

NICK MOURANT, GROUP  
TREASURER AT TESCO,  
TALKS TO JULIA BERRIS.



# Making a contribution

PHOTOGRAPHER: ROGER HARRIS

Working as Group Treasurer for one of the world's leading retailers stacks up to being an extremely challenging and exciting job. As a seemingly unstoppable corporate success story, Tesco continues to provide challenges every day says Nick Mourant, who has worked in the supermarket chain's treasury department since 1988.

As Group Treasurer, Mourant's responsibilities are wide ranging, which is what he loves about the job.

Mourant says: "My role encompasses all the usual treasury responsibilities such as cash management, foreign exchange, risk management, credit and capital markets.

"However, my role is slightly different to other mainstream treasury positions because I have a significant involvement in how we run the stores. This is primarily around how we take tender across the tills."

This means that Mourant works closely with a number of departments across the company to ensure that the processes by which customers pay for goods are efficient.

He says: "I spend a lot of time with our IT department. For example, I worked closely with them over the introduction of chip and pin and credit card payments."

The role is further complicated by Mourant's involvement with Tesco Personal Finance, the company's retail banking arm.

**THE GROWTH IMPERATIVE** Tesco has recently published its interim results. The City was not disappointed, and the figures proved yet again just how important growth is to the company.

Group sales were up by 12.7%, and there was a 10.8% increase in earnings per share.

Mourant says: "Tesco is a growth business which looks to expand

## Checking out the US

Mourant says that the whole company works hard to create the growth opportunities and provide the underlying systems and infrastructure that enable Tesco's performance to appear seamless and slick to the customer.

The UK supermarket giant recently announced its plans to launch convenience store operations in the US. Tesco will spend £250m this year and next setting up what it hopes will be a business of real scale on the US west coast, opening in mid-to-late 2007.

As many other British retailers know all too well, cracking the US market is no easy task. Other stores have attempted to reproduce their UK success across the Atlantic but struggled to make it work.

Mourant says: "What Tesco is trying to do is go into a sector of the market where we believe we can do a better job than the existing players."

Tesco will focus on convenience-style, top-up shopping (for customers looking for a few forgotten items, who prefer to get them from a smaller store rather than head back to a full-on megamarket). Mourant argues there is a big gap in the US between the hypermarkets such as Wal-Mart and smaller stores such as 7-Eleven.

Mourant says: "In terms of treasury it does not add a large sum to our capital spend. We are committing significant retail and operational resources to this, but in the context of a £30bn company, it is not a high financial risk."

at a rate in the mid-teens in percentage terms every year. A business this fast-moving creates a lot of strains within the funding and financial management. I'd say the speed at which Tesco moves is the biggest challenge."

There are four main business areas for Tesco: core UK, non-food, retailing services, and international.

The latest interim results show that significant growth was achieved across all these areas. International sales were up by 21.3%, core UK sales by 10.2%, UK non-food by 12.6% and Tesco.com by 28.7%.

Mourant says: "We do expect growth within all four areas. Tesco was operating only in the UK market in the mid-1990s. Now we are in a position where up to 60% of our space is international."

Since joining the company in the late 1980s, Mourant has seen a lot of changes to the business and to treasury.

Mourant says: "The biggest change for me since the mid-1990s has been moving from a relatively simple operation to a complex and multi-faceted operation. That clearly brings different issues and complexity for management."

Tesco has expanded its international business. While remaining a formidable presence in the UK, it also operates in Central Europe and the Far East. This expansion into jurisdictions across the world has presented a different set of fresh challenges to Mourant and his team.

He explains: "We have gone into emerging markets because as a retailer we believe that it is in these markets that we can add value to the company."

"From a treasury perspective it presents challenges because there isn't necessarily a standard blueprint. This relates to issues such as cash management, foreign exchange and tax issues, and applies particularly to countries such as Korea, Thailand and Turkey."



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Like any other international business, Tesco has to negotiate the complex regulatory environments present in emerging markets. As Group Treasurer, Mourant has to give the markets sufficient attention to ensure that the corporate efforts to expand in these areas runs smoothly.

Mourant says: “The issue in the UK is that we have a sophisticated market where the tax position and the financial markets are well developed. If we consider China or Korea, for example, the basic building blocks are significantly different from those we are used to. Working through these differences is certainly a challenge.”

**STRUCTURING ACQUISITIONS** An important element of Mourant’s work is making acquisitions. Given Tesco’s active acquisition policy, this takes up a lot of his time and means he works closely and regularly with other departments in the company.

He says: “I am involved in how we fund acquisitions and how we structure our entry into the new market. The toolkit that the treasurer has crosses over very well into new ventures.

“My time and my team’s time is spent working with my commercial colleagues focusing on how we buy better.”

Because Tesco is a retailer with significant property holdings, the method of funding and managing property risk is fundamental to the company and an important element of the treasury team’s work.

The Tesco treasury team consists of 12 people and Mourant also manages another team of 10 people, who take care of operational responsibilities.

Mourant says: “I divide the positions into several categories:

structured funding/accounting, capital markets/dealing, and relationships. The relationship management roles are the European and Asian treasury positions. They act as the interface between the group and the subsidiaries. They have to manage the needs of the subsidiaries and align them to the needs of the group. They also help the finance directors in these areas run the business.”

Mourant explains that these treasurers have a responsibility to help the in-country FDs by providing structuring and funding services, while also offering assistance with cash management, credit cards, structuring balance sheets and managing profit and loss.

Mourant says: “The job is very exciting overall. There is a lot happening and the job is always changing. I believe that Tesco treasury is one of the top five in the UK. My ambition is to make it one of the top five in Europe.

“It is intellectually challenging and the reward is actually seeing where and how you are adding value to the group.”

After graduating with a degree in economics, Mourant joined KPMG. Once qualified as an accountant, he moved to the Transport Development Group (TDG) where he worked as an assistant to the financial director for three years.

He says: “I fell into treasury when I worked for TDG. I was approached to join Tesco as a Deputy Treasurer in 1988, and I have been here ever since.”

As a treasurer who deals with an array of issues relating to the business it is understandable that Mourant sees treasury as a diverse position that should not be limited to dealing with traditional issues such as cash management.

He says: “I see treasury as the ideal place to manage risk in the business. Therefore the remit for treasury can reach across the whole business. For example, the treasurer’s toolkit is very well suited to dealing with pensions risk. The treasurer’s toolkit is aligned to analysing risk in a pensions scheme. This is true of the tools required for acquisitions and new ventures.”

Mourant argues that the treasurer’s ability to analyse risk underpins how the role has developed at Tesco and why treasury is becoming more integrated into the wider company.

While this trend is true of many other treasury departments worldwide, Mourant believes his position is unique.

He says: “I would say that my treasury role has a different facet to it due to the nature of the business.

“I enjoy each day being very different. I am a very task-focused person, so delivery is very important to me. It’s great to be able to say that something happened because you contributed.”

