



28 April 2023

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2023 Third Quarter Sales Results

Please find attached for immediate release to the market the 2023 Third Quarter Sales Results Release for Coles Group Limited.

This announcement is authorised by the Board.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Daniella Pereira".

Daniella Pereira
Company Secretary

Results Release

colesgroup

28 April 2023

2023 Third Quarter Sales Results

**Value campaigns deliver solid Q3 sales and positive volumes.
First Automated Distribution Centre now open**

Third Quarter Sales - 12 weeks from 2 January to 26 March 2023

GROUP SALES REVENUE (\$M)	3Q23	3Q22	CHANGE
Supermarkets	8,596	8,032	7.0%
Liquor	801	781	2.6%
Sales revenue – continuing operations	9,397	8,813	6.6%
Express – discontinued operations	271	269	0.7%
Total Group sales revenue	9,668	9,082	6.5%

GROUP GROSS RETAIL SALES ¹ (\$M)	3Q23	3Q22	CHANGE	COMPARABLE GROWTH
Supermarkets	8,874	8,226	7.9%	6.5%
Liquor	803	784	2.4%	1.5%
Gross retail sales – continuing operations	9,677	9,010	7.4%	6.1%
Express	287	285	0.7%	0.9%
Total Group gross retail sales (non-IFRS)	9,964	9,295	7.2%	5.9%

¹ Gross retail sales comprises retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points. Fuel concession sales are excluded from Express. Gross retail sales on the basis Coles does not control retail pricing.

Statement from Coles Group CEO, Steven Cain

"At a time when cost of living pressures are mounting for many customers, the unique combination of Australia's largest own brand range, hundreds of dropped and locked prices, thousands of weekly specials, free Masterchef cookware and Flybuys points has successfully driven sales and volume. Pleasingly we saw some modest improvement in supply chain availability however there is still more to do.

As I hand over the reins of this iconic, and now "essential" 109-year old company to Leah Weckert on Monday, I am proud of what has been achieved for all our stakeholders over the last five years since demerger. Customers rate Coles as one of Australia's most trusted brands, and our millions of direct and indirect shareholders have benefited from upper quartile returns¹. For our team and community, Coles is a more diverse and inclusive organisation, with sustainability credentials that have been recognised globally. The technology capability of Coles and our partners will continue to accelerate, with our first automated DC, the biggest single capital investment in Coles' history, a real milestone. I would like to thank everyone at Coles Group, including Coles Express, and our various partners, for their support and wish them continued success. I know that the best is yet to come."

¹ Based on Coles' RTSR performance for the period 1 July 2019 to 26 June 2022. Refer FY22 Annual Report for further information.

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Strategic highlights



**Sales
revenue
growth**

▲7.0%

in Supermarkets

▲2.6%

in Liquor



**eCommerce
sales growth**

▲2.7%

in Supermarkets

▲28.9%

in Liquor



**Own brand
sales revenue
growth**

11.4%

Exclusive to Coles

15.2%

Exclusive Liquor Brand



Inspire Customers

- Delivered trusted value to customers through our extensive Exclusive to Coles portfolio of more than 6,000 products, including 227 new product launches in Q3, driving revenue growth of 11.4%
- Doubled the size of the 'DROPPED & LOCKED' value campaign with the price on more than 300 products dropped and locked
- Supermarkets eCommerce sales growth of 2.7% with all Coles customers now transitioned to unified enhanced digital platforms, across website and app providing a seamless omnichannel experience; Click & Collect Rapid (order to pick up in 60 minutes) now available in almost 400 stores
- Progressed construction of Ocado customer fulfilment centres (CFCs) with bakery facility and fresh produce cutting room in VIC CFC well underway; hive bots now on site in NSW CFC
- Liquor sales revenue returned to growth with strong contribution from Exclusive Liquor Brand (ELB) portfolio with 19 new ELB products and 71 ELB awards received during the quarter
- Liquor eCommerce sales growth of 28.9% with immediacy offer expanded and now available in more than 640 stores



Smarter Selling

- On track to deliver cumulative Smarter Selling benefits of \$1 billion across the four-year program by the end of FY23
- Continued tailored store format strategy with 41 Liquor store renewals, including the 400th Black & White Liquorland renewal, and one supermarket renewal (remaining on track to renew 40 supermarkets in FY23), two new liquor stores opened in Deniliquin, NSW and St Leonards, NSW and one new supermarket also in St Leonards, NSW
- Achieved first outbound delivery to store at the Redbank, Queensland Automated Distribution Centre (ADC) on 27 March² prior to official opening on 27 April; Kemps Creek, NSW ADC progressed with installation activities continuing

² Outbound delivery to a number of stores and limited SKUs as part of testing and commissioning of the ADC's outbound capability.

- Achieved 40% Women in Leadership³ roles and awarded Employer of Choice for Gender Equality by the Workplace Gender Equality Agency (WGEA) for our active commitment to achieving gender equality
- Recognised a significant milestone of donating the equivalent of 200 million meals to SecondBite from unsold, edible food diverted from landfill since 2011
- Awarded two Gold Packaging Innovation and Design Awards for the KOi Refillable Handwash Starter Kit and Refill Tablets, and Coles Finest Carbon Neutral Beef Vacuum Packaging
- Trialled 'Swap-a-box' initiative in select Tasmanian and Victorian supermarkets, swapping plastic bags for reusable boxes on Click & Collect orders in an effort to reduce waste
- Coles team members celebrated sponsorship of Sydney WorldPride highlighting Coles' support of the LGBTQIA+ community under the banner of "everyone is welcome at our table"
- Supported community organisations with \$1 million raised for the annual Curing Homesickness campaign, helping sick children in hospitals across Australia; \$250,000 raised for Fitted For Work to support women in Australia experiencing disadvantage to become work ready; more than \$160,000 raised in just three days for the Love your Land campaign in partnership with Clean Up Australia!
- Celebrated ten years of partnership and \$50 million raised for children's cancer support organisation, Redkite, helping thousands of Australian families and children affected by cancer
- Extended partnership with Stephanie Alexander Kitchen Garden Foundation to help young Australians learn about fresh produce and foster positive food habits for life while launching a new program to give school children a better understanding of how fresh produce makes its way to supermarket shelves



Coles and SecondBite reached a major milestone with the equivalent of more than 200 million meals donated from unsold, edible food since 2011. SecondBite supports more than 1,100 community agencies nationally to support Aussies in need of food relief.



Coles celebrated 10 years of partnership and \$50 million raised with Redkite. Funds raised at Coles supermarkets and Express stores have helped provide support to more than 8,000 families impacted by childhood cancer.

³ Unaudited; increased from 39.4% as at 30 June 2022.

Segment performance overview

Supermarkets

	3Q23	3Q22	CHANGE
Sales revenue (\$bn)	8.6	8.0	7.0%
Gross retail sales (\$bn)	8.9	8.2	7.9%
Comparable sales growth (%)	6.5	3.9	265bps
eCommerce sales ¹ (\$m)	662	645	2.7%
eCommerce penetration (%)	7.5	7.8	(38bps)
Sales density per square metre ² (MAT \$/sqm)	18,907	18,066	4.7%
Inflation / (deflation) (%)	6.2	3.3	294bps
Inflation / (deflation) excl. tobacco and fresh (%)	7.6	2.9	475bps

¹ eCommerce sales include Liquor sold through coles.com.au.

² Sales per square metre is on a moving annual total (MAT), calculated on a rolling 52-week basis.

Key highlights

Supermarkets sales revenue of \$8.6 billion for the third quarter increased by 7.0% on the prior corresponding period as the business cycled the impacts of COVID-19 (Omicron), floods in New South Wales and Queensland, and flooding in South Australia which led to logistics disruptions in Western Australia and the Northern Territory. Gross retail sales of \$8.9 billion increased by 7.9% and comparable sales grew by 6.5% on the prior corresponding period.

Sales growth was supported by the expansion of the 'DROPPED & LOCKED' value campaign and the commencement of the latest MasterChef Cookware continuity program which continues until July. A new range of Flybuys member pricing, providing more value to Flybuys customers, was also launched with member numbers and point redemptions increasing during the quarter. A moderation in consumer hospitality spending and increasing immigration also supported sales growth which was partially offset by a continued industry decline in tobacco sales. Excluding tobacco, sales revenue increased by 8.2%.

Volumes were modestly positive for the quarter with some improvements in availability. Coles' delivered in full (DIF) and delivered in full on time (DIFOT) availability metrics improved slightly compared to the first half of FY23 however remain below pre-COVID levels at 89% and 81% respectively⁴. These improvements largely reflect the recovery in the fresh produce growing regions previously impacted by floods and the absence of major rail outages during the period. The receivership of Scott's Transport created a new chilled and frozen industry challenge during the period which is improving but ongoing. During the quarter we continued to see headwinds in waste and markdowns, and stock loss as a result of theft.

Exclusive to Coles delivered \$2.9 billion of sales, an increase of 11.4% on the prior corresponding period, with 227 Coles Own Brand products launched during the quarter. To help customers alleviate cost of living pressures, trusted value and budget friendly options for customers were delivered through bulk packs, such as 1 kilogram Coles Chicken Breast Dino Nuggets and 1 litre Coles Foaming Handwash Refills. Other launches in the quarter included Coles Finest Lamb range. Coles Own Brand won three awards during the quarter including a Choice award for the Coles Traditional Fruit Hot Cross Buns and a Canstar award for Coles Kitchen Fresh Pizza. Coles was also recognised for its sustainability efforts with two Gold Packaging Innovation and Design Awards for the KOi Refillable Handwash Starter Kit and Refill Tablets, and Coles Finest Carbon Neutral Beef Vacuum Packaging.

eCommerce grew revenues by 2.7% to \$662 million resulting in 7.5% contribution to Supermarket sales. Revenue growth was partly driven by Click & Collect Rapid (order to pick up in 60 minutes), now available in almost 400 stores, scaling Rapid Delivery, (less than 90-minute order to home delivery) to more than 460 stores nationwide as well as improvements in the end-to-end customer experience. During the quarter, all customers were successfully migrated to the new Coles.com.au platform which unifies the customer experience in advance of the Ocado CFCs. The app deployed seven releases in the quarter that further enabled our unified and omnichannel customer strategy, significantly increasing the number of users and expanding the number of customers that shop digitally before making a purchase in a Coles store.

⁴ Compared to 1H20 DIF and DIFOT rebased to 100%.

Total Supermarkets price inflation of 6.2% moderated in the third quarter, compared to 7.7% in the second quarter with packaged inflation of 7.2% (7.9% in the second quarter) and fresh inflation of 4.1% (7.1% in the second quarter). The largest drivers of the moderation were in fresh produce, with some key lines in deflation, including lettuce, cucumbers and carrots and in the meat, deli and seafood category. Packaged inflation also moderated as the business cycled a high level of supplier input cost price increase requests in the prior corresponding period. Inflation in dairy remained elevated as a result of an increase in the farmgate milk price and higher commodity prices. The level of supplier cost price increase requests received in the third quarter decreased compared to the second quarter with the main drivers of the requests this period relating to raw materials and utilities.

During the quarter, Coles opened one new store and closed two stores, taking the total network to 841 Supermarkets.

Liquor

	3Q23	3Q22	CHANGE
Sales revenue (\$m)	801	781	2.6%
Gross retail sales (\$m)	803	784	2.4%
Comparable sales growth (%)	1.5	2.8	(131bps)
eCommerce sales ¹ (\$m)	43	33	28.9%
eCommerce penetration ¹ (%)	5.4	4.3	112bps
eCommerce penetration (inc. COL) ² (%)	6.4	5.2	124bps
Sales density per square metre ³ (MAT \$/sqm)	16,088	16,291	(1.2)%

¹ eCommerce sales and penetration excludes Liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales, and B2B sales.

² eCommerce penetration including Liquor sold through coles.com.au.

³ Sales per square metre is on a moving annual total (MAT), calculated on a rolling 52-week basis.

Key highlights

Liquor sales revenue of \$801 million for the third quarter increased by 2.6%. Gross retail sales of \$803 million increased by 2.4% and comparable sales grew by 1.5% on the prior corresponding period.

Liquor returned to sales revenue growth in the third quarter with the business no longer cycling on-premise restrictions in the prior corresponding period. Sales growth was driven by continued growth in eCommerce of 28.9% as well as growth in the Exclusive Liquor Brands (ELB) portfolio of 15.2% compared to the prior corresponding period. Liquorland continued to be the strongest performing banner with 39 Black & White renewals completed during the quarter, while Ready-to-drink (RTD) remains the strongest performing category.

In the ELB portfolio, 19 new products were added during the quarter including Billson's Sour Blueberry Vodka Mixed Drink in the RTD category and Muff Gin and Vodka in the Spirits category. 71 ELB awards were also received including a Gold medal at the Beverage Packaging Design of the Year Award for the Banrock Station Eco Bottle.

Sales revenue was also impacted by inflation as a result of supplier-led cost price increases in the third quarter, following the February excise increase. As a result, Liquor maintained its strong focus on value with many customers moving into 'Lower for Longer' offers towards the end of the quarter. Furthermore, ELB participation continued to strengthen throughout the quarter as customers looked for good value products.

eCommerce sales penetration was 5.4% in the third quarter (6.4% including Coles Online) compared to 4.3% in the prior corresponding period (5.2% including Coles Online). Growth in eCommerce was driven by Liquor's immediacy offer with Express delivery expanded to Queensland, adding more than 220 stores to the network, taking the total to 640 stores. Click & Collect Rapid capacity was also added to an additional 16 stores during the quarter.

During the period, Liquor completed 41 store renewals, including its milestone 400th Black and White Liquorland store. Two new stores were opened and one closed, taking the total network to 941 Liquor stores.

Express – Discontinued operations

	3Q23	3Q22	CHANGE
C-store sales revenue (\$m)	271	269	0.7%
C-store gross retail sales ¹ (\$m)	287	285	0.7%
Comparable c-store sales growth (%)	0.9	(0.8)	170bps
Weekly fuel volumes (mL)	58.3	55.9	4.3%
Fuel volume growth (%)	4.3	(4.9)	924bps
Comparable fuel volume growth (%)	4.6	(3.9)	853bps

¹ Fuel concession sales are excluded from Express gross retail sales on the basis that Coles does not control retail pricing.

Key highlights

C-store sales revenue of \$271 million for the third quarter increased by 0.7% while comparable sales grew by 0.9% on the prior corresponding period.

Excluding tobacco, sales increased by 10.6% with the food-to-go category continuing to be the key driver of growth with ongoing momentum in sandwiches, wraps and coffee.

Fuel volumes improved throughout the quarter with average weekly volumes of 58.3mL per week, up 4.3% on the prior corresponding period.

One site was opened and one site closed, with the total network at 706 sites.

All closing conditions for the sale of the Coles Express fuel and convenience business to Viva Energy Group Limited (Viva Energy) have now been received, including ACCC and FIRB clearances. The transaction is expected to complete by the end of May.

As outlined when the transaction was announced in September 2022, following completion:

- Coles customers will continue to be able to access the four cent per litre fuel docket across the network; and
- Viva Energy will remain a partner of the Flybuys Program, with customers able to continue earning and redeeming points across the network.

Coles will also continue to partner with Viva Energy in relation to product supply arrangements, enabling customers to benefit from continued access to Coles Own Brand product range.

Outlook

Supermarkets sales growth continued into the fourth quarter with volumes remaining modestly positive supported by solid Easter trading and the new 'DROPPED & LOCKED 3' value campaign which has now been extended to July.

Supplier input cost inflation is expected to continue to moderate in the fourth quarter, largely as a result of cycling elevated levels of inflation in the prior corresponding period.

In the fourth quarter to date, we have achieved several key milestones across a range of strategic initiatives. Our first ADC in Redbank, Queensland commenced its first outbound deliveries to store on 27 March, prior to the official opening on 27 April. We remain on track to open the Kemp's Creek, NSW ADC in the third quarter of FY24. We also entered into an agreement to acquire two automated milk processing facilities from Saputo Dairy Australia, improving the security of milk supply and providing capacity to facilitate growth through further product innovation. We have also satisfied all closing conditions for the sale of the Coles Express fuel and convenience business to Viva Energy with the transaction expected to complete by the end of May.

Further to previous updates, construction delays are ongoing in relation to the two customer fulfilment centres being built by Ocado. Work is continuing to determine what impact the delays will have on previously advised construction timelines and we will provide an update in due course.

With the largest own brand portfolio in Australia, we remain confident that we are well positioned to navigate the current macro environment and deliver trusted value for our customers at a time when many households are experiencing increasing financial pressure. We also expect that improvements in availability, higher immigration and further increases in at-home consumption will continue to positively support future growth.



Coles has extended its popular 'DROPPED & LOCKED' campaign with the prices on more than 300 products dropped and locked until July.



The Redbank, Queensland ADC was officially opened by Prime Minister Anthony Albanese MP and Queensland Premier Annastacia Palaszczuk on 27 April.

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Appendix

Appendix 1

Number of retail stores

	OPEN AS AT 2 JAN 2023	OPENED	CLOSED	OPEN AS AT 26 MAR 2023
NSW & ACT	262	1	(1)	262
QLD	183	0	0	183
VIC & TAS	238	0	(1)	237
SA & NT	60	0	0	60
WA	99	0	0	99
Supermarkets	842	1	(2)	841
Liquor	940	2	(1)	941
Express – discontinued operation	706	1	(1)	706
Group store numbers	2,488	4	(4)	2,488