



**TESCO**

**Andrew Higginson**  
**UK Retail Trip**  
22 February 2006



**Since we last met, in July 2003...**

- 523 more stores, 4 million more sq ft
- Over £6 billion additional sales
- 57 more Extras
- 480 more Express stores
- 100% more attendees!

*Every little helps*

**TESCO**

## UK growth

- Volume
  - new space
  - follow the customer
  - low market shares
- Margin
  - mix, especially non-food
  - better buying
  - productivity
- Returns
  - all of the above!
  - mix
  - use of capital

*Every little helps*

**TESCO**

## Extra and Express

- Newest and fastest growing formats
- Less than 25% of households have access to each
- Both formats generate above average returns
- Extra - 450 superstores remain unconverted
  - 120k footprint today v 65k average
- Express - very low penetration and share
  - fastest growing market segment

*Every little helps*

**TESCO**

## Non-food opportunity

- Market share only 7%
- Economically disadvantaged competitors
- Pricing advantage more marked than in food
- Direct sourcing a key driver
- Maturity, scale, buying and supply chain will drive returns
- tesco.com and non-food only will improve access
- Opportunity overseas

*Every little helps*

**TESCO**

## Productivity

- Step Change
- Supply chain
- Distribution
- In-store

*Every little helps*

**TESCO**

## Key messages

- Our UK business has a lot of scope for growth
- Extra and Express are immature, high return formats
- Non-food will be an important driver of long term growth and returns
- Productivity enables and funds investment in growth
- Our management team has the strength and depth to drive future success

*Every little helps*



## Outline

- David Potts - equipping the business for growth
- Richard Brasher - world class sourcing
- Laurie McIlwee - delivering our growth
- Colin Holmes - Express
- Cambridge Bar Hill store visit

*Every little helps*

