



28 October 2020

The Manager  
Company Announcements Office  
Australian Securities Exchange

Dear Sir or Madam

**Coles Group Limited – 2021 First Quarter Sales Results**

Please find attached for immediate release to the market the 2021 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 2020

## 2021 First Quarter Sales Results

**Accelerated strategic investment in digital marketing and online capacity whilst navigating COVID disruptions in Victoria**

### First quarter sales performance highlights

- Group sales revenue increased by 10.5% to \$9.6 billion
- Supermarkets comparable sales growth of 9.7%, and online sales growth of 57%
- Liquor comparable sales growth of 17.8% and online sales growth of 80%
- Express convenience (c-store) comparable sales growth of 10.2%

### First Quarter Sales - 13 weeks from 29 June 2020 to 27 September 2020

\$ MILLION	1Q21	1Q20	CHANGE	COMPARABLE GROWTH
Supermarkets	8,464	7,705	9.8%	9.7%
Liquor	852	726	17.4%	17.8%
Express (c-store)	291	264	10.3%	10.2%
<b>Total first quarter sales</b>	<b>9,607</b>	<b>8,695</b>	<b>10.5%</b>	<b>10.4%</b>

### Strategic highlights

#### Inspire Customers

- Digital transformation towards more personalised marketing with the transition from delivery of a weekly printed catalogue to letterboxes to "coles&co" (launched in September), featuring online specials and recipe inspiration. This reduced the number of printed catalogues by 4.6 million per week (now more than 32 million since implementation)
- Online supermarket B2C sales grew by 73%. Enhancements to user experience in online shopping included implementation of single-click checkout and additional website functionality allowing greater personalisation. The number of stores with contactless Click & Collect (to the boot of car) increased by 14% to over 450 with improved customer advocacy
- Trusted value for customers improved by introducing more than 800 products on everyday low prices
- More than 680 new Own Brand products were launched with Own Brand sales increasing by 12.6%
- Implementation of the refreshed Liquor strategy continued with a new organisational structure and operating model, alongside investment in service, availability and online

#### Smarter Selling

- Smarter Selling initiatives included the roll out of Paperless operations to digitise entry and exiting of distribution centres as well as automating the onboarding processes for drivers, implementation of GT Nexus, a global trade management platform to simplify international trade operations, and measures to reduce loss in store continuing (e.g. glass panels at front of store, anti-sweep shelving)
- Witron automated distribution centre build in Queensland progressed with automation technology starting to be installed in Q2 while the remaining approvals for the New South Wales site expected to be finalised in Q2
- Construction on the Ocado online customer fulfilment centre in Melbourne progressed and development approvals in place for the Sydney online customer fulfilment centre with construction commencing in Q2
- Completed eight store renewals including one Format A in Bondi Junction, New South Wales, and six Format C stores

### Win Together

- Provided ongoing assistance to those impacted by COVID:
  - Worked with the Department of Health and Human Services in Victoria to develop industry leading COVID-safe protocols in distribution centres enabling the return to full workforce numbers
  - Coburg supermarket repurposed to pack and deliver 1,000 boxes of fresh and grocery essentials to residents of Melbourne's locked down public housing towers
  - Delivered care packages to 5,000 healthcare workers in COVID wards in Victoria
- Entered into a 10-year agreement with state-owned clean energy generator and retailer CleanCo to source more than 90% of Queensland electricity requirements from renewable sources from July 2022
- Strong focus on mental wellbeing of team members with the balance of Supermarket Store Managers completing mental health training. Also recognised R U OK? Day by creating a dedicated website with resources to assist team members in connecting and supporting each other
- Supported communities with more than \$500,000 raised in Coles Express sites during Redkite Week, and more than \$900,000 raised by Coles shoppers in two weeks for the Curing Homesickness \$2 donation card campaign

### Statement from Coles Group CEO, Steven Cain

"We have made further progress executing our strategy to ensure the long-term growth of Coles, particularly in digital and online. This is despite significant COVID related restrictions in Victoria related to our main Store Support Centre, our distribution centres, our meat suppliers and of course, our customers – many of whom were not able to visit their regular Coles store due to the restriction on not travelling more than 5 kilometres from home or permitted workplaces.

After a year like no other, and as we head into summer and Christmas, Coles is ready to play an inspiring part in lowering the cost of the many smaller celebrations that will take place as Australians reunite with their friends and family.

As we enter a new COVID normal, Coles will continue to prioritise the health and safety of our customers and team members throughout our store network and supply chain.

I would like to thank our team, our suppliers, our community partners, the state and federal governments, and of course our customers for helping us to navigate our collective way through the first and second waves of COVID. We have been proud to serve as an essential needs business during this, the greatest test of our lifetime, and look forward to proudly serving and contributing as Australia begins its recovery and growth phase."

## Update on the impact of COVID-19

### Supermarkets

In the first quarter Supermarkets comparable sales growth was driven by Victoria, and to a lesser extent New South Wales, as Stage 3 and subsequently Stage 4 restrictions were introduced. Comparable sales growth excluding Victoria was 7.7%. Sales growth in other states were on average elevated, however, tapered off in the latter part of the quarter. The pattern of bigger basket sizes continued across the country, more than offsetting lower transactions.

As customers continued to focus on home cooking and hygiene, key growth categories included baking mixes, herbs and spices and flour, cleaning goods and dishwashing, all growing by around 30%. Conversely, categories most negatively impacted by COVID were infant formula, facial tissues and beauty, all experiencing double-digit declines.

Further, the disparity between stores in the network continued as working from home and other restrictions impacted trade for CBD stores and to a lesser extent shopping centre stores, whilst trading at local neighbourhood stores remained strong. The top 20 supermarkets averaged 48% growth whilst the 20 most impacted declined by an average of 29%.

In Victoria, Online sales grew by more than 100% as restrictions were reimposed in response to the second wave. While Online customer experience was impacted early in the quarter due to additional customer demand in store, rapid strategic investments in capacity were made through extended operating hours, additional drivers and delivery vans, additional Home Delivery stores and Click & Collect concierge parking. B2B sales continued to negatively impact overall Online growth in the first quarter driven by Victoria due to business closures, while B2B sales in other states started to recover during the quarter.

### Liquor

Liquor sales remained elevated throughout the first quarter across all states despite the relaxation of on-premise consumption of liquor in some states. The trends in buying patterns experienced in the latter part of the prior financial year continued, with customers purchasing value-oriented larger pack sizes in beer and spirits while online sales remained strong, growing by 80%. The contribution from First Choice Liquor Market also increased as customers preferred shopping in larger format stores.

### Express

C-store sales continued to benefit from reduced CBD footfall and the COVID driven shift in customer behaviour towards the convenience channel. Fuel volumes also began to recover during the first quarter as average weekly volumes in all states improved, excluding Victoria, which was impacted by Stage 4 restrictions.

### Costs

Coles continued to implement industry leading safety measures in stores and distribution centres, but these were delivered at a lower cost, for example, the use of hand sanitiser stations at the front of store. Approximately \$65 million of COVID costs were incurred in the first quarter as restrictions also eased outside of Victoria.

## Segment performance review

### Supermarkets

#### Financial and Operating metrics

	1Q21	1Q20	CHANGE
Sales revenue (\$m)	8,464	7,705	9.8%
Comparable sales growth (%)	9.7	0.1	N/M
Sales per square metre <sup>1</sup> (MAT \$/sqm)	17,909	16,664	7.5%
Net selling area (MAT sqm)	1,918,420	1,898,412	1.1%
Inflation / (deflation) (%)	2.6	1.4	119bps
Inflation / (deflation) excl. tobacco and fresh (%)	0.8	0.2	56bps

<sup>1</sup> Sales per square metre is on a moving annual total (MAT), or exit rate calculated on a rolling 12 months of data basis.

N/M denotes not meaningful.

#### Performance highlights

Supermarkets sales revenue was \$8.5 billion for the first quarter, an increase of 9.8% on the prior corresponding period, with comparable sales growing by 9.7%. In addition to the elevated sales due to COVID particularly in Victoria, sales in the first quarter were driven by "Lowering the cost of" value campaigns.

coles&co was launched in September, replacing the delivery of weekly printed catalogues to letterboxes. While printed catalogues are still available in store, the transition to coles&co saw a strong increase in subscribers to the digital catalogue. Early customer feedback has also been positive with ease, convenience and integration of recipes and specials seen as the key benefits.

Coles Online sales revenue grew by 57.1% for the first quarter, contributing 6% of overall Supermarkets sales. Growth was partially offset by B2B sales which continued to be a headwind with many local businesses closed. B2C sales grew strongly at 72.8%. Strategic investments in capacity and improved after sales service supported a significant improvement in key customer experience metrics, including the Perfect Order Rate, which measures availability of products ordered and delivered in full on time, which more than doubled during the quarter. Enhancements were also made to the online shopping experience, including the introduction of single-click checkout and greater personalisation features including user-based product recommendations.

Coles maintained a strong focus on delivering trusted value with more than 800 products placed on everyday low prices during the quarter, including the new Drovers Choice \$5 Beef Rump Steak. As a percentage of sales, products on everyday low prices continued to grow contributing to further improvements in Tell Coles Price Satisfaction metrics. Almost 200 range changes were also completed during the quarter across categories including drinks, soaps and body wash and baking needs.

Coles continues to inspire customers with great value and innovation through Own Brand, delivering a strong first quarter with sales growing by 12.6% and over 680 new products launched. Key product launches in the quarter included the Coles Kitchen Entertaining Salad Kits and Green Goddess Salad Dressing, while new products were also added to the successful CUB baby brand including eco-friendly products such as sippy bottles, cups, bowls and bamboo feeding sets that are all free from chemicals BPA and DEHP.

From the end of July to September, Coles ran the Little Treehouse collectable mini book campaign, bringing the magic of reading into millions of Australian homes in a sustainable way.

Inflation during the quarter softened as the impact of the drought and bushfires reduced, while promotional participation also normalised. Coles recorded inflation excluding tobacco and fresh of 0.8% for the first quarter with total price inflation of 2.6%. Outside of tobacco which continued to be a significant driver of cost inflation, inflation was largely a result of supply shortages in meat, and selected produce lines.

Coles continued to optimise the network as part of its tailored store format strategy with eight renewals completed during the quarter. This included one Format A and six Format C stores. Coles now has 30 Format A, 39 Format C and four Coles Local stores across the network. For the quarter, seven new stores were opened while one store was closed. At the end of the period there were 830 Supermarkets.

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## Liquor

### Financial and Operating metrics

	1Q21	1Q20	CHANGE
Sales revenue (\$m)	852	726	17.4%
Comparable sales growth (%)	17.8	0.7	N/M
Sales per square metre <sup>1</sup> (MAT \$/sqm)	16,023	14,381	11.4%
Net selling area (MAT sqm)	214,930	214,303	0.3%

<sup>1</sup> Sales per square metre is on a moving annual total (MAT), or exit rate calculated on a rolling 12 months of data basis.

N/M denotes not meaningful.

### Key highlights

Liquor sales revenue was \$852 million for the first quarter, an increase of 17.4% on the prior corresponding period, with comparable sales growth of 17.8%.

Sales performance was driven by strong growth across all three banners, channels and categories with sales at First Choice Liquor Market the highlight as customers continued to prefer shopping in larger format stores. Previous investments in technology platforms, an improved customer experience and increased capacity supported strong online sales growth of 79.7% for the first quarter. Champagne, gin and single malt whisky all grew by more than 50%, however the cask wine category declined as customers changed drinking behaviours.

Progress has been made under Liquor's refreshed strategy "to become a locally relevant drinks specialist with a differentiated offer". During the quarter, Liquor implemented a new customer focused organisational structure. In addition, the operating model was simplified and investment in service was also made which supported improved availability in store. In online, systems investments will further improve fulfilment and the customer experience across all three Liquor websites.

A focus to grow Exclusive Liquor Brands and local ranges has now seen the national launch of more than 400 new state local products, including 89 launched in the first quarter.

The Liquorland trial concept store in Oakleigh has experienced positive feedback from customers and team members with additional trial stores set to launch in the second quarter. The renewal program across First Choice Liquor Market continued with five conversions completed during the quarter and the format is now rolled out to 67% of the First Choice Liquor Market network. The Vintage Cellars trial concept in Ashburton also continues to perform strongly with learnings from the concept store to be applied in further renewals in the second quarter.

Investment in the Liquor networked continued during the quarter with 13 new stores opened and two stores closed, bringing the total network to 921 Liquor sites.

## Express

### Financial and Operating metrics

	1Q21	1Q20	CHANGE
Convenience (c-store) sales revenue (\$m)	291	264	10.3%
Comparable c-store sales growth (%)	10.2	0.4	N/M
Weekly fuel volumes (mL)	52.3	64.9	(19.4)%
Fuel volume growth (%)	(19.4)	1.4	N/M
Comparable fuel volume growth (%)	(20.1)	1.9	N/M

N/M denotes not meaningful.

### Key highlights

C-store sales revenue was \$291 million for the first quarter, an increase of 10.3% on the prior corresponding period, with comparable c-store growth of 10.2%. Despite subdued fuel volumes and lower foot traffic in-store, c-store sales were highly resilient supported by Express' strong customer proposition and network. Growth was driven by the drinks category, supported by recent investments in fast-lane fridges, while the business also continued to benefit from strong tobacco and coffee sales.

The roll out of new self-service coffee machines continued during the first quarter with almost 70% of the fleet now completed. The high quality and improved customer offer generated pleasing results with coffee volumes showing strong improvement in sites where the new offer has been installed. The roll-out of the remainder of the network is expected to be completed in the second quarter.

Fuel volumes declined by 19.4% during the quarter with comparable fuel volumes declined by 20.1% largely due to the impact of Stage 4 restrictions in Victoria. Average weekly fuel volumes of 52.3mL per week were recorded during the quarter. With the exception of Victoria, average weekly fuel volumes improved in all states compared to the fourth quarter of FY20.

Under the New Alliance Agreement, Express holds certain rights to access new network growth opportunities. As part of this arrangement, Express opened 10 new sites during the quarter. Express also closed one site bringing the total network to 722 Express sites.

### Outlook

In the first four weeks of the second quarter of FY21, Supermarkets comparable sales growth was 6.4% (5.4% excluding Victoria). In Online, sales growth for the first four weeks of the second quarter was 45% as demand eased in Victoria. Liquor comparable sales growth for the first four weeks of the second quarter of FY21 was 16.9% (15.3% excluding Victoria).

In both Supermarkets and Liquor, Coles has many new great value, inspiring, easy entertaining products for the summer and Christmas - which will cater for the budgets of all Australians.

Whilst there remains uncertainty around COVID with regards to the foreseeable future, we see a number of important trends that will impact the Group including:

- High levels of awareness of personal hygiene standards are likely to impact selected product demand as well as in-store and distribution centre safety initiatives, with associated costs;
- Increased levels of at-home activity and entertaining are likely to underpin home consumption of food and liquor through our store network;
- Online consumption and digital recipes are likely to continue to enjoy strong market support;
- Restricted international travel is likely to boost population numbers, particularly during traditional holiday travelling periods; and
- As interstate borders open up, domestic travel and fuel usage is likely to increase towards pre-COVID levels.

A strategic update regarding our Online operations will be provided at the interim results in February 2021.



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## Appendix 1 – Number of stores

	OPEN AS AT 29 JUN 2020	OPENED	CLOSED	OPEN AS AT 27 SEPT 2020
NSW & ACT	255	4	(1)	258
QLD	180	2	0	182
VIC & TAS	231	1	0	232
SA & NT	62	0	0	62
WA	96	0	0	96
<b>Supermarkets</b>	<b>824</b>	<b>7</b>	<b>(1)</b>	<b>830</b>
Liquor	910	13	(2)	921
Express	713	10	(1)	722
<b>Group store numbers</b>	<b>2,447</b>	<b>30</b>	<b>(4)</b>	<b>2,473</b>