



14 April 2016

## Preliminary Results – Fixed Income Investor Call

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**TESCO**  
*Every little helps*

# Group performance

Continuing operations	FY 15/16	Change constant rates	Change actual rates
<b>Group sales (exc. VAT, exc. Fuel)</b>	<b>£48.4bn</b>	<b>0.1%</b>	<b>(1.6)%</b>
<b>Group operating profit before exceptional items</b>	<b>£944m</b>	<b>1.1%</b>	<b>0.0%</b>
Exceptional items	£102m	n/m	n/m
Group statutory operating profit	£1,046m	n/m	n/m
<b>Group PBT before exceptional items and net pension finance costs</b>	<b>£435m</b>	<b>-</b>	<b>(11.9)%</b>
<b>Diluted EPS before exceptional items and net pension finance costs</b>	<b>4.97p</b>	<b>-</b>	<b>-</b>

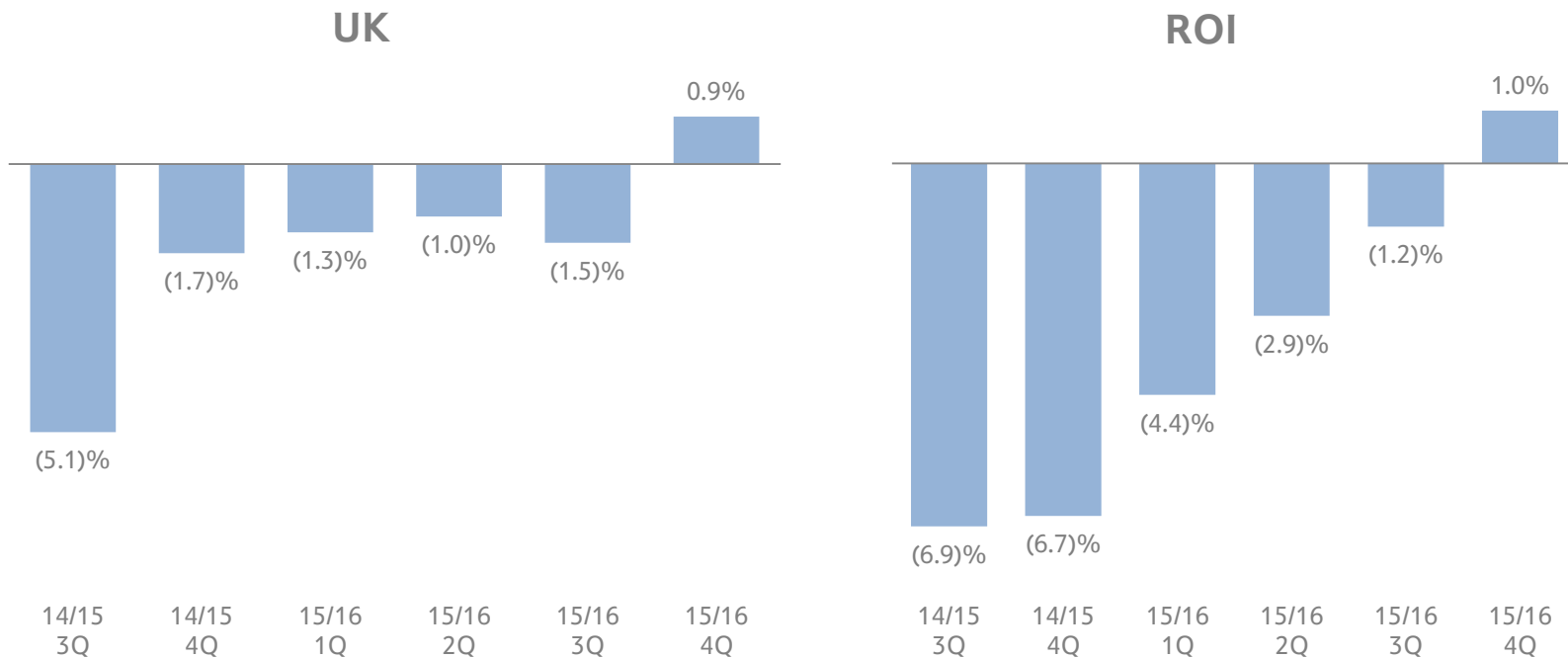
Note: Change shown on a comparable 52 week basis.

# Segmental performance

	Sales				Operating profit before exceptional items			
	FY 15/16	FY 14/15	Change constant rates	Change actual rates	FY 15/16	FY 14/15	Change constant rates	Change actual rates
UK & ROI	£37.2bn	£38.2bn	(0.5)%	(0.9)%	£505m	£498m	1.4%	0.6%
International	£10.2bn	£10.7bn	1.8%	(4.3)%	£277m	£254m	11.4%	9.1%
Bank	£1.0bn	£0.9bn	0.8%	0.8%	£162m	£188m	(13.8)%	(13.8)%
<b>Group</b>	<b>£48.4bn</b>	<b>£49.9bn</b>	<b>0.1%</b>	<b>(1.6)%</b>	<b>£944m</b>	<b>£940m</b>	<b>1.1%</b>	<b>0.0%</b>

Note: Change shown on a comparable 52 week basis.

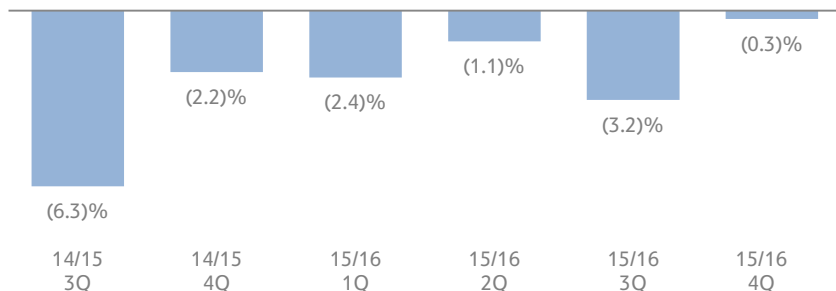
# UK and ROI like-for-like sales performance<sup>1</sup>



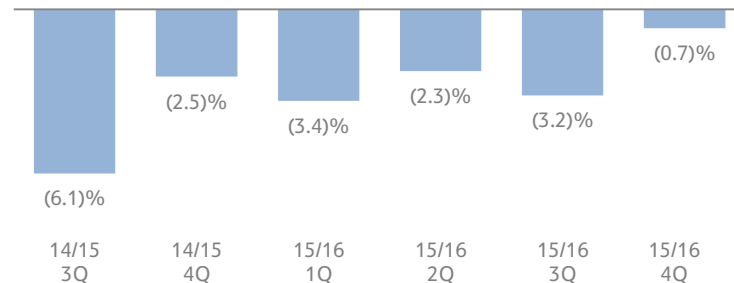
1. Exc. VAT, exc. Fuel.

# UK like-for-like sales performance

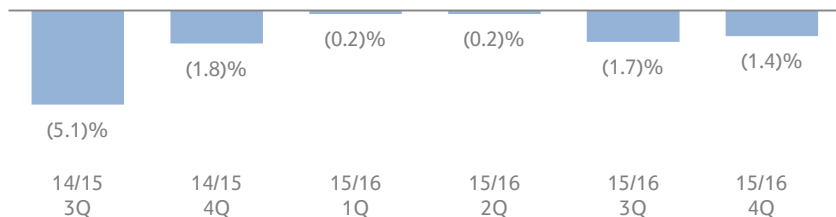
## Extra



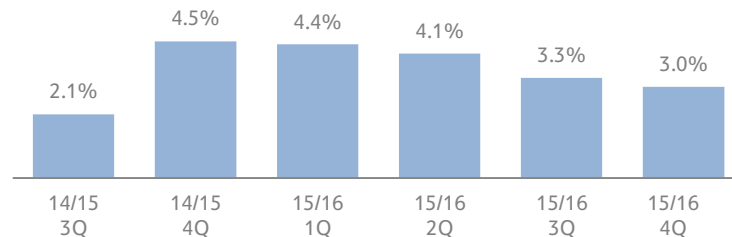
## Superstore



## Metro



## Express



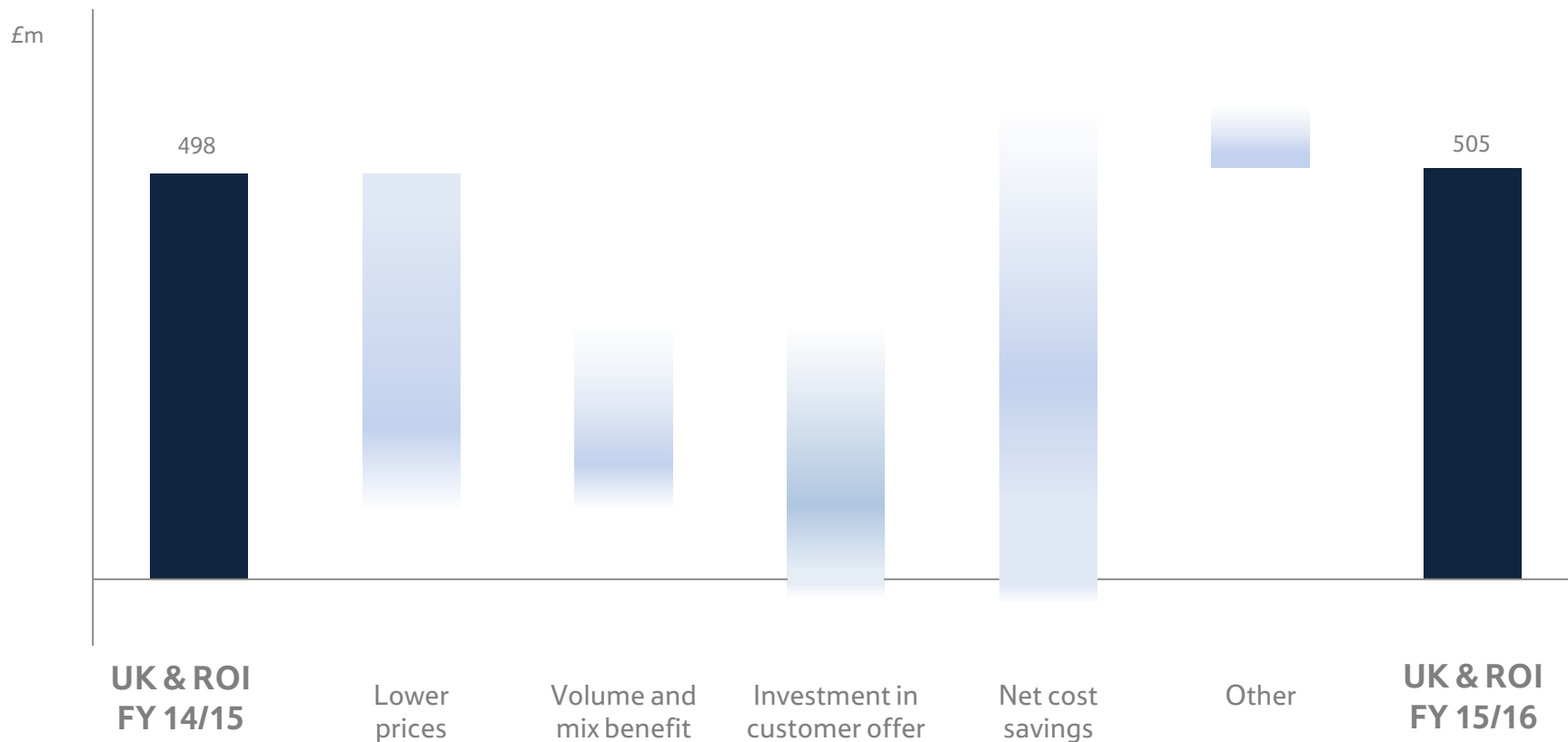
Online FY 15/16:

Grocery 8.8%

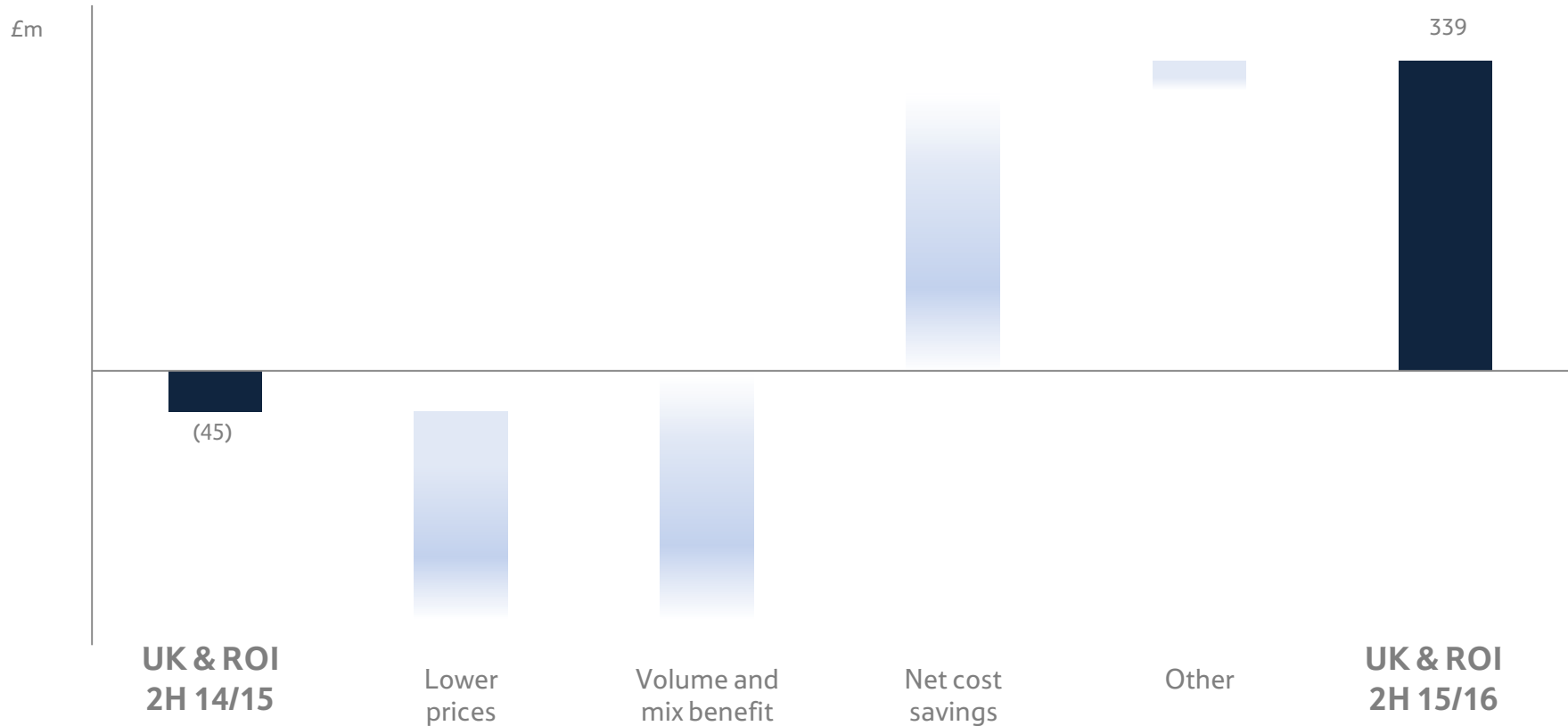
General Merchandise (2.1)%

Clothing 6.7%

# Rebuilding operating profit



# Rebuilding operating profit - 2H



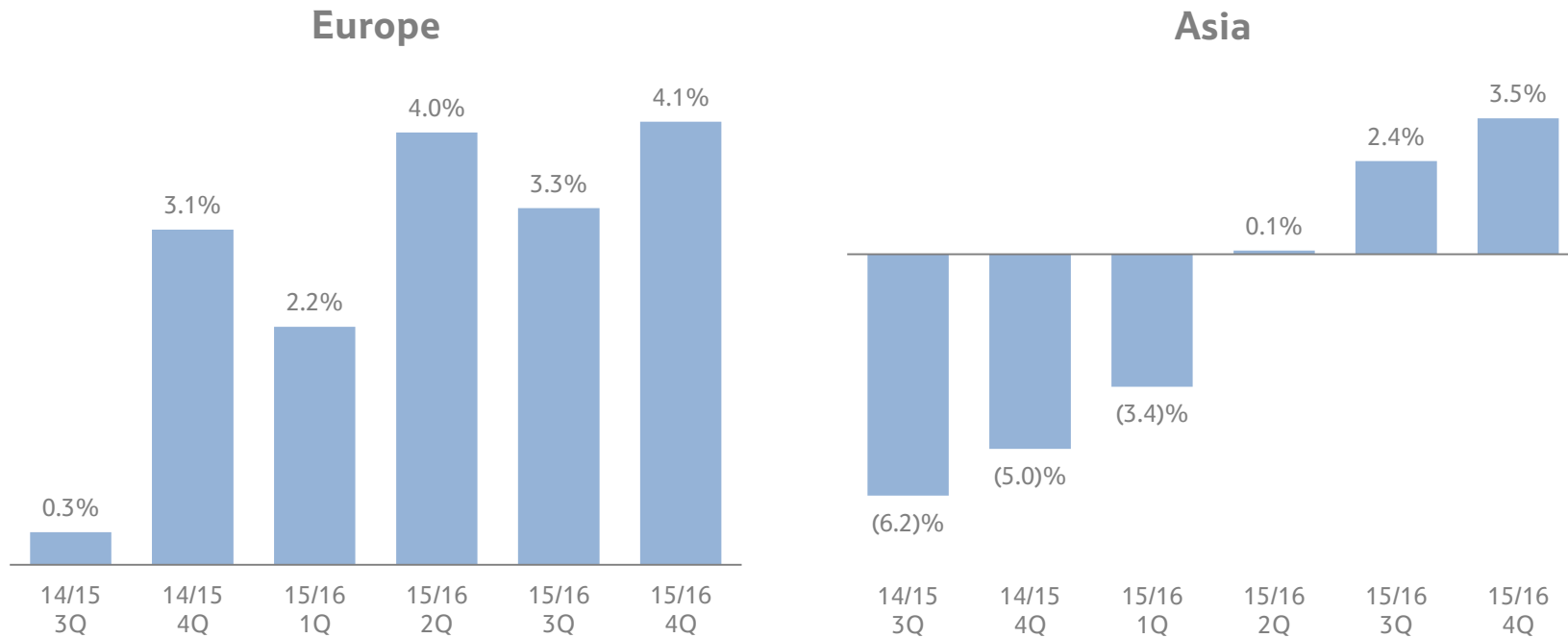


# International performance

- Market share gains in 5 of 7 markets
- Strong volume growth
- Strong cash generation
  - Operating cash up 87%
  - Stock days reduced by 6 days



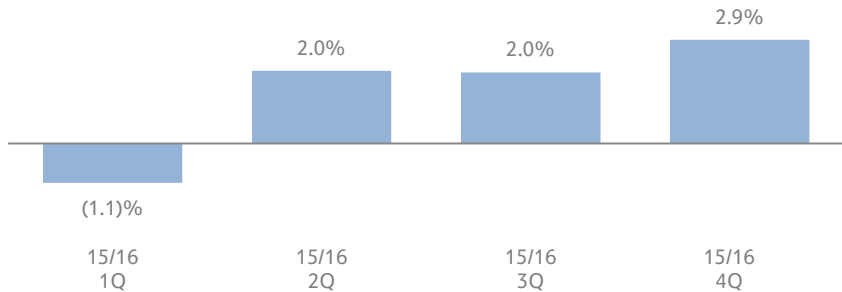
# International like-for-like sales performance<sup>1</sup>



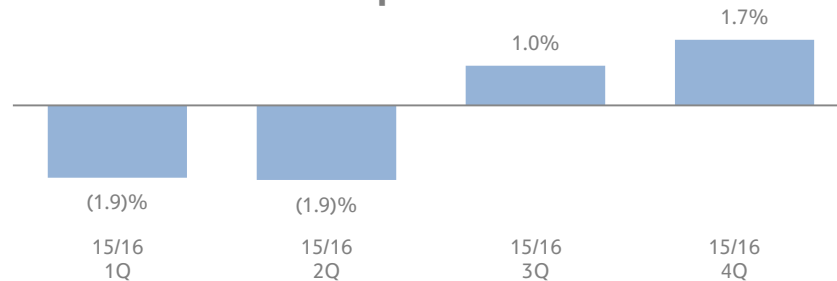
1. Exc. VAT, exc. Fuel.

# International like-for-like sales performance

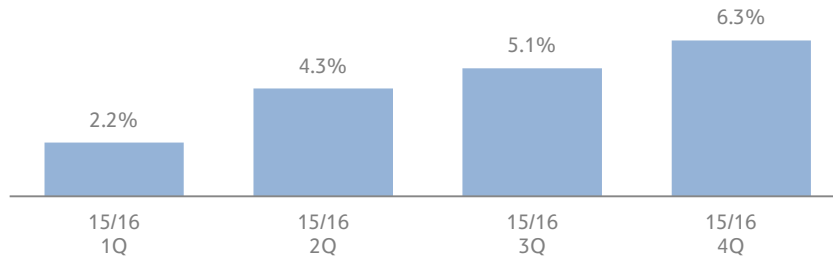
## Hypermarket



## Superstore

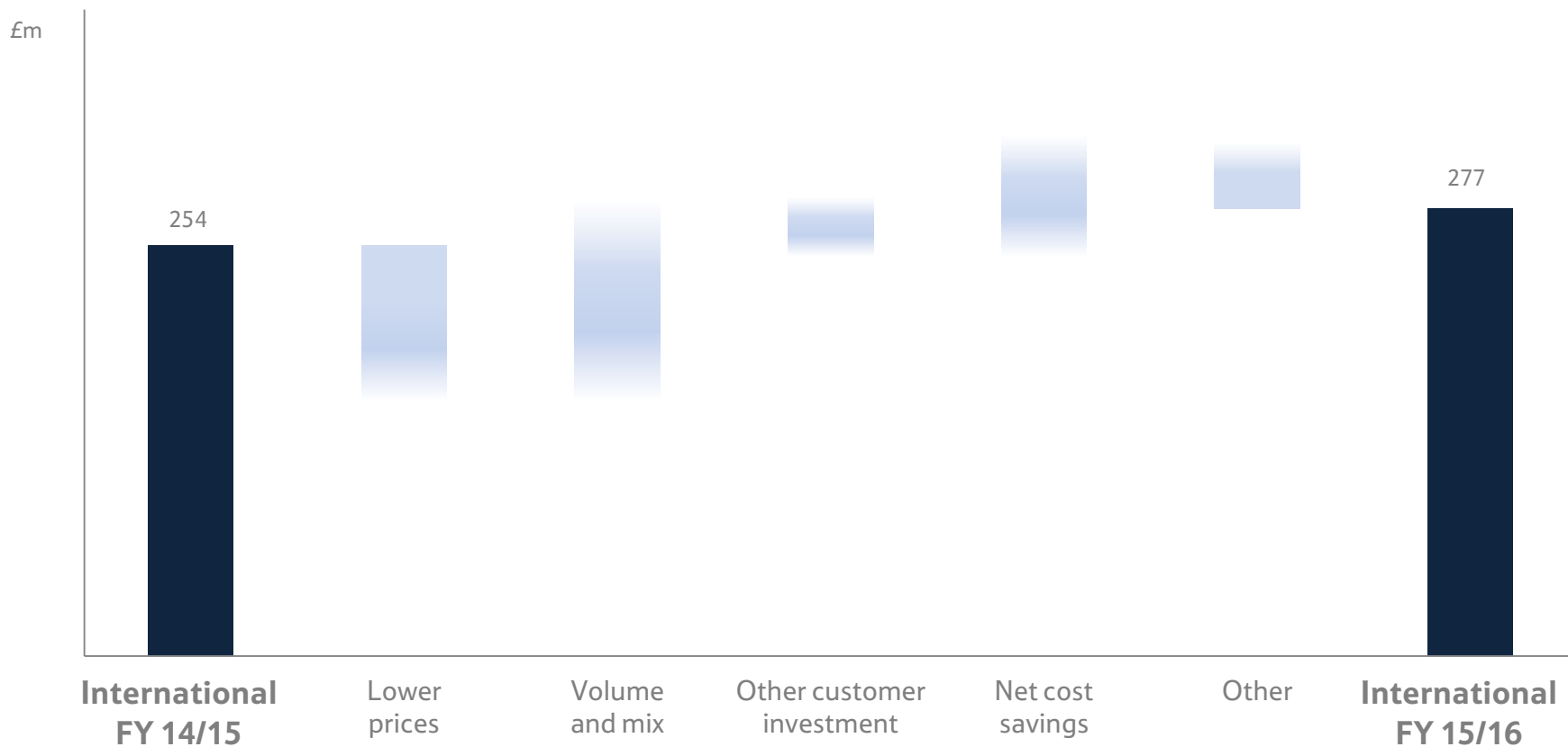


## Convenience



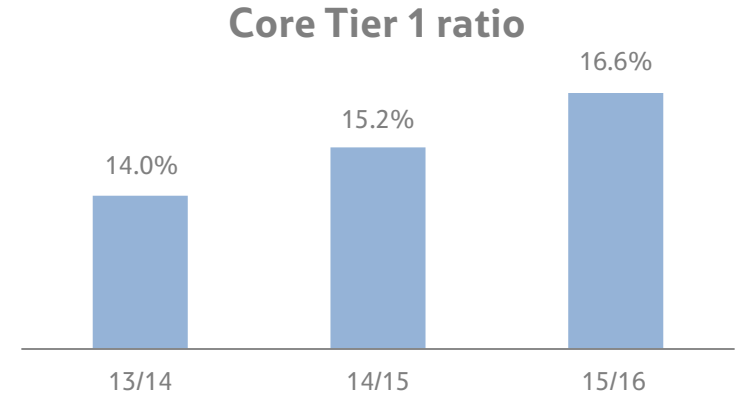
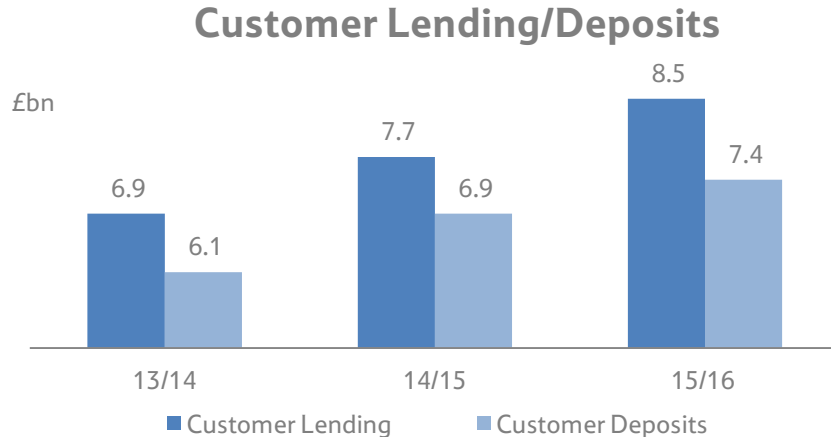
Online FY 15/16: 23.7%

# International profit performance



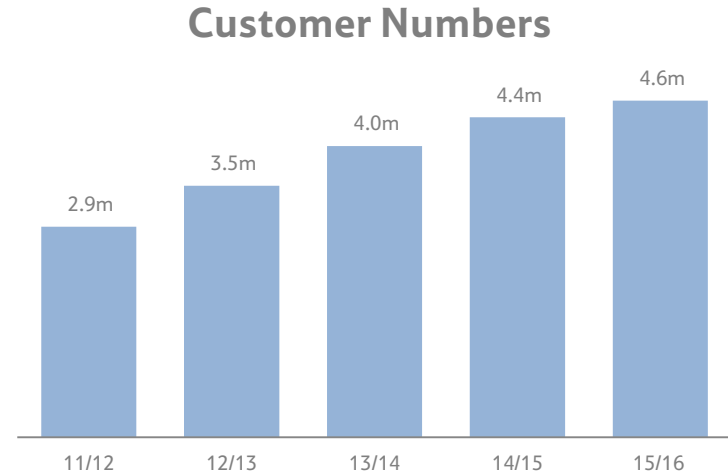
# Tesco Bank

- More value delivered to Tesco customers
- Outstanding customer service recognised
- Strong growth in customer metrics
- Capital and liquidity position remains strong



# Tesco Mobile

- Valuable asset
- JV with O<sub>2</sub>
- UK's largest MVNO and 5th largest mobile operator
- National footprint in 400+ stores
- Attractive sector fundamentals
- Industry change creates options



# Finance income and costs

	FY 15/16	FY 14/15
Interest payable	£(504)m	£(535)m
Capitalised interest	£6m	£44m
IAS 32 and 39 'Financial instruments' – fair value measurements	£(19)m	£(26)m
IAS 19 net pension finance costs	£(155)m	£(134)m
Finance income	£29m	£80m
<b>Net finance costs<sup>1</sup></b>	<b>£(643)m</b>	<b>£(571)m</b>

1. Statutory net finance costs include a £(220)m impact from FX losses on translation of sterling balances received from Korea disposal being held in a Euro subsidiary.

# Tax

	Before exceptional items	Statutory
Profit before tax	£280m	£162m
Tax (charge) / credit	£(8)m	£54m
Effective tax rate	2.7%	(33.2)%

- Effective tax rate affected by:
  - Lower book value than tax value of properties disposed of in year
  - Change in tax rate on deferred tax balances
  - Unrecognised tax losses

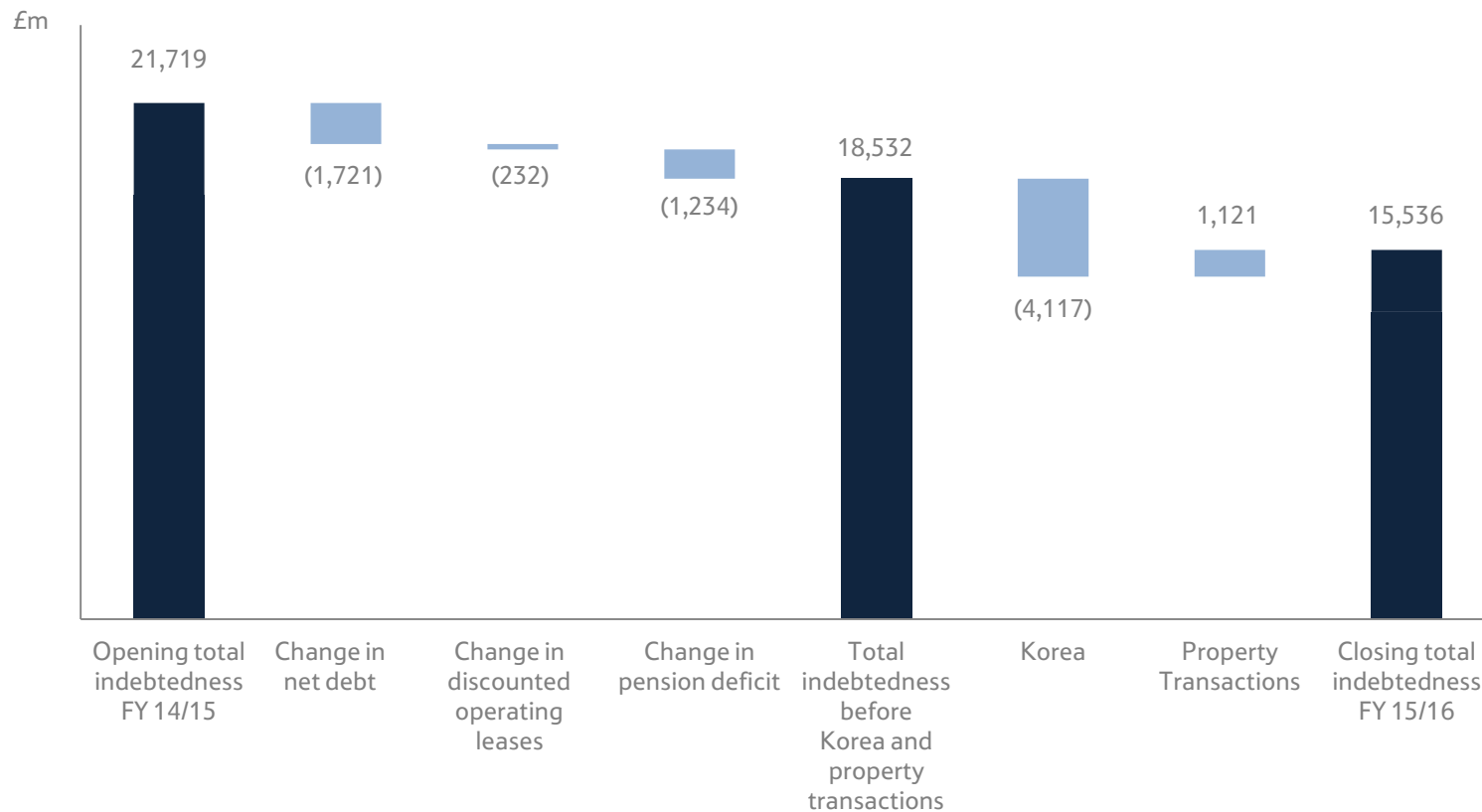
# Exceptional items

	FY 15/16	FY 14/15
Net impairment <sup>1</sup>	£(408)m	£(5,389)m
Net restructuring and redundancy	£(126)m	£(406)m
Property transactions	£156m	-
Past service credit and associated costs arising on UK defined benefit pension scheme	£480m	-
Stock-related	-	£(500)m
Reversal of commercial income	-	£(208)m
Other	-	£(187)m
<b>Total exceptional items in operating profit</b>	<b>£102m</b>	<b>£(6,690)m</b>

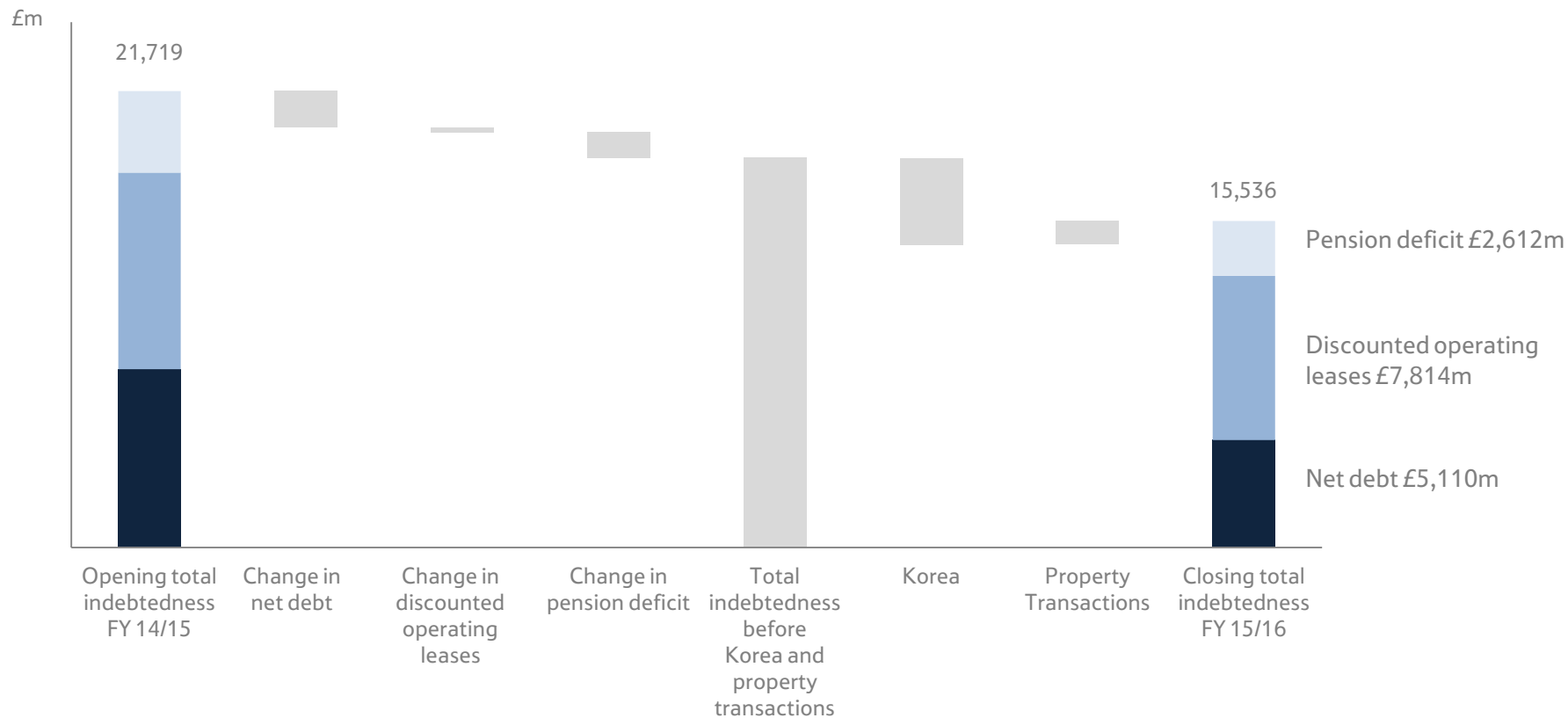
1. Net impairment of property, plant and equipment, onerous lease provisions, intangible assets and investments in joint ventures and associates.



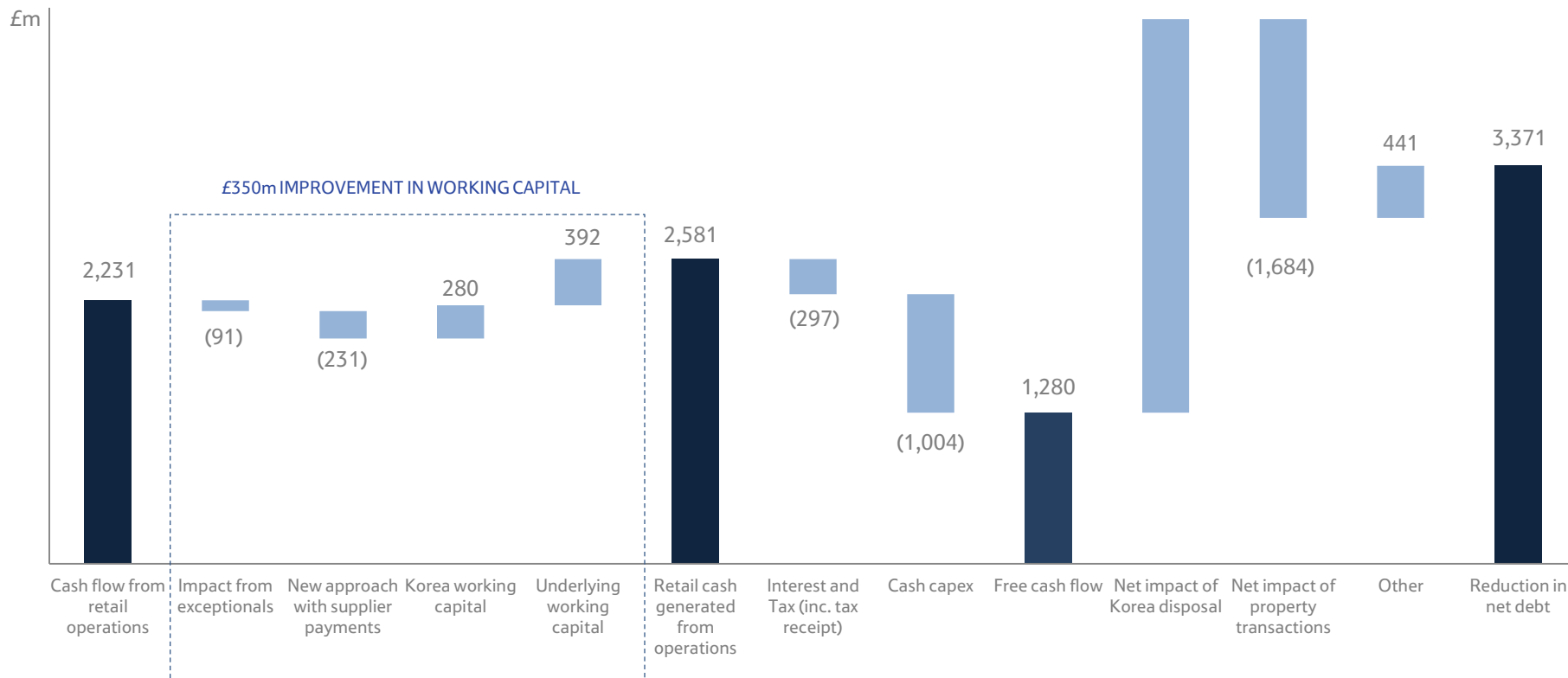
# Total indebtedness



# Total indebtedness



# Movement in net debt<sup>1</sup>



1. Includes both continuing and discontinued operations.

# Property<sup>1</sup>

	FY 15/16	FY 14/15
<b>% selling space owned</b>		
UK & ROI	52%	43%
International	71%	70%
<b>Group</b>	<b>61%</b>	<b>58%</b>
<b>% total property owned - by value<sup>2</sup></b>		
UK & ROI	47%	41%
International	75%	73%
<b>Group</b>	<b>54%</b>	<b>49%</b>

1. Based on continuing operations.

2. Excluding fixtures and fittings.

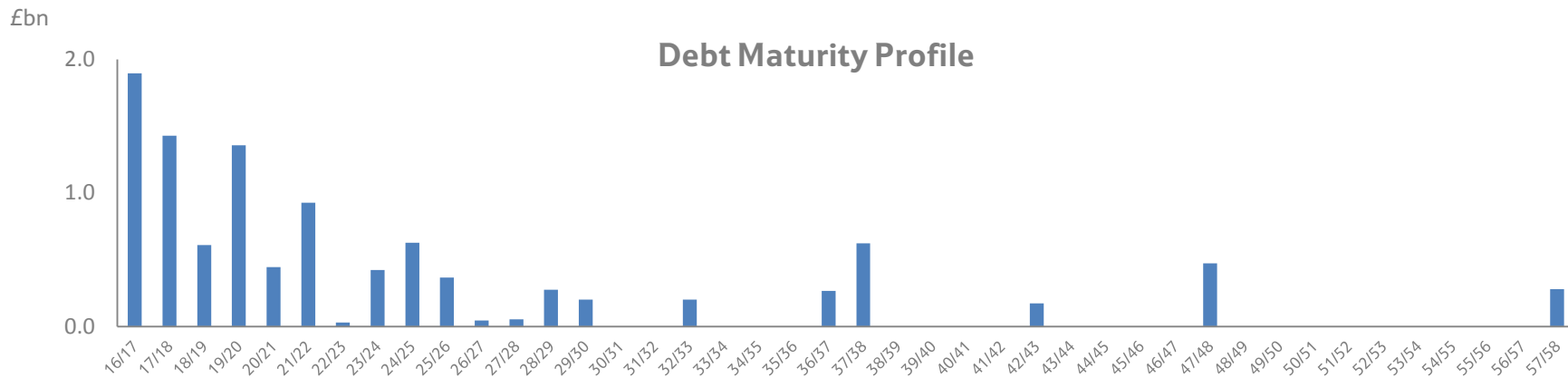


# Pensions

- Significant progress made with pension scheme de-risking
  - Defined benefit scheme replaced with defined contribution scheme
- £1.3bn reduction in deficit
  - £480m exceptional actuarial credit resulting from RPI to CPI index change
  - Part-year payment under £270m per annum funding plan
- Greater certainty on future cash contributions

# Strong liquidity

- £4.4bn available cash
- £5.0bn committed facilities in place
  - £2.6bn RCF
  - £2.4bn bilaterals
- Strong funding and liquidity profile



# Improving debt metrics

	FY 15/16	FY 14/15
Total indebtedness ratio <sup>1</sup>	5.1x	6.0x
Fixed Charge Cover <sup>2</sup>	1.9x	1.9x

1. Net Debt + pension deficit + NPV of lease obligations) / EBITDAR.

2. EBITDAR / (Interest + Rent).



# Financial summary

- Positive sales momentum across the Group
- Rebuilding profitability
- Improved cash generation
- Significant reduction in total indebtedness
- Strong liquidity
- Strengthening balance sheet





# Disclaimer

This document may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and operating margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to Tesco as of the date of the statement. All written or oral forward-looking statements attributable to Tesco are qualified by this caution. Tesco does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Tesco's expectations.