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Transcription

Tesco PLC 1Q Trading Statement audiocast

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PRESENTATION

Richard

Good morning and welcome to the Tesco First Quarter Trading Statement call. Throughout the call all participants will be in a listen only mode and afterwards a question and answer session. If you plan to ask a question we recommend dialling into the phone line as early as possible to avoid delays. Just to remind you the conference call is being recorded. I'll now handover to Mr Ken Murphy, CEO. Please go ahead.

Ken Murphy

Many thanks, Richard. Good morning everyone and thank you for joining us today. I'm delighted to also welcome to the call Imran Nawaz who joined us as CFO last month. I'll let him say a few words to introduce himself in a moment. Hopefully you've all had a chance to read the statement so I won't go back over the numbers here, instead let me take a few moments to give you my reflections on the quarter. Overall I'm pleased with our performance in the quarter. We have maintained top-line momentum even as we lacked the stockpiling peak of last year. Online continues to perform well with order numbers remaining high, similar to levels we were seeing in the second half of last year, at around 1.3 million a week. Basket sizes remain strong, customer satisfaction has gone from strength to strength and we have gained online share. Across the group there was an unusual shape of trade within the quarter reflecting the changing behaviour of customers in relation to differing restrictions in both the current and prior year. Just taking fresh foods in the UK as an example, in March sales grew by 2% as last year customers were mainly shopping for cupboard essentials. By May we saw a decline of 4% as restrictions eased and more restaurants reopened. While we expect sales to remain well above pre COVID-19 levels through the remainder of the year we expect to see this top line volatility continue.

Through this our focus will be on maintaining the strength of our customer relationships through value, loyalty and convenience. Whatever way the market turns and whatever way habits evolve we will continue to serve customers however they want to shop with us. We are maintaining our commitment to value for customers and to making it more attractive to shop at Tesco. With Aldi Price Match we are anchoring in low prices and with Clubcard prices now extended to Express stores we are rewarding the customers who shop most often. I believe the combination of Aldi Price Match and Clubcard prices is a powerful one. This is evident in our value perception which stepped forward again on top of last year's strong improvements. In online sales grew 82% on a two-year basis and our one-year growth of 22% reflects that we have started to lap our huge surge in capacity from April last year. Tesco is becoming a more digital business one step at a time. Our West Bromwich urban fulfilment centre is now operating at capacity and last month we opened our second UFC in Lakeside. The combination of strong online coverage, extensive reach through our store infrastructure and a flexible business model means we have the fundamentals in place that will in time provide the ultimate convenient offering to our customers.

The network is complemented by our Booker Wholesale capability which unlocks even more opportunity for us and I'm pleased to see Booker recovering strongly as the eat out market starts to open up. I'm confident that we'll continue to do well against the market by maintaining our relentless focus on customer satisfaction. Finally I am proud of our ongoing efforts to drive sustainability in the business, including the launch of our ambitious new health commitments across the UK, Central Europe and Booker. As part of our ongoing strategy to address the impact of plastic packaging we have also started rolling out the UK's biggest network of soft plastic recycling points and became the UK's first retailer to scrap soft plastic rings and shrink wrap from our beers and ciders. In summary, I'm pleased with the strong start we've made to the year. As we look forward we continue to expect a strong recovery in profitability for the year as a whole. It's still difficult to be precise given the great deal of uncertainty that exists more broadly and so our best estimate remains for retail profit to recover to similar levels as '19/'20. We will maintain our focus on value, loyalty and convenience for customers and I continue to be excited about the many opportunities we have to create value for shareholders and all of our key stakeholders over the long-term.

I'd now like to welcome Imran Nawaz, our new group CFO who joined us last month. He has already hit the ground running getting to know the team and visiting stores. Before we get to Q&A I know he wanted to say a few words to introduce himself.

Imran Nawaz

Thank you, Ken. I'm really excited to be here. I've always been in the food and beverage industry and I've admired Tesco from afar for quite some time. Clearly this has been always from a supplier perspective, first from Kraft then Mondelez and most recently as CFO at Tate & Lyle. I've been really impressed by Tesco's strength in the market and our ability to execute and build on that strength. It's clear I've joined a winning company. I've had the pleasure of meeting some of you in my previous role and I can't wait to see more of you very soon and hopefully face-to-face. Thank you for your time and I'll hand back to Ken.

Ken Murphy

Thanks, Imran. Now, just before we handover to Q&A, while we're super happy to answer as many questions as you have a number of people have asked us if we can limit questions to one per person in the first instance. That should mean everyone gets the chance to ask what's on their mind and then, of course, if you have another question that hasn't already been asked please feel free to join the queue again and to ask another question. Thank you very much, cheers.

Q&A

Richard

Thank you. If you wish to ask a question please '01' on your telephone keypad. If you wish to withdraw that question you may do so pressing '02' to cancel. There will be a brief pause while questions are being registered. Our first question comes from Andrew Gwynn from Exane BNP Paribas. Please go ahead, your line is now open.

Andrew Gwynn

Yes. Good morning Ken, morning, Imran. I hope all is well. Yes, just a question on inflation really, I suppose the obvious one but clearly we're seeing quite significant rises in some agricultural prices so when would we expect to see that at the shelf edge and how confident are you that the market is prepared, keen, happy to pass it through? Thanks very much.

Ken Murphy

Thank you, Andrew. I'll give you my initial thoughts and then I'll pass onto Imran as well. Look, we have seen definitely some commodity inflation starting to work its way through the supply chain, interestingly enough we've also seen a couple of elements of deflation and while there is no doubt that it's a thing we have to manage, it's something that we've always had to manage and so at this point we don't anticipate it impacting pricing. We think we're working hard to mitigate any potential inflation that may come through but it's clearly a watching brief and it's something that, you know, we watch really closely, we keep an eye on and we respond to as and when we need to. Imran, what are your thoughts?

Imran Nawaz

Yes, look, when you see our first quarter, you know, we actually had a bit of deflation in the first quarter and that goes to show you our strategy to provide value to our customers is central and we will hold and stick with that. At the same time we need to manage our P&L and, clearly as Ken said, that is something we're going to watch like a hawk and manage via cost, via mitigating productivity initiatives and ensure we get through it. Ultimately inflation or deflation is something that you deal with every day in this industry and it's just something we need to manage on a daily basis.

Andrew Gwynn

Okay, great. Thank you. Thank you.

Richard

Our next question comes from Andrew Porteous from HSBC. Please go ahead, your line is now open.

Andrew Porteous

Yes, hi team and welcome Imran. I guess another one on inflation to an extent, I mean, you obviously talked about deflating relative to the market. It seems like your relative volume growth must be better than some of the data suggests. I'm just wondering, do you think you have any sort of relative advantages in dealing with any cost inflation that comes through? Does your absolute sales growth delivered over the past year, which is obviously well ahead of any competitors, give you a bit of an advantage when you're going into those negotiations?

Ken Murphy

Clearly it has, Andrew. Thank you for the question. I mean, it's always good to grow and your suppliers appreciate it when you grow their volume and that allows both you and them to work efficiencies into the model and then we work to pass through those savings to customers by the way of better pricing. So, it's definitely helpful. Imran, have you any thoughts on it?

Imran Nawaz

Yes, like, I mean, clearly when you look at the scale and size of Tesco it's always something that is not unhelpful when thinking about the power of the group and for sure it's something we need to keep in mind and leverage.

Andrew Porteous

Thank you.

Richard

Our next question comes from Fabienne Caron from Kepler Cheuvreux. Please go ahead, your line is now open.

Fabienne Caron

Yes. Yes, good morning everyone. Can you comment over the quarter's performance of your large stores versus the convenience stores, please?

Ken Murphy

Thanks for the question, Fabienne. Yes, our large store performance was stronger than our convenience stores over the quarter and we saw modest growth I would say in our large stores and a kind of modest fall like-for-like in our convenience stores. I'll ask Imran to give you a little bit more precision around that.

Imran Nawaz

Yes, I mean, when you look overall for if I give you the numbers on a two year like-for-like basis, our large stores after two years are still in growth of around 5%, convenience is flat-ish and then online is the 82% that you see which gets you to the 9.3% overall.

Fabienne Caron

Okay, thank you very much.

Ken Murphy

Thanks, Fabienne.

Richard

Thank you. Our next question comes from Sreedhar Mahamkali from UBS. Please go ahead, your line is now open.

Sreedhar Mahamkali

Yes, good morning and welcome Imran. Maybe I'll just pick up on the online bit, urban fulfilment centres. Back in April you talked about the first one hitting productivity metrics and stuff like that, is there an update? Can you give us a sense of perhaps what those metrics are looking like now and taking a slightly longer term view in a few years? Two or three years perhaps. What does that UFC footprint look like, please? I think you've previously, I think your predecessor at least talked about having 25 operational UFCs and things like that. Do you have a view on how that could look like? Thank you.

Ken Murphy

No, thank you. So, if you remember last October when it was about two months in the West Bromwich UFC was doing about 200 orders a day. When we talked in April it had risen to about 500 orders a day, and now it's up at about 650, which is close to its capacity. The UFC in Lakeside, which we've just opened up in the last week or two, has a target of 1,000 orders day. So, it's materially bigger than the West Bromwich site, and really, what we're trying to get to is, what's the optimum configuration in terms of a UFC from a productivity and cost perspective? Also, our busiest stores are picking 1,000 orders a day, on average, and therefore we want to make sure we can deal with our most productive stores. So, pending the success of the Lakeside UFC, which we're feeling very confident about because we've learnt a huge amount from West Bromwich, then the plan is to open-, we've already committed to open a third in Bradford later in the year, and then we hope to open another three before the year's out. Really, if we get to a place that we think that the UFC, particularly in Lakeside, hits all of its metrics, then the plan would be to be putting down at least ten a year thereafter, but that number is subject to change because if we're getting to even higher productivity and cost-saving numbers, we may go for an accelerated programme. The challenge is always, with things like UFCs, which are highly automated and which have suppliers that are global suppliers, and, as you can imagine, there's demand for these all over the world, is just making sure that there's availability from a supplier perspective. So, they're the kind of balls we have to juggle really in terms of just how many we'll be able to actually put into the network over the next three years.

Sreedhar Mahamkali

From a recurrent investment point of view, I know these are not particularly cash-intensive, are you happy with what you see? Is there much way to go from where you are now?

Ken Murphy

Yes. So, I mean, if we take an average cost of somewhere between £5 million, £5.5 million per UFC, we think that gives us an attractive payback based on the productivity metrics we've seen. As you say, therefore, they're not massively capital-intensive and they give us the double benefit of not only substantially reducing picking costs but also reducing the order time between order capture and order pick, which we also see as an important factor.

Sreedhar Mahamkali

Thank you.

Richard

Thank you. Our next question comes from Rob Joyce from Goldman Sachs. Please go ahead, your line is now open.

Ken Murphy

Hi, Rob.

Richard

Hello, Rob, your line is now open. Are you on mute?

Rob Joyce

Sorry, apologies, I was on mute there. So, morning, Ken, welcome, Imran, sorry about that. So, just in terms of the guidance, I think a couple of your major UK competitors have guided that they're expecting their profits this year to be ahead the pre-COVID levels sort of two years ago, while you're still talking to an unchanged profit level. Outside of Booker, are there any obvious differences, reasons for the difference in your expectations there, do you think? Thanks.

Ken Murphy

Well, again, I'll start the conversation and then I'll ask Imran to comment. I think that a lot of it's got to do with your perspective on what the next nine months hold. We are feeling really good about Tesco's position in the market. We think that Tesco's performing really strongly. All the customer metrics, brand health, market share and underlying performance indicators are positive for Tesco. So, that's something we feel good about. Where we see a lot of uncertainty is just how big the eat-in market will be in three months, six months and nine months, just how customers are going to respond to the final level of restrictions being lifted, whether or not they'll be able to travel, what the economic forecast looks like from, kind of, a jobs perspective, what inflation will do etc. So, we see a lot of environmental volatility, and therefore we felt that the right thing to do was maintain guidance at this point. Imran, what do you think?

Imran Nawaz

Yes, I think that's spot-on. We've delivered a strong quarter, and, in reality, that quarter was in line with our internal expectations. So, the team has done what it said it would do and that feels good. Now, having said that, you know, to Ken's point, there are three quarters still to go and the guidance, what it's really about is the uncertainty in the market in the second half, you know, and COVID, reopening of the economy are critical to that. Frankly, none of that uncertainty has changed in the last six weeks, since we last spoke to the market, so it just felt the right thing, to keep guidance as to where it was for now.

Rob Joyce

Okay, so it's not reflecting anticipation. I think you touched on inflation earlier, it's not reflecting difficulties passing through inflation to consumers or anything like that?

Imran Nawaz

Correct, that's absolutely right, the guidance was purely a reflection of the market uncertainty for the second half.

Rob Joyce

Thank you very much.

Ken Murphy

Thanks, Rob.

Richard

Thank you. Our next question comes from Clive Black from Shore Capital. Please go ahead, your line is now open.

Ken Murphy

Hiya, Clive.

Clive Black

Good morning, Ken, welcome, Imran. Nice single question from me, I realise it's a trading statement but could you make a comment please on maybe mix, the profile of COVID costs and working capital, given that they were so distorted this time last year, please? Thank you.

Ken Murphy

Clive, I'll let Imran handle that one, thank you.

Imran Nawaz

So, let me take them in order. In terms of COVID costs, the anticipation for the full year is unchanged, so I would still assume between £200 million and £220 million for the year. In terms of a mix, actually the mix has been quite positive for us in the first quarter. So, what we saw, obviously, was a nice recovery on general merchandise, a nice recovery on clothing, fresh foods was broadly flat and packaged food was in slight decline but that would not be a surprise to you, when you consider the fact that we're lapping the big stockpiling from last year, same time. Your last question was on working capital, but, I mean, obviously, in the first quarter, working capital would be impacted by the nice rebound on the catering sales that we've seen,you know, that would be a net positive. By and large, everything else is in a good place.

Ken Murphy

Congratulations on getting three questions into one, Clive.

Clive Black

God loves a trier, thank you very much, guys, and all the best.

Ken Murphy

Thanks, Clive.

Richard

Our next question comes from James Grzinic from Jefferies. Please go ahead, your line is now open.

James Grzinic

Yes, good morning Ken and Imran. My one question is around balance-sheet thinking, perhaps say how you both feel about the 2.5 times adjusted leverage ratio as a desired optimal capital structure for the group that you both have inherited.

Ken Murphy

Thank you. I'll start off and then, obviously, Imran will comment. As you say, this is the guidance we have out there at the moment in terms of our capital structure, and, clearly, the debt ratio we ended the year in is not the one we anticipated at the start of the year. I think it's something that, given that it is our stated guidance, we think it's appropriate for the moment, it's something that we continuously monitor, and, clearly, we monitor it in the context of not only our performance but market conditions and the volatility in that market, the level of uncertainty around inflation, interest rates etc. because they are materially impact how we think about risk and how we think about the balance sheet. What's the appropriate balance sheet to have from the perspective of Tesco? So, you know, we think it's the appropriate guidance for now. We will continue to keep an eye on it. Imran, what would you feel about it?

Imran Nawaz

Yes, look, I mean, I understand the importance of the question and coming in, you know, now six weeks in, it is certainly one of my top priorities, you know, to review and test every element of the existing framework and see whether any changes are appropriate. I mean, what's very clear to me is, as a company, our commitment to focus on cash is paramount and returning excess cash to our shareholders is also something that I believe makes a lot of sense and is the right thing to do. We'll give you an update in October, once we've done the work.

James Grzinic

Right, thank you.

Ken Murphy

Thank you.

Richard

Thank you. Our next question comes from James Anstead from Barclays. Please go ahead, your line is now open.

Ken Murphy

Hi, James.

James Anstead

Yes, good morning. Good morning, Ken and Imran. Just a question a bit left-field, there's a lot of focus at the moment on these immediacy grocers that are popping up, particularly in London, and getting very nice valuations put on them. Clearly, it's very early days and I appreciate that there's an awful lot of other factors affecting the sales of, let's say, your London convenience estate but are you seeing any signs yet that they're having any impact on your sales?

Ken Murphy

No signs yet, James, and you're right that it's really, really difficult to tell, given the amount of volatility in urban express formats due to COVID. So, you're right that it's not an easy task. It is something though, it's an area where we've got a lot of curiosity about, and, as you know, we launched our on trial in Wolverhampton with Whoosh, which is software we developed internally. As well as that, we obviously operate as well, in a number of our one-stop stores, with Deliveroo. So, it's something that we're curious about. We're always interested in how we can solve customer problems, and if a new customer need arises, we're very keen to figure out the right solution. We're also agnostic about how we get there, in terms of whether we do it ourselves or we do it with a partner. I think what's really important for us though is we maintain a customer relationship and that the quality of the service to the customer is what you'd expect through Tesco. So, look, it's something I'll keep a close watching brief over but, you know, we're not seeing a material impact yet.

James Anstead

That's very helpful, thank you.

Ken Murphy

Thank you.

Richard

Our next question comes from Maria-Laura Adurno from Morgan Stanley. Please go ahead, your line is now open.

Maria-Laura Adurno

Thank you very much for taking my question. So, going back to some of the comments that were made earlier, in this context, where you have still deflation from a grocery prices standpoint, and, at the same time, input costs that are actually rising, where do you stand in terms of cost savings measures? Is this something that you're working thoroughly, and if so, any examples you can provide? Thank you.

Ken Murphy

Thanks very much. So, look, the short answer to that question is cost savings are very, very much a part of the ongoing way we run the business. So, it's something that we look at religiously. It's something that we feel is never finished, so we don't necessarily talk in terms of one big cost-saving programme but more in, kind of, a continuous savings challenge. Our ambition is to offset any inflationary costs as a minimum from our cost-saving initiatives. So, that's really it, Maria-Laura.

Richard

Okay. The next question comes from Nick Coulter, from Citi. Please go ahead, your line is now open.

Nick Coulter

Morning. Could I just ask this quick question on Clubcard prices in the Express format, and whether you've seen any early signs of increased Clubcard sign-up? I guess it's a slightly different audience, but I'd be interested to know if you're, kind of, pulling people into the digital ecosystem or what your expectations are. Thank you.

Ken Murphy: Short answer is yes, it is very early days so I don't want to give you any numbers, because we're in the foothills of this, but we've seen very positive signs since we launched the programme. Customers love it, and we are seeing an increase in digital sign-ups from our Express customers since we launched the programme.

Nick Coulter

Thank you.

Ken Murphy

Thank you.

Richard

Thank you. My next question comes from Xavier Le Mene from Bank of America. Please go ahead, your line is now open.

Xavier Le Mene

Yes, good morning gentlemen. So, one question, we've started to hear a lot about availability issues due to shortage of HGV drivers. So, the question is, do you see a risk here in terms of availability, but also do you see a risk in terms of cost increase going forward? I'm not just talking about drivers but labour costs?

Ken Murphy

So, we're really happy with the availability we've been able to maintain since these issues started. So, we work hand-in-glove with our suppliers to maintain the availability and we're also working exceptionally hard in terms of our driver numbers and making sure that we can keep that availability very high. Imran, do you want to comment at all on the wage inflation risk, etc?

Imran Nawaz

So, clearly, when eery you have a supply demand issue you have the clear risk of inflationary pressure coming on you. It's something we need to manage and I'd just reiterate what Ken said earlier about the way we think about productivity at Tesco. The goal is to more-, to at a minimum offset inflation, and if you have inflationary pressures coming through from the freight industry it's something we would need to manage via mix, via price and via cost management.

Xavier Le Mene

Thank you.

Richard

Thank you, and another reminder, if you do wish to ask a question please press 01 on your telephone keypad. So, a follow-up question from Andrew Porteous from HSBC, please go ahead, your line is now open.

Andrew Porteous

Yes, thanks guys. I guess one for Imran, really. I mean, obviously, you know, you talked about your admiration for the Tesco brand from outside, but obviously, you've made the leap joining Tesco. I just wondered what you saw as the big opportunities in joining Tesco at this point and, you know, what investors and the market can expect from you in the future?

Imran Nawaz

Yes, I mean, it's a good question. I mean, clearly, having been on the supplier side I've seen the journey that Tesco has gone through. When I look at the scale of the company today, the focus it has, the market share position it has online and in-store, it just gives you a lot of runway for driving growth, and at the same time for creating value, you know. Making the right choices on investments and looking at the opportunities ahead, it just feels like a place to be. I have to say, having visited a lot of stores, having visited distribution centres, the UFCs, you know, spending a lot of time with our colleagues in stores talking about customers, this is an organisation that's hugely focused on customers and being efficient and there's a real, sort of, I'd say passion to win. That's really, for me, the ingredients you need to create value so it made a lot of sense when the opportunity came along to take it.

Andrew Porteous

Thanks.

Richard

Thank you. Our next question comes from Fabienne Caron from Kepler Cheuvreux. Please go ahead, your line is now open.

Fabienne Caron

Yes, just a quick follow-up, sorry. On the urban fulfilment centre you quote capex of £5-5.5 million. I wanted to make sure what is in it, is it land buildings and information, and are you still using the thematic shuttle system or are you working with other automation? Thank you.

Ken Murphy

It is, all of the automation costs, refit costs of the building but the building itself is already owned, effectively. It fits inside our large Extras, effectively. Yes, we are currently still working with thematic.

Fabienne Caron

Okay, thank you.

Ken Murphy

Thank you.

Richard

Thank you. Our next question comes from Sreedhar Mahamkali from UBS, please go ahead, your line is now open.

Sreedhar Mahamkali

Yes, just a quick follow-up please on the Aldi price-match. Sorry, actually not on Aldi price-match, I do understand Aldi price-match in particular, how you target this with Aldi and digital, but can you, perhaps, elaborate a little bit on how you deal with other disruptively priced non-food operators who are also now quite substantial players in grocery, please?

Ken Murphy

Well, in the same way as we think about Aldi and Lidl, really, our plan is to make sure that no customer feels like that value is a reason why they wouldn't shop at Tesco. So, it's the same logic in many ways, and we try and supplement that with great range and great quality and a great experience, but clearly you have to be competitive on value. So, from a philosophical perspective there is no difference really. Our sense of it is that if you can compete effectively with the person perceived to be the price leader in the market, which is Aldi, then that effectively sweeps up the rest of the competitors set in that hard discounter sector, and then you use the other aspects of your proposition to win.

Sreedhar Mahamkali

No, I was more thinking in terms of the choice of a shop. Clearly, there are other non-food operators who are players that we all know very well, they tend to be much more branded as opposed to private label. So, clearly, Clubcard, that would be the difference I was trying to explore.

Ken Murphy: You're absolutely right, you're absolutely right. We operate a third-value tier in addition to Clubcard prices, and an Aldi price-match called Low Everyday Prices, which is really designed to compete against those other discounters on branded lines.

Sreedhar Mahamkali

Thank you.

Richard

Thank you. Next question comes from Alessa Gamori from ING. Please go ahead, your line is now open.

Alyssa Gammoudy

Thank you very much for your time. I had a question about online demand, I see that it remains high but I was wondering if now that the UK is opening up, if the online shopping behaviour is changing already in terms of basket size, value, etc? If you can give some colour there.

Ken Murphy

Yes, again, I'll kick off and then I'll ask Imran to jump in. So, the really pleasing thing is that in terms of the volume of orders that we are processing at about 1.3 million a week, is more or less in line with what we've been doing throughout last year during the pandemic, from when we increased the capacity to the end of the year. Therefore, it's been incredibly resilient, even with the easing of the restrictions. What we're probably seeing is the people that have become most comfortable with the online experience are shopping a little bit more often with us, and we've seen some customers drop off because they're now shopping more locally or they're physically shopping, either in Tesco or in another store. So, we've seen a bit of a mixed behaviour, not a substantial decline in baskets, the baskets are holding very well, so it's a pleasing trend. Imran, any thoughts on that question?

Imran Nawaz

Yes, I think as you point out, you know, over the two year period, you know, the fact that we grew around 80% tells you that we're holding on to the game in a nice solid way. What I personally also liked was that the participation of click and collect has stayed constant at around 20% of the total online business, which is obviously pleasing to see. Overall, you know, still to be on growth year on year by 22% or so is a good result, and clearly, as we head into the summer and get into the second half, we need to see how that evolves but overall, a good start.

Alyssa Gammoudy

Thank you very much.

Richard

Thank you. The next question comes from Xavier Le Mene, from Bank of America. Please go ahead, your line is now open.

Xavier Le Mene

Yes, thank you for taking a second question, actually. So, just, you gave already a bit of comment about you, you gave us comments about food, non-food and online, but more specifically, can you give us a bit more colour about your food sales in-store, maybe only to your stock if you don't want to comment Q1, but just to say, you know, how are you doing with the stores and to your stock?

Ken Murphy

Sure. Imran, would you like to respond to that one?

Imran Nawaz

So, the question goes on mixed, essentially. I mean, so, when I look at food overall in the quarter year on year it's slightly down, within that fresh piece relatively flat, and packaged is down a few percentage points more. The way I think about that is, that tells us, you know, as you lack the stockpiling from last year, that was very heavily focused on the packaged part of our portfolio, so there's a logical decline. I mean, more interestingly, when I look at it over two years, you know, what I see is packaged foods are still up around 11%, fresh is up 7% and overall food is up 9%, which is quite a resilient performance overall.

Xavier Le Mene

Thank you, that's helpful.

Imran Nawaz

Sure.

Richard

Thank you, and as there appear to be no further questions I will end the conference with the speaker's closing remarks.

Ken Murphy

Wonderful, thank you very much Richard. Thanks very much for all your great questions, I really appreciate the time you take to talk to us. As you've seen, it's been a really strong first quarter performance, but I'm most proud of the way we've continued to strengthen our relationship with customers. Clearly, the outlook remains uncertain, but I feel really confident that Tesco is really well positioned to deal with whatever comes our way, and we really look forward to seeing you all in October, if not before. Thanks again for your time, and have a great weekend. Cheers, now.

Richard

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