



5 March 2024

GREGGS PLC
(“Greggs” or the “Company”)

PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 30 DECEMBER 2023

Record performance driven by execution of strategic plan

2023 Financial highlights

	<u>2023</u>	<u>2022</u>
Total sales	£1,810m	£1,513m
Underlying pre-tax profit excluding exceptional income*	£167.7m	£148.3m
Pre-tax profit	£188.3m	£148.3m
Underlying diluted earnings per share excluding exceptional income*	123.8p	117.5p
Diluted earnings per share	139.2p	117.5p
Total ordinary dividend per share	62.0p	59.0p
Special dividend per share	40.0p	-

* Excludes impact of £20.6 million exceptional net income primarily related to settlement of business interruption insurance claims made in 2020

- Total sales** up 19.6% on 2022 level, with LFL*** sales in company-managed shops up 13.7% year-on-year
- Underlying profit before tax excluding exceptional income up 13.1% to £167.7 million (2022: £148.3 million); underlying diluted earnings per share up 5.4% to 123.8p
- Robust cash position of £195.3 million supports both investment in growth and additional shareholder returns by way of a special dividend of 40.0p per share
- Final dividend of 46.0p per share recommended bringing total ordinary dividend per share of 62.0p per share, up 5.1% from 2022, in line with the growth in underlying diluted earnings per share

** 52 weeks ended 30 December 2023 (2022: 52 weeks ended 31 December 2022)

*** like-for-like sales in company-managed shops (excluding franchises) with more than one calendar year's trading history

Strategic progress

Broadening customer appeal:

- Greggs is the UK's leading food-to-go brand (YouGov's Brand Index)
- Market share at an all-time high; total share of food-to-go visits 8.2% (2022: 7.7%)
- Share of food-to-go breakfast visits increased to 19.6%, taking Greggs to #1 in the market

Growing and developing the Greggs estate:

- Record 220 new shop openings in 2023 and 75 closures (145 net openings), growing the estate to 2,473 shops as at 30 December 2023
- Relocated 42 existing shops and refurbished 122 existing shops
- Continued to expand partnerships with retailers including Primark, Tesco and newest partner Sainsbury's. London presence extended including new shops in Canary Wharf and Waterloo railway stations and Gatwick Airport
- Targeting 140 to 160 net openings in 2024; clear opportunity for significantly more than 3,000 UK shops over longer term

Evening trade:

- More than 1,200 sites competing for food-on-the-go-sales until 7pm or later
- Existing range popular; hot chicken goujons, potato wedges and pizzas selling well
- Evening fastest growing daypart; 8.7% of company-managed shop sales in H2

Digital channels:

- Delivery reach extended, now available on Just Eat (1,340 shops) and Uber Eats (930 shops) platforms (1,440 shops in total) with sales up 23.6% in 2023
- Greggs App scanned in 12.5% of company-managed shop transactions (2022: 6.2%)

Supply chain investment:

- Fourth production line installed at Balliol Park in Newcastle upon Tyne, which will provide circa 35% additional manufacturing capacity for our savoury rolls and bakes
- Work progressing well to expand logistics capacity of Birmingham and Amesbury distribution centres, both due to come on stream later in 2024
- Two new state-of-the-art facilities planned to facilitate further expansion. First site in Derby secured and second site planned for the Kettering/Corby area

Greggs Pledge highlights:

- Greggs Foundation Breakfast Clubs continue to grow; 896 schools feeding 62,000 school children every day
- Now have 35 Outlet shops, providing unsold Greggs' products at a discount
- 2040 net zero carbon target fully embedded into our business processes; emissions reduction targets introduced to long-term incentive schemes
- Eco-shop successes being rolled out across shop estate

Current trading

- Greggs has started 2024 well - like-for-like sales in company-managed shops up 8.2% in the first nine weeks of 2024
- No change to management's expectations for 2024. Confident that Greggs can deliver another year of good progress

Roisin Currie, Chief Executive commented:

***“Reflecting on another year of rapid growth, I am so proud of how our teams have risen to the challenge of serving more customers through more channels. Whether in our shops, our manufacturing sites, our distribution network, or in Greggs House, our teams stepped up to make sure that we kept pace with the increased customer demand as we delivered on our strategic growth plan.*”**

“We are very much on track to deliver our bold five-year growth plan to double sales by 2026 and to have significantly more than 3,000 shops in the UK over the longer term.”

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

Chair's statement

It's great to see the progress that Greggs has made in 2023. Strong operational delivery has resulted in a record financial performance and further cemented our market position. The clarity and execution of our strategy positions Greggs well for the significant opportunities that lie ahead as we invest for further sustainable growth.

Overview

Greggs delivered another strong performance in 2023, making good progress against our strategic plan and further strengthening the Company's position as a leader in the food-to-go market. In a period when the rising cost of living was all too evident the Greggs value proposition shone through and was reflected in growing customer visits and record ratings for value-for-money.

The Board's activity in the year reflects its oversight of the Company's strategic development as well as the maintenance of high standards of governance, with oversight of risk management and returns a key focus given our significant capital expenditure plans. We have engaged with management plans for the expansion of the shop estate, franchise partnerships and the development of new digital channels. To support the significant growth potential that lies ahead the Board has scrutinised and approved plans for further supply chain investment, which will unlock further capacity in the years ahead. Risk management remains high on our agenda and in 2023 the Board spent time with the Company's advisers considering the risk landscape and the implications for our strategic risk register.

The sustainability of Greggs is founded on our responsible approach to doing business. The Greggs Pledge sets out our ambitions to be even better in the years ahead and we can all feel justly proud of our progress on this journey.

Our people and values

Greggs colleagues across the business have yet again played a pivotal role in the progress we continue to make, and I would like to thank them for their continued outstanding contribution.

It is important that the Board stays close to the views of our colleagues and Directors devote significant time to activity that lets them hear first-hand what is on our people's minds. Visits to shops, supply sites and support teams, as well as attendance at listening forums equip Directors to understand the practical implications of our plans and challenge the executive management team. Food development has also been a focus – as a business with food at its heart the fundamental evolution of our range to reflect changing consumer tastes and health credentials is critical and I am proud of the progress that our teams continue to make.

The Board

Nigel Mills joined the Board in the first quarter of 2023 and took on the role of Senior Independent Director with effect from the Annual General Meeting ('AGM') on 17 May 2023. We said farewell to Sandra Turner, Senior Independent Director, and Helena Ganczakowski, following their planned retirement from the Board. Both have made significant contributions to the strategic repositioning of Greggs and depart knowing that they have left the business in great shape. The Nominations Committee is looking to recruit a further Non-Executive Director and we expect to report progress in the year ahead.

Further details of the Board's work are included in the governance and committee sections of the Annual Report and Accounts 2023.

Dividend

At the time of the interim results in August 2023 the Board declared an interim ordinary dividend of 16.0 pence per share (2022: 15.0 pence per share). In line with our progressive ordinary dividend policy and our target for the ordinary dividend to be twice covered by earnings, the Board intends to recommend at the AGM a final dividend of 46.0 pence per share (2022: 44.0 pence per share), giving a total ordinary dividend for the year of 62.0 pence per share (2022: 59.0 pence per share).

Our capital allocation policy, as outlined in the Financial Review, details our approach to distribution and the methodology for determining and returning any surplus cash to shareholders. In application of this policy the Board has approved a special dividend of 40.0 pence per share.

Looking ahead

I am proud of Greggs achievements in 2023 and confident in the plans that we have for the year ahead. Our clear strategy, great team, powerful product proposition and robust financial health position us well for further success as we invest in our plans for long-term growth.

Matt Davies
Chair
5 March 2024

Chief Executive's report

Reflecting on another year of rapid growth, I am so proud of how our teams have risen to the challenge of serving more customers through more channels. Whether in our shops, our manufacturing sites, our distribution network, or in Greggs House, our teams stepped up to make sure that we kept pace with the increased customer demand as we delivered on our strategic growth plan.

Despite an economic backdrop that continued to be challenging with high inflation and the resulting cost-of-living pressure, the resilience of the Greggs brand and the strength of our business mean we kept on providing the great value, tasty products and friendly service that our customers love us for.

We are very much on track to deliver our bold five-year growth plan to double sales by 2026 and to have significantly more than 3,000 shops in the UK over the longer term.

A record year

In 2023, our like-for-like sales in company-managed shops were up 13.7% on 2022 showing that, two years into our ambitious five-year plan to double sales, our strategy is working with sales up circa 50% over that period.

What started as a plan, is now a solid reality. Greggs is the UK's leading food-to-go brand (YouGov's Brand Index), and during 2023 we became customers' number one destination for breakfast with a 19.6% share of visits.

Our success demonstrates that the growth drivers we are pursuing are the right ones, giving us the confidence to accelerate our efforts. We will open our 2,500th shop in the coming weeks and see the potential for significantly more than 3,000 in the UK in the longer term. Meanwhile, our multi-channel strategy is allowing us to grow home delivery and Click + Collect orders, and we are reconfiguring our shops to allow us to serve digital customers more quickly and smoothly whilst ensuring our walk-in customers continue to receive the brilliant service they are used to.

We are keeping more shops open for longer, expanding our share of the evening food-to-go market, and we are building our brand by making Greggs mean more to more people. That means strengthening the loyalty of our existing base, while broadening that base by enticing new people through our doors and converting occasional shoppers into regulars.

To meet this increase in customer demand, we are investing in our manufacturing sites and distribution networks so that all parts of our vertically-integrated business grow together.

At the heart of Greggs is our value proposition. Our teams have done everything they can this year to ensure that our great quality, freshly prepared food is available and accessible to everyone. We have been relentless in our search for efficiency gains so that we can protect our pricing and continue to provide outstanding value for our customers.

Financial results

Total sales grew to £1,810 million in 2023 (2022: £1,513 million), a 19.6% increase on the level seen in 2022. Within this, company-managed shop like-for-like sales were 13.7% higher than the equivalent period in 2022.

Underlying pre-tax profit for the year increased to £167.7 million (2022: £148.3 million), in addition to which we recorded exceptional income of £20.6 million. For further detail, see the full financial review.

Our key drivers of growth

Broadening customer appeal

This growth driver is about telling our customers all the ways they can interact with us – growing awareness of our menu and new developments, our opening hours, our delivery service, and our Click + Collect offer – and building their loyalty through rewards and engaging communications via our website and app.

Our aim is to reach all food-to-go consumers across the UK throughout the day, letting them know that they can find us whenever and wherever they fancy.

We have worked hard to win and keep the loyalty of our regular customers and I'm delighted that our successful growth strategy is allowing us to welcome so many new customers too.

The cost-of-living crisis has affected everyone; rising energy bills and interest rates have meant we are all looking for ways to make our money go further. As a value proposition, Greggs has been well placed to help. We have noticed occasional Greggs customers becoming regulars and we know that rewarding their loyalty is helping to increase the frequency of visits.

Our brand awareness remains consistently high at 95%, and we have worked hard this year to let people know that Greggs is for everyone. Our market share is at an all-time high, with Greggs' total share of visits in the food-to-go market increasing to 8.2% (2022: 7.7%) (source: Circana, December 2023).

In December, we launched a pop-up 'Bistro Greggs' in the premium department store Fenwick, in Newcastle upon Tyne, proving that Greggs' quality is welcomed everywhere. Our products were reinterpreted by Fenwick's chef and served under silver cloches to be eaten with knives and forks. This tongue-in-cheek partnership delivered gems such as 'Greggs Benedict' and Steak Bake paired with truffled dauphinoise potatoes.

Another key event in 2023 was Fenders Unplugged, a two-day live music event in our Grainger Street shop in Newcastle in celebration of Geordie legend Sam Fender ahead of his headline appearances at St James' Park.

Growing and developing the Greggs estate

During 2023, we opened 220 new shops (145 net of closures and relocations) meaning that, by the end of the year, we had 2,473 shops trading (comprising 1,970 company-managed shops and 503 franchised units). As well as continuing to nurture and build our presence on the high street, our much-loved brand soared to new heights with further openings in travel hubs, including our first in a London airport, at Gatwick, more roadside locations, more retail parks and supermarkets and further expansion of our drive-thru offer.

We have also grown our reach in central London, adding new shops across the capital including Canary Wharf and Waterloo railway stations, and the Westfield Shopping Centre in Shepherd's Bush.

We expanded our partnerships with other retailers; opening four new 'Tasty' cafes inside Primark stores (taking the total to six), 17 further shops in Tesco stores (taking the total to thirty-two), and five with our newest retail partner, Sainsbury's.

We proudly celebrated the opening of our 500th franchise shop. Working with our 16 franchise partners has enabled us to reach new locations and has been key to increasing our presence in motorway services and petrol forecourts. Our franchise model is key in supporting the delivery of our long-term growth strategy.

Growth isn't just about opening new shops, it is also about finding bigger, better premises for successful sites. During the year, we relocated 42 shops. In Runcorn, for instance, we swapped our site for the unit next door which is three times as big allowing us to add seating, a hot food cabinet, and better facilities for our colleagues. Sales in the shop were up 30% following the move and we have the space to accommodate further growth. We have identified a further 50 shops that we plan to relocate to bigger, better sites in 2024.

Our programme of shop refits is also making sure that our existing estate looks great and remains appealing. We refitted 122 shops in 2023 using our newest design which maximises space while also making it easier for our teams to service our delivery and Click + Collect digital channels. We plan to refurbish a further 195 shops in 2024.

Extending evening trade

During 2023, we continued to open our shops later into the evening and now have more than 1,200 sites competing for food-on-the-go-sales until 7pm or later. Throughout the year, evening (defined as post-4pm sales) was the fastest growing daypart, albeit from a low base. As a result evening sales were 8.7% of company-managed shop sales in the second half of 2023, and our market share for the evening daypart increased to 1.6% for 2023 (2022: 1.2%, source: Circana, December 2023).

We know many customers stop by our shops on their way home from work, looking for quick and easy evening meals and snacks. Our delivery service also plays a key role in the evening trade, with more than 600 of our later-opening shops available to customers via Just Eat or Uber Eats. We see strong potential for expanding our home delivery offer further in this daypart.

Competing for evening sales means having the right products to meet our customers' preferences. Our existing range is proving popular, with our hot southern fried chicken goujons, southern fried potato wedges, and pizzas all selling well. Our family pizza box (available for delivery) comes with six individual slices and can be customised, meaning that everyone can get the flavour they want. We continue to innovate with new hot food options and expanded our pizza range with a Spicy Veg version this year, as well as trialling new menu ideas such as Mozzarella and Cheddar Bites.

Our ongoing focus is on making sure we have the right products in the evening to give people more reasons to visit us and, in 2024, we will continue our trial with a number of items including customisable hot chicken wraps and made-to-order drinks.

Developing digital channels

Greggs is now a truly multi-channel retailer. We aim to serve our customers wherever, whenever, and however they choose. That might be a customer visiting a shop, someone who wants the frictionless experience of Click + Collect, or customers at work or at home who want the convenience of Greggs delivered to their door.

I have been extremely impressed by the growth in engagement with our loyalty app, whereby customers benefit from our popular 'buy-9-get-the-10th-free' offer. Use of the Greggs App doubled during 2023, far exceeding our internal targets. In the year as a whole, customers scanned the Greggs App in 12.5% of transactions in our company-managed shops (2022: 6.2%), and in the final quarter of the year the participation rate exceeded 15%. Customers who engage with our loyalty app shop more frequently with us and we are able to market to them directly, which provides further opportunity to drive sales growth through this channel.

The slick efficiency of Click + Collect continues to help busy people save precious minutes in their day and use of this digital service continues to increase. Busy commuters, for example, can now pay for their morning coffee or bacon sandwich before their train has pulled into their station, choose a time slot, skip the queue and go straight to the counter to collect their order.

Sales through the delivery channel were up 23.6% in 2023. We introduced home delivery during the Covid-19 pandemic in 2020 through a partnership with Just Eat, and in Q3 2023 extended our reach by rolling out with Uber Eats. We now have 1,340 shops offering delivery through Just Eat and 930 sites working with Uber Eats. A total of 1,440 shops offer delivery services, allowing us to now offer home delivery across the UK. In 2023 this channel represented 5.6% of company-managed shop sales, and we grew our market share of food-to-go delivery visits to 3.8% in 2023 (2022: 2.7%) (source: Circana, December 2023).

For our customers, shopping with us gets simpler and easier every year as we use technology to make things better and more rewarding. Behind the scenes, that means we are managing greater complexity, but our teams have done a fantastic job of integrating new systems, working hard to enable our processes to stay streamlined and simple for the shop teams so that they can continue to operate at pace and deliver great customer service.

Investing in our supply chain and technology for a bigger business

One of the unique strengths of our business is its vertical integration: we own and run the manufacturing sites and logistics operations that serve our shops. Our ambitious plans mean that we are investing further in our infrastructure to ensure that we can increase supply chain capacity to support business growth, as previously communicated in our capital expenditure forecasts.

Investment in our Balliol Park manufacturing site will enable us to increase production of savoury rolls and bakes by 35% over time, and the additional pizza line at our Enfield site commissioned in late 2022 has double the capacity of our original line.

In order to facilitate further expansion, we plan to build two brand new state-of-the-art facilities in the Midlands. The first site will be for frozen products and will be located in Derby. Opening in 2026, this site will not only provide additional manufacturing capacity for frozen products, including new savoury and sweet production lines, but also enable frozen storage, picking and distribution which will be key to our future growth.

The second site will be located in the Kettering/Corby area, and will be a new National Distribution Centre for the storage, picking and distribution of ambient and chilled goods. The site will enable our existing Radial Distribution Centres to service many more shops, allowing them to support growth in their regions. We expect this site to be operational in the first half of 2027.

In the meantime we are investing in scaling up two of our existing Radial Distribution Centres. We are currently on-site undertaking work to double capacity at our Amesbury distribution facility and are restructuring our Birmingham site into a more efficient purpose-designed operation which will increase our capacity. These two projects will add the capacity to service around 300 more shops to our network. In the second half of 2023, we took over the lease of a substantial warehousing facility next to our Kettering distribution centre when our supplier entered administration, securing our requirements and saving the jobs of everyone employed at the site.

During 2023, we added more double-deck trailers to our fleet. We now have 34 vehicles able to carry 56% more per load, with a further 18 arriving in the business by 2025. These reduce the carbon intensity of our logistics operations and also save on fuel.

We continue to make improvements to our shop systems, making processes simpler for our colleagues. We tested a new, upgraded till suite that was redesigned based on feedback from our people and we will roll out the clearer, easier system to all shops during the current year.

Looking after our people

For the first time, we are including a section on 'Our People' in our Annual Report because our colleagues, culture and values are what makes Greggs, Greggs. We know that when our people thrive, our business is stronger and better, so we work hard to make Greggs a great place to work.

Just as our customers are relying on us to help them weather the current challenging economic circumstances, our colleagues rely on us too: we pride ourselves on paying fair wages, providing secure employment, and offering consistent contracted hours so that our colleagues know what their weekly wage will be, and can budget for it.

We continue to share 10% of our profits with team members with at least six months of service. We have also increased our matched contribution rates for Greggs pensions, meaning that all our colleagues can now access up to 6% employer contributions.

On top of this, we offer a colleague discount, our employee share plans, and an Employee Assistance Programme that gives our people access to additional help when they need extra support - we make sure that we are there for them, whatever they need.

All this helps to keep our people motivated and committed to Greggs. More than 24,000 colleagues completed our annual employee survey in 2023, and three-quarters of them told us that they would recommend Greggs as a great place to work – 7% ahead of the UK retail benchmark (source: People Insight).

We know that great people are important to our long-term sustainable growth. We nurture and grow talent within our organisation so that our pipeline of future leaders is primed, and there are great people ready to step into our management team as we expand.

Our growth also means that we are creating new jobs across the country within our shops, manufacturing sites and distribution networks. During 2023, we created 1,597 net new jobs.

A significant number of our shop and area managers started as team members and worked their way up, proving that Greggs can be an agent of social mobility. The flexibility of our roles enables people to arrange their work life around their personal life – reducing their hours to part time when they have school-aged children, for instance, or pushing for training and career progression when they are ready for more of a challenge. Whatever they want from us, we aim to provide long-term employment.

Giving back

We continue to donate at least 1% of our underlying pre-tax profits to the Greggs Foundation each year, which it then passes on to our communities through hardship grants, community funding, and donations to help run the Breakfast Club programme.

This is generously topped up by our colleagues, partners and customers: we raised a record £202,000 through 25p 'buy a child a breakfast' donations in Greggs shops last year – three times the amount raised in 2022 – and ran Greggs Breakfast Club Appeal Weeks in June and September, raising a further £190,000.

During 2023, the Greggs Foundation distributed over £4.5 million to schools and charitable organisations in the UK, including £1.5 million in hardship funding as it responded to the increased need from our communities due to the cost-of-living crisis. Almost half of all the hardship grants awarded last year went to families in schools with a Greggs Foundation Breakfast Club.

In addition to donating money to the Greggs Foundation, our fundraising activities raised over £1 million for Children in Need, a charity we have supported for 17 years now. We also proudly celebrated our 40-year partnership with the charity Children's Cancer North through its annual Children's Cancer Run. In February, we turned our charity buckets over to the Disasters Emergency Committee raising £149,000 to help people in Turkey and Syria who were affected by the devastating earthquakes.

The Greggs Pledge

We want our people to be proud to work for Greggs. Not just because of the great job they do, day in and day out, but because they are part of a business that strives to do the right thing. Together, we are working towards delivering the Greggs Pledge – ten commitments that aim to make the world a better place. Our latest report on the progress we made towards these commitments in 2023 will be published in the coming weeks and I share some highlights below.

Stronger, healthier communities

Greggs Foundation Breakfast Clubs continue to grow. By the end of 2023, we had Clubs in 896 schools feeding 62,000 school children every day. This is about so much more than providing a free meal in Britain's least-privileged areas: our Clubs also contribute to improving attendance rates, helping to build the habit of turning up to school every day, and ensuring children start their day with a full stomach, so they are better able to concentrate at school which, over time, means they are more likely to fulfil their potential. In this way, Greggs Foundation Breakfast Clubs are making a meaningful contribution to enabling social mobility - fundamental for a flourishing society.

We now have 35 Outlet shops open around the country, providing people on a budget with the opportunity to buy day-old Greggs products at a discount. A portion of the profits made in these shops is then given to local community organisations working to tackle food poverty. In 2023, that donation totalled almost £650,000. Outlet shops also play an important part in our efforts to make sure that unsold food is put to good use. We passed around 2,600 tonnes of surplus food to this network of shops in 2023 - approximately 44% more than 2022.

Of course, our focus on healthier communities is also delivered through our commitment to ensuring that 30% of our product range is a healthier option. We provide our customers with well-priced, tempting, and tasty healthier options including porridge, soups, and salads and, during 2023, introduced a new range of flatbread sandwiches, improved the veg content of our pasta salad, and launched new savoury bakes, including the Spicy Vegetable Curry Bake. We were delighted that our efforts were recognised at the 2023 Sandwich and Food to Go Industry Awards ('The Sammies'), where we not only won chain retailer of the year, but also the healthy eating award for our Sweet Potato Bhaji and Rice Salad Bowl.

Safer planet

Our 2040 net zero carbon target is now fully embedded into our business processes, meaning it has gone from a set of plans to an actionable programme of work, with data outputs that we can – and do – scrutinise each month. To keep everyone focused, our Scope 1 and 2 emissions targets form part of the latest three-year long-term incentive schemes for our leaders.

Decarbonising our business is no small feat and we continue to work with experts such as the Carbon Trust to inform and guide our decisions. Over time, seemingly small actions aggregate to have a big impact, as we have seen by switching the refrigerant gas we use to top up our coolers, swapping to double-deck trailers, or migrating our company car fleet to hybrid or electric models.

We did more work in 2023 to understand our Scope 3 emissions and will complete the next part of our supplier engagement plan in the year ahead. Our suppliers are vital partners in this journey and we are already working in partnership with many of them to see what we can collectively do next.

This year, for instance, we began using flour made from Wildfarmed wheat to make some of our wholemeal products. This flour is made from wheat that is grown following regenerative farming practices and standards that prioritise soil health, soil condition, and farm biodiversity by using low input farming methods.

Another example comes from work with our suppliers of milk and refuse collection, Müller and Biffa. Our milk bottles are separately disposed of with other dry mixed recycling, Biffa convert this into food grade pellets, some of which are then sent to Müller to be extruded into new bottles for us containing 30% recycled content.

Today, 97% of the electricity and 30% of the gas we purchase comes from certified renewable sources. Ultimately, we want to stop using natural gas for baking and diesel for transportation and, in 2023, began discussions with a potential green hydrogen supplier to explore the feasibility of powering our manufacturing sites and logistics fleets with green hydrogen.

The equipment we choose to put into our shops is under scrutiny too. We test in-store sustainability initiatives in our Eco-Shop and, during 2023, started the roll out of seven new items – Unisan bins, knee-operated sinks, a prep bench, microwave, fridge, freezer, and oven. The new model microwave has an anticipated lifespan twice that of our previous choice and is now utilised to warm our soup in a more efficient way. We have therefore removed our soup kettles, heating soup to order instead which uses around 1/20th of the electricity previously consumed.

Our colleagues are also a source of new ideas. This year, we ran the Greggs Sustainability Challenge with our waste partner Biffa, inviting our people to propose pioneering sustainability initiatives. Ideas included enriching local ecosystems, a community kitchen garden, plastic reduction initiatives, and engagement forums. The winners will see their ideas become reality.

Better Business

I am proud to lead a Board with excellent female representation on it; we have already met the FTSE Women Leaders 2025 target of 40%. Across the business, women made up 64% of our total workforce and half of our management population in 2023. Our gender pay gap is reducing, predominantly driven by getting a more balanced workforce at the entry level, which historically has been disproportionately female. A gender pay gap remains, in part because of having more males than females in our most senior roles and supply chain roles where shift premiums apply, but also because we still have more females than males in our hourly-paid retail roles.

This year, we report on our Ethnicity Pay Gap for the first time. We publish figures for both 2022 and 2023 which reveal a small gap that is largely static year-on-year. We continue on our journey to embrace diversity in Greggs following our achievement of the National Equality Standard in 2021.

We continue to support and grow our diversity and inclusion networks, set up to give a voice to our different communities. The four groups – focused on Ethnicity, Disability Inclusion, LGBTQ+, and Women’s development – provide a safe space for discussion and debate, and help to shape the business. This year, among other things, their advocacy has led to a new policy on transitioning at work, activities to mark Deaf Awareness week, and input into an online learning module on our zero-tolerance approach to harassment.

Looking ahead

Our strong growth during these tough years for the British economy gives me great optimism for the years ahead. Back in 2021, we were bold when we set out our ambition to double our sales by 2026 but we are ahead of our plan and have proven that our strategy to open new shops, extend into the evening, and build up our digital presence is a successful one.

Our brand is stronger than ever before, with more people coming to us more often in more locations to enjoy the UK’s favourite sausage roll, bacon breakfast roll, sweet potato bhaji and rice salad bowl or doughnut. Our range gets more enticing every year, with more healthy options, more hot food, and new flavours to tempt our customers. That spirit of innovation continues into 2024 with new product trials and roll-outs planned.

We now employ 32,000 people across the country, and I credit them with our success. It is their passion for creating great food at affordable prices, and their commitment to delivering warm and friendly service, that makes Greggs the hugely popular destination that it is.

As their Chief Executive, I remain fully committed to enabling our people to fulfil their potential and build the career with us that they want. Just as we work hard to win and keep the loyalty of our customers, we work hard to win and keep the loyalty of our colleagues too.

Together, we will continue to grow this brilliant business, while sharing our success with our colleagues and communities. As we thrive, we can open more Greggs Foundation Breakfast Clubs and Outlet shops, raise more money for charities, and do more work to decarbonise food retailing. In our small way, we are making the world a better place.

Current trading and outlook

Greggs has started 2024 well, with like-for-like sales in company-managed shops growing by 8.2% in the first nine weeks. As we have previously reported, inflationary pressures are reducing and we have improved visibility of costs in the coming year. There is no change to management's expectations for 2024, and we are confident that Greggs can deliver another year of good progress as we continue our plans for sustainable growth. I am enormously proud of what we are already achieving and excited about what's ahead.

Roisin Currie
Chief Executive
5 March 2024

Financial review

Greggs delivered a strong financial performance in 2023 against an economic backdrop that continued to be challenging. Sales growth reflected our strategic ambitions and progress, and we opened a record number of new shops. Cash generation was good and our robust balance sheet will support our growth strategy as we invest in capacity to enable further growth and strong capital returns.

	2023 £m	2022 £m	Variance
Revenue	1,809.6	1,512.8	+19.6%
Underlying operating profit	171.7	154.4	+11.2%
Net finance expense (inc. leases)	(4.0)	(6.1)	-34.4%
Underlying profit before tax	167.7	148.3	+13.1%
Exceptional income	20.6	-	
Profit before tax	188.3	148.3	+27.0%
Income tax	(45.8)	(28.0)	+63.6%
Profit after tax	142.5	120.3	+18.5%
Underlying diluted Earnings per share	123.8p	117.5p	+5.4%
Underlying Return on capital employed	21.1%	21.0%	

Sales

Total Group sales for the 52 weeks ended 30 December 2023 grew by 19.6% to £1,810 million (2022: £1,513 million). Growth was delivered through both new shop openings and like-for-like sales growth in existing stores, driven by a combination of volume growth and price increases. Total Group revenue reflects sales from company-managed shops, which include delivery sales, and sales through business-to-business channels with our franchise and wholesale partners.

Reporting 'like-for-like' sales (sales in company-managed shops with more than one calendar year's trading history) is a key alternative performance measure for Greggs, as it shows underlying estate sales performance excluding the impact of new shop openings and closures. Our like-for-like sales volume growth remained strong through the year whilst the element relating to pricing reduced as we annualised against price increases made in May and October 2022. The Q3 2023 result was flattered by c.1% due to the comparison with Q3 2022 when we closed the estate for a day for the funeral of Queen Elizabeth II. Overall growth was in line with our plans for the year, with like-for-like sales 13.7% higher year-on-year.

	Q1	Q2	Q3	Q4	2023
Company-managed like-for-like sales vs. 2022	17.0%	15.1%	14.2%	9.4%	13.7%

Profit for the year

Underlying profit before tax (excluding exceptional income) in 2023 was £167.7 million (2022: £148.3 million). Our strong trading performance reflected the Greggs brand's value proposition and continued momentum from our strategic growth initiatives. Profit before tax of £188.3 million includes a net exceptional gain of £20.6 million which primarily relates to the settlement of business interruption insurance claims made in 2020.

The overall level of cost inflation in 2023 averaged 8.5% for the year but with an exit rate closer to 5%. Our wage award was fixed for the year from January, and food and packaging inflation reduced through the second half of the year once we had annualised on the significant increases seen in 2022. Energy costs were less volatile than in recent times and our shop occupancy cost ratio (shop costs such as rent, rates and service charges as a percentage of sales) continued to improve.

Looking forward we currently expect overall input cost inflation in 2024 to be in the range of 4-5%, although an element of this remains subject to geopolitical risks. We have improved levels of forward cover, with circa 80% of our energy requirements fixed for the year and forward purchase agreements representing four months of our food and packaging needs. Looking further ahead we have fixed the price of 50% of our energy requirements for 2025.

Strategic progress, margin and return on capital

In October 2021 we set out our ambitious plans to double sales over a five-year period as we emerged from the pandemic with a strong brand and clear growth opportunities. Two years on from this we are very much on track with sales of £1.8 billion in 2023, up circa 50% in two years. A couple of things have changed – back in 2021 no one foresaw the dramatic rise in cost (and consequently price) inflation that was to come. Also, with the benefit of hindsight, it is clear that some of our early success in the food delivery market was a reflection of temporary pandemic conditions. However, despite these factors looking across the last two years we are pleased with the progress that has been made in developing the growth pillars that we identified:

- Our **core daytime walk-in** business has recovered well after the pandemic and data shows that we have taken market share, supported by an investment in marketing to drive consideration and purchase intent.
- **Estate** growth has been a particular success story, with a net 292 new shops opened (164 company-managed and 128 franchised) over 2022 and 2023. In addition we have relocated 67 existing shops, in general moving them to bigger, better units that have the space to realise the growth potential in their catchments.
- **Evening** customer growth is developing well. This will be one of the longer-term drivers of growth and requires us to invest in staffing initially as we develop awareness of Greggs as an early evening option.
- As noted above, our **delivery** success in 2021 was partly attributable to pandemic conditions and has since rebased. Rolling out with a second delivery partner has resulted in a modest increase in commission costs but will further leverage our shop network, supporting strong returns on the capital invested there. Sales increased 23.6% in 2023, supported by the roll out with the second partner.
- **Marketing** is becoming more personalised as we incentivise customers to engage with our loyalty scheme and learn more about how they shop with Greggs.

Our primary financial objective remains to maintain the strong returns on capital employed (ROCE) in the business, as evidenced by our performance over many years:

	2019	2020	2021*	2022	2023
ROCE**	20.0%	pandemic	23.0%	21.0%	21.1%

* 2021 result reflects pandemic support measures

** Underlying ROCE, excluding exceptional items

Business growth has been delivered whilst maintaining strong capital returns, despite the cost investments that we have made to develop new channels. Delivering a healthy ROCE is embedded as a key element of our performance management and we aim to deliver a ROCE which averages circa 20% over time. In recent years we have exceeded this as capacity utilisation in our supply chain has been at a historically high level. As previously stated, we have significant new facilities coming online in the near to medium term to support growth; while the business 'grows into' this new capacity we would naturally expect modest dilution of Group returns, which we expect will be seen in 2025/26. As the benefits of capacity utilisation return, we would expect this dilution to reverse.

The development of new channels and dayparts is driving incremental sales volumes and, as noted above, strong returns on capital. In support of this, in 2023 we increased our investment in marketing and in shop labour, as well as agreeing additional delivery aggregator costs as we moved to a non-exclusive partner arrangement. These initiatives, along with growth in participation in the Greggs App loyalty programme, are successfully increasing the frequency of customer visits and increasing Greggs' share of the food-to-go market. The overall margin mix impact of this incremental business resulted in a modest dilution in underlying net profit margin to 9.3% in 2023 (2022: 9.8%).

Financing charges

The net financing expense of £4.0 million in the year (2022: £6.1 million) comprised £9.6 million in respect of the IFRS 16 interest charge on lease liabilities and £0.7 million of facility charges under the Company's (undrawn) financing facilities, offset by net income of £6.3 million relating to income on cash deposits, interest on the defined benefit pension liability and foreign exchange losses.

Taxation

The Company has a simple corporate structure, carries out its business entirely in the UK and all taxes are paid here. We aim to act with integrity and transparency in respect of our taxation obligations.

The Group's overall effective tax rate on profit, including the impact of exceptional items, in 2023 was 24.3% (2022: 18.9%) which reflects the increase from 19% to 25% in the corporation tax rate from 1 April 2023 and the discontinuance of 'super-deduction' enhanced capital allowances from the same date. The underlying tax rate for the year was 24.4% (2022: 18.9%).

We expect the effective tax rate for 2024 to be around 26.0% and 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.

Earnings per share and dividend

Underlying diluted earnings per share in 2023 were 123.8 pence (2022: 117.5 pence per share). Including the net exceptional income diluted earnings per share were 139.2 pence (2022: 117.5 pence per share).

The Board recommends a final ordinary dividend of 46.0 pence per share (2022: 44.0 pence per share). Together with the interim dividend of 16.0 pence (2022: 15.0 pence) paid in October 2023, this makes a total ordinary dividend for the year of 62.0 pence (2022: 59.0 pence). This is covered two times by underlying diluted earnings per share and is in line with our progressive ordinary dividend policy, which aims to increase the dividend in line with growth in earnings per share.

In application of the capital allocation policy outlined below under “Cash flow and capital structure” the Board has determined that the current level of cash held by the Company exceeds its minimum requirements, having taken into account investment plans and the distribution of ordinary dividends. As a result the Board has approved a special dividend of 40.0 pence per share.

Subject to the approval of shareholders at the Annual General Meeting, the final ordinary and special dividends will be paid on 24 May 2024 to shareholders on the register at 26 April 2024.

Balance sheet

Capital expenditure

We invested a total of £199.8 million (2022: £110.8 million) in capital expenditure during 2023. Retail estate expenditure grew as we increased the number of new company-managed shop openings and relocations, and completed more shop refurbishments. In our supply chain we installed a fourth production line for our iconic savoury rolls and bakes at Balliol Park in Newcastle and have also started work to extend logistics capacity at our Birmingham and Amesbury distribution centres.

Depreciation and amortisation on property, plant and equipment and intangibles in the year was £70.5 million (2022: £62.7 million). A further £54.5 million (2022 £52.8 million) of depreciation was charged in respect of right-of-use assets on capitalised leases.

As previously communicated, our investment in capital expenditure will continue at an elevated level until 2026 as we provide increased capacity in our supply chain to support our ambitious growth plans, whilst also growing and refurbishing our retail estate. In 2024 we will continue the work to expand Radial Distribution Capacity at our Birmingham and Amesbury sites. We also expect to start work on the construction of two new sites in the Midlands, one in Derby and one in the Kettering/Corby area, which will provide new manufacturing and logistics capacity to support our ambitious growth plans. We expect the new sites to be operational in 2026/27.

Our shop opening and relocation plans mean that we will invest in circa 170 new company-managed shops in 2024 and refurbish around 150 existing company-managed stores as we modernise older sites and introduce additional facilities to support our growth plans. Our forward view on retail capital expenditure reflects the changing mix of shop openings in the pipeline as we service additional channels and support growth opportunities, for example the roll out of equipment to support made-to-order iced drinks. In our retail estate we target a 25% cash return on investment on new shops and typically exceed this level. The success of the business means we are opening shops that trade longer hours and have higher than average sales and returns.

Overall we expect capital expenditure in 2024 to be in the range of £250 to £280 million, dependent on timing of the planned acquisition of the additional site in the Kettering/Corby area. We anticipate that capital expenditure will be around £200 million in each of 2025 and 2026 as we invest to support our growth plans. Beyond this investment phase we expect maintenance capital expenditure to be up to 5% of revenue, with additional expenditure to support further growth.

Working capital

We ended the year with Group net current assets of £25.4 million (2022 £38.9 million) as we continue to carry a robust cash and cash equivalents position of £195.3 million (2022: £191.6 million) to support investment in our capital expenditure programme. Excluding cash and cash equivalents, net current liabilities increased from £152.7 million to £169.9 million over the year. This reflects the impact of strong growth on trade and other payables.

Pension scheme

The Company's closed defined benefit pension scheme continues to be in a net asset position; £6.6 million at the end of 2023 (2022: £6.3 million). The stable balance sheet position reflects small movements in the discount rate and inflation assumptions which increased liabilities by £2 million, offset by an equivalent reduction in liabilities as a result of changes in the mortality assumptions.

The scheme underwent a full actuarial revaluation in 2020, the results of which showed a deficit in funding. The Company committed to making additional contributions of £2.5 million each year from 2021 to 2026 to ensure that any funding requirements are met over the medium term as the scheme works towards full de-risking. £5.5 million of these committed contributions were accelerated in 2022 due to volatile market conditions, leaving £4.5 million of the original commitment to pay in future years.

Cash flow and capital structure

The net cash inflow from operating activities after lease payments in the year was £257.1 million (2022: £198.8 million). The strength of cash generation reflected the growth in profits, settlement of two insurance claims related to business interruption in 2020 and a rephasing of tax payments to reflect full expensing capital allowances. At the end of the year the Group had net cash and cash equivalents of £195.3 million (2022: £191.6 million).

The Company's undrawn revolving credit facility, which runs to December 2025, allows it to draw up to £100 million in committed funds, subject to it retaining a minimum liquidity of £30 million (i.e. maximum net borrowings are £70 million). Taking this into account, total available liquidity at the end of 2023 was £265.3 million (2022: £261.6 million). We intend to refinance the revolving credit facility in the year ahead.

Our approach to capital allocation can be described as a series of priorities:

1. **Invest to adequately maintain the business** in order to support its continued success. As noted above, in normal circumstances we expect maintenance capital expenditure to be circa 5% of revenue.
2. **Maintain a strong balance sheet.** Reflecting the inherent gearing in the Group's leaseholds and working capital we aim, in normal circumstances, to maintain a year-end net cash position of £50 to £60 million to allow for seasonality in the working capital cycle and to protect the interests of all creditors. This will be periodically reassessed as the Group grows.

3. **Deliver an attractive ordinary dividend** to shareholders. We continue to target a progressive ordinary dividend, normally around two times covered by underlying profit after taxation.
4. **Selectively invest to grow.** As outlined above we intend to continue to make capital investments in excess of the maintenance level in the coming years to support our growth plans.
5. **Return surplus cash to shareholders.** Where net cash on the balance sheet exceeds our minimum requirement, taking into account that reserved for growth investments, we expect to return cash to shareholders by way of special dividends.

The Company's current cash position will normalise in future years following our investment to support our ambitious growth plan and payment of the special dividend described above.

Looking forward

We are leveraging our strong financial position to support our ambitious growth plans. At the same time we will maintain the discipline that has delivered profitable growth and excellent capital returns, to the benefit of all of our stakeholders. We remain confident in the future.

Richard Hutton
Chief Financial Officer
5 March 2024

Greggs plc

Consolidated income statement

for the 52 weeks ended 30 December 2023 (2022: 52 weeks ended 31 December 2022)

	2023 Excluding exceptional items £m	2023 Exceptional items (see note 3) £m	2023 Total £m	2022 Total £m
Revenue	1,809.6	-	1,809.6	1,512.8
Cost of sales	(710.5)	-	(710.5)	(574.5)
Gross profit	1,099.1	-	1,099.1	938.3
Distribution and selling costs	(844.5)	0.3	(844.2)	(713.2)
Administrative expenses	(82.9)	-	(82.9)	(70.7)
Other income	-	20.3	20.3	-
Operating profit	171.7	20.6	192.3	154.4
Finance expense (net)	(4.0)	-	(4.0)	(6.1)
Profit before tax	167.7	20.6	188.3	148.3
Income tax	(41.0)	(4.8)	(45.8)	(28.0)
Profit for the financial year attributable to equity holders of the Parent	126.7	15.8	142.5	120.3
Basic earnings per share	125.0p	15.6p	140.6p	118.5p
Diluted earnings per share	123.8p	15.4p	139.2p	117.5p

Greggs plc

Consolidated statement of comprehensive income for the 52 weeks ended 30 December 2023 (2022: 52 weeks ended 31 December 2022)

	2023 £m	2022 £m
Profit for the financial year	142.5	120.3
Other comprehensive income		
<i>Items that will not be recycled to profit and loss:</i>		
Remeasurements on defined benefit pension plans	-	0.7
Tax on remeasurements on defined benefit pension plans	0.4	1.8
Other comprehensive income for the financial year, net of income tax	0.4	2.5
Total comprehensive income for the financial year	142.9 =====	122.8 =====

Greggs plc

Consolidated Balance Sheet

at 30 December 2023 (2022: 31 December 2022)

	2023 £m	2022 £m
ASSETS		
Non-current assets		
Intangible assets	18.3	13.5
Property, plant and equipment	510.3	390.0
Right-of-use assets	296.6	281.6
Defined benefit pension asset	6.6	6.3
	<hr/> 831.8	<hr/> 691.4
Current assets		
Inventories	48.8	40.6
Trade and other receivables	53.8	50.2
Current tax asset	-	0.6
Cash and cash equivalents	195.3	191.6
	<hr/> 297.9	<hr/> 283.0
Total assets	<hr/> 1,129.7	<hr/> 974.4
LIABILITIES		
Current liabilities		
Trade and other payables	(211.1)	(191.7)
Current tax liabilities	(4.9)	-
Lease liabilities	(52.5)	(48.8)
Provisions	(4.0)	(3.6)
	<hr/> (272.5)	<hr/> (244.1)
Non-current liabilities		
Other payables	(2.3)	(2.8)
Lease liabilities	(267.1)	(252.5)
Deferred tax liability	(54.7)	(26.3)
Long-term provisions	(2.2)	(2.7)
	<hr/> (326.3)	<hr/> (284.3)
Total liabilities	<hr/> (598.8)	<hr/> (528.4)
Net assets	<hr/> 530.9	<hr/> 446.0
	=====	=====
EQUITY		
Capital and reserves		
Issued capital	2.0	2.0
Share premium account	25.1	23.1
Capital redemption reserve	0.4	0.4
Retained earnings	503.4	420.5
	<hr/> 530.9	<hr/> 446.0
Total equity attributable to equity holders of the Parent	<hr/> 530.9	<hr/> 446.0
	=====	=====

Greggs plc
Statements of changes in equity
for the 52 weeks ended 30 December 2023 (2022: 52 weeks ended 31 December 2022)

52 weeks ended 31 December 2022

	Attributable to equity holders of the Company				Total
	Issued capital	Share premium	Capital redemption reserve	Retained earnings	
	£m	£m	£m	£m	
Balance at 2 January 2022	2.0	20.0	0.4	406.8	429.2
Total comprehensive income for the year					
Profit for the financial year	-	-	-	120.3	120.3
Other comprehensive income	-	-	-	2.5	2.5
Total comprehensive income for the year	-	-	-	122.8	122.8
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	-	3.1	-	-	3.1
Purchase of own shares	-	-	-	(11.0)	(11.0)
Share-based payment transactions	-	-	-	3.6	3.6
Dividends to equity holders	-	-	-	(98.5)	(98.5)
Tax items taken directly to reserves	-	-	-	(3.2)	(3.2)
Total transactions with owners	-	3.1	-	(109.1)	(106.0)
Balance at 31 December 2022	2.0	23.1	0.4	420.5	446.0
	=====	=====	=====	=====	=====

Greggs plc
Consolidated statement of changes in equity (continued)

52 weeks ended 30 December 2023

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£m	£m	£m	£m	£m
Balance at 1 January 2023	2.0	23.1	0.4	420.5	446.0
Total comprehensive income for the year					
Profit for the financial year	-	-	-	142.5	142.5
Other comprehensive income	-	-	-	0.4	0.4
Total comprehensive income for the year	-	-	-	142.9	142.9
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	-	2.0	-	-	2.0
Purchase of own shares	-	-	-	(5.0)	(5.0)
Sale of own shares	-	-	-	1.6	1.6
Share-based payment transactions	-	-	-	4.6	4.6
Dividends to equity holders	-	-	-	(60.8)	(60.8)
Tax items taken directly to reserves	-	-	-	(0.4)	(0.4)
Total transactions with owners	-	2.0	-	(60.0)	(58.0)
Balance at 30 December 2023	2.0	25.1	0.4	503.4	530.9
	=====	=====	=====	=====	=====

Greggs plc
Statements of cashflows
for the 52 weeks ended 30 December 2023 (2022: 52 weeks ended 31 December 2022)

	Group	
	2023	2022
	£m	£m
Operating activities		
Cash generated from operations (see below)	333.0	272.3
Income tax paid	(11.9)	(13.3)
Interest paid on lease liabilities	(9.6)	(6.8)
Interest paid on borrowings and other related charges	(0.7)	(0.7)
	<hr/>	<hr/>
Net cash inflow from operating activities	310.8	251.5
	<hr/>	<hr/>
Investing activities		
Acquisition of property, plant and equipment	(189.5)	(100.0)
Acquisition of intangible assets	(8.6)	(3.3)
Proceeds from sale of property, plant and equipment	0.8	0.9
Proceeds from sale of assets held for sale	-	1.6
Interest received	6.1	1.4
	<hr/>	<hr/>
Net cash outflow from investing activities	(191.2)	(99.4)
	<hr/>	<hr/>
Financing activities		
Proceeds from issue of share capital	2.0	3.1
Sale of own shares	1.6	-
Purchase of own shares	(5.0)	(11.0)
Dividends paid	(60.8)	(98.5)
Repayment of principal on lease liabilities	(53.7)	(52.7)
	<hr/>	<hr/>
Net cash outflow from financing activities	(115.9)	(159.1)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	3.7	(7.0)
Cash and cash equivalents at the start of the year	191.6	198.6
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	195.3	191.6
	<hr/> =====	<hr/> =====

Cash flow statement – cash generated from operations

	2023 £m	2022 £m
Profit for the financial year	142.5	120.3
Amortisation	3.9	4.7
Depreciation – property, plant and equipment	66.6	58.0
Depreciation – right-of-use assets	54.5	52.8
Net impairment charge – property, plant and equipment	1.4	1.2
Impairment charge – right-of-use assets	2.5	0.0
Loss on sale of property, plant and equipment	2.0	1.0
Release of Government grants	(0.5)	(0.4)
Share-based payment expenses	4.6	3.6
Finance expense	4.0	6.1
Income tax expense	45.8	28.0
Increase in inventories	(8.2)	(12.7)
Increase in receivables	(3.6)	(12.4)
Increase in payables	18.0	30.8
Decrease in provisions	(0.5)	(0.7)
Decrease in pension liability	-	(8.0)
Cash from operating activities	333.0	272.3
	=====	=====

Notes

1. Basis of preparation and accounting policies

The preliminary announcement has been prepared in accordance with international accounts standards in conformity with the requirements of the Companies Act 2006 and, as regards the Group accounts, UK-adopted International Accounting Standards. It does not include all the information required for full annual accounts.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 December 2023 or 31 December 2022 but is derived from these accounts. Statutory accounts for the 52 weeks ended 31 December 2022 have been delivered to the registrar of companies, and those for the 52 weeks ended 30 December 2023 will be delivered in due course. The auditor has reported on those accounts; the audit reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement has been prepared using the accounting policies published in the Group's accounts for the 52 weeks ended 31 December 2022, which are available on the Company's website www.greggs.co.uk. From 1 January 2023 the following amendments were adopted by the Group:

- Amendments to IFRS 1 and IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Definition of Accounting Estimates - amendments to IAS 8.
- Disclosure of Accounting Policies - amendments to IAS 1 and IFRS Practice Statement 2.

Their adoption did not have a material effect on the accounts.

Going concern

The Directors have considered the adoption of the going concern basis of preparation for these accounts in the context of recent trading performance, macro-economic conditions and the trading outlook of the Group. At the end of the reporting period the Group had available liquidity totalling £265.3 million, comprised of cash and cash equivalents of £195.3 million plus an undrawn revolving credit facility (RCF) of £70.0 million, which is committed to December 2025. The RCF includes financial covenants that the Group must comply with related to maximum leverage and a minimum fixed charge cover.

The Directors have reviewed cash flow forecasts prepared for the period up to December 2025 as well as covenant compliance for that period. In reviewing the cash flow forecasts the Directors considered the current trading performance of the Group and the likely capital expenditure and working capital requirements of its growth plans.

After reviewing these cash flow forecasts and making enquiries, the Directors are confident that the Company and the Group will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the accounts. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Judgements and estimates

In preparing this preliminary announcement, management have made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Impairment

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For example, shop fittings and right-of-use assets may be impaired if sales in that shop fall. When a review for impairment is conducted the recoverable amount is estimated based on the higher of the value-in-use calculations or fair value less costs of disposal. Value-in-use calculations are based on management's estimates of future cash flows generated by the assets and an appropriate discount rate. Consideration is also given to whether the impairment assessments made in prior years remain appropriate based on the latest expectations in respect of recoverable amount. Where it is concluded that the impairment has reduced, a reversal of the impairment is recorded to the carrying value that would have been recognised if the original impairment had not occurred, net of depreciation that would have been charged.

The Group has traded profitably throughout 2023, growing volumes and increasing underlying profit before tax by 13.1% to £167.7 million. As such there is not considered to be a global indicator of impairment across the Group's asset base. Where indicators of impairments exist for specific cash generating units (CGUs), with each individual shop considered its own CGU, then an impairment review has been performed to calculate the recoverable value.

For those shops with indications of impairment, the value-in-use has been calculated using the following assumptions:

- Cash generation for mature shops has been assumed to grow at a rate of 3.0% for year one of the period of the impairment review, reducing steadily to 0.0% for year six onwards.
- Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) is used as a proxy for net cash flow excluding rental payments;
- The discount rate is based on the Group's pre-tax cost of capital and at 30 December 2023 was 9.9% (31 December 2022: 9.6%); and
- Consideration of the appropriate period over which to forecast cash flows, including reference to the lease term. Where considered appropriate cash flows have been included for periods beyond the lease probable end date (to a maximum of five years in accordance with IAS 36).

On the basis of these value-in-use calculations, a net impairment charge of £3.9 million has been recognised during the current year (of which £1.4 million relates to fixtures and fittings and £2.5 million relates to right-of-use assets) resulting in an impairment provision of £6.8 million being retained at 30 December 2023 in respect of 118 shops (of which £2.8 million relates to fixtures and fittings and £4.0 million relates to right-of-use assets).

Given the uncertainties in the impairment model, the sensitivities of these assumptions on the impairment calculation have been tested:

- A 1% increase in the discount rate would result in an increased impairment of £0.4 million, with an additional seven shops impaired. A 1% decrease in the discount rate would result in a reduced impairment of £0.3 million, with four fewer shops impaired.
- A 5% increase in the growth assumption for net cash flow (per annum) would result in a reduced impairment of £1.2 million with ten fewer shops impaired. A 5% decrease in the growth assumption would result in an increased provision of £2.2 million with an additional 26 shops impaired.

Determining the rate used to discount lease payments

At the commencement date of property leases the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease. However, if that rate cannot be readily determined, which is generally the case for property leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. As the Group had no suitable external borrowings from which to determine that rate, judgement is required to determine the incremental borrowing rate to be used. At the start of each month a risk-free rate is obtained, linked to the length of the lease and an adjustment is then made to reflect credit risk. During the year discount rates in the range 4.4% to 6.8% (2022: 2.5% to 5.9%) were used. Small changes in the discount rate would have an immaterial impact on the accounts. A 0.1% change in the discount rate used for each lease is estimated to adjust the total liabilities by c. £1.5 million.

Determining the lease term of property leases

At the commencement date of property leases the Group normally determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised and it is not reasonably certain that the Group will continue in occupation for any period beyond the lease term. Leases are regularly reviewed and will be revalued if it becomes reasonably certain that a break clause or option to extend the lease will be exercised.

The leases typically run for a period of 10 or 15 years. In England and Wales, the majority of the Group's property leases are protected by the Landlord and Tenant Act 1954 (LTA) which affords protection to the lessee at the end of an existing lease term.

Judgement is required in respect of those property leases where the current lease term has expired but the Group has not yet renewed the lease. Where the Group believes renewal to be reasonably certain and the lease is protected by the LTA it will be treated as having been renewed at the date of termination of the previous lease term and on the same terms as the previous lease. Where renewal is not considered to be reasonably certain the leases are included with a lease term which reflects the anticipated notice period under relevant legislation. The lease will be revalued when it is renewed to take account of the new terms. As at 30 December 2023 the financial effect of applying this judgement was an increase in recognised lease liabilities of £36.0 million (31 December 2022: £45.1 million).

2. Segmental analysis

The Board is considered to be the 'chief operating decision maker' of the Group in the context of the IFRS 8 definition. In addition to its company-managed retail activities, the Group generates revenues from its business to business (B2B) channel which includes franchise and wholesale activities. Both channels were categorised as reportable segments for the purposes of IFRS 8.

Company-managed retail activities – the Group sells a consistent range of fresh bakery goods, sandwiches and drinks in its own shops or via delivery. Sales are made to the general public on a cash basis. All results arise in the UK.

B2B channel – the Group sells products to franchise and wholesale partners for sale in their own outlets as well as charging a licence fee to franchise partners. These sales and fees are invoiced to the partners on a credit basis. All results arise in the UK.

All revenue in 2023 and 2022 was recognised at a point in time.

The Board regularly reviews the revenues and trading profit of each segment. The Board receives information on overheads, assets and liabilities on an aggregated basis consistent with the Group accounts.

	2023	2023	2023	2022	2022	2022
	Retail company- managed shops	Business to business	Total	Retail company- managed shops	Business to business	Total
	£m	£m	£m	£m	£m	£m
Revenue	1,610.9	198.7	1,809.6	1,352.3	160.5	1,512.8
	=====	=====	=====	=====	=====	=====
Trading profit*	250.1	41.1	291.2	224.6	31.3	255.9
Overheads including profit share			(119.5)			(101.5)
			-----			-----
Operating profit before exceptional items			171.7			154.4
Finance expense (net)			(4.0)			(6.1)
			-----			-----
Profit before tax (excluding exceptional items)			167.7			148.3
Exceptional items (see note 3)			20.6			-
			-----			-----
Profit before tax			188.3			148.3
			=====			=====

* Trading profit is defined as gross profit less supply chain costs and retail costs (including property costs) and before central overheads.

3. Exceptional item

The exceptional item relates to:

- a net gain of £16.3 million on the settlement of a Covid business interruption insurance claim. The net gain is recognised after deduction of fees payable to advisers and the £2.5 million advance already recognised as income in 2020;
- a net gain of £4.0 million on the settlement of a business interruption insurance claim relating to flooding at the Treforest bakery in 2020;
- the £0.3m release of a previous provision for onerous leases no longer required.

4. Taxation

Recognised in the income statement

	2023 Excluding exceptional items £m	2023 Exceptional items (see note 3) £m	2023 Total £m	2022 Total £m
Current tax				
Current year	12.2	4.8	17.0	14.1
Adjustment for prior years	0.7	-	0.7	(0.2)
	12.9	4.8	17.7	13.9
Deferred tax				
Origination and reversal of temporary differences	29.0	-	29.0	14.1
Adjustment for prior years	(0.9)	-	(0.9)	0.0
	28.1	-	28.1	14.1
Total income tax expense in income statement	41.0	4.8	45.8	28.0

5. Earnings per share

Basic earnings per share

Basic earnings per share for the 52 weeks ended 30 December 2023 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the 52 weeks ended 30 December 2023 as calculated below.

Diluted earnings per share

Diluted earnings per share for the 52 weeks ended 30 December 2023 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted for the effects of all dilutive potential ordinary shares (which comprise share options granted to employees) in issue during the 52 weeks ended 30 December 2023 as calculated below.

Profit attributable to ordinary shareholders

	2023 Excluding exceptional items £m	2023 Exceptional items (see note 3) £m	2023 Total £m	2022 Total £m
Profit for the financial year attributable to equity holders of the Parent	126.7	15.8	142.5	120.3
	=====	=====	=====	=====
Basic earnings per share	125.0p	15.6p	140.6p	118.5p
Diluted earnings per share	123.8p	15.4p	139.2p	117.5p

Weighted average number of ordinary shares

	2023 Number	2022 Number
Issued ordinary shares at start of year	102,112,581	101,897,021
Effect of own shares held	(879,975)	(511,370)
Effect of shares issued	86,106	100,009
Weighted average number of ordinary shares during the year	101,318,712	101,485,660
Effect of share options in issue	977,753	849,222
Weighted average number of ordinary shares (diluted) during the year	102,296,465	102,334,882
	=====	=====

6. Dividends

The following tables analyse dividends when paid and the year to which they relate:

	2023 Per share pence	2022 Per share pence
2021 special dividend	-	40.0p
2021 final dividend	-	42.0p
2022 interim dividend	-	15.0p
2022 final dividend	44.0p	-
2023 interim dividend	16.0p	-
	60.0p	97.0p
	=====	=====

The proposed final dividend and special dividend in respect of 2023 amount to 46.0 pence (£46.6 million) and 40.0 pence (£40.6 million) respectively. These dividends are not included as a liability in these accounts.

	2023 £m	2022 £m
2021 special dividend	-	40.6
2021 final dividend	-	42.7
2022 interim dividend	-	15.2
2022 final dividend	44.6	-
2023 interim dividend	16.2	-
	<hr/> 60.8 =====	<hr/> 98.5 =====

7. Related parties

The Group has a related party relationship with its subsidiaries, associates, Directors and executive officers and pension schemes.

There have been no related party transactions in the year which have materially affected the financial position or performance of the Group.

8. Principal risks and uncertainties

We have a risk management policy and framework in place, both of which have been approved by the Board. This provides us with a robust structure and drives a consistent approach.

Our risk process works “top down” and “bottom up”. Risks are identified by considering potential events which could prevent the achievement of our objectives.

The Operating Board is responsible for maintaining the overall corporate risk map, which documents the key risks to the achievement of strategic objectives. We conduct a formal review of our key strategic risks twice a year via the Risk Committee, with input from each of the risk owners who have an opportunity to highlight any changes. This allows us to discuss the risk gradings, and ensure that the level of risk remains consistent with our risk appetite. The Risk Committee also considers new risks escalated to it at every meeting, and assesses whether or not these are significant enough to merit inclusion on the strategic risk register.

The risk process is facilitated by members of the Business Assurance team, who help identify and assess key risks, as well as providing support in developing an appropriate risk response. The team also provides a route for matters of concern to be quickly escalated to the Operating Board and the Risk Committee. In addition, Business Assurance provides an independent view on the controls in place over specific risk areas within the internal audit plan.

Risks are assessed under our strategic pillars (including the Greggs Pledge), and are categorised into four broad groups – strategic, operational, financial and legal / regulatory. Our strategic risk register captures a description of each risk, and allocates an Operating Board member as risk owner. Each risk owner is responsible for ensuring that appropriate mitigating controls are in place. We then set out key controls for each risk, and make an assessment of their effectiveness. The likelihood and impact of each risk arising is then calculated, both before and after the introduction of mitigating controls.

Developments in 2023

During 2023, we further embedded our Enterprise Risk Management ('ERM') approach, principally through more regular and structured engagement with our heads of business functions. They have had input into the identification of new and emerging risks, as well as opportunities to raise any specific areas of concern. Risk workshops have been held for our strategic risks, involving the risk owner and all relevant subject matter experts, to ensure that the content of the register remains accurate and up to date.

We have worked with our insurance brokers in conducting an overall review of our approach to insurance, a significant mitigating control against a number of our strategic risks. This has given us assurance that our insurance model is fit for purpose and offers value for money. Our brokers also supported us with facilitating a Board risk workshop during the year. This provided detail on our risk management approach and framework, linking to the UK Corporate Governance Code. Board members then reviewed our existing strategic risks, discussed risk appetite, and considered any new and emerging risks.

We recruited additional resource within the Business Assurance team to ensure that we are able to continue to support risk management development across the growing business. Work has been undertaken to further develop our strategic risk register, to better align it with the needs of the business. Although now more user friendly, there is still opportunity for improvement, and we continue to build on our existing model.

Plans for 2024

Sessions with heads of business functions will continue, and we will also increase our engagement with the functional management teams, which will help to widen our knowledge base.

We will review our approach to risk appetite, and apply an assessment to each category of risk, rather than considering it on a risk-by-risk basis.

With regard to specific areas of risk, our Greggs Pledge commitments will be scrutinised and a risk register entry completed for each. We will also document our fraud risk and ensure that this is properly managed.

Climate risks

We are continuing to develop our understanding of material climate-related risks and opportunities. Physical and transition risks have been identified and are being monitored as a standing item on our Risk Committee agenda. A "failure to effectively respond to climate related impacts on our business" has been included within our strategic risk register, allowing us to document and monitor the associated controls as part of our routine risk approach. We remain of the view that climate risk does not constitute a principal risk to the business within the time horizon of our current strategic plan. However, we keep under review changes, particularly in legislation and customer preferences, to identify any increase in the level of risk.

Emerging risks

We conduct an emerging risk review on a quarterly basis, and report our findings to the Risk Committee and the Board. Various sources of information are used to ensure this is as complete as possible:

- Horizon scanning by subject matter experts throughout the business, with issues identified being escalated to our Operating Board via a monthly risk dashboard;
- Engaging with our functional heads to discuss any areas of concern within their remit;

- Monitoring customer and consumer trends;
- Taking input from our advisors and other specialists with whom we work.

Current areas of emerging and escalating risks which we are monitoring include supplier or partner actions damaging our reputation, reliance on third parties for business critical systems and economic pressures.

Risk appetite

Risk appetite is the level of risk which we are prepared to take to meet our strategic objectives. In determining this, we recognise that there is a balance between a prudent approach to risk and sufficient flexibility to take appropriate opportunities when they arise.

Our appetite for taking risks depends on the category of risk in question. For example, we would be prepared to take more risk in the pursuit of our strategy than in areas such as food safety, where compliance with legislation drives a zero tolerance of risk. We assess our appetite on an individual risk basis, and then determine whether the current level of risk is within our acceptable tolerance, before identifying further mitigating action if necessary.

Changes to principal risk disclosures

A principal risk is a risk or combination of risks that can seriously affect our performance, future prospects or reputation. Not all of our strategic risks are considered to be principal risks, only those which would have a significant impact on our ongoing viability within the timeframe of our strategic plan.

There have been no significant changes to our principal risks during 2023. Changes made within our strategic risk register had the aim of improving visibility of controls, and clarifying risk ownership, through sub-dividing existing risks into two or three. However, this does not impact on the principal risk which remains consistent.

The following table sets out the principal risks, shows the movement during the year, and describes the impact and key mitigations. The list is not in priority order, and does not include all the risks which are faced by the business. Other risks which are not included here could also have a negative impact on the business, including those which are not presently known to us. The position described below is a summary at the time of publishing this report.

Principal risks and uncertainties

Risk & description	Impact	Key mitigations	Strategic Pillars	Movement
Business interruption event				
<p>We could suffer a significant business interruption event impacting one or more of our key locations. For example a prolonged power outage, denial of access or an incident resulting in physical damage.</p> <p>Operational</p>	<p>We would potentially be unable to supply our customers for a period of time. This could impact our own customers, those of our franchise partners, and also our wholesale sales through Iceland.</p>	<p>We have contingency plans in place for our sites, which are tested periodically. This includes prioritising our key lines in the event of any issues.</p> <p>Our diversified product range from multiple production sites provides alternatives for our customers.</p> <p>We have flexibility within our network, to enable us to continue our operations.</p> <p>Insurance cover is in place, and we liaise closely with insurers, particularly when designing new sites or improving existing premises.</p>	<p>1,2,3 4,5</p>	<p>No change</p>

Risk & description	Impact	Key mitigations	Strategic Pillars	Movement
Supply chain disruption				
<p>External supply could be interrupted, resulting from issues such as third party business interruption, or unexpected product shortage.</p> <p>Operational</p>	<p>A prolonged outage at one of our key suppliers could impact on our ability to produce some of our range, or otherwise affect our ability to operate.</p>	<p>We avoid single-source supply for key ingredients.</p> <p>In the event of interruptions, we are agile in our response to implementing contingency plans. These are regularly tested.</p> <p>Relationships with suppliers are managed centrally by our Procurement teams, including a risk assessment process</p>	<p>1,2,3 4,5</p>	<p>No change</p>
Cyber & data security incident				
<p>A cyber incident may occur which impacts on our IT infrastructure.</p> <p>The external threat environment is constantly evolving.</p> <p>Operational</p>	<p>We could suffer a significant loss of data, resulting in litigation and fines.</p> <p>Our operations could be disrupted for a period of time.</p>	<p>Third parties provide expertise and support, including regular penetration testing and a Security Operations Centre monitoring our networks around the clock.</p> <p>Our technical measures are constantly reviewed and updated in line with changing requirements and recognised information security control sets. An independent assurance programme is in place to review this.</p> <p>Ongoing training and advice are provided to our colleagues to improve awareness and strengthen our detection and prevention capabilities.</p>	<p>2,3,4</p>	<p>Increased</p>

Risk & description	Impact	Key mitigations	Strategic Pillars	Movement
Prolonged system downtime/ interruption				
<p>As we streamline the business and embrace greater flexibility in our working arrangements, we increase our reliance on technology. Any system interruption becomes more disruptive, with an increased risk of it having an impact on business operations.</p> <p>Operational</p>	<p>We may be unable to run our production systems for a period of time. This could ultimately impact on our ability to supply our shops.</p> <p>Data maybe unavailable or lost, making it difficult for us to operate.</p>	<p>We continue to invest in our IT infrastructure, including utilising cloud based solutions and increasing resilience within our network.</p> <p>We have established disaster recovery processes which are tested periodically.</p> <p>Our Enterprise Resource Planning system incorporates multiple layers of resilience.</p> <p>External partners are engaged to provide specialist support and expertise when required.</p>	2,3,4	No change
Deterioration of relationship with key partner				
<p>We continue to work closely with franchise, wholesale and delivery partners in order to broaden our service offer into locations where our customers want us to be. There is a risk that our strategy and goals are not fully aligned.</p> <p>Strategic</p>	<p>A lack of alignment could result in targets not being met, due to performance not being optimised. The brand's reputation could be damaged, and the relationship would be put at risk.</p>	<p>We work with a number of respected partners, and are continuing to broaden the range of businesses with whom we operate. This reduces the reliance on any one individual partner.</p> <p>Contracts and service level agreements are in place, along with a robust onboarding process for new partners. Ongoing performance is measured.</p> <p>Regular dialogue ensures an alignment of goals, and early identification of any issues.</p>	1,2,3 4	No change

Risk & description	Impact	Key mitigations	Strategic Pillars	Movement
Ability to attract / retain / motivate people				
<p>Our people are an essential part of our business and our culture. Particularly in the current environment, we may be unable to attract and retain the right talent within Greggs.</p> <p>Operational</p>	<p>We may be unable to continue to deliver the product range and service standards that our customers want and expect from us.</p> <p>The loss of existing resource results in additional recruitment, which in turn creates workload and training requirements. Ultimately, we may be unable to grow the business in line with our strategy</p>	<p>We recognise that our people are a key asset to the business, and offer competitive packages, along with extensive training and development opportunities.</p> <p>Colleagues have a range of ways to communicate their ideas for improvement, including annual opinion surveys, listening groups and networks focusing on minorities.</p> <p>Our succession planning process has been extended to encompass our wider management teams.</p> <p>Recruitment processes have been improved to allow us to fill vacancies quickly and effectively.</p>	<p>1,2,3 4,5</p>	<p>No change</p>

Risk & description	Impact	Key mitigations	Strategic Pillars	Movement
<p>Damage to reputation</p> <p>As we grow our social media presence, and engage more with our customers, there is a risk of damage to our brand if we fail to respond quickly and appropriately to an incident.</p> <p>Strategic</p>	<p>Customers could lose their trust in the brand, ultimately impacting on our ability to grow our estate and achieve our objectives. Shareholder value could be reduced.</p>	<p>We have a robust crisis management process in place, which we test regularly. This is supported by appropriate third parties (such as PR agencies) where specialist advice is required.</p> <p>Brand risk has been considered as a “deep dive” topic by our Risk Committee</p> <p>All of our shops are required to follow established procedures, to ensure that our food complies with required standards.</p> <p>Our audit team assess compliance with standards, across both company-operated and franchise shops.</p>	<p>2,3</p>	<p>No change</p>

Risk & description	Impact	Key mitigations	Strategic Pillars	Movement
Significant Food Safety incident / product quality issue				
<p>We may produce and/or sell products which are unsafe, or not of the appropriate quality. This could be a result of incorrect labelling of allergens, product contamination, or a failure to correctly follow procedures.</p> <p>Operational</p>	<p>There could be harm to our customers or colleagues.</p> <p>Our reputation as a trusted brand could be significantly impacted, which in turn would affect our financial performance. We could also be exposed to significant fines.</p>	<p>All new external suppliers require formal approval.</p> <p>All ingredients and products have specifications, to ensure consistency.</p> <p>Allergen risk assessments are in place.</p> <p>Our teams are trained, with specialists able to provide additional knowledge.</p> <p>We have a Primary Authority relationship in place, which gives independent assurance that our processes and procedures are adequate.</p> <p>Audits are undertaken by our internal teams, and external bodies, with a focus on food safety.</p> <p>Our complaints process ensures all matters are investigated. When a root cause identified, we take action to address it.</p>	<p>1,2,3 4,5</p>	<p>No change</p>

Risk & description	Impact	Key mitigations	Strategic Pillars	Movement
Changes in the regulatory landscape				
<p>New regulatory requirements could be implemented, driven by environmental, health or other concerns.</p> <p>Legal / Regulatory</p>	<p>It may be necessary for us to make changes to our product range. Without the ability to respond quickly, we could lose market share.</p> <p>We believe that we may have greater exposure in some areas than our competitors.</p>	<p>Regular horizon scanning activities are undertaken by our teams, and we receive advisory information across all professional disciplines.</p> <p>We engage with Trade Associations and government bodies to ensure we are updated with developments.</p> <p>Participating in industry forums gives us an opportunity to influence decision-making.</p>	1,2,3 4	No change

“Strategic Pillars” key:

- 1 Great tasting, freshly prepared food
- 2 Best customer experience
- 3 Competitive supply chain
- 4 First class support teams
- 5 The Greggs Pledge

9. Alternative Performance Measures

The Group uses alternative performance measures ('APM's) which, although financial measures of either historical or future performance, financial position or cash flows, are not defined or specified by IFRSs. The Directors use a combination of these APMs and IFRS measures when reviewing the performance, position and cash of the Group.

Like-for-like (LFL) sales growth – compares year-on-year cash sales in our company-managed shops, with a calendar year’s trading history and is calculated as follows:

	2023 £m	2022 £m
Current year LFL sales	1,444.3	1,239.8
Prior year LFL sales	1,270.0	1,052.2
Growth in LFL sales	<u>174.3</u> =====	<u>187.6</u> =====
LFL sales growth percentage	13.7%	17.8%

Return on capital employed - calculated by dividing profit before tax by the average total assets less current liabilities for the year.

	2023	2023 Including exceptional items (see note 3)	2022
	Underlying £m	£m	Total £m
Profit before tax	167.7	188.3	148.3
	=====	=====	=====
Capital employed:			
Opening	730.3	730.3	681.5
Closing	857.2	857.2	730.3
	-----	-----	-----
Average	793.8	793.8	705.8
	=====	=====	=====
Return on capital employed	21.1%	23.7%	21.0%

Net cash inflow from operating activities after lease payments - calculated by deducting the repayment of principal of lease liabilities from net cash flow from operating activities

	2023 £m	2022 £m
Net cash inflow from operating activities	310.8	251.5
Repayment of principal of lease liabilities	(53.7)	(52.7)
	-----	-----
Net cash inflow from operating activities after lease payments	257.1	198.8
	=====	=====

Ratio of IFRS16 'right of use' charges on leased property assets to company-managed shop sales – calculated by dividing land and buildings right-of-use asset charges by company-managed shop turnover

	2023 £m	2022 £m
Company-managed shop turnover	1,610.9	1,352.3
	=====	=====
Land and buildings right-of-use assets depreciation	54.5	51.6
Land and buildings right-of-use assets interest charge	9.6	6.8
	-----	-----
Right-of-use asset charges	64.1	58.4
	=====	=====
	4.0%	4.3%
	=====	=====