Tesco PLC

Preliminary Results 2024/25

10 April 2025

Transcript

Ken Murphy: Good morning, and thank you for joining us for our preliminary results presentation. As usual, I'm here in Welwyn with Imran. I'm really pleased to present another strong set of results which have been made possible by our 340,000 colleagues who passionately serve our customers every day. So, I'd like to start by saying a huge thank you to each and every one of them. Together, we have made significant progress on our strategic priorities and continue to invest in value, quality, and service, which further strengthened our customer offer.

While some consumers have seen real wage growth, many households' budgets are still under pressure. Although the effects of recent global economic events are still to play out in terms of the direct impact on UK households, the level of uncertainty has clearly increased. Consumer sentiment is fragile and value has never been so important.

As you have seen from our statement this morning, we're committed to helping our customers manage the cost of a weekly shop without ever compromising on quality and service. On top of our investments over the last four years, and despite continued inflationary headwinds, including from tax and regulation, we have further improved our price position against the market since the start of the year, focusing our investment on the products that matter most to customers.

When we put customers first, we can deliver for all of our stakeholders. This principle has driven our strong performance this year, and I will touch on some of the key highlights before sharing our thinking on how it applies to the year ahead. Customer satisfaction is the most important metric we measure at Tesco, and so I'm pleased to say that our investments have helped lift brand perception across all measures, with the overall score growing significantly ahead of the market. In addition, I'm proud to say that we've recorded our highest UK customer net promoter score in at least five years.

Competition in the UK food retail sector is intense, and so every day we need to be at the top of our game for customers. So, it's pleasing to see that improved customer satisfaction helped drive consistent market share gains across the year. Our persistent focus on value, quality, and service, including through increased product innovation and availability, is helping us drive these gains. And we now have around 28% market share in the UK, our highest share in almost a decade. In Ireland, we have consistently grown share for the past three years, reflecting our continued focus on fresh food, including product innovation and our fresh first store refresh program.

We have some really good competitors in the UK, and so as we dig further into the market share gains across the last year, it's encouraging to see that we won share from across the market, including the limited range discounters. That is testament to our powerful value proposition. We also made broad-based improvements on our offer with further quality enhancements and market leading availability.

Frontline colleagues make or break the service we deliver customers. The high level of consistency in our service across our store estate keeps customers coming back week after week. I'm really pleased to say our colleague satisfaction results were up over the last year, and now 85% would recommend Tesco as a great place to work, which is 10% above the global retail benchmark. Last month, we announced a further 5.2% increase in our UK colleague store pay, which takes our total investment in wages to over 900 million across three years.

We have built long-standing partnerships with many of our suppliers, including farmers and growers. Through our six sustainable farming groups, which cover our key agricultural supply chains, we bring farmers together to trial innovations and provide access to expertise and financial support. And along with other retailers we have recently called on the government to pause the implementation of inheritance tax changes, which will impact many farmers. Strong supplier partnerships are vital in delivering great quality and value for customers, and ensuring our supply chains are resilient and sustainable. As we deepen our relationships, we're very pleased to have topped the Advantage supplier survey for nine years running.

Imran will take us through our financial performance in more detail shortly, but to summarise, we've had a very good year with sales up 4% year-on-year, and adjusted operating profit up 11%. We've delivered £1.75 billion of free cashflow, which is at the upper end of our guidance range. Across the year, we've returned £1.9 billion to shareholders through a combination of dividends and buybacks. I'm very pleased with our financial progress, not just over the last year, but across the last four years since Imran and I took over. We have a strong balance sheet and positive momentum, which positions us well as we face into what is likely to be a more demanding year.

Our priority for the year ahead will once again be to protect and strengthen our customer offer as we invest in value and quality. Since the start of the calendar year, we have seen an increase in the already intense competitive environment. I spoke earlier about some of the price investments we've already made, and these demonstrate our commitment to ensuring that customers get the best value in the market by shopping at Tesco.

We've provided a wider than usual range of profit guidance today, factoring in a step-up in investment, and therefore resulting in a lower level of profit year-on-year. I believe this gives us the flexibility and the firepower to respond to current market conditions, setting us up well to keep winning for customers. This morning we also announced a £1.45 billion share buyback, which will complete within the next year, comprising £750 million as part of our ongoing programme, and £700 million from the disposal of Tesco Bank.

So, to summarise, we've had another year of increased customer satisfaction and our highest market share for nearly a decade. This has delivered a strong financial performance and further strengthened our balance sheet. We are determined to continue to win in a highly competitive market. By putting customers first, we can continue to create sustainable value for every stakeholder in Tesco.

I'll return shortly to talk through the progress we're making on our long-term strategic priorities, but for now, I'll hand you over to Imran who will take you through our strong performance over the last year. Over to you, Imran.

Imran Nawaz: Thank you, Ken, and good morning, everyone. I'm pleased to be reporting another year of strong performance for the group, which positions us well for the year ahead. Ken has already outlined the improvements in customer satisfaction and market shares seen over the year, and these have translated into strong profit and cash generation.

Before we get into the detail, just a quick reminder that following the sale of Tesco Bank, our insurance and money services business is now reported as part of the UK and Ireland segment. The activities of Tesco Bank to the point of sale are included in discontinued operations. The majority of my review this morning will be in a continuing operations basis. Group sales grew by 4% at constant exchange rates. This includes 3.1% growth in like-for-like sales, including a strong contribution from volume growth. The sales growth combined with total save to invest savings of 510 million during the year resulted in group adjusted operating profit growth of 10.9%. We generated strong free cash flow of £1.75 billion at the upper end of our guidance range. Our net debt was £9.45 billion at year-end in improvement of £230 million versus last year. We returned £1.9 billion to shareholders through share buybacks and dividend payments through the year. This was more than offset by strong cash generation and proceeds from the sale of our banking operations.

Headline earnings per share was 27.38 pence up 17%, and the board has approved a final dividend of 13.7 pence per ordinary share. This is in line with our policy of targeting a payout ratio of around 50% of earnings. Let's not turn to a more detailed view of performance. Group sales for the year were £63.6 billion. Our UK and Ireland segment delivered total sales growth of 4.2%, driven by strong volumes in both the UK and Ireland, which saw growth in every quarter of the year. In Central Europe, sales were up 2.5% driven by both improved mix and higher volumes. Group adjusted operating profit rose 10.9% with growth in both our operating segments. Over the next few slides, I will cover the performance of each segment in more detail, starting with sales before moving on to profit. In the UK, we delivered like-for-like sales growth of 4%. Food like-for-like sales grew by 4.9% with particularly strong volume growth supported by our ongoing investments in product quality and innovation.

Our Finest range continue to perform well with sales up 15%, including a record performance over the Christmas period. Our clothing like-for-like sales grew by 3% due to a strong performance in women's wear, and our home like-for-like sales declined by 2.2%, but this does reflect the impact of our transition to a new partnership with The Entertainer. As we talked about in the half year, the partnership provides customers with an even better range of toys in our stores, yet means we no longer recognise toy sales. Instead, we earn our commission income. Excluding toys, home and clothing like-for-like sales grew by 3.2%, largely driven by the launch of our new FNF home range. We've taken market share in all our channels. Our large stores grew like-for-like sales by 4.1% with a very strong performance across key seasonal events and support from market leading availability. Our online sales saw growth of 10.2%, which I will talk about more in a moment.

Our convenience like-for-like sales did decline slightly by 0.2% whilst Tesco Express was in growth and has taken over one percentage point of market share. The overall like-for-like decline in convenience was driven by our smaller one-stop business. Our UK online sales grew by 10.2%, driven by growth in orders, especially in our well-established grocery home shopping business where basket sizes grew by almost 4%. We continue to see a strong contribution from Tesco Whoosh, our rapid delivery service, which is now available in over 1,500 stores, including 42 large stores, which were added during the year. In Ireland, like-for-like sales grew by 4.6%, driven by volume growth as we saw a benefit from our fresh first store refresh program and ongoing investments in product quality and innovation. Food like-for-like sales grew by 5%, including a particularly strong fresh food performance. Finest also performed well as we continue to grow the range with volumes increasing by nearly 30%. Home and clothing like-for-like sales grew by 0.9%, which includes a negative 3.1 percentage point impact from our new partnership with The Entertainer, which follows a similar structure to the UK.

Excluding toys, our home and clothing like-for-like sales were up 4%. This includes a very strong home contribution following a refresh of our proposition, which has been rolled out across 30 stores so far. Our total sales growth in Ireland also benefited from a one percentage point contribution from New Space, reflecting the opening of 12 new stores. Booker continues to perform well in a challenging market. Core retail like-for-like sales growth of 0.9% with our symbol brands performing well, supported by a further 566 net new retail partners in the year. Our Core Catering like-for-like sales increased by 2.1%, driven by stronger volumes as customers responded positively to our price lock campaigns and investments in additional catering capacity across a number of our sites. Total Booker like-for-like sales fell 1.8% reflecting the continuing decline in the tobacco market and weakness in parts of the fast foods market serviced by Best Foods Logistics.

In Central Europe, like-for-like sales grew by 2.2%, driven by improved category mix and increased volumes. Customer satisfaction scores improved for the region as customers responded well to our product innovation and targeted value investments. We saw growth across all channels in Central Europe and our supermarkets in the region performed especially well with like-for-like sales up 5.3%. Let's now move on to our profit performance. We delivered £3.1 billion of group-adjusted operating profit, representing growth of 10.9% at constant currency. Our group-adjusted operating margin was 4.5% up 33 basis points year-on-year. Within this, UK and Ireland adjusted operating profit grew by 10.3% to 3 billion, driven by both retail sales growth and safe-to-invest delivery. UK and Ireland also includes operating profit from our insurance and money services business of £155 million. That's up from £69 million and includes £46 million of non-recurring items. Our UK and Ireland operating margin was 4.6%, an increase of 30 basis points year-on-year. Central Europe adjusted operating profit was £112 million, an increase of 28.9% at constant exchange rates driven by improved category mix, volume growth, and further safe-to-invest progress.

This slide provides further detail on the components of our statutory profit performance, which decreased by £160 million. Included in statutory operating profit is an adjusting charge of £417 million. The majority of which was a non-cash net impairment charge of £286 million of non-current assets. The impairment is mainly driven by higher government bond rates compared to the prior year. Net finance costs were £46 million lower mainly due to reduced net interest costs on medium-term notes, as a result of net refinance activities and favourable non-cash mark-to-market movements on certain derivative financial instruments. The group tax charge increased by 86 million to £611 million. This higher tax charge was driven by a higher operating profit, as well as the full year effect of the increase in UK corporation tax rates effective from April 2023. Moving now to our free cash flow, which totalled £1.75 billion at the upper end of our guidance range as our disciplined approach continues to drive strong cash generation. As already explained, last year's even higher figure of £2.06 billion benefited from higher working capital balances driven by elevated levels of input cost inflation. Our total working capital outflow was £45 million reflecting lower trade balances in fuel driven by price deflation, and lower volumes. Our cash CapEx was £1.4 billion in line with our guidance as we continue to invest in our core assets as well as long-term growth opportunities. Our tax paid was £141 million higher, mainly due to no longer benefiting from tax relief-related to the £2.5 billion one-off pension contribution made in 2021, as well as the impact of higher adjusted operating profits. Let's now turn to the balance sheet, which remains in a strong position.

Our net debt was £9.45 billion, an improvement of £230 million versus last year, driven by strong free cashflow generation and net proceeds related to the disposal of our banking operations. This exceeded the cash outflows relating to our ongoing share buyback program of 1 billion and dividend payments of £0.9 billion. Our net debt to EBITDA ratio was two times down from 2.2 times in the prior year. Our fixed charge cover was 4.2 times compared to 3.8 times in the prior year with the improvement due to the increase in EBITDA. We continue to take a disciplined approach to capital investment, prioritising projects which deliver growth, drive efficiencies, and help us to develop our digital capabilities. This delivered return on capital employed of 14.6% for the year significantly ahead of our weighted average cost of capital.

We opened 90 stores in the year and refreshed over 400. We also introduced robotic automation at our Peterborough distribution centre to further drive efficiencies with our Elford semi-automated distribution centre on track to open this summer. Alongside this, we invested in longer term opportunities, including technology that will further enhance our personalisation and retail media offer. In summary, we have delivered a strong financial performance in the year with higher volumes driving profit growth and strong cash delivery. Our strong balance sheet, our good momentum and continued save-to-invest program allow us to make the necessary investments in the customer offer that Ken highlighted earlier. With that, I'd like to hand you back to Ken to talk through our strategic progress before we both return to any questions that you might have.

Ken Murphy: Thank you, Imran. Our performance sets us up well for the year ahead and is a testament to our strong financial position and our strategy. We set our multi-year performance framework in 2021, and it continues to guide our approach and positions us to create sustainable long-term value while investing in growth. With a focus on customer satisfaction, we aim to drive top line growth and win market share while growing absolute profits and delivering sector leading margins. This in turn generates strong cash flow of between £1.4 and £1.8 billion per year. Our ongoing investments to strengthen our customer offer drive efficiency through save to invest and build our digital capability.

These have ensured strong delivery against our framework. I'm really pleased with our progress over the last four years. We have always said that progress wouldn't be linear, especially in response to a more challenging operating environment, but our strong foundations and disciplined approach have delivered free cash flow ahead of our expectations and helped us to make strong progress in our longer term growth opportunities. When we set out our multi-year performance framework, we also set out our strategic priorities, which guide our approach and how we differentiate ourselves in a very competitive landscape. Delivering magnetic value is about the intersection of price and quality. We are determined to provide better value for money for customers than anybody else. The combination of Aldi price match, low everyday prices and Clubcard prices help customers in the UK save on thousands of products in stores and online, including around 8,000 Clubcard prices every week.

At the same time, we've been innovating to offer great quality to our customers with our recent campaign, it's not just a little thing, it's everything, showcasing the quality we offer across our ranges. Since the start of the year, we've taken further action to improve our price position relative to the market. Our latest price cuts campaign, which was launched last week, highlights our commitment to giving customers great value where it matters most. By slashing prices on hundreds of their favourite items, from fresh produce to household essentials. I'm pleased with the progress we're making with our quality investments. Over the year, we added over 1000 new products, including 400 in our finest range, and we reformulated over 600 products across all tiers.

With the price of dining out rising faster than the price of dining in, many of our customers are choosing to treat themselves at home and access restaurant quality products in store for a fraction of the price. Finest has been the standout performer with sales up 15% year-on-year, and annual sales now at £2.5 billion. But finest is just one element of our quality story. We're accelerating innovation and reformulation and introducing new products to deepen quality across our broader range. Highlights include the launch of our Delicious Taste Discoveries: Dinner for Tonight range. Inspired by Japanese and Korean cuisine. Health is an increasingly important marker of quality for customers, and we continue to build our offering through high protein and gut sense ranges over the year.

One of the standout finest launches this year was our restaurant quality finest steakhouse range. To complement our investments in product quality, we're also investing in our stores, recent refreshes in our Cheshunt and Wokingham stores in the UK showcase our latest approach to store design and product placement, taking lessons from Fresh First in Ireland, which have driven a steep change in quality perception and fresh market share. As we refresh stores, we're reducing emissions by upgrading fridges, including by fitting more doors and optimising heating settings. Across our network of UK convenience stores, around 65% of fridges now have doors reducing energy loss by nearly a third.

This year marks 30 years of Clubcard, which customers consistently rate as their favourite supermarket loyalty program. Clubcard is a powerful differentiator, delivering deep customer insights, and as we evolve the program, we are rewarding customers in new and exciting ways. Personalisation is a major focus, and we're investing in our digital capabilities to provide a more relevant customer experience. We have recently launched a trial of your Clubcard prices, which provides tailored savings based on customers previous spending behaviour. Over the year, we also rolled out Clubcard challenges to 10 million customers, rewarding them with up to £50 worth of Clubcard points in a fun and gamified way.

Retail media is an emerging part of our supplier strategy and an exciting growth opportunity. Our store estate and online business are a fabulous canvas for suppliers and advertisers reach our customers. Over the year, we partnered with nearly 700 suppliers to run over 9,000 campaigns across digital channels in-store and off-site. And we're leading the way in how we innovate. Coca-Cola's 12-week Christmas campaign was a particular highlight. Carried out across multiple channels, it brought together exclusive competitions, flavours, and experience for customers, and featured our first delivery van wrap. Multichannel campaigns such as these are becoming a larger part of our media offer, and as they reach customers in different ways, the return for advertisers is even better. Being easily the most convenient means, we serve customers wherever, whenever, and however they want to be served. The addition of our new stores over the year enhances our unrivalled physical footprint and customer reach. Our long-standing grocery home delivery service continue to expand, serving over 2.4 million active customers with orders of 4% and Delivery Saver subscribers up 9%.

Tesco Whoosh, our rapid delivery service almost doubled in size over the year with growth in active customers and basket sizes. Whoosh is now available from over 1,500 stores, launching in 42 large stores for the first time during the year. In June, we introduced Tesco Marketplace, which offers customers an even broader range of products online through third-party sellers, and now totals over 400,000 products. Our priority has been laying the foundations for growth, adding, for instance, the capability to offer customers Clubcard Prices when they shop on Tesco marketplace. We're learning a lot as we scale the business and we plan to launch into new categories, including clothing in the year ahead.

Booker continues to perform well in a challenging market. Availability continue to improve over the year and through Booker's own brand ranges such as Chef's Larder, the team is helping customers take costs out of their business with, for instance, meals that require less preparation. The integration of Venus Wine and Spirit Merchants is progressing well with the brand enhancing Booker's on-trade offer with a premium range of beers, wines, and spirits. At the same time, we have leveraged the Booker Network to increase Venus's capacity with a new Venus distribution hub recently opening in our macro store in Manchester.

Booker's core retail business continues to grow with 566 net new partners added in the year. We were excited to begin trialling our Scoot Rapid delivery service, helping retail partners to increase basket spend and connect with customers in their local community. We're focused on making a positive impact in the heart of communities we serve, and we are proud to support projects and organisations that matter to our colleagues and customers. Our Stronger Starts scheme continues to support disadvantaged children in the UK and Ireland through programs focused on healthy eating and physical activity. To date, the scheme has supported over 12,000 projects in the UK and provided food parcels to around 240 primary schools in Ireland. We have also launched the program in Central Europe.

As part of our long-standing aim to reduce food waste, our redistribution scheme has been making sure that safe, good quality food goes to those who need it. Working with our partners, we're proud to have donated over 300 million meals to charities and local communities since the scheme started. As the UK's leading food retailer, we're playing our part to make our food system more sustainable and we're making good progress on our planet plan. Our ongoing efforts to decarbonise, transport and reduce store emissions have helped to drive down our operational scope one and two emissions across the group by 65%. This exceeds our December 2025 target of 60%.

We're making it more affordable and appealing for customers to choose healthier, more sustainable products, and we're on track to meet our 65% healthy food sales target by December 2025. It's been a very strong year with improved customer satisfaction and increased volumes driving profit growth and strong cash generation. Alongside this, we've been investing in our stores and digital capabilities to make our offer even more relevant to customers. All this has put us in a good footing for the year ahead, and the guidance we have provided this morning gives us the flexibility to navigate a more demanding environment as we continue to build long-term sustainable value for all our stakeholders. Thank you for your time. Imran and I would now be very happy to take your questions.

Moderator: Thank you. And any analyst who would like to ask a question, if you can click the Raise Hand button at the bottom of your screens and if you're on the conference call, please press *1. Please wait until you're introduced by name. And then, if you could unmute yourself. We will start our first question from Izabel Dobreva from Morgan Stanley. Izabel, please go ahead. You're live in the room.

Izabel Dobreva: Hello. Good morning.

Imran Nawaz: Good morning.

Ken Murphy: Good morning.

Izabel Dobreva: My first question is regarding your pricing strategy for the year. Could you give us some colour how you aim to price over the course of the year? Is it a little bit less, a little bit later versus the market average? Is the ambition to be the cheapest full-line grocer? Any thoughts there would be very useful.

And then, my second question linked to this is about the levels of promotional activity and supply funding you think you can attract. As on the one hand, some of the industry sources suggest we are at 4-year highs. But then on the other hand, how do you see the likelihood that promotions rise further. And then, within that, your ability to attract an outside share of that supply of funding, given your market share and retail media capabilities?

And then, my final question is just regarding the guidance and specifically the bottom end of the guidance. Could you give us an idea of what you are assuming regarding market share at the bottom end of the guide, so that we can understand how that relates to the price investments which are assumed for that bottom end?

Ken Murphy: Izabel, thank you very much for those questions. I think as you would probably expect us to say, we probably wouldn't want to reveal to our competition our pricing strategy. But what I can tell you is that we are really pleased with the combination of our everyday, low pricing through Aldi price match and low everyday prices. And then, our promo platform through club card prices where we are delivering over 8,000 price offers to customers every week.

And that combination of reliable pricing on the basics that consumers need to feed their families every day. And then, exciting offers on those brands that they might be looking for to treat themselves has been quite a powerful combination for us. If you overlay that with what we've done in the last week or two, and in fact have been doing for a number of weeks now, which is our price cuts campaign to hold back the impact of inflation for customers, it's working really well for us.

And again, you'll see from the counter data that we've maintained that momentum coming into the new financial year. And so, our policy really is to continue to focus on the prices that matter most to customers. We've invested very heavily in the sophistication of our pricing systems and I think that's really served us well as a consequence on being able to hone in on the ones that really matter.

On promo activity, yes, you are right to say that it's 4-year high. But let's remember that promotional participation was massively dampened by COVID. So if you go back to pre-COVID levels, we're only just getting back to those levels of promotional participation that we saw prior to COVID. So we don't... We're not unduly worried about the rise in promotional participation.

We think we are getting at least, if not more, than fair share because of the momentum that we're delivering to suppliers. So they see volume growth with us. We're also at an all-time high in terms of their relative satisfaction with us as a partner and we deliver what we promise in terms of execution. We have very high standards of in-store execution. So those combinations, I think, put us in great shape to do well with suppliers in this coming year. I'll pass to Imran to take the comment on guidance.

Imran Nawaz: Yeah. And maybe just to close on the promotional percent, I mean, it's around 35% for last year, which gives you a sense of where we stand, where Ken's saying is... It's actually fairly good levels. In terms of the guidance range, let me take the broader question on guidance range, right? I mean, as you might imagine, we are running the business in the same way as... This year as the last four years and we focused our energy and time on making sure we have the best value, the best range, the best quality, the best availability. That's not going to change going forward.

You saw we extended, again, our save to invest plan. What we want to make sure today is making sure that we have the flex and the firepower to react as we need to. But I would also say to Izabel, just like all the time, every pound that we spend into price or into capex, whatever we do, is always very heavily scrutinised. Because we want to make sure that it works for our customers and it has a return for us. And I feel there's no bigger return than investing for our customers. Now, the range is a range and I would see, we could be... Depending on how the world plays out at any end of that range. But it's always going to be a very rational way and I think you know us well enough to know we never waste money. We don't need to spend.

Izabel Dobreva: Thank you.

Moderator: Okay. Thank you very much-

Imran Nawaz: Thank you, Izabel.

Moderator: We're now going to take our next question from Will Woods at Bernstein. Will, please, can you unmute yourself? You will be in the conference with the management.

William Woods: Hi. Good morning. Thanks for taking the questions. I've got three and I'll tell them one by one if that's okay. I suppose the first one is, is there an irrational price war in the UK at the moment?

Ken Murphy: Short answer is no, Will. We believe there's an intensification in competitive positioning in the market, but I think that's different. I think what I would do is just build on Imran's last answer to the last question, which is we, as a business, are very rational. We, as market leaders, have always managed a balanced approach to stakeholders. Leading first with customers and customer satisfaction. But also, making sure that we are looking after our colleagues through a record investment in pay, through suppliers, and winning with suppliers. And, of course, investors. And I think that balance has really worked for us and we have every intention of maintaining that as we look forward.

William Woods: Understood. The second one is just on... I understand you want to be front footed in the response versus ASDA. But I suppose when you look at what Sainsbury's and Morrisons have done to price over the last couple of years in their investments, they've done reasonably similar things with limited impact on you. Is there any reason why you're particularly worried about ASDA versus the rest of the market?

Ken Murphy: I think what we are flagging is that we believe that the current environment requires us to have a lot of flexibility and firepower, to respond to whatever comes our way and to make sure that we keep winning with customers. We have worked incredibly hard to build a lot of momentum in the market, to be on a winning formula with customers, and to be winning market share and delivering some great results as a consequence. And I think what this guidance reflects is our determination to maintain that momentum.

William Woods: Great. And then, the final question is just, obviously, when you look at the products that ASDA is going pretty hard on, it looks like it's a long tail of branded SKUs that, I think, are reasonably unimportant for price perception. Not crazy on core, centre of play SKUs. When you think about that, how does the reaction differ to, let's say, Aldi and Lidl from 10, 15 years ago? And how do you work with your suppliers to fund that fight given the volume differential between you and your peers?

Ken Murphy: Well, look, I think I would start by saying that Aldi and Lidl, obviously, are principally fresh first-focused. So that's the tip of the spear for them. That's why Aldi price match has been so effective for us, because it's delivering great quality fresh food at great pricing that really reassures customers.

You're right to say that ASDA's focus has been more on branded products. I think it's more broad than the long tail, if I'm really honest, Will. We've seen quite a bit of investment. We've also invested and we have been investing for the last six weeks. And we have seen that combination allow us to maintain momentum with customers.

Imran Nawaz: Yeah. And you know, Will, we've said to you for the last four years very, very consistently that value is central to our overall strategy, right? So being the best value player is very critical for us and I think we've demonstrated that. We've gained share from everybody. We've had a record market share performance. 68 BPS is relatively, I'd say, phenomenal. And I think for us, it is really critical now to protect what we've built, right? And therefore, like Ken said, it is important that we have the flexibility to react where needed and we'll do it in a disciplined way.

Ken Murphy: And I'd just add one last point, Will, which I think is really critical, is that price alone doesn't determine success. So our secret has been able to invest in quality and the shopping experience and availability at the same time. And the guidance also reflects our determination not to sacrifice quality or the shopping trip in the service of price alone. We want to be able to deliver the full package.

William Woods: Excellent. Thank you very much.

Imran Nawaz: Thank you.

Ken Murphy: Thanks, Will.

Moderator: Thanks, Will. We'll now take our next question from Rob Joyce at BNP Paribas. Rob, please unmute yourself and ask your question.

Rob Joyce: Hi. Morning. Thanks very much for taking the questions. I'll go with three as well. So the first one, is it fair to assume that sort of before the escalation and market competitiveness, we would have been looking at FY '26 as this kind of flat to small up profit year, given the cost increases elsewhere? Second one would be... Maybe, Imran, we could drag you a bit more on that how we think about the top and the bottom end of the range, what we actually need to see to happen for those two ends to come into play. And then, the final one is just, Ken at Christmas, you referred to the consumer, I think, as neutral to small positive. Had investor concerns, particularly around the most recent Kantar print that showed market slowing quite a bit, discounters taking quite a lot more share... How would you describe the consumer now and have we seen any changes, really, in the last six weeks or so that you can point to? Thank you.

Ken Murphy: Thanks, Rob. I'll take the last one, then I'll pass to Imran for the other two, if that's okay. So on the consumer, it's probably fair to say, if they were neutral to positive at Christmas, they're probably neutral to slightly pessimistic in the last six weeks. I think that's fair. But I would not read too much into Kantar, because certainly the timing of Easter, Mother's Day, et cetera, has quite a distorting effect on the amount of underlying growth in the marketplace. So I would not overread into the Kantar headline growth numbers.

The third thing I would say is that while the discounters have done well, we did even better in terms of overall market share growth in the last Kantar read. So I think it would be fair to say that the environment has tightened and gotten a little tougher, but I wouldn't overstate it. And I would say that we are continuing to win and I think our guidance today reflects our determination to maintain it. Imran, do you want to-

Imran Nawaz: Yeah. Sure. Let me take... Look, the last four years, every time we stand here, I kind of think in my head, "It'd be great to have a normal year." And then, we've had energy crisis, cost of living, supply, COVID. So every year, there's a new thing and my view is that's our role. And when things get tough, typically, we do well. We do better than others. That's from a position of just strength at this stage that I think I can say that.

When I think about the year ahead, I think about the cost increases, the inflation in opex. But the good thing is once again, we are going to go for another year of save to invest of half a billion. So we want to help mitigate that as much as we can. I think that will help us stay on the front foot in terms of pricing. I think in terms of momentum, you saw the last Kantar read. We exit the year strongly. We continue to have switching gains. That's important to us and we want to continue to protect that. So when I think of the new year that we're starting, I think we're starting from a position of strength. The theoretical question of how would it be if you didn't have the headwinds? Obviously better, but that's probably more theoretical than anything else. But I was feeling good a few months ago, but the reality is I'm still feeling good because I feel as Tesco, we do well in these moments.

Your question on the range, bottom versus top. Look, it's about giving us the firepower and flexibility to use when we need to use it. So clearly the year has started I would say more competitively and we've started to make some investments that Ken alluded to. I think those are necessary to continue to protect the position we have, and now there's 11 and a half months to go to see how it plays out. But I guess the message to you, Rob, would be it is important that we don't become complacent.

It is important that we don't take our position of strength for granted and that we do react when needed in terms of protecting value for customers. And the way I feel good about that is, and you've seen us spend money in the right way, is it can never be wrong to make sure you continue to protect your market share. It's the first thing we said in our performance framework, and we always said that if we protect our market position with customers and that satisfaction, we will translate that into cash, and you saw as well, we guided to the same cash range as before, the 1.4 to 1.8 billion.

Rob Joyce: Okay, very clear. So the aim is to protect or grow share this year.

Imran Nawaz: It's always about protecting the share that we have. I mean the fundamental-

Rob Joyce: Thank you.

Imran Nawaz: Yeah, sorry. I'll leave it.

Moderator: Thanks Rob. We'll now take our next question from Freddie Wild at Jeffreries. Freddie, please go ahead.

Freddie Wild: Good morning, Ken, Imran and the team. Thank you for taking my question as I'm afraid I've got three as well. Apologies for that in advance. So first, do you see your peers also reacting to the ASDA rollbacks that we've had? Second, when do you expect industry price pressures to peak? I had it in my head and I think others have talked too previously over the summer, but I just wondered if there was any thoughts you had on the timing of those. And finally, and I suppose most importantly, can you help us triangulate why the lower end of the guidance is, in your mind, giving you that full flexibility and firepower? How do you triangulate that this is as bad as it can get in the year? Thank you.

Ken Murphy: Thanks, Freddie. I'll start with the last one first, and then at the end, I'll pass to Imran to give his view. I would just say simply that the guidance is judgment based on our best understanding of the market and what we see in front of us, and we think it gives us the right level of flexibility and firepower, so I'm not sure we can say a whole lot more than that.

I think the second point is that in terms of industry pricing peaking, it's also hard to read that because clearly, you'll see an impact in April with the new tax legislation, some packaging tax, rise in national living wages feeding through the supply chain. That's going to have an impact for sure. At the same time, we're in an intensely competitive environment. We see clearly the rollback activity. You've seen our pricing investment, so there are countervailing pressures. And then lastly of course, you have also what happens in the commodity markets, what's going to happen with exchange rates, et cetera. So there's multiple factors that make it harder to read exactly when it's going to peak. Summer is probably not an unrealistic estimate, but I think it's just that, Freddie, I think it's an estimate.

In terms of the first question, the peers reacting. Look, when we look at price indices at the moment, they're largely stable is the honest truth, which suggests that broadly speaking, the market is keeping pace with each other. So you can't really afford to blink in this industry. It's so competitive, and I think we should assume that people will look to stay competitive. That's the assumption we've made. The good news is that we, and as Imran alluded to, when things get tougher, when Tesco leans in, it tends to do that bit better, and that's very much what we've set ourselves up for with this guidance.

Imran Nawaz: Yeah. The only thing I'd add to that is one thing that I would say to you is rest assured that we will always deliver the best performance that we can. So you have a range to give yourself to flex, and now it depends. My personal view is there's enough headwinds in the industry at the moment with all the new cost increase everyone has to deal with that there has to be a level of rationality, and I think we're the most rational of them all. So it's more a question of making sure that we can spend if we need to spend. We started to spend some of that money. I think it's helpful. You saw it in the Kantar read, but again, if we don't have to, we won't. It's as simple as that.

Freddie Wild: That's perfect. Thank you so much.

Ken Murphy: Thanks Freddie.

Moderator: Thanks Freddie. And just as a quick reminder, any analysts who would like to ask a question, please can you make sure that you click the raise hand icon at the bottom of your screen and have your cameras turned on. We'll now take our next question from Sreedhar Mahamkali from UBS. Sreedhar, please go ahead. Just unmute yourself, Sreedhar, if you can.

Sreedhar Mahamkali: There we go. Good morning. You would have thought I'd worked out and mute myself after years of these calls, but there we go. A couple of questions maybe just to follow up on some of the things that we're already discussed. Maybe just to go back to the range again, please. I'm assuming the variability is really around what you need to do to stay competitive and it's got nothing to do with cost, as in upper and lower costs are pretty much known for you at this point. So in that sense, a couple of things to flesh it out further, is this assuming you leading the prices or is this you responding to what you're seeing in the market from competitive activity? That's the first one.

In the second one, in terms of the low end that we've touched on a couple of times. Are you embedding a further intensification or what you've seen yet to date to get us down to the low end?

And maybe, sorry, third question on the range. I think Imran, in the past you were a little bit more specific when you gave ranges go, midpoint seems to be the fair place to be at the start of the year and you recalibrated through the year as we went through. Is there anything you want to flag within that range at this point to us? Those are three questions quickly on the range.

Just one on being determined to win. I think Ken, you've used that phrase quite a lot today. Does that mean continuing to gain market share? Is that your base case this year?

Ken Murphy: Well, it's a great point, Sreedhar, because I think what we would do is guide you back to our multi-year framework, and we start off by saying we're looking to continuously improve customer satisfaction, and we believe if we do that, over time, we will hold and win market share. It's not linear and we are lapping some really high market share gains, but that is the longer term intention of the multi-year framework.

The second point we made always is that we are not obsessed with margins but we are obsessed with maximising cash profit and cash conversion. And then you'll have seen through our progressive dividend policy and our buyback program, returning that cash back to investors after we've made the investments necessary to maintain that momentum in the business. And that multi-year framework is very much still intact. It's what guides us through this current period as it has done through the last four years of massive uncertainty and volatility.

So what I would say to investors is our determination is to maintain the integrity of that framework. I think it's underpinned by us maintaining our buyback program and returning the bank proceeds to shareholders as well as our progressive dividend policy, and trusting us as such to invest their money wisely to optimise our competitive position.

So referencing your second point is that we're not looking to intensify per se, but we are looking to win over time. And as Imran said, you can rely on us to be rational and not to spend a penny more than we need to maintain the integrity of that framework. I passed to Imran to Speak to the

Imran Nawaz: Yeah, I think your question on leading versus responding, look, this is a daily job. Every week, you make a decision on where do you lead, where do you respond, where do we ignore? So I think that's the judgment call of the commercial team and I think they've proven themselves to be pretty good at that. So we're quite clear that we're good in terms of understanding what our customers are looking for, what has the most importance in terms of value, what has less importance, and I think the team play that very well and we let them be.

In terms of the range, like I said, we will spend what we need to spend. Clearly there is an element of longevity, how long will this go? But at the same time, for me, the critical point is that as long as we do the right thing to protect what we have and are able to translate that into consistent cash delivery, which I think you've seen over the last four years, we've delivered yet again to the upper end of the range on a cash flow basis. I feel good about that because that just tells me we continue to strengthen our balance sheet, we continue to strengthen returns for shareholders. The £1.45 billion going back plus the dividends on top is no bad thing, and investors should be happy that we're making sure we're not complacent.

Moderator: Thank you. Okay, thank you very much. We'll now take our next question from James Anstead at Barclays. James, please go ahead.

James Anstead: Thanks and good morning Ken, Imran. First question's been touched on by a couple of people already, so apologies if it sounds like a repetition, but Tesco was able to build its big market share over many years despite generally not being the cheapest of the big four most of the time, but more because it did a very, very good all-round job. But obviously on some measures, you have worked yourself into the positions being the cheapest in the last year or two through the hard work you've done. So my impression today is you are saying you very determined to maintain your all-round position, but you're not necessarily focused on the price angle at the expense of other aspects. Is that a fair summary?

Ken Murphy: I think James, value is incredibly important to customers. It became more important during the cost of living crisis and I think that's perpetuating. So people are very, very value conscious, so it's a central underpin of our performance. What we've become convinced about is that that value for money equation does require us to invest equally in quality, innovation around new products, and making sure that the shopping trip is easy, convenient, and a pleasant experience, and I think that served us really, really well.

So I would say that that balanced approach to the total customer offer is the same, but I think there has been a dial-up in value as a focal point over the last couple of years, and we have to recognise that. And I think that's reflected in our performance to date, and I think it's also a statement of intent in our guidance today.

James Anstead: Okay. No, that's helpful. And then perhaps, Imran, I know that you are not guiding on the bank or IMS separately anymore, but broadly speaking, we'd be assuming a headwind of £50 million or so in the year ahead, given the slightly boosted starting point in the base, is that a kind of rough headwind we should be looking at?

Imran Nawaz: Well, look, I mean when we started talking about the IMS business, we gave a range of between £80 to £100 million, right?

James Anstead: Yeah.

Imran Nawaz: This year we came out at £155 million. I'd take maybe £45 million off, so I think without the one-offs and the accounting implications of the one-offs, we'd be closer to £110 million.

So what's been nice to see of that retained business? So rather than guide towards 80 to 100, I'd now say around 120 is probably the better run rate going forward. So that business will do better than we originally thought. So the headwind is actually going to be a bit less, but there nevertheless will be one.

James Anstead: Yeah, that's helpful. Thank you.

Imran Nawaz: Sure.

Moderator: Thanks James. We'll now take our next question from Clive Black at Shore Capital. Clive, please go ahead.

Clive Black: Well, thank you. I hope you can hear me. Good morning, gentlemen. Well done on 2025, I should add. It's remarkable how few questions there are on the achievement. And also well done in calling out the importance of IHT to British farming. Which kind of leads into my first question, is do you think we have a food security problem in Britain? And do the British actually pay enough for the food that they buy at Tesco and everywhere else?

Ken Murphy: Great question, Clive. I think we would start by saying that we're Britain's biggest buyer of agricultural products in the UK. We're also, I think, Britain's biggest supporter of British farmers.

And what we've done over the last number of years, is obviously through the establishment of the six dairy sustainable farming groups, is build a relationship with farmers to help them think about food security through building sustaining farming techniques, investing in technology. And then making sure we have an open book system that pays them fairly for the work they do and protects them against commodity volatility, energy volatility, et cetera. And that's worked really well for us in terms of maintaining our supplier base, making sure that they continue to invest in their capabilities.

But for sure, I think that there is a need for us to be more focused on the future of UK farming. The future sustainability of farming in the UK is something we're very passionate about, that we work very closely with our supplier base on. And I think it would be wrong to say we have an issue, but it would be naive of us not to plan for the future, would be what I would say.

Clive Black: Okay. I should add that anyone that wants to look at the relative supply chains of ASDA and Tesco will get their eyes opened.

Two more narrow questions. First of all, Booker. Imran talked about the cost pressures that your retail business is facing. Does Booker face a much greater challenge in the catering market with the exceptional inflation that's coming in that may impinge it for the next year or two?

Ken Murphy: Yeah. Booker is definitely talking all the time with its customer base, both on the convenience retail side and on the catering side. And they are expecting cost increases to come through this year. And some of them are substantial, for all the reasons you've talked about.

That said, they've come to rely on Booker as the cheapest and most reliable wholesaler in the market. And we are all the time looking to improve the sophistication of how we help caterers and convenience businesses stay competitive.

So what we're seeing in retail is we're seeing more and more people joining our banner brands, particularly Premier, which is serving them very well in staying competitive in their local communities. And we're working very hard with the caterers on menu management, to make sure they can continue to offer great meals at competitive prices.

And that has meant that, despite a very tough year last year for the wholesale market in general, Booker has continued to grow market share. So our plan going forward, Clive, is to double down on that, and recognising that our customers are facing into some stiff challenges.

Clive Black: And then, look, very quickly and finally. Just in terms of working capital, I praise you for your volume achievement last year. Should we have expected a little bit more of retail cash flow with the positive volumes and how that tends to kick into negative working capital? Or were you allocating that cash somewhere else?

Imran Nawaz: Yeah. Look, I feel great about the cash flow delivery, Clive, in the year. When we went in, it came out a bit better than I thought. So I was thinking more maybe a bit less. This is almost towards the top end of the range.

When it comes specifically to working capital, look, I mean it was a conversation on obviously fuel. Which if you sell a bit less and at lower price, that just has an immediate impact on your working capital. But we also made some choices on getting ourselves set up to win over Easter, Mother's Day and everything else. We made a few investments into inventory.

We've always said between zero to 100 million is sort of the inflow we plan on. A small outflow in the light of the fact of an overperformance we thought was the right choice to make.

Clive Black: Okay, very clear. Thank you for your time guys. Well done.

Ken Murphy: Thanks very much, Clive.

Moderator: Thanks Clive. We will just jump to Manjari Dhar from RBC. Let's go ahead Manjari, you're on.

Manjari Dhar: Morning. Hope you can hear me. Thanks for taking my questions. I just had two, if I may. Sorry to come back to price, but I just had a question on price perception with your customers, because there's been quite a lot of media attention around the ASDA rollback. So I was just wondering, have you seen any sort of shifts in how consumers are viewing pricing and price perception? And do you think that there's a need to push more on marketing to highlight Tesco's value positioning? That's my first question. Thank you.

Ken Murphy: Thanks Manjari. So first of all, we would take our guidance from our net promoter score results and also from the weekly surveys we get from YouGov, which give us a reasonable indicator on where we're going with price perception.

We've closed the year with our record NPS score of 29, which has been a big jump on last year. And value underpins that. And I think we're also seeing pretty good stable price perception data coming through the other metrics. So I think we're in good shape from a price perception point of view.

That said, yes, there's a lot of kind of competitive noise around value. We've obviously responded. We've got a very strong price cuts campaign in the market right now, but that is only supplementing what is already a really strong platform through the Aldi price match, and the Clubcard prices, and everyday low prices platforms.

So we're feeling good about our pricing position at the moment and our value perception. But don't forget, that value perception is also an equation driven by quality. So that value for money equation, we think, is particularly strong for us.

Manjari Dhar: Great, thank you. And then maybe just a question on online. I wonder if you could give us any colour on the profitability of that now. And maybe connected to that, any sort of key takeaways, learnings from Marketplace as it is now?

Imran Nawaz: Online, look, I mean I think we feel brilliant about online. You saw the growth, over 10%. Clearly that gives a lot of economic benefit if you think about the model. And the fact that 86%, 87% of our online business is fulfilled via the store, the state means you get real good operating leverage there as well. So feeling good about the overall economic model.

As you know, we never split out the artificial split between online and store profitability, because ultimately it's the same box in most of the cases. But look, online in a good place. And also happy to report that we also gained market share this year on online. So 37.5% market share on online is good to see, and that was both volume and price.

Ken Murphy: On Marketplace, we've got to a position of about 400,000 SKUs on Marketplace. We're getting pretty decent scores back in terms of customer satisfaction of the experience.

I would say we're still in a period of learning in terms of how we think about Marketplace and how we scale it up, but we're pleased so far with the progress we're making.

Manjari Dhar: Thank you.

Ken Murphy: Thanks very much, Manjari.

Moderator: Thank you. We'll now go back to Monique Pollard at Citi. Monique, please go ahead and ask your question.

Monique Pollard: Hello? Morning, can you hear me?

Ken Murphy: Yes, we can. Yeah, we can.

Monique Pollard: Okay, wonderful. Success. The first question I just had was, please, on your UK market share gains, obviously they accelerated as we went through the year from sort of 62 basis points in the first half and they went up as we went to the full year. Just wondered if you could give us some view on what were the most important levers? Obviously there's price, but obviously you've also been investing in range, availability, colleague hours, et cetera. If you could give us a breakdown of what you think the most important drivers are.

The second question was on Republic of Ireland. Obviously you're now at really good levels in terms of market share gains and you've had multiple years now of consistent market share gains, but the market share gains are decelerating slightly from the first half to the full year. And just wondering if you could give any views on what drove that?

And then the final question was just on online. As you talked about earlier, obviously you've had really good performance there. And that's improved as we've gone through the second half as well. I'm just wondering how much Marketplace might have helped you with that sort of acceleration in performance in the second half, or if there's anything else to call out?

Ken Murphy: Thank you, Monique. So look, the first question on terms of UK performance, I think you answered it yourself. Which is it is a blend of all those things that really delivers that market share improvement.

And I think that the particular highlight for me was we really had outstanding availability all the way through the Christmas period and afterwards. And we had a lot of confidence in our innovation pipeline this year. So we doubled down in terms of increasing availability of that innovation and broadening the distribution of that availability. And then we had some incredibly competitive offers through quarter three and into the new year. That really, I think, just gave us that extra bit of impetus. So that would, I think, underwrite the performance in the back end of the year.

In terms of Ireland, yes, we have been incredibly successful over the last three years. I think that the truth is that retail market share progression is never linear. It's always going to be bumpy, because you're lapping tougher years. You need to find new ways to grow share and to differentiate yourself.

The secret of the success in Ireland has been a combination of realising that we had a significant under trade in fresh food, creating a fantastic fresh first store environment, and then rolling that environment out over the last three years. Which has given us quite a lot of momentum in closing the gap to fair share on fresh food.

The second thing is that Ireland has benefited a lot from the technology platforms developed in the UK to give them real competitive advantage, particularly in areas like online grocery home shopping, Clubcard app, Clubcard loyalty programs, et cetera. Which are quite stand out in the Irish market relative to their competition. So that's kind of underpinned the performance.

What you're going to see is you're going to see a continued investment in different aspects of the Irish offer in the next 12 months. We're also adding new space, so we're probably as a percentage of total stores adding more space in Ireland than we are in the UK. And we'll also continue on the journey of rolling out the strategic drivers that are helping us in the UK like personalisation, like media income. That's also coming to Ireland, where actually typically the competition is a little bit less advanced in those areas. So that's kind of Ireland.

And then really online has been a product of just doing the basics brilliantly, but also we've extended the number of vans we have and we've also kind of, if you like, reduced the safety margin in terms of the volume that we're willing to put through our stores. And because we've reached a level of efficiency and reliability in terms of availability, it's allowed us to be more aggressive in terms of our number of slots that we've offered. And so as a result, we're seeing growth in online that's well over twice the rate in the rest of the business.

So marketplace hasn't played a meaningful role yet, Monique. That's to come in the future.

Monique Pollard: Understood. Very clear. Thank you.

Ken Murphy: Thank you.

Moderator: Thank you very much, Monique. We'll now go to our next question from Paul Rossington at HSBC. Paul, please go ahead. You're in the room.

Paul Rossington: Good morning, gents. Hopefully you can hear me. A couple of quick ones really.

Firstly, you mentioned on convenience that it was down because of the performance of your TNS of One Stop, so just wondering what you're planning on doing to address the decline there. That's the first one.

Secondly, I was just wondering that if the value part of the equation is also down to the quality of the in-store shopping experience, are there any plans to accelerate investment in your stores? I noticed some of your peers have got pretty terrible in-store standards, quite shabby stores currently. Could that be an area of an opportunity?

And then thirdly, I was just wondering about this impact of Mother's Day. It's going to be earlier again next year. It was later this year. Does that have the potential to actually move some of the market share dynamics around on a short-term basis? Just wondering whether there's anything there we need to think about versus the latest Kantar data. That's it from me. Thank you.

Ken Murphy: Thanks very much. I'll let Imran answer that one just to give me a break.

Imran Nawaz: Look, I mean clearly if you look at the last four-week read on Kantar, you would have seen I think an industry growth, which was less, I think it was 1.8%. Clearly the timing of Mother's Day and Easter in general impacted that, right? If you adjust for it, probably the run rate on growth would have been higher than what you would have seen. And then clearly, yes, every time Mother's Day or Easter move for year-on-year, that will have an impact, but not meaningfully, so over a 12-month period.

Ken Murphy: The in-store investment part.

Imran Nawaz: Oh yes, sorry. So clearly you've seen our capital spend is in a healthy place. We're going to expect to spend a similar amount and we continue to spend a third, a third, a third between growth, protect what we have, and efficiency. That doesn't change. And yes, we absolutely see our stores and our store estate to be a key asset versus others, right? So in terms of payroll hours, in terms of making sure we have the equipment, the ease of use for our customers when they check out, doors on fridges, we see that continue to be an investment that pays back nicely, takes out cost at the same time, and frankly gives us NPS benefits. So we do see that as an area of importance.

Ken Murphy: And then just in terms of our kind of convenience business, particularly as you referenced One Stop. I think One Stop experienced the same market conditions as the convenience market that Booker served, which was pretty tough last year. But I would also kind of look back over the last four years where the convenience market experienced exceptional growth and would say that this last year for me felt partially like a normalisation as well.

So as we go into this current year, the key for us is going to be making sure that we've got a strong value proposition in our convenience market that's tailored more to the local needs of the communities we serve. And so that I think is going to be the principal focus for One Stop this year.

Imran Nawaz: Yeah. And of course when you look at our overall convenience, the bulk of the profitability comes from the Express Tesco. And you know, the nice thing that we see, it's not in the statement, but we've gained like a hundred BPS of market share in convenience via Tesco Express. So that's really been nice. So we actually feel quite good in a tougher market to keep winning on that front is probably an important point for you to be aware of.

Moderator: Okay, thank you very much.

Ken Murphy: Thanks, Paul.

Moderator: Got one more question before we get to the conference call lines. And that's from Francois Digard from Kepler Chevreux. Francois, please go ahead.

Francois Digard: Good morning. Thank you to take my questions. First one on Central Europe. Are you now back where you want and do you see the current margin as a new normal for the area?

Second question would be on again, UK competition. ASDA has a very different product mix on stores profile than yours. They have much more general merchandise, they have much more superstores. What share of your sales do you see as directing competing with them?

And finally on retail media, could you help us to understand the size, the magnitude of the revenues you get from that now, notably because as you have at least three times or more revenues from that than your closest competitors, I'm a bit surprised that it doesn't help you to compensate for the price investment on preserve your margin. Thank you.

Imran Nawaz: So maybe I'll take that Central Europe question. First, I mean, look, I think the Central Europe team, they've done a great job in terms of recovery. We said last year that the goal for this year is to start getting onto that recovery of margin. You saw I think it was a 24% increase year-on-year. So we landed at under 12, the margin set 2.6%. As you know, we don't necessarily guide towards margins, but clearly it's something we do see as just like you do.

So the goal is to continue to recover, right? And we used to have a business before all of the cost of living impacted that region, which was higher. So the goal is to continue to get back to where we were. That's the ultimate goal.

Now how long that takes? We'll see, it depends on all the moving pieces, but I feel good about the safe to invest program in Central Europe, our NPS, our market share positions, and the ambition to continue to recover profits.

Ken Murphy: Thank you.

On ASDA, the mix, I think that although the mix of their total business is a different shape to ours, we actually directly compete with them in every category. So if you think about our F&F, home and clothing and ASDA's George, you think about the GM in toys and other general merchandise, we compete there too. And of course, we compete on almost every category of fresh food and grocery items.

So I think it's fair to say that they're direct competitors in every way you could possibly imagine. And so I wouldn't think that they have a different format shape. But actually if you think about our relative market share, a large part of our business is in our large store estate, which faces directly off into the ASDA estate. So I'm not sure what the point is there.

On retail media. I think on retail media, what we've always been consistent about is that we see it as a subcomponent of our supplier strategy, which is we want to be the most attractive place for suppliers to build their brands. And we want to provide to them the full suite of marketing and trade management tools to showcase their new product development to really explain the benefits of their products to consumers. And for us to be able to win a portion of their media and advertising spend above the line, as well as the trade funding that they put into promoting their products. And we see it as a full suite offering and we only think it will be successful if suppliers see a return on that investment that's more attractive than they can get elsewhere in the media world.

So we very deliberately never split it out because we don't want to chase a number for ads. What we want to do is we want to win with suppliers to get disproportionate investment, to continue to win with customers, to build volume growth, to leverage our fixed cost base to deliver more cash profit for investors. And I think that's what we've demonstrated over the last four years, Francois, and that's what we plan to do in the future.

Francois Digard: Thank you very much.

Ken Murphy: Thank you.

Moderator: Thank you.

Moderator: We'll just go across to the conference call lines where we have one question from Karine Elias from Barclays. Karine, please go ahead. Your line should be open.

Karine Elias: Hi, thank you for the presentation and thanks for taking my questions. I have two if I may please. Just going back on your points on obviously on ASDA and the overlap that you've got in terms of product. So obviously they've been losing market share for quite some time. And if there were to stabilize that, would you see yourself as more at risk given the customer overlap? Or who would you think would be probably more at risk there? Thank you.

Ken Murphy: Thanks, Karine. I think the thing that's really given myself and Imran a lot of reassurance over the last number of months is that Kantar has consistently shown that we're taking share from a broad base of competitors. And that means that our offer is having traction with quite a broad customer set. So we're winning share with premium customers through our finest offer. We're winning share with our value customers and we're winning share with mid-market customers.

So I think our ambition is to continue that momentum of a broad church that has something for everyone. And we believe that if we stay focused on value, if we continue to innovate around our product portfolio and we give a great shopping trip, that that will really put us in good stead.

Now clearly as we come into the summer, we lapped some big share beats from last year and that does make it tricky on a kind of a short-term basis, but our belief is that on a longer-term basis, we can continue that momentum.

Karine Elias: That's very clear. Thank you.

Ken Murphy: Thank you.

Moderator: Thank you. That concludes the Q&A, Ken, so I'll turn it back over to you for any closing remarks.

Ken Murphy: Well listen, thank you everyone for taking the time to listen to our presentation this morning and to give us some great questions. I hope you've taken from this presentation that first of all, we're incredibly pleased with the performance we've been able to deliver to investors over the last 12 months. We've set ourselves a number of records in terms of market share, in terms of customer satisfaction, in terms of our colleague satisfaction and supplier satisfaction, which means our multi-year framework and our balanced scorecard approach to the business is really working.

I hope that also from today's guidance, you take reassurance from the fact that we are continuing on that track. We're looking to maintain that momentum and to continue to win with all our stakeholders. Thank you very much and we look forward to seeing you all again in quarter one.