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Speakers: Dave Lewis and Alan Stewart

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Dave Lewis
Happy New Year to you all. As you hear, Alan is with me as usual. Now, I know it’s a very busy morning; in fact, it’s been a very busy week, so I’ll keep my comments as brief as possible. It’s been a very busy week for us all here in Tesco over the last 19 weeks but I’m pleased to report three things. We’ve had a really very strong Christmas in the UK and Ireland as part of continuing to invest and increase the competitiveness of our offer for customers. We’ve also continued the improvement in the quality of the business in Central Europe and we’ve had a stronger underlying performance in Asia as we accelerate our commercial model there.

If I start with the UK and Ireland, I’m delighted to say that Jason and the team have had a very successful Christmas. Sales for the period were up 2.6%, with growth of 2.2% in our core UK retail business. That’s our fourth consecutive Christmas of positive growth and our highest rate of Christmas growth since December 2009. We led the market from both a volume and a value perspective in food, general merchandising and clothing, as customers have responded to the significant improvements we’ve made to our offer. We’ve increased our competitiveness by making structural investments for our customers, the rollout of our Exclusively at Tesco brand is now 95% complete and from October we began the marketing of these brands. And by the end of the third quarter, 82% of customers had bought from the range. We believe this is absolutely the right thing to do and customers are responding in the way we had hoped. 125,000 more customers shopped with us, helping us to drive volumes ahead of the market. We’ve carried that momentum right through the Christmas period and the Sunday before Christmas saw our highest sales of any Sunday on record. That’s a huge credit to the whole Tesco team and just for context, at our busiest month in the UK, our colleagues served 766,000 customers in just one hour.

In the wider UK and ROI business, Booker continued to deliver growth, with sales over the Christmas period up 8.2% excluding tobacco. Charles and the team are pushing ahead with the Joining Forces programme that we shared with you previously and Booker lines are now available in 70 Tesco stores.

If I turn to the international business, I’m really very encouraged by the rate of progress in some challenging market conditions. In Central Europe Matt and the team are delivering our turnaround plans at pace as we improve the quality of the business. We continue to follow our strategy of maxing the mix, building a sustainable business in food, reducing our exposure to unprofitable sales and reshaping our store portfolio. We closed 14 stores in the period and have plans for a further 32 closures. Excluding Poland, sales grew by 1.1% over Christmas. The headline sales figures of –2.8% for the 19 weeks reflect the impact of seven fewer trading days in Poland, as well as our decision to step back from loss-making general merchandising sales. In Asia Alison and the team are delivering a stronger underlying performance and have accelerated the planned changes in our operating model in Thailand. We’ve simplified the way we run our stores, as well as significantly reduced our costs and we’ve made good progress in our discussions with suppliers towards new commercial agreements. Taken together, all of this is helping to underpin our profit recovery in Thailand.

So a fantastic Christmas, built on doing the right things for our customers whilst continuing to simplify and lower the cost of running our business. It’s been an incredibly busy time and I’m hugely grateful to every colleague at Tesco for the contribution that they’ve made. Now, as you know, it’s our centenary year and we enter that year with good momentum and some strong plans. We want to celebrate 100 years of giving great value and if you’ve been in our stores this week, you’ll see our first articulation of that.

Thank you for listening and I’ll now hand you back to Hugh for questions. Hugh?

Q&A
Thank you. So, ladies and gentlemen, if you wish to ask a question please could you press zero and then one on your phone keypad now in order to enter the queue and then, after I announce you, simply ask that question. And if you find that question has been answered before it's your turn to speak just press zero and then two to cancel.

So, our first question is over to the line of Bruno Monteyne at Bernstein.

Bruno Monteyne
Good morning Dave, happy New Year.

Dave Lewis
And to you Bruno.

Bruno Monteyne
My first question is on something you say on the second page of your press release, where you say by the end of quarter three your volumes in the UK core business are outgrowing the market. I guess therefore you're not outgrowing in value because of the cheaper private label items. This kind of underlying growth of outgrowing the UK market and volume, are you seeing that continue post-Christmas? Is that the new trend, based on your new private label ranges? Could you just comment on that, please?

Dave Lewis
Yeah, we saw – so, as you know, we made the investments through Q3. We started to market Exclusively at Tesco when I think we hit 84–85% of the sales reach that we wanted and we've seen that trend continue, so that's why we talk about volume outperformance through the 19 weeks of that trading period.

Bruno Monteyne
But you are clearly saying, even before the exceptional Christmas already, at the end of Q3 we're seeing that and you're seeing that post the Christmas trade as well. Did you – you know, the momentum – the volume momentum remains in the business as far as you can see, before and after Christmas?

Dave Lewis
Indeed.

Bruno Monteyne
Okay, the second one is on Thailand. Now, I believe that was quite painful at H1; the numbers are still negative in the sales growth. Versus where we were at the H1 update, how much – you know, you were quite cautious about whether the profit was going to be able to come back at H1. Given the work you've done so far, what's your outlook for the Thai profit, given all the work you've done in H1?

Dave Lewis
But I'm not – I'm clearly not going to give you a number because we're not at that point. We'll update you when we get to April. I think what I was trying to give the indication in the statement is we've made an awful lot of progress since we talked about half-year. Myself and a number of other people have been in Thailand. We've had engagements with suppliers. We've also made some significant changes to our own operation, which was all part of the plan and as I said, I'm delighted with the way those plans are working. Still more to do but we're definitely more positive, in terms of profit recovery in Thailand, than we were at the half-year but it was very important for me to support the team as we go through that transition.

Bruno Monteyne
And last, you're talking about Central Europe excluding Poland. Are you subtly suggesting something; that Poland might not be part of Central Europe for much longer? Why that exclusion of Poland, please?
Dave Lewis
No, it’s just a continuation of what I did at the half-year, which is to break out for you that there are – there is a very specific challenge that we have within Central Europe, which is Polish profitability and you know, we gave that breakdown at the half-year. And so what I was trying to do is continue that so that I can share with you what it is we’re doing very specifically within Poland, as well as some things we’re doing across Central Europe to improve the quality of that business because it’s not acceptable to us that Poland is not a profitable business. I was just trying to be helpful, Bruno, rather than imply something else.

Bruno Monteyne
Okay and last, on Booker, I know there was last year some – with Palmer & Harvey, some new contracts. Given that, you know, one year into the merger, the run rate you currently have, excluding tobacco, is that the kind of run rate you can sustain for a while during the merger, given all the benefits you have to Booker?

Dave Lewis
Well, so you quite rightly point to some of the things that happened last year. You saw that Booker levels of growth actually increased significantly just before the deal. We’re annualising some of that, so you would expect there to be a step down after you annualise some of those early new customer wins. So if I look at the total growth of Booker, if you look at – and ex-tobacco, so take your thing – ex-tobacco, 19 weeks of Christmas at 9.9%, on a business of that scale in that marketplace, that’s a fantastic level of growth. You know, we’re not going to – I’m not going to give you a percentage growth level going forward but we stand by the £2.5 billion of growth opportunity that Charles and I spoke about the last time we met. So, you know, really very happy with the way that the Booker full year is panning out.

Bruno Monteyne
Thank you Dave.

Dave Lewis
Thank you.

Operator
Okay, our next question is through to the line of Sreedhar Mahamkali at Macquarie. Please go ahead, your line is now open.

Sreedhar Mahamkali
Hello.

Dave Lewis
Hi.

Sreedhar Mahamkali
Good morning all. Well, actually I think the operator might have disappointed a few of the audience by pronouncing my name correctly after a last couple of amusing days.

Dave Lewis
Really?

Sreedhar Mahamkali
Yeah, I was Muhammad Ali on Morrisons’ call. Anyway, just two or three questions, I suppose. Firstly, clearly, Kantar is pointing to some heavy promotional participation over the Christmas period. What are your thoughts? What can you say, Christmas this year versus last year, promotional participation, please? So that’s the first one.

Dave Lewis
Yeah.
Sreedhar Mahamkali
And secondly, clearly there is a big delta Q3 to Christmas period; can you pull out the drivers? I realise there's some 50 basis points from Palmer & Harvey probably, probably less disruption from the Exclusively at Tesco. Is there anything else? How sustainable is the kind of rate you've seen over Christmas? That's the second one. Then the third one, just again on the UK, GM headwind is now sort of down to 20bps.

Dave Lewis
Yeah.

Sreedhar Mahamkali
How does that look going forward? How big is the GM business as a percentage of the UK sales, please? Thank you.

Dave Lewis
Okay. So, Sreedhar, so can't comment – if I look at promotional participation from Tesco this Christmas versus last Christmas, we're 37.2% this year, 36.8% last year, so small a difference as to make no difference. So actually it's not driven by an increase in promotional participation. And by the way, if I give you the context of that, I remember the numbers very vividly. In 2013, 2014 promotional participation was in the high 40s. So, actually, no year-on-year impact to note.

In terms of Q3, the step-up in Q3, the – you've talked about some of the things. Obviously there was a Palmer & Harvey impact. If you remember, we were strong up to Christmas, our issues were actually in the last part of the period. So actually most of the growth that you see this Christmas is actually in the big week's like-for-like comparable but you're right about the tobacco impact, which is what you said. Exclusively at Tesco has made an impact. We had to make that investment. It is an investment in making a stronger, bigger value offering in the business and I'm really very pleased with the way that that's panning out. I think the bit that you didn't mention in terms of what the step-up is – and it's just coming through because all the consumer data is if I look at the brand and the strength of the brand, in December of last year the Net Promoter Score of Tesco amongst all customers stepped up by a full three points. That's – you know that that's been improving all the way through the last three years in particular but there's a step up in three points at Christmas. That is the single biggest step up we've had in the last five years. So the feedback from customers on availability, on service, be that queues, be that friendliness and in terms of value and quality, has been really, really strong over those 19 weeks.

So we put a little bit in the release. You know I told you for us we want to step forward on quality and value. We stepped forward 3.5, 4.5 during the Christmas trading period so the big step up is the way that we brought the brand to life for customers – and that's a combination of so many things – has come through quite powerfully in the Christmas trading period. So that's the one that I would point to, in addition to the two that you mentioned Sreedhar.

And finally, depending on the time of the year and the seasonality, general merchandising is around 10% of the UK business and as you say, we're coming to the end of those mix headwinds. Underlying in – within general merchandising, really very pleased in those areas we want to grow. In its second year, you know, Fox & Ivy grows by 7.7%. Actually, in the pockets that we really think that we can play and play well, doing really very well. The clothing business continues to perform really very well, growth of more than 3% in the market is an outstanding performance. So that's my perspective.

Sreedhar Mahamkali
Just quickly on the UK, the exit rates and stuff are pretty hard to talk about in a six-week period but is the 2.2% – is that more representative of how we should think about this year, or is that a bit ambitious?

Dave Lewis
I'm not – Sreedhar, I get it – I'm not at a place where I – I don't target the business like-for-like, you know I don't and so I've not set an aspiration like-for-like for this year. We're going to focus on, you know, customer satisfaction, cash profitability, the returns in the way that I've been saying for the last couple of announcements, so I'm not setting a sales growth target for this next year.

Sreedhar Mahamkali
Thank you.

[Enjoy sharing]
Dave Lewis
Thank you.

Operator
Okay, we now go to the line of Dave McCarthy at HSBC. Please go ahead, your line is now open.

Dave McCarthy
Good morning. A couple of questions. One is you promised us £2.5 billion of incremental sales coming through from Booker. You said that – I think it was last April. I just wonder: have we – is any of that in the figures yet or have we still got that to come and over what timeline might we see it? Then, also, on your online business, it only grew by 2.6%. I have no problem with that but I just wondered: did you want to make any comments around that? And the final question: since the interims, you have been awarded investment-grade status again by at least one of the rating agencies, so can we make any read-through into implications for how you’re going to view cash and cash back to shareholders on that?

Dave Lewis
Okay, thank you David. Look, I don’t know whether it’s just us but your voice came through intermittently. I think you were asking me about £2.5 billion and Booker. We did – we set an aspiration – we said, actually, before the merger that the aspiration was about growth. We gave a number after it was complete, which is £2.5 billion. The growth levels that you’ve seen in this first year contribute to that £2.5 billion. Year to date we’ve got a growth rate, I think, around 13% on Booker. We’ll finish off the year but that’s certainly a contribution to that overall £2.5 billion because it was made in the context of the merger.

Online growth at 2.6%; I’m really very happy with that. We had our busiest period. I think the other thing. You know, you heard me talk to the market before around improving the quality of our online business. One stat for you: you know, we now have nearly 470,000 subscribers to Delivery Saver and so actually there’s been – the quality of our online business continues to improve so I’m very happy with the progression there. And look, I’ll let Alan talk to you about credit ratings and cash.

Alan Stewart
Yeah, morning Dave and morning everybody.

Dave McCarthy
Hi.

Alan Stewart
So, in terms of investment grade, yes, we were pleased to get that and we – it came just ahead of some capital markets bond activity which helped the pricing on that. But I think, in terms of your specific question, what we are focused and remain focused on is cash generation. We’re focused on that, capital discipline – we’ve said no more than £1.2 billion in this year, we’ve focused on the dividend and the recovery of the dividend and I’m sure we’ll talk more about the specifics of that in April.

Dave McCarthy
Okay, thanks very much. Cheers guys.

Alan Stewart
Cheers, thanks.

Operator
Okay, we now go to the line of Andrew Gwynn at Exane. Please go ahead, your line is now open.
Andrew Gwynn
Hi, good morning team, happy New Year. Two questions from me.

Dave Lewis
Thank you.

Andrew Gwynn
Thank you. Firstly, last year it was very much a kind of premium-driven Christmas and that feels like it’s sort of left the trend. I appreciate, obviously, there’s a lot going on in terms of your exclusive brand offering but I’m just wondering if you can comment on that sort of range architecture?

And the second one actually just comes back to Booker a little bit. I mean Dave, you’re also sounding a bit like a robot today, so I missed some of the opening remarks because of that sort of jitteriness but on Booker did I hear that it was 70 stores where the Booker lines are now available? And then, actually, if you’re a Booker customer what specifically has changed over the last year? Thank you.

Dave Lewis
Okay, sorry if I’ve been Dalek-like, Andrew. I haven’t had that feedback before, so we’ll just check that the line is clear.

Andrew Gwynn
Always a first time, yeah, thank you.

Dave Lewis
Yeah. Indeed, no it’s fine. Look, in terms of premium-driven Christmas, we’ve actually seen good growth across the mix. If I give you an idea, so we had fantastic growth in sort of festive five yet again but we also – and I didn’t break it out is – we also offer a premium festive five in Finest. That grew by 35% this Christmas, so we still saw really good growth in some of the premium categories but we’ve also seen good response to the Exclusive at Tesco. So actually I can’t – looking through a Tesco lens, I can’t sort of point to any particular difference in trend this year to last year but that’s me – you know, we’ve obviously done some very specific activity ourselves, though that might be – my view of the world is obviously the Tesco view of the world. I know others have commented differently but I can’t point to a different trend. Yes, I did say in my comments that Booker products are now in 70 Tesco stores. We continue to roll out, test and learn but that fact is correct. If you’re a Booker customer, what we always said to Booker customers is that actually quality, service, range and then price would be benefits of this. I think if you are a Booker customer the critical thing is you have to earn some of the synergies before you can invest them. The service levels have improved. I’d give an example through the year of how we’ve used Tesco distribution facilities to help support Booker customers. We start now thinking about different range and choice options that we can bring. But we’re in the early stages of that and the important thing was completing the transaction, driving the growth and then taking that growth and the synergies that come and selectively investing that in way which customers appreciate and that’s the plan that Charles has got. So at the moment, everything is okay and exactly as we would want it to be.

Andrew Gwynn
And I’m sorry, just following up on the synergies quickly. Presumably nothing sort of particularly new on that front and I know sort of big deviation from what you guided at the half year?

Dave Lewis
No. Exactly as we said in the plan. I think the thing that’s been – where there’s been most activity has been in the distribution space. Part of that we had to change because of Palmer & Harvey and other things. So there’s been use of Tesco facilities to support Booker. We’ve moved our support and delivery of One Stop into the Booker network because it fits better. So there’s
been quite a lot of activity behind the scenes but the book is around distribution so on and so forth exactly what we said before and the aspiration of opportunity 200 million total synergies, 25 million of that growth, 75 is exactly as we’ve communicated before.

Alan Stewart
And we said at least 60 million of synergies in the current year, absolutely no change in terms of that.

Andrew Gwynn
Okay. All very clear. Thank you very much.

Dave Lewis
Thank you.

Operator
Okay. We are now to the line of Xavier Le Mené at BAML. Please go ahead. Your line is open.

Xavier Le Mené
Yeah, good morning. Actually Happy New Year. Two question, if I may. The first one actually is can you comment also the slowdown from Q2 to Q3 in the UK we had a significant slowdown. So a bit of colour would be quite helpful there. Another question is regarding the Exclusively at Tesco. You said so, if I’m right, 82% of the clients bought the Exclusively at Tesco products in Q3. Where were you actually in Q2 and where were you at the end of the Christmas period?

Dave Lewis
Okay. So I’ll –

Xavier Le Mené
And sorry, yeah, maybe a third one, if I may. Can you also comment on the average basket on the footfall in the UK?

Dave Lewis
Right. Xavier, Happy New Year. In terms of Q2 to Q3 UK, very much driven by the changes in the mix that we were putting. So self-imposed in terms of the own-label re-launch almost affects all of that, not just because of what it means in terms of pricing but also because it affects our ability to promote as we re-establish pricing in through that changes. So that was everything we talked about at the half year. That really is the big impact in Q3 and that’s why I talk about Q3 was quite an important preparation for being as competitive as we have been in Christmas. It’s part of an ongoing plan. And to support that point to your second question, we talk about at the end of Q3, 82% of people having bought into Exclusively at Tesco. At the end of Q2, virtually none because we had – we were very much in the early implementation of that. So it’s in the launch phase.

And I honestly don’t yet know what that 82% has become a Christmas period because we’ve not got into that detail and I’ve not got into that habit of giving average basket size in any period. All I will say to you is I was very happy with not just 125,000 extra customers coming but the basket size has held up really very well.

Xavier Le Mené
Okay, thank you.

Dave Lewis
Thank you.

Operator
We are now over to the line of Dusan Milo at Berenberg. Please go ahead, Dusan. Your line is now open.
Dusan Milosavljevic
Good morning. Couple of questions from me. I think the first one is on the back of various question, which is you have seen a big trading down impact from introducing Exclusively at Tesco. You’ve seen similar thing we were talking about this couple of months ago when you did Farm Brands and then couple of months then you see customers trading back up to the medium tier and premium tier on average. What was the time lag and kind of from what has been happening in Farm Brands, when do you expect customers to trade back up to the ranges?

Dave Lewis
Okay. And what was your second question?

Dusan Milosavljevic
Second question was on Booker and to what extent the new contract wins – at what point over the Christmas period the new contract wins have annualised? Is it throughout the whole of Christmas period or partly through that period?

Dave Lewis
Okay. So I think to your question about Exclusively at Tesco vis-à-vis what we saw in Farm Brands, I think, when we were launching Farm Brands, we – it was a particular point in our turnaround we were very clear that we made a 300 million-plus investment in price re-positioning. And at that point, we were unsure as to exactly what the reaction would be. And actually we saw a very quick reaction because we launched not just Farm Brands but re-launched the core and Finest at the same time. And that is exactly what we’ve been doing with Exclusively at Tesco. So whilst we’ve seen very good adoption of the Exclusively at Tesco, it doesn’t have the down trading impact of price repositioning in the way that Farm Brands. This is nowhere near as material as an amount of money.

Having said that, perhaps the most important thing, if this is where your question is heading, is have we factored in what the impact of repositioning the price points of the own-label re-launches into our business, yes, we have. And therefore, I’m really very comfortable with the level of adoption against the targets and the plans that we offer profit for the full year. So we don’t have a specific adoption curve that we’re following for Exclusively at Tesco versus Farm Brands because I’m not worried about their impact in terms of profitability.

From a Booker point of view, I think when you look at the contracts, they start to anniversary through the period really depending on which one it is. So you get from end of November, early December, and then progressively goes throughout. So you’re right, we started the annualisation process and that started end of November-December last year.

Alan Stewart
Just to add to that Booker one, Dusan, the underlying Booker performance, when we take out those wins, we’re very encouraged by it.

Dave Lewis
Correct, yeah.

Dusan Milosavljevic
Very clear. Maybe just – do you have any comment to make on kind of how outside exclusively at Tesco re-branded ranges in premium tier and mid-tier, how these have been trading through the period?

Dave Lewis
As I say, it’s impossible to drive the sales outperformance that we have in the UK without all parts of the business contributing. So actually if I give you some customer feedback, literally just if I look at the net promoter score for Tesco in December, it grew by a full 3 points. Now we’ve been improving net promoter score over the last three years consistently but a 3-point jump in December is the single highest jump we’ve had in five years. And so I say that to you because actually the feedback we got from customers that yes about own-label offering but about quality, value, service, availability, all of those indicators across all of the offering were really strong in December and they’ve built through the third quarter. And so that’s why, Dusan, I’m really very delighted with the quality of the business that we drove in the 19 weeks.
Dusan Milosavljevic
Thank you very much.

Dave Lewis
Thank you.

Operator
Okay. We’re now over to the line of Dan Ekstein at UBS. Please go ahead, Dan. Your line is now open.

Dan Ekstein
Thanks. Good morning, everyone. I’ve got a couple of questions, please. First of all is around sort of the gives and takes in terms of profit mix in the UK coming from the UK sales. There’s quite a lot of moving parts. You probably got some dilution from Exclusively ranges, but the GM sales now seems to be coming from more accretive category if you’ve got a very strong clothing sales alongside promotions that you’ve referenced in wine and meats, etc. So how should we think about how this sort of period of sales contributes to the overall max the mix and strategy? And then secondly, you’ve already talked about this, just the quality and value perception, plus 3.5% and plus 4.5%. I think you said this is YouGov data. Would you believe this is an inflection similar to the NPS score. Do you have any sense of how it compares versus peers? And in terms of causation to what degree would you look at that the value perceptions for the next exclusively ranges? Thanks.

Dave Lewis
Okay. Right. So in terms of profit mix and the way I think the way that we’ve been managing Tesco and we shared with you in October 16, this was the idea of maxing the mix. So we continue to be active in that area, not just chasing the sales number when there are sustainable profit opportunities, team ourselves how we manage the business. So the short answer to your question is the mix in the UK in the same period played out pretty much bang on the strategy that we had for it. So we want to be strong in clothing. We want to be strong in selective parts of general merchandising and we were.

We also want to have a sustainable growing food business that it is profitable and we continue to deliver against that. So I’m really very happy with the way the profit mix came together and it’s consistent with the strategy that we set out a while ago. And the own label as you know a key part of that.

In terms of value and quality perception I obviously do know how it sits versus peers. It wouldn’t be right for me to talk about the specific numbers for others. All I can tell you is that the improvement in the quality and value perception we mentioned in YouGov is the strongest in the market by some distance so I’m pleased by that. I’m afraid I’ve forgotten your third question.

Speaker
There wasn’t a third one. Don’t worry about it.

Dave Lewis
Okay fair enough.

Alan Stewart
Dan, if I can just build up on the profit mix question which to the extent we look at it across the business and the different parts and as we look at the full year outlook. Clearly, we are making very deliberate improvements in all parts of our business. And as we started into today looking at the consensus, we’re very confident about the consensus and our ability to meet that consensus this year.

Speaker
Okay great.

Dave Lewis
Thank you.
Operator
Okay. We are now over to the line of Nick Coulter at Citi. Please go ahead Nick. Your line is now open.

Nick Coulter
Good morning and a Happy New Year. I hope you can hear me clearly.

Dave Lewis
We can Nick, thank you and a Happy New Year to yourself.

Nick Coulter
Great. Just two from me please. Just to clarify, firstly, could you talk about or around the volume evolution by category versus the market particularly the evolution in the core foods categories like fresh? And then secondly, I won't ask directly about inflation, but if you're able to update on the direction of travel for your pricing indices that would be helpful. Thank you.

Dave Lewis
Okay. So Nick, look, in terms of the volume started at company level, started to become positive at the very end of Q3. We have seen that volume trend carry on. I’m not giving volume by category, but I would say if you talk about core food, if you talk about – we sold nearly 20 million units of the festive five this year. It was a double digit growth on the last year, a very strong double digit growth on last year.

And one interesting fact is if you take the last two years versus the same period before that, the amount of vegetables we sold at Christmas time are up 35%, which when you think we start from a big base, is a hell of a level of growth. So core food categories, volume performance really very good. The mix impact of that as we invest as you know we've had programme of how we can change, make some cost effectiveness in fact this and then, invest back in price and that's working, is working against a strategy for own label. So I’m pleased with the way that is playing out.

I think our view on inflation hasn't changed. We don't welcome it. We try and do everything we can for our customers to not feel the inflation. And therefore as we've invested in our mix particularly around own label, you've seen a level of inflation in Tesco, which is lower than the market over the last 19 week certainly in the Christmas period and that allows us to reset yet again our competitive offering rest of the market in terms of the price indices and that's consistent with the strategy within I think for the last four years.

Nick Coulter
Great. Just to confirm, so the volume out performance versus the market was broad-based within the core categories?

Dave Lewis
I think certainly in my opinion, volume outperformance in food, in general merchandising and clothing. Thanks.

Nick Coulter
Perfect, thanks so much.

Operator
Okay. In fact we are going to post the call just very briefly and reconnect the speaker line in order to deal with the quality issue so participants could I please ask you to stay on the line and we’ll be restarting in one second. Thank you very much.

Hello, once again, thank you very much for your patience and going back to the Q&A session. Nick, do you have any final further questions?

No that’s great. Thank you for reconnecting. Hopefully, I won’t just heard the answers, but my questions were just around the broad-based volume outperformance in the call to core categories. Thanks.
Dave Lewis
Thanks Nick, sorry about that.

Operator
We are now over to the line of Clive Black at Shore Capital. Please go ahead Clive. Your line is now open.

Clive Black
Thank you, good morning everybody. Thank God for the change. We ran out of 50Ps for the line.

Dave Lewis
Sorry about that Clive, how are you?

Clive Black
Yeah, very good. Thanks mate. I hope you're all right. I didn't actually hear most of the call. But in terms of – a point of clarification then just a couple of quick questions. On your guidance, can you just clarify that you are reiterating your view with respect to cash cost to margins of 2016 and just to underscore the fact that guidance was set before Booker?

Dave Lewis
Correct.

Clive Black
Cool. And secondly on the question side, going back to Exclusively, has there been much of a interaction between your standard range and your Exclusively? And secondly, I think it's in October, you talked about Tesco Exclusive basket versus retailers that begin with A and L. How does that currently stand? And lastly just as a conundrum, and my reckoning about 75% of the sector at least have got inflation below the market. I just wonder what you think about of that mathematics?

Dave Lewis
Very good. So look having confirmed, so Clive, first and foremost, in terms of what we're seeing with Exclusively at Tesco, I actually, if I look through the trading period that we're talking about. We've seen growth in Finest, Core and Exclusively at Tesco. And that comes into that volume and value outperformance versus the marketplace. So actually it's playing out pretty much as we anticipated and so I'm happy with that.

I haven't – I've got some of my sales numbers. I need to get to switching to see that detailed by categories, but there's nothing that I would call that was being unusual at a macro level, and certainly nothing that's different from the expectations as we've launched Exclusively at Tesco.

If I go back and I'm just searching for the numbers. If I take the same basket that we talked about in October that you referred to Exclusively at Tesco, I had the guys rerun on 3rd January the very same basket. And on that basis on 3rd January we were still 99p cheaper than A and 61p cheaper than L.

Clive Black
Al will be happy. And lastly, any word on Ireland?

Dave Lewis
Yeah, look I think, very good performance in Ireland over the last couple of years. Q3, we made a decision in Ireland to stop accepting competitor coupons given the level of discounting that was in the marketplace. We knew that would have an impact, again, pleased with how that has played through. And our response has been to do more targeted activity ourselves, which we did in the fourth quarter. So that's probably the most significant feature of the change in Ireland since we last spoke at half year.

And as you would know we had a couple of selective issues in a couple of stores on a industrial basis, but also happened in Ireland during that period. By far and away the biggest single feature of the Irish market to talk about is around couponing and our decision not to accept competitor coupons in our stores.
Clive Black
Okay thanks very much Dave and Alan.

Dave Lewis
Cheers.

Operator
Okay before going over to the next question which is James Grzinic at Jefferies. If anyone else has any further questions at this stage please do press zero and then one on your phone keypad now. James well over to you, so please go ahead. Your line is open.

James Grzinic
Thank you from me and the team. I just had a very quick one. If I were to look at that 0.7% UK LFL% for Q3. Could I get a sense for what that would have been had you not done that move on Exclusively at Tesco whether it's [inaudible] or even generally can I just understand how much that number was depressed by that push?

Dave Lewis
Well quite candidly, I don't have that number. It's not a calculation I've done. All I can say to you very simply is it would have been better, but I've not gone back and look to the impact of the investment that we made in changing the mix and try to recalculate what the Q3 total would. I just haven't done that work. So I'm sorry I can't provide you with that. I can tell you it would have been better.

James Grzinic
Okay great, thank you.

Dave Lewis
Thanks.

Operator
Okay. If there are no further questions at this stage may I please pass it back to you for any closing comments?

Dave Lewis
So look, I think thank you very much for joining us. I know it's been a very, very particularly a busy week for you. My apologies if there has been a problem with the line either from our end or in the connections anywhere. Just a reminder that we will publish a full transcript online and my apologies if you didn't catch it all.

Look, I suppose my concluding, I'll conclude where I started, which is it's been busy over the last 19 weeks. I'm delighted with the performance of the UK business, really the strongest Christmas we've had in nearly a decade. The progress internationally is really very good and very strong and so we enter the new year with some momentum and some strong plans. I'd remind you with our centenary year we intend to celebrate the 100 years of great value that Tesco is has given.

You'll start to see that if you haven’t seen it in store this week. You'll start to see it first articulation of that. And on behalf on myself, thank you for your support we look forward to seeing you at the annual results if not before. So Happy New Year to you all and thanks very much for joining us.

Operator
This now concludes today's call. Thank you all very much for attending. You may now disconnect your lines.