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Transcription

Title: Media Call

Date: 27.01.2017

Speakers: Dave Lewis and Charles Wilson

Conference Ref. No: EV00052177

Duration: 33:11

Please note, this transcript has been prepared by our conference call provider Arkadin

Presentation

Operator

Hello and welcome to this morning's Media Call with Dave Lewis, Tesco Chief Executive and Charles Wilson, Booker Chief Executive. For the first part of this call, all participants will be in a listen-only mode and afterwards we'll have a question and answer session. Please note that this call is being recorded. Dave, please begin your meeting.

Dave Lewis

Thank you very much, Dezia. Good morning everybody and thank you for joining us at such short notice. As you've heard, I'm delighted to be here with Charles Wilson, the Chief Executive Officer of Booker plc. Good morning, Charles.

Charles Wilson

Morning Dave.

Dave Lewis

Later this morning we'll be hosting a full press conference at JP Morgan, to which you are all invited, and in 45 minutes we'll be sharing with analysts and investors a presentation. You can watch it live on the plc website if you'd like to, and a copy of the presentation is also available on both of our websites.

But first we want to share a very simple overview of what we've announced today, and give you a chance to ask any immediate questions. To keep it simple, and on behalf of both of us, I'll share this summary and then we can both answer your questions.

We're extremely pleased to confirm that Tesco, the UK's leading food retailer and Booker, the UK's leading food wholesaler, have reached an agreement on the terms of a proposed merger to form what we believe can become the UK's leading food business. Tesco and Booker are two quite different businesses, but we do have a lot in common. Very importantly, both businesses have food and customers at their heart. So by bringing these two businesses together, we're creating a compelling and appealing combination of capabilities. Let me share just a few of those.

Between us we have market-leading product development and procurement expertise. We have extensive market reach across stores, cash and carry, home and business delivery and click-and-collect services. We also have a service-enhancing digital infrastructure, and we can provide better access to financial services and mobile for customers and consumer benefit. And very importantly, the merger creates the opportunity for new innovations in the way we serve Britain with food.

By coming together, Tesco and Booker will be able to unlock growth in the food industry in a way that would be more difficult for either of us alone. As you know, in the UK, the food bought principally in retail is consumed at home, and the market is worth about £110 billion. But there is an almost equally-sized market for food which is bought and consumed out of home, worth around £85 billion, and that's growing at more than 3% per annum. Together with Booker, we can better serve the full market growth opportunity, by providing a broader range of better value food, together with a delivery service which is a step ahead of the current market.

As such, we believe that this proposed merger can bring benefit for our five key stakeholders. The new business will, we believe, delight consumers with better availability of quality food at fair prices across retail and eating out locations. It will serve better this fast-growing out-of-home food market, and it will help independent retailers, caterers and small businesses by further improving choice, price and service, with enhanced digital and delivery service options.

It also presents a broader market opportunity for our suppliers, with strong growth prospects and a clear opportunity to develop better own-brand and fresh ranges. It will also cut food waste and increase efficiency by creating a broader multi-channel partner who can work with producers across their full agricultural crop, and it will create significant opportunities for synergies, whilst retaining market-leading retail and wholesale expertise. And very importantly, it will create innovation opportunities to serve customers and consumers better in a rapidly evolving marketplace.

As you've seen from the announcement, the merger has been unanimously recommended by both Boards. Later this morning, we'll be sharing some of the detail around how the strength of our two businesses can complement each other. We've said we're planning to make at least £200 million of revenue and cost synergies, and we'll share more of that detail in the presentation.

But before we get to that, I'd like to take a moment to confirm a very important key detail, namely that once the merger is complete, Charles will be joining the Tesco Executive Committee and the Tesco PLC Board. I've known Charles for a very long time, and have huge respect and admiration for him and the business he and his team have built, and the very special relationship that they have with their customers. I'm really, really looking forward to working with him in the years ahead. We share the same vision. We see the merger as a merger focused on growth; growth that will come from world-class capability, looking at the whole of the UK food market. By coming together, we're better placed to serve this market with a compelling proposition with tangible benefits for our five key stakeholders. We can create a company better placed to bring innovation, growth and returns as we provide great food for more people across the whole of the rapidly evolving £195 billion UK food market. In short, we are creating what we believe could become the UK's leading food company.

So that, very quickly, is the overview that we're announcing today. The full presentation is on the website, as I've said, and it will be broadcast live if you would like to watch. But meanwhile, we will now be very happy, Charles and I, to take any questions that you have. Dezia, over to you.

Q&A

Operator

Thank you. Ladies and gentlemen, if you do wish to ask a question, please press 01 on your telephone keypad. If you want to withdraw the question, you can do so by pressing 02 to cancel. We'll have a brief pause while questions are being registered.

We have the first question from the line of James Davey from Reuters. Please go ahead, your line is now open.

James Davey

Good morning everybody. I just wondered what you think the competition regulators will make of this proposed deal?

Dave Lewis

What we think that the – you know, obviously the deal will have to go through all of the clearance, James, but I think the thing to note is that as a retailer and a wholesaler coming together, this is not an acquisition of stores, which is where I think most of the question comes from. So in that sense, what – you know, what Booker has been fantastic at doing is serving independent retailers very well indeed, and actually what we think will happen is that by coming together we'll be able to, you know, build further on that offer, and therefore, actually, independent retailers get a better deal here than perhaps they do on a standalone basis. That's certainly what Charles and I are looking to deliver, but maybe Charles can talk about the independent retail a little bit more.

Charles Wilson

Yeah, well you see, James, it's a good question, but certainly we think it is pro-competition. So when you take through the benefits to the consumer, our customers, be they retailers or caterers, are going to see the best choice, pricing, service. We're excited we've got a very compelling story here. The CMA will go through what it does in terms of its obligations and duties, but also we've had good advice on this, and that's why we think we've got a very compelling story to take them through.

James Davey

Okay, thank you.

Dave Lewis

Thanks James.

Operator

The next question comes from the line of Andrea Felsted from Bloomberg. Please go ahead, your line is now open.

Andrea Felsted

Morning.

Dave Lewis

Good morning.

Charles Wilson

Hi Andrea.

Andrea Felsted

Hello. Hello. Obviously both experienced CEOs going to be on the Board. How's that going to work, and isn't this obviously, you know, a pathway to Charles running the whole show?

Dave Lewis

Thank you very much for the question. Look, clearly, you know, Charles joining the Executive Committee and the PLC is very important for the merger; we want to be really clear about that. His commitment to what it is we're building here is completely – complete and absolute. The most important thing that I would say to you, Andrea, is that, you know, we're bringing together two businesses, and we need to continue to focus on building those businesses. You know, this is a merger which is focused on growth, and the expertise that Charles and his team bring is an expertise that we need to build with inside Tesco, so I'm really delighted that he's going to be joining my Executive Committee, and I have no doubt that we'll work extremely well together. The specific details of how we will organise ourselves we'll address when the deal is complete. It would be inappropriate, I think, to do that before the deal is complete, but we're very confident that we'll work very well together.

Andrea Felsted

Okay. And –

Charles Wilson

And just to, sort of, echo on that, Dave and I have known each other for a long time, and as he said, and I hold him in very high regard and hold the Tesco business in very, very high regard too, and some great leaders there, and it would be really great to work with them.

In terms of – also, what you know is I've been very good at working in number-two roles with people like Lord Rose.

Andrea Felsted

Yeah.

Charles Wilson

And therefore that combination, I think, of helping working for Dave, but also working with Dave, I'm really excited about, and so are the Leadership Team of Booker. So as – so I think this is going to really work well.

Andrea Felsted

Okay, thank you.

Operator

The next question comes from the line of Deirdre Hipwell from The Times. Please go ahead, your line is now open.

Deirdre Hipwell

Morning. I just had a few questions. I mean, Dave, whenever we've been going to, you know, Tesco results, because you're always kind of saying that the recovery is on its way, but you know, we're not there yet and we're moving forwards. So why do you think this is the right time for Tesco to be doing such a deal like that?

And then just on the point about how it's going to work with you and Charles, I mean, do we know what Charles's title will be, or will it be a little bit like at M&S, where he was kind of Stuart Rose's right-hand man?

Dave Lewis

So let me take them in the order that you said, Deirdre, which is look, we do think that the recovery in Tesco is well underway. You know, we have – you know, the facts were that would be eight quarters of volume like-for-like growth and four quarters of value like-for-like growth and some market share recovery.

We've shared with yourselves and the market and our investors what it is the medium-term aspirations are of the business, and that's very well on its way and understood and accepted. I think the important thing is that we actually see what we're announcing today as another step on that very same strategy. It's completely consistent. It puts customers at the heart, it puts food at the heart of our business. It's a very complementary coming together of capabilities between two market-leading businesses. And what we're doing is we're following the customer. You know, the customer, as I said in the wire, the market is evolving, the lines between what's consumed at home and out of home are changing, and therefore we believe that we're better able to serve the customers by coming together in the way that we're saying. So actually it's completely on strategy. It's the next evolution of our strategy and we think it's the right time for us to be preparing for it, and I'm delighted with the deal that we're announcing today.

In terms of what Charles will do, I can only repeat what I said earlier, which is Charles will join the Executive. He'll also be on the PLC Board. And you know, what we really need is all of the expertise that Charles and his team bring, you know, about building out the capability that exists in dealing with and serving the market opportunity in the delivered food service out-of-home area. So I think what you should see if you go back to our organisation is that we're very channel-focused, and this is two new channels that come into our business. So I'm not going to give an organisation chart for a deal that's not yet cleared; you wouldn't expect me to. But Charles will take a very prominent role in our leadership team.

Deirdre Hipwell

Sure. And then just two quick questions – sorry, I know there's a lot of people wanting to ask questions, but can you say any more about where the synergies are going to come from and will there be job losses?

And then just a final question, is this why Richard Cousins left so abruptly? Did he not agree with this deal? Thank you.

Dave Lewis

So look, on synergies we'll talk later today and we'll talk about two things. We'll talk about those – the portion of synergies which come from growth that we've been able to quantify thus far. You know, always a more difficult one in terms of quantification of a deal at this place, but there's £25 million of growth synergies that we're confident to be sharing today, and we'll build further on that. We'll also talk about £175 million of cost synergies, and you'll see that broken down in the presentation. The very important thing to your point, though, is that these are not cost synergies that are about – you know, driven by a reduction in the number of roles. They're pretty much driven by different ways of running the operation, about actually identifying new efficiencies. You know, a key – I will continue to stress that the idea here is we want to bring the expertise that exists in Charles and Charles's team into a Tesco organisation and keep that retail and wholesale expertise. So this is not about, you know, synergy driven by pushing people together in the way that your question suggests. It's actually how do we preserve that expertise, right?

Deirdre Hipwell

Right. Okay.

Dave Lewis

In terms of Richard, what can I say? I have a huge amount of regard for Richard. I enjoyed working with him for two years and he made a great contribution to the Tesco Board. He was completely supportive of the change we made to recover our competitiveness and the plan that we shared with the marketplace. Look, it's fair to say that when we talk about what the growth opportunities for the business are going forward, people do have different opinions about that. We had big conversations around that. We got ourselves to a place where, you know, the overwhelming majority of the Board were very happy with the proposal that we were making. Richard was in a different place, and I fully, fully respect him for that. I think the sort of quality of debate that we had, for me is really good governance. I do believe it's really good governance, and I have the

utmost respect for him deciding that he wanted to step away from the Board. So you know, we can only say thank you to him and the contribution that he made, but we're clear about where it is we want to take the business going forward.

Deirdre Hipwell

Okay, alright. Thank you very much.

Operator

The next question comes from the line of Jonathan Eley from the Financial Times. Please go ahead, your line is now open.

Jonathan Eley

Good morning, gentlemen. Just two questions, if I may. The idea of combining Booker with a food retailer has been tried before and it didn't work out too well, and the model arguably doesn't work very well in Germany, either. What makes you think it will be different this time?

And also, the press release and the presentation materials were very long on the – on this being about a food deal. It's all about being a food business. Where does that leave your general merchandise in all of this?

Dave Lewis

Charles, do you want to take the first? I'll take the rest.

Charles Wilson

Yeah, definitely, Jonathan. I think if you look around the world, you'll see that the food industry is changing. You'll see there are players like Amazon – you've reported on this and covered – the food industry today is different to how it looked five years ago and how it looked ten years ago. And outside the capabilities of pulling together Tesco with Booker, with the – around that – centrality of food and customer satisfaction, is a very, very powerful combination. And I think what you'll see in terms of the synergies that Deirdre was raising in terms of what we can do on procurement, what we can do on the supply chain, what we can do to actually take carbon out of the overall food supply chain in the UK, improve the utilisation of the crop from end to end so that we can buy all of the broccoli from a field, take that into catering use, take that into canteen use, as well as taking it into Tesco use, it's a huge opportunity. So there definitely – I think when you're looking at how the world is changing, that is why this combination of wholesale retail puts us into a very strong platform for becoming the UK's leading food group.

Dave Lewis

And your question around what this means for our general merchandising and our clothing businesses, for example, they are clearly a very important part of our offer. They're a big part of our offer in large stores and indeed online, and we will continue to develop them. But I think we also recognise that if you look at the contribution in our business, that we are predominantly a food business, we're very proud to be a food business, and what this talks about is how we take that food expertise and put it together with what Charles and his team bring, and think about how it is we can serve that broader, faster-growing market better than it's served today. So that's why we think it's perfectly complementary.

Jonathan Eley

Okay, just – sorry, one more if I may. My local, sort of corner shop guy spends a lot of time cursing Tesco since a new Tesco Metro opened – sorry, Tesco Express opened down the road. What do you think he is going to feel about Tesco now being his supplier?

Charles Wilson

I think he'll be excited. It will take a bit of persuasion, but when they understand the challenges they've got – and your corner shop knows the challenges. He's seeing his rates go up, he's seeing his national living wage going up, he's seeing quite a lot of cost pressure coming into his business. So what he is looking for is, how do I get better choice, better price, better service out of suppliers like Booker? And we really think that we've made good progress in the last ten years. You've seen the satisfaction go up, you've seen their sales to retailers grow strongly, but they need more. And whether it's a Premier, whether it's a Londis, whether it's a Budgens or Family Shopper, we're convinced that with the capabilities that Tesco bring, we'll be able to do a better service and a better job for them. That will help them grow, that will help them prosper, and in five years' time, I think they'll be saying this was a great deal for them.

Jonathan Eley

Okay, thanks very much.

Charles Wilson

Thanks Jonathan.

Dave Lewis

Thank you.

Operator

The next question comes from the line of Sam Chambers from Bloomberg News. Please go ahead, your line is now open.

Sam Chambers

Morning guys. Dave, I just wanted to get your thoughts on this deal. Is it driven more by this diversification you've talked about into the out-of-home market, or is it more to do with Tesco gaining scale? I mean, what's the sort of main driving force?

Dave Lewis

Sam, very clearly, this is all about putting customers and food at the centre of the decision, and this is about actually how it is we can serve the broader food market better than we do today, and both Charles and I are very clear that the best way for us to do that is to put together the complementary skills of the two businesses. So you'll see, you know, we look at the capabilities from product development and procurement through the reach that we have in our combined supply chains in the channels that we serve. And we just see the benefits that are there for consumers, for our customers, as Charles has just said, but also in terms of our suppliers and our colleagues, and ultimately for our shareholders. So it's much more about putting the customer and food there than any aspiration for scale in the way that your question suggests, Sam.

Sam Chambers

Okay, but I mean what about the sort of – you know, Booker obviously supplies restaurants and all these sort of things. Are you looking at that growth and thinking, that is something we can't get in our core business?

Dave Lewis

I think – you know, I'll let Charles speak in a second. I think what we're saying is that we can, together, provide an enhanced offer to those people who are providing food out of home. Restaurants are one, but also independent retail, there are others that are meeting that need, and we ourselves are meeting it as well. So it's – you are right in terms of the opportunity; we've talked about the out-of-home food market and its growth potential, but the important thing is the best way for us to serve that better is by doing it together. So Charles, I don't know if you want to –

Charles Wilson

Yeah, Sam, and you know that Booker supplies 450,000 catering outlets. We supply pubs, we supply restaurants, we supply fast-food, workplaces, you know, we are privileged to be serving a lots of different catering businesses. And some of the chains, you know, we supply people like Wagamama, Carluccio's, Prezzo, and some very important key accounts for us. And there is a real opportunity with some of the capabilities that Tesco have got to actually continue to improve the fresh offer going in there, give them better choice, better prices, better service; that helps them grow with the scale and the efficiency of the Tesco supply chain. So that's why I think it does allow us to really power up the growth into that out-of-home market.

Sam Chambers

Okay, thank you.

Operator

The next question comes from the line of Clare Hutchison from the Evening Standard. Please go ahead, your line is now open.

Clare Hutchison

Morning. A few of my questions have been answered, but I just wanted to ask first of all, when – how long have you been working on this, and sort of who approached who? What was the sort of process behind it?

Dave Lewis

It was a – it's a process that's been going for nearly a year. Charles and I, as I said, have known each other for a very long time, and it came very organically out of a conversation about what it is we might be able to do together seeing how the market was evolving, and so between the two of us, we have been exploring that progressively over that time, and I think we got ourselves to a place where we realise that the real big prize for everyone was by coming together in the way that today's announcement is – is indicating.

Charles Wilson

It started off – we actually talked about a few tactical opportunities, and then as we talked about the tactical opportunities, we ended up saying, hey, actually, this could be bigger than that. And, you know, that's how it evolved.

Clare Hutchison

Okay. And just coming back to jobs, if you don't mind. So just from what you said before, it's – there's not going to be, sort of really large-scale job losses, as far as you know so far. I know it's early days, but just what you're intending at the moment.

Dave Lewis

That is indeed the intention. You will see it in the way that we've made the presentation. You know, I can't emphasise enough, the idea of merging the two businesses is to keep the expertise which exists in both of them. So the synergies that we talked about come out of greater efficiency in the way that we might be able to run the business together in procurement or in distribution, but it's not, and you don't see anything in there that indicates, you know, large-scale restructuring at all.

Clare Hutchison

Okay. Thanks very much.

Dave Lewis

Thank you.

Operator

Your next question comes from the line of Colletta Smith from BBC 5 Live. Please go ahead, your line is now open.

Colletta Smith

Hi there. Morning. I'm just wondering about the branding of the Bookers stores, Budgens, Londis, Happy Shopper; are we likely to see them change to Tesco branding?

Charles Wilson

I would be really surprised. The Londis, Premier, Family Shopper and Budgens customer are very passionate about their brands and their businesses and they're looking for more support. So I'd be really surprised. You never know; there can be opportunities though, because some people who currently don't have, for example, access to the One Stop brand might be really interested and excited in it. And we'll be able to make sure that we've played the right fascia into the market depending on the consumer demographic profile with the retailer. But we serve the retailers; we don't go in their businesses, and that is why we're fully expecting to be helping them strengthen Premier, Londis, Budgens, etc., rather than switching the format.

Dave Lewis

Correct. Absolutely.

Colletta Smith

Great. Thanks.

Operator

The next question comes from the line of Julia Kollwe from The Guardian; please go ahead, your line is now open.

Julia Kollewe

Good morning. Just getting back to the competition aspect, there is quite a lot of overlap there I think, as far as the convenience stores are concerned. So can you just provide a bit more detail about whether you think you might have to sell some of those, or shut them down?

Dave Lewis

Well, look, I think the first thing to try and clarify is, in this merger, you know, Booker doesn't bring any store ownership with them into the merger. So we are not acquiring, as a combined entity, more stores, right? So it's really very important that Charles' symbol and franchise customers own their own businesses, and therefore in the way that the competition authority, and we'll wait for them to do their view, but the way that they would look at this is, the ability of a merged entity to have an influence over localised price, for example, well that just doesn't exist here, because Charles doesn't have influence over that aspect of independent retailers' offering, and we won't have any influence over that either in the combined. So, you're right that we service an enhanced convenience outlet, but we don't have ownership over it, and therefore we don't have the influence that the competition authorities would normally be looking at. And that's why, as Charles said, we are very confident that actually when the authority has discharged its responsibility, it will come to the same conclusion that we did in our due diligence before we did this, that there isn't an issue in terms of stores and convenience.

Julia Kollewe

Okay. And can you say a bit more about price? The impact on price.

Dave Lewis

Well I don't think there will be – you know, what we are talking about is, in coming together, the opportunity through the efficiencies that we can bring, that we hope we'll be able to bring greater value for customers, but also greater business opportunity for our suppliers, so you know, obviously we are a way away from actually being able to execute the merger; we'll go through all the clearances, but I think Charles has said it and I would echo it, I think we think that, together, we will be able to offer better choice, better quality, better value to all of the customers they serve, be they customers in a store like Tesco, or indeed customers of independent retail or catering or restaurants, in the way that Charles has – and the Booker business serves.

Julia Kollewe

Okay. Thank you.

Operator

The next question comes from the line of Luke Tugby from Retail Week. Please go ahead, your line is now open.

Luke Tugby

Morning everyone. Just a couple of quick questions. Most of them have been asked already. But realistically, when do you expect the merger to go through, should it get all of the approval?

Dave Lewis

Honestly, very difficult for us to say. Obviously, you know, the competition authorities have been given the detail of it on the same timing you have, so we'll engage with them over the next few days and weeks. You know, the best estimate would be, you know, at the end of 2017, early 2018 is possible. But to be honest, it really is a guess at this stage until we have allowed everybody who needs to, to have sight of the deal that we are proposing.

Luke Tugby

Sure. And I just wondered if you could go into a bit more detail on the out-of-home market, in terms of how you actually plan to serve it better, and how big you see that opportunity going forward?

Charles Wilson

In terms of, Luke, the out-of-home opportunity is very significant. So when you're talking to, for example, pubs, they often have 14 different suppliers. They're looking to move more into their food business, they're looking for better support on that. With the supply chain that we are building, that will grow their sales. In terms of when you go into a restaurant, when you go into a nursing home, when you go into a hospital, we serve all of these. We serve 11,000 schools. All of these customers are looking for better choice, price, service and quality. Give them the freshness that they want and that becomes a very compelling offer.

And it also allows us to open up serving multiple accounts. You know, we're lucky, we serve people like Aramark, which itself caters for a lot of institutional catering in the United Kingdom. We serve people like Byron Burgers. And therefore there's a lot of headroom in the out-of-home market and different ways of serving that through independent businesses and through chains, so we're excited about the prospect of the Tesco capabilities and supply chain working with Booker, with the customers and what we've got; we'll do a better job for all of those customers.

Luke Tugby

Okay. And you've also mentioned in the presentation the opportunity for new innovation. Are you able to go into any more detail there?

Dave Lewis

Now, Luke, you know how guarded I am about innovation, right? So I think what it is, is when Charles and I explore the different capabilities against what we see as the market opportunity, we do think there are things that could be provided to the UK that are not there at present, so we'll work those up and – with the teams and we'll develop them as the merger progresses, and then, when we're ready, we'll share them with the marketplace. I suppose it's to ignite your imagination about what it is that can happen when you put the UK's leading food retailer and the UK's leading wholesaler together; you know, an innovation in that sense. But it comes back to your earlier question; you know, when Charles talks about serving better, one of the things that strikes me and struck us as we go through this is, if you think about the delivery capability that we have in Tesco, in terms of the reach of our grocery home shopping and the frequency with which we have that reach, it's very interesting that when our vans are lying idle is actually when Charles's customers most need service. So we look at the ways that we can think about bringing together that complementary set of skills and providing an innovative new service for Charles's customers.

So there's innovation at every level, but the really interesting stuff that you're after, Luke, we're going to keep it until we're ready to share with the market.

Luke Tugby

Yeah, okay. And just one final one, what sort of changes, if any, will we see in terms of Tesco stores coming from this, in terms of, you know, your proposition and store layouts, that kind of thing?

Dave Lewis

Yeah. Well, Luke, we'll explore that. I think we're – you know, we are very – you know, you'll see when you look at the £25 million of growth synergies that we've been able to quantify and share in the documentation, but part of that is about how it is we can improve the quality of the offer in both of the existing businesses. And so the opportunity for us to use some of the space that we have within some of the larger Tesco stores to provide some of that professional range that Charles and his team are famous for is clearly an opportunity, but that's detail that we'll have to work through as the merger progresses. But the thing I would focus on is the opportunity here is for more choice, more range, more value, further enhancements in quality and, above all, you know, further enhancements in service, so that's what Charles and I will focus on.

Luke Tugby

Okay, thanks gents.

Dave Lewis

Cheers Luke.

Operator

The next question comes from the line of Simon Gwynn from Campaign. Please go ahead, your line is now open.

Simon Gwynn

Morning.

Dave Lewis

Hi Simon.

Simon Gwynn

We've covered a few of my questions, but I was wondering – you talked about the development of your food to go, out-of-home offerings, and I was wondering if you anticipate that leading to any new, kind of, brands coming out of this merger operation?

Dave Lewis

I don't think – if you're talking about new food-to-go brands, I don't think that's what we see at the initial stages of the merger. I think what we're really focused on, you've seen it in the Tesco operation now, in terms of the food to go offer that we're starting to give in our – both our large stores and our small stores, I think that is only really enhanced by the insights and the skills and the capability that Charles brings, and as he said already, we hope to be able to augment that and help that from that a Tesco point of view into his existing customer base. So I don't think it's a brand-driven point at this stage, it's much more a capability and a service-orientated, so in terms of range, choice, value and service that I mentioned earlier, Simon. I don't know if you...?

Charles Wilson

Yeah, yeah, that's perfect. The other thing, as well, is I wouldn't underestimate the power of what we can do digitally.

Dave Lewis

Indeed.

Charles Wilson

Because when you put together the Tesco banking, when you put together what they've got with PayQwiq and Mobile, there's a load of ways of addressing the out-of-home market, where those capabilities plugged with what we've got, should be compelling for the independent and some of the chain customers too.

Dave Lewis

Yeah, absolutely.

Simon Gwynn

Okay. And do you see the, kind of, strength that the merger is going to give you as putting you in a better position to compete with companies like Amazon coming into the sector?

Dave Lewis

No. Our focus here, as you know, is all about how it is we serve customers better. We think that the best to deal with any sort of competitive dynamic is to be doing the best job possible for the customers that you serve. So just to repeat, you know, this whole – the whole ethos behind, and the whole vision behind this merger is how it is we serve the British public and British business with a better food offering than is available here today. So if we keep ourselves completely focused on that, and we do that better than competitors do, then we're absolutely sure that we'll create the UK's leading food business.

Simon Gwynn

Great. Okay, thank you.

Dave Lewis

Okay?

Operator

As there are no further questions, I will now return the conference to the speakers for any closing comments.

Dave Lewis

Okay. Thank you very much and, again, thank you for joining us at such a short notice. I hope you're as excited as Charles and I are. You know, my closing remarks to you, and I'll let Charles, sort of, have the very last word is, you know, the food market in the UK is very large, it's very vibrant, it's evolving very quickly. We see an opportunity to serve that market better together. It's a unique set of capabilities that Charles and his team bring to a merger with Tesco and we're really excited about the opportunity. We will put consumers, customers and suppliers right at the heart of everything we're doing, because we think that this is a merger which is full of opportunity and one that we're very keen to get on with.

Charles Wilson

And we're really excited about creating the UK's leading food business and really appreciate your time this morning.

Dave Lewis

Thank you very much.

Operator

This now concludes our conference call. Thank you all for attending, you may now disconnect your lines.