

STRONG PERFORMANCE IN A SUBDUED UK MARKET

	19 weeks	3Q		+	Christmas Trading		=	19 week period	
	Sales £m	Total sales change (constant rates)	LFL sales change		Total sales change (constant rates)	LFL sales change		Total sales change (constant rates)	LFL sales change
UK & ROI	16,807	0.2%	0.4%		0.2%	0.4%		0.2%	0.4%
UK	13,709	(0.5)%	(0.4)%		0.0%	0.1%		(0.3)%	(0.2)%
ROI	873	0.7%	2.0%		0.6%	1.9%		0.7%	2.0%
Booker	2,225	4.3%	5.0%		1.4%	2.3%		3.4%	4.1%
Central Europe	1,928	(14.2)%	(11.0)%		(12.8)%	(9.1)%		(13.7)%	(10.3)%
Asia	1,933	(0.1)%	(1.6)%		0.1%	(1.4)%		(0.0)%	(1.6)%
Tesco Bank	361	(5.2)%	n/a		(18.8)%	n/a		(9.6)%	n/a
Group	21,029	(1.4)%	(0.9)%		(1.7)%	(0.8)%		(1.5)%	(0.9)%

All sales shown on exc. VAT, exc. fuel basis. Sales change shown at constant rates, unless otherwise stated.

Sales change at actual rates for 19-week period: Group (1.1)%, UK & ROI 0.1%, C. Europe (16.1)% and Asia 8.0%. Further detail in Note 1.

Dave Lewis, Chief Executive:

“In a subdued UK market we performed well, delivering our fifth consecutive Christmas of growth.

In our Centenary year, our customer proposition was compelling, our product offering very competitive and thanks to the outstanding contribution of our colleagues, our operational performance was the best of the last six years. As a result, this Christmas we had the biggest ever day of UK food sales in our history.”

Trading update (3Q: 13 weeks to 23 November 2019; Christmas Trading: 6 weeks to 4 January 2020)

Whilst the UK environment has clearly been challenging, the combination of our attractive customer offer and strong operational delivery enabled us to outperform the market once again, following on from our strong performance last year. Customers benefited from lower prices – with a typical basket of 21 festive products in the weeks before Christmas being £2.28 cheaper year-on-year – and strong, relevant promotions, including our first ever Christmas Clubcard Prices offer.

Over the Christmas period we outperformed the market in both volume and value terms², with a strong performance in fresh food. Further improvements in price and quality were complemented by our ‘Festive 5’ vegetable offer and an enthusiastic customer response to our significantly expanded range of plant-based foods. Customer satisfaction with our shopping trip further improved and we saw our highest level of availability in six years. Our online grocery business delivered over 14 million orders across the 19 weeks, with an increase in both average basket size and customer satisfaction scores for the Christmas period. Our headline sales performance for the UK as a whole included a c.(0.4)% impact from reduced general merchandise sales as we continue to refine the mix of our offer.

The customer reaction to the launch of Clubcard Plus in November has been very positive. For a £7.99 monthly subscription, customers can benefit from 10% off 2 big shops in-store as well as savings on popular Tesco brands and double data on Tesco Mobile. Later this month, subscribers will also be able to apply for a Clubcard Plus credit card from Tesco Bank with no foreign exchange fees abroad³.

In ROI, our ‘You Won’t Pay More’ campaign supported positive sales growth. Our online grocery business also made a strong contribution, with nearly 15% growth in orders.

Booker’s continued focus on customer service was recognised as we were named ‘Best National Wholesaler’ for overall customer satisfaction⁴ in November. Whilst the market was subdued, sales grew strongly across the 19-week period, by 3.8% excluding tobacco (3.4% including tobacco). The acquisition of the assets of Best Food Logistics is proceeding as planned and we anticipate completion in early March.

Our overall sales performance in Central Europe reflects the ongoing significant transformation of our business, fundamentally changing our approach in Poland and re-sizing, simplifying and improving the relevance of our businesses in the Czech Republic, Hungary and Slovakia. Whilst the changes in Poland have had the most significant impact, our sales performance excluding Poland across the 19-week period of (3.7)% also reflects an impact of c.(3)% from the combination of closures, the right-sizing of large stores and improvements to product mix. We have continued to strengthen our offer for customers, including improved availability and a more compelling seasonal product offer.

In Asia, total sales were level at constant rates, as we continue to optimise the mix of our product ranges. Our focus on sustainable, profitable ranges resulted in a (13)% reduction in general merchandise sales year-on-year – an impact of c.(1.4)% on overall sales performance. We saw strong growth in fresh food (approaching +5%) supported by a highly competitive offer for customers in our meat and seafood ranges. New formats, such as our new Express propositions that have now rolled out to 117 stores and our ‘ultra-convenient’ E-Pop stores, performed well.

On 8 December 2019 we confirmed that, following inbound interest, we have commenced a review of the strategic options for our businesses in Thailand and Malaysia, including an evaluation of a possible sale of these businesses. No decisions concerning the future of Tesco Thailand or Malaysia have been taken, and there can be no assurance that any transaction will be concluded. A further announcement will be made if and when appropriate.

On an underlying basis and taking account of the impact of our decision to exit the mortgage market in September, Tesco Bank sales grew by 0.1% in 3Q, 1.6% over Christmas and 0.5% in the 19-week period⁵.

Contacts

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A call for investors and analysts will be held today at 8.00am.

Dial in number: 0800 358 9473 (toll free) / +44 (0) 333 300 0804
 Access Code: 67589067#

A recording will be available on +44 (0) 333 300 0819 and access code 301307723# until 8 February 2020.

We will report our full year results on Wednesday 8 April 2020.

Notes

1. Sales change at actual rates:

	3Q	Christmas period	19 week period
UK & ROI	0.2%	0.0%	0.1%
Central Europe	(15.8)%	(16.6)%	(16.1)%
Asia	9.7%	5.1%	8.0%
Group	(0.8)%	(1.8)%	(1.1)%

- Sales outperformance relates to 5-weeks ending 28 December 2019 and is sourced from IRI Retail Advantage™, global insight providers to the retail industry. Aldi and Lidl do not submit data to IRI and are therefore excluded from their market definition.
- Subject to status.
- HIM annual Wholesale Tracking Programme, which consists of over 2,000 face-to-face interviews with retailers and foodservice operators at cash and carry depots, and over 2,400 telephone interviews conducted with delivered wholesale users.
- Tesco Bank's reported sales change of (9.6)% for the 19-week period includes an impact of c.(6)% from our decision to stop selling mortgages. Performance for the six-week Christmas period also includes the effect of annualising the one-off benefit of +15.7% in the prior year relating to upfront recognition of insurance renewals as required by IFRS 15, following a contract renewal with our pet insurance provider. The underlying performance quoted above of 0.1% for 3Q, 1.6% for the Christmas period and 0.5% for the 19-week period excludes both these effects.