million). Like-for-like sales in company-managed shops grew by 7.4%.

Underlying pre-tax profit was £74.1 million in the first half of 2024 (H1 2023: £63.7 million, excluding an exceptional gain of £16.3 million related to settlement of a Covid business interruption insurance claim). The year-on-year progress has been supported by continued strong like-for-like growth and better recovery of cost inflation than was the case in the first half of 2023. Overall cost inflation in the first half of 2024 was 4% and we continue to expect 4-5% cost inflation for the year as a whole. Looking forward energy pricing is fixed for the remainder of 2024 and for circa 66% of our 2025 requirement, and we have around four months' forward purchasing cover in respect of our requirements for food and packaging inputs.

The net financing expense of £1.7 million in the period (H1 2023: £1.7 million) comprised £5.9 million in respect of the IFRS 16 interest charge on lease liabilities, £0.6 million of facility charges under the Company's (undrawn) financing facilities offset by £4.8 million of interest received on bank deposits.

The effective rate of Corporation Tax on underlying profits for the period was 25.6% (H1 2023: 24.9%, excluding the exceptional gain) which we expect to be the effective tax rate for the whole of 2024. Going forward the effective rate is expected to remain around 1.0 percentage point above the headline corporation tax rate; this is principally because of expenditure for which no tax relief is available, such as depreciation on properties acquired before the introduction of structures and buildings tax allowances, and acquisition costs relating to new shops.

Underlying diluted earnings per share for the period were 53.8 pence (H1 2023: 46.8 pence, excluding the exceptional gain).

Capital expenditure and financial position

Capital expenditure during the first half was £102.2 million (H1 2023: £85.6 million) as we increased investment in line with our previously announced growth plans. The year-on-year increase was driven by increased supply chain activity with expenditure to refurbish our Birmingham RDC and extend our Amesbury RDC, and the initial works and equipment deposits for the new Derby frozen manufacturing campus. In the balance of the year we will continue the development of our retail estate, complete the works at both our Birmingham and Amesbury RDCs, and commence work on the two new sites in Derby and Kettering. Our full year guidance for capital expenditure in 2024 remains in the range of £250 to £280 million (2023: £199.8 million). Provided that planning permission is granted on a timely basis we expect to complete the land purchase at Kettering this year, which would likely lead to capital expenditure being at the top end of this range.

We continue to carry a higher-than-normal cash position in order to support the multi-year investment in our significant growth programme and ended the period with a cash balance of £141.5 million (1 July 2023: £138.6 million). At the period end the Company had a net current liabilities position of £59.0 million (1 July 2023: net current assets position of £19.9 million) following the payment of the special dividend in May 2024 and continued capital investment. Our cash balance is inflated by an invoicing issue caused by a supplier migrating to a new billing system, which has increased both 'cash and cash equivalents' and 'trade and other payables' by circa £30 million. We expect this issue to be resolved in the second half, with a corresponding cash outflow to settle the balance payable. In the first half we renewed our revolving credit facility for a three-year period to June 2027, with two further one-year extension options. The facility provides liquidity of £100 million in committed funds.

In the second half of 2024 we expect to complete the sale of our legacy bakery site at Twickenham, and therefore the assets related to this site have been reclassified as held for sale. The site was closed in 2016 as part of the restructure of our supply chain, with the subsequent sale delayed due to planning considerations for the change of use of the site. Full planning consent has now been granted and, on completion, we expect to recognise an exceptional gain in the 2024 full year results.

During the first half the Company made a special contribution of £4.5 million to its defined benefit pension scheme which facilitated the purchase of a bulk annuity 'buy-in' policy with Aviva. This policy will provide regular payments to the Trustee to fund future pension payments and significantly reduces the Company's exposure to the funding risks associated with its defined benefit pension liabilities.

Dividend

The Board has declared an interim dividend of 19.0 pence per share (2023: 16.0 pence), consistent with the first-half increase in earnings per share. The overall ordinary dividend for the year will be proposed in line with our progressive dividend policy, which targets a full year ordinary dividend that is around two times covered by underlying earnings.

The interim dividend will be paid on 4 October 2024 to those shareholders on the register at the close of business on 6 September 2024.

Summary and outlook

Greggs has made good progress in the first half of the year, further broadening our range of on-the-go food and drink whilst making the brand more accessible to more customers. We remain optimistic about the many opportunities available to Greggs and are encouraged by the continued strong execution of our strategic plan, evidenced by our success in driving volume growth whilst also building capacity for the future. Our success is founded on the exceptional value that Greggs offers to customers looking for food and drink on-the-go and the fast and friendly service delivered by our colleagues.

Our cost outlook for 2024 remains unchanged and we continue to trade in line with our plan. Whilst uncertainties remain, the Board's expectations for the full year outcome are unchanged. The Board remains confident in the long-term growth strategy, and we are investing to support that growth.

Roisin Currie
Chief Executive
30 July 2024

Greggs plc
Consolidated income statement
For the 26 weeks ended 29 June 2024

	26 weeks ended 29 June 2024	26 weeks ended 1 July 2023	26 weeks ended 1 July 2023	26 weeks ended 1 July 2023	52 weeks ended 30 December 2023	52 weeks ended 30 December 2023	52 weeks ended 30 December 2023
	Total	Excluding exceptional items	Exceptional items (see Note 4)	Total	Excluding exceptional items	Exceptional items (see Note 4)	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue	**960.6**	844.0	-	844.0	1,809.6	-	1,809.6
Cost of sales	**(369.7)**	(329.7)	-	(329.7)	(710.5)	-	(710.5)
Gross profit	**590.9**	514.3	-	514.3	1,099.1	-	1,099.1
Distribution and selling costs	**(465.4)**	(408.0)	-	(408.0)	(844.5)	0.3	(844.2)
Administrative expenses	**(49.7)**	(40.9)	-	(40.9)	(82.9)	-	(82.9)
Other income	**-**	-	16.3	16.3	-	20.3	20.3
Operating profit	**75.8**	65.4	16.3	81.7	171.7	20.6	192.3
Finance expense (net)	**(1.7)**	(1.7)	-	(1.7)	(4.0)	-	(4.0)
Profit before tax	**74.1**	63.7	16.3	80.0	167.7	20.6	188.3
Income tax	**(19.0)**	(15.9)	(3.8)	(19.7)	(41.0)	(4.8)	(45.8)
Profit for the period attributable to equity holders of the parent	**55.1**	47.8	12.5	60.3	126.7	15.8	142.5
Basic earnings per share	**54.3p**	47.2p	12.3p	59.5p	125.0p	15.6p	140.6p
Diluted earnings per share	**53.8p**	46.8p	12.2p	59.0p	123.8p	15.4p	139.2p