



# Group capabilities.

Alan Stewart





# Group capabilities: Finance transformation.

Bhavesh Mistry

# Group capabilities: Finance transformation.

## From...

9 locally organised and led finance teams

Heavily customised 12 year old accounting system  
(Oracle 11i)

1,500+ operational reports, 10,226 cost centres

Tesco Business Services supports only UK & ROI

900 bank accounts; manual market data

## To...

1 central team  
Capability driven, global organisational design

Cloud based, regularly upgraded, minimal  
customisation (Oracle Fusion)

263 operational reports; 6,428 cost centres

TBS supports UK & ROI, CE and Asia

520 bank accounts; automated market data

# Group capabilities: Finance transformation.

A multi year journey to create a world class finance organisation



# Group capabilities: Finance transformation.

Supporting the Group's financial priorities

## Cost improvement

Enabling cost reduction across business (GSNFR)

- £35m in 18/19
- c.£0.5bn future opportunity

### Cheaper Finance

- Targeting c.25% reduction

### Automation & Robotics

- 146 processes / 49k hours
- Target = c.20% hours

## Stronger controls

Continuous transaction monitoring

**146 controls standardised** and embedded in systems

Manual to **automated expenses**

## Smarter cash management

Faster **debt recovery**

**Real time management** of invoices and payments for 4,000 suppliers

**Working capital** opportunity c.£30m

CASH PROFIT

EPS

FREE CASH FLOW







# Group capabilities: People transformation.

Natasha Adams

# Group capabilities: People transformation.

c.20% cost reduction in cost per payslip	Providing colleagues with flexibility and choice	
	Reducing administration & digitalising our people processes saving £36m	Optimising 300* million hours per year in store
Structural savings delivering £23m	Payroll system +25 years old	



\* UK Stores



# Group capabilities: Workforce productivity.

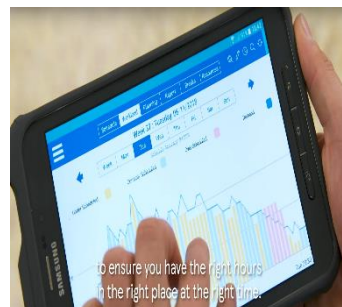


Group-wide  
scheduling  
solution

1% better  
accuracy leads  
to 3m  
optimised  
hours\*

£18m savings  
realised

Job Families  
increases skills  
& flexibility



Pilot stores  
3%-6%  
improvement

Colleague app  
enabling  
flexible  
location

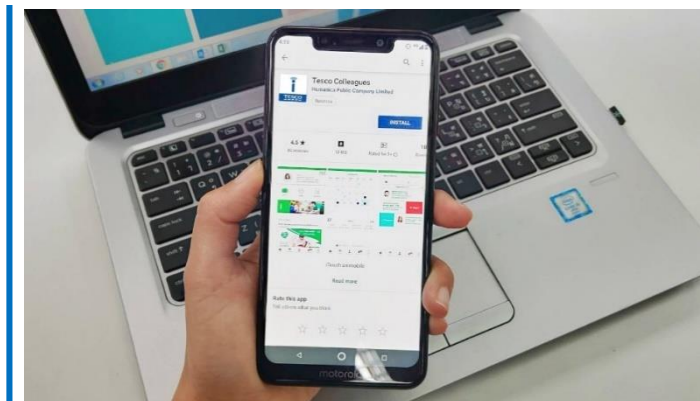
Future-fit suite  
of contracts  
maximising  
flexibility



iTouch



PAYSIP	
EK-CHAI DISTRIBUTION SYSTEM ...	
22700056	
MISSCHOMPUNUTH WEERAWATGUMPA	
0000	
FEBRUARY 27 FEB 19	
<b>EARNING</b>	
Salary	50,000.00
Phone Allowance	0.00
<b>TOTAL EARNING</b>	<b>50,000.00</b>
<b>DEDUCTION</b>	
SS - Employee	0.00
PF - Employee	0.00
Withholding Tax - Employee	0.00
<b>TOTAL DEDUCT</b>	<b>0.00</b>
<b>NET SALARY</b>	<b>50,000.00</b>



THAILAND & MALAYSIA

£1m operating cost  
reduction

390,000 hours  
of administration  
saved

\* UK Stores



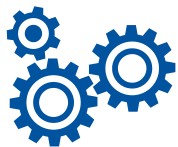


# Group capabilities: Business services.

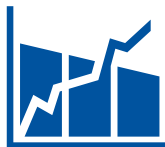
Sumit Mitra



# Tesco Business Services – a vehicle to execute service model.



Executing common process, tools and best practices through service model framework



Driving value through simplification of business processes



Operating at the right location, at the right cost with the right skills



Creating a culture of design thinking, agility, innovation & building net new skills



Building a centre of excellence for continuous improvement and digital transformation for the Group

**4,208**  
colleagues

**15**  
years as  
service  
centre

**18**  
months as  
Tesco  
Business  
Services

# A clear transformation strategy to deliver value.

## 8 SERVICE MODEL PROCESSES

2.0 Develop Propositions and Communication for Customers

3.0 Buy and Manage Product for Customers

4.0 Fulfil Products to Customers

5.0 Serve Products to Customers

6.0 Deliver Financial Accounting

7.0 Manage Colleague Experience

8.0 Buy and Manage GSNFR

9.0 Manage Property Lifecycle

## 3 TRANSFORMATION STEPS

### A ORGANISATION

A single integrated global organisation with clear KPI for being responsive, innovative & improving customer, colleague & supplier experience

### B WORK PROCESS

A clearly defined end-to-end work process ownership focusing on delivering process value model

### C DIGITISATION

Cognitive technology to automate tasks and augment decision making

## ENABLING VALUE CREATION

Customer Satisfaction

Supplier Satisfaction

Colleague Experience

Top Line Growth

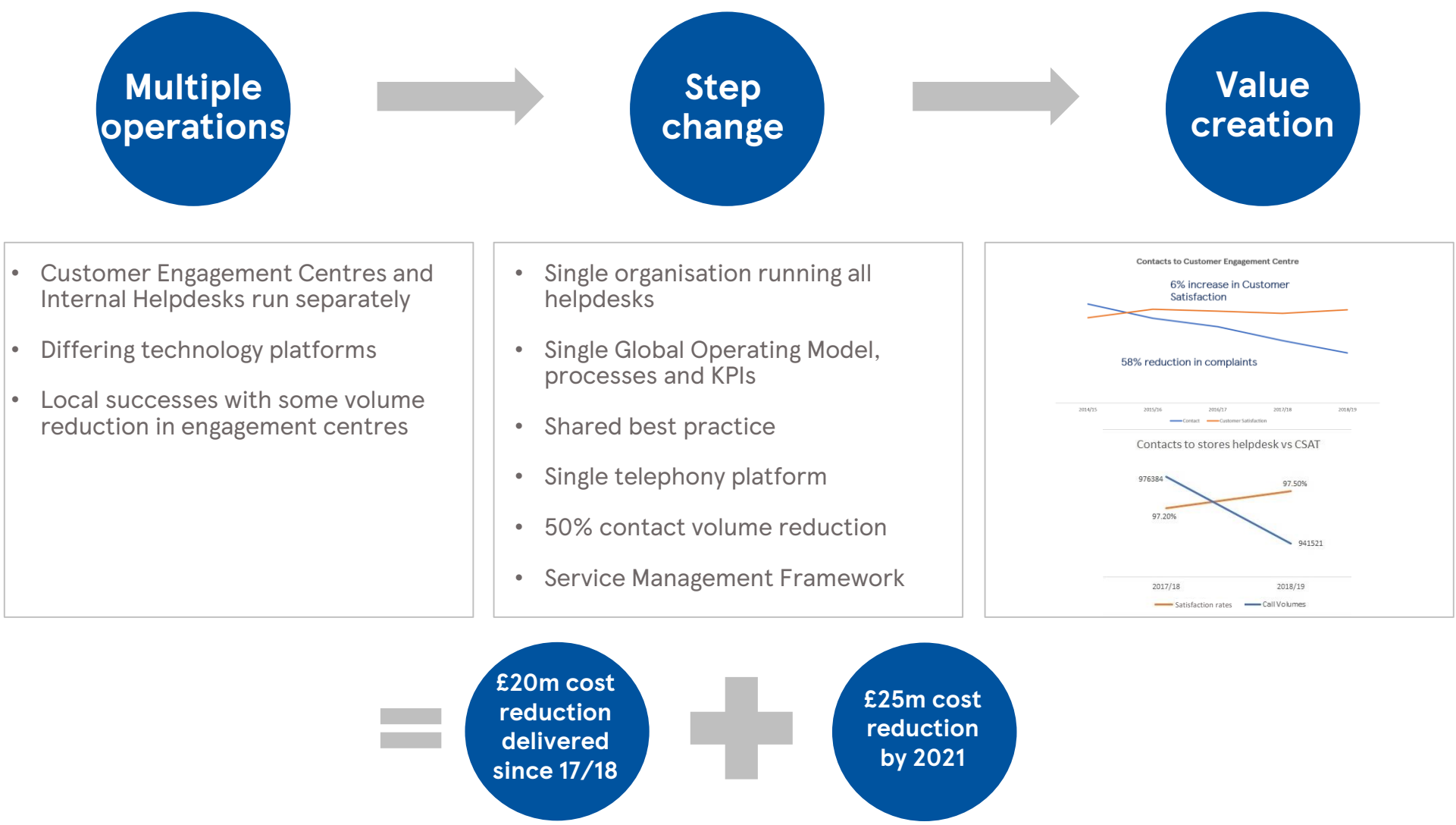
Bottom Line Growth

Cash Generation

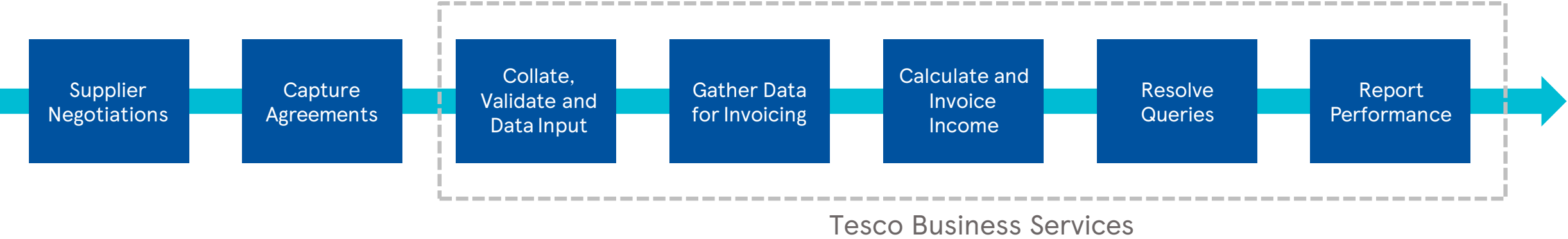
£52.8m  
savings  
in 18/19



# Example: Consolidation of help-desks.



# Example: Standardising of promotion process.



Standardisation in UK/ROI process	Strengthening services with Artificial Intelligence	Expanding services to CE and Asia
<p>Commercial rigour in:</p> <ul style="list-style-type: none"><li>• Promo Funding</li><li>• Query and Claims</li></ul> <p><b>£39m</b> efficiencies (18/19)</p>	<p>Automated capture and invoicing of commercial terms</p> <p>Pilot in 2 product categories in the UK</p> <p><b>£375k</b> efficiencies in 2 months of pilot</p>	<p>Technology deals with local languages and process exceptions</p> <p>Standard commercial management across categories and regions</p>



# Group capabilities: Property.

Alan Stewart

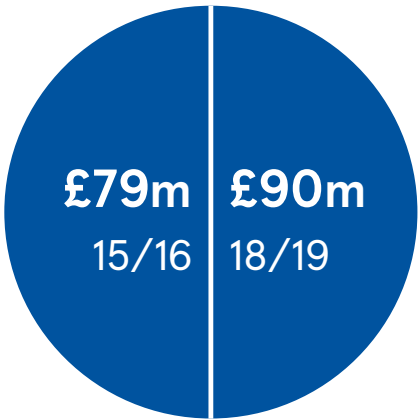
WELCOME TO  
**TESCO**  
*Serving Bicester's shoppers  
a little better every day*  
EST. 2016

**HERE  
TO HELP**

Whether you're here for the weekly  
essentials or a wedge of Cornish Bice,  
it's the little things that make your  
trip better: a few pennies less in the  
till, a few minutes less in the queue,  
or a few extra Clubcard points.



# Property.



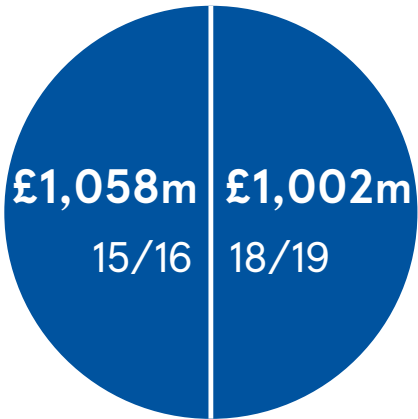
Grow revenue from partnership<sup>1</sup>



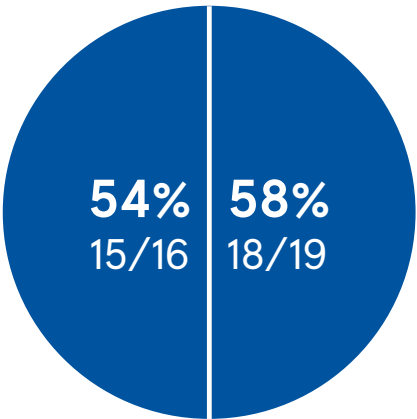
Value released



Lower build costs



Rent<sup>3</sup>



Group freehold



1. UK partnership revenue is income from third parties such as lottery, vending machines, photo booths and concessions. This does not include income from investment property.  
2. Property profits are excluded from our headline performance measures by virtue of their size and nature in order to reflect management’s view of the underlying performance of the Group.  
3. Group operating lease expense, excluding the hire of plant and machinery.

# Conclusion.

Dave Lewis



# Three key takeaways.

## Customer

- We have significant optionality for sustainable competitive growth

## Cost

- We have the further cost reduction and mix opportunities that allow us to offset inflation, improve our customer offer and/or increase margin

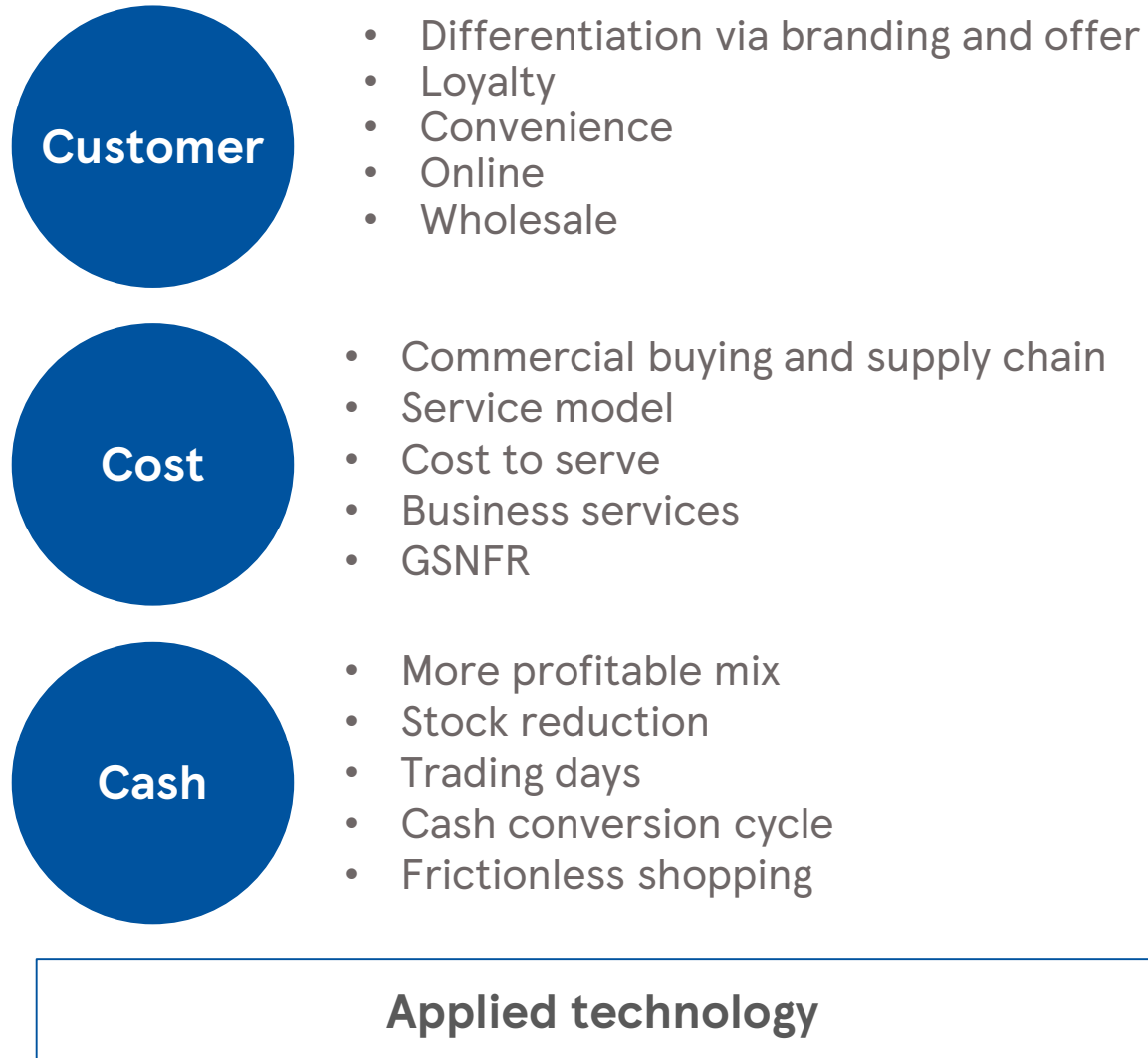
## Cash

- We have the systems and processes which enable us to enhance cash growth ahead of profit

Applied technology



# Summary: “Untapped value opportunities”.



# Our priorities for allocating capital.

- 1 Reinvest in business & customer offer
- 2 Maintain leverage at 3x to 2.5x Total indebtedness/EBITDAR<sup>1</sup>
- 3 Grow and then maintain dividend at 50% pay-out ratio<sup>1</sup>
- 4 Consideration of inorganic growth opportunities that may arise
- 5 Return surplus cash to shareholders

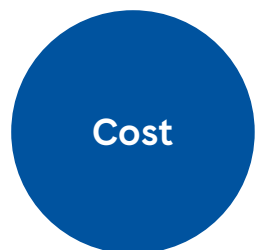
1. On a post-IFRS 16 basis.

# Sustainable value creation for shareholders.

## Levers of value creation



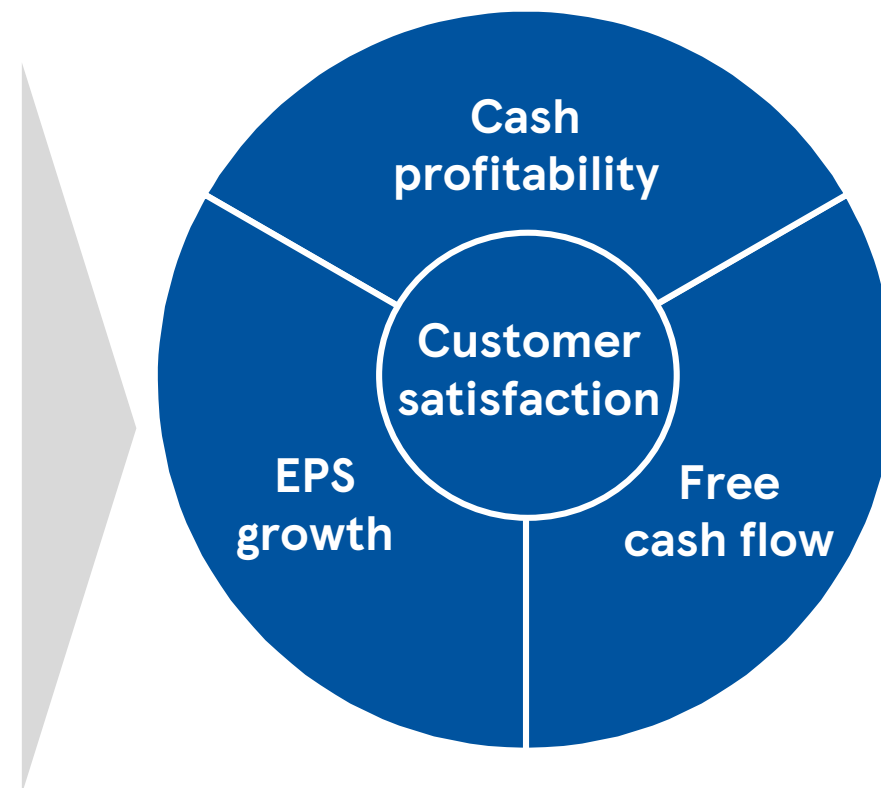
- Most compelling differentiated customer offer
- Driving quantum sales growth



- Focus on cost efficiency, capital effectiveness and maxing the mix
- Sustaining industry leading cash profitability



- Ongoing improvements in working capital
- Strong FCF focus across the Group



Underlying philosophy



Q&A.



# Thank you.

# Disclaimer.

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