

TESCO (LSE: TSCO) 1Q18 Update: Sixth Consecutive Quarter of UK Comp Growth

- Tesco reported total group sales (ex fuel) of 3.6% in 1Q18, or 0.8% at constant exchange rates.
- Tesco grew UK comparable sales by 2.3% in 1Q18, up from 0.7% in the prior quarter.
- Group comps came in at 1.0% in 1Q18, up from 0.4% in 4Q17.

1Q18 Update

For 1Q18, Tesco reported a sequentially stronger performance in its two most closely watched metrics.

- UK comps reached a solid 2.3%, up from 0.7% in 4Q17. Tesco noted this was its sixth consecutive quarter of UK comp growth.
- This helped push Group comps up to 1.0% at constant exchange rates, from 0.4% in 4Q17.

Tesco grew total sales (ex fuel) by 3.6%, or by 0.8% at constant exchange rates. The constant-currency growth was an acceleration from 0.3% in 4Q17.

Figure 1. Tesco Comparable Sales Growth at Constant Exchange Rates (%)

	4Q17	1Q18
UK	0.7	2.3
Ireland	(1.3)	0.2
Rest of Europe	(0.8)	(0.4)
Asia	0.5	(6.0)
Group	0.4	1.0

Source: Company reports

Tesco noted that UK comparable sales growth was driven by the core food category, where comps were up 2.7%. The company noted 1.3% growth in UK customer transactions. It said it is working with its suppliers to protect customers from inflationary pressures.

Tesco attributed the small improvement in the Rest of Europe to strong growth in the Czech Republic and Slovakia.

Asian sales were hit by Tesco discontinuing unprofitable bulk sales of products in Thailand.

Outlook

The company offered no guidance. For FY18, analysts expect Tesco to grow revenue by 2.7% and EBIT by 16.3%, and to report diluted EPS of 9.5 pence. These estimates were collated before the latest results were announced.



FLASH REPORT

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