



28 October 2021

The Manager  
Company Announcements Office  
Australian Securities Exchange

Dear Sir or Madam

**Coles Group Limited – 2022 First Quarter Sales Results**

Please find attached for immediate release to the market the 2022 First 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 October 2021

## 2022 First Quarter Sales Results

**Strong eCommerce sales in Supermarkets and Liquor  
Significant COVID-19 Delta disruptions now beginning to  
ease as vaccination rates increase**

First Quarter Sales - 13 weeks from 28 June 2021 to 26 September 2021

\$ MILLION	1Q22	1Q21	HEADLINE GROWTH		COMPARABLE GROWTH	
			1-YEAR	2-YEAR <sup>1</sup>	1-YEAR	2-YEAR <sup>2</sup>
Supermarkets	8,620	8,464	1.8%	11.9%	1.4%	11.1%
Liquor	874	852	2.6%	20.4%	1.4%	19.2%
Express	262	291	(10.1)%	(0.8)%	(9.5)%	0.6%
<b>Total</b>	<b>9,756</b>	<b>9,607</b>	<b>1.5%</b>	<b>12.2%</b>	<b>1.0%</b>	<b>11.4%</b>

<sup>1</sup>Headline 2-year growth is calculated as growth between 1Q22 and 1Q20.

<sup>2</sup>Comparable 2-year growth is calculated as the aggregate of 1Q22 and 1Q21 growth rates.

### First quarter performance summary and COVID-19 update

In the first quarter, Supermarkets sales increased by 1.8% with two-year headline sales growth<sup>1</sup> of 11.9% (relative to 9.4% in the fourth quarter of FY21) as lockdowns across New South Wales, the Australian Capital Territory and Victoria continued. As a result of the lockdowns, there was a return to local shopping at the expense of shopping centres, as well as increased demand for eCommerce, resulting in strong sales growth of 48% with two-year growth of 132% (relative to 79% in the fourth quarter of FY21), while online penetration of 9% was recorded in the quarter.

Liquor sales increased by 2.6% with two-year headline sales growth of 20.4% (relative to 12.5% in the fourth quarter of FY21) as a result of elevated sales from COVID-19 and the closure of on-premise venues in New South Wales, the Australian Capital Territory and Victoria for most of the quarter.

In Express, reduced levels of traffic on the road as a result of COVID-19 lockdown restrictions led to a decrease in convenience (c-store) sales revenue of 10.1% (relative to an increase of 2.2% in the fourth quarter of FY21) with two-year headline sales declining by 0.8%.

The Delta variant of COVID-19 caused significant disruptions in the first quarter across Coles' stores, supply chain and to the customers and communities that we serve. From the thousands of team members who had to isolate across our store network and distribution centres, to supporting suppliers whose operations were also impacted by COVID-19, our focus has been on keeping our customers and team members safe while maintaining a secure food supply chain. Coles has worked collaboratively with state health authorities, governments and industry to refine health protocols for the supermarket sector around team member isolation requirements while also encouraging team members to get vaccinated with strong take-up to date.

Coles incurred COVID-19 costs of approximately \$75 million (inclusive of team member discounts) in the first quarter with costs accelerating in August and September, largely due to the approximately 20,000 team

<sup>1</sup> Headline two-year growth is calculated as growth between 1Q22 and 1Q20.

members required to isolate in New South Wales and Victoria, additional door greeters to ensure QR code compliance in store, and lower productivity due to shift bubbles in distribution centres.

Coles' capital expenditure program has also been impacted by COVID-19 restrictions to the construction industry and constraints on workforce capacity in Victoria and New South Wales.

## Q1 Strategic highlights

### *Inspire Customers*

- Increased Supermarkets eCommerce sales by 48% with sales penetration of 9% while investing in capacity and customer experience, including more than doubling capacity in New South Wales; Liquor eCommerce sales grew by 72% and sales penetration of 4.5% with progress made on improved efficiencies through the three eCommerce dark stores
- Delivered trusted value through the Autumn and Winter value campaigns and provided a tailored offer through range and space activity with Health in Every Aisle rolled out to all stores and extended Asian range to almost 80 stores
- Increased Exclusive to Coles product sales by 6% with two-year growth of 19% while 26 Coles Own Brand products won awards during the quarter
- Inspired customers through the Coles magazine, Australia's most read magazine with five million readers every month, as we evolved the magazine through the use of content, food ambassadors, sponsorships and the Coles cooking club
- Differentiated Coles Liquor offer with an improved range of products, lowering prices for longer and continued investment in service

### *Smarter Selling*

- On track to deliver Smarter Selling benefits in excess of \$200 million in FY22
- Continued tailored store format strategy with four Supermarket renewals, including the tenth Coles Local store in Camberwell, Victoria, and 35 Liquor format renewals
- Invested in key efficiency and customer service transformation initiatives including the roll out of customer packing benches and trolley assisted checkouts

### *Win Together*

- Ranked the number two food retailer globally (behind Tesco) for sustainable business practices in the World Benchmarking Alliance's 2021 Food and Agriculture Benchmark<sup>2</sup>, the highest ranking given to an Australian food retailer
- Refinanced \$1.3 billion of debt by establishing sustainability-linked loan facilities that directly incentivise Coles to achieve our sustainability targets linked to reducing Scope 1 and Scope 2 greenhouse gas emissions (Together to zero emissions), increasing total waste diverted from landfill (Together to zero waste) and increasing the percentage of women in leadership roles (A team that is Better Together)
- Strengthened Executive Leadership team with the appointment of John Cox as Chief Technology Officer
- Donated additional food and groceries to SecondBite and Foodbank in response to the increased need from Australians affected by COVID-19. The food donations are expected to total \$2 million in value
- Raised more than \$1 million for Coles' community partners across Australia including the Robert Connor Dawes Foundation in Victoria and the Stephanie Alexander Kitchen Garden Foundation in Tasmania, \$630,000 for Redkite Week at Coles Express to support families facing childhood cancer and more than \$1.7 million through the SecondBite Winter Appeal to provide meals for vulnerable Australians

<sup>2</sup> Based on 2021 Food and Agriculture Benchmark of 350 food and agriculture companies globally by the World Benchmarking Alliance. Benchmark across four key measurement areas of social inclusion, nutrition, governance & strategy, and environment. Coles ranked #12/350 companies overall and #2/62 of food retailers globally.

### Statement from Coles Group CEO, Steven Cain

"As we embarked on our third year of strategy execution, the COVID-19 Delta strain presented significant challenges in the quarter, which are now beginning to ease as vaccination rates increase. I would like to thank the Coles team, our suppliers and community partners who have done an extraordinary job in this 18-month battle with COVID-19 to ensure continuity of supply as an essential service. We are now looking forward to providing a safe and happy Christmas and summer season, serving Australians with more sustainable, great value and easy entertaining inspiration - for what we expect will be a record number of smaller gatherings for families and friends."

## Segment performance review

### Supermarkets

#### Retail calendar results

	1Q22	1Q21	CHANGE
Sales revenue (\$m)	8,620	8,464	1.8%
Comparable sales growth (%)	1.4	9.7	(829)bps
2-year comparable sales growth <sup>1</sup> (%)	11.1	9.8	128bps
eCommerce sales <sup>2</sup> (\$m)	764	518	47.6%
eCommerce penetration (%)	8.7	6.0	268bps
Sales per square metre <sup>3</sup> (MAT \$/sqm)	17,868	17,909	(0.2)%
Net selling area (MAT sqm)	1,947,889	1,918,420	1.5%
Inflation / (deflation) (%)	(0.3)	2.6	(290)bps
Inflation / (deflation) excl. tobacco and fresh (%)	(0.8)	0.8	(160)bps

<sup>1</sup> Comparable 2-year growth is calculated as the aggregate of 1Q22 and 1Q21 growth rates.

<sup>2</sup> eCommerce sales include Liquor sold through coles.com.au.

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

#### Key highlights

Supermarkets sales revenue was \$8.6 billion for the first quarter, an increase of 1.8% on the prior corresponding period, with comparable sales increasing by 1.4%. On a two-year basis, Supermarkets headline sales growth increased to 11.9% in the first quarter compared to 9.4% achieved in the fourth quarter of FY21, while two-year comparable sales growth<sup>3</sup> in the first quarter increased to 11.1% compared to 9.2% achieved in the fourth quarter of FY21.

Sales growth was supported by ongoing at-home consumption with New South Wales, the Australian Capital Territory and Victoria in lockdown during the quarter and a strong eCommerce result, while the value and free picnicware campaigns resonated with customers.

eCommerce sales grew by 48% with sales penetration increasing to 9% in the first quarter, up from 6% in the fourth quarter of FY21. The strong result was driven by elevated demand as a result of COVID-19 lockdowns and in response, Coles Online more than doubled capacity in New South Wales through the addition of 17 home delivery stores, while eight stores were added in Victoria and capacity was extended in existing Click & Collect locations across both states. Coverage was also expanded during the quarter, including in regional areas. The Coles Online liquor offering was also expanded with a further 400 liquor products added to the platform while the Coles Plus membership subscription offer continues to grow with member numbers doubling over the quarter, saving members time and money.

Coles continued to inspire customers with innovation through Exclusive to Coles products, delivering a strong first quarter with sales of \$2.8 billion, an increase of 6% compared to the prior corresponding period. More than 350 new Coles Own Brand products were launched in the quarter including Coles' new liquid Breakfast on the Move range while the Coles Perform sports nutrition range was expanded to include Whey and Plant-based Protein Powders and Bars. Coles Own Brand won 26 awards across products such as Coles Finest Sausages, Coles Crackling Leg Ham, Hot and Cold Smoked Salmons, Australian Vintage Cheddar and Frozen Apple Pies.

Supermarkets recorded deflation excluding tobacco and fresh of 0.8% for the first quarter, moderating from 3.7% recorded in the fourth quarter of FY21. Total Supermarkets price deflation of 0.3% was recorded for the first quarter, the third consecutive quarter of deflation although moderating from 1.1% in the fourth quarter of FY21. This was largely a result of packaged as the impact from cycling lower promotional activity in the fourth quarter of FY21 normalised, partly offset by easing inflation in tobacco as a result of the annual tobacco excise increase

<sup>3</sup> Comparable two-year growth is calculated as the aggregate of 1Q22 and 1Q21 growth rates.

not occurring in September 2021. Fresh deflation<sup>4</sup> was driven by fresh produce, largely fruit, partly offset by continued inflation in meat from elevated livestock prices.

Coles completed four renewals during the quarter with three Format C and one Coles Local store in Camberwell, Victoria. For the quarter, two new store openings were completed taking the total network to 836 Supermarkets.

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<sup>4</sup> Includes fresh produce, meat, deli, dairy and bakery

## Liquor

### Retail calendar results

	1Q22	1Q21	CHANGE
Sales revenue (\$m)	874	852	2.6%
Comparable sales growth (%)	1.4	17.8	N/M
2-year comparable sales growth <sup>1</sup> (%)	19.2	18.5	69bps
eCommerce sales <sup>2</sup> (\$m)	39	23	72.4%
eCommerce penetration (%)	4.5	2.7	184bps
Sales per square metre <sup>3</sup> (MAT \$/sqm)	16,265	16,023	1.5%
Net selling area (MAT sqm)	217,705	214,930	1.3%

N/M denotes not meaningful.

<sup>1</sup> Comparable 2-year growth is calculated as the aggregate of 1Q22 and 1Q21 growth rates.

<sup>2</sup> eCommerce sales exclude Liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales.

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

### Key highlights

Liquor sales revenue was \$874 million for the first quarter, an increase of 2.6% on the prior corresponding period, with comparable sales growing by 1.4% despite cycling elevated COVID-19 driven liquor sales in the prior corresponding period when comparable sales were 17.8%. On a two-year basis, Liquor headline sales growth increased to 20.4% in the first quarter compared to 12.5% achieved in the fourth quarter of FY21, while two-year comparable sales growth in the first quarter increased to 19.2% compared to 13.1% achieved in the fourth quarter of FY21.

Sales growth was driven by a strong performance in Liquorland, particularly in New South Wales and Victoria as a result of the closure of on-premise venues in both states, while strong eCommerce sales growth of 72% was supported by recent capacity investments and customer experience enhancements. eCommerce penetration increased to 4.5% in the first quarter compared to 3.6% in the fourth quarter of FY21. Spirits and Ready to Drink (RTD) continued to be key drivers of growth at the category level.

Recent investments in customer service, a focus on delivering trusted value through lowering prices for longer, and targeted range activity in lighter red varietals, rose and sparkling wine, craft beers, gin and RTD seltzers, also translated into strengthening customer metrics. Complementing the range activity, Exclusive Liquor Brand (ELB) and local product contribution continued to grow.

Renewal activity continued across all three Liquor banners with 35 renewals completed with the new Black & White Liquorland trial format performing well. During the quarter, two new Liquor stores were opened, taking the total network to 931 Liquor sites.

## Express

### Retail calendar results

	1Q22	1Q21	CHANGE
Convenience (c-store) sales revenue (\$m)	262	291	(10.1)%
Comparable c-store sales growth (%)	(9.5)	10.2	N/M
2-year comparable sales growth <sup>1</sup> (%)	0.6	10.6	(994)bps
Weekly fuel volumes (mL)	48.4	52.3	(7.5)%
Fuel volume growth (%)	(7.5)	(19.4)	N/M
Comparable fuel volume growth (%)	(7.5)	(20.1)	N/M

N/M denotes not meaningful.

<sup>1</sup> Comparable 2-year growth is calculated as the aggregate of 1Q22 and 1Q21 growth rates.

### Key highlights

C-store sales revenue was \$262 million for the first quarter, a decrease of 10.1% on the prior corresponding period, with comparable c-store sales decreasing by 9.5%. Sales growth was negatively impacted by lower forecourt traffic due to lockdowns in New South Wales, the Australian Capital Territory and Victoria, as well as cycling strong tobacco sales in the prior corresponding period. Excluding these states, two-year sales growth has remained strong, increasing by 10%, while food-to-go (including coffee) was the key driver of growth at the category level.

Headline and comparable fuel volumes declined by 7.5% during the quarter driven by lockdown restrictions impacting traffic and mobility across New South Wales, the Australian Capital Territory and Victoria. As a result, average weekly fuel volumes were 48.4mL per week. Excluding lockdown states, fuel volumes increased by 2% compared to the prior corresponding period.

Express continued its renewal activity with its Alliance partner with a further 55 sites renewed. During the quarter, four sites were closed, taking the total network to 713 sites.



## Outlook

With the end of significant COVID-19 restrictions in sight, consumer savings at an all time high, and the recent launch of a new large range of great value easy entertaining, Coles is optimistic for the Christmas and holiday period as families and friends get together again.

In the first four weeks of the second quarter, Supermarkets comparable sales were broadly in-line with the first quarter and approximately 8% on a two-year basis. In Express, current fuel volumes are impacting profitability, however volumes are expected to recover in the second half of FY22 as consumer behaviours normalise and mobility increases.

COVID-19 costs are expected to peak in October and then start to moderate in November and December due to recent changes in isolation policies, particularly in New South Wales and Victoria. A lower level of COVID-19 costs are expected to continue into the second half due to measures to ensure safe stores and business continuity in the supply chain.

COVID-19 construction delays have impacted Coles' capital expenditure program in the first half of FY22. As such, Coles expects some rephasing of the capital program into FY23. In FY22, capital expenditure is now expected to be between \$1.2 billion to \$1.4 billion (previously up to \$1.4 billion). A more detailed update will be provided at Coles' half year results announcement on 22 February 2022.

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## Appendix 1 – Number of retail stores

	OPEN AS AT 28 JUN 2021	OPENED	CLOSED	OPEN AS AT 26 SEPT 2021
NSW & ACT	261	0	0	261
QLD	182	1	0	183
VIC & TAS	234	0	0	234
SA & NT	61	0	0	61
WA	96	1	0	97
<b>Supermarkets</b>	<b>834</b>	<b>2</b>	<b>0</b>	<b>836</b>
Liquor	929	2	0	931
Express	717	0	(4)	713
<b>Group store numbers</b>	<b>2,480</b>	<b>4</b>	<b>(4)</b>	<b>2,480</b>