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Sainsbury(J) PLC
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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Sainsbury's agrees sale of Argos to Swift Partners

Sale will enable full focus on Sainsbury's core food business and support next phase of growth for Argos

Key Highlights

- Sale will enable Sainsbury's to fully focus on its core food business and Next Level Strategy, creating a simpler business with higher margins, higher growth and stronger free cash flow generation
- Swift Partners ("Swift") is a new company established for this acquisition by Richard Pennycook, Trevor Strain and Matt Truman alongside True Capital, combining extensive experience of retail ownership and leadership with expertise in technology, digital innovation and AI transformation
- Swift will build on the strength of the Argos brand, multichannel model and store network, bringing expertise and investment to accelerate growth and innovation in a fast-moving and competitive general merchandise market
- Cash proceeds of at least £120m
  - o Includes upfront and deferred payments and proceeds from Argos distribution centre divestment
  - o Final cash proceeds subject to working capital adjustments and expected to be offset by separation costs
- Long-term commercial agreements with Argos, including rental income for Argos stores inside Sainsbury's and income relating to Nectar360 and Nectar, will create additional ongoing value
- Neutral impact on underlying operating profit, low single-digit underlying EPS accretion
  - o Income from commercial agreements with Swift and reduced lease interest expenses expected to exceed dis-synergies and lost operating profit contribution from Argos
  - o Transaction expected to complete in February 2027. Full separation expected by February 2029
- Sainsbury's continues to expect to deliver Total underlying operating profit of between £975m and £1,075m and Retail free cash flow of more than £500m in FY27

Simon Roberts, Chief Executive of J Sainsbury plc, said:

"Sainsbury's has transformed Argos into a leading multichannel retailer with millions of customers and thousands of talented colleagues. As we have strengthened our core food business, we have carefully considered what it will take to create the strongest possible future for Argos.

"Swift brings retail leadership, operational expertise, technology capability and long-term investment, alongside a deep commitment and belief in the future potential for Argos customers and colleagues. Richard, Trevor and Matt understand and value the Argos brand, share our values and will accelerate Argos's transformation through their dedicated expertise and long-term investment.

"I would like to thank Argos colleagues for all of their commitment and hard work. Today is an important next step in building the strongest future for Argos and I would like to reassure our colleagues, customers and suppliers that it's business as usual.

"For Sainsbury's, this is a further step forward in our strategy. Having rebuilt the core strengths of our food business, this agreement allows us to focus all our resources and investment on the significant opportunities ahead."

Richard Pennycook, Swift Partners, said:

"What attracted us to Argos is the strength of the business, with a trusted brand, loyal customers and dedicated colleagues. We believe strongly in Argos's future and see real opportunities to invest and build on its progress.

"Argos's combination - of a strong digital business supported by standalone stores, stores inside Sainsbury's and Local Fulfilment Centres - gives it a distinctive position in the market and an excellent platform for growth. We hold Argos senior management in high regard and plan to build on its strengths - bringing additional experience and skills to complement and augment the existing team. We see clear potential to strengthen Argos's customer proposition, digital capabilities and nationwide reach.

"Trevor, Matt and I share a strong belief in Argos, its people and what it can achieve in the years ahead. We are all making a long-term commitment to the business and look forward to working closely with the team to deliver even more for customers, while maintaining Argos's strong values."

Transaction Summary

J Sainsbury plc ("Sainsbury's" or the "Group") is pleased to announce that it has entered into an agreement for the sale of Argos Limited ("Argos") to Swift Whistle Midco Limited ("Swift Partners"/"Swift"), a newly established company backed by experienced retail leaders and specialist retail investors.

The principal shareholders in Swift are Richard Pennycook, Trevor Strain, Matt Truman and True Capital, the retail sector specialist investment and advisory firm co-founded by Matt Truman. Swift brings together deep retail leadership, operational experience and technology capability and will work alongside Argos's existing management team.

Under the terms of the sale, Sainsbury's expects to realise cash proceeds of at least £120 million. At least £70 million is expected to be received upon completion (expected to be February 2027). This sum will include proceeds from the sale of an Argos distribution centre. Deferred consideration of £50 million is expected to be received over the following three years. These cash receipts are expected to be offset by separation costs over the three years post completion. Lease adjusted net debt is expected to reduce by around £250 million, primarily reflecting reduced lease liabilities. Sainsbury's will retain responsibility for the Argos defined benefit pension scheme. This scheme reported a surplus on an IAS basis of £143 million as at 28th February 2026. The transaction is expected to result in a non-cash impairment of around £350 million.

Sainsbury's and Argos have entered into a series of commercial agreements in relation to Argos stores and Collection Points inside Sainsbury's, Nectar, Nectar360 and Habitat. These agreements are designed to support continuity for customers, colleagues and suppliers, while enabling both businesses to benefit from an ongoing relationship.

The impact of the transaction on underlying earnings per share is expected to be low single-digit accretive. From completion, Sainsbury's will no longer benefit from underlying operating profit contribution from Argos (Argos underlying operating profit £9 million FY26). The impact of this and dis-synergies is expected to be offset by income from ongoing commercial agreements with Swift, resulting in a broadly neutral impact on underlying operating profit. Sainsbury's will additionally benefit from a reduction in lease interest expenses associated with Argos leases. The transaction is expected to result in an improvement in underlying retail free cash flow generation.

Strategic Benefits to Sainsbury's

This transaction represents a further important step in Sainsbury's strategy of focusing on its core food business, following recent strategic divestments including the sale of Sainsbury's core banking business and ATM operations and the Argos Financial Services cards portfolio.

Having rebuilt the core strengths of the Sainsbury's grocery business and returned to growth, Sainsbury's is now delivering consistently strong momentum. This transaction will allow Sainsbury's to direct greater attention, investment and management focus towards the core grocery offer and the significant further growth opportunities it sees ahead. The transaction will create a simpler, more focused business with higher margins, higher growth and stronger free cash flow generation.

The next chapter for Argos

Sainsbury's has transformed Argos from a traditional catalogue retailer into a truly digital and multichannel business. Today, Argos serves millions of customers through its online offer, nationwide network of stores and collection points, making it one of the UK's leading general merchandise retailers.

Argos is a much-loved British brand with engaged colleagues, loyal customers and strong foundations for the future. As the general merchandise market continues to evolve, Sainsbury's believes Argos will be best placed to succeed with an owner focused solely on helping the business grow, innovate and adapt to customers' changing needs.

Swift combines Richard and Trevor's extensive FTSE 100 retail leadership experience with Matt's expertise in consumer brands, retail technology, digital innovation and AI transformation. They are making a significant long-term commitment to Argos's future, building on the strengths of the business and the experienced leadership team already in place. Richard will serve as Executive Chair and dedicate three days a week to the business, while Trevor and Matt will serve on the Argos Board, working closely with the Argos leadership team.

Other Transaction Details

The transaction has been structured to support continuity for customers, colleagues and suppliers, while enabling Argos to operate under dedicated ownership. Argos will continue to trade through its established channels, including standalone stores, stores inside Sainsbury's, online delivery and collection points, with transitional service arrangements supporting an orderly separation following completion.

The Argos business being acquired by Swift includes Argos standalone stores and store-in-store operations located within Sainsbury's stores based on a long-term agreement, in addition to Argos's sales channels, brands, logistics networks, Argos Care and Argos Pet Insurance.

In addition, Swift will acquire Sainsbury's distribution centre located in Daventry and Sainsbury's sourcing offices located in Shanghai and Hong Kong.

Swift will assume the leases on Argos's property portfolio. Sainsbury's will remain ultimately liable for a limited number of property leases and ongoing parental guarantees. These will unwind over time.

In conjunction with the acquisition of Argos, Sainsbury's will enter into a series of commercial agreements with Swift. These include agreements for Sainsbury's to continue to sell Habitat products and Argos's ongoing usage of Sainsbury's key products and services including Collection Points, Nectar Loyalty Programme and Nectar 360 Insight and Retail Media Network Services.

Next Steps

The transaction is subject to the receipt of certain customary regulatory and completion of other conditions and is expected to complete in February 2027. Until completion, Argos and Sainsbury's will continue to operate as they do today, with no change for customers as a result of today's announcement.

Sainsbury's and Swift will enter into certain transitional service arrangements until the implementation of the full separation of the Argos business, which is anticipated to take up to 24 months, during which Sainsbury's and Swift will work closely together to support continuity for customers, colleagues and suppliers.

Notes

Notes

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results referred to in these forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

A live Q&A webcast will be held at 9:30 (BST). This will be available to view on our website at the following link: https://sainsburys-analyst-call-july-26.open-exchange.net/

A recorded copy of the Q&A webcast, alongside the transcript will be available at:
https://corporate.sainsburys.co.uk/investors/results-reports-and-presentations/ following the event.

Enquiries

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In connection with the Transaction, UBS and Evercore are acting as Financial Advisers to Sainsbury's. Herbert Smith Freehills Kramer is acting as Legal Adviser to Sainsbury's.

Nick Grant, Group General Counsel and Company Secretary, was responsible for the disclosure of this announcement.

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About Sainsbury's
Offering great quality food at competitive prices has been at the heart of what we do since John James and Mary Ann Sainsbury opened our first store in 1869. Today, inspiring and delighting our customers with tasty food remains our priority and our purpose is clear - we make good food joyful, accessible and affordable for everyone, every day.

Our focus on great value food and convenient shopping, whether in-store or online is supported by our brands - Argos, Nectar, Tu Clothing, Habitat and Smart Charge. Sainsbury's has more than 600 supermarkets and 885 convenience stores. Argos is a leading digital retailer with around 80 per cent of its sales starting online and 20 million active customers. Digital and technology enables us to adapt as customers shop differently and our profitable, fast-growing online channels offer customers quick and convenient delivery and collection capability.

About Argos
Argos is a leading UK general merchandise retailer, with one of the most visited UK retail websites, offering rapid delivery and click and collect through more than 1,100 collection points across the United Kingdom. Since being acquired by Sainsbury's in 2016, Argos has transformed from a much-loved retailer known for its iconic catalogue and high street presence into a leading digital-first brand with around 80 per cent of sales originating online and nationwide reach, with Fast Track delivery available across more than 90 per cent of UK postcodes. This has been achieved through investment in Argos's colleagues, infrastructure and technology and management team.

About Swift
Swift Partners is a new company set up by experienced retail executives Richard Pennycook, Trevor Strain and Matt Truman specifically for this acquisition. The four principal shareholders in Swift are Richard Pennycook, Trevor Strain, Matt Truman and True Capital. Richard Pennycook and Trevor Strain have over 35 years' combined experience in senior retail roles including at Tesco, The Co-op, Morrisons, Howdens and the RAC. Matt Truman is the Executive Chair and Co-Founder of consumer and retail specialist investment and advisory firm True Capital. True advises and invests in UK and global retailers, bringing market-leading expertise in technology, digital innovation and AI transformation.