

Tesco Preliminary Results 2023/24.

Ken Murphy, Chief Executive Officer
Imran Nawaz, Chief Financial Officer

10 April 2024

The Tesco logo, consisting of the word "TESCO" in a bold, red, sans-serif font with a blue horizontal line underneath.

Agenda.



01. Introduction

02. Full year results

03. Strategic priorities

04. Q&A

Introduction.

Ken Murphy



Passion for people and product.

Winning with customers – value for money driving satisfaction and growth

Sales growth and continued cost savings delivering strong financial performance

Significant progress across all our strategic priorities

Track record gives us confidence in continuing to deliver for all stakeholders



Long-term strategic partnership with Barclays.

Combines Tesco's reach and customer focus with Barclays' financial service expertise

Offering customers Tesco branded banking services powered by Clubcard

De-risks balance sheet; other Tesco banking activities retained

Enables additional returns to shareholders



Investment in value, quality and service drives strong financial performance.

Sales¹

£61.5bn

+7.4% YoY

Profit²

£2.8bn

+12.8% YoY

Cash flow³

£2.1bn

(3.3)% YoY

1. Group sales exclude VAT and fuel. Change shown at actual rates.

2. Group adjusted operating profit, comprises Retail adjusted profit (£2,760m, +11.0% YoY) and Bank adjusted operating profit (£69m, +213.6% YoY). Change shown at actual rates.

3. Retail free cash flow, excludes Tesco Bank. Change shown at actual rates.

Brand perception growing on all measures.

Brand Perception

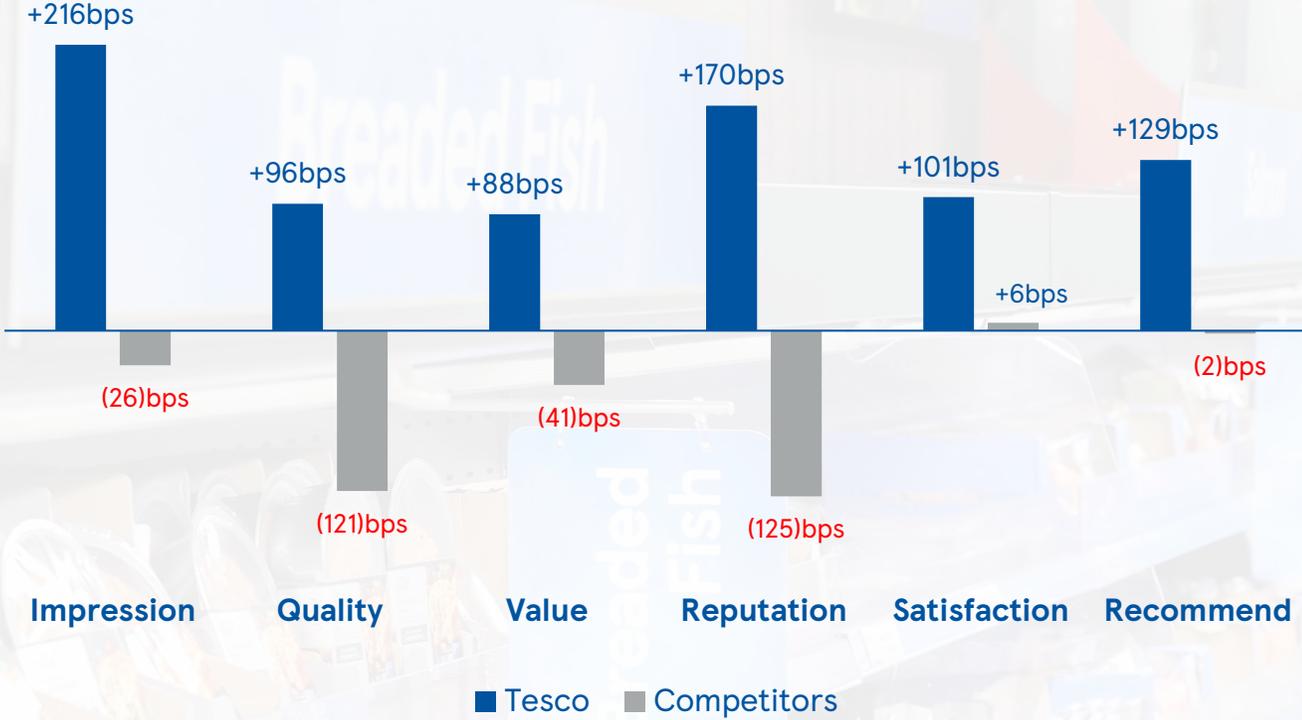
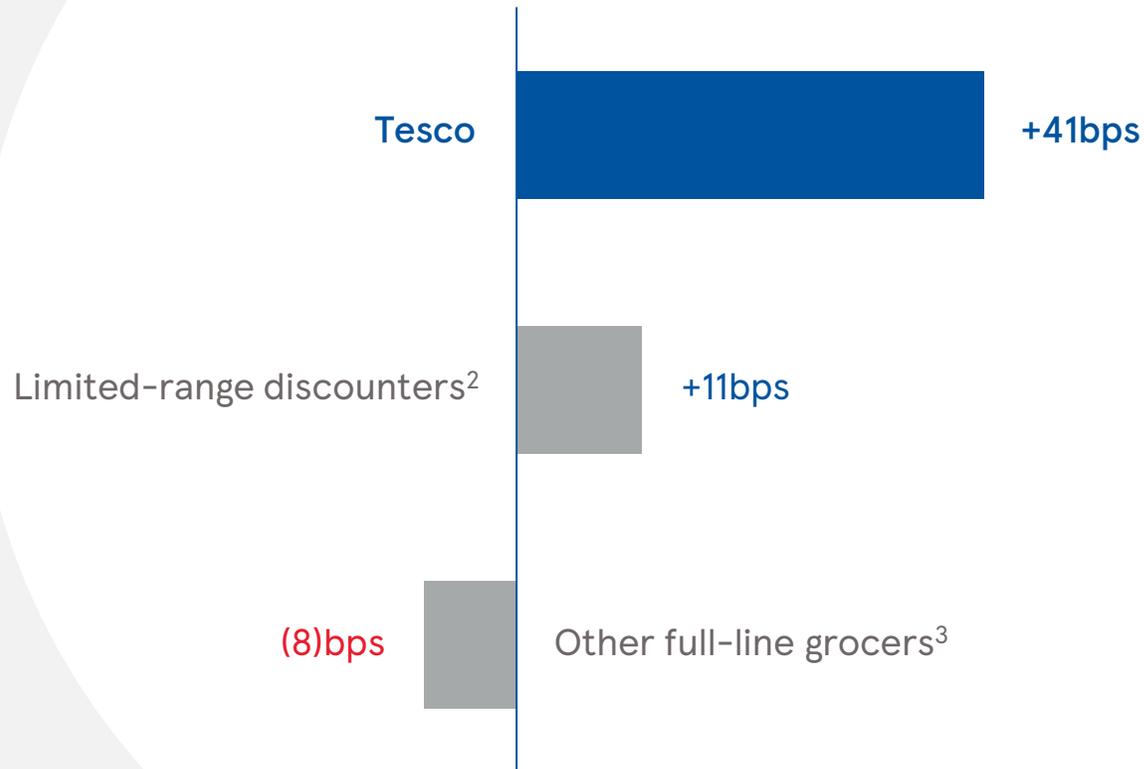


Chart shows YoY changes in YouGov BrandIndex scores for the 12 weeks ended 25 February 2024. Competitors refers to Sainsbury's, Asda, Morrisons, Aldi and Lidl.

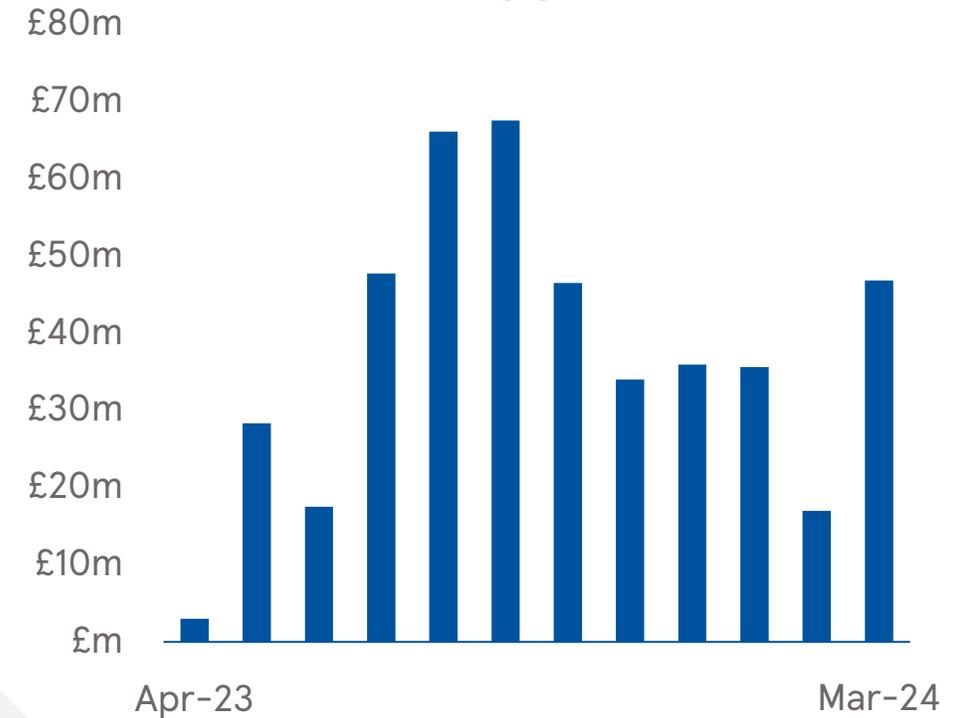


Share growth supported by switching gains.

UK market share¹



Switching gains



1. Tesco share of Total Grocers Till Roll sales on a 12-week rolling basis to 17 March 2024 vs 19 March 2023.
 2. Limited-range discounters refers to Aldi and Lidl.
 3. Other full-line grocers refers to Sainsbury's, Asda and Morrisons.

Unique value offer supporting customers.



We're cutting prices to help you with your everyday essentials.

TESCO
Every little helps

Double points

Don't miss out
Ends 25 February

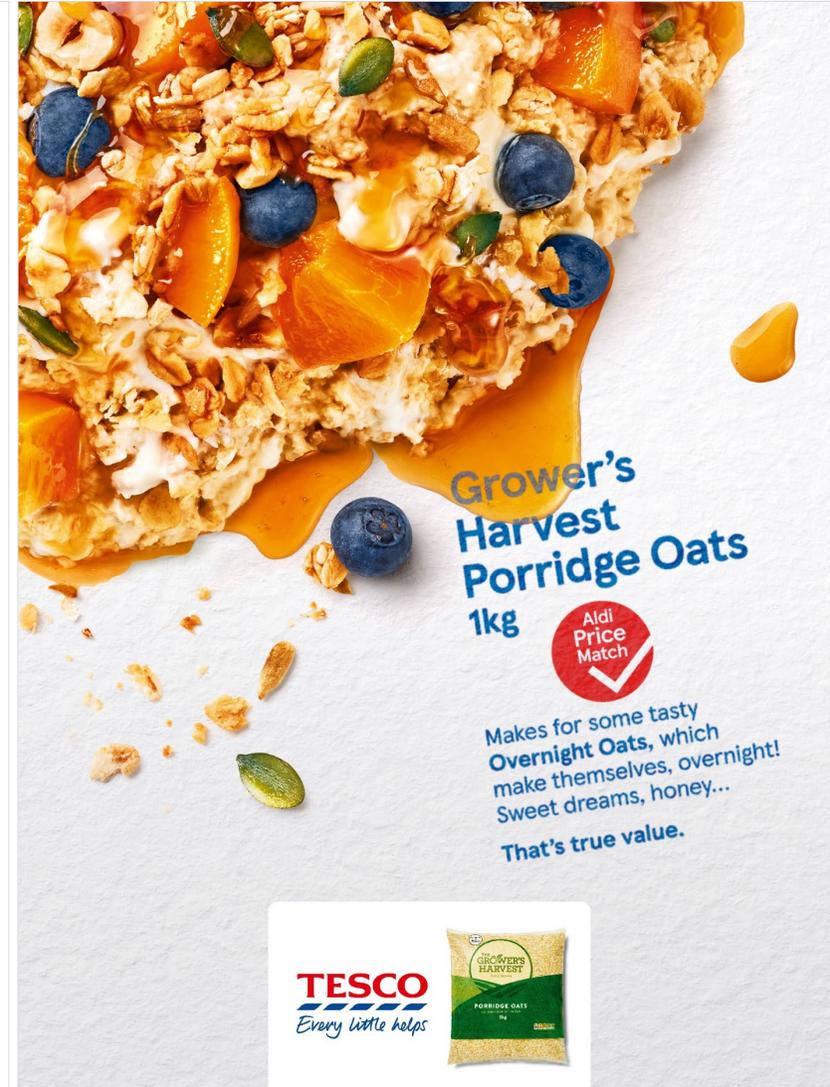


Get your hands on double Clubcard points double-quick.

Available in-store and online.

TESCO
Every little helps

Ends 25 February. Clubcard/app required. Excludes Tesco Bank, Tesco Mobile and phone shops. Tesco Photo, Scan Pack, Farm, Home, and Ingot. See [tesco.com/doubleclubcardpoints/terms](https://www.tesco.com/doubleclubcardpoints/terms)



Grower's
Harvest
Porridge Oats
1kg



Makes for some tasty Overnight Oats, which make themselves, overnight! Sweet dreams, honey...
That's true value.

TESCO
Every little helps



Outstanding quality, innovative products.



Investing in high returning and future growth opportunities.

Stores



Products



Supply Chain



- Ongoing store expansion and improvement programme

- AI-based solutions drive productivity & customer value

- Enhanced transport scheduling and more automated distribution

Investing in our colleagues.

Significant increase in colleague pay with c.£800m invested over past 2 years¹

Increased focus on health and wellbeing including unlimited access to a virtual GP

Extended support for colleagues

- Enhanced family leave incl. improved maternity, paternity, adoption & kinship
- Increased Colleague Clubcard benefits



Supporting our communities when and where it matters most.



- >200 million meals donated in the UK to date
- 10th year of surplus redistribution in ROI
- >£1m donated to support food bank operations

- Stronger Starts supporting over 4,000 projects
- Over 450,000 free meals for kids at Tesco cafés
- Launched Stronger Starts apprenticeship

- Almost £30 million donated to date for our health charity partnership
- 1,500 pharmacists trained to support customers with diabetes, cancer and heart conditions
- Baby clothing donated to 157 neonatal units

Trusted partnerships with suppliers.

>£75m

Additional support for key agricultural suppliers

27

Start-up suppliers enrolled in innovation-led Accelerator Programme

1st

Position in Advantage supplier survey for 8th year in a row

87.2%

Supplier satisfaction +60bps

Leading position in health and sustainability.

61%

Reduction in Scope 1 and 2 emissions against baseline, exceeding 2025 target of 60%



SCIENCE
BASED
TARGETS

On track for net zero by 2050, **SBTi**¹ validated climate targets



Healthy products now 63% of sales volume in UK and ROI, on track for 65% by 2025 target²

Pack a punch with our tasty range of plant based products.

Better
Baskets

TESCO

1. Net zero science-based targets validated by the Science Based Targets Initiative (SBTi), the official body that validates climate targets.
2. Tesco tracks the healthiness of its product ranges using the UK Government's nutrient profiling model.

Full year results.

Imran Nawaz

Performance headlines.

On a continuing operations basis¹

Sales growing across all segments

Strong profit growth, with accelerated cost savings offsetting significant cost headwinds & investments

Over £2bn free cash flow, ahead of expectations

Returned £1.5bn to shareholders, comprising £750m share buyback and £778m dividends paid

Net debt reduced by £0.7bn since Feb-23

Retail sales²

+7.0%

Like-for-like +6.8%

Retail profit³

£2,760m

+10.9% vs. last year

Retail free cash

£2,063m

£(70)m vs. last year

Net debt

£(9,764)m

reduced by £729m vs FY23

EPS⁴

23.41p

+14.0% vs. last year

Dividend⁵

12.10p

+11.0% vs. last year

1. The performance of our existing banking operations has been classified as a discontinued operation and is excluded from our headline performance metrics.
2. Sales exclude VAT and fuel. Sales change shown at constant rates.
3. Retail adjusted operating profit before adjusting items. Change shown at constant rates.
4. Adjusted diluted EPS excludes adjusting items.
5. Dividend calculated including contribution from discontinued operations.

Segmental performance.

On a continuing operations basis¹

	Sales ²	Change at constant rates ³	LFL	Adjusted operating profit ⁴	Change at constant rates ³	Margin ⁵
UK & ROI	£56,344m	7.6%	7.3%	£2,670m	15.7%	4.2%
Central Europe	£4,322m	0.6%	0.2%	£90m	(50.0)%	2.0%
Retail	£60,666m	7.0%	6.8%	£2,760m	10.9%	4.1%
Bank ¹	£811m	21.7%		£69m	213.6%	8.5%
Group sales¹	£61,477m	7.2%		£2,829m	12.7%	4.1%

1. The performance of our existing banking operations has been classified as a discontinued operation and is excluded from our headline performance metrics. Retained Tesco Bank includes money services and insurance.

2. Sales exclude VAT and fuel. Sales change shown at constant rates.

3. Comparatives have been restated for the adoption of IFRS 17 Insurance Contracts, relevant to Tesco Bank only.

4. Operating profit before adjusting items. Profit change shown at constant rates.

5. Margin % at actual rates.

UK.

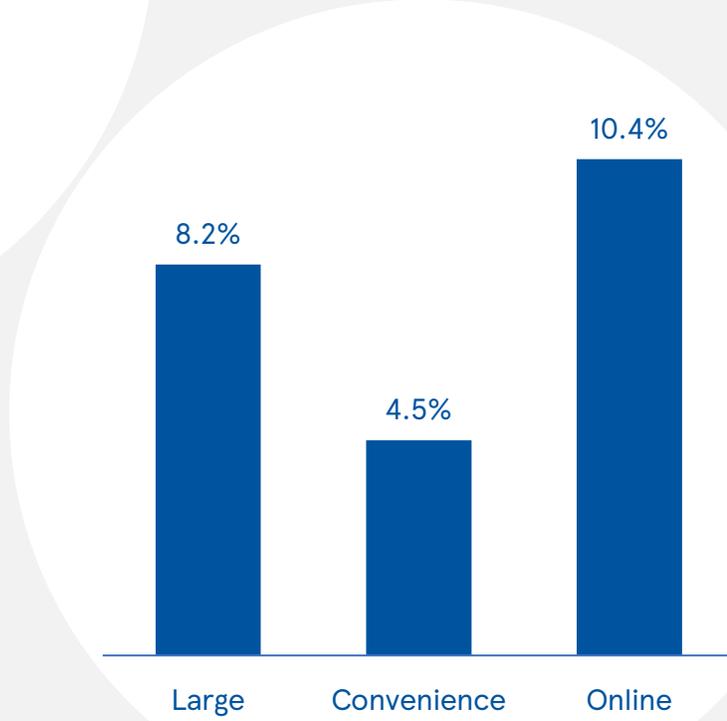
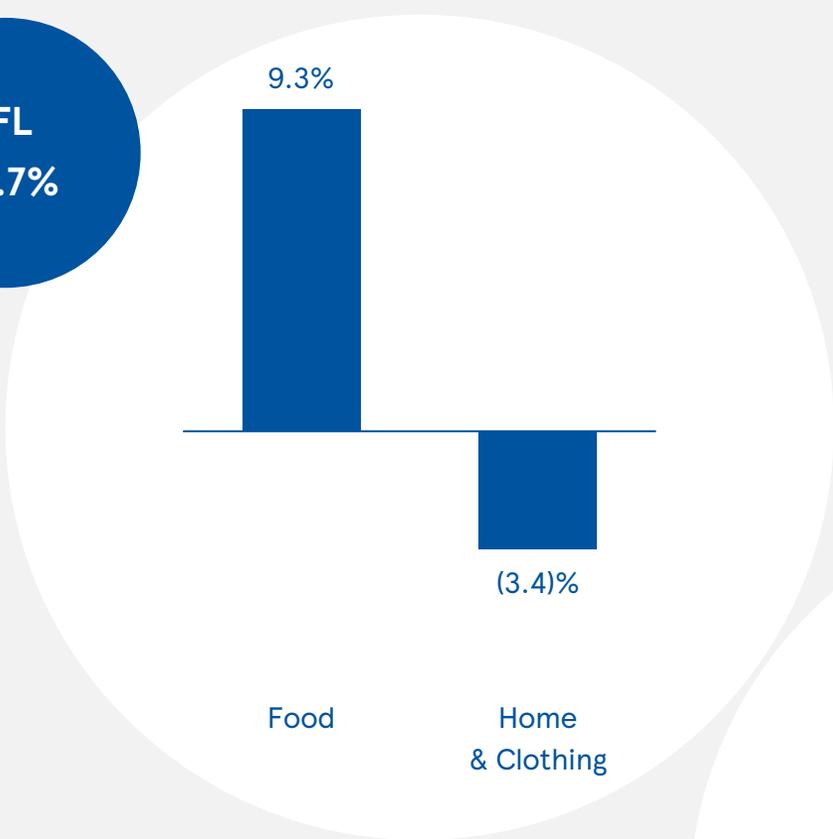
LFL
+7.7%

LFL sales +7.7%; inflation easing across the year, with volume growth across second half

Food +9.3%; strong seasonal performance, supported by ongoing investments in value

Home & Clothing performance reflects decision to exit low-margin categories

Strong growth across all formats supported by market-leading availability



UK – Online.

Online LFL
+10.4%

Growth of +10.4%; growth in active customers and availability improving to 98.1%

Whoosh contributing c.2% to growth; rolled out to a further 424 stores; weekly orders now at 142k

Online sales participation stable at c.13%

Total Online*	23/24	YoY change
Sales inc. VAT	£6.2bn	10.4%
Orders per week	1.2m	5.3%
Basket size	£99	4.2%
% of UK total sales	13.1%	0.3ppts

* Includes Whoosh

ROI.

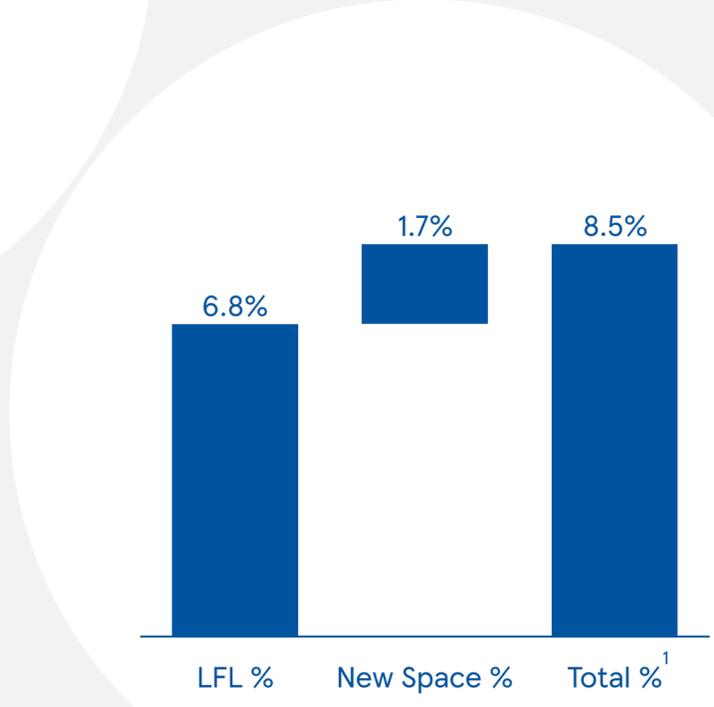
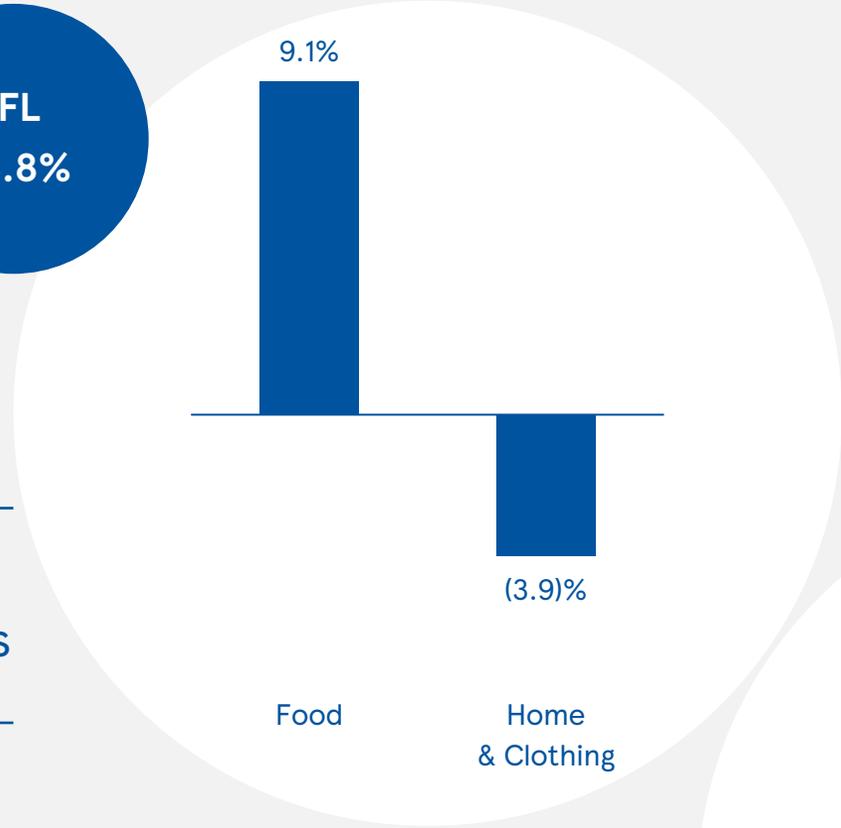
LFL
+6.8%

LFL sales +6.8%, with three consecutive quarters of volume growth; market share gains +73bps²

Fresh food sales +10.6%, driven by 'fresh first' refresh and investment in market-leading deals

Home & Clothing performance reflects impact of rebalancing space through store refresh

New space contributing +1.7% to growth, supported by Joyce's acquisition and five new stores



1. Growth shown at constant rates.
2. Kantar market share based on 12 w/e ending 18th February 2024.

Booker.

Strong performance across both retail and catering, including volume growth

Growth excluding tobacco of +8.2%

Retail growth +11.0%; supported by 354 net new retail partners² and growth of our own label ranges

Catering +10.2% with growth driven by key customers and record availability

	Sales	LFL
Retail excl. Tobacco	£3,205m	11.0%
Catering ¹	£2,501m	10.2%
Best Food Logistics	£1,518m	(0.1)%
Tobacco	£1,858m	(4.3)%
Total	£9,082m	5.4%

1. Includes small businesses sales.

2. Booker retail partners includes: Budgens, Londis, Family Shopper and Premier facias.

Central Europe.

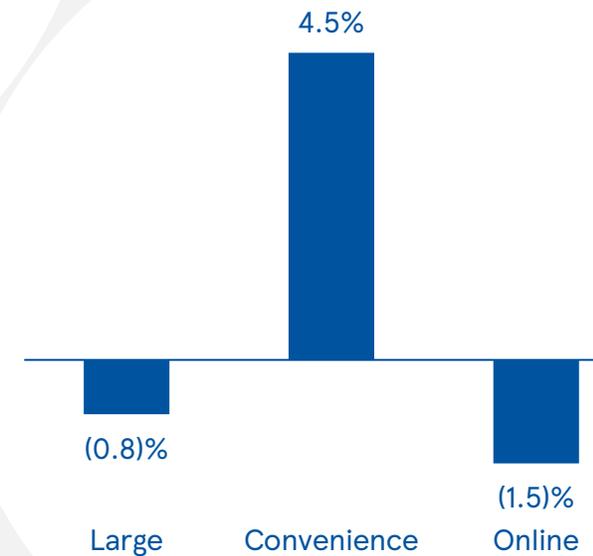
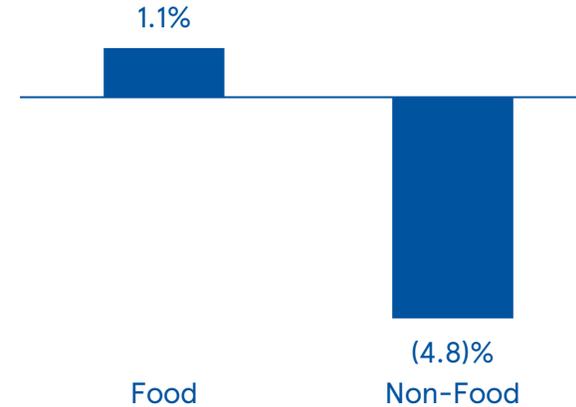
LFL
+0.2%

LFL sales +0.2%; trading environment remains challenging due to sustained market inflation

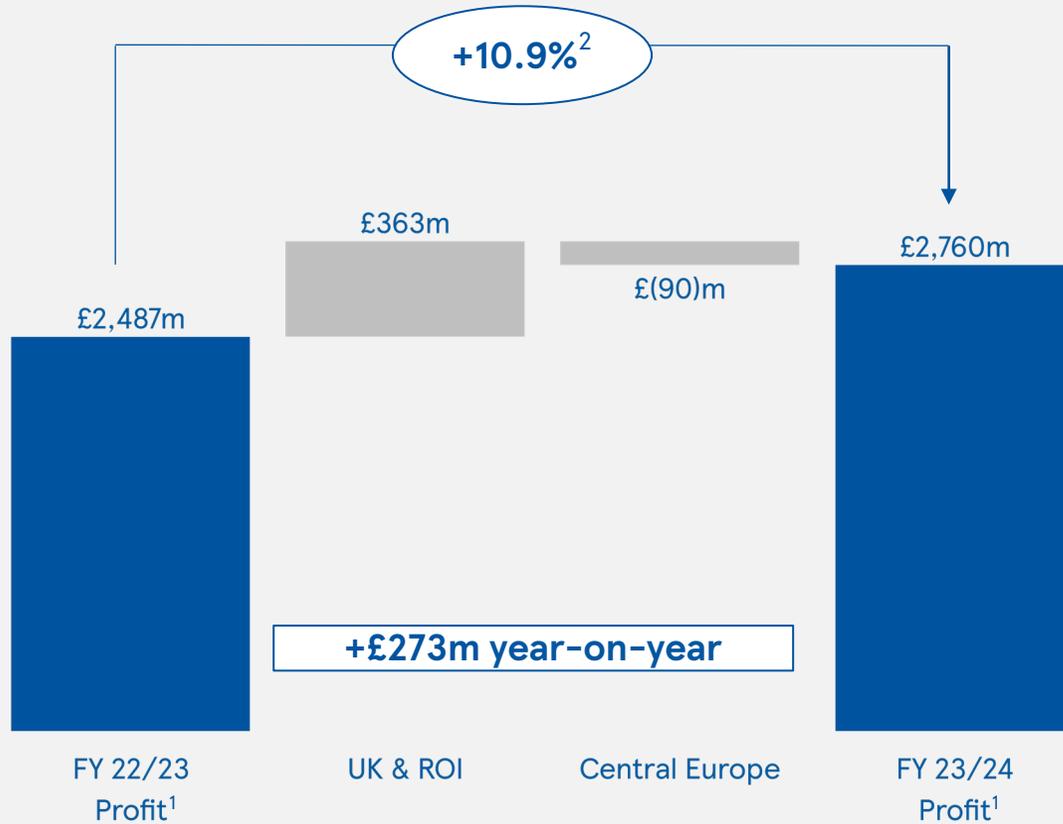
Food sales up +1.1%; volume trajectory improving as customers responding positively to our investment in value

Non-food performance impacted by reduction in discretionary spending across the market

Convenience growth benefitting from customers increasing top-up shops



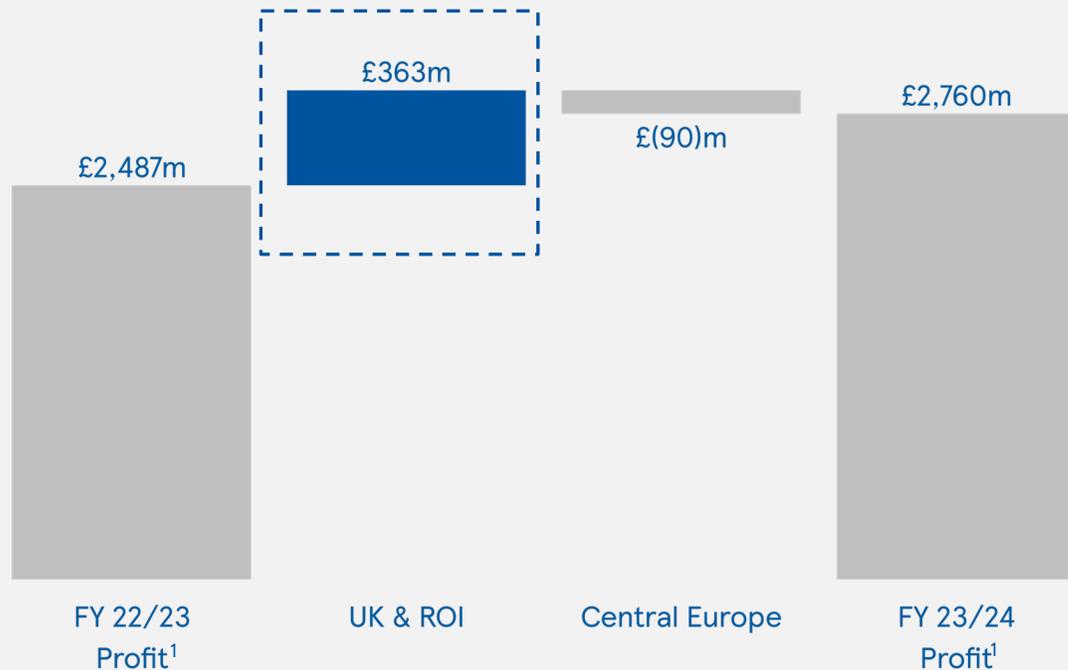
Retail operating profit.



	UK & ROI	CE	Retail
Operating profit ¹	£2,670m	£90m	£2,760m
Margin ³	4.2%	2.0%	4.1%
Margin YoY ³	42bps	(208)bps	25bps

1. Retail adjusted operating profit before adjusting items at actual rates.
 2. Profit change shown at constant rates.
 3. Margin % shown at actual rates.

Retail operating profit – UK & ROI.

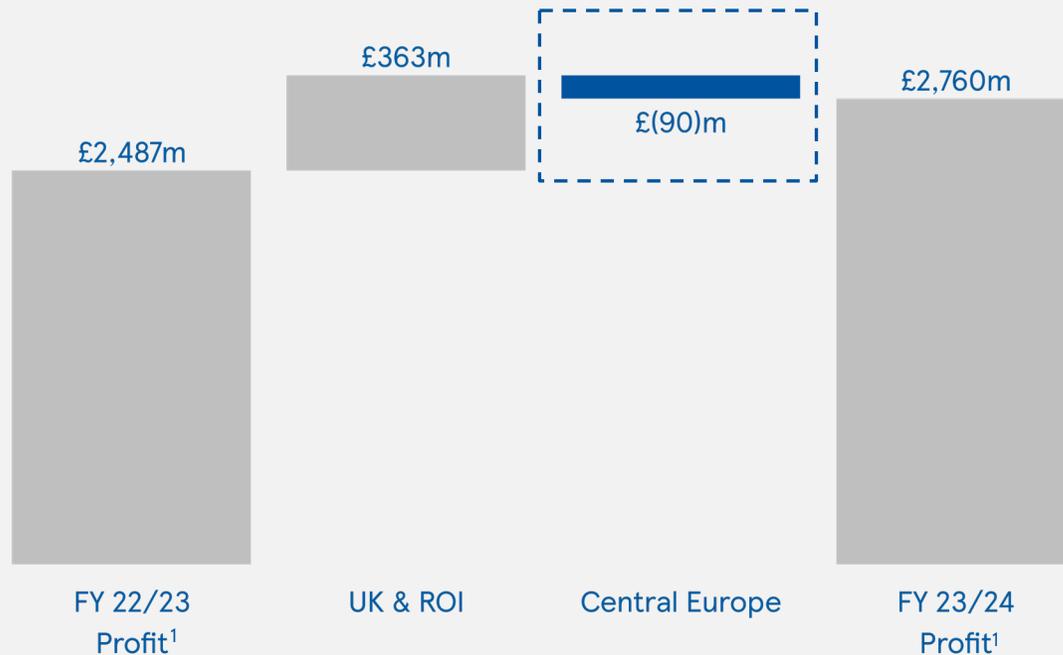


Strong profit growth² of +15.7% reflective of:

- Outperformed volumes expectations, reflecting ongoing customer investments
- Input and operating cost pressures well-managed
- Continued strong Save to Invest delivery
- Includes particularly strong Booker
- Margin³ +42bps, restored to pre-pandemic levels

1. Retail adjusted operating profit before adjusting items at actual rates.
2. Percentage change shown at constant rates.
3. Margin % shown at actual rates.

Retail operating profit – Central Europe.



Profit step back² of (50.0)% reflective of:

- Challenging external market conditions persisting
- Volumes impacted by sustained, high market inflation
- Regulatory actions in Hungary: retail taxes, price caps and mandatory promotions
- Significant inflationary pressure within the cost base, driven largely by energy
- Partially offset by Save to Invest delivery

1. Retail adjusted operating profit before adjusting items.
2. Percentage change shown at constant rates.

Statutory profit after tax.

On a continuing operations basis

- Statutory profit up £1.1bn, driven by a £(982)m non-cash net impairment charge on non-current assets in the prior year:
 - £1,010m non-cash impairment improvement year-on-year, with a £28m net release in current year, reflecting improvement in UK & ROI performance, partially offset by lower property market values
 - Discount rates broadly stable, following significant increase last year due to macroeconomic factors
- Broadly flat net finance costs year-on-year
- £(301)m higher tax charge, primarily due to increase in UK corporation tax rate and profit growth

	FY 23/24 £m	FY 22/23 ¹ £m	YoY £m
Adjusted operating profit	2,829	2,509	320
Adjusting items ² :	(8)	(1,099)	1,091
Impairment	28	(982)	1,010
Restructuring costs	(50)	(132)	82
Other	14	15	(1)
Net finance costs	(538)	(536)	(2)
Joint ventures and associates	6	8	(2)
Group tax	(525)	(224)	(301)
Statutory profit after tax³	1,764	658	1,106

1. Comparatives have been restated for the adoption of IFRS 17 Insurance Contracts, relevant to Tesco Bank only.
 2. Adjusting items within operating profit.
 3. Statutory profit after tax is from continuing operations.

Retail free cash flow.

On a continuing operations basis

- Strong cash performance, exceeding expectations
- Working capital inflow of £418m, driven by higher trade balances
- Disciplined capex spend of £1.3bn, prioritising high returning investments, including new space, Save to Invest and enhancements to our digital platforms
- Tax paid of £(214)m, up year-on-year due to higher UK tax rate and profit growth
- Dividends received of £9m was £(59)m lower year-on-year due to removal of annual Tesco Bank dividend²

	FY 23/24 £m	FY 22/23 £m
Retail cash generated pre-working capital	4,415	4,095
Decrease in working capital	418	468
Retail operating cash flow	4,833	4,563
Cash capex ¹	(1,289)	(1,143)
Net interest	(560)	(573)
Tax paid	(214)	(107)
Dividends received	9	68
Repayments of obligations under leases	(623)	(589)
Own shares purchased for share schemes	(93)	(86)
Retail free cash flow	2,063	2,133

1. Capex excluding property buybacks and store purchases.

2. Tesco Bank paid a one-off £250m special dividend in August 2023 which is not included in the Retail free cash flow alternative performance measure definition.

Planned sale of banking operations.

Barclays to acquire existing banking operations (credit cards, loans and savings)

Continuing to offer Tesco-branded banking products and services, including Clubcard benefits

De-risking the Tesco balance sheet, removing £7.7bn capital-intensive assets & £7.1bn financial liabilities

Proceeds of c.£600m and further cash of c.£100m post-completion, plan to return majority of cash to shareholders via incremental buyback

Balance sheet of disposal group FY 23/24

Assets (classified as held for sale) £7.7bn

Liabilities (classified as held for sale) £7.1bn

Income statement (discontinued operations)

Adjusted operating profit £79m

Adjusting items (post-tax) £(628)m

Total loss after tax £(572)m

Tesco Bank.

We retain insurance, ATM, travel money and gift cards which are presented as continuing ops

Continuing operations delivering strong growth across insurance with high renewals & new business

Delivered profit² of £148m, in line with guidance, including discontinued operations

On-going basis, expect £80m to £100m adjusted operating profit contribution from retained business, including partnership income

	FY 23/24	FY 22/23 ¹
Revenue	£1,521m	£1,234m
Continuing ops	£811m	£666m
Discontinued ops	£710m	£568m
Operating profit²	£148m	£135m
Continuing ops	£69m	£22m
Discontinued ops	£79m	£113m

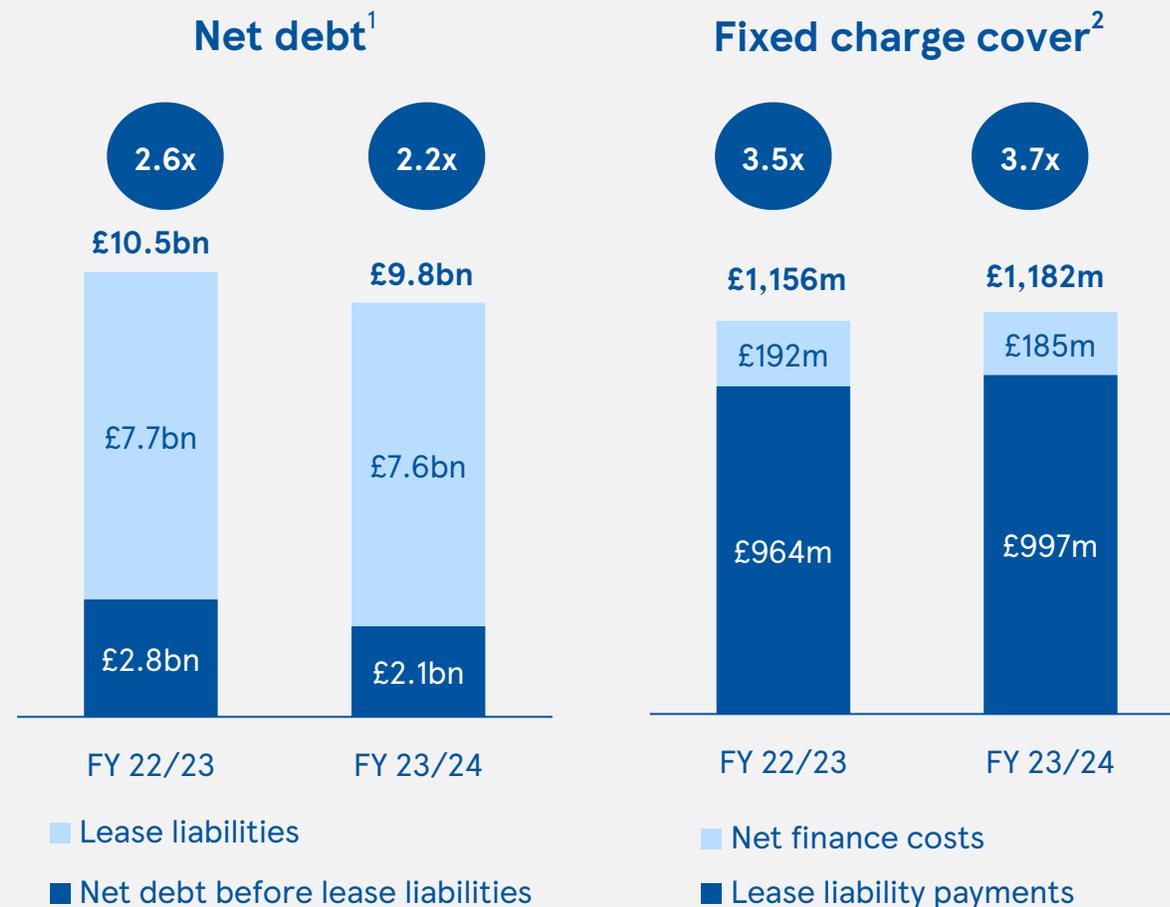
1. Comparatives have been restated for the adoption of IFRS 17 Insurance Contracts.
2. Operating profit before adjusting items on a total basis (including both continuing and discontinued operations).
3. Total profit/(loss) after tax of discontinued operations.

Balance sheet metrics.

Balance sheet further strengthened

Net debt reduced £0.7bn, driven by strong retail free cash flow and receipt of a £250m special dividend from Tesco Bank

Net debt ratio 2.2x



1. Net debt is inclusive of IFRS 16 lease obligations, but excludes Tesco Bank.
 2. Fixed charge comprises net finance costs (excluding net pension finance income/costs, finance charges payable on lease liabilities, capitalised interest and fair value remeasurements) and total lease liability payments from continuing operations.

Investing in high-returning growth & capability.

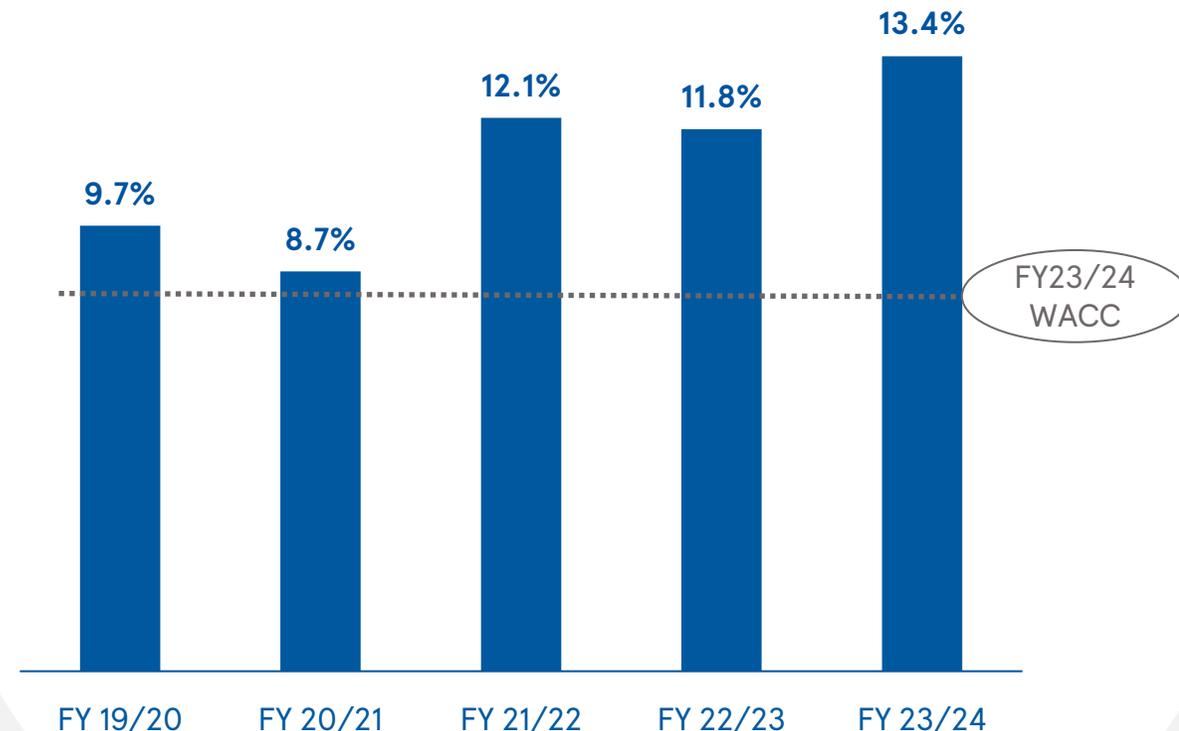
Continued investment in our estate; 113 new stores & 389 stores refreshed; stepped up investment to support Booker growth, inc. new 120k sq.ft retail hub

Investing in automation; started construction of Aylesford fresh food DC

Developing AI technology solutions to drive productivity, competitiveness & value for customers

Total 23/24 capex £1.3bn; expected £1.4bn in 24/25

Retail ROCE¹



1. Retail return on capital employed (ROCE) defined as Retail adjusted operating profit divided by the average of opening and closing Retail capital employed. Retail capital employed defined as Retail net assets excluding pension deficit/ surplus net of deferred tax, net assets of the disposal group and non-current assets classified as held for sale less Net debt.

FY 24/25 outlook.

Expect to deliver retail adjusted operating profit of at least £2.8bn

In addition, expect Bank adjusted operating profit of c.£80m, based on completion of sale in second half of this calendar year

Retail free cash flow within our guidance range of £1.4bn to £1.8bn

Commitment to buy back £1bn worth of shares over the next 12 months, including £250m relating to Bank special dividend



Summary.

Building a consistent track record of delivery

Strong sales and profit performance

Over £2bn retail free cash, ahead of medium-term range

Progressive dividend; up 11% to 12.10p

£1.8bn of shares purchased to date¹; commitment to buy back a further £1bn by April 2025

Strategic progress.

Ken Murphy



Our strategic priorities.



**Magnetic
value for
customers**

Re-defining value to become
the customer's favourite



**I love my
Tesco
Clubcard**

Creating a competitive
advantage through powerful
digital capability



**Easily the
most
convenient**

Serving customers wherever,
whenever and however they
want to be served



**Save to
Invest**

Simplify, become more
productive & reduce costs

An unrivalled value combination.



>600

Aldi Price Match lines

>1,000

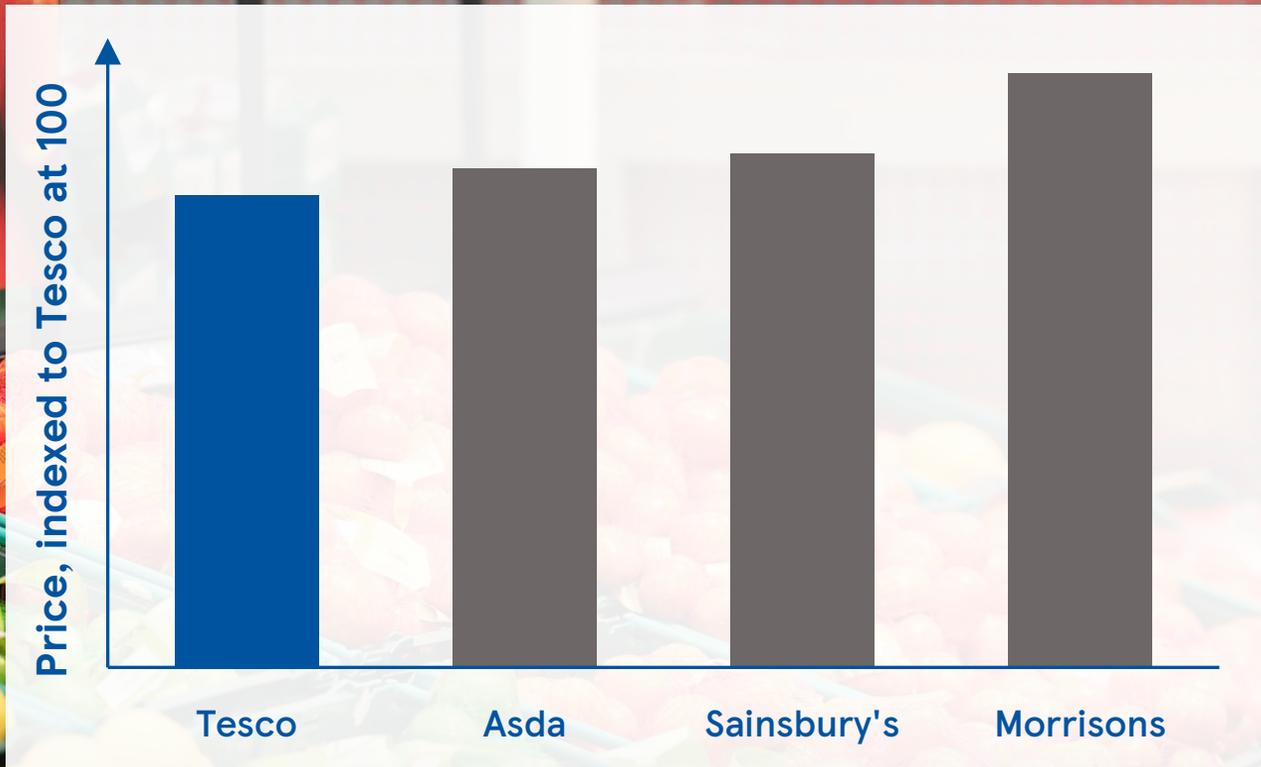
Low Everyday Prices locked

>8,000

Products on Clubcard Prices each week



Cheapest full-line grocer.



Average prices from 29 January 2024 to 25 February 2024. UK price index is an internal measure calculated using the retail selling price of each item on a per unit or unit of measure basis. Competitor retail selling prices are collected weekly. The price index includes price cut promotions and is weighted by sales to reflect customer importance. Full-line grocers consists of Tesco, Sainsbury's, Asda and Morrisons.

TESCO

Recognised for high-quality innovation



>3,700

New or improved product lines

216

Own Brand awards won



45

Taste of Ireland awards



+96bps

Increase in quality perception¹

19

Consecutive periods of switching gains from premium retailers²

1. YoY change in YouGov BrandIndex score for 'Quality' for the 12 weeks ended 25 February 2024.

2. Premium retailer gains refers to Kantar net switching gains from Waitrose and M&S on 12-week rolling basis to 18 February 2024.

Tesco Finest outperforming expectations.



>£2bn

Finest sales; +£500m growth over last 3 years

>23m

Customers buying Tesco Finest this year

1 in 4

Christmas baskets included a Finest product

420

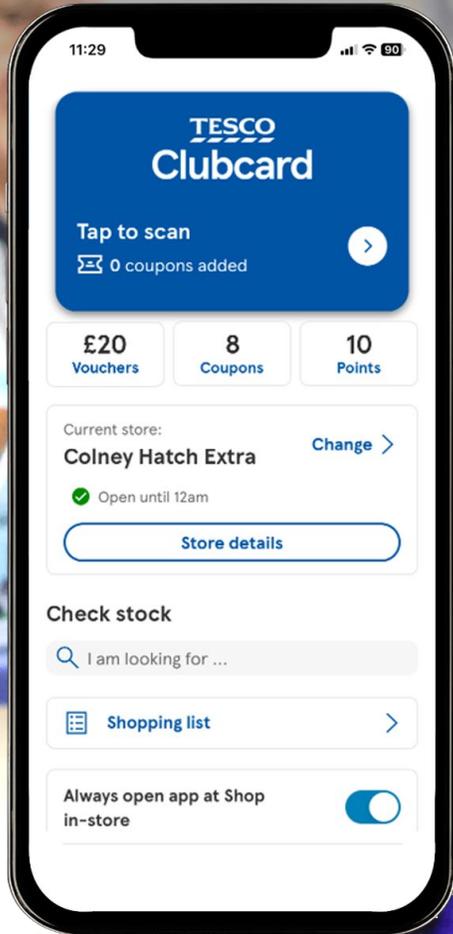
New products launched this year

TESCO
finest★



TESCO

Record digital engagement.



16.3m App users across the Group +13%

82% Clubcard sales penetration in UK and growth in all markets

53% Digital Clubcard scans recorded in UK



TESCO

TESCO

Personalisation accelerated.



289m

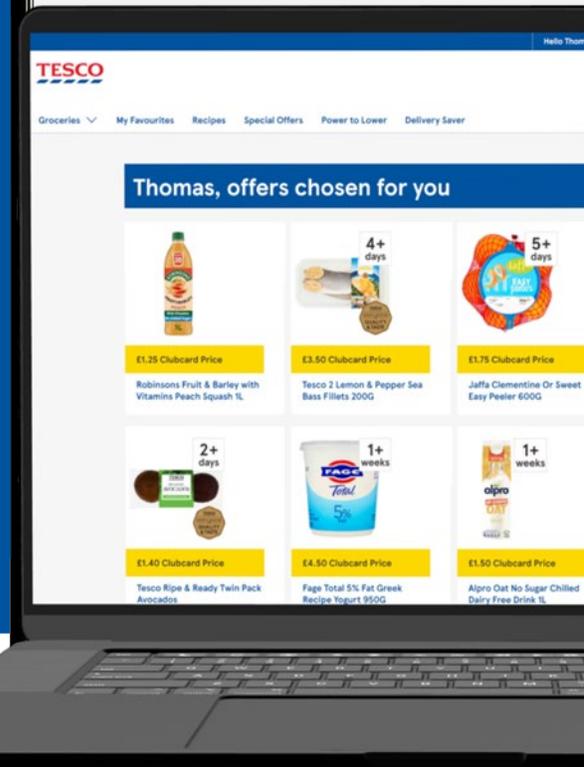
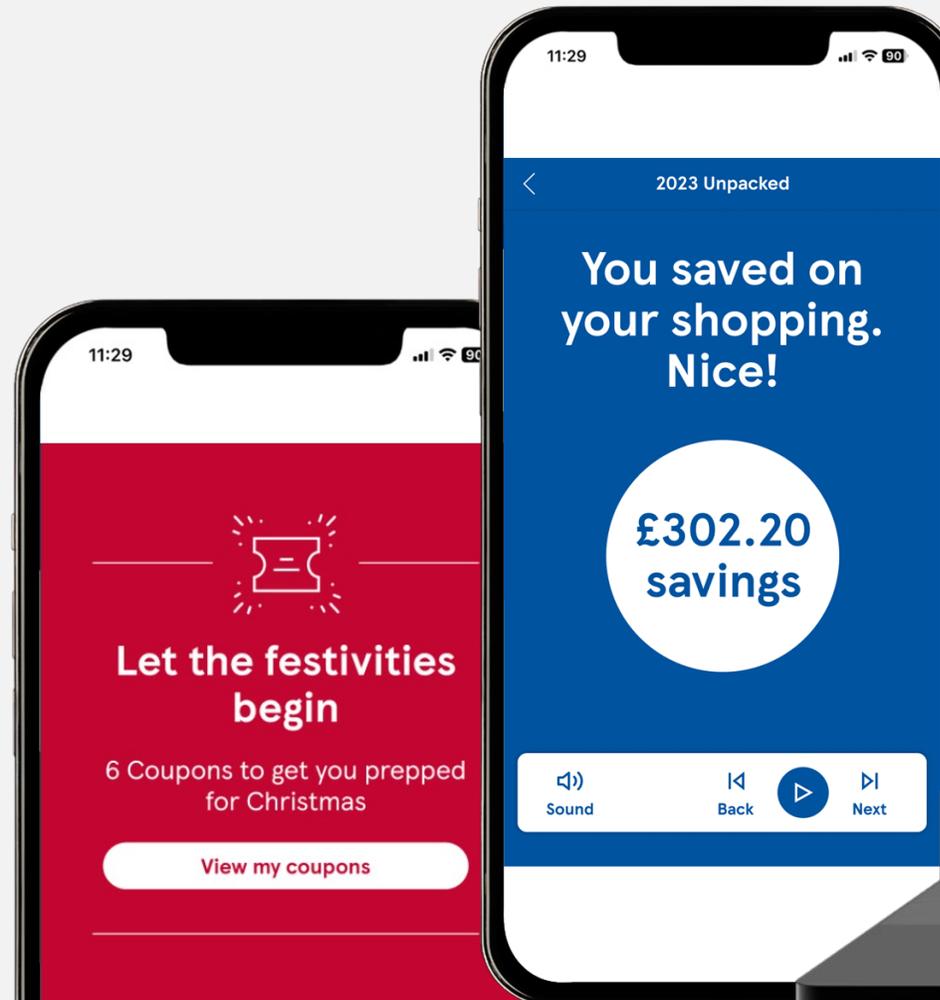
Personalised coupons issued to 7.6m customers

>10x

Sales to cost ratio from personalised coupons

17m

Customers receiving 'Clubcard Unpacked', up from 9m last year



Scale provides significant opportunity to monetise media interactions.



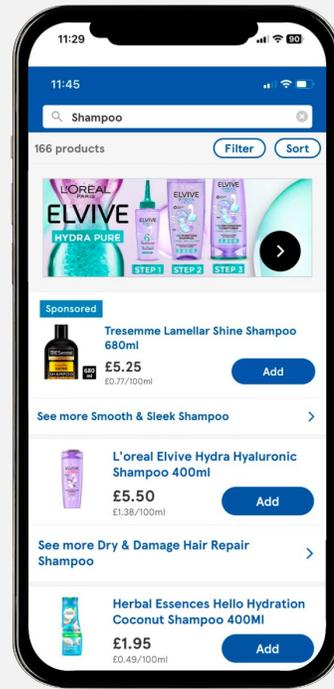
17,000 campaigns

550 supplier partners

400 colleagues in new dedicated retail media team

L'ORÉAL

“The team’s expertise helped us deliver exceptional results with over 50,000 new customers shopping the category at Tesco for the first time.”



Sponsored search

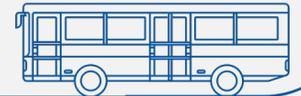
At home



Multi-channel



On the move



In-store



Continued strength in online, with growth in rapid delivery



98.1%

Availability across online

+20ppts

Increase in perfect orders

708k

Record number of active Delivery Saver subscribers

Whish.[®]



1,424 stores, reaching two-thirds of the UK population

74% of deliveries within 30 minutes, larger baskets available in **c.1,000** stores

This van is electric and better for the planet.

TESCO
Every little helps



Refresh and partnerships strengthen offer in large stores.



389

Stores refreshed, and 113 stores opened across the group

c.750

Stores launching The Entertainer by Christmas 2024



120

Stores with Paperchase range



>50

Retail partners in store



Improving our convenience network.



60

New Tesco Express store openings in the UK, and 27 new One Stop stores

>40%

Customer cost saving by replacing products with own-brand in Express

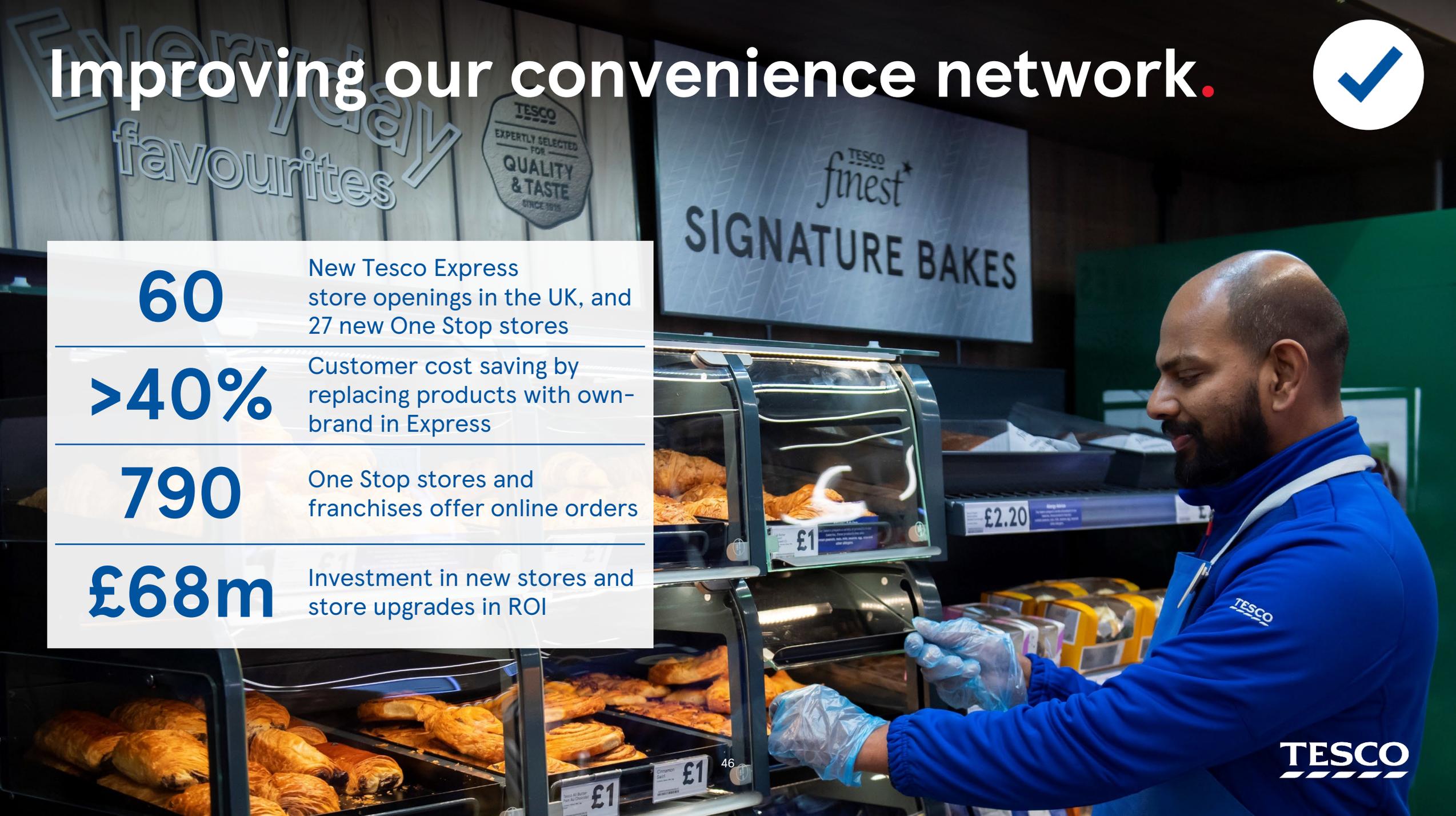
790

One Stop stores and franchises offer online orders

£68m

Investment in new stores and store upgrades in ROI

TESCO
finest
SIGNATURE BAKES



TESCO

Booker outperformance and expansion.



81.7% Retail satisfaction +6.0ppts

87.1% Catering satisfaction +2.1ppts

354

Net new Booker retail partners supporting growth
Premier
Londis
Budgens

97.1% Availability across retail and catering +2.3ppts



Significant growth in own label 'Chef's Essential' & 'Chef's Larder' catering ranges



TESCO

Investing to enhance our catering offer. ✓

Strong foundations



- c.400k catering customers nationwide
- 190 branches, with 90% postcode coverage
- £2.5bn of sales¹ with 10% sales growth in 23/24

1. Includes small businesses sales

Redesigning our network



- Fareham DC centralises retail fulfilment and increases branch capacity for catering customers
- Further evolving network to ensure dedicated catering fulfilment

Enabling future growth



- Improving warehouse and distribution systems and processes
- Growing club memberships to drive loyalty
- Expanding fresh food ranges

Save to Invest offsetting inflation & driving productivity.



Exceeded original target with savings of £640m in 23/24; £1.2bn since Feb-22

Plan to deliver £500m during 24/25

Technology investment in stores driving productivity and reduced shrinkage

New transport scheduling and improved stock processes across depot network



Strong momentum; confident in delivery.

Progress against strategic priorities supporting strong performance

Positive volumes, growing share and further efficiencies support growth

Continuing to drive value for money and enhanced quality for customers

Delivering for all stakeholders



TESCO

Q&A.



Appendix.



Guidance.

Retail profit	Expect to deliver at least £2.8bn for FY 24/25
Bank profit	Around £80m, including part-year effect of partnership income in second half of year
Retail free cash flow	£1.4bn to £1.8bn in FY 24/25, despite normalisation of working capital inflow
Capex	Expect FY 24/25 capital expenditure of c.£1.4bn
Net finance costs ¹	c.3% to 3.5% of long-term debt ² p.a.
Leverage ratio	Targeting c.2.8 – 2.3 times Net debt ³ /EBITDA
Tax	Effective tax rate around 27% in FY 24/25
Dividend	Progressive (broadly targeting c.50% of earnings) Interim dividend 35% of prior year full year dividend, in line with our policy
Share buyback	Commitment to buy back £1bn worth of shares over the next twelve months, including £250m funded by the special dividend paid by Tesco Bank in August 2023

1. Guidance relates to net finance costs before adjusting items excluding finance charges payable on lease liabilities.

2. Long-term debt relates to medium term notes, loans and bonds.

3. Net debt is inclusive of IFRS 16 lease obligations.

Debt and liquidity.

Debt maturity profile

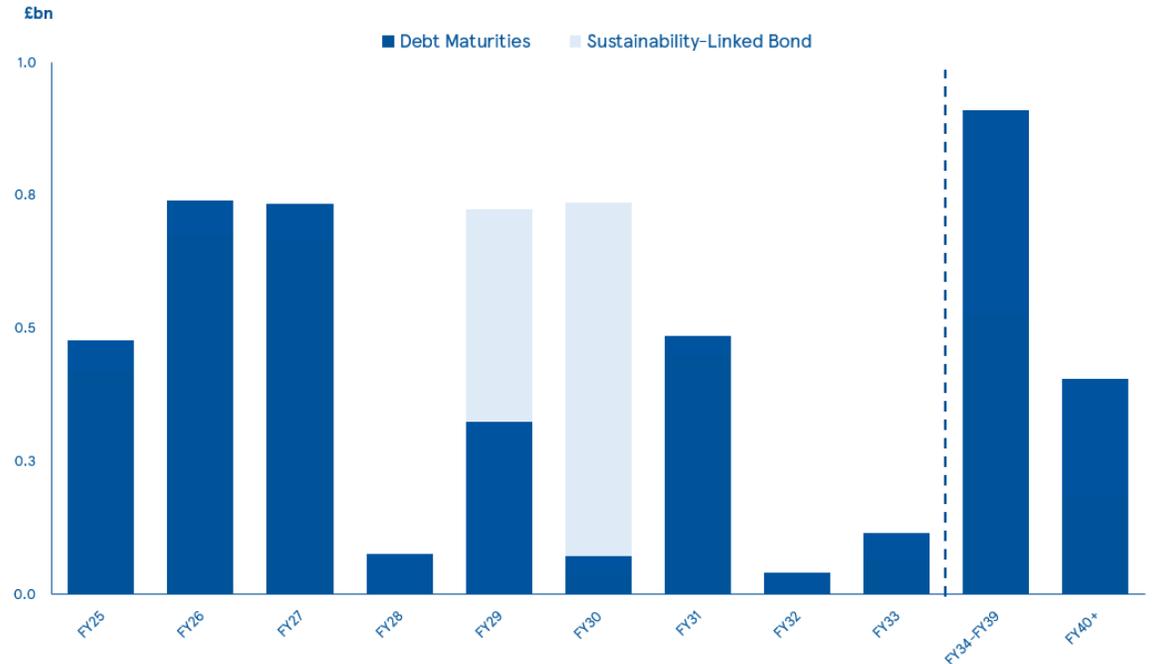
Smooth debt maturity profile

- Less than £1bn maturing in any year
- Weighted average maturity of c.7 years

Weighted average interest cost of 5%

Strong liquidity position

- £3.2bn cash¹
- £2.5bn of undrawn committed facilities



1. Cash and cash equivalents plus short term investments less reported overdraft (figure excludes Tesco Bank and discontinued operations).

Adjusting items – FY 23/24.

	FY 23/24	FY 22/23
	£m	£m
Net impairment release / (charge) on non-current assets	28	(982)
Save to Invest restructuring provisions	(50)	(132)
Property transactions	75	91
Amortisation of acquired intangible assets	(74)	(76)
Other ¹	13	-
Total adjusting items in statutory operating profit (continuing operations)	(8)	(1,099)
Net finance costs	20	27
Tax	68	195
Total adjusting items (continuing operations)	80	(877)
Adjusting items (discontinued operations)	(628)	(13)
Total adjusting items	(548)	(890)

Disclaimer.

Certain statements made in this document are forward-looking statements. For example, statements regarding future financial performance, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "should", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward looking statements are based on current expectations and assumptions and are subject to a number of known and unknown risks, uncertainties and other important factors that could cause actual results or events to differ materially from what is expressed or implied by those statements. Many factors may cause actual results, performance or achievements of Tesco to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Important factors that could cause actual results, performance or achievements of Tesco to differ materially from the expectations of Tesco include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty, including as a result of global pandemics. As such, undue reliance should not be placed on forward-looking 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. Other than in accordance with legal and regulatory obligations, Tesco undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.