



26 October 2022

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2023 First Quarter Sales Results

Please find attached for immediate release to the market the 2023 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

For personal use only

Results Release

colesgroup

26 October 2022

2023 First Quarter Sales Results

Supermarket sales strengthen during quarter as availability improves and customers respond to new value campaigns

First Quarter Sales - 13 weeks from 27 June 2022 to 25 September 2022

\$ MILLION	1Q23	1Q22	CHANGE	3-YEAR GROWTH ¹
Supermarkets	8,771	8,629	1.6%	13.8%
Liquor	836	874	(4.3)%	15.2%
Express	284	262	8.4%	7.5%
Group sales revenue	9,891	9,765	1.3%	13.7%

¹ Three-year growth is calculated as growth between 1Q23 and 1Q20.

\$ MILLION	1Q23	1Q22	CHANGE	COMPARABLE GROWTH
Supermarkets	9,019	8,816	2.3%	2.1%
Liquor	839	877	(4.3)%	(4.1)%
Express	301	279	7.9%	9.0%
Group gross retail sales (non-IFRS)¹	10,159	9,972	1.9%	1.8%

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

Q1 sales performance summary

- Group sales revenue of \$9.9 billion and gross retail sales of \$10.2 billion, an increase of 1.3% and 1.9%, respectively as business cycles COVID-19 lockdowns in NSW, VIC and ACT
- Three-year headline sales growth of 13.8% in Supermarkets, 15.2% in Liquor and 7.5% in Express
- Q1 comparable sales growth of 2.1% in Supermarkets, (4.1)% in Liquor and 9.0% in Express

Statement from Coles Group CEO, Steven Cain

"Despite record levels of hospitality expenditure in Australia, we are pleased that a strengthening sales trajectory is being driven by improved availability, new value campaigns, and the unwind of local shopping as consumer shopping behaviour normalises. Our commitment to providing trusted value, including Australia's widest range of own brand products and the successful introduction of 'DROPPED & LOCKED' prices, is more relevant than ever with rising inflation placing pressure on many Australian households.

I'd like to thank our team members, suppliers and community partners for their hard work during the quarter and for helping us to continue delivering our purpose to sustainably help all Australians lead healthier, happier lives. Our thoughts are with those Australians, including customers, team members and suppliers, currently doing it tough in Victoria and the East Coast with severe flooding. Coles is providing support to a number of flood-affected communities in northern Victoria including two semi-trailers with 40 pallets of essential groceries such as milk, pasta, rice, juice, coffee, tea, nappies and cleaning products donated and delivered to the Shepparton Showgrounds relief centre and additional supplies for the Njernda Aboriginal Corporation in Echuca."

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Strategic highlights



Comparable sales growth

▲ **2.1%**
in Supermarkets
▼ **(4.1)%**
in Liquor
▲ **9.0%**
in Express



Three-year sales growth

▲ **13.8%**
in Supermarkets
▲ **15.2%**
in Liquor
▲ **7.5%**
in Express



Three-year eCommerce sales growth

▲ **105%**
in Supermarkets
▲ **348%**
in Liquor



eCommerce penetration

7.6%
in Supermarkets
6.0%
in Liquor
(inc. Coles Online)



Inspire Customers

- ✓ Delivered trusted value for customers through the 'LOCKED' value campaign, with more than 1,100 prices locked until 31 January 2023 and price reductions on 500 more products
- ✓ Launched over 370 new Coles Own Brand and 94 Exclusive Liquor Brand products during the quarter
- ✓ As part of our health and convenience focus, launched QuiteLike meal kit service in Melbourne, providing customers with flexible, fresh and convenient meal solutions straight to their door, and roll out of Health in Every Aisle in grocery underway
- ✓ Supermarkets eCommerce sales penetration increased to 7.6% from 7.4% in the fourth quarter of FY22 (three-year sales revenue growth of 105%); unified website launched supporting Anytime, Anyhow, Anywhere shopping, along with improvements in customer features in the unified shoppable App which is now rated 4.7 (out of 5) on the App Store
- ✓ Liquor eCommerce sales revenue growth of 3.9% despite cycling COVID-19 lockdowns in the prior corresponding period (three-year sales revenue growth of 348%) with sales penetration of 5.0% (6.0% including Liquor sold through Coles Online), and the continued expansion of on demand services, now available in more than 560 stores
- ✓ Offered customers greater personalised value through Flybuys, Australia's favourite loyalty program, with offers tailored to customer's individual shopping behaviours
- ✓ Announced sale of fuel and convenience business to Viva Energy, allowing Coles to focus on growing its omnichannel supermarket and liquor businesses
- ✓ Digitised Coles Express fuel docket within the Flybuys app, making it easier for customers to redeem their fuel discount

Dropped & Locked prices on products Aussies love

Locked until 31 January 2023



Coles has Dropped & Locked the prices on hundreds of products until 31 January 2023.



QuiteLike meal kits are providing flexible, fresh and convenient meal solutions.



Smarter Selling

- ✓ On track to deliver cumulative Smarter Selling benefits of \$1 billion by end of FY23 under our four year program
- ✓ Continued tailored store format strategy with three Supermarket and 58 Liquor format renewals, including Liquorland's 300th Black & White conversion, as well as opening four new supermarkets and seven liquor stores, including the first Liquorland in Tasmania
- ✓ Witron Queensland automated distribution centre being commissioned; first Ocado "Bots" arrived in New South Wales



Win Together

- ✓ Through the Coles SecondBite Winter Appeal in our supermarket and liquor stores, raised more than \$1.7 million in just three weeks to help SecondBite deliver food for vulnerable Australians to community organisations across the country
- ✓ Raised more than \$1.3 million across Australia as part of Coles' State Charity Fundraising campaigns including more than \$649,000 for the Sydney Children's Hospitals Foundation and the John Hunter Children's Hospital in New South Wales and more than \$426,000 for the Robert Connor Dawes Brain Cancer Foundation in Victoria
- ✓ Celebrated NAIDOC Week with Coles supermarkets and Coles Express sites across the Northern Territory and selected regional stores in Western Australia raising more than \$80,000 for Purple House, an Indigenous-owned and run health service operating in 19 remote communities across the Northern Territory, Western Australia and South Australia
- ✓ Trialled the removal of single-use plastic fresh produce bags in supermarkets in the Australian Capital Territory to encourage customers to bring in reusable options to complete their fresh produce shop
- ✓ Partnered with the beef industry to trial a new feed supplement that reduces methane emissions from cattle
- ✓ Shortlisted as one of four finalists globally for the "Best Practice Category" at the Sustainability Awards run by Packaging Europe. The Sustainability Awards received 360 submissions across all categories
- ✓ Recognised at the Talent Acquisition industry's Internal Talent Awards as 2022 winners for the 'Excellence in Diversity & Inclusion' Award
- ✓ Entered into a three-year partnership with Sydney WorldPride 2023 and Sydney Mardi Gras, becoming the Presenting Partner until 2025, emphasising our commitment to creating a safe and welcoming environment for LGBTQIA+ people across our workforce and in stores

Segment performance overview

Supermarkets

	1Q23	1Q22	CHANGE
Sales revenue (\$bn)	8.8	8.6	1.6%
Gross retail sales (\$bn)	9.0	8.8	2.3%
Comparable sales growth (%)	2.1	1.4	74bps
eCommerce sales ¹ (\$bn)	0.7	0.8	(11.5)%
eCommerce penetration (%)	7.6	8.8	(119bps)
Sales density per square metre ² (MAT \$/sqm)	18,295	17,868	2.4%
Inflation / (deflation) (%)	7.1	(0.3)	739bps
Inflation / (deflation) excl. tobacco and fresh (%)	6.7	(0.8)	748bps

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 \$8.8 billion for the first quarter increased by 1.6% on the prior corresponding period, with comparable sales growing by 2.1%. Gross retail sales of \$9.0 billion increased by 2.3%.

Sales growth was delivered despite Supermarkets cycling heightened COVID-19 related sales in the prior corresponding period and customers returning to dining out at cafes and restaurants. Sales were supported in the first quarter by strong trade plans, including the 'LOCKED' value campaign as well as the Harry Potter "Magical Builders" collectibles and the Schott Zwiesel glassware customer continuity programs.

eCommerce sales declined by (11.5)% (three-year growth of 105%) as sales normalised post COVID-19 lockdowns in the prior corresponding period with some customers returning to shopping in store. Sales penetration of 7.6% was recorded in the first quarter, increasing from 7.4% in the fourth quarter of FY22. During the quarter, Coles Online launched a unified website to support Anytime, Anywhere, Anyhow shopping while enhancements to the customer experience were also made to the unified shoppable App. The Coles Online network continued to expand with 14 same day home delivery stores and 19 Click & Collect (to the boot of car) stores added during the quarter.

Total Supermarkets price inflation of 7.1% was recorded for the first quarter compared to 4.3% in the fourth quarter. In the first quarter, fresh inflation was 8.8% and continued to be driven by bakery, reflecting higher wheat prices, and fresh produce, particularly in fruit such as berries and bananas. Supermarkets recorded inflation excluding tobacco and fresh of 6.7% for the first quarter. Raw material, commodity, shipping and fuel costs remained the key drivers of supplier input cost requests received in the first quarter impacting inflation in packaged.

Volumes were impacted in the first quarter from cycling elevated volumes in the prior corresponding period and declines in fresh produce volumes as a result of floods impacting supply. Pleasingly, improved availability saw volumes improve through the quarter, as did transactions as local shopping trends continue to unwind.

Coles delivered trusted value to customers through the extensive Exclusive to Coles range with more than 800 Coles Own Brand products included in the 'LOCKED' campaign. Exclusive to Coles sales of \$2.9 billion were recorded in the first quarter, an increase of 1.1% on the prior corresponding period. Over 370 new Coles Own Brand products were launched in the quarter including the 'Happy Gut' bread range and Gluten Free Ultimate Choc Chip Cookies. Coles Own Brand also won 36 product awards including a Choice award for Coles Smooth Peanut Butter and a Gold and Champion award for Coles Pancetta at the Royal Sydney Fine Food Show Awards.

During the quarter, Coles completed three renewals while four stores were opened and one closed, taking the total network to 838 Supermarkets.

COVID-19 and seasonal flu costs reduced significantly to approximately \$10 million in the first quarter, largely relating to team member absenteeism, and are expected to reduce slightly in the second quarter.

Liquor

	1Q23	1Q22	CHANGE
Sales revenue (\$m)	836	874	(4.3)%
Gross retail sales (\$m)	839	877	(4.3)%
Comparable sales growth (%)	(4.1)	1.4	(548bps)
eCommerce sales ¹ (\$m)	41	40	3.9%
eCommerce penetration ¹ (%)	5.0	4.5	42bps
eCommerce penetration (inc. COL) ² (%)	6.0	5.2	84bps
Sales density per square metre ³ (MAT \$/sqm)	16,123	16,265	(0.9)%

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 \$836 million for the first quarter declined by (4.3)% as the business cycled COVID-19 lockdowns in New South Wales, Victoria and the Australian Capital Territory in the prior corresponding period. Excluding these states and their bulk sales, Liquor sales grew in the first quarter. Comparable sales declined by (4.1)% and gross retail sales of \$839 million decreased by (4.3)%. On a three-year basis, Liquor sales revenue increased by 15.2%, accelerating from 14.3% in the fourth quarter of FY22.

During the quarter, Liquorland was the strongest performing banner with the 300th Black and White Liquorland renewal completed in Armstrong Creek, Victoria. At a category level, Ready-To-Drink (RTD) was a key driver of growth. Despite the heightened inflationary environment, trusted value was again delivered through lowering prices for longer with almost 1,000 Price Drops across Liquorland and First Choice Liquor Market.

The Coles Liquor strategy has now transitioned into the "Differentiate and Grow" horizon with a focus on differentiating the offer and serving customers better. During the quarter, range reviews in key categories such as RTDs, cider, white wine and rosé were delivered with 94 new Exclusive Liquor Brand (ELB) and over 680 new local lines added. In addition, 30 new low and no alcohol products were also added to the Liquor portfolio during the quarter. Pleasingly, more than 130 awards across the ELB portfolio were received including Tinnies Pale Ale awarded the World's Best in its category at the World Beer Awards.

eCommerce delivered sales revenue growth of 3.9% despite cycling strong sales in the prior corresponding period with penetration of 5.0% in the first quarter, compared to 4.5% in the prior corresponding period. On demand services were also expanded with immediacy delivery now available in more than 560 stores across the Eastern seaboard. Capacity also increased through the roll out of Click & Collect (to the boot of car) in more than 70 First Choice Liquor Market stores.

Liquor completed 58 store renewals during the quarter, opened seven new stores and closed six stores. At the end of the period the portfolio included 934 stores.

Express

	1Q23	1Q22	CHANGE
C-store sales revenue (\$m)	284	262	8.4%
C-store gross retail sales ¹ (\$m)	301	279	7.9%
Comparable c-store sales growth (%)	9.0	(9.5)	N/M
Weekly fuel volumes (mL)	58.0	48.4	19.8%
Fuel volume growth (%)	19.8	(7.5)	N/M
Comparable fuel volume growth (%)	21.5	(7.5)	N/M

N/M denotes not meaningful.

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 \$284 million for the first quarter increased by 8.4% on the prior corresponding period, with comparable c-store sales increasing by 9.0% as the business cycled lower fuel volumes and c-store sales in the prior corresponding period due to COVID-19 lockdowns. Gross retail sales of \$301 million increased by 7.9%.

Sales growth was driven by an increase in the food-to-go category, particularly hot fast food and coffee. Sales were also supported by Coles Express participation in the Magical Builders collectible program. Underlying c-store sales (ex-tobacco) increased by 17.6%.

During the quarter, Coles announced the sale of the fuel and convenience business to Viva Energy. The transaction allows Coles to focus on growing its omnichannel supermarket and liquor businesses. Coles customers will continue to enjoy existing loyalty benefits, including the 4 cent per litre fuel discount offer and earning and redeeming Flybuys points at sites currently trading under the 'Coles Express' banner. Coles will receive \$300 million and assign leases, which represented a liability of \$816 million on Coles' balance sheet as at 26 June 2022, to Viva Energy at completion, which is expected to occur in the second half of FY23 subject to Australian Competition and Consumer Commission and Foreign Investment Review Board approval.

The successful national roll out of the digital fuel docket was also completed during the quarter allowing customers the ease of redeeming their fuel docket through the Flybuys app.

Fuel volumes increased by 19.8% during the quarter with comparable fuel volumes increasing by 21.5% driven by fuel prices lowering in the quarter from record highs experienced in the fourth quarter of FY22. Average weekly volumes of 58.0mL per week were recorded. The temporary fuel excise cut has ended and the full excise rate, now at 46.0 cents per litre, was restored on 29 September 2022.

During the quarter, one site was closed, taking the total network to 710 sites.

Outlook

Sales, volumes and transactions strengthened through 1Q23 which has continued into 2Q23 with improvements in availability and the introduction of new value campaigns, including 'DROPPED & LOCKED'. Cost price inflation is expected to increase in the second quarter, given the ongoing level of supplier CPI requests as well as further flooding impacting supply volumes.

As foreshadowed at the FY22 results announcement, Coles' businesses are not immune to the inflationary cost pressures, including the impact from increased logistics and fuel costs, salary and wages and construction costs on capital expenditure projects. We also continue to make investments in technology and transformation across both Supermarkets and Liquor. The Group depreciation and amortisation expense is expected to be approximately \$1.7 billion in FY23, inclusive of a full year of Express depreciation and amortisation, reflecting the business' increased investment in technology, as well as increased depreciation of Right of Use lease assets.

Despite these challenges, we are looking forward to delivering our most sustainable Christmas ever, with an extensive range of Exclusive to Coles products in Supermarkets and Liquor, providing customers with great value, easy entertaining and gifting ideas.



Michelin star chef Curtis Stone and Courtney Roulston toast the indulgent, easy entertaining and sustainable festive range of Christmas food, drinks and gifts.



Coles delivers essential groceries to the Shepparton Showgrounds flood relief centre.

For further information, please contact:

Investors

Anita Healy
Mobile: +61 411 109 108

Lisa Zimmet
Mobile: +61 428 857 242
E-mail: investor.relations@colesgroup.com.au

Media

Therese Allaoui
Mobile: +61 435 323 339
E-mail: media.relations@colesgroup.com.au

Appendix

Appendix 1

Number of retail stores

	OPEN AS AT 27 JUN 2022	OPENED	CLOSED	OPEN AS AT 25 SEPT 2022
NSW & ACT	260	0	0	260
QLD	182	0	0	182
VIC & TAS	236	2	(1)	237
SA & NT	60	0	0	60
WA	97	2	0	99
Supermarkets	835	4	(1)	838
Liquor	933	7	(6)	934
Express	711	0	(1)	710
Group store	2,479	11	(8)	2,482