

TESCOS PROFIT ANALYSIS by Rebecca Fludgate ACIM

Year	Turnover (£m)	% increase	Profit before tax (£m)	% increase	Net Profit (£m)
2006	38051	12			1598
2005	33974	9	1962	18	1366
2004	30814	15	1600	15	1100
2003	26337	10	1361	12	946
2002	23653	11	1201	12	830
2001	20988	10	1054	11	767
2000	18796	9	933	10	674
1999	17158	4	842	10	606
1998	16452		760		532

Sources: Internet Sites

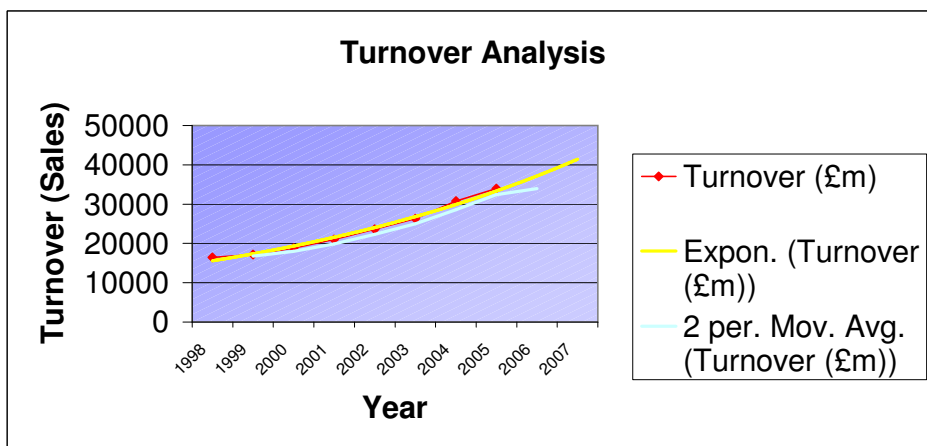
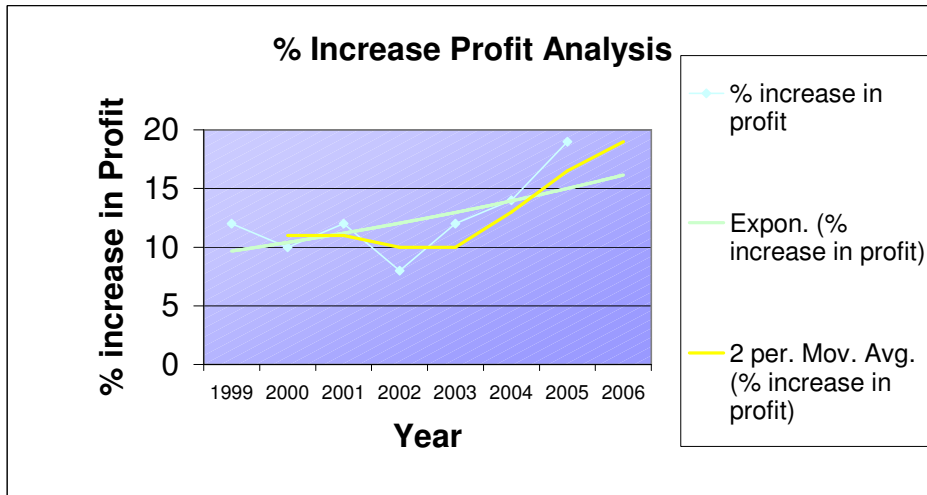
<http://www.absoluteastronomy.com/encyclopedia/t/te/tesco.htm>
<http://www.shibuimarkets.com>

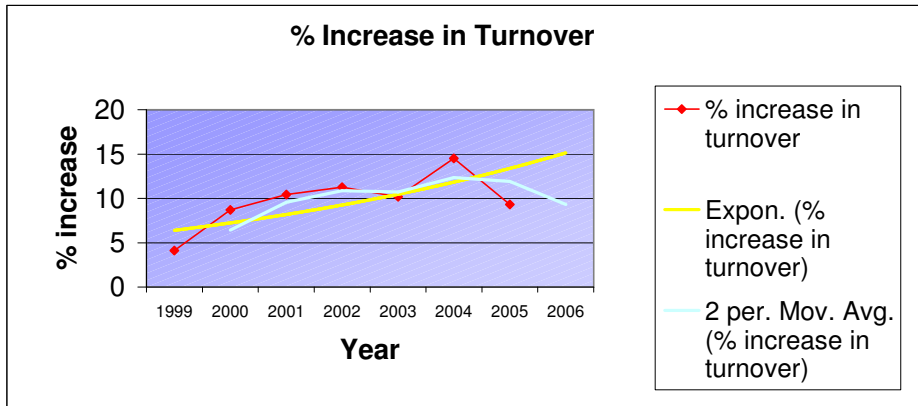
% increase	Net Profit Margin	Year	% increase in profit	% increase in turnover
17	4.2	Feb-06		Feb-06
19	4.0	Feb-05	19	Feb-05
14	3.6	Feb-04	14	Feb-04
12	3.6	Feb-03	12	Feb-03
8	3.5	Feb-02	8	Feb-02
12	3.7	Feb-01	12	Feb-01
10	3.6	Feb-00	10	Feb-00
12	3.5	Feb-99	12	Feb-99
	3.2			

Predicated figures

Predicted turnover increase for 2006 is between 10-15% - 12% has been used in the calculations

Predicted profit increase for 2006 is between 16-19% - 17% has been used in the calculations





Descriptive Analysis of profit from range 1998-2005

Net Profit (£m)

Mean	853
Standard Error	98
Median	799
Mode	
Standard Deviation	277
Sample Variance	76692
Kurtosis	0
Skewness	1
Range	834
Minimum	532
Maximum	1366
Sum	6821
Count	8

Tesco's first-half year profits have been reported as 643 million (Yahoo! News 20th September 2005)

Analysis and Recommendations

Analysis of the above forecast in the light of Tesco's recently announce first-half year profits of 643 million shows that in fact Tesco's rate of growth is not as big as it could be according to the rate of change over the last seven years - there is a shortfall of 312 million pounds

To use our predicated rate of increase of 17% this would increase to 752 million
 This could be due to several factors affecting the market such as rising fuel and packaging costs
 This is due to the volatility of the oil market which has been affected by the recent hurricane in the U.S
 These increases in the cost of oil look likely to increase yet further thus affecting many businesses profit with price increases ultimately being passed onto the customer.
 This is already happening in the B2B market with courier firms increasing their rates and especially affects the plastics industry

However, Tesco plans to open 184 more stores worldwide over this year (source, Corporate Watch) and also expand its services into foreign markets

Added to this I would recommend the following:

1. Credit cards are currently offered with 15.9% APR
2. Loans are currently offered at 6.3% APR

In view of the predicted profit ratings above I would recommend cutting the above APR ratings by 1-2% to increase demand and improve cash flow
 This action would increase cash flow in the short term but decrease the ROI for Tesco's investment in this market
 However, the extra cash flow will be needed to open the new stores and enter new markets