

press release

14 January 2011

Supermarket round up

- Tesco is our favoured supermarket and currently listed as a 'buy' for investors
 - After its best ever Christmas Sainsbury's remains a 'hold'
 - The Share Centre currently list Morrison's as a 'hold' for investors

This week all the top UK supermarkets reported figures for Q3 and the Christmas period, Graham Spooner, investment adviser at The Share Centre explains how they fared and what it means for investors.

Tesco

BUY

"Despite being our sector pick, Tesco were the worst performing supermarket of all its major rivals during the Christmas period.

"However investors should not be put off by this. Despite its vast size, supermarket giant Tesco remains one of the most dynamic companies in British retailing. Its success is down to a consistent well executed strategy, concentrating on keeping prices down, margins steady and extending range and volume.

"Tesco's international presence is its main attraction and rapid expansion in China is set to continue in to 2011.

"Also, the supermarket giant is keen to expand its retail banking operations and will begin to sell mortgages in the UK during the first half of 2011, followed by current accounts in 2012. If they are successful then long term shareholders should benefit further.

"Tesco remains a long term 'buy' and any weakness in share price should be seen as an opportunity to add the supermarket giant to a portfolio."

Sainsbury

HOLD

"This was the best Christmas on record for Sainsbury's, as they reported better than expected Q3 sales, a market share that continues to grow and a record number of customers through the doors.

"Like for like sales excluding fuel rose 3.6% in the 14 weeks to 8 January 2011, or 5.4% including petrol, and total sales increased 6% and 7.5% respectively.

"Good news for investors is that Sainsbury's are looking to expand. The supermarket has increased the number non food of products they sell and are now better placed to compete with the likes of Tesco and Asda, The group are also keen to expand overseas and are considering India and China.

"Rumours surfaced last year of a possible bid from Qatar, which has pushed the share price to a premium rating within the sector.

"Although we are seeing growth potential from Sainsbury's we currently list it as a 'hold' for investors and prefer Tesco in the sector. Tesco has a more established range of products under one roof and greater international presence."

Morrisons

HOLD

"Over the Christmas period total sales excluding fuel and VAT rose 3.1%, or 4.7% including fuel, while like for like sales were up 4% when fuel is included.

"The group own and manufacture a large proportion of its food production. Not surprisingly it generates lots of cash and has little debt, along with owning most of its stores.

"Although the company had been increasing its market share recent news suggests that trend may be set to reverse. Competition will always be an issue for Morrison's, along with the medium term outlook for spending in the UK (although this is true of all retailers).

"We think there is little to excite investors in the medium term. Even after the recent fall in the share price we view the stock as no more than a 'hold'. The shares are likely to remain stuck in a fairly narrow trading range for some time. Investors geared to growth should look elsewhere."

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About The Share Centre:

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPPs are also available.

The Share Centre's Advice team provides comment on market sectors, individual shares and funds on www.share.com. Access is available to customers and registered users of the site. Registration is free. To understand how our Advice team arrive at their views please read our [Investment Research Policy](#)

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