



23 March 2020

GREGGS plc
UPDATE ON TRADING AND IMPACT OF CORONAVIRUS

***Greggs is the leading bakery food-on-the-go retailer in the UK,
with more than 2,050 retail outlets throughout the country***

PROTECTING OUR PEOPLE, CUSTOMERS AND BUSINESS

Greggs is a great business that employs over 25,000 people, and prides itself on the way that it deals with the many stakeholders we rely on in order to make good freshly prepared food available across the UK. However, given the current and likely impacts of coronavirus we are now planning for the closure of our shop estate by close of business on Tuesday 24 March in order to protect our people and customers. Whilst it is impossible to provide clarity on the outlook for the weeks and months ahead, we have set out the information that we are able to in this update.

Protecting our people and customers

Greggs has acted quickly to follow Government guidelines, helping to prevent the spread of the virus in our shops and supply chain. In addition to increased hygiene and separation measures we converted all of our shops to provide a solely take-away service accepting card payments only and have been advising all customers to follow social distancing guidelines while waiting to be served. It is now clear that to protect our people and customers we need to go further and temporarily close our shops completely. During this period, with support from the Government's Coronavirus Job Retention Scheme, we intend to maintain employment of colleagues at full contract hours for as long as is practicable.

Whilst our shops will be closed for a period Greggs will continue to provide support to our local communities by distributing any remaining unsold food, and offering support for those in hardship through the Greggs Foundation.

Impact on sales

We, like other consumer-facing businesses, have seen a sharp reduction in footfall in many of the areas where we trade over the last week. Initially the impact was seen in transport hubs and in central London, and has since affected other towns and city centres across the UK. Suburban areas have seen the lowest levels of decline. At our preliminary results announcement on 3 March we disclosed that Company-managed shop like-for-like sales grew by 7.5 per cent in the nine weeks to 29 February 2020. For the two weeks that followed Company-managed shop like-for-like sales growth averaged 4.1 per cent and in the most recent week to 21 March 2020 we saw a 9.9 per cent decline. The rate of decline has been increasing each day as more and

more customers heed the Government advice on social distancing, and we would expect this to increase further if we were to continue to trade.

Financial position

Greggs has always maintained a strong balance sheet and at the end of this week we expect to have cash at bank of £60 million, having made our normal payments to staff, suppliers and landlords (including March quarterly rent payments). In order to protect our financial position, we are reducing cash expenditure to protect our liquidity in the short term whilst continuing with key long-term strategic programmes. We have reevaluated our capital expenditure plans, and intend only to complete existing shop projects, whilst deferring new shop openings and planned refurbishments. In our supply chain we will only spend where necessary to maintain continuing operations and will delay building work, with the exception of our major automated cold store project which is strategically important and will continue. Overall we expect to remove £45 million from this year's planned capital expenditure programme.

We will not now pay the previously-announced final dividend for 2019, which was due to be paid on 21 May 2020, and have stopped the programme of share purchases by our Employee Benefit Trust. These two actions will avoid around £40 million of cash outgoings this year.

We welcome the Government's swift action in suspending business rates for a year and the support for continued employment through the job retention scheme. These will be essential for any consumer-facing business at this time.

Liquidity outlook

There are many forward scenarios but we are planning our finances around the most severe, being that our shop operations remain closed for a prolonged period. Our weekly cash outgoings in such a situation are estimated to be £5 million, assuming Government relief for business rates and that employment support is available to maintain all of Greggs jobs. This includes rents paid monthly in advance but not those paid on quarterly in advance, which total £11 million per quarter and next fall due at the end of June. Assuming that there continues to be material disruption, we will be asking our landlords to accept a monthly, as opposed to quarterly, payment basis from June.

This minimum level of cash outflow will only be reached once we have met our existing supplier obligations relating to recent trading and our capital investment programme. We are in the process of arranging financing to cover the possibility of a closure period of anything from six weeks to three months. We start from a position of having no debt, and believe that Greggs should meet the eligibility requirements of the Covid Corporate Financing Facility (CCFF) scheme, being a UK incorporated company that makes a material contribution to economic activity in the United Kingdom. We have approached the Bank of England for support from the CCFF and are working with our banking partners to determine the most effective overall solution.

Looking forward

Providing forward guidance is impossible in the current environment but the Board no longer expects to make year-on-year profit progress, which we stated was our expectation at the time of our preliminary results announcement on 3 March 2020. As and when we are able to provide further information we will do so.

Whilst the outlook during this crisis remains uncertain Greggs is a resilient business with strong growth credentials and we should be confident of its ability to navigate this event and return to growth when the economy recovers.

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