

Tesco PLC
Preliminary Results 2025/26

Video webcast

16th April 2026

Transcript



Disclaimer

This transcript is derived from a recording of the event. Every possible effort has been made to transcribe accurately. However, neither Tesco PLC nor BRR Media Limited shall be liable for any inaccuracies, errors, or omissions

Ken Murphy:

Good morning, everybody, and thank you for joining Imran and I as we talk through our results for the year. We will also provide an update on our strategic ambitions as we set ourselves up for longer term delivery in an ever-changing retail landscape.

I'm really pleased with our performance across the last year. Against a backdrop of increased competitive intensity, we took decisive action to further strengthen our investments in price, quality, and service. These actions resonated strongly with customers, driving further gains in customer satisfaction and continued growth in market share.

Our commitment to delivering the best value for customers remains firm. In a period of continued pressure on household incomes and global uncertainty, this matters more than ever.

In a year of strong momentum, customer satisfaction stepped on further and we reached our highest market share for a decade. This translated into a strong financial performance with both profit and cashflow ahead of our guidance ranges. Alongside strong operational execution, we have been working across the business to unlock long-term growth opportunities, leveraging our unrivalled customer reach, data insights, and digital expertise, including the use of AI. As part of my strategic update a little later, I will cover some of this progress in more detail.

Increasing customer satisfaction and market share are priorities for us. And following our progress over the last four years, we were pleased to see further momentum this year. Our net promoter score increased ahead of the competition, including an improvement in value perception. In the UK, our market share reached 28.5%, outperforming on both a volume and a value basis, and taking our total share gain across the last three years to 120 basis points. In Ireland, we are now in our fourth year of gains with market share increasing 32 basis points over the year to 24.2%.

We started last year with a strong price position versus the market, and despite an increase in competitive intensity, we've exited the year in a similarly strong position. Across the last 12 months, our investments into price, including tripling the number of products in Everyday Low Prices to 3,000, running alongside over 10,000 Clubcard prices and more than 600 Aldi Price Match lines. We finished the year with over 10,000 prices lower than at the start of the period. Quality is a crucial part of the value equation, and I'm proud of our work over the year to deliver continuous innovation and improvement across our ranges.

Finest is a key part of this story, delivering sales growth of 15% with our popular dine-in deals performing especially well. We also launched exciting new ranges like Chef's Collection, which offers restaurant quality centrepieces designed by Tesco's in-house development chefs.

But it's not just about Finest. Our frozen range refresh in the second half are biggest for many years, so hundreds of new and improved products across tiers, from tasty new recipes and prepared meals and pizza to delicious new frozen desserts.

Our colleagues are the driving force behind our performance, and I would like to extend my personal thanks for all their hard work over the past year to deliver these strong results. In recognition of the exceptional service they have given customers, we're really delighted to be announcing a £65 million performance award for our hourly paid colleagues in stores, distribution centres, and customer engagement centres. This follows a further £209 million investment in colleague pay for our UK store colleagues, bringing our total hourly pay increase to 43% over the past five years, which comes alongside a comprehensive range of colleague benefits. One of those benefits is our 'Save as You Earn' company share scheme, and I was particularly delighted to see that over 22,000 colleagues, mainly those working in-store and our distribution centres, were able to benefit from £134 million payout from the schemes maturing this year.

By consistently delivering for customers, we are creating long-term sustainable value for all our stakeholders. Our Fruit & Veg for Schools programme continues to make a significant impact in some of the most disadvantaged communities across the UK. It has now expanded to 500 schools, offering children improved nutrition and education on healthy eating. A further 320 schools in Ireland also benefit from our Stronger Starts Food Programme. Strong supplier relationships and collaboration are fundamental to our success, and we were delighted to be ranked first in the independent Advantage survey for the 10th year running.

We've also made good progress with our Planet Plan, including a 68% reduction in our Scope 1 and Scope 2 emissions, well ahead of our plan for a 60% reduction by the end of 2025. And for our shareholders, we returned £2.4 billion through dividends and buybacks during the year.

I'll return shortly to provide you with an update on our strategic ambitions, but before that, I'll hand over to Imran.

Imran Nawaz:

Thank you, Ken, and good morning, everyone. I'm really pleased with the performance across the year.

Following several years of good progress and against the backdrop of elevated competition, we saw consistent market share gains and improved customer satisfaction, which is reflected in our strong financial performance across the year. I'll now take you through our financial performance before taking a step back and setting up our longer term financial priorities. This year, our statutory results cover a 53-week period. For comparability, the headline results are presented on a 52-week basis unless otherwise stated.

Group sales grew by 4.3% at constant exchange rates. This included a 3.5% increase in like for-like sales, reflecting growth across all our operating segments. Group adjusted operating profit increased by 0.6% at constant rates to £3.15 billion, driven by sales growth and progress on our save to invest programme of setting operating cost inflation and investments in value, quality, and service. Our headline earnings per share increased 6% year-on-year to 29 pence, benefiting from our ongoing share buyback programme and growth in profit after tax. Our cash delivery was strong with £1.96 billion of free cash flow, up 12% year-on-year, and above the upper end of our guidance range.

We have proposed a final dividend of 9.7 pence per ordinary share, resulting in a full year dividend of 14.5 pence. This represents growth of 5.8% and is in line with our policy of setting our annual dividend at broadly 50% of earnings. Our balance sheet remains strong. Our net debt, including capitalised leases, was £10.56 billion at the end of the period with our net debt to EBITDA ratio at 2.1 times.

The UK and Ireland saw total sales growth of 5% and adjusted operating profit growth of 0.7% with further volume and value market share gains and progress in save to invest more than offsetting significant investments into the customer offer and operating cost inflation. Booker sales increased by 0.6% and adjusted operating profits grew by 0.7% year-on-year. Sales growth in our core catering and retail businesses, together with a strong save to invest contribution, more than offset operating cost inflation. In Central Europe, our sales grew by 3.7% with the adjusted operating profit performance, reflecting the net effect of the benefit of sales growth, a further contribution from save to invest and lower rental income following the sale of some of our mall properties in the prior year. Now what I'll do is I'll go through each market's performance in more detail, starting with sales before moving on to profit.

In the UK, sales growth of 4.9% included like for-like sales growth of 4.2%. Our food like for-like sales grew at 5.2% with a strong contribution from fresh food up 6.9%. Finest was once again a standout performer and grew 14.5% over the year driven by strong volume growth. Our clothing like for-like sales grew by 5.1%, driven by women's wear, with expanded ranges in activewear and our curated F&F edit ranges, both performing very well. Like-for-like

sales grew across all channels, including large store like-for-like of 3.9%. We also took share across all channels, including 71bps of market share gain in convenience and 30bps in online. UK online sales grew by 11.2%, driven by volume growth and included a circa two percentage point contribution from Tesco Whoosh, where we extended national coverage to over 70% of households. Average online orders per week for our grocery home shopping business grew by 6% as we rolled out more slots to customers and made further improvements to our website.

In Ireland, like-for-like sales grew by 4.6%. Total sales were up 6.6% at constant exchange rates, including the contribution from nine stores we opened in the year. Food like-for-like sales grew by 5.1%, supported by our fresh food offer and further growth in Tesco Finest. As in the UK, we grew across all our channels with online delivering 17.4% growth as we reached over 94% national delivery coverage. Home and Clothing like-for-like sales were down 1.8%, reflecting the impact from the transition to a commission model for toys as in the UK.

Booker like-for-like sales increased by 0.2% despite the ongoing decline in tobacco sales. In core retail, like-for-like sales were up 2.2% and we continued to expand our symbol brands adding a further 369 net new partners. Core catering like-for-like sales grew at 3.8% and customer satisfaction scores improved as we continued to deliver great value and availability for our customers. Growth was further supported by Venus, our specialist wine and spirit merchant, as well as the benefit from good weather over the summer.

In Central Europe, like-for-like sales grew by 2.2% with fresh food up 4.1% supported by our investments in value. Finest performed strongly with over 30% sales growth. All three of our channels grew over the period with online reaching 17.5% growth, while growth in large stores was impacted by softer Home and Clothing sales, reflecting lower consumer confidence in the region and poor weather during key trading periods. Customer satisfaction continued to grow through the year, and we stepped up our customer rewards as we celebrated 15 years of Clubcard in the region.

Let's now turn to profit. At a Group level, we delivered £3.15 billion of adjusted operating profit up 0.8% at actual exchange rates. Our strong trading performance, together with a £535 million contribution from Save to Invest, more than offset the impact of our significant investments in the customer offer and elevated operating cost inflation, including from increased regulatory costs.

This slide reconciles adjusted operating profit to statutory profit after tax, which is presented on a 53-week basis. Total adjusting items represent a net charge of £153 million. This includes the ongoing amortisation of acquired

intangible assets of £78 million, principally relating to the merger with Booker, and a non-cash net impairment charge of £53 million. Restructuring costs mainly relate to our save to invest programme, including costs associated with our multi-year programme to optimise our distribution network in the UK. We incurred £28 million pounds in separation costs relating to the disposal of our banking operations. We expect the transition to complete in the current financial year.

We delivered strong free cash flow of £1.96 billion versus £1.75 billion last year. Cash generated from operations increased by £522 million driven by profit growth, as well as strong working capital inflow of £385 million. The working capital inflow was mainly driven by our sales performance, strong working capital management, and higher non-trade payables. Cash capex was £1.5 billion.

Looking back over the last five years, our disciplined approach to investing in high return areas has fuelled sustainable growth and cash flow. This in turn has allowed us to steadily increase our capital expenditure while significantly improving return on capital employed, which remains well above our weighted average cost of capital. Over the period, we have continued to return cash to shareholders in the form of dividends and share buybacks. Since the commencement of our share buyback programme in October 2021, we have bought back £4.3 billion worth of shares at an average price of £3.17 per share.

This slide provides some additional detail on the nature of our capital investments. Our core operations are the foundation from which our opportunities are built. We continue to maintain and refresh our estate, ensuring that customers get the store and online experience they expect from Tesco. We're also investing strongly into productivity and growth initiatives. Our 'Save to Invest' programme has allowed us to simplify, become more productive and reduce costs across our business. This includes the ongoing optimisation of our distribution network, which powers our market leading availability. With a focus on leveraging our existing assets, our future growth opportunities are generally capital light. The capital that we do spend is focused on high return areas such as technology, including investments into new digital platforms and AI.

Looking now to the balance sheet, which remains strong. Net debt was £10.6 billion versus £9.5 billion last year. The increase is mainly due to the prior year including around £700 million of proceeds from the sale of the group's banking operations, which we returned to shareholders during the course of this year. Lease renewals and extensions also drove a £168 million increase in lease liabilities, and there was £144 million net outflow for property transactions, primarily the buyback of seven stores in the UK. Our net debt to EBITDA ratio is at 2.1 times, and our fixed charge cover is 4.1 times in line

with the prior year. During the year and alongside the scheme's trustees, we agreed to triennial funding valuation for our principal defined benefit pension scheme. On a technical provisions basis, the funding position of the scheme remains in surplus, and it was therefore agreed with the trustees that no pension contributions would be required from the Group.

Our progress across the last year builds on our strong delivery since we first set our multi-year performance framework in 2021. We are proud to have delivered average sales growth of 5.2% across the period, alongside group adjusted operating profit growth of 7.9% and adjusted EPS growth of 12.2%. With nearly £8 billion of cumulative free cash flow across the four years, we have comfortably exceeded our expectations of cash delivery.

Our capital allocation framework has been a crucial foundation for our financial performance. In a moment, Ken will cover our evolved strategic ambitions, and as we position the business for future growth, the framework will remain central to how we execute our strategy and create long-term value. Our first priority is to reinvest into the business and strengthen our customer proposition, prioritising high returning areas and supporting sustainable long-term growth. As we reinvest, we will remain committed to maintaining a solid investment grade balance sheet.

We continue to deliver a progressive dividend targeting a payout ratio of roughly 50% of earnings consistent with our recent track record. We also remain disciplined, yet alert to inorganic growth opportunities that complement our longer-term strategy. Finally, any surplus capital after these priorities will be returned to shareholders. For the year ahead, we expect around £1.6 billion of capital expenditure, and we are announcing today a further £750 million share buyback.

We first set out our multiyear performance framework in 2021, and it continues to guide our approach. By focusing on improving customer satisfaction and growing or at least maintaining our UK market share, we intend to drive top line growth. By leveraging our assets, growing new revenue streams, and targeting productivity initiatives to offset inflation, we aim to grow absolute profits and maintain sector leading margins. Since setting out the framework, our delivery has exceeded our initial expectations, and with our confidence in future cashflow increasing, we're upgrading our medium-term free cashflow guidance to between £1.5 and £2 billion per year versus the old range of £1.4 and £1.8 billion per year.

So in summary, I'm pleased with our strong performance across the year. We have delivered further improvements in customer satisfaction, market share gains, and cash flow ahead of guidance. Our performance and capital frameworks continue to guide us and underpin our delivery, and we have

returned £2.4 billion this year to shareholders through a combination of dividends and share buybacks.

For the year ahead, we are providing a wider range of guidance than we were previously planning, reflecting the increased uncertainty cost by the conflict in the Middle East.

Much will depend on the duration of the conflict and the consequential impacts on the UK households and the economy more broadly. At this stage, we expect group adjusted operating profits of between £3 billion and £3.3 billion. We expect free cash flow within our upgraded medium term guidance range of £1.5 to £2 billion.

I will now hand back to Ken, who will provide an update on our strategic ambitions.

Ken Murphy:

With our highest market share in a decade, meaningful growth in new revenue streams and strong free cash flow, our delivery against the multi-year performance framework we set out in 2021 has exceeded our expectations. As we look to the future, we have built strong digital capabilities, including in retail media and personalisation. Our success has been shared with our broader stakeholders too, including investing more than £1 billion in store colleague pay over the last five years.

However, the retail landscape continues to evolve, and so do we. Households have had to adjust to persistent cost of living pressures and competition remains intense, with new entrants and technologies giving customers more choice than ever. Customer expectations are increasing too. In addition to fantastic value, customers also want food that supports their health goals, from a brand they can trust to do the right thing.

To continue delivering for all our stakeholders in this changing landscape, we have evolved our strategic ambitions into five mutually reinforcing goals. These ambitions position us to deliver even better value to our customers while driving sustainable long-term growth. Our five ambitions form a connected ecosystem, all designed with one clear purpose, continuing to deliver for our customers.

Over the next few slides, I will take each ambition in turn and explain what they mean to us, what we've achieved so far, and offer some insight on how we are building for the future.

Our first goal is winning in food. Delicious, affordable, and nutritious food matters, more than ever to our customers and their families. And we know that they are looking for the best combination of price and quality across our

ranges. With 3,000 Everyday Low Prices, over 10,000 Clubcard prices, and more than 600 products on Aldi Price Match, we offer customers an unrivalled value proposition. We're proud of the improvement we have made in our price position in recent years, but this is an area where we can never be complacent. As our digital and personalization capabilities evolve, we are constantly looking for new ways to help customers to save.

Of course, value for money is about quality as well as price, and we're continuing to invest in quality at every tier. Finest has been a great success story for us, but there is so much more to go for. Through developing new products, expanding ranges and getting Finest in front of more customers, including through AI-powered ranging tools, we aim to grow Finest well beyond £3 billion in sales. At the same time, we're launching new products that reflect changing customer trends and preferences, such as expanding our gut sense and high protein ranges.

Through our market leading presence across stores, online grocery and rapid delivery, combined with the reach of Booker's wholesale business, we are better placed than anyone to serve customers' food missions wherever, whenever, and however they want to be served. Whoosh is a great example of this. Launched just five years ago, Whoosh has grown to be a meaningful part of our online offer, generating over £400 million of sales and now covering over 70% of the UK households. We see more to go for in this fast-growing part of the market. This year alone, Whoosh grew by 51% in the UK, and we have started to roll out the service in Ireland too. We've achieved this largely through using existing infrastructure and resources, demonstrating our ability to grow new revenue streams in a capital light way.

The frequency and trust we have built through food allows us to serve families a much wider range of products and services, and we want to help meet even more of their everyday needs. Some of these are well established. For example, since its launch in 2001, F&F has been known for providing stylish and affordable clothing at outstanding value, available in our stores and now online too. Tesco Mobile is the UK's largest mobile virtual network operator. With over five million customers, it was recently voted the UK's best network for customer service for the fifth year running. Our Insurance and Money Services business is providing cover to our customers through two and a half million policies, and four million customers are accessing a range of banking products through our partnership with Barclays.

We see huge potential to enhance and grow our existing products and services, and F&F is a great example of this. F&F Online has made an encouraging start following its launch last year, but we know we can go further enhancing the customer offer. So later this year, we will be launching an exciting new F&F website, which includes a fashion forward look and feel, greater style curation, and smarter search functionality.

In the past, expanding into new retail categories tended to be expensive and high risk. Our approach is focused on leveraging what we already have and committing capital in a disciplined way.

Marketplace is an example of this and has great potential. We are making good progress and already have seen the benefits it can bring to the wider business. Marketplace has now served over one million customers, and more than half of them have never shopped online with Tesco before. As part of refining the offer, we have recently migrated our platform to Mirakl to improve the seller onboarding process and enhance the customer proposition.

Our 355 in-store pharmacies give us a real point of differentiation in the market. Combined with our ability to offer an even wider range of healthy, nutritious food, they give us a great opportunity to be customers' first choice for health and wellbeing. We already serve a half a million customers per week with everything from prescriptions to vaccinations, blood pressure checks, and expert advice on a range of common conditions. Our pharmacies also play a key role in our longstanding charity partnerships with Cancer Research, the British Heart Foundation, and Diabetes UK.

By using our unique data and insights to build new partnerships and revenue opportunities, we can become the most strategic partner for our suppliers for innovation and brand building. Clubcard is the UK's largest loyalty programme, regularly used by more than 24 million households, spanning our offer from food and telecoms to banking. It gives us an unrivalled understanding of our customers, enabling us and our supplier partners to serve their needs more effectively.

Tesco Media is the largest closed-loop media and insight platform in the UK. Leveraging our expansive store and digital canvas, it has seen significant growth in recent years and ran over 12 and a half thousand campaigns in the last year alone, with over 90% of advertisers increasing their spend on the platform year-on-year. The Tesco Media team are innovating at pace. For example, our recently launched AI-powered Creative Studio tool helps advertisers streamline the production of digital content, making the platform accessible for all brands, regardless of their size or budget.

Building strategic brand partnerships is about more than retail media. The scale and breadth of Tesco means we are uniquely placed to help brands grow. Our platform can offer everything from access to distribution through our grocery and wholesale channels to self-serve tools that provide insights into customer behaviour and opportunities to grow further. Our well-established accelerator programme helps small and trend-led brands, offering mentoring and development experience, including supporting product formulation, marketing, and enhancing their supply chains. We are

already partnering with hundreds of suppliers to drive development and innovation, and we think there is potential to bring our expertise to many more.

Underpinning all of this is our dunnhumby business, a market leader in data science. dunnhumby's team of data scientists, engineers, and retail consultants further develop Tesco's intelligence layer, connecting customer and brand insight, analytics, and global retail expertise. Using dunnhumby data science and AI to connect the dots across our retail business is helping us to make smarter decisions at pace. For example, with dunnhumby, we're using AI-enabled data science to transform ranging decisions, moving a process that took weeks into minutes.

Our next goal is to be connected, personalised and loved by customers.

Alongside our stores, our colleagues are central to the customer experience. We are incredibly proud of the service our colleagues give customers day in, day out. Last year, we invested in over one million hours of training for our UK store colleagues. We want our colleagues to be our biggest advocates. We have great foundations for this, with the proportion of our colleagues recommending us as a place to work and shop significantly above industry averages.

With the largest network of stores in the UK, we continue to meet local needs better than anyone. From large stores offering our full range of services to Express and One Stops serving the local communities, we continue to invest in our estate, with a particular focus on our fresh offer, helping every Tesco become the preferred store in its community. Customers should feel rewarded every time they shop with us. Clubcard has been at the heart of this for over 30 years, and we're always looking for ways to make Clubcard even more rewarding. Whether it's new ways to collect points, making Clubcard points go further or small but meaningful gestures that make a customer's day a little better.

By harnessing advancements in AI, the power of Clubcard data and our own digital capabilities and partnerships, we see enormous potential to make every interaction more seamless and relevant by anticipating needs, offering timely nudges and making smarter recommendations. Our strategic partnerships with Adobe and WPP are an important part of this. Unlocking new opportunities to provide real-time personalised content, whether direct to customers or through third parties. Another opportunity is personalised offers. We have made great strides on this already, from personalised coupons through to gamified experiences like Clubcard challenges. We're pleased to take this a step further with the recent launch of Your Clubcard Prices to one and a half million customers and a wider rollout coming later this year.

Key to personalisation is showing customers that we understand them, offering interesting and timely communications that inspire and anticipate their needs. Our new, brighter, and bolder style of customer communication is one of the ways we're achieving this. We're also excited about our new AI assistant, with large scale trial launched to around 280,000 of our colleagues ahead of a wider launch later in the year. The AI assistant is part of the Tesco app and will initially help customers with meal planning, offer inspiration and help build shopping baskets.

We are always looking for ways to make our business even more sustainable for the long term.

We have a strong track record of making Tesco simpler, more productive, and more cost efficient through our Save to Invest programme. This has helped us to unlock £2.2 billion worth of savings over the last four years, providing the fuel for our investments into the customer offer and higher pay for colleagues. We are also investing to strengthen our resilience, efficiency, and sustainability. Ready for future growth. We recently opened a new semi-automated fresh distribution centre in Aylesford, and during the year, we started construction on our new distribution centre at London Gateway. Our work to further optimise the business will continue with a target to unlock a further £500 million of saving in the year ahead.

Supply chain resilience is central to managing risk. We're proud of the strength of our supplier relationships. With long-term commitments to many of our key partners, they can have the confidence to make long-term investments in their businesses. Technology plays a key role in supply chain resilience, and we have developed new and unique risk mapping capabilities that identify and help us address potential sourcing challenges. As British agriculture's biggest customer, we're committed to deepening partnerships with farmers, including through our six Tesco sustainable farming groups, covering everything from cheese to lamb. The farming industry faces a long list of challenges, and the sustainable farming groups provide a forum to collectively improve innovation, quality, standards, and industry collaboration.

We see a much wider opportunity for technology and AI to further enhance our business. Over the last six years, we have doubled the size of our technology team, and we are equipping our colleagues with tools that simplify everyday tasks, freeing them to focus on what matters most.

AI is evolving at an extraordinary speed, so putting the right frameworks and governance in place is essential, both to protect our business and to capture the full value of these innovations. We've recently consolidated nearly 250 individual work streams into a single coherent AI strategy focused on four

domains: customers, colleagues, supplier partners, and operational efficiency.

Our planet plan is another key element of our wider business sustainability ambitions. We were an early adopter of science-based emission targets, and we're making good progress, having now reduced one and two emissions by 68% versus our 2015 baseline. We were also pleased to reach our target at year end of 65% of our sales being classified as healthy, and we've got ambitions to go further.

Achieving our individual ambitions can help us deliver even better value for customers. But the real power comes from bringing these five goals together, creating a leading, food first retail ecosystem. By winning in food, we can build frequency and trust, which helps us meet more everyday customer needs. That in turn grows household spend with us, generating capital light revenue streams and a richer, more holistic data set.

As we combine that data with our store and digital footprint, we can build stronger and more strategic supplier partnerships, partnerships that further reinforce our ability to win in food. At the centre of this ecosystem is the most connected, personalised, and loved customer experience holding everything together.

Throughout it all, our purpose remains clear, delivering even better value for customers, and in doing so, generating long-term sustainable growth for all our stakeholders.

Thank you all for your time today. Imran and I would now be delighted to open the floor for your questions.

Moderator: Thank you very much, Ken. Any analysts who would like to ask a question today should click on the raise hand button in the bar at the bottom of your screen. Please ensure that you unmute your microphone only when you're introduced. And if you no longer wish to ask a question, you can click on the lower hand icon also in the bar at the bottom of your screen. So we'll now take our first question from Rob Joyce. Rob, please go ahead.

Rob Joyce: Thanks very much for taking the questions. Might try three, but the first one, just a backward looking one. In terms of last year, I think this time last year we were thinking EBIT would come in at 2.85 billion and delivered toward 10% ahead of that. Can you just tell us what went differently to expected? How did you manage to deliver so far ahead of that? Be the first one. Second one, I guess you mentioned that the range for the year ahead is a lot wider than it would've been. Just to help us understand the underlying business trajectory on the 26th of February, what do you think that range was going

to be? And then the final one, Ken, a lot of focus on areas that we may haven't discussed as much before in the business outside of core food. Can you give us an idea as to the size of their contribution to the business today? And going forward, do we think of those as funding investment in price or are they margin accretive EBIT growing parts of the business? Thank you.

Imran Nawaz:

Yeah, hey, Rob, how are you? Let me just maybe take the first two. In terms of what went differently to what we expected, you're right, when we set out in April, we said we would make sure that we continue to protect the price position that we set out over the last four years and make sure that we do not concede any ground on that. And we spent the money we invested and the differences between the guidance that we gave versus what we delivered, the investment choices we made basically had better returns. We invested in price, we invested in quality, we invested in range, we invested in hours, and those things worked. And I would say to you the proof point of that was the market share gains that we delivered landed us in volume growth pretty much every single month of the year, and that really combined with the saving problems that we have, delivered the profit growth that we saw.

And what I'm pleased to be able to say to you today is I didn't start the year thinking we'd grow profits last year and the fact that we grew profits and EPS of 6% is a nice outcome because it's coming from market share gains. And I would say to you, that's the one thing that I really love about the delivery for the year. In terms of the range, look, I mean, I'm not going to go maybe into what if the conflict wasn't there sort of situation. But what I would say to you is to give you some colour on the range. Ultimately, we aim to grow our business every year, and we want to deliver the best performance that we can every single year as we set out to do. You see that in Save to Invest, we want to continue to gain shares. We want to continue to run our programme.

But there is the uncertainty driven by the conflict, as you know, and the duration and the impact of that is an unknown. What I want to make sure, what we want to make sure is if that conflict continues or if the impacts duration lasts longer, that we can continue to execute the programme that we have. So if we're at the bottom end to your question, that really means that we would have the flexibility to continue to do what we want to do at the upper end. It means it's the same programme that we want to every year, which is gain share and gain volumes and continue to do well. Ken, then there was.

Ken Murphy:

Yeah, thanks, Rob. So in terms of contribution of activities outside that core food business, I think if you walk through our evolved strategy, the way we describe it is actually the strategy starts and ends with core food and building and maintaining exactly what Imran has just described in terms of a reputation for being the best value in the industry, being the most innovative

in terms of product quality, being the best for availability and customer service, and then being the most convenient for ease of access. So that's really at the heart of it. Around that, as you've seen, we have over the last number of years started to build additional ways of serving customers that are not necessarily core food. And they include things like pharmacy, things like our cafe business, things like our mobile phone business, our financial services business, and of course our media income and supplier services business through Dunhumby.

Every one of those have delivered a meaningful improvement in contribution over the last four to five years and have been meaningful contributors to profit, alongside, of course, market share growth, which has also been a big engine of our performance over the last three to four years. At the end of the day, the plan is to be able to reinvest the earnings from those activities back into the core business to continue to grow and create this virtuous cycle. So that's, if you like, the elevator pitch in terms of how we're evolving our thinking on strategy.

There are, of course, a couple of areas, and marketplace would be a good example, where we're at the investment stage of that cycle, where we're building the capability, where we're creating the proposition that won't be contributing meaningfully yet to profits and may not for a few years.

Rob Joyce: Thank you, Ken. Imran, I guess quickly follow up, I guess, just to understand the guidance, I guess trading continues as we see it right now. Are we hitting midpoint or are we getting to the top end of that guidance?

Imran Nawaz: Look, I mean, let me keep in simple terms. So far, we haven't seen any real discernible change in consumer spending behaviours. We've had a good. You see that in our Kantar data, you see it in both the volume and the value share. So I feel good about how we started the year, but it's early days, and I would say to you that we aim to grow profits every single year.

Rob Joyce: Thank you very much.

Moderator: Thanks, Rob. We're going to take our next question from Manjari Dhar at RBC. If you can unmute and ask your question. Thank you.

Manjari Dhar: Morning, Ken. Morning, Imran. Thank you for taking my questions. I just had two, if I may. My first one, Imran, I was just wondering on the upgraded free cash flow envelope. Appreciate the upgrade, but I guess it's a little bit wider the range than it used to be. I just wanted to know the rationale for the thinking around that. Perhaps connected to it, given the working capital performance last year, how should we thinking about working capital for the current year? And then my second question was just on the rollout of

electronic shelf edge labels. I wondered if you give us some colour on how long that will take and how you're thinking about the saving potential that this could bring. Thank you.

Imran Nawaz: Sure. So let me take the cash flow number one. I feel good about the cashflow delivery for the year, close to two billion. That's clearly on the back of the strong profit performance, but also really strong working capital management. We ended up delivering, what is it, £385 million of inflow. Think of that as better sales performance, tight management on working capital practises. There's also a one off EPR payment in there as well. The way we normally think about working capital and an ongoing assumption is think of it more as a normalised year being of a hundred million or so of inflow. So that's how I think of it, but it's a good performance in the year. It's no one offs in there that I would call out beyond what I've just said.

In terms of the range, look, after four years or so, we've delivered around £8 billion of cumulative cash, which is nice. I'd expect us to have working capital swings every year, as I just said this year. So my view is the range is the right range for the delivery of the business, and I feel comfortable with the fact that it gives me the room in terms of working capital swings one way or the other. The fact that we upgraded, I think, is a recognition of the fact that we have confidence in our ability to leverage the strategy we've laid out to translate that into continued cash flow deliveries every year.

Ken Murphy: And then Manjari, in terms of the rollout of ESEs, I think we have taken our time thus far to make sure that we have the best and latest possible technology, and that, it means that probably over the next three to four months we will finalise what that rollout looks like. And then I would expect us to have some in year impact in terms of better efficiency in store, better price compliance, and also a number of other features that these latest ESEL technologies will give us in terms of better on shelf ability, better picking accuracy for our online shopping pickers, et cetera. But really the full year effect of those savings will be felt in the following year. We don't obviously individually call out the size of the savings, and what I can tell you is that they're pretty meaningful.

Manjari Dhar: That's great. Thank you very much.

Ken Murphy: Thanks, Manjari.

Moderator: Thanks, Manjari. We'll now take our next question from Monique Pollard at Citi. Monique, if you would like to unmute yourself and go ahead, please.

Monique Pollard: Perfect. Morning, Ken. Morning, Imran. Thank you for taking my questions. Two if I can as well. The first one, just on the competitive landscape. You

mentioned in the statement that the competitive backdrop remains intense. Just wondered what you're seeing from peers, conscious that one of the major peers that had been maybe a bit more disruptive last year is guiding to EBITDA and cash flow growth this year, and whether you could just talk a bit about how you think your pricing sits versus your main peers now, that would be helpful. And then the second question just on the outlook for food inflation, conscious that some commodity prices are coming down, but obviously there's concern about food inflation building from the conflict and the impact that might have on things like fertiliser pricing. So any sort of thoughts you could give on the outlook for food inflation would also be helpful. Thank you.

Ken Murphy:

Fantastic, Monique. Thank you very much. Well, look, in terms of the competitive landscape, we started the year last year in a really competitive place from a price index versus our key competitors.

And as you say, despite the best efforts of those competitors, we have finished the year in pretty much the same shape if not slightly better. So we feel really good about where we are in terms of our price position. That said, those competitors have announced their intention to keep going. Our expectation is this will be another intense year from a competitive perspective, but we feel really well set for it. So my sense is it'll be a bit more of the same, but you can count on us to stay competitive. And more importantly, to keep investing for the future as we stay competitive.

In terms of the outlook for food inflation, look, as you see that the industry and things like ONS, CPI, food inflation, and non-alcoholic beverage inflation has shown a moderate decline, as you say, over the last three months. Kantar is showing just over 4%, but of course, we always are well under the industry headline rate of inflation because of our promotional plan and also our investment in price. So I think for now, inflation is stable and it has been moderating slightly. Clearly we can't predict what the future is going to look like from the impact of the conflict in the Middle East at the moment, but clearly those pressures are going to place more weight on the industry, require us to be more competitive in terms of our savings programmes and our commitment to keeping costs down for consumers. I wouldn't want us to give you a prediction of what inflation will look like, but as usual, Monique, you can count on us to work very hard to mitigate that for our customers.

Moderator:

Thanks, Monique.

We'll now take our next question from Xavier Le Mené at Bank of America. Xavier, if you can unmute yourself and ask your question.

Xavier Le Mené:

Yeah, thank you. And good morning too. Two questions, if I may. First one is, given your emphasis on Tesco Value products, the fact that you've got quite

a lot of advertising as I can see right now I just want to understand the kind of long-term proposition you've got with Tesco Value. Is it more a kind of cyclical response that you've got right now, or do you see that a more structural shift going forward? That would be my first question.

The second one, you mentioned retail media. So what should we expect from retail media in terms of profits, revenues? And can you potentially give us a bit of indication of what you were able to achieve so far?

Ken Murphy:

Great. Thanks, Xavier. So on Tesco Value products, I think our insight was at the start of the calendar year that customers were looking for greater certainty around those key value items that they have in their shopping basket. And that as a consequence, we took our everyday low pricing mechanic from a thousand products to three thousand products.

So a significant increase in what we would describe as branded low everyday pricing that customers can rely on. And we've seen quite a material volume uplift in sales of those products as a consequence.

Our Aldi price match, which is our anchor everyday low price mechanic on our fresh food lines and our own branded lines is consistent at around that 600 products level. And that's become really relied upon by customers as a kind of a value guarantee, if you like. And then of course, we have over 10,000 products on Clubcard prices every week that are giving people deals on those kind of brands that they love. And that's working well for us as a combination. So the logic really was just the insight of more reliable pricing for everyday low prices, but the mechanics and how they work together are largely remaining consistent.

In terms of retail media, we've had a really good year on retail media. I think our investments in that retail platform and our desire to be the best brand building partner for our supplier base is really starting to pay dividends. Over 90% of our suppliers have increased spending with us this year, and I think it's because they really see the value of a much deeper relationship rather than just buying ad space. They recognise the combination of the insights that we provide through Dunhumby, our ability to build audiences that are a lot more tailored to them through our sphere platform in our retail media and the investments we're making with Adobe and Kevel and others to make that whole retail experience a lot more seamless and cost-effective is really, really working for them.

So we feel really good about our relationship with our suppliers and ability to be a great partner with them through our retail media platform. And we're quite optimistic about growth for the coming year.

Moderator: Thanks, Xavier.

Xavier Le Mené: Thank you.

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

Freddie Wild: Hi, good morning, Ken and Imran. Thank you so much for taking my questions. First of all, could I just understand a bit more about your leverage targets? Obviously you've left them unchanged in terms of where you're looking for your target leverage to be, and you're still well under that. Can we think about maybe the opportunity if and when markets calm down, you would look to increase leverage back to within that target range.

And my second question is about where this extra capital that you're generating is going. Obviously you've kept buyback unchanged, you flagged that there may be more property buybacks coming. Is that your preference for property buybacks over raising the share buyback? Or how should we think about maybe some of this free cash flow growth, which is coming through so strongly coming back to shareholders?

Imran Nawaz: Sure. So maybe, look, on the leverage ratio, it all goes back to the credit rating and how we see the merits of a strong balance sheet. As you might imagine, especially during the last four years, but even going ahead into this year, having a strong, I'd almost call it a pristine balance sheet at 2.1 leverage is nice. I would say is a source of power because it gives us a lot of flexibility on uncertain times. So I'm quite happy at the lower end of the range. Will we inch our way back up to the 3, 2.3? Probably, yes, over the next few years, but so far I'm happy with where we are at the 2.1.

As it comes to shareholder returns, look, it's a really important part of the equity story of Tesco. Since we started this programme, we have returned £4.3 billion worth of shares at an average share price of around £3.17, so we've taken out 17% of the equity doing that. So you can imagine it's been a great investment for us and I believe that share buybacks are absolutely the right way to continue to go forward. And therefore we've announced the 750. There's an elegance when I think about the total dividend and the total buyback in terms of using the excess free cash that we have.

Then in terms of overall capital allocation and the uses of the cash, first and foremost, it'll always go into the business and making sure that we invest for customers into our stores, into our distribution centres, into automation, to make sure we have the best possible shopping experience and the best possible setup that you would want to imagine we have.

Very keen to continue to invest into AI and technologies and the digital proposition that we have. And honestly, as there is excess cash and leftover after any sort of property buybacks where it makes sense, then the idea is absolutely continue to return that. I think the combination of progressive dividends and a steady buyback that people can rely on is very attractive during these days.

Freddie Wild: Yeah, thank you.

Moderator: Thanks. And we're now take our next question that will be from Sreedhar Mahamkali from UBS. Please go ahead.

Sreedhar Mahamkali: Hi. Morning, guys. Thank you for taking my questions. Listen, I'll go with three. I think firstly, Imran, I think you talked about the multi-year framework and growing profits over that multi-year period. I think in another slide you've shown 7.9% CAGR in operating profit over the past five years. Is that somehow an exceptional level of profit growth that you can't repeat over the next five years? Obviously barring any sort of external shocks such as the one that we probably are seeing now.

Secondly, I think you've said you haven't seen any impact from customer point of view from the conflict. Is there anything creeping into cost lines in any meaningful way? If you could talk about it, that'd be great. And maybe just on free cash flow and capital allocation, very small one really. I think Imran, I think you've referred to inorganic growth opportunities.

Imran Nawaz: Yeah.

Sreedhar Mahamkali: I'm keen to understand what that is. Thank you.

Imran Nawaz: Yeah, sure. So look, you point out to a very strong performance over the last four years, and as we just presented, we're pleased to see that. I'd say to you, the way I think about laying out the strategy this morning or the evolved strategy, the way you should take that is it is renewed confidence that we can continue to deliver what we said we would do. And what we said we would do from a performance framework is very clear. We'd say we aim to hold or gain share every year. We want to therefore grow the profits every year. We want to make sure we have the buybacks as part of that and therefore deliver a nice EPS growth every year as well. And ultimately, as a proof point, translate that into the upgraded cash of 1.5 to two billion. Every year is going to be slightly different in the sense that the circumstances, as this year is a really good proof point, is going to be different, and therefore we set out guidance as we have.

In terms of cost lines, look, I think the thing that I'd point out to you at the moment, obviously, fuel prices, energy prices have gone up. As they relate to our own operating cost expenses, it's not going to be a big headwind because our hedging strategy protects us from that, but clearly we have to wait and see because it's early days and the stresses and the duration and the implications of the conflict will obviously have an impact at some stage. And hopefully we can minimise that as much as we can via the Save to Invest programme that we've put in place. Then in terms of inorganic opportunities.

- Ken Murphy: Well, look, I think as always, Sreedhar, we have through, as you saw, the evolved strategic kind of five point plan laid out, a desire to drive core food performance, but then to meet progressively more everyday needs of customers as we build out that ecosystem, as we get more personalised through the power of the Clubcard.
- And as and when we see opportunities to bolt on other kind of everyday needs that could enhance or improve that customer experience or give people more reasons to come and shop with us, then we will always keep an eye on that.
- Imran Nawaz: And on property buybacks, to give you a sense, right? I mean, when you have a strong balance sheet, the ability to buy back your strong properties then own them in your portfolio and then avoid future inflation is no bad thing. It's a really good use of cash.
- Sreedhar Mahamkali: Just to follow up on what you said, Imran, I think it's something Rob touched on earlier already a little bit. The assumptions you're making, especially at the lower end of three billion, is there an assumption that the conflict lasts through the year, six months of the year?
- Imran Nawaz: No, I think, look, I mean, the way I think about it's not just the duration, it's sort of the consequences, the implications, and those are so hard to judge because it's such a moving feast. So I don't really want to speculate. And all we were trying to do was to say, well, I mean, the conflict could have certain implications that change consumer behaviours, shopping behaviours, we haven't seen that yet. It could have an impact on the UK economy, we haven't really seen anything yet that has influenced shopping but look, if it does, we want to have the flexibility to continue to execute the programmes we've built in because it is those programmes that continue to allow us to win market share and grow this business.
- Sreedhar Mahamkali: Thank you both.
- Imran Nawaz: Thanks, Sreedhar.

Moderator: Thanks, Sreedhar. We'll now go to Clive Black at Shore Capital. Clive, if you'd like to ask your question, if you could unmute yourself.

Clive Black: Good morning, gentlemen. Thank you for the presentation. And also, I have to commend you on fabulous delivery. A few points, if I may. First of all, Imran, I think you said that your average buyback price was 317 pence. I just wondered at 485 pence, whether the buyback needs to be thought about in a slightly different way, maybe more akin to Simon Wolfson, your thoughts would be much appreciated on that.

And then fascinating to hear, Ken, your thoughts on where the business is going, particularly around being connected. Firstly, I just wondered if you could maybe drill down to what that you think that actually means for shareholders. I understand all your stakeholders that you must and are supporting, but what do you think it actually means for shareholders?

And I also just wanted to drill a little bit deeper in the importance of Dunnhumby to your business, which you raised today, especially as something that's quite proprietary and exclusive. Again, what do you think that delivers for shareholders? Thank you.

Imran Nawaz: Look, on the buyback price, the way I think about it is any use of cash, Clive, that we have, whether it's capex, whether it's the buyback in this example of properties, discipline and making sure it has a good return and is a good use of cash is the first question we ask ourselves. So as we look at buybacks, of course we look at the ERR, if you wish. We look at the intrinsic value of the business, we look at the situation, and I'm very confident that the buyback continues to be an excellent use of cash.

Ken Murphy: So, Clive, in terms of the kind of evolution of our strategic thinking and what it means for our shareholders, and I think it's linked a little bit to how we set our stall out in 2021, where we said if we look after all of our stakeholders, then we will build a strong sustainable business that will be good for shareholders over the long term. I think that's proven to be the case, and it's absolutely our ambition looking forward for the next 5 to 10 years.

I think we, as I said earlier, have an ambition to maintain market share growth in our core food business. We think that's absolutely critical to the success of the company. So our strategy starts and ends with our core food business. We're going to keep investing in price, keep investing in quality, keep investing in our supply chain, so we can be the best providers of fresh food in the country.

But linked to that, and I think these are some lessons we've learned from the past, Clive, is that we are looking in a capital-disciplined, capital-light way to

leverage those assets, use the infrastructure, both the physical infrastructure, but also our clubcard proximity to customers to really start to build out other reasons why customers might shop with us, whether it'd be financial services, Marketplace, quick commerce, phone contracts, fuel, whatever it is, such that we can create additional revenue streams that then get reinvested back into driving core food performance, building market share, because, as we know, food is the most frequent retail purchase and it drives that glue and that connectivity with customers, which is so essential for building trust and being able to be relevant for other shopping missions that they might have.

The key, though, which Imran is very strong in is it has to be done in a capital disciplined way and within our financial framework that we also set alongside our strategy.

So I think what shareholders will see and can expect is a very ambitious strategy that will maintain top-line growth, a very disciplined approach to capital expenditure that will mean we'll be sensible and look for high returns, and, therefore, we will maintain strong cash, very healthy balance sheets, and keep returning to shareholders, but only after we've made sure customers are happy, colleagues are happy, and we have strong supplier relationships with our suppliers.

Clive Black: And so, just on dunnhumby, Ken, just a word.

Ken Murphy: So dunnhumby for me is a bit of a, it's the intelligence engine of the business. It is designed to harness the latest technology, whether that'd be AI or our own data science capabilities internally in dunnhumby, to understand how do we optimise how we think about all of our category management decisions, how do we optimise our customer decisions in terms of personalisation and getting closer to them? How do we become the best brand-building partner for our branded suppliers through our end-to-end retail media platform, but also all of the additional components we're building onto that in terms of helping them with their innovation pipeline, the go-to-market strategies, et cetera, and then helping with things like personalised ranging.

So we're looking to use the data science to get a lot more specific about our ranging in our individual stores to be more relevant to that local demographic. So those are just some of the examples of where dunnhumby is really helping the strategy.

Clive Black: Well, that's really great insight. I appreciate your thoughts and time. Thank you.

Ken Murphy: Thanks so much, Clive.

Moderator: Thanks, Clive. We'll now go to Will Woods from Bernstein. Will, if you'd like to ask your question.

Will Woods: Hi, good morning, Ken, Imran. The first question is on market share. You've obviously gained a lot of market share over the last few years. When you look over the next three to five years, where do you think you can take share from, either formats, categories, channels, regions, et cetera? Then the second one is, if you look back over history, one of Tesco's downfalls over the last maybe 15 years was getting distracted by other things, banks, garden centres, coffee shops, et cetera. Now I suppose we've seen a reasonable shift in your tone from focusing on food to things like retail media and clothing and Marketplace.

How do you ensure the problems of the past don't reoccur? I'm not necessarily even thinking about capex, but more about the culture of how you're running the business in terms of people focusing on food. Thanks.

Ken Murphy: Great. Thank you very much. Look, I think the first thing to say is that the market share gains we've achieved over the last number of years have been quite broad based. They haven't come from one source. I think they've been underpinned by the fact that we've made massive investments in value, quality, and availability over the last five years, and we're keeping building our infrastructure, building out capabilities like quick commerce, et cetera. That means we're more relevant for more shopping missions more often with customers, and that's working really well for us, Will.

So I think the first thing I'd say is that that momentum will continue. As Imran just said, we have a very strong balance sheet. We have a very strong efficiency programme, and our commitment is we will keep investing in the core.

So the one thing I wouldn't want you to think somehow is that we're all distracted running after shiny new things. Our core Save to Invest programme of over half a billion pounds a year is almost entirely invested back into the core business. We're using some of the gains from market share gains and some of our new income streams to reinvest back in those activities that I just mentioned that are strategically important.

But as I said just a moment ago, it starts and ends with our core food business. The whole objective of the strategy is that through our success in core food, we're able to in quite a capital-light way, in a connected way.

And so, if I give you a very classic example of, say, Marketplace or other things, historically, Tesco Direct was set up in an entirely separate platform with a separate set of systems, with a separate website. It had to generate all of its own customer acquisition and traction because, but in the case of Marketplace, it's completely integrated into the Tesco app. It is seamless for customers to access it when they're doing their regular shopping, as is, by the way, Whoosh. So if you want to go and do a weekly shop but you need it in half an hour, that capability is available for you on the same app.

So we're using all of our core assets and our traffic to drive people into the enhanced set of propositions that we're building. I think that's the key difference of lessons from the past, and we've been quite disciplined about it, Will. I promise you, we obsess as much about the price of carrots and whether we've got availability of raspberries and blueberries on the shelf as we do with how is F&F and Marketplace doing. I can promise you that.

Imran Nawaz: Yeah. If I could add maybe one or two just nuggets as well from my side, Will, it's clear that when you look at the return on capital employed over the last few years, over the last four or five years of this business, we've nudged up capex because we've been reinvesting into the business and expanding the business, but at the same time, the return on capital employed has also improved steadily year on year. I think that's a nice proof point that where we spend the money makes us a better business.

The other angle I'd like you to think about is it's clear that when you have a market share in online of around 36%, 37%, depending on when you measure, you have a massive asset and you have to continue to look about where do customers spend their time and where do they shop?

Personally, I love the fact that we're being able to leverage the strength online that is unparalleled to anyone else in the industry to provide F&F online, to provide Marketplace, to provide a Whoosh, to provide media income opportunities for our suppliers. So it is all in gift of making sure that what we've got is actually maximised as well, and that's why it is capital-light.

Moderator: Thanks, Will. We'll now take our next question from Ben Zoega at Deutsche Bank. Ben, please go ahead.

Ben Zoega: Yup. Thanks. Morning all. I just had one follow up on the profit guidance and perhaps one on cost savings. Firstly, on the profit guidance, is it fair to assume that this range is really about uncertainty around demand and the response that households may shift their behaviour rather than uncertainty around cost pressures? Then, secondly, on cost savings, just within that 500 million target, could you talk a bit about the main buckets and opportunities you see within that, please? Thanks.

Imran Nawaz: Yeah, sure. So on the cost savings, to take that one first, look, it's an always-on programme. So when I think about it, the way I look at it is simplifying how we work. It's taking out inefficiencies, so waste management, transportation, automation in warehousing and distribution, better buying of services, leveraging our shared services more, simplifying in-store logistics, leveraging AI to optimise forecasting, to optimise promotions.

So I feel like it's all in. It's what we've been doing and it's working well for us. As Ken said, we use that to reinvest back into the business and manage our own opex in a nice way.

Then when it comes to the guidance, look, it's very clear that when you think about, I assume when you say cost, you mean energy costs. Our energy costs are sort of, given the hedging we've taken, we're in a good place on avoiding any ups there that are unnecessary for us. So I think we're in a good place there.

It really is about trying to put a wider range out because of the uncertainty as to the implications on what happens to consumer behaviours, what happens to the wider economy at large. It's hard to call, and this is really just making sure that at the lower end, we've got the flexibility, in case we need it, to continue to do what we've been doing, which is win.

Ben Zoega: Thanks very much.

Moderator: Thank you, Ben. We'll now take our next question from Matt Clements at Barclays. Matt, please go ahead.

Matt Clements: Hi, morning both. Two quick questions, if I can. One on IMS, which was a strong contributor to profit and seems to be outperforming your initial expectations. How should we think about IMS profits going forward? The second question, just extending your comments around strategic ambitions to maybe touch more on Booker and Central Europe within those comments. Where do they sit and what should we expect into the medium term for those businesses? Thank you.

Imran Nawaz: Look on IMS, you're right. It's done a fabulous job and, I'll be honest, better than I was thinking. So when we laid out what we were thinking, we said it'd be around, what, 80 to 100 million a year was the profit number we gave. I think now the way I think about it this year is at 167. So that 160, 170 number is a good number. That's where my head's at on that front, which is nice given we got rid of the riskier credit book, but actually retained the business that we wanted to retain and frankly now make as much money as we did before. So, that's good.

Ken Murphy:

Thanks, Imran. So, on the strategic ambitions, I think that I would say a couple of things. First of all, starting with Central Europe, Central Europe is clearly a Tesco retail business. All of the innovation and investment that we do in Tesco UK around technology, AI, grocery home shopping capability, quick commerce capability just simply transitions into our other businesses. So, Ireland, for example, get the benefit of all of that technology. And it's been a real driver for them of market share growth in Ireland where it is by a country mile, the leading online shopping experience.

And we've just launched Whoosh there in the last 12 months and it's growing very strongly.

So, it's a similar story for Central Europe. It's a business that obviously is operating in challenging countries from an economic and geopolitical perspective, but benefits from the innovation that's happening centrally. So, that's how I would describe how Central Europe and Ireland fit into the context of the strategy. In terms of Booker, Booker is really interesting. I mean, Booker, growth on the top line may not look that spectacular, but actually it's underlying growth in terms of its catering business and its independent retail business is pretty strong and particularly against the market. It's growing quite well.

And that is predicated on being the leading value wholesaler in the country, being an innovator around food development. So, very similar to the core strategy in Tesco, and increasingly looking to benefit from our thinking around that broader ecosystem thinking. So, this year, Booker are going to be investing more heavily in the digital experience, particularly for its catering customers, looking to be ever more relevant and helpful in terms of how caterers can run their businesses, deliver a great experience for customers, but also make some money.

And as we think about the long term, of course, Booker gives us access into hundreds of thousands of outlets, food outlets around the UK that mean we can be relevant for every food and food related experience in the country, which is kind of an overarching ambition, if you like, of the strategy. So, we see Booker quite core to the overall strategy, but clearly it needs to continue to win in its core wholesale market, which it is doing at the moment and I believe we'll continue to do for the future.

Imran Nawaz:

And maybe one bullet to add on that as well is one of the features that both of them have in common is they have really got really strong cash generation properties. So, they're really, really helpful from that side as well. So, it's not a bad formula to have to generate the cash and reinvest.

Matt Clements:

Thank you very much, both.

Moderator: Thanks, Matt. We'll now take our next question from François Digard at Kepler Chevreux. François, if you'd like to go ahead.

François Digard: Good morning. A few points, if I may, the first on volume price balance in '25, '26 on its evolution during the year, could you share with us how it has evolved and how you see the balance in the coming year, in the current year?

Sorry. Second point on the fresh product growth, it grow faster than the rest of the food. Does that benefit from the Tesco finest fresh range or is it a different scope, or what can you tell about the margin of fresh products? And finally, do you expect any impacts of fuel price increase on your working cap during the year? Thank you.

Imran Nawaz: So, if I take the volume price balance, so in terms of the way you should think about it is the Worldpanel number of inflation throughout the year has been between what, four, four and a half. We've been below that every single quarter, every single month, and we've been in volume growth every single month of the year as well. Now, clearly what we did benefit from in the first half, you would have seen François was a very, very hot summer and it was brilliant because people were out and about enjoying themselves. I look out the window and I wish there was a bit more sun. It would be good to see. So, we'll have to wait and see how it plays out.

And as you know, inflation, given the uncertainty, it'd be wrong of me to give you a false sense of precision at this early stage. And I don't really want to speculate on that. We'll see where that lands. What I would say is we'll continue to make sure that via Save to Invest, we continue to protect our price position.

Ken Murphy: In terms of fresh product growth, François, I would say that the balance of it is a mix. I think absolutely Finest has played a role. It's been a fantastic added value proposition for us. We've doubled the size of the brand over the last three to four years to make it now a £3 billion plus brand, and we've got ambitions to grow it even more in the coming years. That said, our fresh core product has performed incredibly well, and this has been a combination of really close working relationship with our growers and suppliers on fresh produce and some great innovation in some of our meat, fish, and poultry categories.

So, an example would be our steakhouse range, which has been a phenomenal success with customers and shown us really growth and added value growth. So, to your point around margins, we have seen a modest improvement in margin mix over the last 12 months in fresh, driven by a combination of a lot of work on efficiency, but also some great success in our

added value ranges such as finest and steakhouse range. Imran, do you want to pick up the working capital point on fuel?

Imran Nawaz: Yeah, look, obviously, the way I think about working capital at the moment in terms of fuel is it's so unpredictable. Clearly when it moves up, it's favourable. When it goes down, it's unfavourable. So, when I looked at the year we just closed, there was actually a bit of a negative because it had gone down.

What will matter is where it is before half year and before year-end, but we'll keep you posted. But clearly given the working capital cycle on fuel, it can be a benefit.

Moderator: Thanks, François. We'll now go to the telephone lines for our next question, which is going to come from Karine Elias from Barclays. Karine, if you'd like to go ahead.

Karine Elias: Hi, thanks so much for the presentation and thanks for taking my question. A lot of them have already been answered, but just going back a little bit, if I may, to the competitive environments, obviously despite some of your competitors embarking on price investment last year, albeit they did have some issues specific to IT for some, would you still maybe describe the environment as being rational to a certain degree or would you feel that anything has changed? And then my second question was really more on the convenience. Some again have talked about how convenience was struggling on the back of weaker tobacco sales.

Yours had done much better. Maybe if you can expand a little bit on that would be helpful for you.

Ken Murphy: Thanks, Karine. Look, I'd start by saying that the market is and always has been intensely competitive and at any given moment you have a number of competitors making moves and attempting to take share and win with customers. It's what makes this business such a fantastic business is never a dull moment. And I think we can expect that to continue. That said, I think such are the cost pressures the industry has been facing over the last number of years between energy issues, commodity issues, regulatory and tax issues that has forced a certain amount of rationality in the market.

So, what I would expect the coming year to be is largely the same, is a very intense competition for the shopper basket, but a certain rationality driven by the need to combat costs and maintain control over those cost pressures. So, that's how I would kind of describe the last few years. That's how I see the next 12 months as well. On convenience, I think that you're right, we have outperformed the market and convenience. I think a lot of that is down

to the fact that on the top 100 essential lines, our convenience stores are the same price as our large stores. So, we are a strong value proposition in convenience in relative terms.

I think the second thing to say is that we have a greater fresh penetration in our convenience stores and that's worked well for us as well. And the third thing to say is that of course, we're the only major retailer that have real critical mass in our quick commerce proposition through Tesco Whoosh, which will be a £400 million business this year.

And that has also helped a lot in terms of driving our convenience business. So, I think those factors will continue to help us as we go into the coming year.

Karine Elias: That's very helpful. Thank you. And best of luck.

Ken Murphy: Thanks, Karine.

Moderator: Thanks. Why don't take our last question for this morning from Rob Joyce at BNP. Rob, please go ahead.

Rob Joyce: Hey, thanks for letting me on again. Very quick one. Just in terms of the shape of the EBIT you're expecting for the year ahead, anything you'd flag in terms of differences versus FY26? Thank you.

Imran Nawaz: Look, the one thing I would flag is maybe the fact that the lapping the hot summer, that's clearly going to be a thing, but we'll wait and see how it all plays out because that uncertainty thing is still something we need to work through as you can appreciate. But look, last year we were close to 5% growth top line, driven by the strong volume growth and the hot summer. Let's see how it plays out.

Ken Murphy: As an Irishman, you'd never thought you'd hear me say this, but we're really hoping England and Scotland do well in the World Cup.

Rob Joyce: We've got it on video now. All right. Cheers, thank you very much.

Imran Nawaz: That's going out there.

Moderator: Okay, Ken, so that wraps up the questions for this morning. So, just back to you for your closing remarks.

Ken Murphy: Listen, I would just like to thank everybody who's joined us this morning for taking the time to listen to our presentation and for all the excellent questions we had. As you can see, we are consistent in our messaging. What

you saw this morning was an evolution of our strategic intent and our commitment to keep focused on our core business, delivering great value, great quality, and consistent high standards in our stores and in our online proposition, despite whatever the environment might throw at us over the coming months. So, thank you again, and we look forward to seeing you all early in the summer. Take care.