

## press release

12 December 2012

### Tesco in trouble with investors as share price plummets

- Tesco expects to see minimal profit growth in 2013
- Poor economic conditions see UK sales continue to slump
- The Share Centre does not expect to see the share price rise quickly

**As supermarket giant Tesco shocks the market with a guidance on profits Graham Spooner, investment research analyst at The Share Centre, explains what it means for investors.**

“Tesco released poor trading figures for the Christmas period and a warning of minimal profit growth in 2013 which saw the share price plummet by 15% in early morning trading, a colossal decline for the likes of Tesco. The retailer has reported it will have to invest hundreds of millions of pounds in an effort to boost revenue as UK sales continue to slump.

“Poor economic conditions mean consumers seek value for money and the retail market is becoming increasingly more competitive as consumers are prepared to shop around. Tesco attempted to win and retain customers in these troubled times by introducing its ‘Price Drop’ campaign, however as suspected this resulted in limited revenue growth.

“Morrisons, which outperformed the main supermarkets in 2011, continues to gain market share from its main rivals. Tesco is struggling to get ahead in this increasingly competitive market.

“Short term investors may see this as a possible opportunity. We believe the management and fundamentals of the business remain sound. The dividend continues to be well covered and has had a strong rate of growth over the last five years.

“Investors should be aware that as pressures on the UK consumer continue we don’t expect to see Tesco’s share price climb quickly to previous levels. Austerity and cuts to disposable income mean the sector as a whole could trend sideways.”

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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 SIPP are also available.

The Share Centre's Advice team provides comment on market sectors, individual shares and funds on [www.share.com](http://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](#). The Share Centre blog is also available at <http://blog.share.com>.

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