



26 October 2023

The Manager  
Company Announcements Office  
Australian Securities Exchange

Dear Sir or Madam

**Coles Group Limited – 2024 First Quarter Sales Results**

Please find attached for immediate release to the market the 2024 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 2023

## 2024 First Quarter Sales Results

Value campaigns, improved availability and eCommerce sales underpin growth in Supermarkets and Liquor

First Quarter Sales - 13 weeks from 26 June to 24 September 2023

GROUP SALES REVENUE (\$M)	1Q24	1Q23	CHANGE
Supermarkets <sup>1</sup>	9,186	8,774	4.7%
Liquor	851	836	1.8%
Other	214	-	n/m
<b>Sales revenue – continuing operations</b>	<b>10,251</b>	<b>9,610</b>	<b>6.7%</b>
Express – discontinued operations	-	284	n/m
<b>Total Group sales revenue</b>	<b>10,251</b>	<b>9,894</b>	<b>3.6%</b>

<sup>1</sup> 1Q23 Supermarkets sales revenue has been restated due to an understatement in the first three quarters of FY23. This understatement did not affect Gross Retail Sales. n/m denotes not meaningful.

GROUP GROSS RETAIL SALES (\$M)	1Q24	1Q23	CHANGE	COMPARABLE GROWTH
Supermarkets	9,534	9,019	5.7%	4.6%
Liquor	853	839	1.7%	0.1%
Other	214	-	n/m	n/a
<b>Gross retail sales – continuing operations</b>	<b>10,601</b>	<b>9,858</b>	<b>7.5%</b>	
Express – discontinued operations	-	301	n/m	
<b>Total Group gross retail sales (non-IFRS)</b>	<b>10,601</b>	<b>10,159</b>	<b>4.4%</b>	

n/m denotes not meaningful.

### Statement from Coles Group CEO, Leah Weckert

"During the quarter, we continued to focus on providing our customers with more value at the checkout through our 'Great value. Hands down.' campaign as well as everyday prices, weekly specials and personalised Flybuys offers. We added several features to make it easier and faster for customers to find value through our digital platforms. Our expanded Exclusive to Coles brand portfolio across food and liquor has never been more important, while collectible campaigns have also provided value to customers. Pleasingly for customers, availability continues to improve and inflation in key categories is moderating.

As we approach the festive season, I would like to thank our team members for their continued hard work and dedication, and our community partners for their ongoing support as we prepare for this very special time of year. I would also like to thank our farmers and suppliers who go to great lengths to produce the high-quality products for our customers."

# First quarter performance highlights



## Sales revenue growth

▲4.7%  
in Supermarkets  
▲1.8%  
in Liquor



## eCommerce sales growth

▲24.6%  
in Supermarkets  
▲32.2%  
in Liquor



## Exclusive brand sales revenue growth

▲9.4%  
Exclusive to Coles  
▲2.4%  
Exclusive Liquor Brand

### Destination for food and drink

- Launched 'Great value. Hands down.' campaign with prices on more than 500 products reduced, our largest campaign of price reductions since 2019
- Exclusive to Coles sales revenue growth of 9.4% with more than 130 products launched during the quarter including Coles' carbon neutral pork range and an expanded Coles PerForm frozen meal range in our health category
- Flybuys received Canstar Blue's 2023 "Most Satisfied Customers" Award for reward programs with recognition for value, rewards, accessibility and partners
- Flybuys active members increased by 9.9% and the number of our customers participating in Flybuys offers increased by 22%
- More than 150 new ELB lines added to the liquor portfolio and the business continued to progress tailored ranging across stores

### Accelerated by digital

- Supermarkets eCommerce revenue grew by 24.6% with penetration increasing to 9.1%
- Liquor eCommerce revenue grew by 32.2% with strong growth in the on-demand channel
- Coles app active users increased by 39.4% with new features including "shop similar", where customers are provided alternatives to temporarily unavailable items, and shopping list enhancements, resulting in higher average order value
- Coles 360 income increased by 33.5%
- Automated Customer Fulfilment Centre (CFC) transformation project progressing in-line with revised schedule communicated at FY23 results; bots successfully operating on the grid at both sites

### Delivered consistently for the future

- Enhanced service and security in store to tackle loss and threatening situations; on track to deliver loss technology solutions (Skip Scan and Smart Gates) in >250 stores by end of CY2023
- Fresh Produce Easy Ordering roll out completed, now in all stores nationwide with automated replenishment and forecasting delivering improvements in range, availability and quality
- Partnered with Origin Energy to install solar panels on 100 supermarket and liquor stores, helping to reduce each participating stores electricity use from the grid by ~20% on average
- Rolled out certified compostable bags in the fruit and vegetable section across all stores in South Australia, removing 28 million traditional single use plastic produce bags from production
- Redbank Automated Distribution Centre (ADC) ramp up and transition progressing in line with schedule; Kemps Creek ADC on track to receive first inbound delivery in Q3

### Win Together

- Raised \$1.5 million through the annual Coles SecondBite Winter Appeal to assist vulnerable Australians with food relief
- Awarded 40 grants to Little Athletics Centres to fund sports equipment through the Coles Little Athletics Community Fund

# Segment performance overview

## Supermarkets

	1Q24	1Q23	CHANGE
Sales revenue <sup>1</sup> (\$m)	9,186	8,774	4.7%
Sales revenue growth (excl. tobacco) (%)	5.9	2.5	336bps
Gross retail sales <sup>2</sup> (\$m)	9,534	9,019	5.7%
Comparable sales growth (%)	4.6	2.1	246bps
eCommerce sales <sup>3</sup> (\$m)	852	684	24.6%
eCommerce penetration (%)	9.1	7.7	145bps
Sales density per square metre <sup>4</sup> (MAT \$/sqm)	19,377	18,295	5.9%
Inflation / (deflation) (%)	3.1	7.1	(400bps)
Inflation / (deflation) excl. tobacco (%)	3.1	7.4	(429bps)
Inflation / (deflation) excl. tobacco and fresh (%)	5.7	6.7	(92bps)

<sup>1</sup> 1Q23 Supermarkets sales revenue has been restated due to an understatement in the first three quarters of FY23. This understatement did not affect Gross Retail Sales.

<sup>2</sup> Gross retail sales are comprised of retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.

<sup>3</sup> eCommerce gross retail sales include Liquor sold through coles.com.au and excludes gift cards sold online.

<sup>4</sup> Sales per square metre is a moving annual total (MAT), calculated on a rolling 52-week basis.

## Key highlights

Supermarkets sales revenue of \$9.2 billion for the first quarter increased by 4.7% as the business cycled the highly successful Magical Builders collectible campaign in the prior corresponding period. Excluding tobacco sales, which continued to decline in line with industry trends, sales revenue increased by 5.9%. Gross retail sales of \$9.5 billion increased by 5.7% and comparable sales grew by 4.6% (two-year growth of 6.7%)<sup>1</sup>.

Through our customer insights work, customers have shared that they are increasingly eating and entertaining at home, seeking out loyalty points and bonus offers, and looking for more affordable alternatives as they seek more value in response to cost of living pressures.

During the quarter we launched the 'Great value. Hands down.' campaign and successfully executed trade plans, including Father's Day and the Super Heroes collectible campaign. We also continued to deliver value through our broader suite of initiatives, including everyday prices with more than 4,100 products on everyday low prices, weekly specials and promotions, as well as through our Exclusive to Coles portfolio and the Flybuys loyalty program. Several features were also added to make it easier and faster for customers to find value through our digital platforms, including filtering and sorting on lowest unit price, specials and Coles Own Brand. Flybuys active members increased by 9.9% during the quarter, our customers redeeming Flybuys points doubled and, with more personalised offers the number of our customers participating in Flybuys offers increased by 22%.

Our Exclusive to Coles range experienced strong sales growth for the fourth consecutive quarter with sales revenue increasing by 9.4% to \$3.2 billion compared to the prior corresponding period. Customers also continued to move into healthier options with revenue from Coles Own Brand health and lifestyle brands, including the *Wellness Road*, *I'm Free From* and *Nature's Kitchen* range, growing by almost 30%.

Total Supermarkets price inflation declined to 3.1% for the quarter (5.8% in 4Q23) due to deflation in the fresh category. Inflation excluding tobacco and fresh also continued to moderate but remained elevated at 5.7% primarily driven by farmgate milk prices and higher commodity prices, including cheese, eggs and oil. The fresh category (including fresh produce, meat deli & seafood, and bakery) experienced deflation of 2.3% during the period. Fresh produce declined by 14.5%, reflecting the cycling of elevated prices in 1Q23 when severe flooding and cool weather impacted growing conditions. Lower red meat livestock prices also contributed to fresh deflation whilst bakery inflation remained elevated due to wheat commodity prices.

<sup>1</sup> Comparable two-year growth is calculated as the aggregate of 1Q24 and 1Q23 growth rates.

Volumes were positive in the quarter with stronger food volume growth partly offset by lower volumes in the non-food discretionary categories. Availability metrics continued to improve with Delivered in Full (DIF) and Delivered in Full on Time (DIFOT) increasing to 97% (90% in 2H23) and 92% (84% in 2H23) of pre-COVID levels respectively<sup>2</sup>.

eCommerce sales increased by 24.6% to \$852 million with penetration growing from 7.7% in the prior corresponding period to 9.1%. Several end-to-end improvements were made in the customer experience through improved availability, digital shopping experience, seasonal events, personalisation, integration with Flybuys, and platform speed and stability. Now in its second year, the Coles app rapidly grew active users by 39.4% supported by improved utility for both eCommerce and in-store shopping.

Coles 360 income increased by 33.5% with growth across all channels and successful execution of key events including Footy finals.

During the quarter, Coles opened one new store and closed one store, taking the total network to 846 supermarkets.

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<sup>2</sup> Compared to 1H20 DIF and DIFOT rebased to 100.

## Liquor

	1Q24	1Q23	CHANGE
Sales revenue (\$m)	851	836	1.8%
Gross retail sales <sup>1</sup> (\$m)	853	839	1.7%
Comparable sales growth (%)	0.1	(4.1)	416bps
eCommerce sales <sup>2</sup> (\$m)	54	41	32.2%
eCommerce penetration <sup>2</sup> (%)	6.5	5.0	151bps
eCommerce penetration (inc. COL) <sup>3</sup> (%)	7.7	6.0	177bps
Sales density per square metre <sup>4</sup> (MAT \$/sqm)	16,137	16,123	0.1%

<sup>1</sup> Gross retail sales are comprised of retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys scheme points.

<sup>2</sup> eCommerce gross retail sales and penetration excludes Liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales, and B2B sales.

<sup>3</sup> eCommerce penetration including Liquor sold through coles.com.au.

<sup>4</sup> Sales per square metre is a moving annual total (MAT), calculated on a rolling 52-week basis.

## Key highlights

Liquor sales revenue of \$851 million for the first quarter increased by 1.8% compared to the prior corresponding period. Gross retail sales of \$853 million increased by 1.7% and comparable sales grew by 0.1%. Taking into account the timing of the AFL Grand Final which fell in the first quarter of the prior corresponding period, sales revenue increased by 2.5%<sup>3</sup>.

Sales growth during the quarter was supported by eCommerce growth of 32.2% driven by strength in the on-demand channel. Penetration increased to 6.5% for the fourth quarter (7.7% including Coles Online). New stores also contributed to sales growth with three new stores opened during the quarter and 19 stores opened in the second half of FY23.

There was increased evidence of cost of living pressures impacting customer shopping behaviours this quarter. In the Beer category, customers shifted back to mainstream and international brands, away from craft beer. In Wine, growth in sparkling, prosecco and rose was offset by lower champagne sales. The Ready-to-Drink category also grew strongly as customers traded out of full bottled spirits into more affordable ready-made drinks. Our Exclusive Liquor Brand (ELB) portfolio continued to resonate with customers with revenue growth outperforming the broader liquor division and more than 150 new lines added to the portfolio. ELB revenue grew by 2.4% for the quarter compared to the prior corresponding period with penetration increasing to 22.1% of sales revenue.

During the quarter, 37 store renewals were completed, three new stores were opened and two stores closed across the Liquorland, Vintage Cellars and First Choice banners. At the end of the period the portfolio comprised 958 stores.

## Other

Coles entered into a Product Supply Arrangement (PSA) with Viva Energy Ltd on 1 May 2023 as part of the divestment of the Coles Express fuel and convenience retailing business. Revenue associated with the PSA will be recognised in the Other segment. Revenue of \$214 million was recorded in the first quarter.

<sup>3</sup> Calculated by reference to the 14 week periods ending 2 October 2022 and 1 October 2023 which capture the AFL Grand Final in both periods.

# Outlook

In the early part of the second quarter, Supermarkets and Liquor<sup>4</sup> sales revenue growth are broadly in-line with the first quarter.

We continue to focus on delivering value across our everyday prices, Down Down offers, weekly specials and promotions, personalised Flybuys offers and our exclusive brand range. We have new products for Christmas and summer entertaining across Supermarkets and Liquor for which sales results are encouraging and expect more customers to be cooking and entertaining at home this season. We have also seen a positive response from customers to our recently launched Curtis Stone BBQ collection campaign designed to provide extra value to customers and inspire outdoor cooking over the spring and summer festive season.

Enhanced process, security and service measures to reduce total loss<sup>5</sup> have been rolled out across Supermarkets in the first quarter and will continue into the second quarter. Pleasingly, improvements in waste and markdown have been achieved across the quarter. In stock loss, the loss technology solutions, Skip Scan and Smart Gates, are expected to be operational in over 250 of the most impacted stores by the end of CY2023. The early results of stores where the technology has been rolled out are in-line with our expectations. A number of broader cost and margin optimisation measures have been initiated across the Group with some benefits expected in the first half.



Coles and Liquorland have unveiled their extensive and great value Christmas range, including more than 142 new festive supermarket products and 150 delicious new drinks.



Coles' 'Great value. Hands down.' campaign makes it easier for customers to find great value in store and online.

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<sup>4</sup> Based on AFL Grand Final adjusted sales growth.

<sup>5</sup> Total loss includes stock loss and waste and markdown.



# Appendix

## Appendix 1

### Number of retail stores

	OPEN AS AT 26 JUN 2023	OPENED	CLOSED	OPEN AS AT 24 SEPT 2023
NSW & ACT	263	1	-	264
QLD	183	-	-	183
VIC & TAS	239	-	(1)	238
SA & NT	61	-	-	61
WA	100	-	-	100
<b>Supermarkets</b>	<b>846</b>	<b>1</b>	<b>(1)</b>	<b>846</b>
Liquor	<b>957</b>	<b>3</b>	<b>(2)</b>	<b>958</b>
<b>Group store numbers</b>	<b>1,803</b>	<b>4</b>	<b>(3)</b>	<b>1,804</b>

## Appendix 2

### Reporting calendars for FY24 and FY25

	1Q24	2Q24	3Q24	4Q24
Reporting period	26 Jun 2023 - 24 Sep 2023	25 Sep 2023 - 31 Dec 2023	1 Jan 2024 - 24 Mar 2024	25 Mar 2024 - 30 Jun 2024
Number of days	91 days	98 days	84 days	98 days
Number of weeks	13 weeks	14 weeks	12 weeks	14 weeks
	1Q25	2Q25	3Q25	4Q25
Reporting period	1 July 2024 - 29 Sep 2024	30 Sep 2024 - 5 Jan 2025	6 Jan 2025 - 30 Mar 2025	31 Mar 2025 - 29 Jun 2025
Number of days	91 days	98 days	84 days	91 days
Number of weeks	13 weeks	14 weeks	12 weeks	13 weeks

## Appendix 3

### Quarterly sales revenue growth

#### Supermarkets

	1Q	2Q	3Q	4Q
FY21	9.9%	5.2%	(6.2%)	1.7%
FY22	1.9%	0.5%	3.9%	3.0%
FY23	1.7%	7.4%	7.4%	8.0%
FY24	4.7%			

#### Liquor

	1Q	2Q	3Q	4Q
FY21	17.4%	13.4%	2.6%	(6.5%)
FY22	2.6%	2.8%	2.9%	1.6%
FY23	(4.3%)	(0.9%)	2.6%	2.9%
FY24	1.8%			