Tesco Credit Analysis: Leverage, Interest Coverage and Bond Issuances (2021-2024)

Credit Ratings Overview

Tesco is rated as **investment grade** by all three major credit agencies, though near the cusp of speculative grade. S&P's positive outlook reflects potential for an upgrade if metrics continue to strengthen.

Bond Issuances and Maturity Profile:

Agency	Short Term Rating	Long Term Rating	Outlook
Fitch	F3	BBB-	Stable
Moody's	P-3	Baa3	Stable
S&P	A-3	BBB-	Positive

Tesco has a diverse portfolio of unsecured bonds with maturities stretching as far as **2057,** smoothing refinancing risk.

Example 1: EUR 600m 2047 bond, reduced to EUR 185m outstanding.
Example 2: GBP 200m 2029 bond, only GBP 38m outstanding.

Tesco also maintains **£2.5bn in undrawn bank facilities** as part of its risk management approach, ensuring liquidity in meeting near-term obligations.

Financial Performance and Key Ratios (2021-2024):

Leverage (Debt-to-EBITDA)

- Tesco's **Debt-to-EBITDA ratio** improved from **5.06 in 2021** to **3.07 in 2024.**
- Most significant improvement occurred between 2023 and 2024.

Interest Coverage

- Tesco's **Interest Coverage Ratio** has improved from **4.45x in 2021** to **5.90x** in **2024.**
- Indicates a strengthened capability of meeting interest obligations.

Liquidity Position

- Tesco's **Current Ratio** rose from **0.68 in 2021** to **0.81 in 2024,** reflecting an increase in current assets to current liabilities.
- Tesco's current assets have grown to **£16.6bn** in 2024, which provides more cushion for meeting short-term obligations.

Outlook

- **Solid investment grade entity** with improving metrics
- **Smoothed maturity profile** out to 2057
- **Liquidity** still area to strengthen
- **S&P upgrade** possible if deleveraging continues

Originally written as a credit case study (2024).