Welcome to the Tesco AGM 2016
Dave Lewis
Group Chief Executive
Agenda

- Significant progress
- Our three priorities
- Q1 update
- Looking ahead
Broad-based improvement

Improving like-for-like sales

UK

ROI

Europe

Asia
Broad-based improvement

Sales momentum

Improving profitability

Retail operating cash generation

£2.6bn

1. Group operating profit before exceptional items.
Broad-based improvement

Customer satisfaction

Reflects % customers rating overall service and colleague helpfulness as excellent as part of the weekly Customer Viewpoint survey.

Colleague engagement

Reflects % of colleagues recommending Tesco as a great place to work as part of What Matters To You Survey undertaken every January and August.

Supplier viewpoint

Reflects % of UK suppliers responding positively when asked “overall how satisfied are you with your experience of working with Tesco” as part of the Supplier Viewpoint survey.
Three priorities

1. Regaining competitiveness in core UK business
2. Protecting and strengthening the balance sheet
3. Rebuilding trust and transparency
Improved customer offer

1. Reflects % of customers rating overall service and colleague helpfulness as excellent as part of the weekly Customer Viewpoint survey.
2. Reflects % of customers who were strongly satisfied with overall availability as part of the weekly Customer Viewpoint survey.
3. Reflects % of customers very satisfied with prices paid as part of the weekly Customer Viewpoint survey.
4. Reflects % of customers rating overall range of food as part of the weekly Customer Viewpoint survey.
Better service

114 → 104

More hours

Colleague engagement

Productivity Index.

Reflects % of colleagues recommending Tesco as a great place to work as part of What Matters To You Survey undertaken every January and August.

Customer feedback

Reflects % customers rating overall service and colleague helpfulness as excellent as part of the weekly Customer Viewpoint survey.

1. Productivity Index.
2. Reflects % of colleagues recommending Tesco as a great place to work as part of What Matters To You Survey undertaken every January and August.
3. Reflects % customers rating overall service and colleague helpfulness as excellent as part of the weekly Customer Viewpoint survey.
Record availability

- Sales-based availability: 96%
- Clearer backrooms: Stock down 10%
- Optimum shelf capacity: 82% → 94%
Lower, more stable prices

Price investment

£46.98
£45.48
£44.73

down 37%

Fewer coupons

Multibuy promotions

1. Price data shows the price paid for a typical basket of products as at August 2014, August 2015 and February 2016.
2. Reflects the year-on-year movement in products on multibuy promotion.
Brand Guarantee

Money off your bill at the till

If your branded shop of 10 or more different products is cheaper at Asda, Morrisons or Sainsbury’s, we’ll give you the money back instantly.
Right range for customers

- All food categories reviewed
- Average range reduction 18%
- Innovation: +2,011 new lines
  - Seeded
  - Folded
  - Flatbreads
UK volume-based recovery

UK like-for-like volume

1. 3Q 15/16 adjusted for the impact of non-repeated coupons in the prior year.
Protecting and strengthening the balance sheet

- Pension transition complete
- Sale of Homeplus
- Capital discipline

£3bn
£2bn
£1bn

13/14 14/15 15/16
Protecting and strengthening the balance sheet

- Acquired freehold: 21 superstores in March 2015
- Agreed sale of 14 sites for £250m in October 2015
- Acquired freehold: 36 superstores, 13 Extras in February 2016
Rebuilding trust and transparency

Accept GCA findings

New commercial approach

Payment terms and on-time payment

Encouraging progress

1. Reflects % of UK suppliers responding positively when asked “overall how satisfied are you with your experience of working with Tesco” in Supplier Viewpoint survey
Rebuilding trust and transparency

Charity partnership

Community Food Connection

Local community grant scheme

No surplus food waste by 2017
Rebuilding trust and transparency

BrandIndex Index Score – an overall measure of brand health

Source: YouGov Brand Index
Three priorities

1. Regaining competitiveness in core UK business
   - UK transactions up 2.8% in 4Q

2. Protecting and strengthening the balance sheet
   - Total indebtedness £6.2bn lower

3. Rebuilding trust and transparency
   - Customer, colleague, supplier measures all improved
Q1: Positive like-for-like sales growth maintained

UK & ROI: + 0.3%
Europe: + 2.8%
Asia: + 3.3%
Q1: Continued volume growth

+ 2.2%

UK

+ 5%

Fresh meat and produce outperformance

+ 2.7%

International
Underpinned by improving customer offer

- 6% Lower prices
  Simpler model
  Better service
Greater focus on our core business
“Britain’s Favourite Supermarket”
What’s next?

• The customer remains our number one priority
• Remove reasons to shop elsewhere
• Do more of what makes Tesco unique
• Continue to simplify our service model
• Rebuild longer-term profitability….sustainably
• Challenging, deflationary and uncertain market
Removing reasons to shop elsewhere

Value Equation = Brand Guarantee + Unique Tesco offering
“Little Helps” for customers
Serving Britain’s shoppers a little better every day