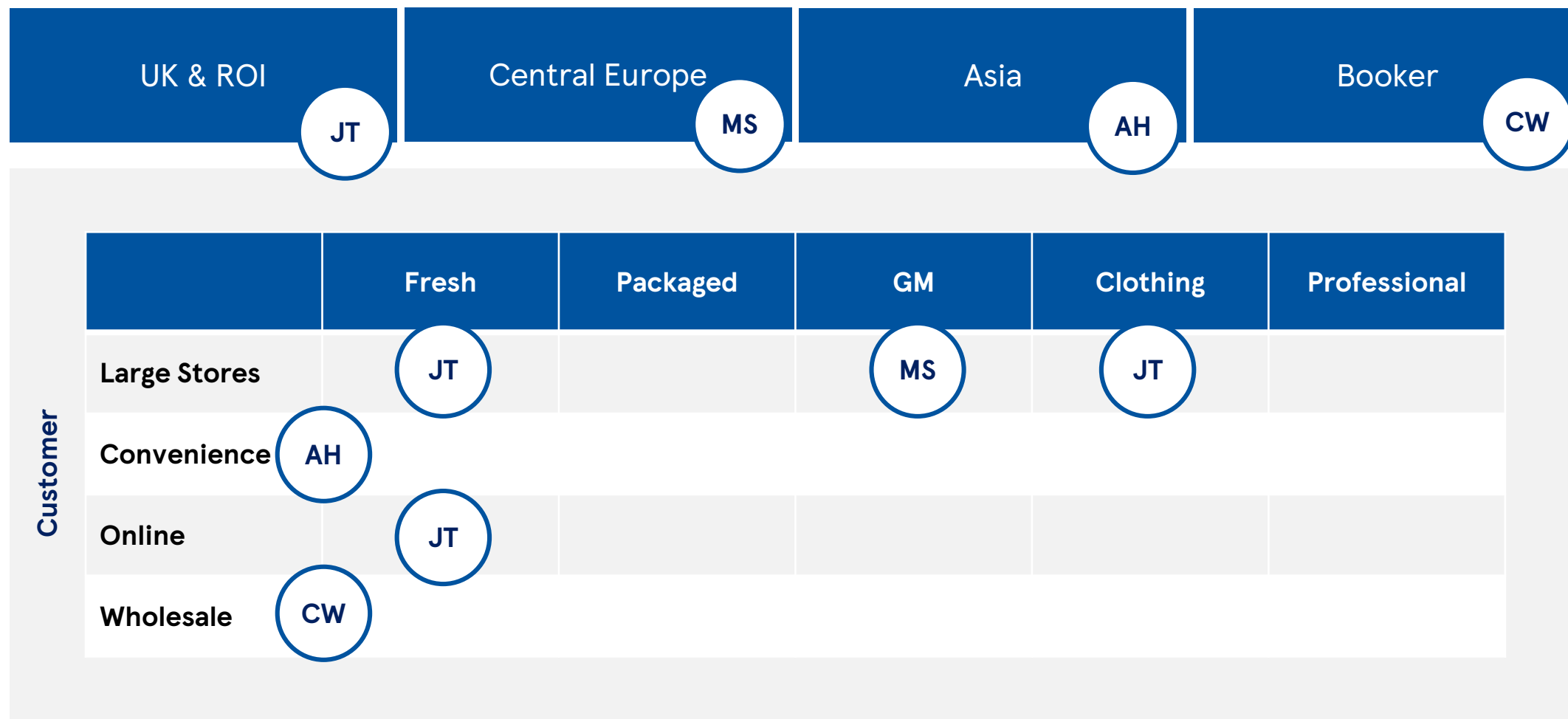


A photograph of a woman with blonde hair in a dark blue jacket and an older woman with short white hair, glasses, and a red jacket with a patterned scarf, both smiling and pushing a shopping cart in a Tesco supermarket aisle. The shelves are stocked with various products, including bottled drinks and packaged goods.

# Maximising the mix by region: UK & ROI.

Jason Tarry

## Max the mix: “Untapped value opportunities”.





# Max the mix: UK & ROI: a structurally advantaged business.



# Max the mix: UK & ROI: progress to date.



Customer

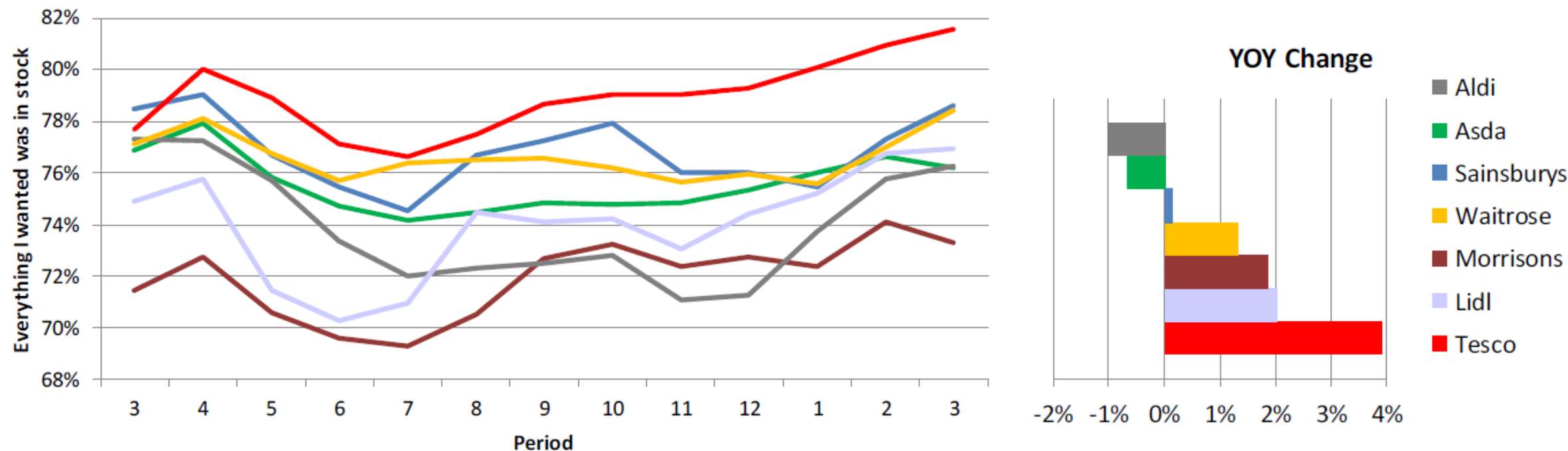


Cost



Cash

# “Everything I wanted to buy was available”.



Note: Reflects customers responding positively to “Was everything you wanted to buy available?” as part of the periodic Customer Spotlight survey.



# Max the mix: UK & ROI: so many opportunities...

...to focus on a few:

<b>Large stores:</b>	Optimising space and reducing costs (counters) Growing profitable categories (F&F)
<b>Small stores:</b>	Tailoring our offer (Metro)
<b>Online:</b>	Improving our proposition for customers
<b>Ireland:</b>	Specific geographic solutions
<b>Booker:</b>	Accessing new growth

## Max the mix: UK & ROI: Counters.



↓9%

Market in decline



Shoppers visit every  
4 days but only  
shop counters  
every 6 weeks



7<sup>th</sup>  
most important

Driver of Brand  
Experience

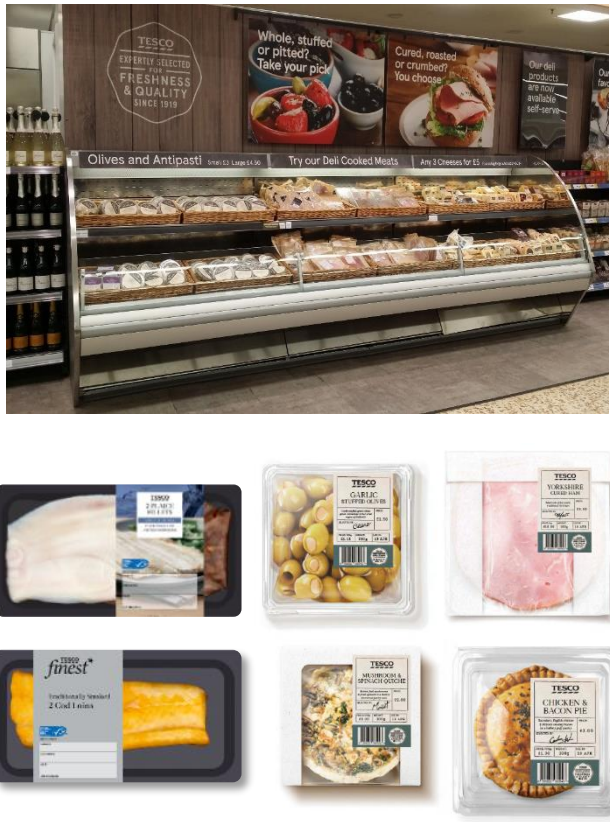
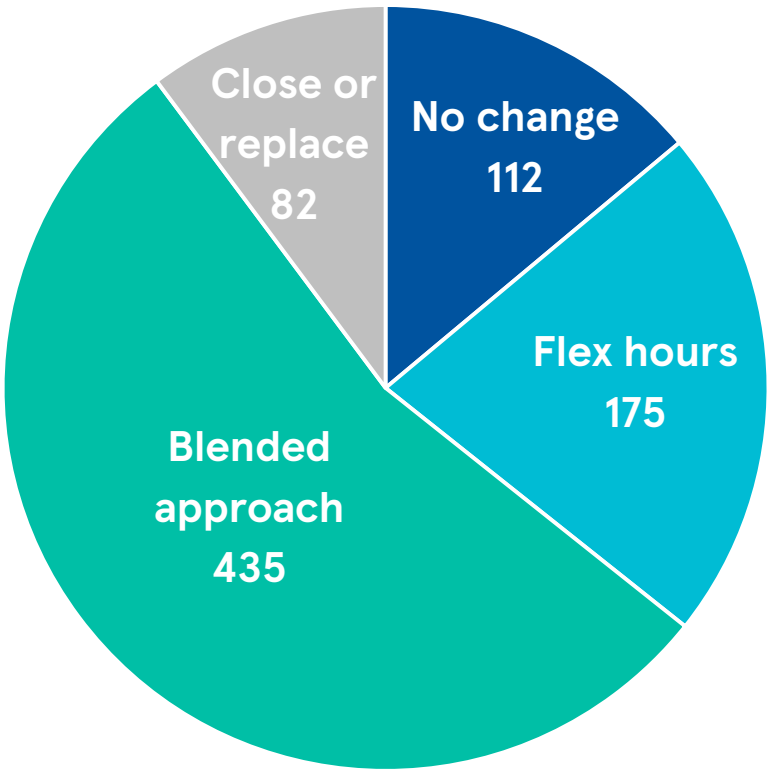


£(168)m

Cost base

# Max the mix: UK & ROI: Counters.

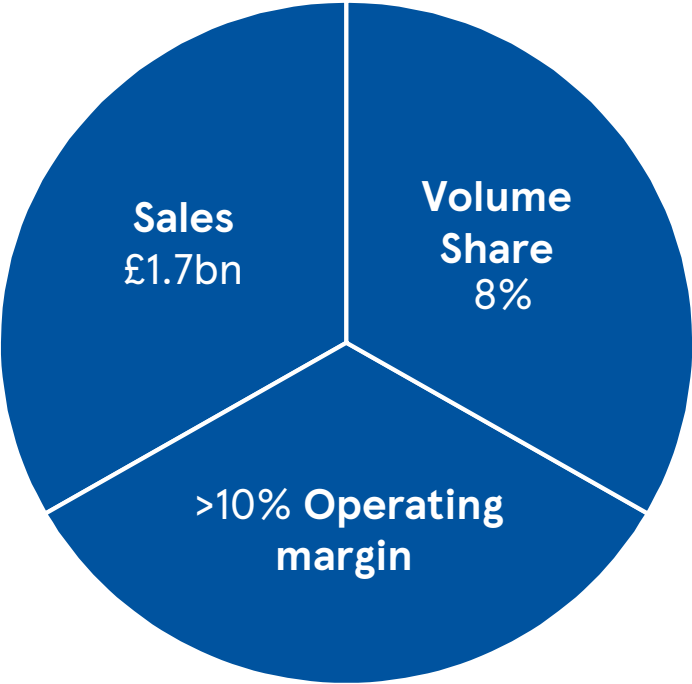
Right offer for customers



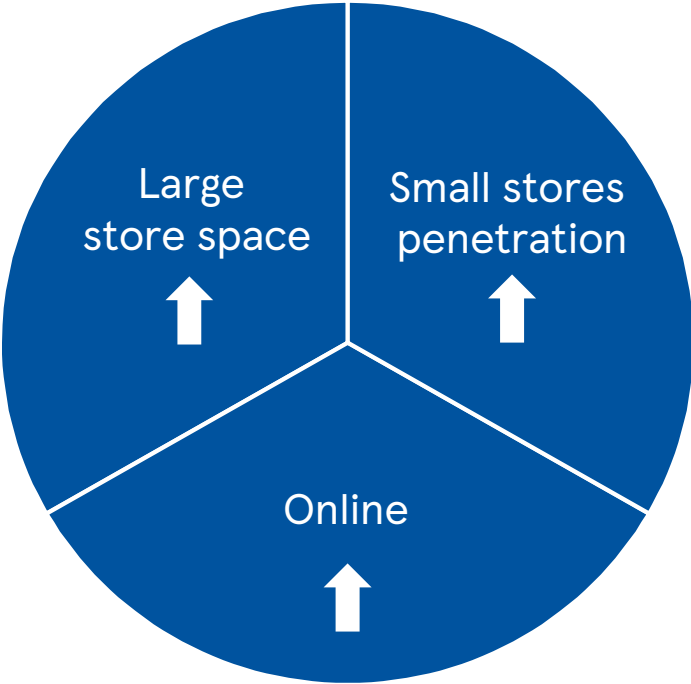
£64m removed, one year payback



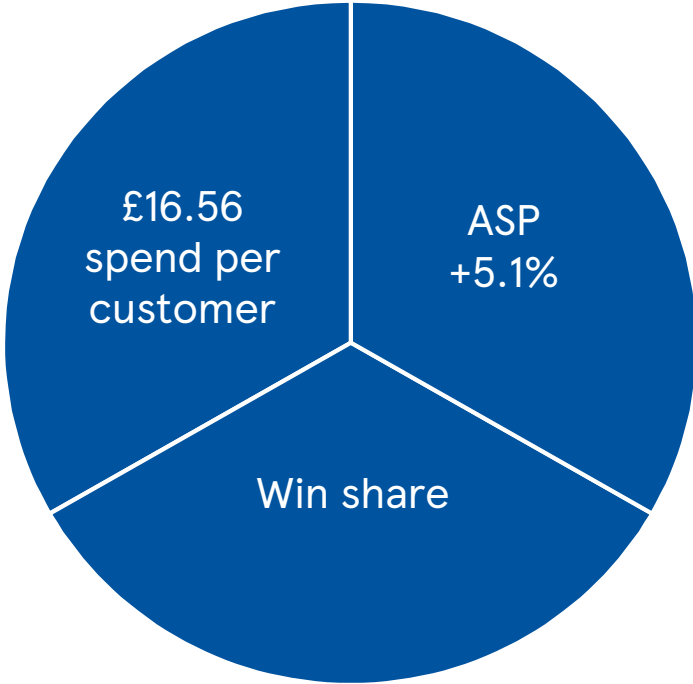
# Max the mix: UK & ROI: F&F



Strong core



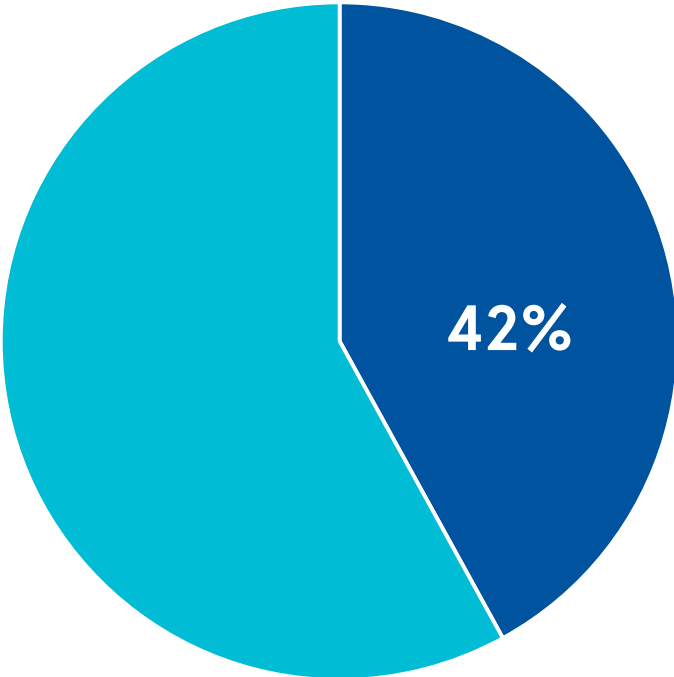
Channel opportunity



Growth

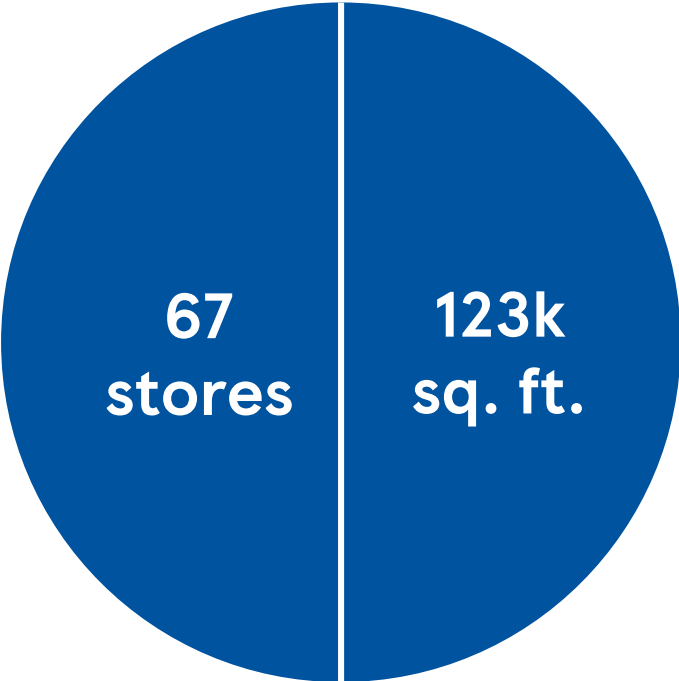
# Max the mix: UK & ROI: Clothing.

In-store opportunity



Customers

>10 min from credible offer



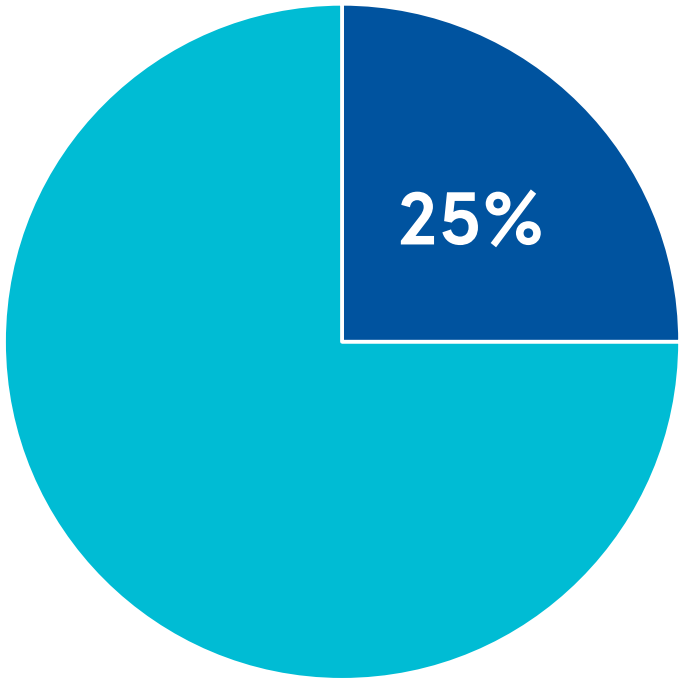
Repurpose GM

Space -> Clothing



# Max the mix: UK & ROI: Clothing.

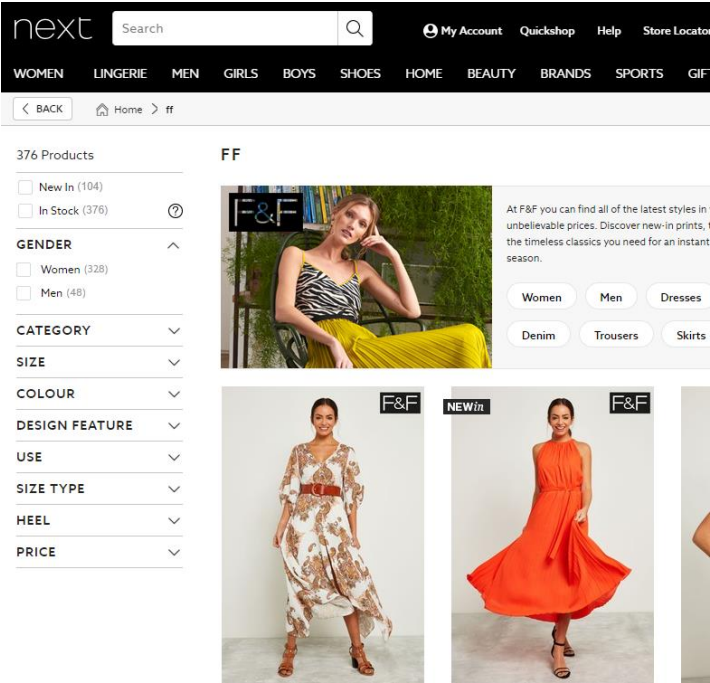
Online opportunity



Online clothing penetration



3<sup>rd</sup> party platform  
next



# Max the mix: UK & ROI: Metro.

**TESCO** *Metro*

156 stores  
1m sq. ft. in 87 city centres

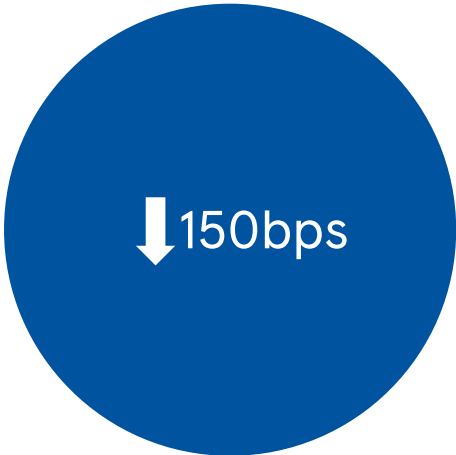
## Improving service model



Repurposing space



Improving gross margin<sup>1</sup>



Reducing costs<sup>1</sup>

1. Results from initial one store trial.



# Max the mix: UK & ROI: Metro.

**TESCO** *Metro*

156 stores  
1m sq. ft. in 87 city centres

Tailoring the proposition

95 stores  
more like

**TESCO**  
*express*



61 stores  
more like

**TESCO**

# Max the mix: UK & ROI: Online.

## Best proposition in the market

	Range	When + Where	Missions	Helpful services
Today	Nearest store range 99.7% coverage 20k-30k lines	Delivery at home Collect from 329 stores Book slots in advance Same-day/next-day	Main shop 2-3 day rolling	Delivery Saver subscription

# Max the mix: UK & ROI: Online.

With options for the future...

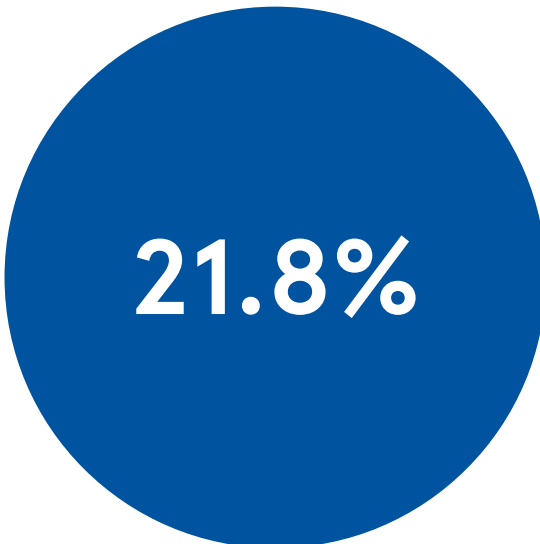
	Range	When + Where	Missions	Helpful services
Today	Nearest store range 99.7% coverage 20k-30k lines	Delivery at home Collect from 329 stores Book slots in advance Same-day/next-day	Main shop 2-3 day rolling	Delivery Saver subscription
	+	+	+	+
Future	Fuller range	Over 9,000 locations Unattended delivery and collection 3 <sup>rd</sup> party delivery	Top-up Food for now	Auto-replenishment Meal solutions Other subscriptions

# Max the mix: ROI: Strong business with opportunity to grow.



152

Strong store base

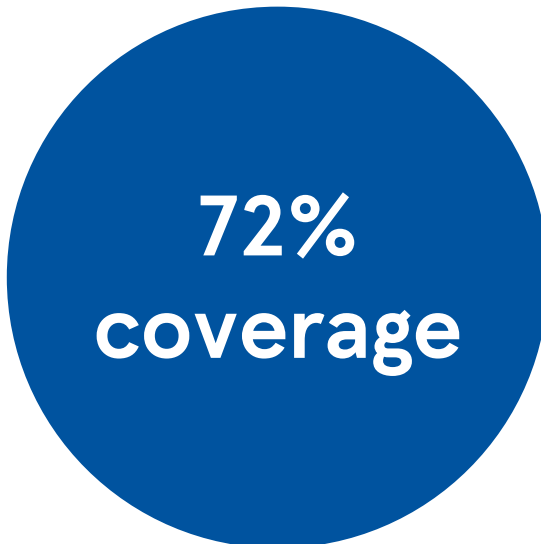


Market share



0 ➔ 15.4

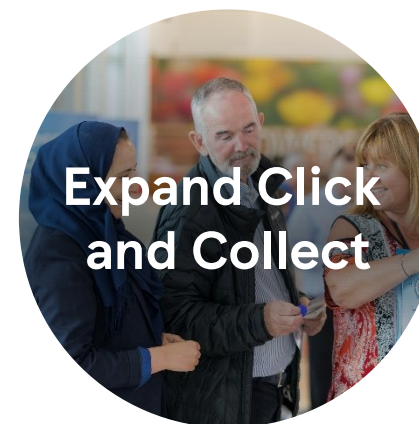
NPS



Leading in  
5 of 10 regions



# Max the mix: ROI: Specific opportunities.





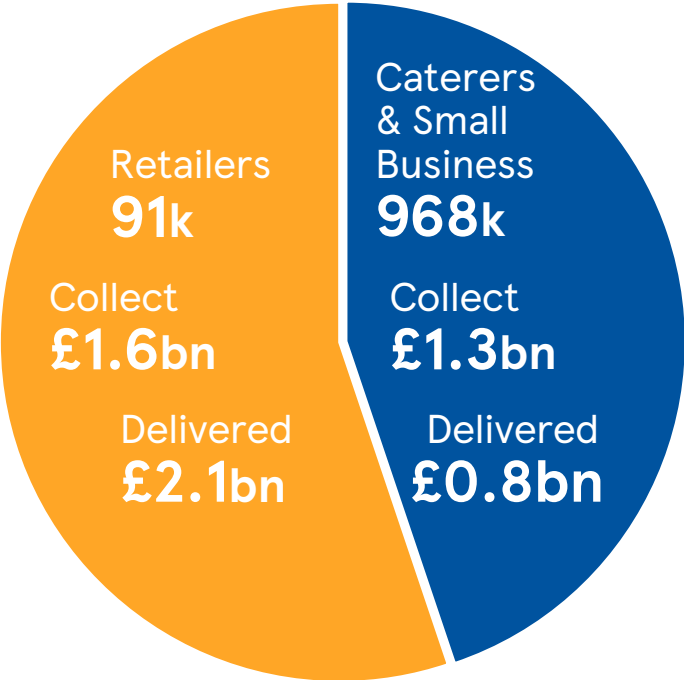


# Max the mix: Booker

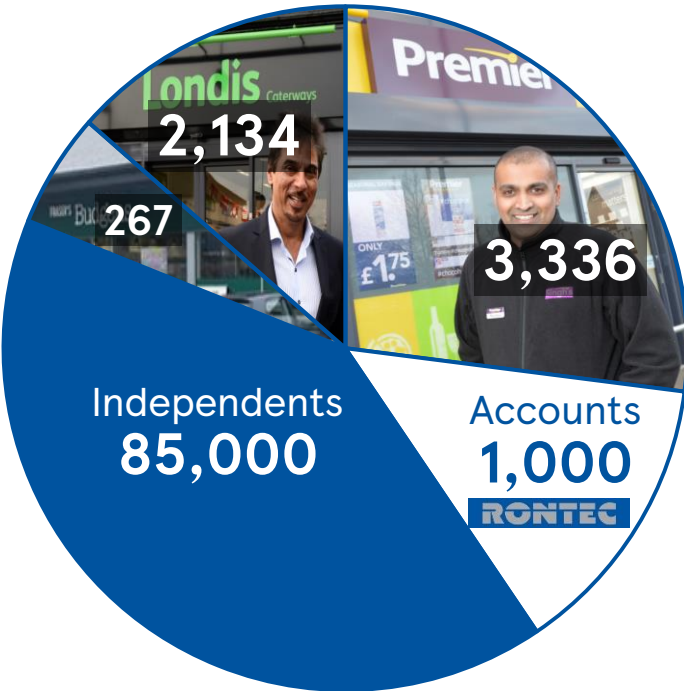
Charles Wilson



# Max the mix: Booker: Customers.



**Customers**  
# 1 cash and carry  
# 1 delivered wholesaler

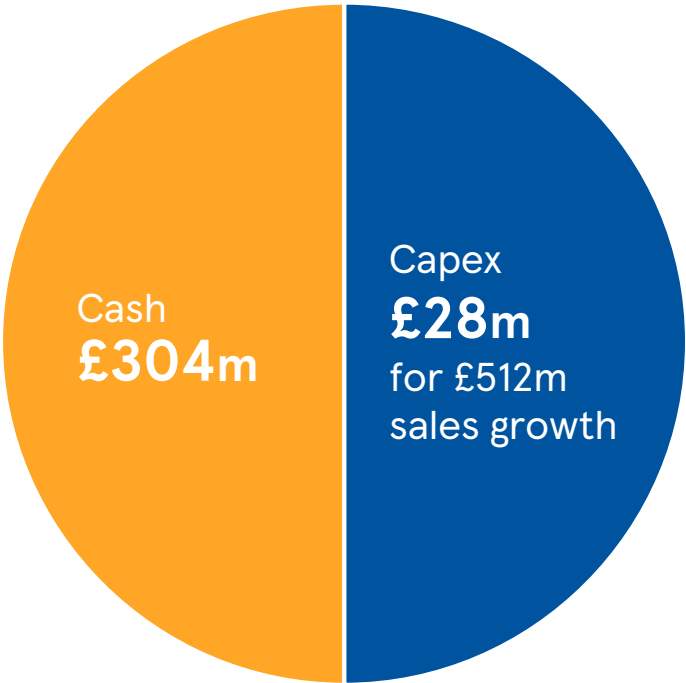


**Retail**  
# 1

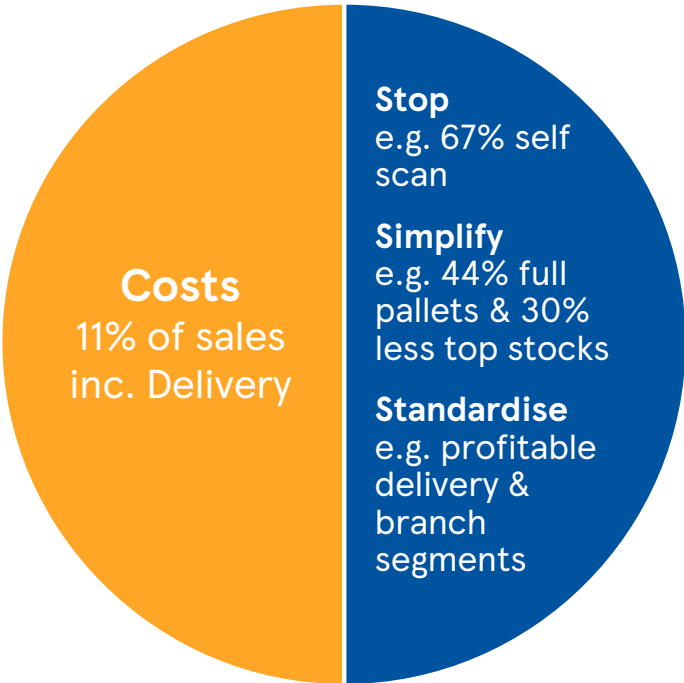


**Catering**  
# 3

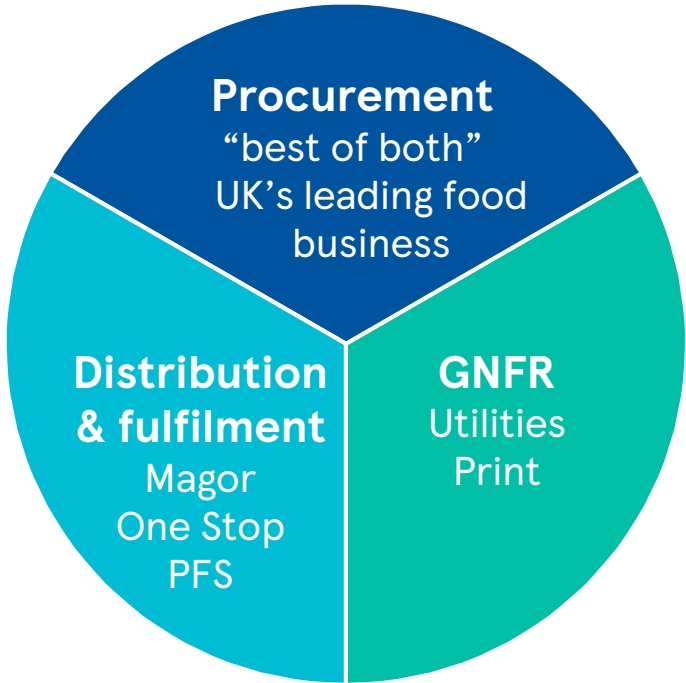
# Max the mix: Booker: Cash and Costs.



**Cash<sup>1</sup>**  
Low capex  
High cash growth



**Costs**  
Continued progress



**Costs: Joining Forces**  
£79m achieved  
On track for £200m

1. Figures relate to 2018/19 Full Year.



# Max the mix: Booker: Costs – Joining Forces.



## Magor

25 of 196 Booker BCs served  
Capex £1m, saving £2.2m p.a.  
Deliver chill from Oct 2019



## one stop

760 One Stops supplied  
Capex £0.6m saving £1m p.a.



## Tesco petrol forecourts

443 Tesco petrol forecourts  
supplied from Booker  
Capex £0.1m

# Max the mix: Booker: Customers – Joining Forces.

BIGGER GROUP  
BETTER  
FOR ALL



<b>WSP</b>	<del>£12.00</del>	£10.50
<b>RRSP</b>	<del>£4</del>	£3.75
<b>POR%</b>	<del>25%</del>	30%



SAVE  
£1.50

<b>WSP</b>	<del>£24.49</del>	£22.99
<b>RRSP</b>	<del>£6.69</del>	£6.49
<b>POR%</b>	<del>39%</del>	41%



Tesco quality  
Improved Retail Price Points  
Minimum 30% POR  
Direct to depot deliveries

Premier / Budgens / Londis profits +£6k. Booker Sales + £512m in LY +11% IfI



# Max the mix: Booker: Customers – Growth opportunities.



1m customers / £6bn sales

Improve choice, quality,  
price and service

**Big Group better**



4k vans  
£5.6bn sales

Improve efficiency and  
coverage

**#1 Digital / delivery**



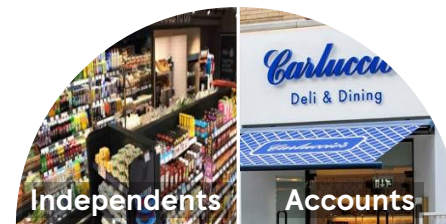
9k stores / £10bn sales

Forecourts, convenience  
neighbourhood  
Optimise ranges /  
logistics / services

**#1 Convenience**



**#1 Big Tesco stores**



£2.1bn sales

Low capex growth with  
independents and multiple  
customers

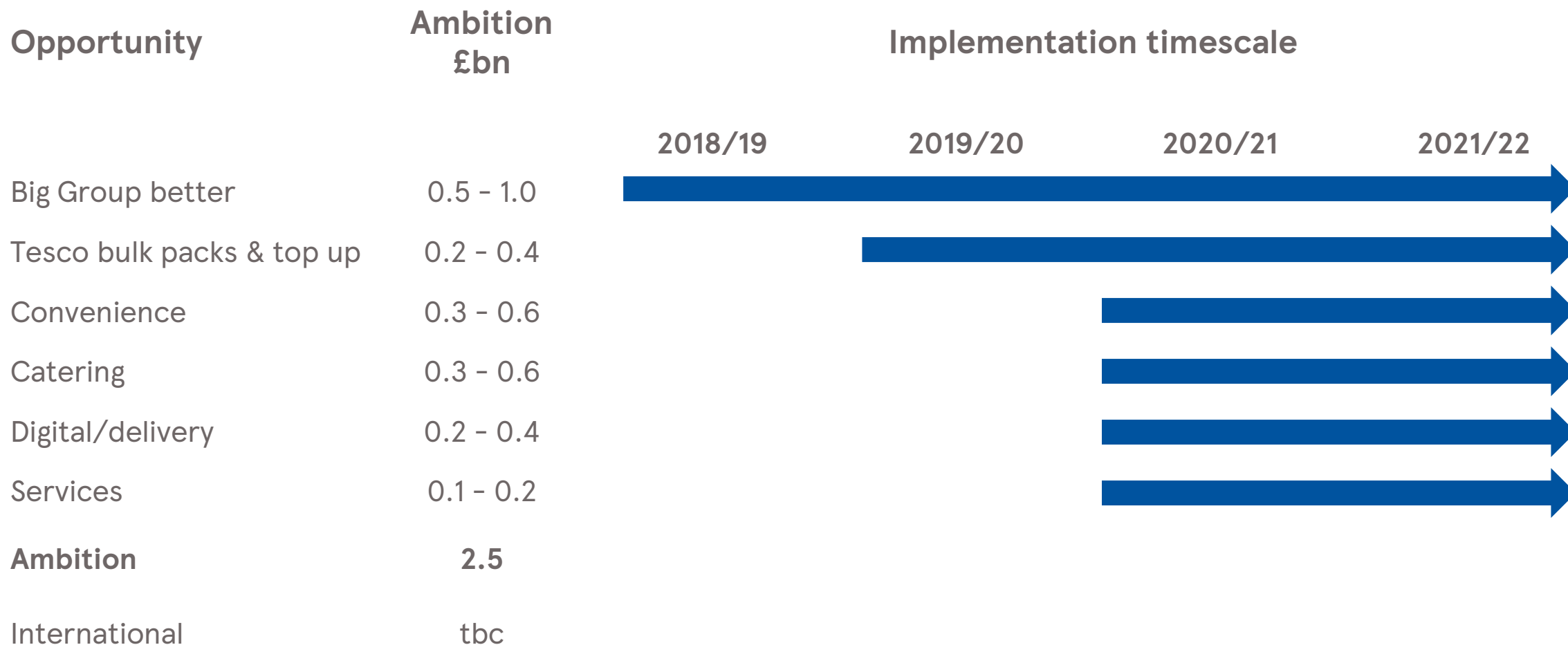
**#3 Catering**

Finance  
Phone  
Fuel  
Payment / loyalty  
Click & Collect

**Services**

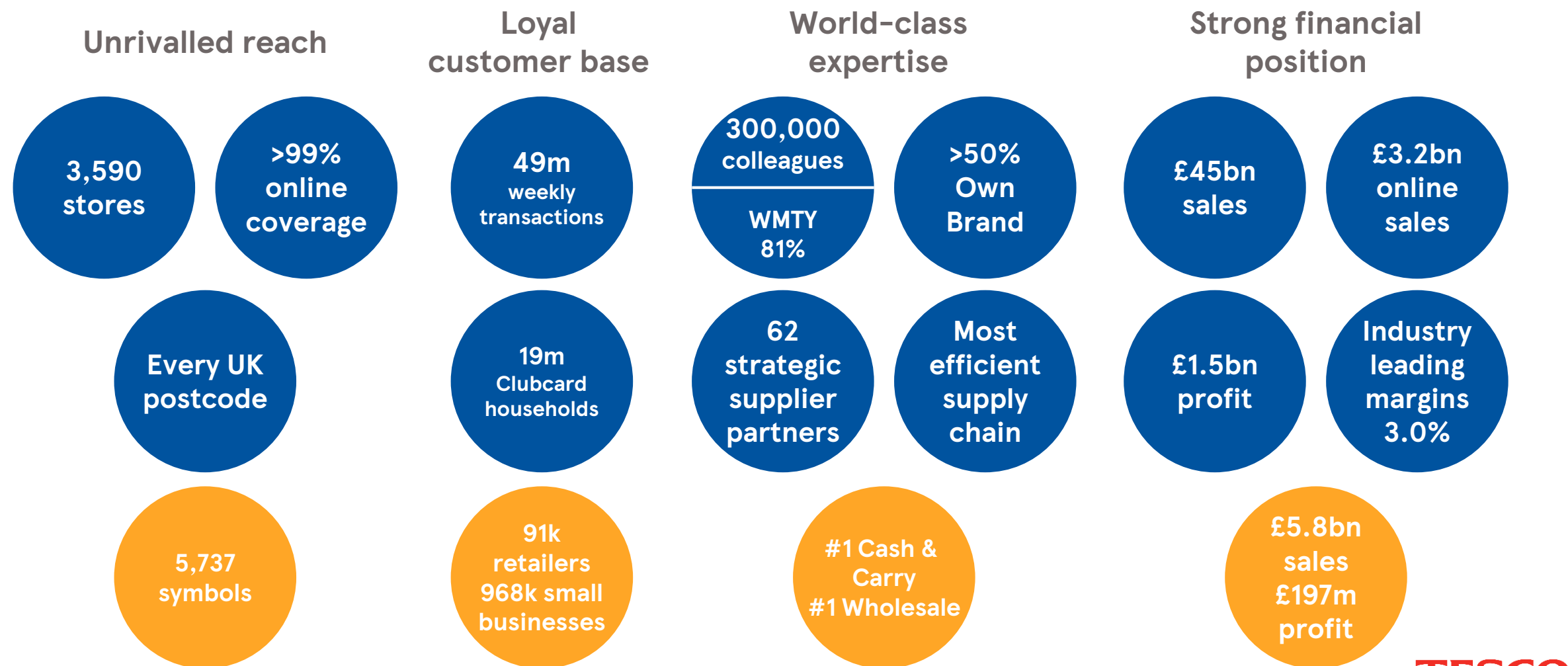


# Max the mix: Booker: Customers – Growth opportunities.





# Max the mix: UK & ROI: a structurally advantaged business.





# Max the mix: Central Europe.

Matt Simister



# Max the mix: Central Europe: A growing region.

Strong GDP growth across the region **c.2.5–4%**.

**Low levels of unemployment** across the region with Prague the lowest rate in Europe.

**Improving** standards of living.

**Growing** consumer spending across the next 3 years.

Key trends are health, convenience, single person households and **increasing wealth**.

## Grocery retail market YOY growth %<sup>1</sup>

	2019	2020	2021
Slovakia	3.4	3.3	3.1
Czech Republic	3.7	3.7	3.4
Hungary	3.9	3.8	3.7
Poland	3.4	3.0	2.7

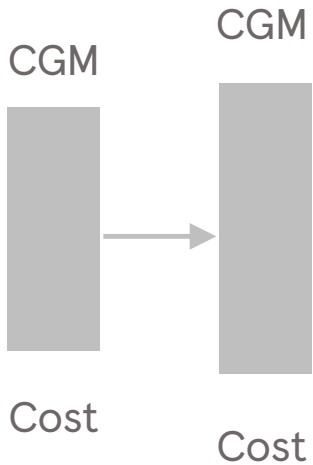
1. IGD Grocery Retail Market share data.

## Max the mix: Central Europe: a strong, profitable presence.

	Czech Republic	Slovakia	Hungary	Poland	Central Europe
Large hypermarkets	32	20	68	63	183
Compact hypermarkets	51	43	44	70	208
Supermarket	62	58	35	214	369
Convenience	147	29	57	1	234
<b>Total</b>	<b>292</b>	<b>150</b>	<b>204</b>	<b>348</b>	<b>994</b>
<b>Sales</b>	£4.1bn			£1.9bn	
<b>Operating profit</b>	£197m			£(11)m	

# Max the mix: repositioning cost base to compete.

CE discounter  
model evolution



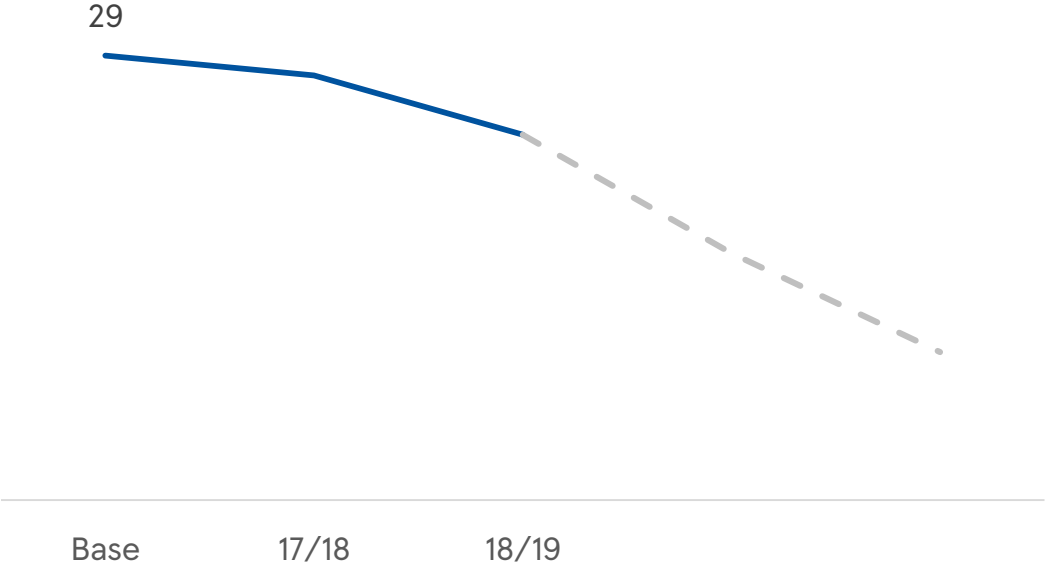
Tesco CE  
pre 17/18



Tesco CE  
future



Total operating costs (% sales)



- Removing unproductive space
- Simplifying customer offer
- Reducing stock

# Max the mix: addressing unproductive space.



Unprofitable stores closed



Repurposing



Asset sales



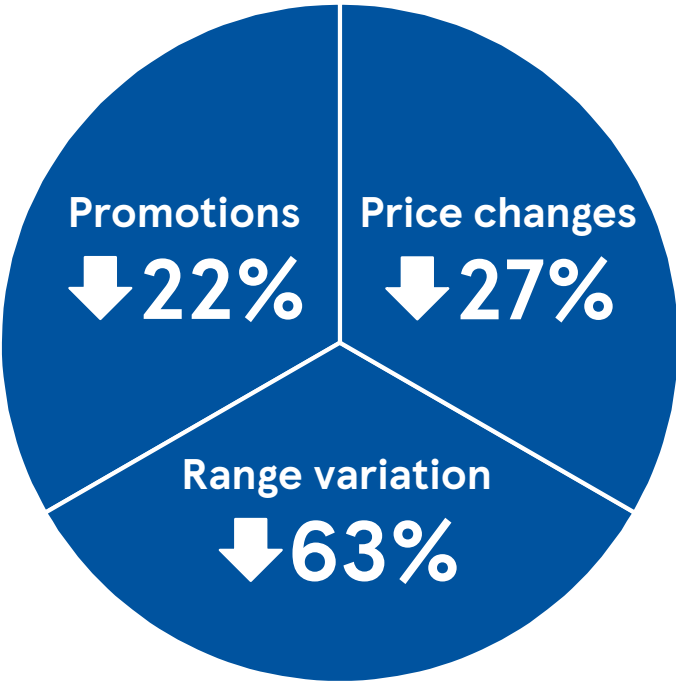
# Max the mix: simplifying the customer offer.



More focused GM range



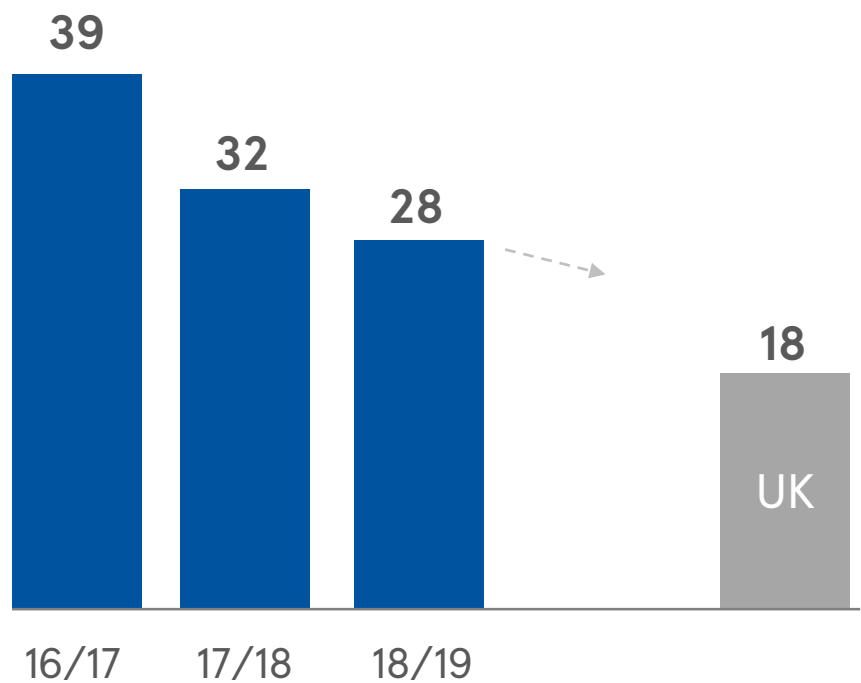
Simpler food range



Less change

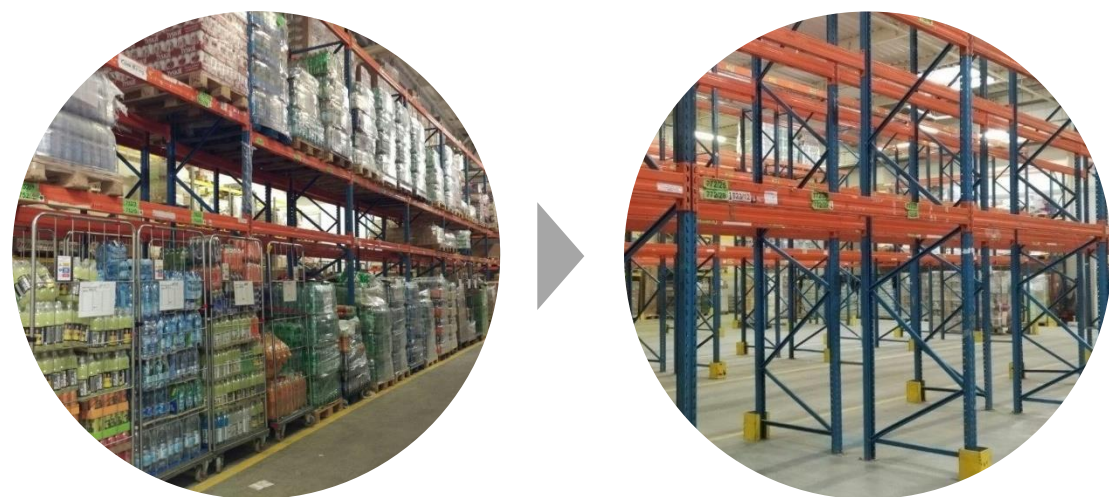
# Max the mix: reducing excess stock.

Net stock (days)



11 days removed so far...

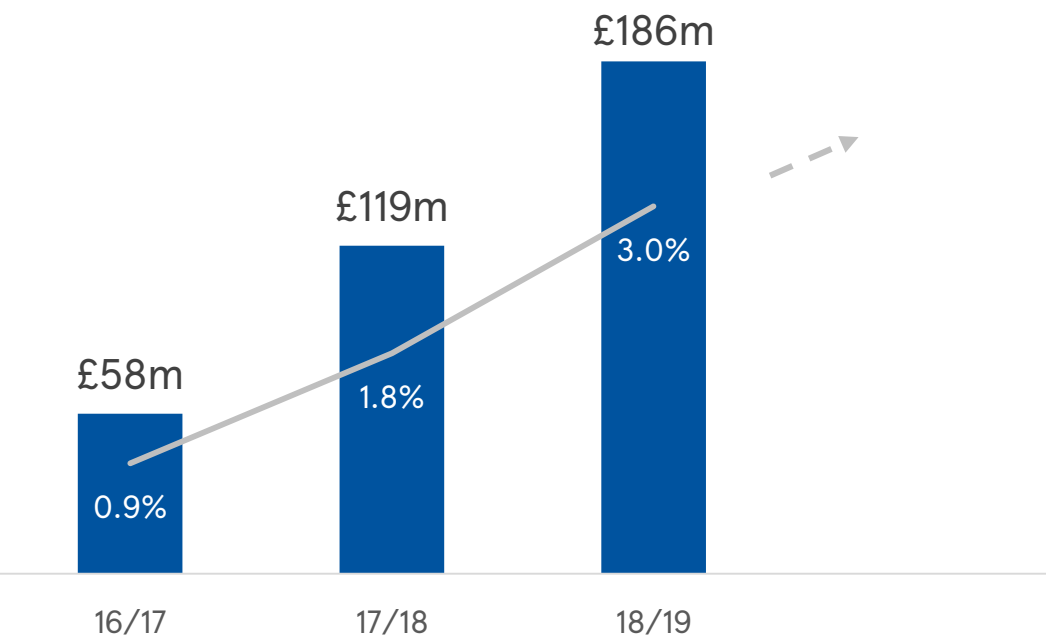
Tesco Kapelanka hypermarket (Poland)



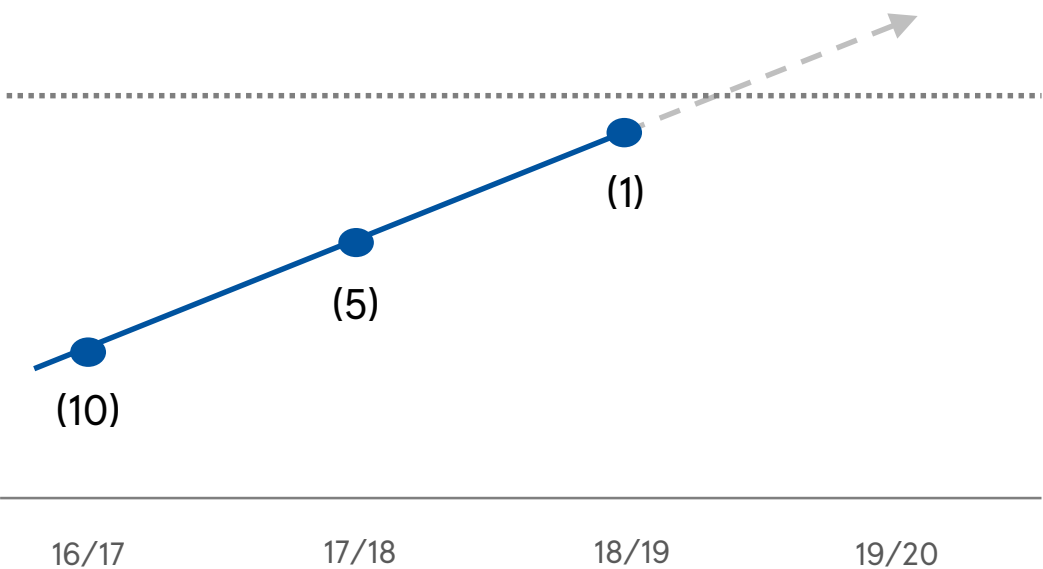
2 years ago this warehouse was full of pallets floor to ceiling

# Max the mix: sustainable, profitable, cash generative business.

Improving profitability



Improving cash cycle (days)



2018/19 cash: £378m

# Max the mix: creating additional value with Group support.



Starlines



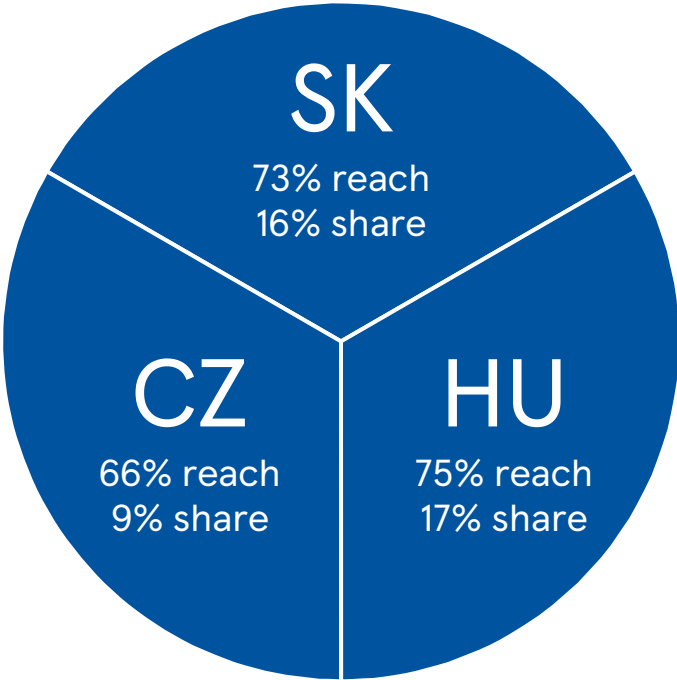
Own Brand



Business services



# Max the mix: capital light opportunities for growth.



Geography<sup>1</sup>



Loyalty



Convenience market<sup>1</sup>

1. GFK market share data; GFK FMCG market panel.

# Max the mix: Asia.

Alison Horner





## Max the mix: Asia: Big opportunity for growth.

£64bn

Grocery retail  
market<sup>1</sup>

50%

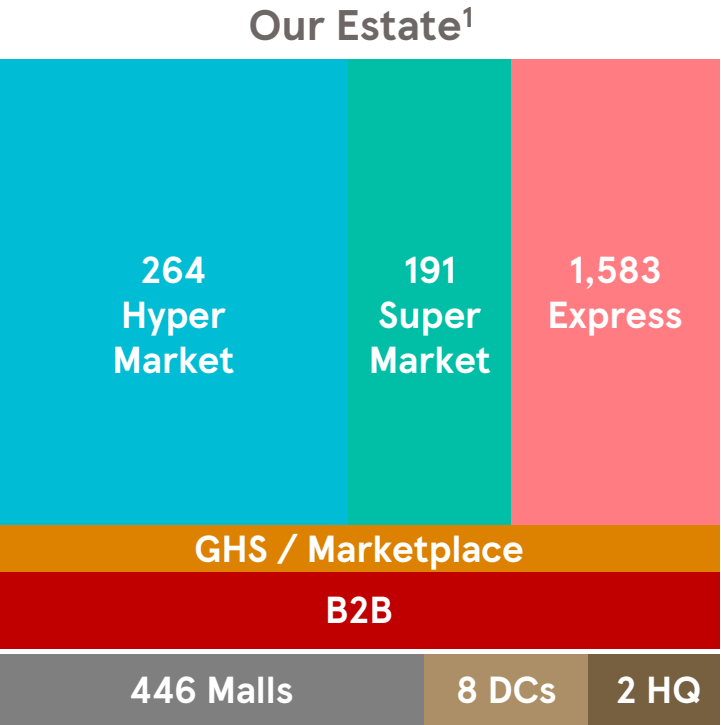
Traditional trade

Increasing  
urbanisation

Thailand's urban population of 43.9% in 2010 will rise to 58.4% by 2030

1. Euromonitor for Thailand and Malaysia.

**Max the mix: Asia: No.1 in hypermarkets in both Thailand and Malaysia with opportunity to extend reach.**



**We are No.1 on trust both in Thailand and Malaysia<sup>3</sup>**

1. Thailand and Malaysia combined as of year end 18/19.  
2. 18/19 results for Asia , operating profit margin before exceptional items and amortisation of acquired intangibles.  
3. YouGov reputation survey 2018.

## Max the mix: Asia: Reset for growth.

Reduce  
running cost  
and capex

Simplify

Create new  
propositions

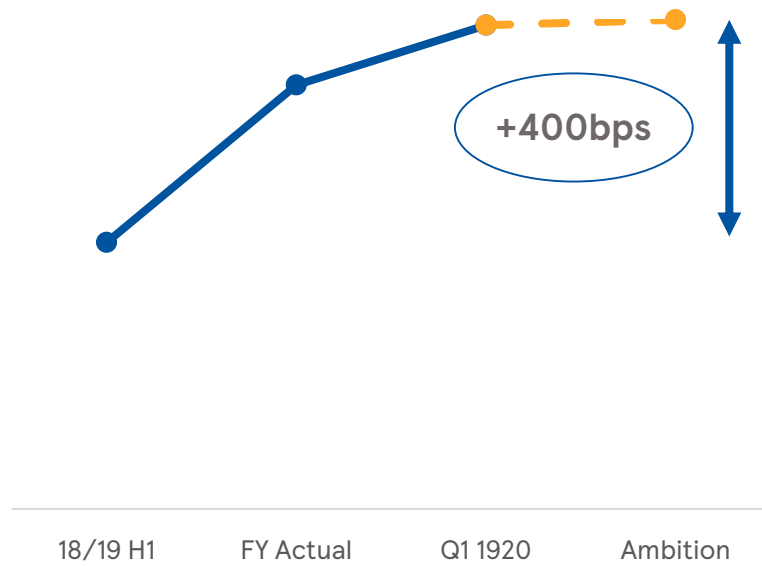
Differentiate

Seize high  
value growth  
opportunity

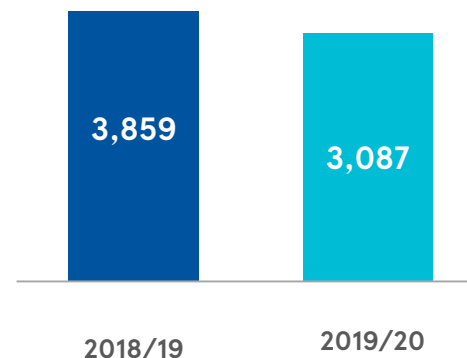
Grow

# Max the mix: Asia: Simplify: lowering running costs of large stores.

Total operating profit (% sales)



Total build cost (£k)



15% reduction in selling space

+4.4% sales

+3.2% operating profit

+6.0% cash

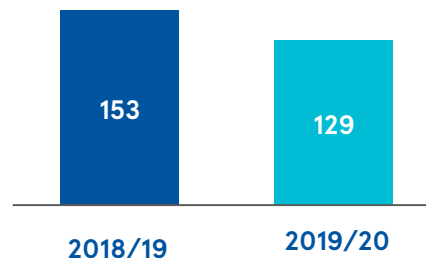
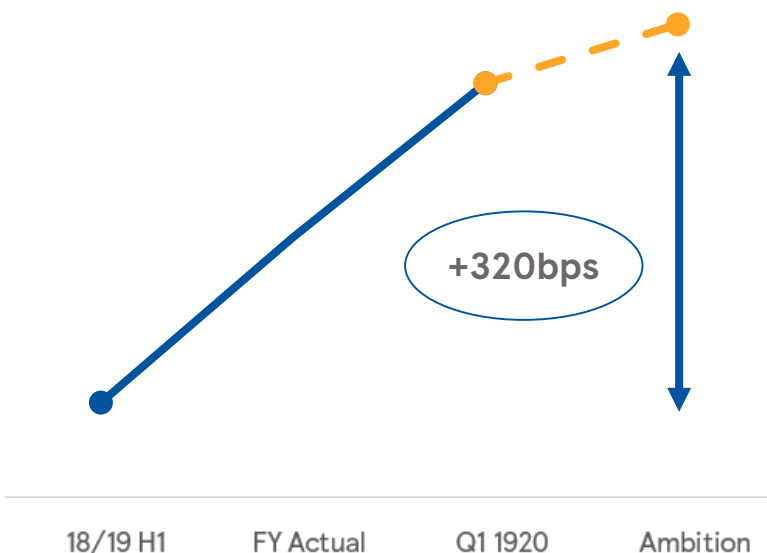
Note: reduction in space and range data excludes partnerships



# Max the mix: Asia: Simplify: improving returns of small stores.

Total operating profit (% sales)

Total build cost (£k)



50% fixed work removed

New price policy

Regional promotions

Reduced deliveries

Note: run rate refers to blended profit for P2/P3

# Max the mix: Asia: Differentiate: new convenience proposition.

“Fresh, simple and helpful... the one stop shop, for your every day needs”

Best of  
Existing Offer  
(For Later)



New Range  
(For Now)



**For today**

Meat  
Household essentials  
Stamp and Clubcard

Ready to Eat  
Health and Beauty  
WIGIG



Max the mix: Asia: Differentiate: new convenience proposition.





## Max the mix: Asia: Differentiate: proposition tested in 30 stores.



Ready to eat



Fresh for later



Leveraging  
hypermarkets



Improved mix



# Max the mix: Asia: Differentiate: encouraging results.

A platform for convenience growth in Thailand

## Customer appeal

Customer Count +10%

Satisfaction +16%

## Attractive financial model

Sales +6%

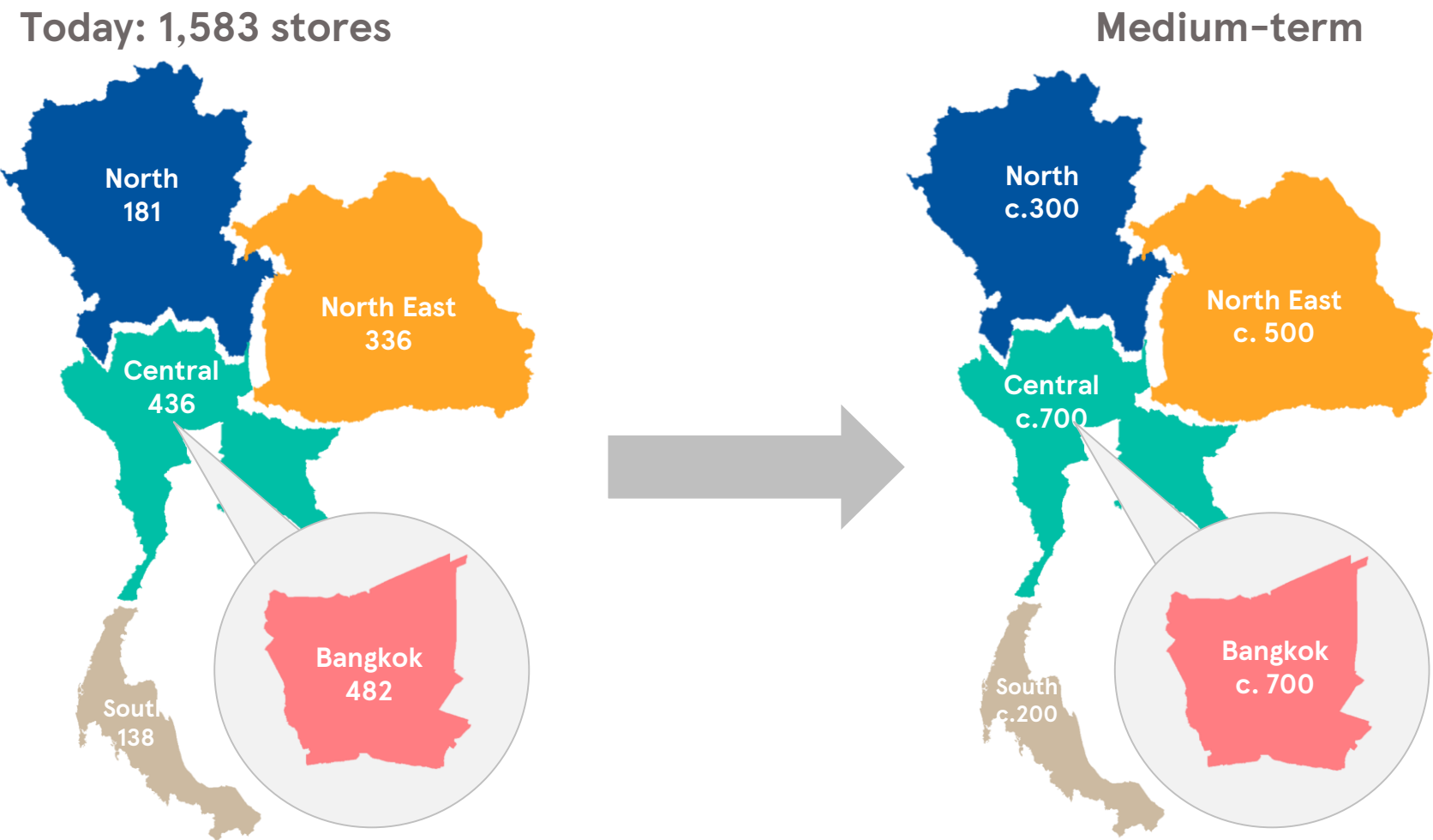
Operating margin +1.5%

## Strong returns

Build costs £17k

Payback 2.9 years

# Max the mix: Asia: Grow: opportunity for 750 new convenience stores.



# Max the mix: Asia: Grow: additional opportunities to extend our reach.

Serving Mom & Pop stores in Malaysia

B2B



Club pack

Own Brand led  
29 markets  
**c.£0.5bn?**

Export

# Break.

# Disclaimer.

This document may contain forward-looking statements that may or may not prove accurate. Forward-looking statements are statements that are not historical facts; they include statements about Tesco's beliefs and expectations and the assumptions underlying them. 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.