



1 August 2023

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

INTERIM RESULTS FOR THE 26 WEEKS ENDED 1 JULY 2023

Strategic growth plans delivering strong performance

First half financial highlights

	<u>H1 2023</u>	<u>H1 2022</u>
Total sales	£844.0m	£694.5m
Underlying pre-tax profit excluding exceptional items *	£63.7m	£55.8m
Pre-tax profit	£80.0m	£55.8m
Underlying diluted earnings per share excluding exceptional items*	46.8p	44.8p
Diluted earnings per share	59.0p	44.8p
Ordinary interim dividend per share	16.0p	15.0p

* Excludes impact of £16.3 million exceptional net income related to settlement of a Covid business interruption insurance claim

- Total first-half sales up 21.5%, with company-managed shop LFL** sales up 16.0%
- Underlying profit before tax excluding exceptional items up 14.2% to £63.7 million.
- Reported pre-tax profit includes an additional £16.3 million of exceptional net income recognised in respect of the settlement of a Covid business interruption insurance claim
- Strong cash position of £139 million supporting plans for future investment in growth
- Underlying earnings growth of 4.5% reflects increase in Corporation Tax rate
- Interim dividend of 16 pence per share declared, an increase of 6.7%

** Like-for-like (LFL) company-managed shop sales performance against comparable period in 2022

Strategic progress

- **Growing and developing the Greggs estate:** 94 new shops opened in the first half, 44 closures; 2,378 shops trading as at 1 July 2023. Strong pipeline of good opportunities and continue to anticipate circa 150 net new shop openings in 2023.
- **Expanding our evening trade:** continued extension of early evening trading progressing in line with plan. Evening remains the fastest growing daypart and, in the first half, represented 8.3% of company-managed shop sales (H1 2022: 6.5%).

- **Developing our digital channels:** good progress in improving operational service levels for delivery customers. Trial with second delivery aggregator progressing well.
- **Broadening customer appeal and driving loyalty:** continued growth in brand health and market share. Further increase in Greggs App participation: 10.6% of company-managed shop transactions scanned in first half (H1 2022: 5.2%).
- **Supply chain investment:** commenced redevelopment of Birmingham distribution centre, extension of Amesbury distribution centre due to start in the second half. Fourth savoury production line at Balliol Park in Newcastle upon Tyne due to be commissioned in the fourth quarter.

Outlook

The strong trading momentum of the first half has continued into the second half of the year, with good sales reflecting the exceptional value that Greggs offers to customers who need food and drink on-the-go. The rate of cost inflation has started to ease and we expect this trend to continue through the second half.

Whilst uncertainties in the economic outlook remain, we continue to trade in line with our plan and are making good progress against our strategic objective to grow the frequency of customer visits through new channels. As such, the Board's expectations for the full year outcome are unchanged.

“Greggs strong performance continued in the first half of 2023 as we deliver on our strategic growth plan. With consumers remaining under pressure, we continue to offer exceptional value, which is reflected in our performance and growing market share.

“In the period we continued to open further new shops, extended trading hours into the evening and saw increased participation in the Greggs App.

“Our ambitious plans for growth are on track and our amazing teams are committed to realising the opportunity to become a significantly larger, multi-channel business.”

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

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

CHIEF EXECUTIVE'S REPORT

Greggs has continued to trade well in 2023 with like-for-like sales in company-managed shops growing by 16.0% when compared with the equivalent period of 2022. Total sales for the 26 weeks to 1 July 2023 were £844.0 million, an increase of 21.5% (H1 2022: £694.5 million).

We continue to make good progress with our strategic growth plan, which is centred around 1) growing and developing our estate; 2) expanding our evening trade; 3) developing our digital services; 4) broadening customer appeal and driving loyalty. These objectives are underpinned by investment in our supply chain and systems which will enable us to drive progress and growth across our business.

Operational review

The first half of 2023 saw Greggs deliver a strong sales performance. At a time when consumers are under pressure, our long-standing focus on providing outstanding value on-the-go food and drink is as relevant as ever. The LFL performance for the first two months of the year was flattered by comparison with the Omicron-affected period in 2022 and the actions we have taken to make Greggs available in more channels and at more times of day continue to result in additional customer visits.

Our new Flatbread Range, including Mexican Chicken and Vegan Tandoori Chicken-Free has performed well and, alongside the new Sweet Chilli Chicken Noodle Salad, extends our range of healthier options for customers. Plant-based foods are contributing more significantly to our range over time and the introduction of new options such as the Vegan Mexican Chicken-Free Bake are testament to this trend. Pizza continues to be in high demand, particularly in the evening and our Late Trade Pizza Deal is proving to be very popular.

In the first half of 2023 we opened 94 new shops (including 33 franchised units) and closed 44 shops, giving a total of 2,378 shops (of which 466 are franchised) trading as at 1 July 2023. We have increased the pace of both openings and closures as we expand the reach of our shops into new locations and relocate existing shops to larger sites in better locations to facilitate further growth. The phasing of shop closures was unusual in its weighting towards the first half of the year. However, we have a strong new shop pipeline and we remain confident that we will open around 150 net new shops in the year as a whole.

Greggs has a growing presence in travel hubs and in the first half we opened shops at Glasgow and Cardiff Airports as well as Shepherds Bush and Canary Wharf Underground stations. Last week we opened our latest airport unit at London Gatwick Airport's South Terminal.

In the first half of 2023 we refurbished 71 shops, modernising them to our latest look and enhancing their capability for food preparation and digital collection. We anticipate completing around 140 shop refurbishments, 125 company-managed and 15 franchised, in 2023 (2022: 86 refurbishments).

Strategic development

Growing and developing the Greggs estate

Our assessment of catchments across the UK continues to support our ambition to have significantly more than 3,000 shops in the Greggs estate. Our confidence in this opportunity is underpinned by recent success in catchments where Greggs is underrepresented such as retail parks, railway stations, airports, roadsides and supermarkets. We now have shops trading in Tesco, Asda and Sainsburys supermarkets, with plans for further development.

Greggs is a trusted brand offering a strong covenant to landlords and franchise partners and this continues to support the strength of our shop pipeline. We are on track to deliver 150 net new shop openings in 2023 with around a third of these expected to be with franchise partners, in line with the trend in recent years. We now work with 16 franchise partners who recognise the value that the Greggs brand brings to the catchments in which they operate.

Evening trade

We have continued to grow sales in the evening daypart. This remains a significant opportunity for Greggs as it is the largest segment of the food-to-go market by value, yet the one where Greggs currently has the lowest level of penetration. In the first half of 2023, post-4pm sales grew more strongly than any other daypart, and represented 8.3% of company-managed shop sales, up from 6.5% in the first half of 2022. The extension of trading hours supported evening growth and we also saw increased levels of trade post-4pm in existing opening hours as customers recognise the convenience and value of our offer later in the day.

Analysis of customer missions in the evening food-to-go market suggests that 'Grab & Go' and 'Delivery' occasions represented more than three quarters of the market in 2022 (source: Circana). Our shop estate and existing menu are well positioned to serve Grab & Go customers with key locations being transport hubs, city centres, shopping centres and retail parks. In addition, suburban shops offer a significant opportunity to grow our share of the evening delivery market. Over time our new shops, relocation and refurbishment programmes are all adding further seating capacity for customers who choose to dine in.

Digital channels

Our multi-channel development strategy has progressed well in the period, with a new and improved Click + Collect website ready to launch, improving the customer experience through the order process. Improved operational service levels, combined with adaptation of shop pick-up points, are making for a better collection experience for our customers. With the expansion of personalisation options and the convenience that this channel offers we expect to continue to see growing participation from our customers.

Delivery sales remain an important opportunity and we made good progress in the first half improving operational service levels through our existing partnership with Just Eat. Our 30-shop trial with a second delivery aggregator is progressing well.

Broadening customer appeal and driving loyalty

Greggs brand health and market share metrics continue to improve further from the record levels reported in 2022. In particular, our reputation for value remains sector-leading, reflecting our focus on delivering exceptional prices relative to the market. The evolution of our range to include more plant-based and hot food and drink options is important in broadening our appeal to more consumers at more times of day.

We have continued to invest in enhancing our customer relationship management capabilities in the first half of the year, focusing on customer journeys such as onboarding, retention and reactivation. Our growing digital data and analytics capability is enabling us to understand better the needs of our customers and provide them with more tailored, relevant communication. Growth in use of the Greggs App has continued, with 10.6% of company-managed customer transactions scanned in the first half of 2023 (H1 2022: 5.2%). Analysis of customer behaviour continues to indicate that the additional rewards offered to App users are more than compensated by increased frequency of purchase.

Investing in our supply chain and technology for a bigger business

To facilitate our strategic growth plan, we are investing in our supply chain and in technology. We are on track to add additional manufacturing capacity for our iconic savoury rolls and bakes at Balliol Park in Newcastle upon Tyne, with a fourth production line due to be commissioned in the fourth quarter.

We have commenced the redevelopment of our Birmingham distribution centre, and work to extend our distribution centre in Amesbury is due to start in the second half of 2023. This will add additional logistics capacity to our network by the end of 2024. Good progress is being made on the identification of sites for the development of a national distribution centre and further manufacturing and frozen storage facilities.

Our investment in technology continues to drive improved processes and provide greater insight from our data. We have also rolled out new EPOS tills across our shop estate, which will enable improved management of pricing and promotions.

The Greggs Pledge

Our separate sustainability report details the progress made in 2022 on the objectives of the Greggs Pledge, our commitment to continue to improve our ESG credentials in ten key areas by the end of 2025. In the first half of 2023 we continued to make good progress across the broad range of commitments, including opening a further three “Outlet” shops to provide affordable food in areas of social deprivation, with a share of profits also given to local community organisations. As we continue to make good progress against our Pledge objectives for 2025 we are also ensuring that we have in place ambitious targets for the period beyond 2025. In doing so we are assessing the next stage of our Pledge journey for the period 2025 to 2030 and look forward to providing further details on this in due course.

Financial performance

Total sales for the 26 weeks to 1 July 2023 were £844.0 million (H1 2022: £694.5 million). Like-for-like sales in company-managed shops grew by 16.0%.

Underlying pre-tax profit (excluding a £16.3 million exceptional gain, discussed below) was £63.7 million in the first half of 2023 (H1 2022: £55.8 million). The year-on-year progression was supported by a strong start to the year in January and February where the sales comparatives in 2022 reflected the impact of Omicron. Sales and profit progression normalised through the remainder of the first half in line with our plan. The level of interest income also grew by £2.5 million as a result of improved deposit rates on the cash we have earmarked for our supply chain capital investment.

Cost inflation, particularly in food and packaging commodities, continued to be a feature of the first half of 2023 but is expected to ease somewhat as we annualise on the significant mid-year increases seen in 2022. Overall like-for-like cost inflation was 11% in the first half of 2023 and we expect this to reduce to around 7% in the second half, averaging around 9% for the year as a whole, in line with our previously communicated expectations. Looking forward we have around four months' forward purchasing cover on requirements for food, packaging and energy input costs. The underlying net profit margin before taxation in the first half of 2023 was 7.5% (H1 2022: 8.0%).

Our investments to grow the frequency of customer visits through new channels and dayparts improve the leverage of our existing shop base, delivering strong returns on capital. Delivering a healthy return on capital employed (ROCE) is embedded as a key element of our performance management and we aim to continue to deliver strong overall returns as we grow the business further. Capacity utilisation in our supply chain is currently at a historically high level and this will normalise as we commission new facilities in the coming years. Whilst this is likely to have a modest impact on ROCE in the short term, this investment supports our long-term growth ambitions, with our plans focused on a highly-efficient supply chain model that supports the business's long-term record of delivering strong returns on capital.

The net financing expense of £1.7 million in the period (H1 2022: £3.2 million) comprised £4.2 million in respect of the IFRS 16 interest charge on lease liabilities, £0.4 million of facility charges under the Company's (undrawn) financing facilities offset by £2.9 million of interest received on bank deposits and the Company's defined benefit pension scheme surplus.

Statutory pre-tax profit was £80.0 million (H1 2022: £55.8 million), reflecting an exceptional net gain of £16.3 million on the settlement of our 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.

The effective rate of Corporation Tax on underlying profits for the period was 24.9% (H1 2022: 17.7%) with the year-on-year change reflecting the increase in the headline rate of UK corporation tax from 19% to 25% from 1 April of this year and the discontinuance of 'super-deduction' enhanced capital allowances from the same date. The introduction of temporary 'full expensing' of capital expenditure for the period from April 2023 to April 2026 will add c1.0% to the previously-expected effective rate for this year only as deferred tax is provided for at 25%. Including the exceptional net gain the effective rate of Corporation Tax on profits for the period was 24.6%.

Underlying diluted earnings per share (excluding the exceptional gain) for the period were 46.8 pence (H1 2022: 44.8 pence). Including the exceptional gain diluted earnings per share for the period were 59.0 pence (H1 2022: 44.8 pence).

Capital expenditure and financial position

Capital expenditure during the first half was £85.6 million (H1 2022: £41.9 million) as we increased investment in line with our estate growth and development plans, added additional savoury manufacturing capacity at our Balliol Park site and commenced the redevelopment of our Birmingham distribution centre to increase logistics capacity. In the balance of the year we will continue the development of our retail estate and savoury manufacturing capacity and commence work to extend the capacity of our Amesbury distribution centre. Our full year guidance of circa £200 million capital expenditure is unchanged.

We continue to carry a higher-than-normal cash position in order to self-fund the multi-year investment in our significant growth programme and ended the period with a cash balance of £138.6 million (2 July 2022: £145.7 million). In addition, the Company has access to a revolving credit facility that 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 of £70 million). The half year cash balance does not include the exceptional insurance settlement, which was received after the balance sheet date.

Dividend

The Board has declared an interim dividend of 16.0 pence per share (2022: 15.0 pence), consistent with the first-half increase in earnings per share. The overall ordinary dividend for the year will be proposed in line with our progressive dividend policy, which targets a full year ordinary dividend that is around two times covered by underlying earnings.

The interim dividend will be paid on 6 October 2023 to those shareholders on the register at the close of business on 8 September 2023.

Outlook

The strong trading momentum of the first half has continued into the second half of the year, with good sales reflecting the exceptional value that Greggs offers to customers who need food and drink on-the-go. The rate of cost inflation has started to ease and we expect this trend to continue through the second half.

Whilst uncertainties in the economic outlook remain, we continue to trade in line with our plan and are making good progress against our strategic objective to grow the frequency of customer visits through new channels. As such, the Board's expectations for the full year outcome are unchanged.

Roisin Currie
Chief Executive
1 August 2023

Greggs plc
Consolidated income statement
For the 26 weeks ended 1 July 2023

	26 weeks ended 1 July 2023	26 weeks ended 1 July 2023	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
	Excluding exceptional items	Exceptional items (see Note 4)	Total	Total	Total
	£m	£m	£m	£m	£m
Revenue	844.0	-	844.0	694.5	1,512.8
Cost of sales	(329.7)	-	(329.7)	(260.7)	(574.5)
Gross profit	514.3	-	514.3	433.8	938.3
Distribution and selling costs	(408.0)	-	(408.0)	(339.3)	(713.2)
Administrative expenses	(40.9)	-	(40.9)	(35.5)	(70.7)
Other income	-	16.3	16.3	-	-
Operating profit	65.4	16.3	81.7	59.0	154.4
Finance expense (net)	(1.7)	-	(1.7)	(3.2)	(6.1)
Profit before tax	63.7	16.3	80.0	55.8	148.3
Income tax	(15.9)	(3.8)	(19.7)	(9.9)	(28.0)
Profit for the period attributable to equity holders of the parent	47.8	12.5	60.3	45.9	120.3
Basic earnings per share	47.2p	12.3p	59.5p	45.2p	118.5p
Diluted earnings per share	46.8p	12.2p	59.0p	44.8p	117.5p

Greggs plc
Consolidated statement of comprehensive income
For the 26 weeks ended 1 July 2023

	26 weeks ended 1 July 2023 £m	26 weeks ended 2 July 2022 £m	52 weeks ended 31 December 2022 £m
Profit for the period	60.3	45.9	120.3
Other comprehensive income			
<i>Items that will not be recycled to profit and loss:</i>			
Remeasurements on defined benefit pension plans	0.2	2.2	0.7
Tax on remeasurements on defined benefit pension plans	0.1	0.0	1.8
Other comprehensive income for the period, net of income tax	0.3	2.2	2.5
Total comprehensive income for the period	60.6	48.1	122.8

Greggs plc
Consolidated balance sheet
as at 1 July 2023

	1 July 2023	2 July 2022	31 December 2022
	£m	£m	£m
ASSETS			
Non-current assets			
Intangible assets	13.6	14.0	13.5
Property, plant and equipment	439.4	355.4	390.0
Right-of-use assets	284.3	271.1	281.6
Defined benefit pension asset	6.7	2.3	6.3
	744.0	642.8	691.4
Current assets			
Inventories	44.6	33.1	40.6
Trade and other receivables	64.4	37.3	50.2
Current tax	8.1	-	0.6
Cash and cash equivalents	138.6	145.7	191.6
	255.7	216.1	283.0
Total assets	999.7	858.9	974.4
LIABILITIES			
Current liabilities			
Trade and other payables	(180.9)	(149.1)	(191.7)
Current tax liability	-	(5.8)	-
Lease liabilities	(51.9)	(49.7)	(48.8)
Provisions	(3.0)	(3.9)	(3.6)
	(235.8)	(208.5)	(244.1)
Non-current liabilities			
Other payables	(2.6)	(3.0)	(2.8)
Lease liabilities	(252.5)	(241.2)	(252.5)
Deferred tax liability	(44.4)	(12.5)	(26.3)
Long-term provisions	(3.0)	(2.1)	(2.7)
	(302.5)	(258.8)	(284.3)
Total liabilities	(538.3)	(467.3)	(528.4)
Net assets	461.4	391.6	446.0
EQUITY			
Capital and reserves			
Issued capital	2.0	2.0	2.0
Share premium account	25.1	22.3	23.1
Capital redemption reserve	0.4	0.4	0.4
Retained earnings	433.9	366.9	420.5
Total equity attributable to equity holders of the Parent	461.4	391.6	446.0

Greggs plc
Consolidated statement of changes in equity
For the 26 weeks ended 1 July 2023

26 weeks ended 2 July 2022

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£m	£m	£m	£m	£m
Balance at 2 January 2022	2.0	20.0	0.4	406.8	429.2
Total comprehensive income for the period					
Profit for the period	-	-	-	45.9	45.9
Other comprehensive income	-	-	-	2.2	2.2
Total comprehensive income for the period	-	-	-	48.1	48.1

Transactions with owners, recorded directly in equity

Issue of ordinary shares	-	2.3	-	-	2.3
Purchase of own shares	-	-	-	(3.0)	(3.0)
Share-based payment transactions	-	-	-	2.1	2.1
Dividends to equity holders	-	-	-	(83.3)	(83.3)
Tax items taken directly to reserves	-	-	-	(3.8)	(3.8)
Total transactions with owners	-	2.3	-	(88.0)	(85.7)
Balance at 2 July 2022	2.0	22.3	0.4	366.9	391.6

52 weeks ended 31 December 2022

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£m	£m	£m	£m	£m
Balance at 2 January 2022	2.0	20.0	0.4	406.8	429.2
Total comprehensive income for the period					
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

26 weeks ended 1 July 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 period					
Profit for the period	-	-	-	60.3	60.3
Other comprehensive income	-	-	-	0.3	0.3
Total comprehensive income for the period	-	-	-	60.6	60.6

Transactions with owners, recorded directly in equity

Issue of ordinary shares	-	2.0	-	-	2.0
Sale of own shares	-	-	-	0.8	0.8
Purchase of own shares	-	-	-	(5.0)	(5.0)
Share-based payment transactions	-	-	-	2.3	2.3
Dividends to equity holders	-	-	-	(44.6)	(44.6)
Tax items taken directly to reserves	-	-	-	(0.7)	(0.7)
Total transactions with owners	-	2.0	-	(47.2)	(45.2)
Balance at 1 July 2023	2.0	25.1	0.4	433.9	461.4

Greggs plc
Consolidated statement of cash flows
For the 26 weeks ended 1 July 2023

	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
	£m	£m	£m
Cash flows from operating activities			
Cash generated from operations (see page 13)	114.7	100.1	272.3
Income tax paid	(9.8)	(5.0)	(13.3)
Interest paid on lease liabilities	(4.2)	(3.2)	(6.8)
Interest paid on loans and borrowings	(0.4)	(0.4)	(0.7)
Net cash inflow from operating activities	100.3	91.5	251.5
Cash flows from investing activities			
Acquisition of property, plant and equipment	(81.0)	(34.6)	(100.0)
Acquisition of intangible assets	(2.2)	(1.5)	(3.3)
Proceeds from sale of property, plant and equipment	0.5	1.9	0.9
Proceeds from sale of assets held for sale	-	-	1.6
Interest received	2.9	0.3	1.4
Net cash outflow from investing activities	(79.8)	(33.9)	(99.4)
Cash flows from financing activities			
Proceeds from issue of share capital	2.0	2.2	3.1
Sale of own shares	0.8	-	-
Purchase of own shares	(5.0)	(3.0)	(11.0)
Dividends paid	(44.6)	(83.3)	(98.5)
Repayment of principal of lease liabilities	(26.7)	(26.4)	(52.7)
Net cash outflow from financing activities	(73.5)	(110.5)	(159.1)
Net decrease in cash and cash equivalents	(53.0)	(52.9)	(7.0)
Cash and cash equivalents at the start of the period	191.6	198.6	198.6
Cash and cash equivalents at the end of the period	138.6	145.7	191.6

Greggs plc
Consolidated statement of cash flows (continued)
For the 26 weeks ended 1 July 2023

Cash flow statement – cash generated from operations

	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
	£m	£m	£m
Profit for the period	60.3	45.9	120.3
Amortisation	2.1	2.4	4.7
Depreciation – property, plant and equipment	31.8	28.2	58.0
Depreciation – right-of-use assets	26.7	25.9	52.8
Impairment charge/(reversal) – property, plant and equipment	0.7	(0.2)	1.2
Impairment charge – right-of-use assets	0.3	0.6	0.0
Loss on sale of property, plant and equipment	1.0	0.5	1.0
Release of government grants	(0.2)	(0.2)	(0.4)
Share-based payment expenses	2.3	2.1	3.6
Finance expense	1.7	3.2	6.1
Income tax expense	19.7	9.9	28.0
Increase in inventories	(4.0)	(5.3)	(12.7)
(Increase)/decrease in receivables	(14.2)	0.3	(12.4)
(Decrease)/increase in payables	(13.2)	(9.7)	30.8
Decrease in provisions	(0.3)	(1.0)	(0.7)
Decrease in pension liability	-	(2.5)	(8.0)
Cash from operating activities	114.7	100.1	272.3

Notes

1. Basis of preparation

The condensed accounts have been prepared for the 26 weeks ended 1 July 2023. Comparative figures are presented for the 26 weeks ended 2 July 2022. These condensed accounts have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK. They do not include all the information required for full annual accounts, and should be read in conjunction with the Group accounts for the 52 weeks ended 31 December 2022.

These condensed accounts are unaudited and were approved by the Board of Directors on 1 August 2023.

The comparative figures for the 52 weeks ended 31 December 2022 are not the Company's statutory accounts for that financial year. Those accounts were reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditors was (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.

Going concern

The Directors have considered the adoption of the going concern basis of preparation for these condensed accounts. The Directors have reviewed cash flow forecasts prepared for a period of 18 months from the date of approval of these condensed accounts.

At the end of the reporting period the Group had £208.6 million of available liquidity including £138.6 million cash and cash equivalents and £70.0 million of the undrawn revolving credit facility ('RCF').

In reviewing the cash flow forecasts the Directors considered the current trading position of the Group and the likely capital expenditure and working capital requirements of its growth plans. The cashflow forecasts show that the Group expects to comply with the covenants included within the RCF agreement throughout the review period.

Taking into account the current cash level and the committed facilities the Directors are confident that the Group will have sufficient funds to allow it to continue to operate. After reviewing the projections and sensitivity analysis the Directors believe that it is appropriate to prepare the condensed accounts on a going concern basis.

Judgements and estimates

In preparing these condensed accounts, management have made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In addition to the key estimates and judgements disclosed in the consolidated accounts for the 52 weeks ended 31 December 2022 the following additional areas have been identified or updated for the 26 weeks ended 1 July 2023.

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 either 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.

The Group has traded profitably throughout 2022 and 2023 to date. As such there is not considered to be a global indicator of impairment across the Group's asset base. Where indicators of impairment 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 (identified as mature shops with low cash generation relative to the carrying value of the associated assets), the value-in-use has been calculated using the following assumptions:

- Like-for-like transaction volumes for those shops have been assumed to grow at a rate of 2.0% for the period of the impairment review;
- Where shops are currently used to fulfil orders for delivery, the net cash flows for fulfilling these orders are included within the estimated cash flows for the shop;
- Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) is used as a proxy for net cash flow excluding rental payments;
- Cash flows have been discounted at a pre-tax discount rate that reflects the current market assessment of the time value of money, including a risk uplift for uncertainty of future cash flows. The discount rate as at 1 July 2023 was 10.4% (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 calculations a net impairment charge of £1.0m has been made in respect of 84 shops reflecting the higher discount rate used in the calculation.

2. Accounting policies

The accounting policies applied by the Group in these condensed accounts are the same as those applied by the Group in its consolidated accounts for the 52 weeks ended 31 December 2022 other than as disclosed below:

- Amendments to IFRS 1 and IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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

Principal risks and uncertainties

The Directors have considered the principal risks and uncertainties which could have a material impact on performance for the remainder of the financial year.

The assessment of principal risks and uncertainties made in the 2022 Annual Report and Accounts remains valid and we do not believe there to have been any material changes in the profile of those risks since then.

We have considered whether the Company is facing any new principal risks at each of our Risk Committee meetings so far during 2023. All new and emerging areas of risk which have been identified fall within the scope of our existing principal risks and uncertainties.

We continue to consider climate risk as part of our overarching risk discussions, and factor climate into existing risks rather than describing it as a separate principal risk in its own right. This ensures that climate risk is embedded within our core risk activity, and is considered as an inherent part of our processes, rather than as a standalone issue.

The assessment above should be read in conjunction with the statement of principal risks described on pages 49-52 in the 2022 Annual Report and Accounts. Other than the matters described above we believe our exposure to other principal risks faced by the business is not significantly different to that described in that statement.

3. Operating segments

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 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.

Business to business 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.

	26 weeks ended 1 July 2023	26 weeks ended 1 July 2023	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022	26 weeks ended 2 July 2022	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022	52 weeks ended 31 December 2022	52 weeks ended 31 December 2022
	Retail company- managed shops	Business to business	Total	Retail company- managed shops	Business to business	Total	Retail company- managed shops	Business to business	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	755.8	88.2	844.0	622.6	71.9	694.5	1,352.3	160.5	1,512.8
Trading profit*	103.0	16.7	119.7	92.2	12.6	104.8	224.6	31.3	255.9
Overheads including profit share			(54.3)			(45.8)			(101.5)
Operating profit			65.4			59.0			154.4
Finance expense			(1.7)			(3.2)			(6.1)
Profit before tax (excluding exceptional items)			63.7			55.8			148.3
Exceptional items (see Note 4)			16.3			-			-
Profit before tax			80.0			55.8			148.3

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

4. Exceptional items

The exceptional item relates to a net gain of £16.3 million on the settlement of our 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.

5. Defined benefit pension scheme

The valuation of the defined benefit pension scheme for the purposes of IAS 19 (Revised) as at 31 December 2022 has been updated as at 1 July 2023 and the movements have been reflected in these condensed accounts.

6. Taxation

The taxation charge for the 26 weeks ended 1 July 2023 and 2 July 2022 is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit or loss for the period using rates substantively enacted by the half year date as required by IAS34 'Interim Financial Reporting'.

7. Earnings per share

	26 weeks ended 1 July 2023	26 weeks ended 1 July 2023	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
	Excluding exceptional items	Exceptional items (see Note 4)	Total	Total	Total
	£m	£m	£m	£m	£m
Profit for the period attributable to equity holders of the parent	47.8	12.5	60.3	45.9	120.3
Basic earnings per share	47.2p	12.3p	59.5p	45.2p	118.5p
Diluted earnings per share	46.8p	12.2p	59.0p	44.8p	117.5p

Weighted average number of ordinary shares

	26 weeks ended 1 July 2023 Number	26 weeks ended 2 July 2022 Number	52 weeks ended 31 December 2022 Number
Issued ordinary shares at start of period	102,112,581	101,897,021	101,897,021
Effect of shares issued	29,793	28,515	100,009
Effect of own shares held	(849,669)	(369,828)	(511,370)
Weighted average number of ordinary shares during the period	101,292,705	101,555,708	101,485,660
Effect of share options in issue	1,014,417	902,676	849,222
Weighted average number of ordinary shares (diluted) during the period	102,307,122	102,458,384	102,334,882
Issued ordinary shares at end of period	102,254,826	102,046,258	102,112,581

8. Dividends

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

Dividend declared	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
	Pence per share	Pence per share	Pence per share
2021 special dividend	-	40.0p	40.0p
2021 final dividend	-	42.0p	42.0p
2022 interim dividend	-	-	15.0p
2022 final dividend	44.0p	-	-
	44.0p	82.0p	97.0p

	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
	£m	£m	£m
Total dividend payable			
2021 special dividend	-	40.6	40.6
2021 final dividend	-	42.7	42.7
2022 interim dividend	-	-	15.2
2022 final dividend	44.6	-	-
Total dividend paid in period	44.6	83.3	98.5

	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022	52 weeks ended 31 December 2022
	£m	£m	£m
Dividend proposed at period end and not included as a liability in the accounts			
2022 interim dividend (15.0p per share)	-	15.3	-
2022 final dividend (44.0p per share)	-	-	44.9
2023 interim dividend (16.0p per share)	16.1	-	-
	16.1	15.3	44.9

9. Related party transactions

There have been no related party transactions in the first 26 weeks of the current financial year which have materially affected the financial position or performance of the Group.

Related parties are consistent with those disclosed in the Group's Annual Report and Accounts for the 52 weeks ended 31 December 2022.

10. Half year report

The condensed accounts were approved by the Board of Directors on 1 August 2023. They will be available on the Company's website, corporate.greggs.co.uk

11. Calculation of Alternative Performance Measures

One-year like-for-like (LFL) sales increase – Like-for-like (LFL) company-managed shop sales performance against comparable period in 2022

	26 weeks ended 1 July 2023
	£m
Current year LFL sales	692.4
2022 LFL sales	596.7
Increase	95.7
LFL sales increase percentage	16.0%

12. Statement of Directors' responsibilities

The Directors named below confirm on behalf of the Board of Directors that to the best of their knowledge:

- the condensed set of accounts has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK;
- the interim management report includes a fair review of the information required by:
 - (a) DTR4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed set of accounts; and a description of the principal risks and uncertainties for the remaining 26 weeks of the year; and
 - (b) DTR4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the financial year and that have materially affected the financial position or performance of the Group during the period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Greggs plc are listed in the Annual Report and Accounts for the 52 weeks ended 31 December 2022. On 7 March 2023 Nigel Mills was appointed as a Non-Executive Director. On 17 May 2023 Sandra Turner and Helena Ganczakowski retired from the Board.

For and on behalf of the Board of Directors

Roisin Currie

Richard Hutton