

A close-up photograph of a Costa coffee cup sitting on the drip tray of a professional espresso machine. The cup is red with a white lid and features the 'COSTA' logo in large white letters. Below the logo, it says 'Certified™ Coffee' and has a small circular logo. The background is blurred, showing the metallic components of the coffee machine and warm ambient lighting.

**Costa - the Nations favourite coffee shop**

Canaccord  
Conference  
28 January 2016

**WHITBREAD**

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## **Chris Rogers**

Managing Director  
Costa Coffee





## Costa - A remarkable story

- Founded in 1971 by Bruno and Sergio Costa
- Built on the unique Mocha Italia blend
- Roasted in our own roastery in Lambeth
- A blend made from only 1% of the world's beans
- Served today through c.10,000 points of distribution
- UK market leader and Britain's best loved coffee brand

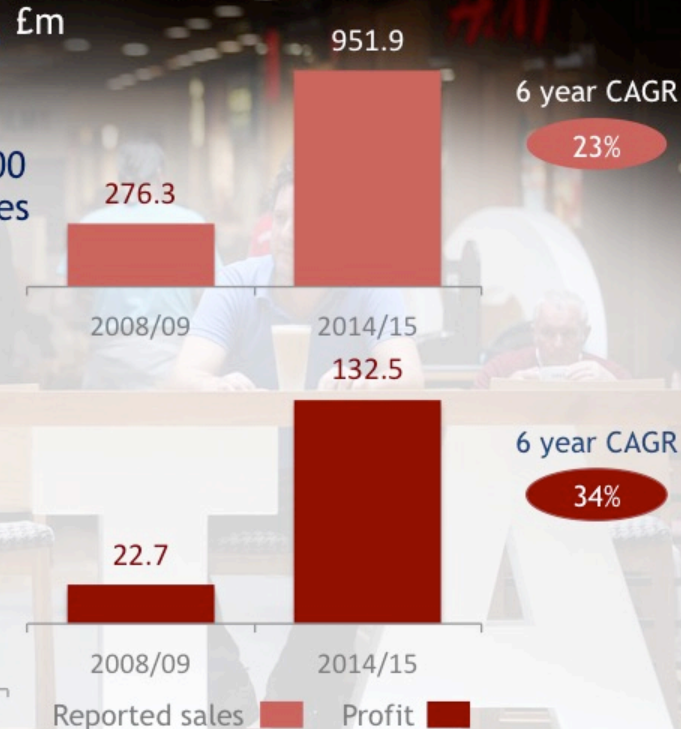


# Fifteen years of non-stop growth

## Costa stores



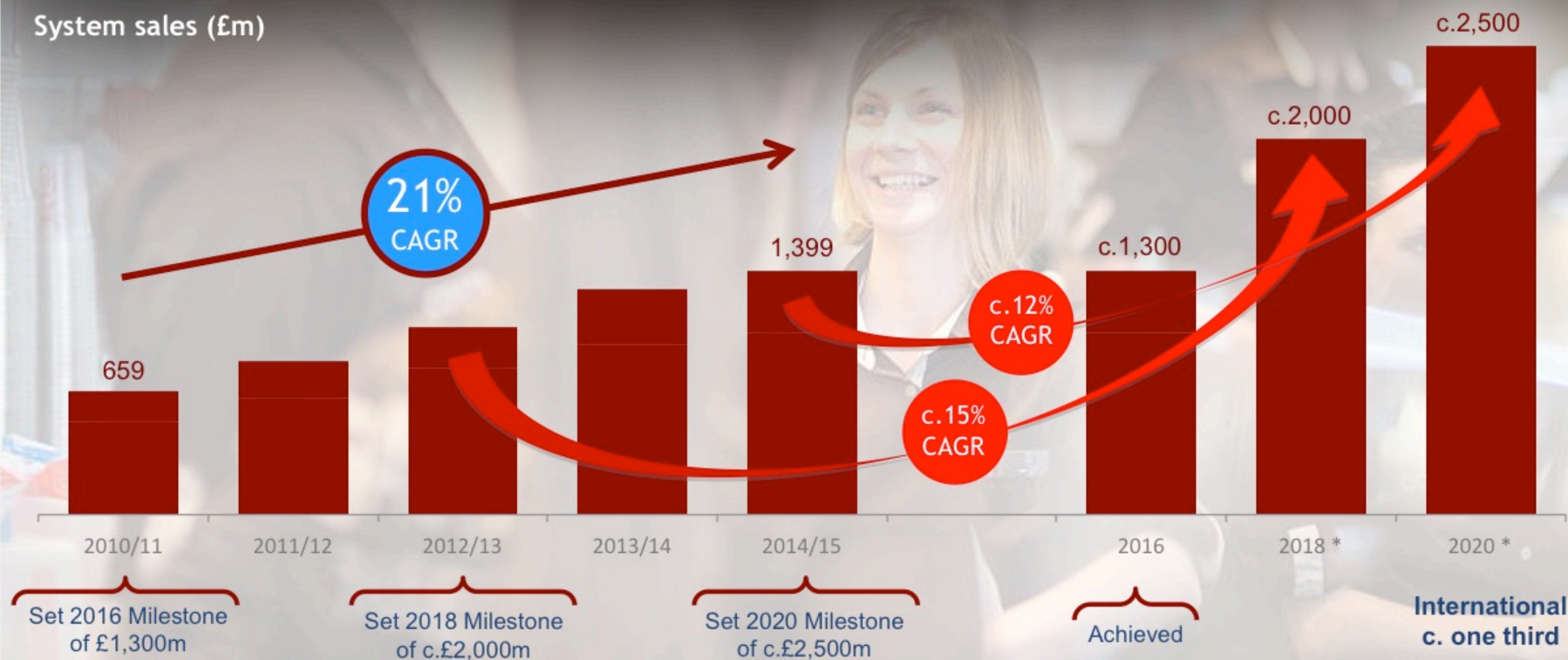
## Costa reported sales and profit





# We have ambitious plans for Costa

System sales (£m)



# The drivers of success





# Social and economic trends benefiting coffee shops



Shopping

E-retail replacing traditional high streets



High street leisure mix increasing



Increasing female spending power



Increasing consumer sophistication in coffee



Rise of mobile working

Fragmented society

## Coffee shops provide



A social environment



A group meeting place



A mobile office

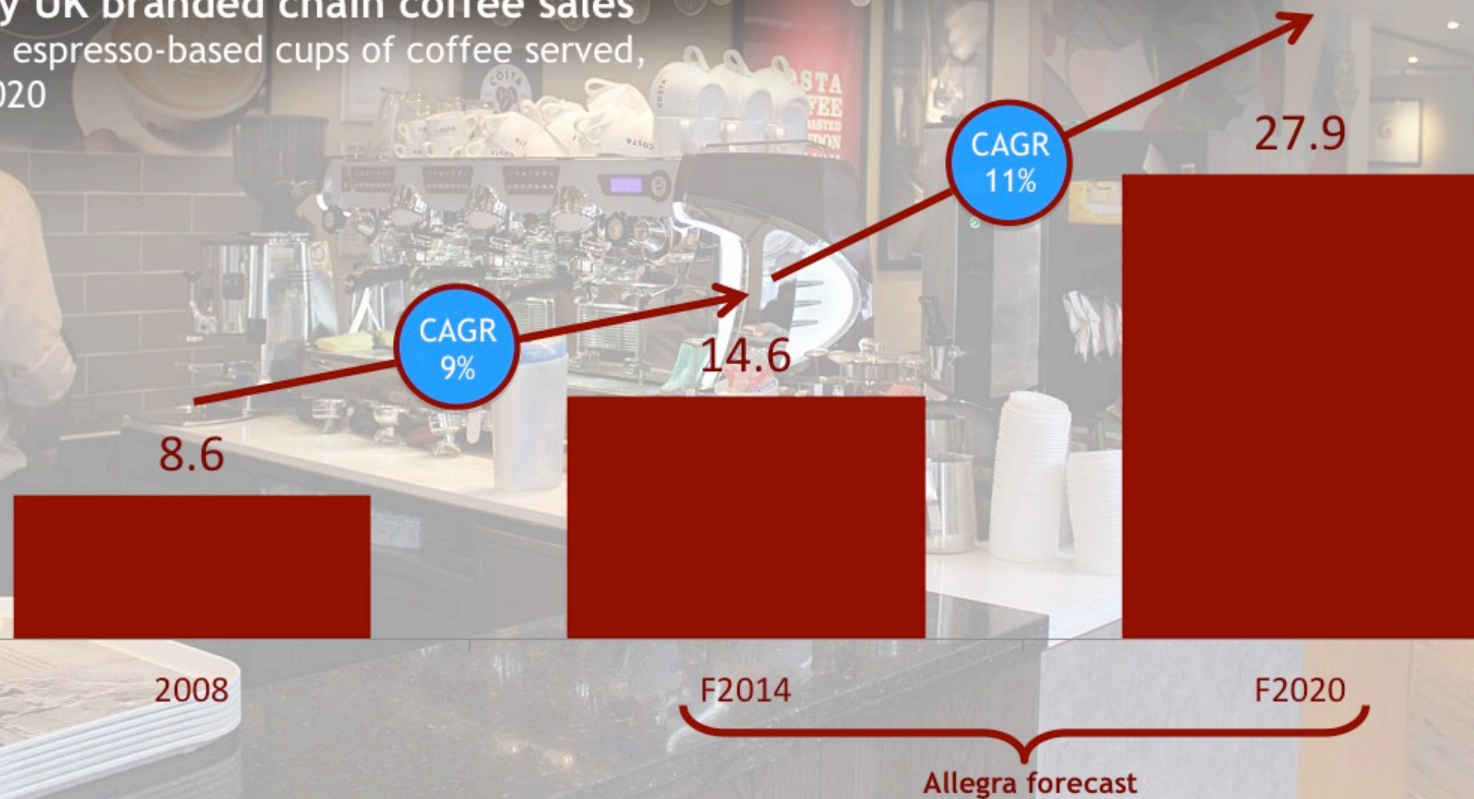


Your daily essential coffee



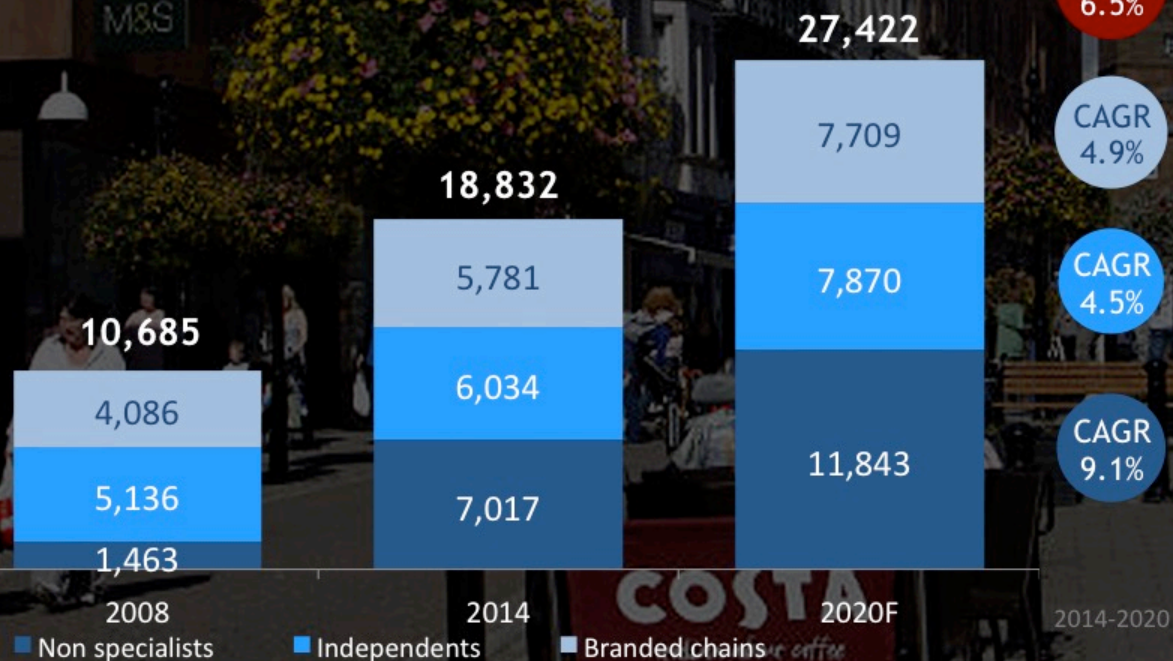
# Growth underpinned by market “tailwinds”

Weekly UK branded chain coffee sales\*  
Millions espresso-based cups of coffee served,  
2008-2020



# UK retail – Winning in a growing market

UK coffee shop market, number of outlets\*  
2008 to 2018



Global coffee consumption  
(kg/capita/year) \*\*

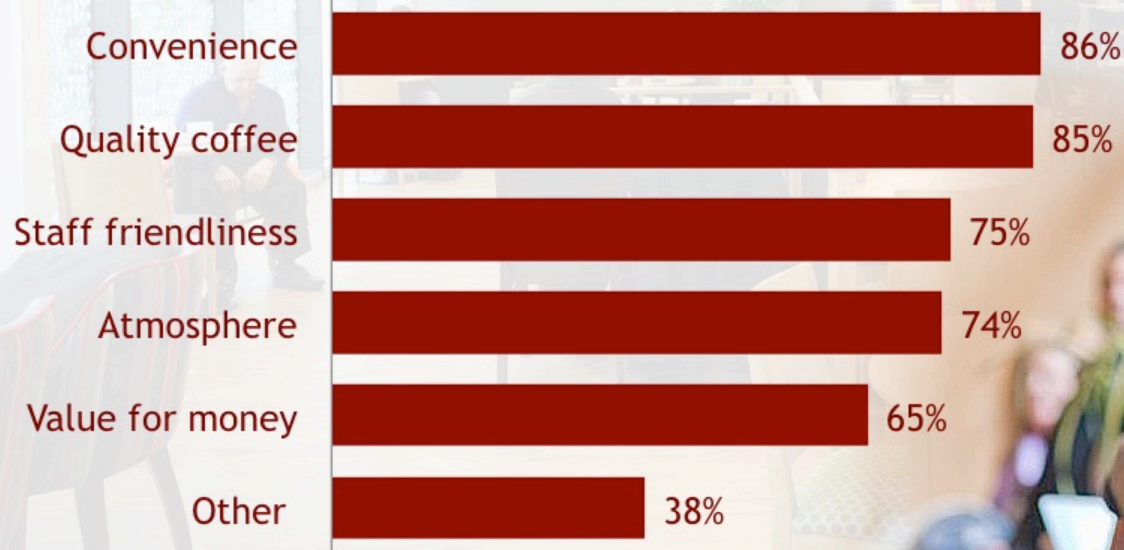
|         |      |
|---------|------|
| Finland | 12.2 |
| Norway  | 9.5  |
| Sweden  | 7.1  |
| Germany | 7.0  |
| France  | 5.5  |
| USA     | 4.2  |
| Spain   | 4.1  |
| Poland  | 3.2  |
| UK      | 2.8  |



# Costa - A relentless focus on customer needs

## UK customer hierarchy of needs

Thinking about your last visit, how important was each of the following features of the coffee shop in your decision to go there?





# Convenience - Offering diversity in the market place



SUPERMARKETS



HOSPITALS



HIGH STREET



ESPRESSO STORES



RETAIL PARKS



SHOPPING CENTRES



DRIVE THRU'S



KIOSKS



RAILWAY STATIONS



AIRPORTS





# Coffee quality is at the heart of what we do





## Operational excellence and consistency

- It isn't easy to deliver consistently good coffee in over 3,186 stores but we're pretty good at it

3,186  
global  
stores

c.27,000  
staff



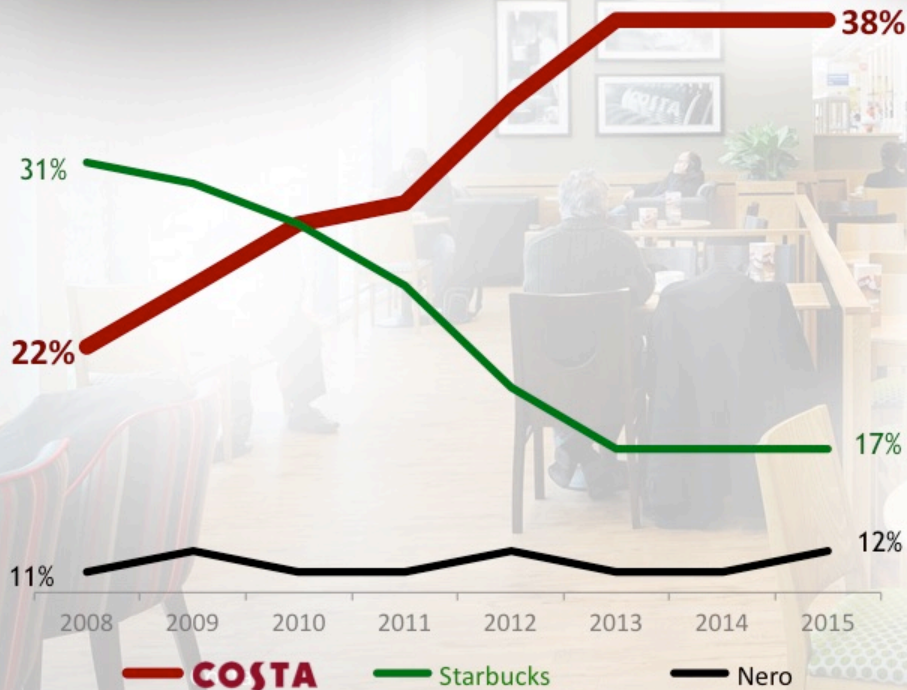
1m

Over 1 million  
cups of coffee per day!

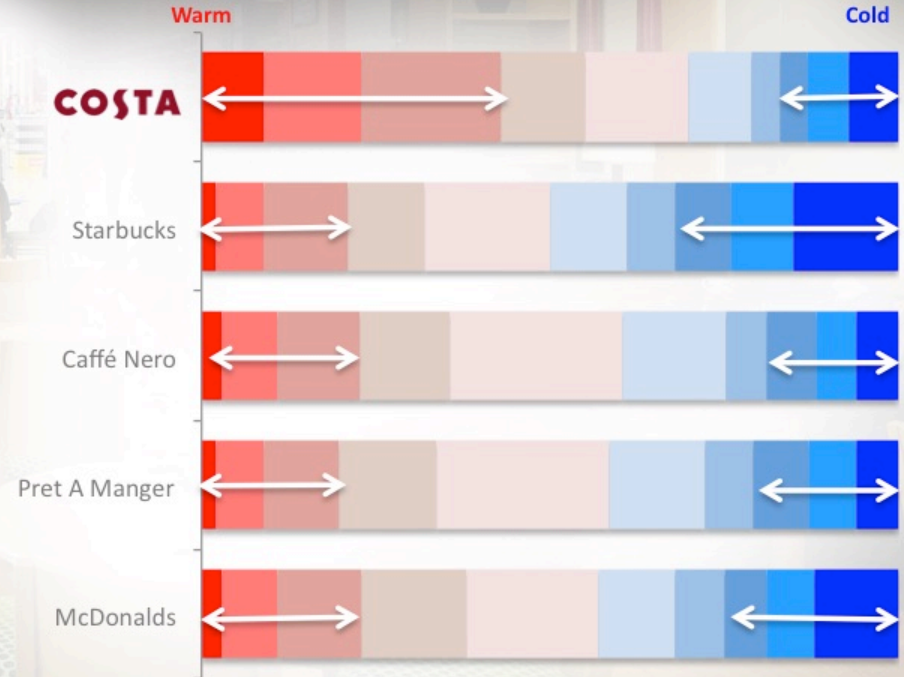


# Costa UK - A formula delivering success

Preference Costa is the UK's favourite



% Brand warmth



Source: YouGov Q. If there were a Costa Coffee, Starbucks and Caffé Nero next door to each other, which one would be your FIRST choice to visit?

Source: Aware of brand TNS Q. How do you feel about (brand)? Q1 2015 (April-May)

WHITBREAD

# Driving new growth opportunities

H1 2015/16

1,999 stores

Retail Parks / Drive Thru

Education / Health /  
Office / Leisure

Concession

High Street

Transport

Current

2020/21

c.2,500 stores

Retail Parks / Drive Thru

Education / Health /  
Office / Leisure

Concession

High Street

Transport

2020





## Continuing product innovation





# Innovation of the store

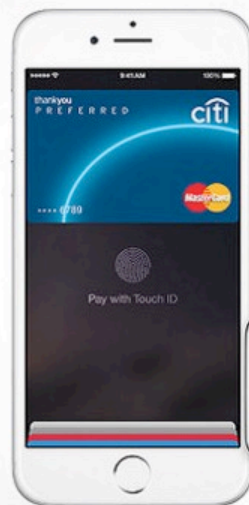
HANDCRAFTED FOOD • IRRESISTIBLE COFFEE





## Digital developments

- Pay and collect trial
- Coffee Club - 2.7m active users (+9.5% year on year)
  - Over 40% of transactions by Coffee Club members
- Coffee Club App
  - Rapid growth in active customers using app
- Apple Pay
  - Available in 100% of equity and 80% of franchise stores
  - Enhancing customers experience
  - Increasing speed of transactions



# Success supports international and channel growth

1999

2015

1<sup>st</sup> international  
store in Dubai

Present in  
30 countries\*





# Costa Express – Another growth channel

Coffee Nation:  
877 machines 2011

Costa Express  
4,979 machines Q3 2015/16



Please choose an optional  
shot of natural flavour

Fresh milk

Fresh coffee beans

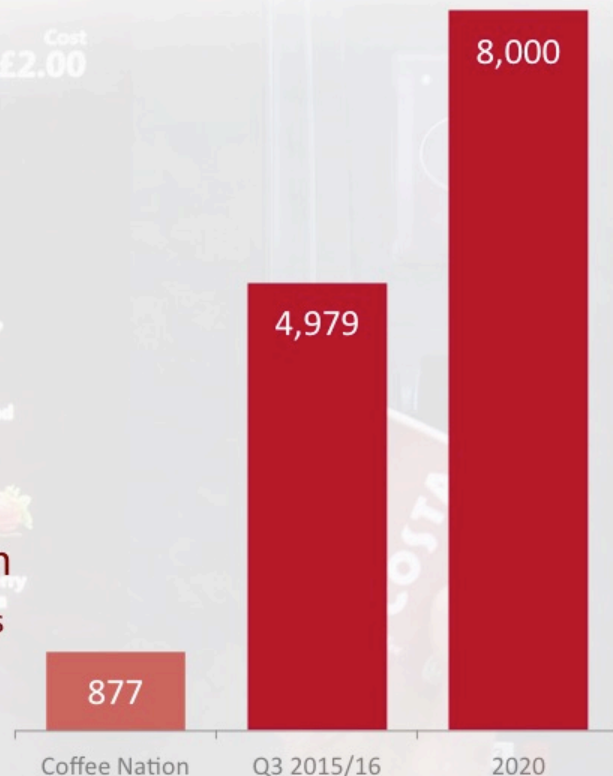
Telemetry

"5 senses of Marlow"

Customisation

Cost  
£2.00

Costa Express machines



- 4,979 Costa Express units
  - 439 international
  - Good like for like sales growth
- New technology management platform
  - Automating key sales and service processes
  - Proactive diagnosis of machine issues
  - Enables international expansion
- c.800+ new machines in 2015/16

**INNOVATING FOR  
COFFEE LOVERS**



## EMEI - investing to grow the brand

- Franchise - strong growth
  - 689 stores in 25 countries
  - New formats and channels
- Poland - re-branding almost complete
  - 100% of stores re-branded to Costa
  - Encouraging like for like growth
  - 194 Costa Express machines performing well
- France - making progress
  - 13 equity stores/3 franchise stores
  - Improved savoury range
  - First store opened in Lille





# China and Asia - A great opportunity

- Mid single digit like for like sales growth
- China - Fast and dynamic market
  - 356 stores in two joint ventures
  - Investing in tailoring of stores and product local customer
  - Importance of loyalty - building team is key
- Singapore - 8 equity stores and growing
- Philippines - new market entry (6 stores)
- 40 net new store openings this year





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