

# Tesco half-year results: Christmas back on as supermarket defies supply chain crisis

I  
s [Tesco](#) immune to the supply chain crisis?

If not immune, well vaccinated. In the six months to August, sales rose 3% to £27.3 billion while [profits](#) soared by more than 100% to £1.1 billion

Chris Daly, CEO of the Chartered Institute of Marketing, says: "This morning's positive results show that Tesco is one of the minority of retail businesses that has managed to emerge from the last 18 months relatively unscathed. The [supermarket chain](#) has clearly benefited from a surge in sales thanks to the easing of lockdown and a busy summer of sport. Tesco has managed to stay favourable with [shoppers](#) by wisely prioritising its customer experience, announcing both the relaunch of its Clubcard scheme in July and the development of check-out free stores after successfully trialling the concept at its head office."

Does [Gareth Southgate](#) deserve some of the credit?

The efforts of [Harry Kane](#), Gareth Southgate and co who gripped the nation over the summer with a run to the final of the delayed Euro 2020 tournament are certainly part of the story. Tesco sold lots of lager for the games.

## READ MORE

- [Topps Tiles gets sales lift from the pandemic DIY boom](#)

- [File Boris Johnson wage claims under: lies, damn lies, and statistics](#)
- [FTSE 100 Live: Natural gas continues to surge, Tesco raises profits guidance](#)
- SPONSORED

Why foodies should pay a visit to London's Bloomberg Arcade

Families staycationing in the UK also helped the supermarket giant.

### **Is Tesco a takeover target?**

With a stock market value of £20 billion, it looks like a big meal for anyone. The interest in the sector from deep pocketed private equity companies is so strong though, you can't completely rule it out.

### **How is CEO Ken Murphy doing?**

Very well, suddenly. Until today there were questions about whether his leadership was dynamic enough. Some in the City were whispering that he lacked a big picture, big vision, strategy type-stuff.

After today's results the shares jumped 5% to 267p, which indicates some doubters have started to give him credit.

### **So, [Christmas](#) isn't cancelled?**

Looks like it is back on. Murphy promised no turkey shortages and thinks Tesco will cope with whatever supply chain issues are chucked its way.

He said: "Against a backdrop of profound change, Tesco has many unique advantages. The scale and reach of our store estate and online operations are unmatched in the UK. Our ability to reward loyalty through Clubcard enhances our

relationship with customers. Our world-class food retail expertise combined with our strong supplier partnerships ensures we can offer our customers great value and quality, removing reasons to shop elsewhere. Together, these strengths mean that Tesco can anticipate and respond to changes in the market, meeting customers' needs better than anyone."

Tesco launched a £500 million share buy-back programme, promised more of the same in future, and upped profit forecasts.

Murphy added: "We are coping. I don't expect challenges to go away, I expect us to overcome them."

### **What do analysts say?**

John Moore, senior investment manager at Brewin Dolphin, said: "Rather than consolidate after a period of good trading, Tesco has come out fighting with a strong set of results for the last six months and a new strategy for the years ahead. The plans for further cost discipline, an enhanced customer offering, investment in its operations, and shareholder returns provide a positive direction for the company following its restructuring in recent years. While Tesco's shares currently trade at a relatively low valuation of the company, this could in part be addressed by the share buyback programme announced today – an option we could see more companies adopt relative to paying higher dividends, on the back of recent tax changes."

Richard Hunter at interactive investor, said: "Investors are dancing in the aisles as a profit upgrade and an ever-strengthening balance sheet provide reasons for cheer. Tesco is a cash generating behemoth which, along with the recent sale of its Asian unit, has boosted its financial position further. Quite apart from the 18.5% reduction in net debt, pension contribution comparatives have fallen away after the one-off payment following the sale, while some of the Covid-19

costs are also fading year-on-year.”

### **What is next for Tesco?**

The company is testing out a fast-track grocery service – Whoosh – from its convenience stores and this is now in 60 shops. This is a highly competitive field, but perhaps Tesco’s financial muscle gives it a clear advantage.