Tesco PLC

Preliminary Results 2023/24

10th April 2024

Transcript

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Ken Murphy: Good morning everyone and welcome to our Preliminary Results presentation.

I'm joined in Welwyn by our CFO, Imran Nawaz, and we are delighted to update you on our performance for the year.

I'm really pleased to announce another strong set of results for Tesco, which reflect our efforts to grow and innovate, ensuring we provide the best value for money, quality, and service for our customers. Our passion for people and product continues to be a winning formula, with all drivers of customer satisfaction and market share growing strongly.

We're seeing signs of improving consumer sentiment but we know that cost-of-living pressures are still a challenge for many. We're committed to doing everything we can to drive down food bills, without ever compromising on quality.

We've continued to invest in our customers, supporting our position as the cheapest full-line grocer.

We're investing in our people, with a record pay increase and new wellbeing benefits, as well as an additional 2.5 million colleague hours in our large stores and around 1,000 new store positions by the end of the financial year.

We've also invested in the future growth of the business, opening new stores, refreshing existing ones, reducing costs and developing solutions to improve productivity.

We've now established a firm track record of delivery, giving us the confidence to continue driving value for all of our stakeholders.

Before I come on to talk about our performance for the year, I wanted to say a few words about the recently announced sale of our banking operations and future partnership with Barclays.

We are delighted to be combining the scale and reach of the Tesco brand with Barclays expertise in financial services. The exclusive partnership will allow us to continue providing our customers with Tesco-branded banking products and services.

The sale of our banking operations in credit cards, savings, and personal loans, will simplify our business and significantly reduce our financial liabilities. We are retaining our insurance, travel money, ATM and gift cards businesses. These are all capital light, profitable and they strongly complement our existing offer for customers.

Barclays will deliver banking services to customers under the Tesco Bank brand, combining its own expertise in banking, with the benefits enjoyed by millions of Tesco customers, including Clubcard points and Clubcard prices.

By working with one of the UK's leading banks, we will be able to offer our customers new and innovative services, which will continue to benefit from Tesco Clubcard's unique insight and digital capabilities.

Looking forward, our aim is to be the best provider of financial services in the UK, unlocking greater value for customers and for our shareholders.

Turning now to our performance for the year. The work we've done to drive value for money has been the basis for our strong results.

Group sales were up 7.4%, supported by share growth and a return to positive volumes during the second half of the year. We've also made strong progress in Save to Invest, which has now delivered £1.2 billion of savings, exceeding our original target. As a result, we've seen strong profit growth and cash generation, which was ahead of expectations.

The strength and sustainability of our financial performance is enabling us to make the crucial investments we need to stay competitive for our customers.

Customer satisfaction is key to understanding how customers are responding to our offer. The latest YouGov data shows that the perception of the Tesco brand has grown year over year, well ahead of the rest of the market.

And that is consistent across all six categories, including value, quality and overall satisfaction.

Market share is another key metric for us, with our objective to grow or at least maintain our core UK position.

It's pleasing to see that customers are choosing to shop more at Tesco, with the latest Kantar data showing that we're growing both value and volume share, ahead of the market. As you can see, this has been supported by 12 consecutive periods of switching gains, which includes gains from premium retailers.

Although headline inflation has come down, we are well aware of the continued challenges that many customers are facing. We remain committed to investing in value, ensuring that our customers are spending less wherever they can.

Our powerful combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices, means that customers get the best value in the market for their everyday essentials.

To help customers find products and recipes which feed their families for less, we launched our 'True Value' campaign, which highlights the value and quality we offer on simple, everyday ingredients such as porridge oats, chicken breasts and fresh strawberries.

In addition, we ran a double Clubcard points promotion in January and February, with over 10 billion points issued across the course of the event, allowing us to increase our support for customers after Christmas.

Quality and Innovation are central to our offer, ensuring that, in addition to great prices, we are providing the value for money that our customers have come to expect. During the year, we launched or reformulated more than three and a half thousand products, from fresh fish to pasta and our Finest Steak offering.

We've significantly enhanced many of our lines, including the Summer 'cook at home ranges', Christmas party food and our vegetarian 'Plant Chef' ready meals.

But our focus on quality is not just confined to food – we're innovating and introducing new lines throughout the store. In womenswear for example we launched a new F&F activewear collection, curated by Kate Ferdinand, which covers everything from true sportswear to a versatile athleisure range. This contributed to sales growth in womenswear of around 4%.

Our performance is supporting investment in future growth, and we're focusing our resources on high returning projects, that drive efficiency and greater productivity.

We continued with our store expansion and improvement programme, opening 113 new stores. This included seven superstores and 60 Express stores in the UK, with 389 stores refreshed across the estate.

We're continually looking for new and improved ways to serve customers better, recently introducing a new AI-based optimisation tool to improve our retail proposition. This will enable more bespoke product ranging by store location and demographic, meaning we increasingly stock the products that customers want to buy, in the stores they want to buy them.

We're also now using data-driven software to drive more efficient transport scheduling and stock assembly processes in our supply chain.

We expect AI-driven solutions, such as these, to become a growing part of how we do business going forward, supporting our colleagues to focus on the most value-added parts of their roles.

The strength of our performance would not be possible without the dedication and hard work of our teams, who are committed to serving our customers every day.

We supported our store colleagues with our largest-ever investment in pay. Over the past two years this is now over £800 million, including a 26% increase in hourly pay and a thank you payment for a great group performance.

We have also enhanced our wellbeing offer, providing UK colleagues and their families with access to online GP appointments, an expanded Employee Assistance programme and greater support around maternity, paternity and kinship leave.

Our commitment to customers extends beyond our stores and into our communities.

Working with our partners, we've now donated over 200 million meals in the UK and we're now in the tenth year of redistributing surplus food in the Republic of Ireland.

Our Stronger Starts grant programme has now provided support around health, nutrition and physical activity to over 4,000 projects. In February we expanded Stronger Starts, with an apprentice scheme to help young people from the most deprived areas, achieve a stronger start in life.

Supporting customers health is also a priority for us. We've raised almost £30 million to date for our health charity partnership and have also now trained over 1,500 pharmacy colleagues to advise customers with diabetes, cancer and heart conditions.

Our relationships with suppliers is a critical part of our success and we've continued to work with them on a wide range of initiatives, including £75 million of additional support for suppliers in key agricultural sectors. This week also sees the launch of a new 'best of British' section on our website, bringing together over 500 great quality products, making it easier for our customers to support British suppliers.

We've had great success with our Innovation-led Accelerator Programme, with 27 suppliers now enrolled, including Holy Moly dips, Grind Coffee and The Gym Kitchen. Customers have responded well to the new products this programme has produced, and by building trusted partnerships, we're helping new brands to gain traction in the market.

Supplier satisfaction is now at record levels and we are delighted to have been ranked first in the Advantage supplier survey for the 8th consecutive year.

We're taking strong action on climate change, as we work towards our objective of achieving net zero in our own operations by 2035. We've made further progress in reducing Scope 1 and 2 emissions, with a 61% reduction against our baseline which is ahead of target. Additionally, we've also now set fully validated science-based targets across the full value chain, which includes scope 3 emissions.

We are also supporting our customers' health as part of our 'Better Baskets' campaign, with healthy products now accounting for 63% of sales volume in the UK and the Republic of Ireland, which is well on track to achieving our target of 65% by 2025.

It's been a fantastic year for all stakeholders in Tesco. I'll now handover to Imran who will take you through our financial performance.

Imran Nawaz

Thank you, Ken and good morning, everyone.

I should mention up front that the performance of our banking operations, which includes credit cards, loans and savings, has been classified as discontinued, following the announcement of our planned sale to Barclays. As such, the majority of my review will be on a continuing operations basis.

I am delighted with the strength of our performance this year.

We delivered another strong sales performance across the Group and Retail adjusted operating profit grew by nearly 11%.

We generated £2.1 billion of retail free cash flow, with £1.5 billion returned to shareholders in the year, in the form of dividend payments and our ongoing share buyback programme. We also further reduced Net debt by £0.7 billion.

Headline earnings per share were strong at 23.41 pence and we have proposed a final dividend of 8.25 pence per ordinary share, taking the full-year dividend to 12.10 pence per share.

I am particularly pleased that we have delivered this strong financial performance whilst further improving our competitiveness, investing in our colleagues and maintaining strong relationships with our supplier partners. We are building a track record of delivery and one that seeks to benefit all of our stakeholders.

Moving now to a more detailed view of performance. Total retail sales for the year were £60.7 billion.

Our UK and Ireland segment delivered 7.6% sales growth, with sales growth of 8.8% in the first half, moderating to 6.4% in the second half, reflecting the impact of easing inflation, partially offset by an improvement in volumes.

In Central Europe, sales were broadly flat year-on-year. The trading environment continues to be challenging, but we are seeing an encouraging volume trends in response to our additional value investments.

Tesco Bank revenue shown here relates to the retained business, in insurance as well as money services, with growth primarily reflecting a strong performance in insurance, with a high level of renewals and new customer acquisitions.

Over the next few slides, I will cover the performance of each of our segments in more detail, starting with sales before moving on to profit.

In the UK, we delivered like-for-like sales growth of 7.7%.

Our food sales were really strong at 9.3%, and we saw consistent volume growth across the second half as customers responded to our investments in price, and our focus on great quality across the breadth of our range. We were really pleased with the performance of our Finest range, with sales growing close to 16%, including volume growth of 9%.

Home and Clothing sales declined by 3.4%. This was largely driven by the impact of strategic ranging decisions, including exiting low returning categories such as large electricals. Excluding these impacts, sales were broadly flat.

A strong performance across all formats and channels was supported by market-leading availability.

Large store sales grew by 8.2%, driven by our investments across key seasonal events and in putting more colleagues on the shop floor this year. As a result, we saw a broad improvement in customer satisfaction measures as well as strong market share gains.

Overall convenience store sales grew by 4.5%, including a strong performance in our city and town centre Express stores, which grew by 6.0% in the year.

Moving now to Online performance. Our sales grew by 10.4%, driven by a 5.3% increase in order numbers, which are now at 1.2 million per week, as well as further improvements in availability.

Tesco Whoosh contributed around 2 percentage points to overall online growth and is now available in over 1,400 of our stores and to two thirds of UK customers, with over 70% of orders delivered within 30 minutes.

Our online sales participation overall remains stable at around 13% of UK sales.

In Ireland, total sales grew by 8.5%, including like-for-like sales growth of 6.8% and a 1.7% contribution from new stores, which includes the full-year impact of the Joyce's stores we acquired in June 2022, as well as five new stores in the year, including one new superstore and four new Express stores.

Our food sales grew by 9.1%, with fresh food sales a particular highlight, up 10.6%, driven by our extensive refresh programme, along with ongoing investments in our value proposition. We lowered the price of over 800 products in the year, by an average of 12%, contributing to a steady decline in inflation.

Booker had another very solid year, with sales and volume growth across both core retail and catering divisions. Overall, total Booker like-for-like sales grew by 5.4% and growth was even stronger excluding tobacco, at 8.2%.

Retail sales excluding tobacco grew by 11.0%. We delivered record availability and expanded the number of lines in our entry ranges in response to strong customer demand, leading to an overall increase in customer satisfaction in the year.

Our catering sales grew by 10.2%, driven by a particularly strong performance in our own label ranges. We continued to offer great value to all of our hospitality customers, including our largest ever 'Price Lock' on over 700 products through the Christmas period.

We opened a new central retail hub in the year, re-purposing an existing freehold site in Fareham. This has allowed us to offer retail customers access to an even broader range whilst unlocking additional catering capacity within our branches. This is a really good example of a high returning, capital light solution that allows us to optimise our existing asset base.

Best Food Logistics sales were broadly flat, including a decline of 5.4% in the second half of the year, this was largely driven by our actions to exit unprofitable contracts.

In Central Europe, sales were broadly flat year-on-year. Customers in the region have experienced high levels of sustained inflation, resulting in a challenging trading environment. We doubled down on value investments for customers in the second half and our volume trajectory did improve.

Food sales grew by 1.1%, as customers responded well to our 'Low Price Guarantee' commitment.

Non-food sales account for around 13% of total sales in Central Europe, and declined by 4.8%, reflecting an overall reduction in discretionary spend across the region. We launched a new 'Basics' range in Clothing, offering customers great quality at an even more attractive price point. Following strong customer demand, we've rolled this out to all of our largest stores.

I will now move on to our retail profit performance.

We delivered £2.76 billion of retail adjusted operating profit, which is £273 million ahead of last year and in-line with the upgraded guidance we shared in January.

Our profit growth was driven by a very strong performance in our UK and Ireland segment, partially offset by a decline in Central Europe, reflecting the challenging trading environment I mentioned earlier.

Retail operating margin was 4.1%, which is up 25 basis points, as another very strong contribution from Save to Invest offset cost headwinds as well as our customer investments.

I will now describe the performance of each segment, starting with the UK and Ireland.

Adjusted operating profit grew by £363m million year-on-year to £2.67 billion.

Volumes were ahead of our expectations, as customers responded positively to the continued investments in our customer proposition, across value, quality and service.

In response to significant inflationary pressures across our cost base, we accelerated the delivery of our Save to Invest plans, with key initiatives including space realignment in our stores and the optimisation of management structures.

Booker delivered another very strong contribution, from both its core retail and catering divisions.

Our UK & ROI operating margin was 4.2%, bringing us back to pre-pandemic levels.

Turning now to Central Europe, where the impact of the challenging external market conditions we talked about in the first half persisted.

The customer backdrop has been challenging as customers have faced very high levels of inflation over the past two years. In addition, we continue to face regulatory actions in Hungary, including incremental retail taxes as well as mandatory pricing and promotions on key grocery lines. This has impeded our ability to recover rising input and operating costs, although they were partially offset by Save to Invest.

In the current year, we expect to see a partial recovery in Central European profitability.

This slide provides further detail on the components of our statutory profit performance, which increased by £1.1 billion year-on-year.

The primary driver of this increase was the £982m non-cash impairment charge last year, which was driven by a significant increase in discount rates. This is compared to a £28m net impairment release this year.

Net finance costs were broadly flat year-on year as interest paid on borrowings was offset by higher interest earned on our cash deposits.

The Group tax charge increased by £301 million to £525 million. This increase was primarily driven by the increase in UK Corporation tax rates from 19% to 25% effective April 2023, in addition to higher retail profits and lower tax credits as a result of last year's net impairment charge, I described earlier.

We expect an adjusted effective tax rate of around 27% in the current year, reflecting a full twelve months of the increase in the UK Corporation tax rate.

Moving now to our retail free cash flow. We delivered another very strong performance, generating £2.1 billion, which is ahead of the upgraded guidance I shared in January.

Before working capital, you will see that we generated £4.4 billion of retail cash from operations.

The working capital inflow of £418 million was driven by our strong sales performance in the year, as well as the continued impact of rising cost prices which increases our trade balances.

Cash capex was £1.3 billion, in-line with our guidance, as we continue to invest in high-returning projects, including Save to Invest and our digital platforms.

Cash tax paid was £214 million, up £107 million, primarily driven by the increase in UK tax rates, as well as higher retail profits. The key difference between cash tax and the P&L charge is driven by the £2.5 billion one-off pension contribution made in 2021. The associated tax deduction was worth around £150m per annum, with the relief required to be spread across four years. 23/24 was the final year we will benefit from this relief.

Finally, in the dividends received line you will see a £59 million lower inflow year-on-year, which is due to the removal of the annual Tesco Bank dividend.

Turning now to the impact of the planned sale of our banking operations.

The deal allows us to remove £7.7 billion of capital-intensive assets and £7.1 billion of financial liabilities from our balance sheet. In return, we expect to generate proceeds of £600 million on completion from Barclays, as well as a further £100 million of cash after the settlement of certain regulatory capital amounts and transaction costs, in addition to annual partnership income from Barclays.

We've set out the accounting impacts of the proposed sale in this morning's release, and as you can see, we have classified the performance of the banking operations as discontinued. In doing so, we have recognised a remeasurement loss of £628 million, post-tax, which includes a £211m write-off of goodwill.

We expect the deal to complete later this calendar year. Following completion, our actions will have generated around £1 billion of cash, including the £250m special dividend already paid by the Bank in August 2023. We plan to return the majority of this cash to shareholders by means of incremental share buybacks.

We will retain all other existing Tesco Bank activities, including insurance, ATMs, gift cards and travel money, all of which are complementary to our core offer, profitable and capital light.

Adjusted operating profit from continuing operations was £69 million. As we have set out in the release, alongside a strong performance in insurance, gift cards and travel money, this benefits from a couple of one-off factors – one relating to the transaction and one to our pet insurance business. A more representative view of underlying profitability is between £40 to £50 million.

Total Tesco Bank adjusted operating profit, including discontinued operations, for the year was £148 million, which is towards the top-end of the guidance range we set-out.

On an ongoing basis, we expect a profit contribution of between £80 to £100 million from the retained business, including partnership income from Barclays.

Turning now to the balance sheet, which strengthened further this year.

Overall net debt reduced by £0.7 billion, driven by another strong retail free cash flow performance, which more than offset the total dividends paid of £778 million, as well as the £750 million of share buybacks.

Our net debt to EBITDA ratio improved significantly, and now sits at 2.2 times, down from 2.6 times, driven by higher retail EBITDA as well as a reduction in net debt before lease liabilities, which included the benefit of the special dividend from Tesco bank

Our fixed charge cover also improved year-on-year, from 3.5 times to 3.7 times reflecting an increase in retail EBITDA.

We continue to take a disciplined approach to capital investments, by prioritising projects which deliver growth, drive efficiencies, and develop our digital platforms. As a result, return on capital employed improved further in the year and continues to be significantly ahead of our weighted average cost of capital.

In the year, we expanded our reach by opening a further 113 new stores across the Group and we stepped up the investment in our core assets by refreshing 389 stores.

Tesco Whoosh and our new Booker retail hub in Fareham are great examples of maximising the value of our existing assets in a capital light way, whilst enhancing the customer offer and creating capacity for future growth.

Earlier this year, we started the construction of a new fresh distribution centre in Aylesford, which incorporates higher levels of automation, and we continue to deploy AI-based solutions across the business to further improve productivity.

We expect a total capital investment in the current year of around £1.4 billion.

Before I wrap up, I want to touch on our outlook for the current year.

We expect to deliver retail adjusted operating profit of at least £2.8 billion in 2024/25, in addition to an adjusted operating profit contribution from the retained Tesco Bank business of around £80 million.

We expect to generate retail free cash flow within our guidance range of £1.4 billion to £1.8 billion, despite the impact of a lower contribution from working capital and higher cash tax paid.

I am very pleased to confirm we will buy back a total of £1.0 billion worth of shares over the next twelve months, including £250 million funded by the special dividend paid by Tesco Bank. We will provide a further update on our plans to return the proceeds from the sale of our banking operations to Barclays when the transaction completes.

To summarise, we are building a consistent track record of delivery against our performance framework set out in October 2021. This continues to guide our actions to create sustainable, long-term value for every Tesco stakeholder.

We have delivered another strong sales and profit performance, supported by the accelerated delivery of our Save to Invest programme, and we have generated £2.1 billion of retail free cash flow.

Our progressive dividend policy has been reflected this year in our proposed full year dividend of 12.10 pence per share, growing in-line with profits.

We have returned £1.8 billion to shareholders since October 2021 through our ongoing capital return programme and have committed to buying back a further £1.0 billion of shares over the next twelve months to April 2025.

Thank you very much for your time, I'll now hand back to Ken.

Ken Murphy: Thank you, Imran.

I'm now going to take you through some of the key highlights from the progress we've made against our strategic priorities.

Starting with Magnetic Value.

The combination of Aldi Price Match, Low Everyday Prices and Clubcard Prices allows us to deliver compelling value to our customers. It enables them to save hundreds of pounds a year on their favourite products, giving them fewer reasons to shop elsewhere in their search for lower grocery bills. As inflation has begun to ease, we have led the way in passing on savings, cutting prices on over 4,000 products by an average of 12%.

During the year, we had more than 600 lines on Aldi Price Match, we locked Low Everyday Prices on more than a thousand products and had over 8,000 products on Clubcard Prices each week.

As a result, we are the most competitive we have ever been and as you can see here, we are the cheapest full line grocer - a position we've held since November 2022. Our price position has strengthened again this year, including further improvements against the limited range discounters.

Being the most competitive is not just about being the cheapest of course. It's also about ensuring high quality products which are both dependable and innovative. I mentioned earlier that we've improved the quality of around 2,700 existing products, whilst also introducing over 1,000 new ones, which included a range of slow cooked meals, new single-origin chocolate and our Finest signature veg collection.

Our commitment to continuous innovation, has seen us win around 260 awards during the year. These included winning own label range of the year at the international wine awards and multiple accolades at the taste of Ireland awards.

While the awards are great, it's the direct response from our customers which is the most pleasing, with around a hundred basis points increase in quality perception and 19 consecutive periods of switching gains from premium retailers.

There is perhaps no better example of our commitment to quality than our Finest range, which has just reached its 25th anniversary. When it was launched in 1998, Finest was the first premium grocery own brand in the UK, offering our customers the very best food in the market, at accessible prices.

It has grown significantly since then, and this year reached a major milestone, as we exceeded £2bn of sales. Finest has become one of the biggest brands in grocery and continues to be incredibly popular, with over 23 million customers buying a Finest product during the year, and more then 1 in 4 baskets including Finest over the festive period.

We continue to focus on building out our digital platform, which is driven by the scale and reach of Clubcard. This has helped to make shopping easier and cheaper for customers.

We are seeing record levels of engagement, with over 16 million app users across the group which is up 13%, and Clubcard sales penetration growing in all of our markets, now reaching 82% in the UK, 85% in Ireland and 87% in central Europe.

Significantly, we are now also seeing digital Clubcard scans exceed the use of physical cards, as the evolution towards digital continues.

The Clubcard rewards and partner schemes offer customers unequalled benefits amongst our competitors, with the depth and breadth of Clubcard data, allowing us to offer a more personalised and relevant shopping experience.

We issued close to 300 million personalised coupons to customers during the year, providing them with even better value, money off their shop, extra Clubcard points and other rewards. We've seen a significant uplift in the number of coupons redeemed by customers, and a growing sales return, with a sales to cost ratio now consistently over 10 times.

We're exploring new ways to make Clubcard relevant and exciting to users, giving them a fun and unique insight into their shopping habits, with 17 million customers receiving Clubcard unpacked information this year.

By using our Clubcard insights and leveraging dunnhumby's expertise in data, we are creating a sophisticated digital platform for the benefit of our customers and supplier partners.

We recently created a new retail media team who are building partnerships with advertising agencies and consumer brands, to increase retail media opportunities throughout the business.

These include more sponsored media placement, connected TV and social media, as well as store activations and connected displays, enabling us to reach customers at home, on the move and in store.

Our scale means that our media reach rivals some of the biggest online platforms, creating more opportunities for brands to connect with their customers in an exciting and engaging way.

The market for retail media is evolving at pace and we're pleased with how customers and suppliers have already responded. This year we delivered more than 17,000 campaigns across all channels with around 550 supplier partners, including some of the world's largest consumer brands.

We've had another strong year in online, with availability now over 98%, and online perfect orders growing by 20ppts.

We've grown the number of delivery saver subscribers, with over 700 thousand customers now benefitting from a choice of delivery plan to suit the way they shop, including early access to Christmas and Easter slots.

Our rapid delivery service, Whoosh, has also been a particular highlight and is now available in over 1,400 stores. Whoosh now reaches over two thirds of the UK population and enables customers to order groceries from a curated list of around 3,000 products, with 74% of orders now delivered in under 30 minutes.

Looking forward, we will develop Whoosh further, aiming to cover around three quarters of the UK population, with planned range and proposition enhancements, to serve customers how and when they choose.

We're continuing to expand our store footprint and have invested in the breadth of our customer offer, through the refresh of our larger stores and by partnering with a number of specialist retailers.

In October, we re-launched the Paperchase brand in around 120 stores, offering customers an even wider range of cards, gifting and stationery, making it easy to pick up school and office supplies, or grab a last-minute greeting card, as part of the weekly shop. During the year we also extended our partnership with leading toy retailer The Entertainer, enabling us to offer customers its fantastic toy ranges in over 750 of our larger stores in time for Christmas.

We now have over 50 retail partners across our estate.

This includes our national partnerships with the likes of Costa Coffee, which is in most of our Express Stores and our 340 YO Sushi counters, which are benefiting from the increasing popularity of sushi as a healthier alternative. We also have partnerships with local brands such as Rowes, who offer authentic Cornish products to customers in 30 of our stores in the southwest and KellyDeli, a street-food counter specialising in freshly prepared hot and cold Asian and Mexican food.

We are constantly exploring opportunities to work with other retailers, with multiple trials underway.

We've continued to develop our convenience network, adding 60 new Express stores during the year. We've also updated our range, replacing 50 key everyday products from pasta to peanut butter, with more keenly-priced alternatives, many of which are own-brand. These products are on average over 40% cheaper than the products they replaced.

One Stop has also been performing well and we opened 27 new stores during the year.

As part of our commitment to make One Stop the best store for customers in every neighbourhood, we are now offering online delivery of everyday essentials in almost 800 locations.

In the Republic of Ireland, we spent close to £70 million this year on eight new store openings and an extensive store refit and refurbishment programme, ensuring we provide the very best shopping experience for our Irish customers, for both convenience and value.

Booker is growing in strategic importance for the group and had another great year. Like-for-like sales grew 5.4%, driven by ex-tobacco growth of over 10% in both retail and catering, with availability of just over 97%.

We've continued to expand the retail network, adding 354 new retail partners across the Londis, Budgens and Premier brands, which contributed to growing volumes. Retail customer satisfaction also grew significantly and was up by around 6 percentage points to 81.7%.

Customer satisfaction was also positive in catering, increasing by a little over 2 percentage points to 87.1% and we've seen particularly strong sales growth in Chef's Larder and Chef's Essentials.

The strength of Booker's performance has been reflected in numerous awards this year, including the Grocer gold award for franchise retailer of the year and the Quality Awards Foodservice Operator of the year.

The catering business has really strong foundations, with around 400,000 customers nationwide, serviced by 190 branches, which generated £2.5bn of sales during the year. It's a profitable part of the business with significant opportunities to grow.

We're focused on redesigning our distribution network. Following the conversion of our Fareham site, which we see as the first part of a multi-year programme to continue expanding more dedicated catering capacity.

In addition, we're investing in enhanced stock and ordering systems, improved buying and distribution processes, and further expansion of our ranges, particularly in fresh food.

Our Save to Invest programme has provided significant opportunities for us to simplify operations and increase productivity. We've exceeded our initial savings target, with £640 million of savings in the year, contributing to cumulative savings of £1.2 billion over the past two years.

We have delivered across all areas of the programme, which has included a realignment of store space, new management structures in large stores, new technology to drive productivity and improved stock processes across our depot network.

Looking forward, Save to Invest remains a key priority, and we expect to deliver a another £500m of savings during the year, which will support continued investment in the business.

In summary, we have delivered a strong performance on all fronts.

Our consistent focus on value and quality is reflected in the momentum we're seeing in customer perception and market share. Allied with significant and continuing cost savings, this is driving growth in profits and strong cashflows.

We're encouraged by signs of improving consumer sentiment, which combined with consistent business momentum, means that we're excited about the opportunities ahead.

Thank you very much for your time, we would now be happy to take any questions.

Moderator: Okay, thank you Ken. So any analyst who'd like to ask a question should raise their hand by clicking on the raise hand icon at the bottom of the screens. And please ensure that you unmute your microphone only when you're introduced into the conference. If you no longer wish to ask a question, then you can lower your hand by clicking on the lower hand icon again at the bottom of your bar. So we'll now take our first question from Andrew Gwynn at BNP Paribas Exane. Andrew, if you can unmute and ask your question please.

Andrew Gwynn: Yeah, good morning. Two questions if I can. So firstly, some evidence or some early indications of a slightly more resilient consumer. So is there anything you'd call out in the data, anything you'd call out in their spending habits, maybe also changing priorities of that consumer is a real way to where it comes back? And then the other question, probably almost certainly for Imran, thinking about the CapEx, obviously slightly more CapEx coming through in the year ahead, are there any ways we could decompose that a little bit more? Not necessarily the bridge, but actually just a total quantum of CapEx and understand where it's going. Thank you very much.

Ken Murphy: Morning, Andrew. Thank you for the questions. I'll take the first one. As you say, Imran, we'll look after the second. I think that what we've seen is a progressive improvement in customer sentiment from a qualitative point of view. So the readings we take on a weekly survey basis are showing a gentle increase in consumer sentiment. That's been borne out in terms of volume recovery. So for the second half of the financial year, we saw persistent volume growth and we've carried that trajectory on into the new year. So that would also bear out the consumer sentiment. As you say, this time last year, Kantar inflation was close to high double digits. We're back, from a Kantar read, to mid-single digits and Tesco inflation is meaningfully below that number. So we're getting into, what I would almost call, a normal rate of inflation as a business. And we are forecasting therefore to continue positive momentum in terms of volume growth for the coming year.

Imran Nawaz: So I'll take the question on capital. I couldn't fully hear the question, but I think I got the gist of most of what you said, Andrew. Look, as I just said in the presentation, we are really, really pleased with the, I would say, the significant increase in the return on capital employed over the last three years. I think it's evidence of a disciplined approach to capital, a strong operating performance, and of course the consistent capital returns. As you also point out, CapEx was a touch higher in 23-24, and it'll be nudged up higher again in 24-25 to around £1.4 billion.

The examples around that are, if you think about what is it that we can do to create value, whether that's a fresh DC with more automation, whether it's the new stores to drive growth, whether it's expanding capacity for Booker Catering, where you have the big margin or frankly the tech space, the tech stack that we have, whether it's the range of new tools, the AI capability that we're trying to build. All of these initiatives are about, I would say, maintaining and growing our business and delivering a higher quality of growth, as we've demonstrated over the last two years. What I'd say to you is the one critical component for us, as we make these decisions, the return on the capital that we employ is critical. The discipline is right, and as long as we deliver and spend money on projects that actually have value above WACC from a return point of view, that's the mentality that we will continue to spend money on. It's really critical for us.

Andrew Gwynn: Okay. Thank you very much and apologies for the sound issue.

Imran Nawaz: Sure.

Moderator: Okay, thank you very much. We'll now take our next question from Izabel Dobreva of Morgan Stanley. Izabel, if you would like to unmute yourself and start your question.

Izabel Dobreva: Hello. Good morning. I had a couple of questions. So the first one is on your slide on return on capital employed, I thought that's a very insightful slide, because in there we see that the profitability has meaningfully improved relative to where it was before COVID. So my question is, how sticky do you see this improvement to be and what is your outlook for the future trajectory of the return on capital employed? Because presumably, it should be improving further based on your CapEx and the retail media initiative. So that's the first question.

Then, second question, you have announced £500 million of savings, which I think is probably on the higher end versus what most people had in mind, given the strong progress also in the past two years. So when you think about the profit bridge, is it fair to assume that those savings together with the energy should offset or more than offset the wager and other general cost inflation you have for the year ahead, meaning there is further scope for margin improvement in the UK? And then my last question is short, it's on CE margin, it's about 2%, historically it's been about four. What is your outlook in terms of returning to that 4% number?

Imran Nawaz: Okay, let me take them in order and then I'll do return capital employed. Look, I mean, as you rightly say, it's a good message. The trading performance versus the capital that we've spent over the last three years has really shown continued improvement. The more important aspect for me is personally that we continue to have a ROIC above WACC and significantly so, and the way I think about it is we continue to make those disciplined capital investment choices whenever we see the return will continue be above WACC. I don't project or I won't give you an outlook for that, because clearly that will depend project by project as they come along. But I'm confident in our ability going forward to continue to deliver really good returns on the capital that we want to spend.

In terms of the savings, you're right, we've had a terrific two-year run on savings. We've delivered £1.2 billion. Originally, if you remember, we said we'd do it in three years. We did it in two. And again, I'm really excited about the third year now. We're going to come with £0.5 billion of savings and they're across a plethora of different initiatives that we have, be it in distribution, in warehousing, end-to-end waste reduction, leveraging our shared services more and more, as that has proven to be really quite helpful for us. It will absolutely be helpful in offsetting some of our cost headwinds that we will face, especially as you think about labour increases. And the philosophy we have, and we've been deploying that over the last two years is, our job is to continue to be the cheapest full-line grocer. And the way we do that is by working really hard to make sure that we can continue to do that by delivering the savings we've created. And we'll continue to do that. Now, from a profit bridge, the puts and takes, as you call out, those are clearly, energy will be a bit of a tailwind. Savings will also help. And as you rightly point out, there will still be a big headwind when it comes to payroll costs, but hopefully we can work really hard to offset one with the other. That's the game plan.

And then on Central European margins, as you rightly point out, they have gone backwards. But the truth is, part of that was a choice. The largest part of going backwards on profit in Central Europe was actually driven by Hungary. And as you know, the conditions in Hungary with 30% inflation over the last two years, cumulatively, combined with restrictions on what you have to promote, how you have to price, new sales taxes, our focus then went to protecting the customer and the proposition that we have, so that we protect our market share. Our view is that as we get through the next year and the year that has just started, we should start to see some of those cost pressures ease off and start to see some recovery on profitability in Central Europe as well. So we feel very committed to Central Europe and we continue to see that as an important part of our business and we will start to see some recovery already this year.

Izabel Dobreva: Thank you very much.

Imran Nawaz: Sure.

Moderator: Okay. Thank you Izabel. We'll now take our next question from Nick Coulter at Citi. Nick, if you could unmute yourself and ask your question.

Nick Coulter: Morning guys. Thank you for taking questions. I have three, I'll go one by one if it's easier. Firstly on Whoosh, can I ask about the size of that business and if it's profitable, or profitable on a marginal basis, please? And then more generally, where we are with Online, profitability of that journey. Thank you.

Ken Murphy: Hi Nick. Thanks a million for the question. So we've seen fantastic growth in Whoosh, as you saw in the press release. It's really strong. It's now over £120 million of sales. We have another strong growth year ahead of us. We're pretty excited about it, and it's driving about a 70% net incremental business, so it's really good business for us. I think on a marginal basis it's profitable fully loaded, just slightly loss making because of the marketing investment we put in behind it, but we're feeling really good about it as a service. It seems to be something that's getting increasing traction with customers. On the overall dot com profitability we've made substantial improvements in the last 12 months, so we've seen a big positive trajectory in online profit momentum, but there's more work to do.

Nick Coulter: All right, thank you. Then a couple for Imran, if I may please. On the tax, could you bridge the gap between the reported year and the guidance rate, please? Is that just the annualization of the higher rate or is there something else going on as well, please?

Imran Nawaz: Yeah, it's just primarily, if you think about 11 months at 25% and now you have 12 months at 25%, and then as you know, our tax rate is typically slightly above the official rate because we have some qualifying assets that don't actually qualify for tax.

Nick Coulter: So is that done then on the tax rate? Do you think that's a sustainable level going forward?

Imran Nawaz: I mean, as you know we guide year by year, so for the year just closing, and I think for the year ahead I'd assume 27%. That's the view we have.

Nick Coulter: Great, thank you. Then just a quick one on the improving ROIC chart, which obviously is impressive, could I ask what sort of cash paybacks you are targeting on your CapEx? Is that still around the three year mark or has anything changed? Thank you.

Imran Nawaz: Yeah, look, I mean depending on the different types of projects that you have, when it's Safe to Invest type projects, what you're really looking for is something in some cases one year, two years. As you do the more longer-term strategic ones, you look at three, four years and the new stores have a slightly longer payback period. But on average that two to three year return profile is something that does sort of drive the decisions as well.

Nick Coulter: Perfect, thank you.

Ken Murphy: Thanks Nick.

Moderator: Thanks Nick. So we'll now move on to take our next question and that'll be from James Anstead at Barclays. James, unmute yourself and ask you question please.

James Anstead: Yes, morning Ken, morning Imran. A couple of questions. Firstly, on CapEx, you're guiding now to CapEx of £1.4 billion this year after £1.3 last year. Appreciate it's difficult to give multi-year guidance, but is £1.4 billion the new normal or is that a number we could expect to inch upwards in the years to come? I mean it sounds a little bit, Imran, as if you wouldn't be unhappy for CapEx to be higher if you think you can get good returns on investing that extra cash? A second one is just on leverage. You're now below the bottom end of your target range, I mean the bottom end in a good way, and I don't actually see that range mentioned in your press release. Is that 2.3 to 2.8 range still valid? And if so, why are you happy to be below it? And finally, retail media only crops up very briefly in your press release this morning and you continue to be quite quiet on the topic. Doesn't sound like you've got anything dramatic to announce on that, but can you add any more colour in terms of the progress you're making?

Imran Nawaz: Okay, let me take the leverage one first. So look, I mean we're very, very happy with the leverage ratio of 2.3 to 2.8. That hasn't changed. As you rightly point out, the cash performance was stronger than I had anticipated it to be, to be honest with you, and fair enough, that's on me. And at the same time, we then also collected, as you know, a special dividend from Tesco Bank, the £250 million, which as you know we are returning, and I'm excited to return that as part of the £1 billion we announced this morning. If you take the £250 million out, we're actually at the lower end of the range at 2.3 and the plan is to continue to stay within that range. Now the reality also is, it's no bad thing to be at the low end of the range. Given where interest rates are and the times we live in, it's always better to have a stronger balance sheet than it is to have a weaker one, for lack of a better term.

So I'm very happy with the range, no plans to change it. And yes, we're at the lower end because of stronger cash performance and the cash dividend that we received from the bank. On the capital spend, the £1.4 billion, your question of is that the new way of looking at it? Look, the reality is we have demonstrated that if you spend capital in a disciplined way focused on driving and creating value for the company, and making basically Tesco a better business, is right to spend. Clearly there's also a bit of inflation that's there, that wouldn't shock you. My personal view is we nudged it up last year to £1.3 billion. We're nudging it up again a little bit to £1.4 billion. That's no bad bet to take that as an ongoing assumption for now. And then Ken, if you wanted to...

Ken Murphy: Yeah, on retail media, James, we are really pleased with the progress we're making on it. We've shown significant year-on-year growth. As you'll know from the conversations we've had with investors over the last 12-24 months, it's not a number we break out very deliberately, but it is a meaningful contributor to our overall profitability and one that we have ambition to keep growing over the next two to three years. We see it very much as integrated in our total kind of supplier proposition in terms of being able to personalise offers for customers, being able to engage them digitally through the app and through our online channels of both grocery home shopping and Whoosh, so we will continue to evolve and develop it. We've created a standalone media organisation with its own CEO and its own tech stack to really build out and make it even easier for suppliers and media agencies to work with us.

James Anstead: That's very helpful colour, thank you.

Ken Murphy: Thanks.

Imran Nawaz: Thank you.

Moderator: Thanks James. And we're now going to take our next question from Sreedhar Mahamkali from UBS. Sreedhar if you'd like to unmute yourself.

Sreedhar Mahamk...: Hi, good morning Ken, good morning Imran. One follow up to James's question on retail media and a couple of other questions please. So the follow up is basically, Imran, the way you've talked about the year ahead, the puts and takes possibly for the medium term, cost savings will continue to come through as potentially some operating leverage. So you're able to deal with the cost pressures with self-help. So from that point of view, back to James's question, should the incremental profits from retail media, should they come through to the margin for retention or do you see them potentially as fuel for reinvesting in the Business additionally? That's the first one.

Secondly, very near term, £2.8 billion, at least, retail EBIT this year. I wonder what you are embedding in there from a sales perspective. Any colour you could give, that will be very helpful. Third one, taking maybe just a slight step back from this year ahead, can you share your thoughts on what investors should expect in the midterm in terms of sales growth and operating profit growth or EPS growth, whichever metric you want to pick. How should we think about it? Thank you.

Imran Nawaz: Okay, so did you want to take the media one or...

Ken Murphy: Well, I think it's a financial one, basically, based on the way it's been phrased, it falls straight through.

Imran Nawaz: Well, look, I'll tell you how I think Sreedhar, the question you're asking is, as we... And have done a quite nice job already on media income, as an example. The use of that, clearly the first thing I want to see is to let it drop to the bottom line. It comes at a nice margin and let me see it, and make sure it's truly incremental i.e. it isn't just more media income and less trade funding that you get. So the first thing is: make sure it's truly incremental, it comes at the right margin. And then the truth of it is the decisions at the time will depend. If we see opportunities to take some of that invest, absolutely we will. If we see, "Hey look, we've got what we need and this isn't going to drop through to the bottom line," clearly we take that as well. So the most important question for me that we continue to ask is: yes, it's there for the taking, yes, we need to go after it, we need to develop the capability and the tools to deliver it, and yes, it should be incremental. Then how and what you spend and what you keep is obviously then a management decision as we go through the years. That's how we think about it from a financial perspective.

In terms of the guidance, look, as we don't really guide on sales growth, but very, very simply put, because the reality is it's always very hard to predict, but my current assumption, the sort of, if you wish, the central case, is we exhume some low single-digit inflation to continue for the rest of the year. That's roughly what we're seeing now continuing as is at this level. And then clearly as you've seen, we've had a really nice return to volume growth consistently month by month since the beginning of the second half, and we expect that to continue into the new year. So that's sort of our planning assumption, let's call it the central case. Now, clearly you plan around as that changes, but that's the current planning assumption that we have internally.

Then in terms of midterm targets, look, if you remember in October '21 we set our performance framework and the model we want to run is continue to deliver market share gains year on year, which we've done, make that translate into sales growth slightly above market, which we've done, and use that to continue to generate the cash in absolute terms between £1.4 and £1.8 billion, which we've exceeded every year over the last three years, which is good, but clearly is an algorithm that I continue to like, is an algorithm that makes sense because as you remember, it's really important to us to demonstrate to our shareholders that the buyback of shares and the dividend, which are both very attractive, continue. And that's sort of how we'd like to run the Business. It gives us the flexibility to be competitive. It gives us the flexibility to invest, and to give you the returns as we deliver on the outcomes.

Sreedhar Mahamk...: Thank you, Imran.

Imran Nawaz: Sure.

Sreedhar Mahamk...: Very quick follow-up. On that volume point, do you see that continuing to strengthen through the year in 24-25, or is it now reaching a level where you are actually happy with what it is?

Imran Nawaz: I'm never happy with where it is. You could imagine I'm very popular, but internally we'll always look for the best outcome that we can get. But the way I think about it is our market share performance matters to us, both on market share for volume and market share for value. And I want to continue to make sure that we keep winning as we have been.

Sreedhar Mahamk...: Thank you both.

Moderator: Thank you, Sridhar. And we'll now take our next question, and that'll come from William Woods at Bernstein. William, if you can unmute yourself.

William Woods: Hi, good morning. I just wanted to ask about the pricing environment that you're seeing going forward. How much supplier-led pricing are you seeing coming through the system still? And then the second one is on the competitive environment. As the consumer has kind of improved and you've seen volumes recover, have you seen any changes in the competitive environment, I suppose particularly linked to supplier-led promotional activity in the market? Thank you.

Ken Murphy: Thanks, Will. Morning. So I start by saying that the pricing environment remains fiercely competitive. And we are in many ways kind of leading the charge from the perspective of being the cheapest full-line grocer in the market now persistently over 14 periods. It's a position we intend to maintain. We think that we have the kind of business model strength to maintain that, which we think is essential to our market share progression and to also allow us to invest in the growth areas that Imran alluded to earlier, and also in the intrinsic quality of our product. So we're doing an awful lot of product innovation. We're improving the base quality of produce, fruit, meat, fish and poultry. All kind of geared towards giving the customer that best customer experience, including an investment in hours in the stores to help the shopping experience. So we've added about two and a half million hours to our store base over the last 12 months.

And so I think what that gives you an indication of is that there's a little bit of oxygen back in the industry that allows you to invest in the total customer shopping trip and experience, while remaining very price competitive. So that's the kind of balance we're looking to strike and maintain. We think that's the magic sauce in trying to keep momentum in the business, keep progressing on market share. And that's our outlook on pricing over the next 12 months. If I look at the competitor environment from a supplier perspective, clearly over the last two years you saw quite a bit of a spike in own-brand penetration as customers traded down to cope with the cost of living.

Inevitably, suppliers are coming back into the market to look to recover, particularly the brands, some of that lost volume, so you have seen volume on deal creep up as a percentage of total sales over the last 12 months. My prediction is that you will see that persist for another 12 months. I think there's an inevitability about that because I think that the suppliers will have the margin to do so and they'll have the appetite to recover the volume. What impact that has on overall market pricing of course has to be taken into the context of all the other inputs, what's happening with commodity prices, what's happening with energy, and what's happening with wages.

Moderator: Thank you very much, William.

William Woods: Thank you.

Ken Murphy: Thanks, William.

Moderator: And we'll now take our next question, and that'll come from Francois Digard from Kepler Cheuvreux. Please unmute and ask your question.

Francois Digard: Good morning. A few questions. The first about ECE recovery. You mentioned the potential recovery in the course of the year. Do you take that into a continual guidance of at least £2.8 billion operating profits for the year? How much of the £90 million decrease you have suffered last year you expect to gain back during this year? The second question is more confirmation I hope, is about the £1 billion buyback. Is it fair to understand that we can see the £750 million as a kind of recurring buyback program, and the £250 million coming from the dividend as a more exceptional nature? Thank you.

Imran Nawaz: So look, let me take those in reverse order. So on the buyback, as you say, we're really happy this morning to announce the £1 billion buyback after just having completed the £750 million buyback. The way I think about it is clearly every year we will make a decision on how much we will buy back, but the reality is we are very committed to having an ongoing share buyback program. The way we constructed the £1 billion, as you rightly point out, is an ongoing £750 million, so repeat as last year. And then as you also know, we took out a special dividend from the Bank of £250 million, which we've added on, and therefore we've got the £1 billion. Then what's very important to us is completing the transaction fully by the second half of the year from the Bank sale. That should and will simplify the Business, and also allow us to return further cash to the market, which we will then do and explain once we've done that transaction.

But as you said, we've returned the majority and that's very much the plan to do so. And I think the £250 million gives a nice signal to that intent as well. In terms of Central Europe, look, the reality is Central Europe customers really went through a really tough time. As I mentioned, 30% inflation cumulatively over two years combined with all kinds of other pressures. We've done well by protecting customers. And actually the nice thing for us that we did see in Q4, we saw a return to volume growth. And we want to continue to see that. And that's what I meant by we're starting to see the recovery in Central Europe as the investment decisions and choices we've made are bearing fruit towards the end of the year last year. And therefore we will see, and should see, the volume return delivering some better operating leverage and then a recovery, I should say, of some of the profit.

Now it's built in within the guidance. I don't want to give you a number, because we will have to wait and see how it plays itself out. But I feel good about having made the right choices to protect the Central European Business and now focus on recovery.

Moderator: Thank you very much.

Imran Nawaz: Thank you.

Moderator: And just before we take our next question, just a quick reminder, if anybody would like to ask a question, if you could click on the raise hand icon at the bottom of your screens.

So we'll now take our next question from Clive Black at Shore Capital. Clive, you can unmute yourself and ask a question.

Clive Black: Yeah, thank you gentlemen. Well done.

I hope this hasn't been asked before, because I had trouble connecting, but if so, just ignore me. The first question is: there has been a recurring noise from analytical circles about deflation in the UK grocery market. And Ken, you talked about your substantial commitment to your wages, wage commitment to labour force. I just wonder, should we be expecting deflation to be something you are talking about this October or next April in UK retail?

Ken Murphy: We don't believe so, Clive. We think we're at a point now where you'll have seen the Kantar numbers of about 4, 4.5, 4.8% inflation on a headline basis. We know we're trading substantially below that number, so we think we're close to the rate of inflation that we would expect to persist through the year.

Clive Black: That's a very clear and helpful message. Thank you.

And then secondly, and finally from me, Imran, perhaps within the context of your guidance for retail-free cash flow this year, I just wonder if you could characterise a little bit more fully what you expect from working capital. And I guess the pretext of my question is, it's very pleasing to see volume growth back in the Business, and I guess from Ken's narrative, there's an anticipation that there's a better position for volumes going forward. Is that a tailwind that may lead your guidance to actually be quite cautious, given you've had inflationary forces before now?

Imran Nawaz: Yeah, look, I mean on the cash guidance as you are hinting, look, we've came off a really strong year of £2 billion, or £2.1 billion I should say. But transparently, as we call out in the earnings release, working capital inflows due to the inflation, that is a benefit in cash. And I think we called that around £400 million or so, was that benefit. Now, rightly so. If doing nothing else, my expectation would be you'd lose the full £400 million.

Our plan, though, of course, on an ongoing basis, is to find ways of generating and continue to generate working capital inflow with the balance sheet that we have. And I think volume growth should help us. And therefore my central case assumption right now is assuming an inflow of around £100 million or so.

I think when I think about the wider range, the reason we have the wide range, Clive, as you know, is we have a massive working capital balance of around £6.5 billion. So you can have working capital swings, plus or minus, going either direction. I think it's right to give ourselves that space to do so.

I mean, beyond the working capital thing, clearly we do expect cash taxes to go up a little bit next year. As mentioned in the presentation, the pension contribution tax break that we received over the last four years, the year we just closed was the last year and that's £150 million. So the way I think about it net-net, is working capital inflow, but less than the previous years, maybe £300 million less, and then cash taxes going up, so we should be within that range, and the range is wide for working capital fluctuations.

Clive Black: Very helpful, very clear.

Imran Nawaz: Sure.

Clive Black: Well done. Thank you, guys.

Imran Nawaz: Thank you.

Ken Murphy: Thanks Clive.

Moderator: Okay, thank you very much, Clive.

And we have no further questions, so I would like to turn the call back over to Ken Murphy and Imran Nawaz for closing remarks.

Ken Murphy: Thanks very much.

Thank you all for joining us this morning. We feel very, very good about the results we've been able to present to you this morning, but more importantly, we feel really good about the momentum it's generating in the business and how it's setting us up for the year to come. We're really looking forward to seeing you all again in Q1 and I'm sure we'll be seeing some of you as we go on our Investor Roadshow. So thank you again for all the great questions and we look forward to seeing you soon.

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