



Tesco Interim Results 2024/25.

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

3 October 2024

Agenda.



01. Introduction

02. Interim results

03. Strategic progress

04. Q&A

Introduction.

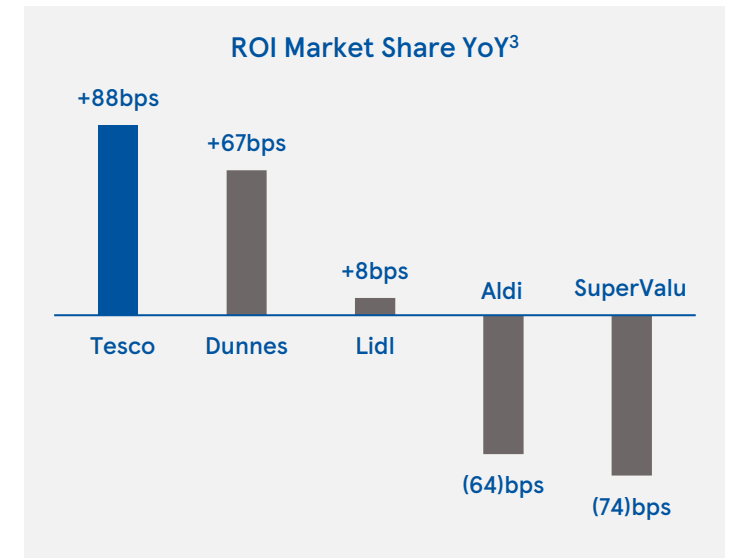
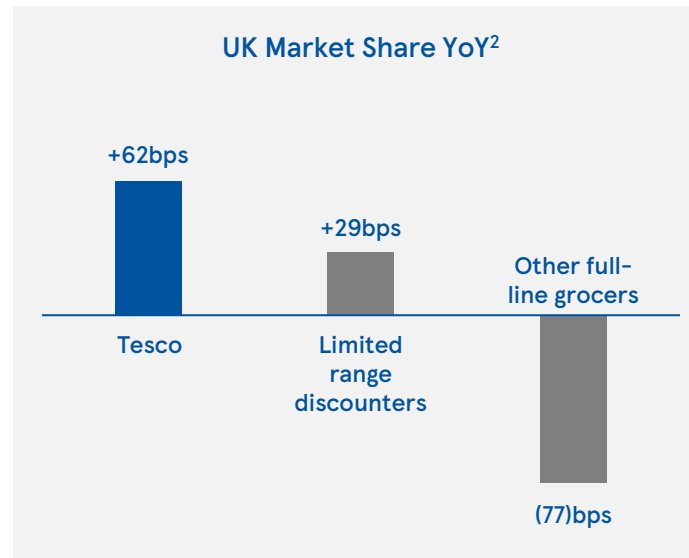
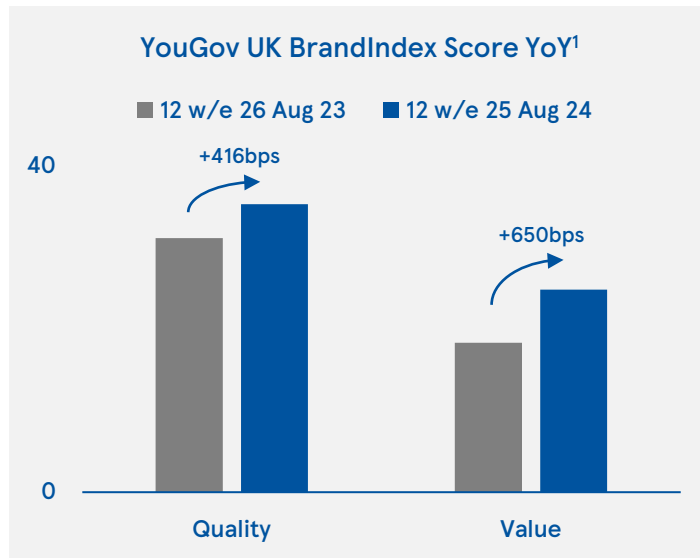
Ken Murphy

Customer offer drives volume growth and share gains.

Strong customer perception improvement

Volume growth in all territories

Market-leading share gains in the UK & ROI



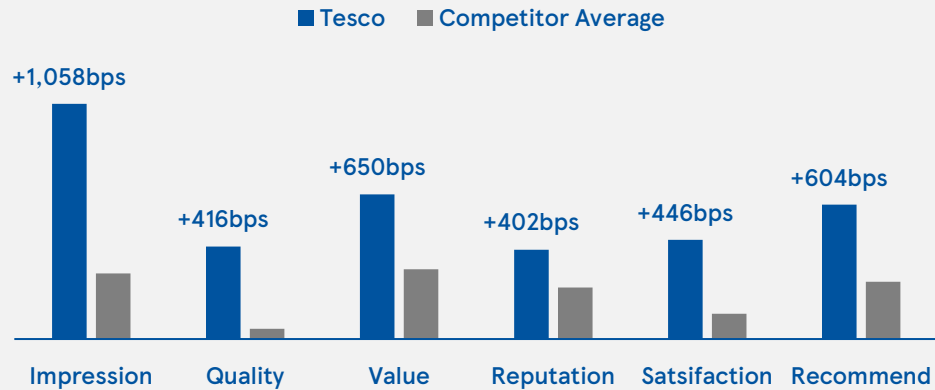
1. Brand Perception based on YoY changes in YouGov BrandIndex scores for the 12 weeks ended 25 August 2024.

2. UK market share based on Kantar Total Grocers Total Till Roll on 12-week rolling basis to 1 September 2024. Limited range discounters refers to Aldi & Lidl. Other full-line grocers refers to Sainsbury's, Asda & Morrisons.

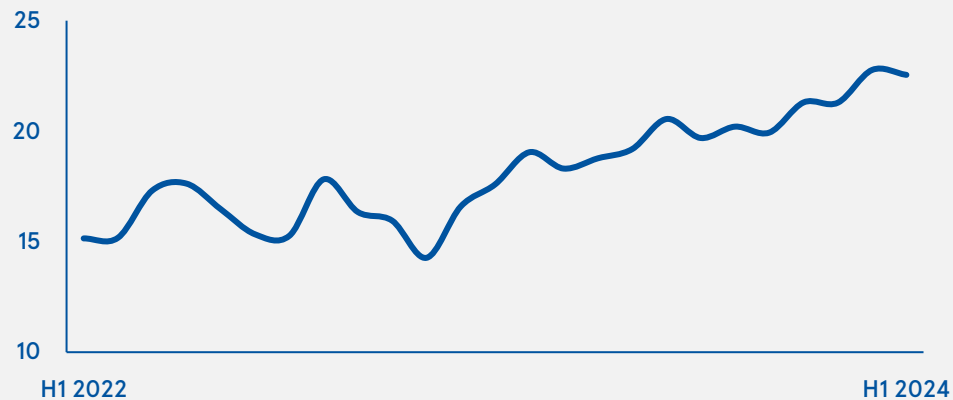
3. ROI market share based on Kantar Total Till Roll on 12-week rolling basis to 1 September 2024.

Improving customer satisfaction.

Perception improves ahead of market across all measures¹.



Improving NPS trajectory over the last two years².



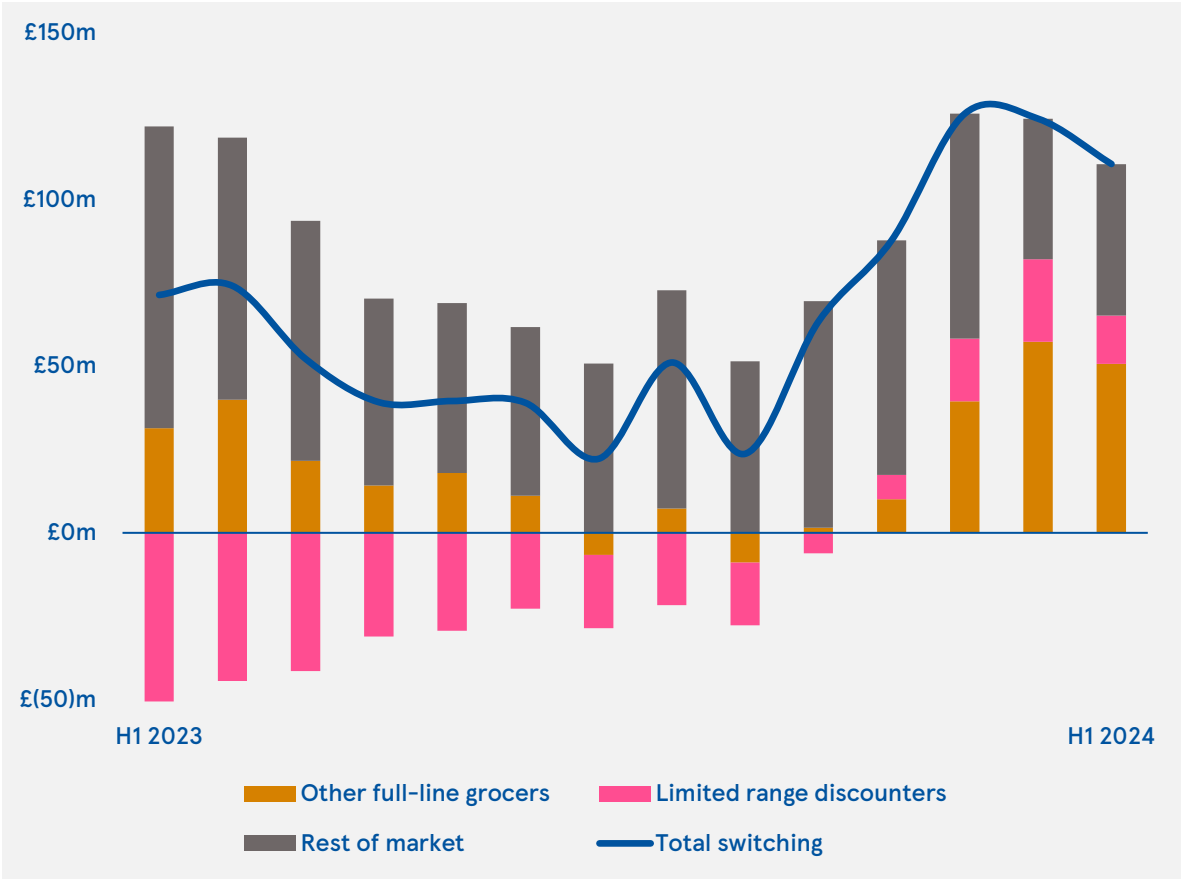
1. Brand Perception based on YoY changes in YouGov BrandIndex scores for the 12 weeks ended 25 August 2024. Competitor average refers to Sainsbury's, Asda, Morrisons, Aldi & Lidl.
2. Brand NPS is based on BASIS Global Brand Tracker. 3 period rolling data. Responses to the question: "How likely is it that you would recommend the following company to a friend or colleague as a place to shop?"

TESCO



Winning share across the market.

Net UK switching gains for 19 consecutive periods¹



1. UK Kantar net switching gains 12-week rolling basis to 1 September 2024. Limited range discounters refers to Aldi & Lidl. Other full-line grocers refers to Sainsbury's, Asda & Morrisons.

Strong financial performance.



Group Sales¹

£31,463m
+4.0%

Retail Operating Profit²

£1,555m
+10.0%

Retail Free Cash Flow³

£1,261m
(7.8)%

Earnings Per Share⁴

14.45p
+23.7%

1. Group sales exclude VAT and fuel on a continuing operations basis. Sales change shown at constant rates.
2. Adjusted operating profit excludes adjusting items. Change shown at constant rates.
3. Retail free cash flow excludes Tesco Bank. Change shown at actual rates.
4. Adjusted diluted EPS excludes adjusting items. Change shown at actual rates.

TESCO

Interim results.

Imran Nawaz

Performance headlines.

On a continuing operations basis¹

Volume-led sales growth

Volume performance and Save to Invest delivery drives strong profit growth

Retail free cash flow ahead of expectations

Bought back £575m worth of shares in the half

Net debt reduced by £88m since Feb-24

Retail sales²

+3.5%

Like-for-like +2.9%

Retail profit³

£1,555m

+10.0% vs. last year

Retail free cash

£1,261m

£(107)m vs. last year

Net debt

£(9,676)m

reduced by £88m vs FY24

EPS⁴

14.45p

+23.7% vs. last year⁵

Interim dividend

4.25p

+10.4% vs. last year⁶

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

Segmental performance.

On a continuing operations basis¹

	Sales ²	Change at constant rates	LFL	Adjusted operating profit ³	Change at constant rates	Margin ⁴
UK & ROI	£28,917m	3.7%	3.1%	£1,506m	10.0%	4.7%
Central Europe	£2,027m	0.9%	0.6%	£49m	8.7%	2.3%
Retail	£30,944m	3.5%	2.9%	£1,555m	10.0%	4.5%
Bank ¹	£519m	46.6%		£94m	n/m	18.1%
Group sales ¹	£31,463m	4.0%		£1,649m	15.8%	4.7%

1. The performance of our existing banking operations has been classified as a discontinued operation and is excluded from our headline performance metrics. Retained Tesco Bank comprises money services and insurance.
2. Sales exclude VAT and fuel. Sales change shown at constant rates.
3. Operating profit before adjusting items.
4. Margin % at actual rates.

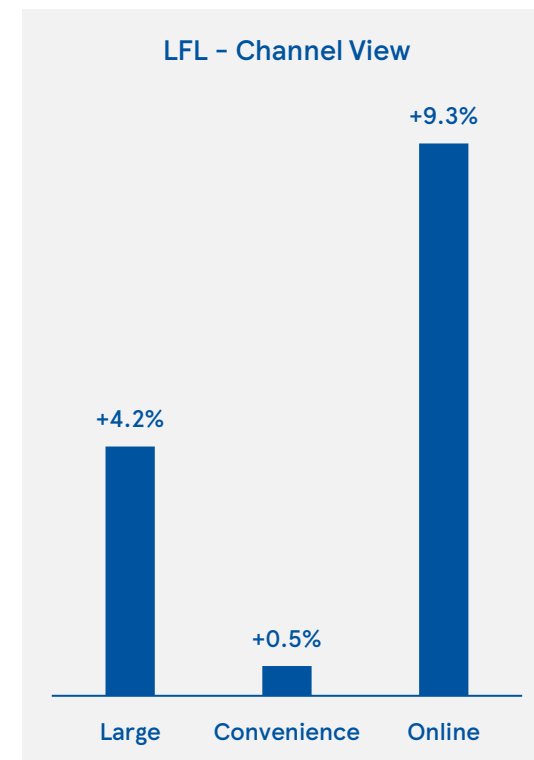
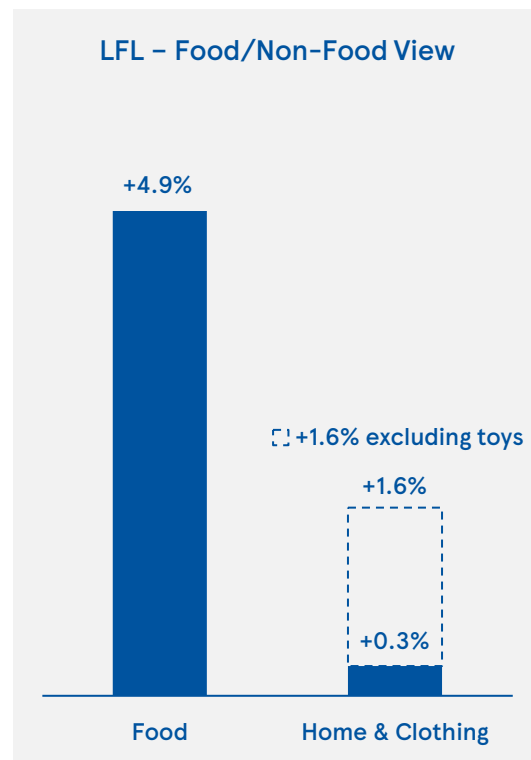
UK.

LFL sales +4.0%; strong volume growth with inflation returning to normalised levels

Food +4.9%; continued investment in value and quality; upweighted activity during key events

Home & Clothing +0.3%, reflects transition to a commission model for toys with The Entertainer

Strong growth in large and online; offsets weaker performance in convenience, impacted by weather and ongoing tobacco market decline



UK – Online.

Sales growth¹ +9.3%; order growth from targeted capacity increases and strong customer satisfaction

Tesco Whoosh now in 1,460 stores, with orders per store up c.40% since H2 last year

Introduced Tesco Marketplace; now offering over 150k SKUs with strong pipeline of sellers

Total Online ¹	24/25	YoY change
Sales inc. VAT	£3.3bn	9.3%
Orders per week	1.3m	9.3%
Basket size	£108	4.4%
% of UK total sales	13.5%	0.6ppts

1. Sales, orders and % of UK total sales includes Tesco Whoosh, Basket size excludes Whoosh

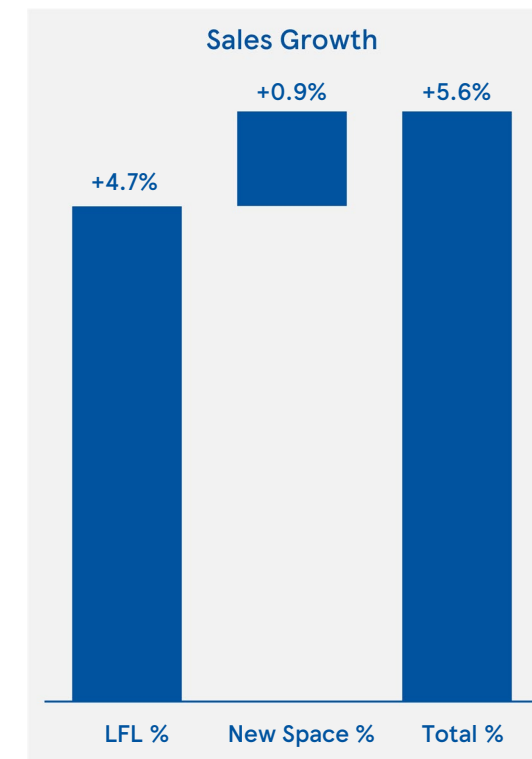
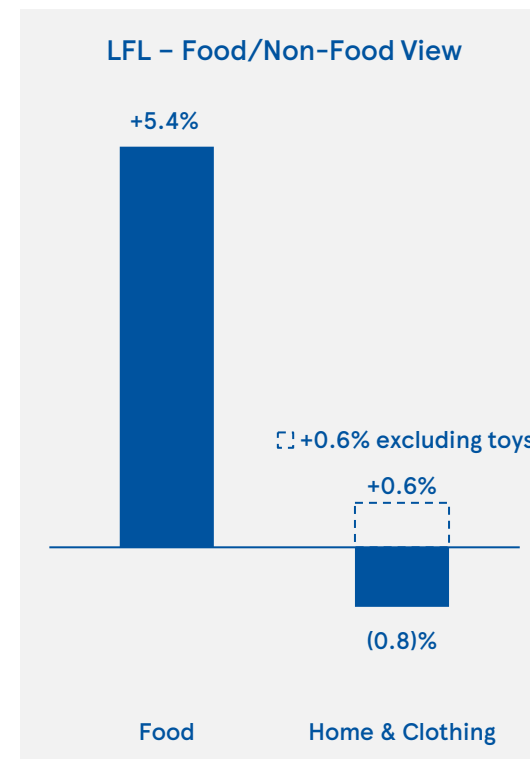
ROI.

LFL sales +4.7%, primarily from stronger volumes; market share gains +88bps²

Food sales +5.4%, supported by ongoing investment in our fresh proposition

Home & Clothing (0.8)%, reflects transition to a commission model with The Entertainer

New space contributing +0.9%pts



1. Growth shown at constant rates.
2. Kantar market share based on 12 w/e ending 1st September 2024.

Booker.

Core Retail +0.6%; symbol brands² performing well, some weakness in independent convenience sector

Core Catering +1.7%; supported by high customer satisfaction and further availability improvements

Ongoing weakness in parts of fast-food market serviced by Best Food Logistics

Completed acquisition of Venus, a specialist wine and spirit merchant

	Sales	LFL
Core Retail	£1,657m	0.6%
Core Catering ¹	£1,350m	1.7%
Tobacco	£888m	(7.3)%
Best Food Logistics	£728m	(6.6)%
Total	£4,623m	(1.9)%

1. Includes small businesses sales.

2. Symbol Brands refers to Premier, Londis, Budgens and Family Shopper

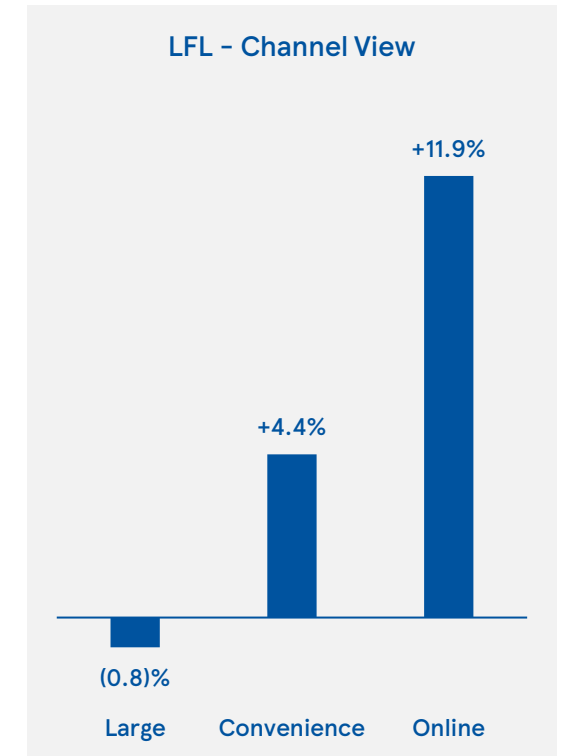
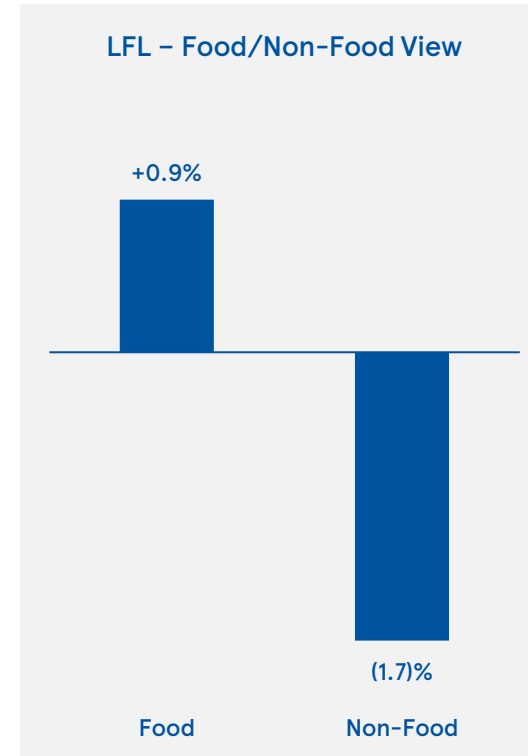
Central Europe.

LFL sales +0.6%, driven by stronger volumes

Food sales up +0.9%; positive response to value investments

Non-food sales impacted by wetter weather in Q2

Large LFL reflects customer preference for smaller, more frequent shopping trips and non-food impact



Retail operating profit.

Operating profit growth² of +10% reflective of:

- UK & ROI
 - Strong volume growth in UK & ROI, partly offset by weaker performance in Booker
 - Ongoing Save to Invest delivery, more than offsetting operating cost inflation
- Central Europe
 - Early progress in operating profit recovery

	UK & ROI	CE	Retail
Operating profit ¹	£1,506m	£49m	£1,555m
Operating profit growth % (YoY) ²	10.0%	8.7%	10.0%
Margin ³	4.7%	2.3%	4.5%
Margin YoY ³	+29 bps	+26 bps	+30 bps

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

Statutory profit after tax.

On a continuing operations basis¹

- Statutory profit after tax up +15.2% driven by operating profit growth of +15.6%
- Adjusting net charge of £(37)m, relating mainly to the amortisation of acquired intangibles³
- Net finance costs lower due to:
 - higher interest earned on cash, short-term deposits and money market funds
 - favourable non-cash mark-to-market movements on certain hedging instruments
- £(96)m higher tax charge, primarily due to:
 - year-on-year profit growth
 - higher UK statutory tax rate

	H1 24/25 £m	H1 23/24 ¹ £m	YoY £m
Adjusted operating profit	1,649	1,426	223
Adjusting items ²	(37)	-	(37)
Operating profit	1,612	1,426	186
Net finance costs	(218)	(269)	51
Joint ventures and associates	(2)	4	(6)
Group tax	(370)	(274)	(96)
Statutory profit after tax	1,022	887	135

1. Comparatives have been restated for sale of banking operations.

2. Adjusting items within operating profit.

3. Relating to the intangible assets that were recognised as a result of our merger with Booker in March 2018.

Retail free cash flow.

On a continuing operations basis¹

- Retail free cash flow of £1.26bn
- Working capital inflow of £169m is lower than last year, reflecting lower levels of cost inflation year-on-year
- Capex spend of £0.6bn, prioritising high returning investments, including new space and Save to Invest
- Net interest lower, reflecting higher interest earned on cash and cash equivalents
- Tax paid of £(176)m, higher year-on-year
 - No further tax relief related to the one-off pension contribution in 2021
 - Year-on-year profit growth
 - Higher UK statutory tax rate

	H1 24/25 £m	H1 23/24 £m
Retail cash generated pre-working capital	2,382	2,212
Decrease in working capital	169	368
Retail operating cash flow	2,551	2,580
Cash capex ¹	(594)	(595)
Net interest	(244)	(273)
Tax paid	(176)	(38)
Dividends received	2	6
Repayments of obligations under leases	(295)	(306)
Share schemes	17	(6)
Retail free cash flow	1,261	1,368

1. Capex excluding property buybacks, store purchases and acquisitions.

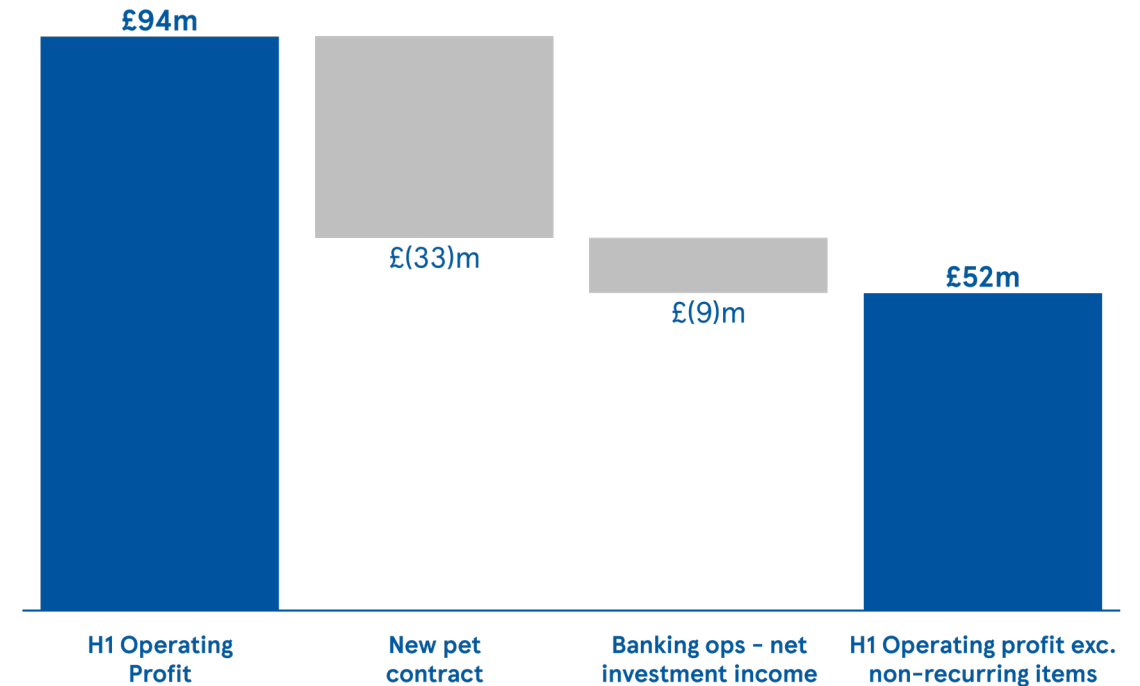
Tesco Bank.

Continuing operations profit of £94m:

- strong growth in insurance business, due to high level of renewals and new business volumes
- £42m of non-recurring benefits relating to new pet insurance contract and net investment income

Sale of existing banking operations on track to complete later this calendar year

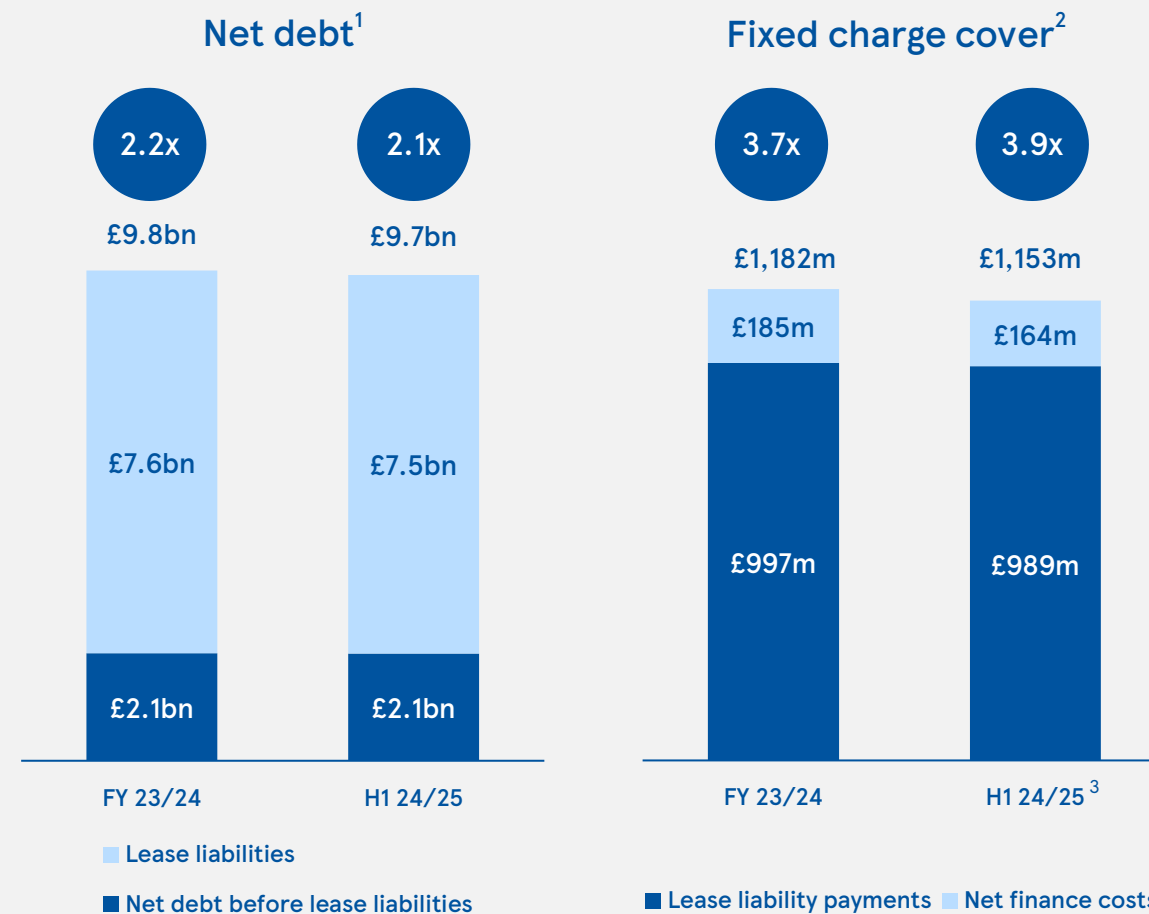
Expect £120m contribution from retained business for FY24/25; £80m-£100m ongoing



Balance sheet metrics.

Balance sheet remains strong with net debt ratio lower than year end

Fixed charge cover improves to 3.9x reflecting strong EBITDA growth



1. Net debt is inclusive of IFRS 16 lease obligations, but excludes Tesco Bank.
2. Fixed charge comprises net finance costs (excluding net pension finance income/costs, finance charges payable on lease liabilities, capitalised interest and fair value remeasurements) and total lease liability payments from continuing operations.
3. Last 12m basis.

FY 24/25 outlook.

Now expect to deliver retail adjusted operating profit of around £2.9bn

In addition, now expect retained Tesco Bank adjusted operating profit of around £120m

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

£575m of shares bought in first half; on track to complete £1bn buyback¹ by April 2025

1. £1bn share buyback announced April 2024.

Strategic progress.

Ken Murphy

Our strategic priorities.



**Magnetic
value for
customers**

Re-defining value to become
the customer's favourite



**I love my
Tesco
Clubcard**

Creating a competitive
advantage through powerful
digital capability



**Easily the
most
convenient**

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



**Save to
Invest**

Simplify, become more
productive & reduce costs

Revisiting the multi-year performance framework.



Drive top-line growth, underpinned by:

- ✓ Increasing customer satisfaction relative to the market
- ✓ Growing or at least maintaining our core UK market share

Grow absolute profits whilst maintaining sector-leading margins through:

- ✓ Leveraging our assets efficiently across all channels
- ✓ Accessing new revenue streams across our digital platform
- ✓ Targeting productivity initiatives to at least offset inflation

In doing so, generate between £1.4bn and £1.8bn retail free cash flow per year

Increased customer satisfaction driving market share gains.

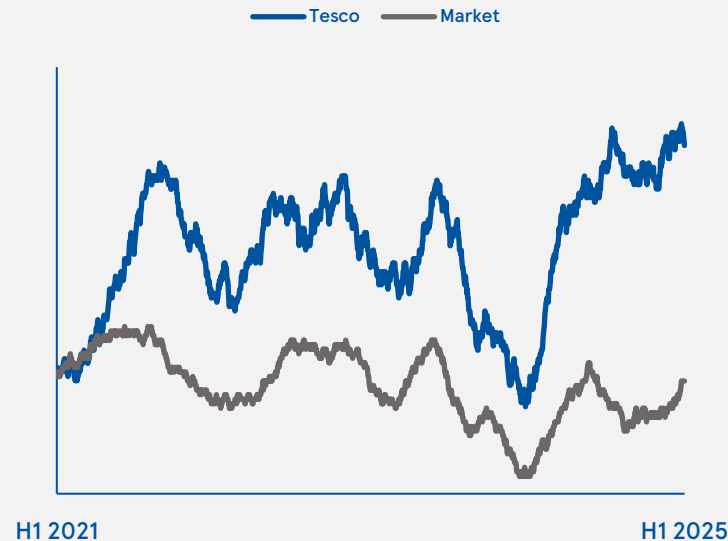
What we said

Drive top-line growth, underpinned by:

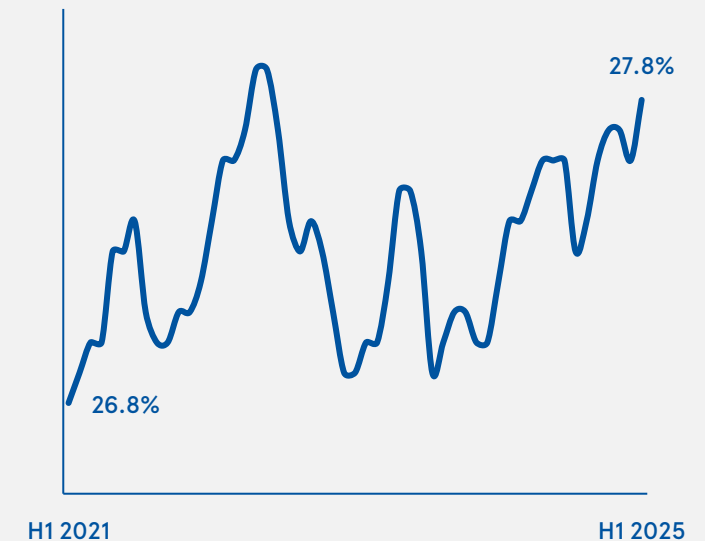
- ✓ Increasing customer satisfaction relative to the market
- ✓ Growing or at least maintaining our core UK market share

What we have delivered

YouGov BrandIndex, Rebased



UK Market Share



1. Brand Perception based on YouGov BrandIndex scores for the 12 weeks ended 26 August 2024. Market refers to Sainsbury's, Asda, Morrisons, Aldi & Lidl.
2. UK market share based on Kantar Total Grocers Total Till Roll on 12-week rolling basis to 1 September 2024.

Customer satisfaction at the core of strong financial performance.

What we said

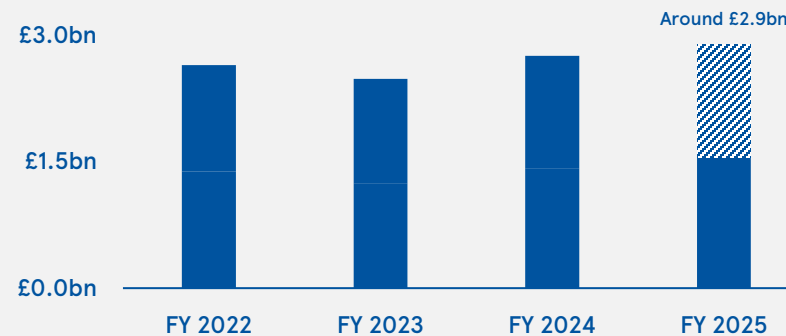
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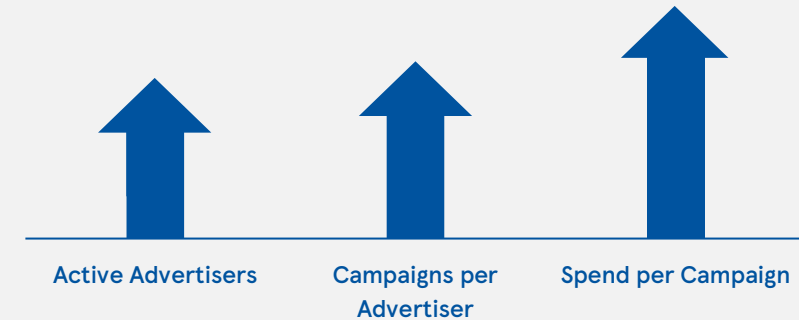
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What we have delivered

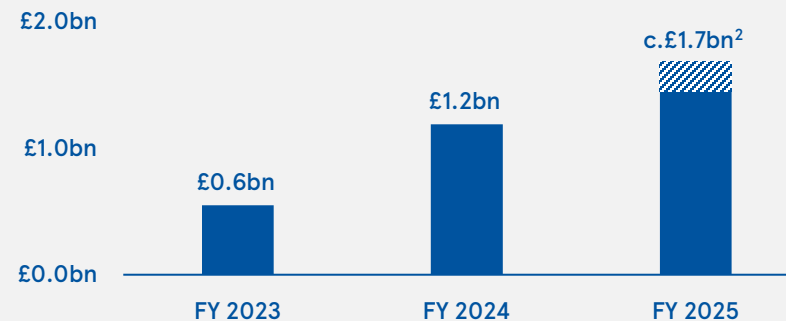
Retail Operating Profit¹



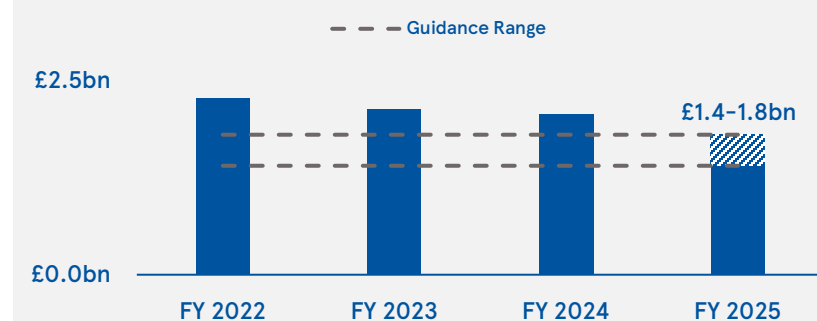
Retail Media Income YoY Increase



Save to Invest Cumulative Savings



Retail Free Cash Flow³

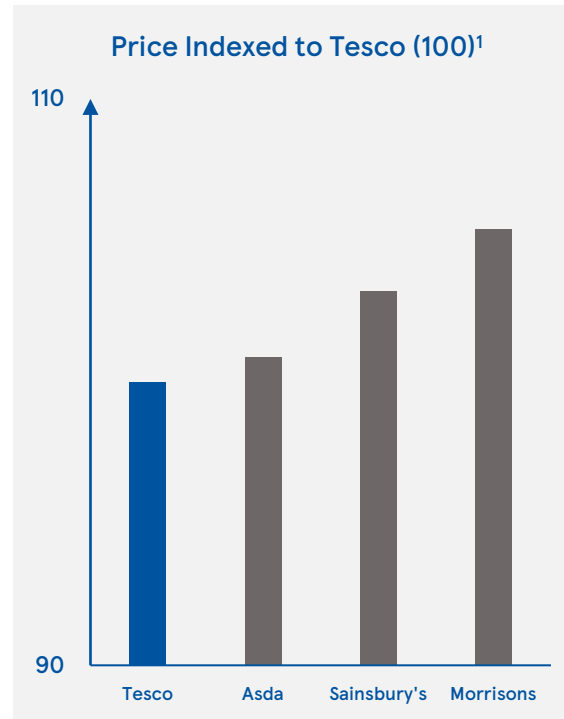


1. Excludes adjusting items.
2. Includes expected c.£240m in H2 2025.
3. Retail free cash flow excludes Tesco Bank.

Leading on value.

Helping customers spend less across the Group:

- Cheapest full-line UK grocer since November 2022
- Winner of the 2024 Grocer Gold 'Grocer 33 Price Award'
- Price cuts on at least 1,500 products in each CE market
- Price lock on over 700 Booker catering products until Jan 25
- No EU roaming fees until 2026 with Tesco Mobile



>700 everyday essentials price matched to Aldi



>1,000 products available at Low Everyday Prices



>8,000 Clubcard Prices deals each week



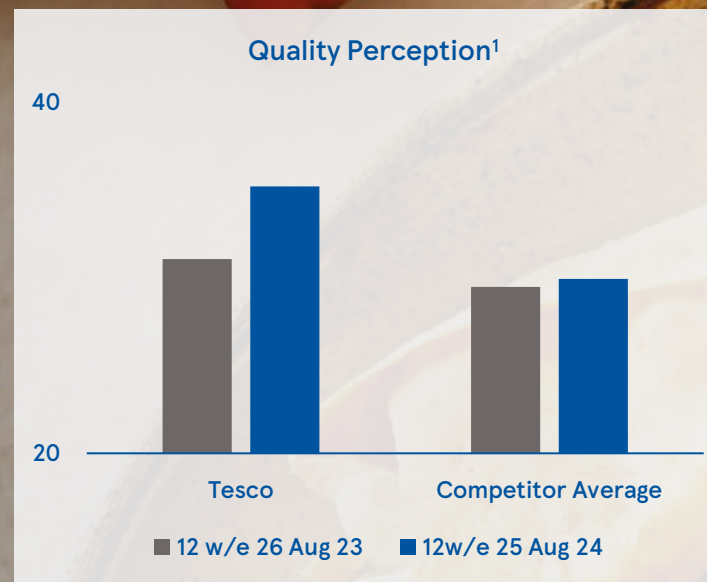
1. UK Price index is an internal measure calculated using the retail selling price of each item on a per unit or unit of measure basis. Competitor retail selling prices are collected weekly by a third party. The price index includes price cut promotions and is weighted by sales to reflect customer importance.

TESCO

Improving quality across the range.

Improving intrinsic quality across our range:

- Over 860 new or improved products; new ranges including Root & Soul and Pinch
- Enhanced sustainability credentials and improved taste of own brand block chocolate
- ROI food sales up +5.4%, winner of eight gold medals at 2024 'Monde Selection Awards'



Retained IWC
'Own Label Range
of the Year'



'Britain's Favourite
Supermarket' for
10th straight year



Launch of 'Better
Choices' healthier
snacking range in ROI

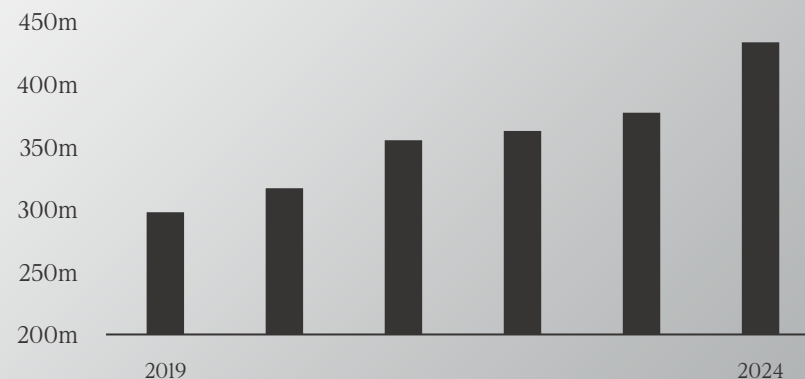
Root & Soul Roasted Butternut Squash, Ricotta & Spinach Galette



Volume growth driving strong performance:

- More than **180** new or improved *Finest* products
- **+17.9%** *Finest* Dine In sales volume post-relaunch
- Over **20m** customers buying a *Finest* product, **+5.4%** more year-on-year
- *Finest* switching gains from ***all competitors***¹

Finest Volumes, H1



Awarded *Own Label Range of the Year* at the 2024 Grocer Gold Awards

1. UK Kantar net switching gains 12-week rolling basis to 1 September 2024.



Evolving digital capabilities.

Expanding and evolving our digital reach:

- Growth in Clubcard penetration across the Group
- Personalised Clubcard Challenges for 4.9m customers
- 91 brands participated in our 'Summer of Sport' event



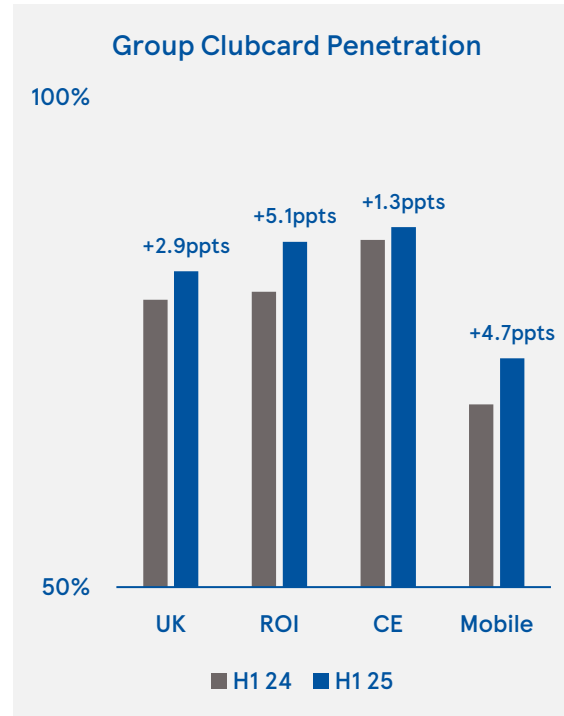
dunnhumby
signed agency
arrangements



Launched Tesco
Marketplace,
>150k products



Whoosh orders
nearly doubled
year-on-year



TESCO

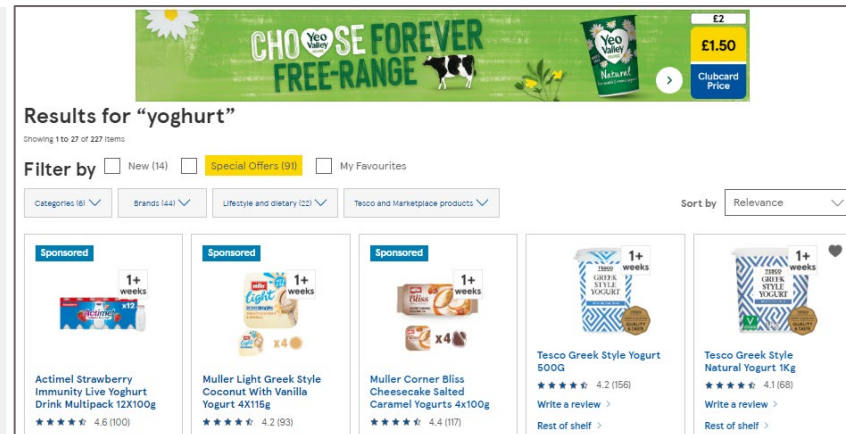
Developing our leading digital platform.



- Over 500 suppliers engaging customers through retail media
- More than 7,600 campaigns in the half
- Multi-channel execution across store, digital, AV and print



- Over 4,000 digital screens across large and convenience
- #1 for 'Effective Retail Media' in Advantage survey, +14ppt YoY
- Launched personalised Scan as you Shop handset content



“What was a real step-change was the collaborative nature that existed between the media, ecommerce, and shopper teams...allowing us to deliver a full-funnel activation. It's going to be a blueprint.”

Ed Sanderson | Head of Media & Planning



PEPSICO

TESCO

Investing in our network.

Expanding and improving our physical estate

- 44 new stores across the Group, 182 refreshed
- 'Fresh first' refresh in ROI driving market outperformance
- Aylesford chilled DC opens Summer 2025, leveraging robotic automation
- 397 net new Booker retail partners



'Fresh first' refresh, ROI

Caring for colleagues and communities.



Colleagues

- c.£800m invested in store colleague pay awards since 2022
- 'Employer of the Year (Retailer)' at Grocer Gold Awards 2024
- Almost 15,000 colleagues using virtual GP service in 1st year



Communities

- Stronger Starts awarding >£9m to date to >8,000 projects
- 220m meals donated through FareShare partnership to date
- Continued 'Kids Eat Free' campaign in over 300 Tesco Cafés

Supporting suppliers and the planet.



Suppliers

- Ranked 1st in Advantage supplier survey for 9th year running
- Further 16 brands included in 2024 Accelerator Programme
- Launched 'Best of British' page online helping British farmers



Planet

- Signed new renewable energy Power Purchase Agreement
- Trialling methane-reducing feed supplement for dairy cows
- Launch of tenth 'Tesco train' to help cut road miles

Summary.



Strong customer offer delivers volume growth and market share gains

Strong financial performance in the half

Continued investment in value, quality and service whilst unlocking longer-term growth opportunities

Delivering for all stakeholders



Q&A.

Ken Murphy & Imran Nawaz

Appendix.



Guidance.

Retail profit	Expect to deliver around £2.9bn for FY 24/25
Retained Tesco Bank profit	Around £120m, including part-year effect of partnership income in H2 of year
Retail free cash flow	£1.4bn to £1.8bn in FY 24/25
Capex	Expect FY 24/25 capital expenditure of c.£1.4bn
Net finance costs ¹	Broadly in line with last year (FY 23/24: £(558)m)
Leverage ratio	Targeting c.2.8 – 2.3 times Net debt ² /EBITDA
Tax	Effective tax rate around 27% in FY 24/25
Dividend	Progressive (broadly targeting c.50% of earnings) Interim dividend 35% of prior year full year dividend, in line with our policy
Share buyback	Committed to complete buyback ³ of £1bn worth of shares by April 2025

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

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

3. £1bn share buyback announced April 2024

Debt and liquidity.

Debt maturity profile

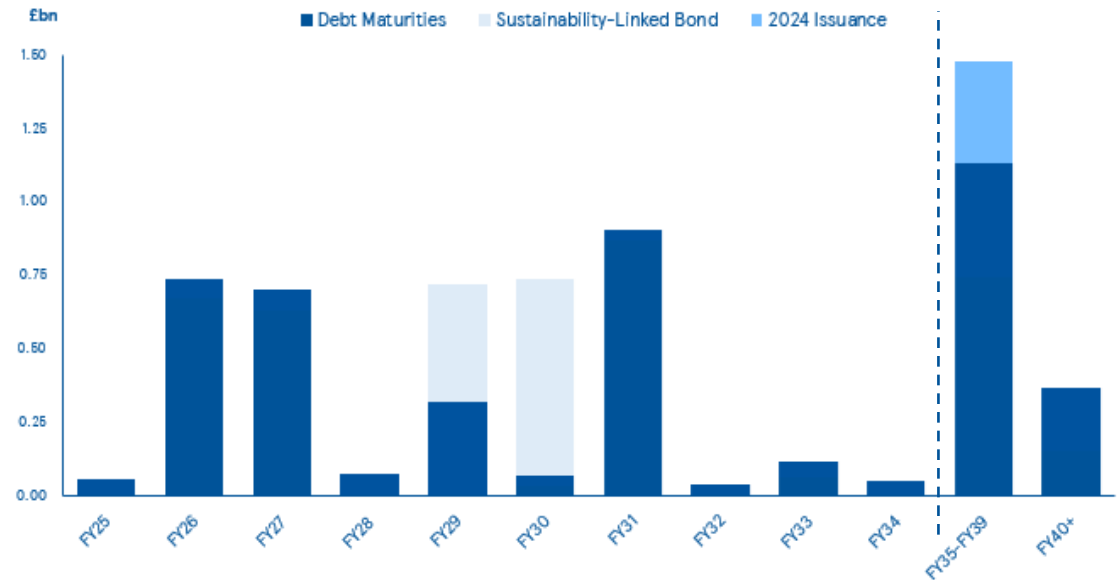
Smooth debt maturity profile

- Less than £1bn maturing in any year
- Weighted average maturity of c.6.5 years

Weighted average interest cost of 5.1%

Strong liquidity position

- £3.1bn cash¹
- £2.5bn of undrawn committed facilities



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

Adjusting items – H1 24/25.

	H1 24/25 £m	H1 23/24 £m
Property transactions	7	24
Amortisation of acquired intangible assets	(38)	(37)
Other ¹	(6)	13
Total adjusting items in statutory operating profit (continuing operations)	(37)	–
Net finance costs	51	18
Tax	(2)	23
Total adjusting items (continuing operations)	12	41
Adjusting items (discontinued operations)	(41)	–
Total adjusting items	(29)	41

1. Other includes the disposal of Booker's Ritter-Courivaud Limited subsidiary in the prior year.

Disclaimer.

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