



ASX Release

17 June 2021

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Manager,

Coles Group - 2021 Investor Strategy Day Presentation

Please find attached the presentation that will be given today, Thursday 17 June 2021, at the Coles Group 2021 Investor Strategy Day.

The briefing will be webcast live and will be accessible via registration on Coles' website at www.colesgroup.com.au.

Yours faithfully,

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

Daniella Pereira
Company Secretary

For more information:

Investors

Mark Howell
Tel: +613 9829 6408
Mobile: +61 400 332 640
E-mail: investor.relations@colesgroup.com.au

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

Media

Blair Speedy
Tel: +613 9829 4008
Mobile: +61 431 960 249
E-mail: media.relations@coles.com.au

This announcement is authorised by the Board.



Coles, Collingwood 1914



Coles Local, Fitzroy 2021

Winning in our Second Century

Investor Strategy Day
June 2021

coles
group

Disclaimer

This presentation contains summary information about Coles Group Limited (ACN 004 089 936) and its controlled entities (together, 'Coles' or 'the Group') and Coles' activities as at the date of this presentation. It is information given in summary form only and does not purport to be complete. It should be read in conjunction with Coles' other periodic corporate reports and continuous disclosure announcements filed with the Australian Securities Exchange (ASX), available at www.asx.com.au.

This presentation is for information purposes only and is not a prospectus or product disclosure statement, financial product or investment advice or a recommendation to acquire Coles shares or other securities. It has been prepared without taking into account the investment objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek legal, taxation, business and/or financial advice appropriate to their circumstances.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Coles or its directors, employees or agents, nor any other person, accepts liability for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence on the part of Coles or its directors, employees, contractors or agents.

This presentation contains forward-looking statements in relation to Coles, including statements regarding Coles' intent, belief, goals, objectives, initiatives, commitments or current expectations with respect to Coles' business and operations, market conditions, results of operations and financial conditions, and risk management practices. Forward-looking statements can generally be identified by the use of words such as 'forecast', 'estimate', 'plan', 'will', 'anticipate', 'may', 'believe', 'should', 'expect', 'intend', 'outlook' and 'guidance' and other similar expressions.

The forward-looking statements are based on Coles' good faith assumptions as to the financial, market, risk, regulatory and other relevant environments that will exist and affect Coles' business and operations in the future. Coles does not give any assurance that the assumptions will prove to be correct. The forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors, many of which are beyond the reasonable control of Coles, that could cause the actual results, performance or achievements of Coles to be materially different to future results, performances or achievements expressed or implied by the statements.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as at the date of the presentation. Except as required by applicable laws or regulations, Coles does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in assumptions on which any such statement is based. Past performance cannot be relied on as a guide for future performance.

Non-IFRS financial information

- This presentation contains non-IFRS financial information which in the ordinary course, is not subject to audit or review.
- IFRS or Statutory financial information is financial information that is measured and presented in accordance with all relevant accounting standards.
- Any non-IFRS financial information is clearly labelled to differentiate it from the Statutory/IFRS financial information.
- The use of non-IFRS information in the presentation provides readers of these documents with meaningful insights into Coles' financial performance.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Agenda

	Topic	Time	Presenter
1	Introduction	9:10am – 9:25am	Steven Cain
2	Inspire Customers	9:25am – 10:05am	Lisa Ronson, Greg Davis, Ben Hassing
	Break	10:05am – 10:15am	
3	Smarter Selling	10:15am – 10:45am	George Saoud, Matt Swindells, Roger Sniezek, Thinus Keeve
4	Win Together	10:45am – 11:10am	Thinus Keeve, Sally Fielke, Kris Webb, David Brewster
5	Q&A Inspire Customers, Smarter Selling, Win Together	11:10am – 11:40am	Presenters from sessions 1-4, Leah Weckert and Kevin Gunn
	Break	11:40am – 11:50am	
6	Liquor strategy update	11:50am – 12:05pm	Darren Blackhurst
7	Express strategy update	12:05pm – 12:15pm	Michael Courtney
8	Coles' financial framework	12:15pm – 12:25pm	Leah Weckert
9	Q&A	12:25pm – 12:55pm	Executive Leadership Team
10	Closing remarks	12:55pm	Steven Cain

Growing long-term shareholder value by becoming the most trusted retailer in Australia

- Rich heritage dating back to 1914, a proud and deeply Australian business, successfully demerged from Wesfarmers in November 2018, creating an independent ASX20 company
- Delivered significant strategic and financial progress since announcing 'Winning in our Second Century' strategy two years ago – with most of the transformation and investment benefits still to come
- As an 'essential business', Coles has emerged stronger from an extraordinary period supporting team members, customers, and community through COVID-19, bushfires and floods
- One of Australia's most trusted brands. Improving relationships with suppliers and the farming community: more than 60 Dairy farmers now supplying milk direct to Coles on longer term contracts allowing them to invest for future
- Australia remains one of the most attractive food and drink markets globally, with significant opportunities being created by rapidly changing consumer needs and technology
- Today we are outlining plans to further drive long-term sales, efficiencies, trust and shareholder value by increasing our investment in:
 - Group wide data, eCommerce, technology, and automation to deliver market leading omnichannel tailored and unique ranges
 - Acceleration of our Coles Local and Liquorland renewal & new store program focused on high quality locations and winning formats
 - Sustainability – building on our recently launched 'Together to Zero' and 'Better Together' programs
- Strong cash generation, ROC, and balance sheet, combined with a commitment to our industry leading dividend payout ratio and associated franking credits to provide a compelling investment proposition for the millions of Australian shareholders who are either directly or indirectly investors in Coles Group

Overview of Coles Group

~120k



engaged team members

+9,000 since demerger

2,476 Stores



831 Supermarkets



924 Liquor



721 Express

\$37bn

FY20 Group sales revenue



\$1.8bn

FY20 Group EBIT



5.9%

Supermarkets eCommerce sales penetration¹



4.2%

Liquor eCommerce sales penetration¹

Two YoY growth²



11.7%

sales

14.4%

EPS

120%



Cash realisation³

+\$38m

Net cash⁴

16.3%

Group ROC⁵

3.5%



Dividend yield⁶

+59%

TSR since 1H19⁷



\$139m

worth of community support in FY20



TOGETHER TO ZERO

sustainability strategy launched



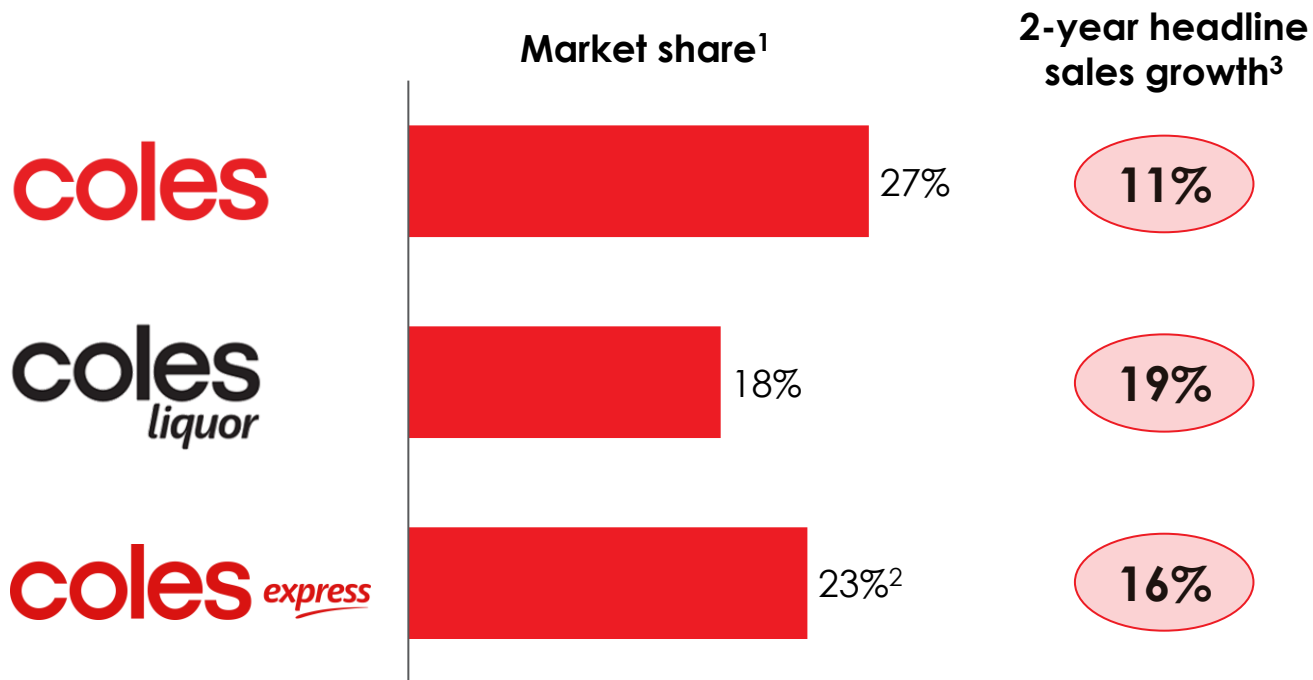
Notes: Financial metrics reflect the adoption of AASB16 leases; non-financial metrics are as at 3Q21 unless stated otherwise; (1) Penetration for Q4 quarter-to-date; (2) Two year growth 1H21 vs 1H19 (Retail basis) (3) 1H21 cash realisation is calculated as operating cash flow excluding interest and tax, divided by EBITDA; (4) Net cash excluding AASB16 lease liabilities as at 1H21 (5) Group Return on Capital (ROC) as at 1H21 and is calculated as last 12 months Group EBIT (post-AASB16 and before significant items), divided by capital employed over the same period; (6) Dividend yield calculated as last twelve months (LTM) dividends per share of 60.5 cents divided by the average LTM volume weighted average price as at 11-Jun-2021 of \$17.30 (7) Total shareholder return (TSR) is calculated as the change in share price during the period since the commencement of the TSR performance period for management long-term incentives (20-Feb-2019 to 11-Jun-2021), plus dividends reinvested on the respective ex-dividend dates (including special dividends)

We are tracking well against most key strategic metrics

KPIs	FY19 ¹	Current ²	Status
Reduced safety TRIFR ³	27.4	19.2 (30% improvement)	●
Increased team member engagement ⁴	61%	65% (+4ppts)	●
Improved customer satisfaction ⁵	88%	90% (+2ppts)	●
Sales growth at least in line with the market ⁶	Supermarkets market share 27.2%	COVID-19 related local shopping impacted share in FY21. Current supermarkets market share of 26.7% on improving trajectory	●
Increased sales density	Supermarkets: \$16,704/sqm Liquor: \$14,354/sqm	Supermarkets: \$17,789/sqm (+6%) Liquor: \$16,632/sqm (+16%)	●
\$1bn cost-out by FY23	-	On track to deliver cumulative benefits in excess of \$550m by FY21	●
Group EBIT growth	Declined YoY	1H21 vs 1H19: 15.4% ⁸	●
Cash realisation >100%	110%	1H21: 120% Expected to unwind in 2H21	●

Notes/Source: [1] As at end of FY19; [2] All metrics show improvement from end of FY19 to 3Q21, unless otherwise stated; [3] Total Recordable Injury Frequency Rate; [4] Annual MySay team engagement survey as at Apr-19 and May-21; [5] Based on Tell Coles data; [6] Source for market growth: ABS Retail Trade Figures, Table 11. Retail Turnover, State by Industry Subgroup, Original, Total Food Retail excl. Liquor (Smkt & Grocery plus Other Specialised Food Retailing); [8] Pre-AA\$B16 EBIT

Strong market position & growth across Coles Group since demerger



Supermarkets and Liquor 2-year EBIT growth³ exceeds 20%, a strong result relative to global peers

Demerger investment thesis, November 2018

#1

Operates in resilient and growing markets

#2

Market leading position in an evolving competitive landscape

#3

Established, non-replicable national store network

#4

Making life easier for customers strategy

#5

Strong cash generation, attractive dividend payout ratio and robust balance sheet

#6

Highly experienced Board and Executive Leadership Team

Strategy refreshed in June 2019 to deliver long-term shareholder value

Our vision.

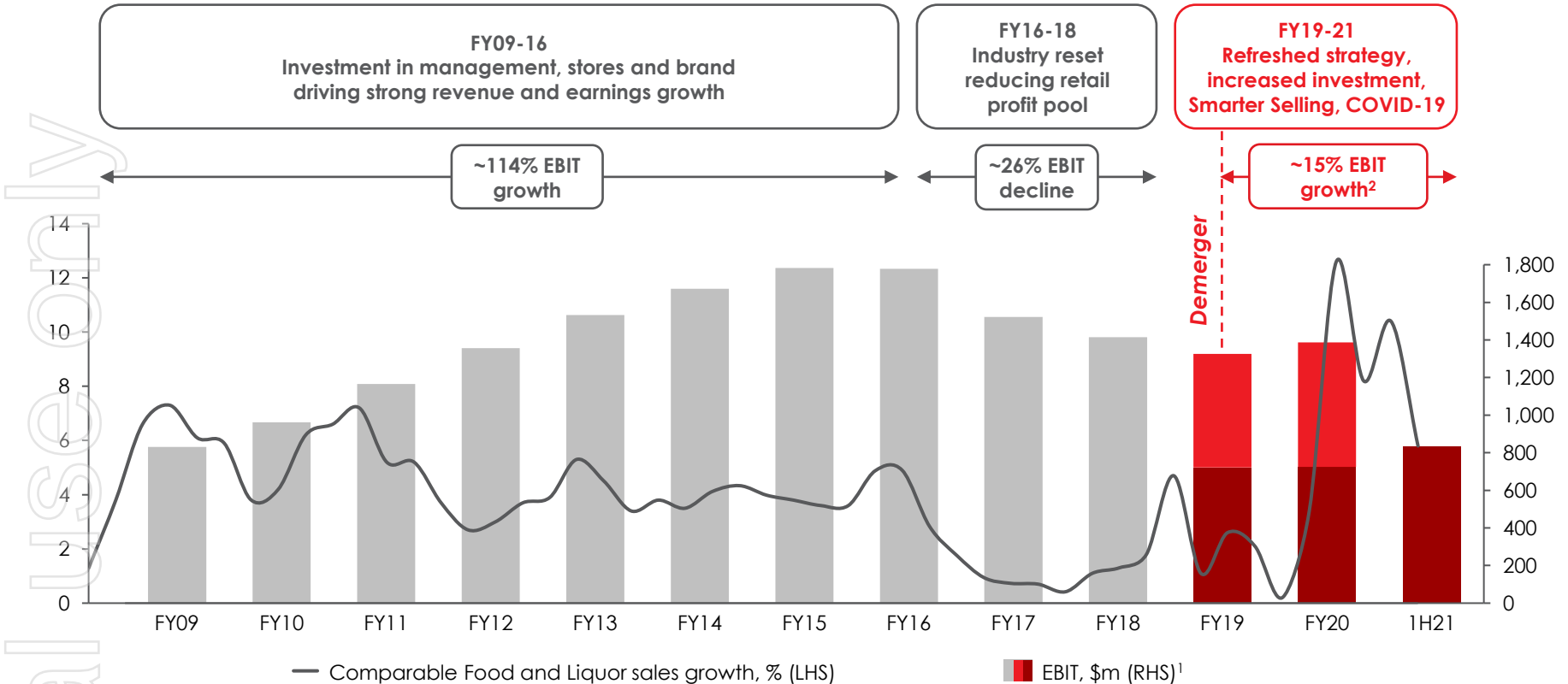
‘Become the most trusted retailer in Australia and grow long-term shareholder value.’



Our strategic differentiators

- ✓ Win in online food and drinks with an optimised store and supply chain network
- ✓ Be a great value Own Brand powerhouse and destination for health
- ✓ Achieve long-term structural cost advantage through automation and technology partnerships
- ✓ Create Australia's most sustainable supermarket
- ✓ Deliver through team engagement and pace of execution

Group EBIT progress since strategy refresh



Notes: (1) Pre-AASB16, FY09-15 source is WES results release, FY16-18 source is pro-forma Demerger Scheme booklet; FY19-20 excludes Hotels and Significant items; (2) Two-year growth Pre AASB16 1H21 vs 1H19

Strong progress on strategy execution



Inspire Customers

- Increased customer NPS¹ by 6ppt
- Recognised as the fastest growing Australian brand for customer trust
- Increased EDLP² sales contribution by 270bps
- Tailored layouts and ranging, delivering 1000+ range changes
- Increased Own Brand contribution to 32%, with 58 products receiving awards
- Doubled Supermarkets eCommerce sales capacity and launched new immediacy and membership propositions
- Opened 3 home delivery liquor dark stores



Smarter Selling

- On track to deliver cumulative benefits in excess of \$550m by FY21
- Optimised stores and supply chain operations through AI³
- Progressing 4 Witron and Ocado automation centres
- Opened new innovative store formats, A, C and Coles Local, Liquorland and Vintage Cellars
- Simplified and improved systems, processes, and implemented agile ways of working in Store Support Centre



Win Together

- Embedded a safety culture, leading to lower TRIFR⁴
- Launched Coles Group Values and improved team member engagement
- Recognised as an Employer of Choice by GradAustralia
- Released new sustainability targets supported by our 'Together to Zero' and 'Better together' sustainability strategy
- Played a significant role through the support of communities, including SecondBite, Foodbank, REDcycle and Redkite

COVID-19 impacted customer behaviour with signs of normalisation



Acceleration of online and digital engagement

Online penetration rapidly accelerated driven by safety considerations and restrictions



Shift to in-home consumption

Working from home arrangements and mobility restrictions led to an increase in in-home consumption



Reduced visits in favour of larger baskets

Customers visited supermarkets less often and were buying more



Preference to shop locally

Fear of crowds and restrictions led to customers being less inclined to shop at shopping centres and busy stores

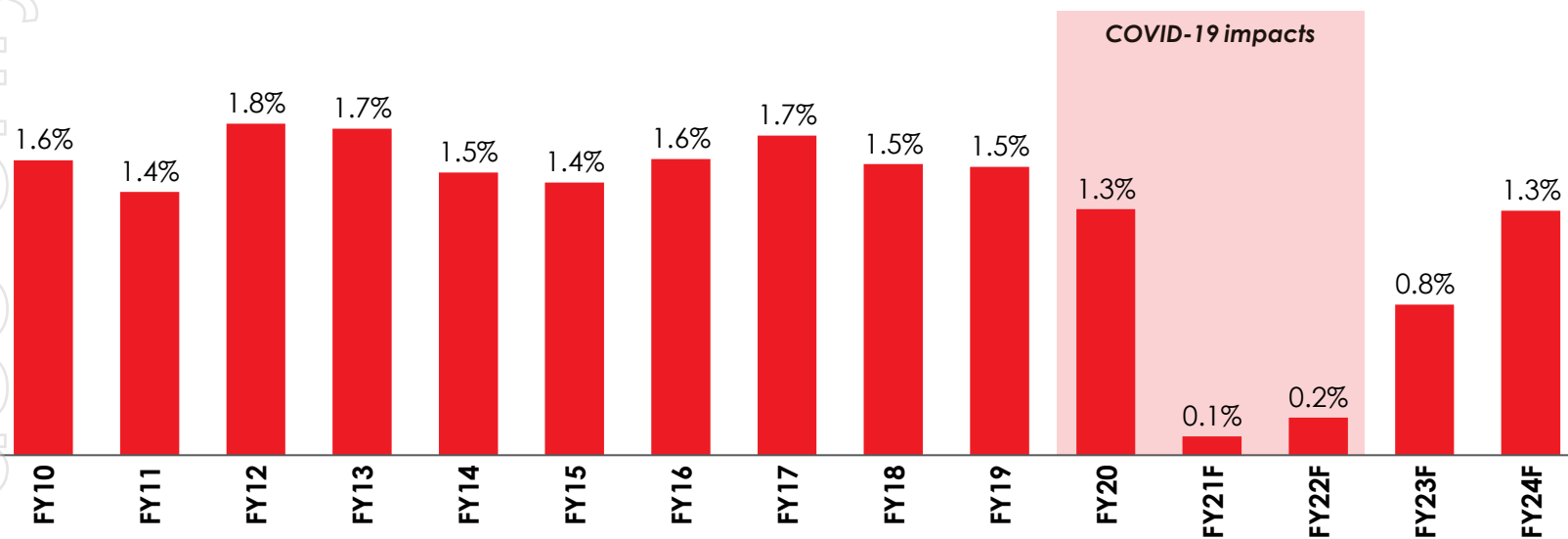


Reduced immigration and international travel

Closure of international borders impacted immigration

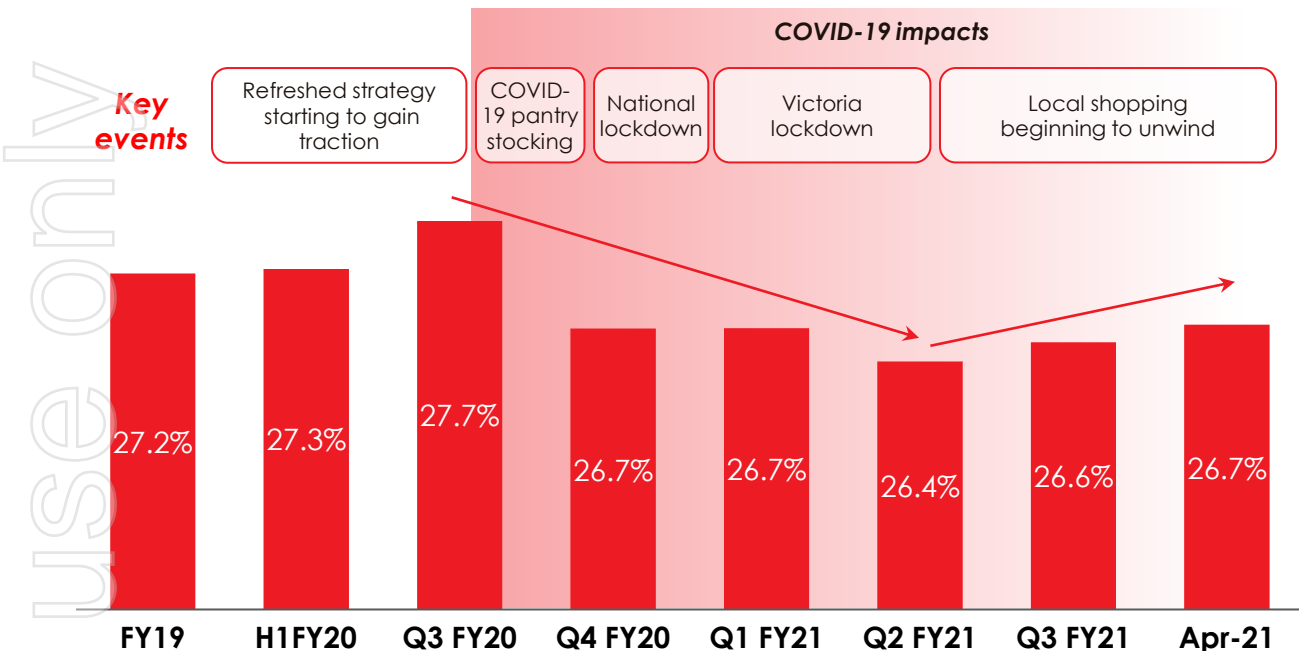
COVID-19 impacts short-term population growth; but recovery expected

National population growth¹, % year-ended at 30-Jun



Coles market share recovering as COVID-19 induced local shopping unwinds

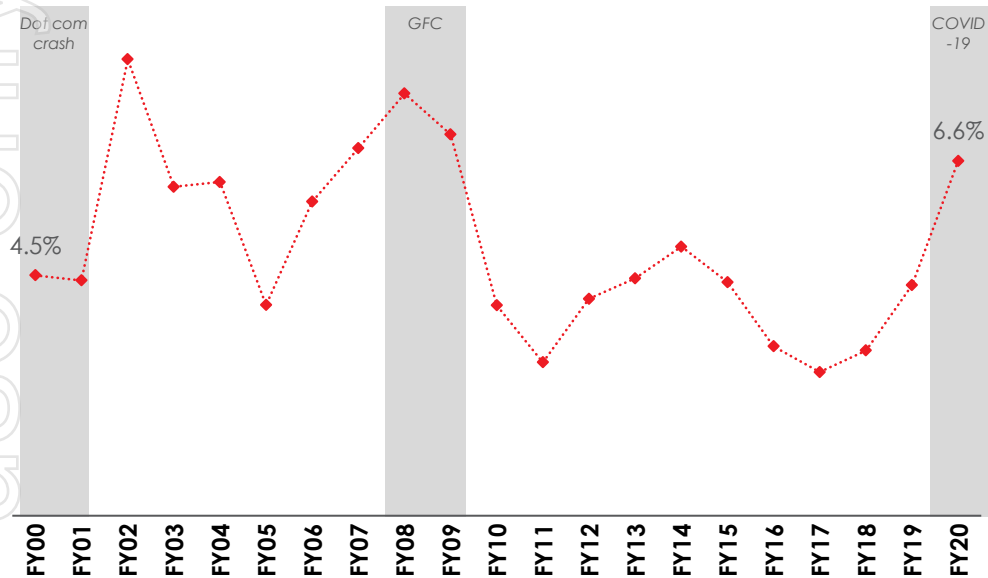
Coles' Supermarkets market share, %



- Coles' refreshed strategy was gaining momentum pre-COVID-19, with market share increasing
- COVID-19 has impacted Coles' share largely due to local shopping
- Structural network factors including fewer neighbourhood stores and more metro and shopping centre stores also impacted share

The Australian grocery market remains highly attractive

Australian grocery market growth, %



- Market growth over the last 20 years despite significant economic disruptions
- Significant growth opportunities exist requiring greater capital investment – this has been further accelerated due to COVID-19

Coles' strategy is more relevant than ever

Our vision.

'Become the most trusted retailer in Australia and grow long-term shareholder value.'

Updated since last strategy refresh



Inspire Customers



- Customer obsessed
- Tailored offer with trusted and targeted value
- Own Brand powerhouse
- Destination for convenience and health
- Leading anytime, anywhere, anyhow shopping
- Accelerate growth through new markets

Smarter Selling



- Technology-led stores & supply chain
- Strategic sourcing
- Optimised network and formats
- Efficient and agile Store Support Centre

Win Together



- Safer choices together
- Great place to work
- Together to Zero to drive generational sustainability
- Better Together through diversity and stakeholder engagement
- Innovation through partnerships

Driving our strategy with investment acceleration in three key areas



Invest in omnichannel experience, and embed technology in stores and supply chain, with an increase in technology spend of ~2x (FY18 to FY22)



Invest in tailoring our range with a focus on locally relevant and unique offers



Invest in Coles Local and Liquorland renewals and new store roll-out with a focus on high quality locations and winning formats

Experienced & diverse Executive Leadership Team



**Steven
Cain**

Chief Executive
Officer



**Leah
Weckert**

Chief Financial
Officer



**Greg
Davis**

Chief Executive
Commercial & Express



**Matt
Swindells**

Chief Operations
Officer



**Darren
Blackhurst**

Chief Executive
Liquor



**Ben
Hassing**

Chief Executive
eCommerce



**Daniella
Pereira**

Company Secretary



**Kris
Webb**

Chief People
Officer



**David
Brewster**

Chief Legal & Safety
Officer



**Roger
Sniezek**

Chief Information
Officer



**Lisa
Ronson**

Chief Marketing
Officer



**George
Saoud**

Chief Executive
Emerging Business &
Smarter Selling



**Thinus
Keeve**

Chief Sustainability,
Property & Export



**Sally
Fielke**

General Manager
Corporate Affairs



Customers can now access inspiring recipes, tips, news and more relevant and timely specials through coles&co which was launched in August 2020



Inspire Customers

Lisa Ronson – Chief Marketing Officer

Greg Davis – Chief Executive Commercial & Express

Ben Hassing – Chief Executive eCommerce

Strategic elements

- Customer obsessed
- Tailored offer with trusted and targeted value
- Own Brand powerhouse
- Destination for convenience and health
- Leading anytime, anywhere, anyhow shopping
- Accelerate growth through new markets

Customers' preferences and behaviours are rapidly evolving

Adoption of eCommerce



- **Rapidly growing online grocery sales**
- **Increasing customer demands** on delivery speeds and windows
- **Improving online offers** across the industry
- **On-demand delivery platforms expanding** into grocery delivery

Digital engagement



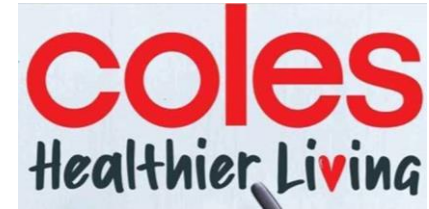
- **Increasing exploration of digital in-store experience**
- Growing **uptake of digital payment methods**
- **Increasing use of digital sources for meal inspiration**

Convenience & value



- **Growing consumption of fresh and high quality ready-to-eat meals**
- Rising number of **small format and local stores**
- Increasing **focus on seeking value**, through both price and quality

Health & sustainability

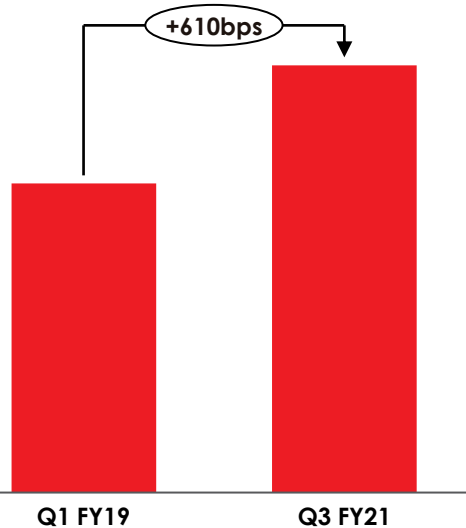


- Rising **demand for healthier foods and products**
- Increasing **focus on sustainability**
- Accelerating adoption of **sustainable practices**
- **Increasing desire to support Australian producers** and reduce food miles

We are increasingly customer obsessed

Our NPS has improved significantly

Net Promoter Score, 12-week rolling average to end of quarter¹



We are now one of Australia's most trusted brands

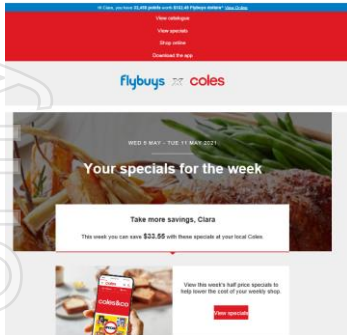


Future areas of focus

- **Redefine value at Coles beyond price**, linking it to sustainability, health and promoting through Own Brand
- **Increase loyalty through flybuys and advanced analytics** to enable more personalised experiences
- **Shift marketing investment mix towards digital media** channels and touchpoints

Loyalty and data will drive customer value and additional revenue

flybuys program enables us to reward our customers



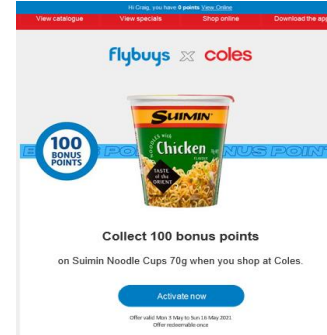
coles
flybuys



flybuys is the #1 loyalty program¹ in Australia, with 6.3m active households and drives increased sales for Coles through targeted campaigns:

- Coles delivers value to customers through flybuys points, with the aim of attracting incremental sales but also rewarding customers for their loyalty
- Customer data is also used to provide personalised information for customers

Increased revenue from data commercialisation



coles
synergy



Data provides incremental revenue for Coles, while enabling suppliers to better engage with customers:

- Personalised targeted marketing through flybuys platform allows suppliers to send promotions to members
- Customised audiences enable suppliers to reach customers in their preferred web or media channel with a targeted offer
- Insights on customers behaviour to inform merchandise, new product development and marketing decisions

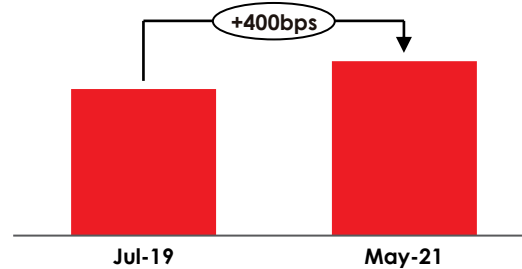
We continue to tailor our offer across our network

On track to tailor 40% of stores by FY23

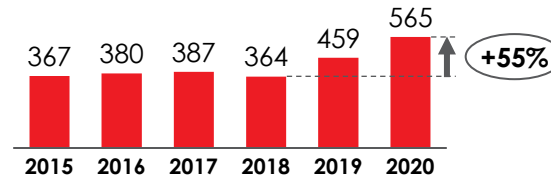


Customer satisfaction has improved with increasing range activity

Customer perception of Coles grocery range, %



Number of range changes¹, #



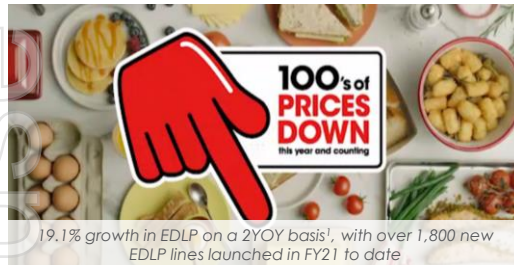
Investments in new technology and processes enable increased rate of customer range activity

Future areas of focus

- Continue to **invest** in range across **key customer growth categories**
- **Range tailoring at scale** to lower cost and improve availability, enabled by continued system investments
- **Accelerate roll-out of tailored formats and innovation** (e.g. International Cuisine)
- **Execute plans for online range expansion enabled by Ocado CFCs** – focus on new and high penetration online categories

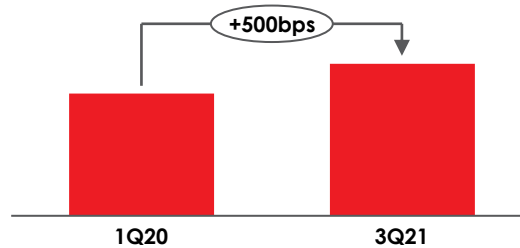
Delivering trusted and targeted value remains a key priority

Improved effectiveness of promos & better communication of value

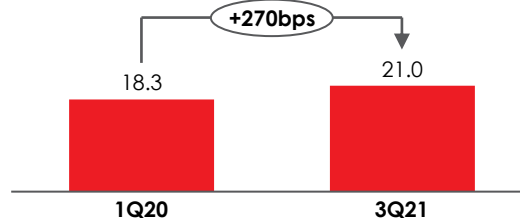


Building strength in price and value perception

Competitively priced customer metric², %



EDLP sales contribution, %



Future areas of focus

- Continue **progress towards EDLP** and **optimise promotional mix**
- Lower the price of shopping and differentiate through a **tiered Own Brand offer**
- **Leverage brand and marketing assets** to redefine value at Coles
- **Drive differentiated value through digital channels** (including digital catalogue) and more targeted promotional activity

Driving trust and loyalty through our exclusive Own Brand portfolio

OB continues to inspire customers and drive trust through innovation

Coles' OB is a \$10bn+ brand portfolio



Inspiring customers with exciting tailored innovation

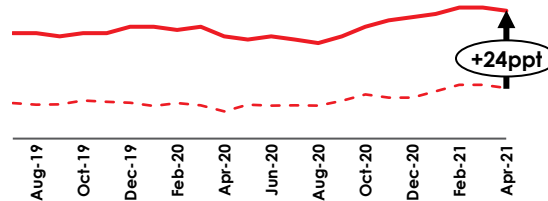


Introduced 4000+ new products since FY19, many focused on convenience and health

Delivering higher customer satisfaction and award winning products

Customer NPS

- Customers who shop at Coles because of Own Brand
- - All customers



39 award wins for Own Brand products in FY21, including Choice, Canstar Blue, Product of the Year, Nourish, and Vertex Awards

Future areas of focus

- Continue to differentiate, innovate and develop **unique products that can only be found at Coles**
- **Provide a value offer for customers** by delivering products across price tiers
- Continued, **uncompromising quality** via leading technical standards
- Support our ambition to become a **'Destination for convenience and health'** in Australia
- Lead the way in sustainability, delivering on **industry leading commitments**
- **Build long-term partnerships** (e.g. Laurent)

Establishing ourselves as a destination for convenience & health

Healthy living inspiration



Own Brand helps deliver healthier alternatives in every aisle; 3,000 SKUs now with Health Star rating and hundreds of tonnes of salt and sugar removed from products, including in-store baked bread



Inspiring Customers to shop healthy in-store and online through Coles' Health Hub



Delivering Healthier products (e.g. free from, plant based meat alternatives, sport nutrition)

Destination for convenience



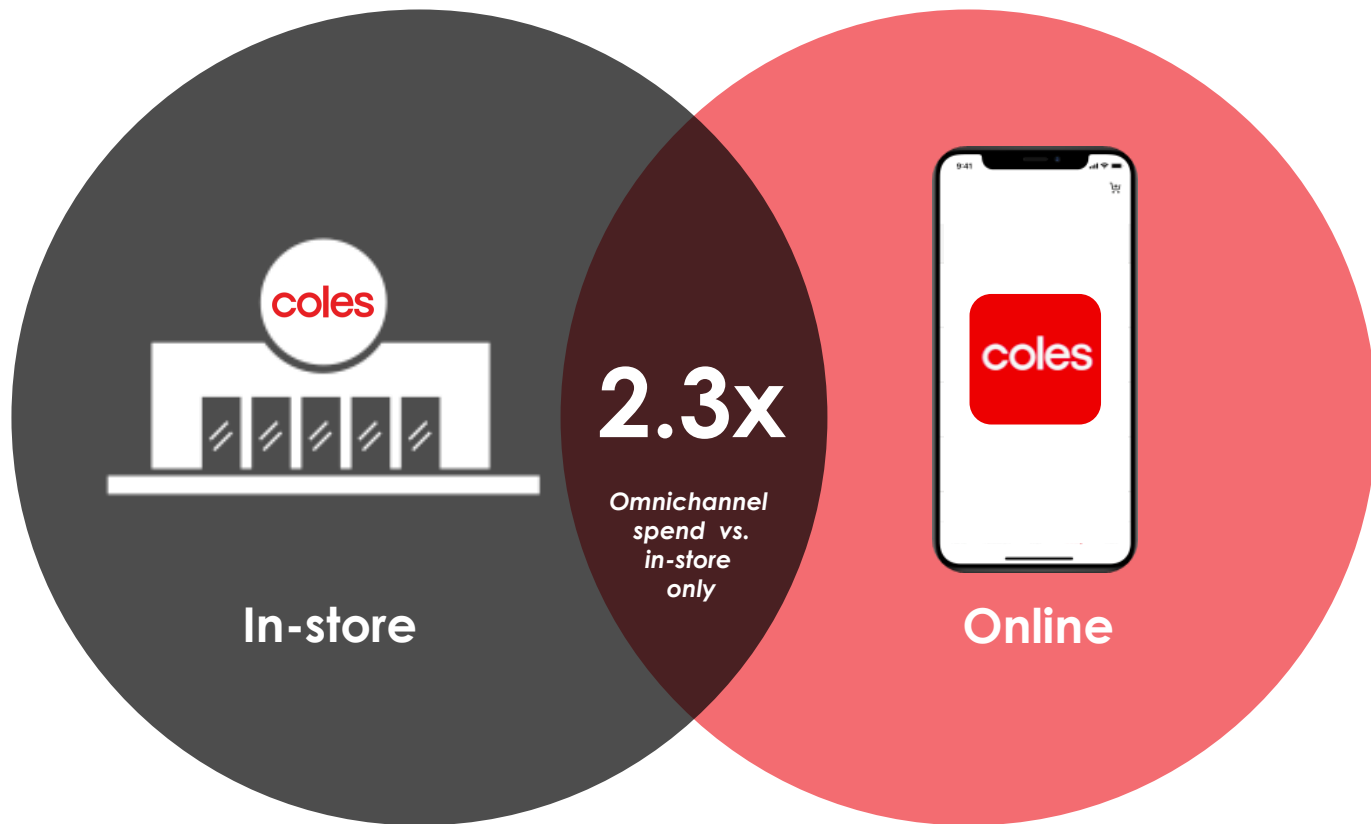
Landed fresh convenience offer in over 250 stores

- **Partnering with recognised and local brands** including Sushi Sushi, Boost, and Tremila Pizza
- Better integration, **strong innovation and improved commercials** from acquisition of Chef Fresh (formerly Jewel Fine Foods)
- **Coles Kitchen now a \$350m brand**
- **>250 convenience destinations** front of store
- Convenience destinations offering customers **3x the core convenience range**

Future areas of focus

- **Further expand and innovate in convenience** to become a compelling **omnichannel destination for convenience**
- **Champion 'health in every aisle'**, making it easy and affordable to shop healthy
- Continue **convenience development with the right demographic stores**
- **Increase digital engagement** via coles&co, digital catalogue and Health Hub, offering customers personalised health offers and meal solutions

Customers who shop online and in-store spend more with Coles



eCommerce metrics continue to improve

2.1x

improvement
in NPS



4.2x

improvement in
Perfect Order Rate



+110bps

growth in
omnichannel
customers



+203bps

growth in
eCommerce
penetration of total sales



We continue to invest in Click & Collect...

Click&Collect



Converting >300 service desks stores to drive up

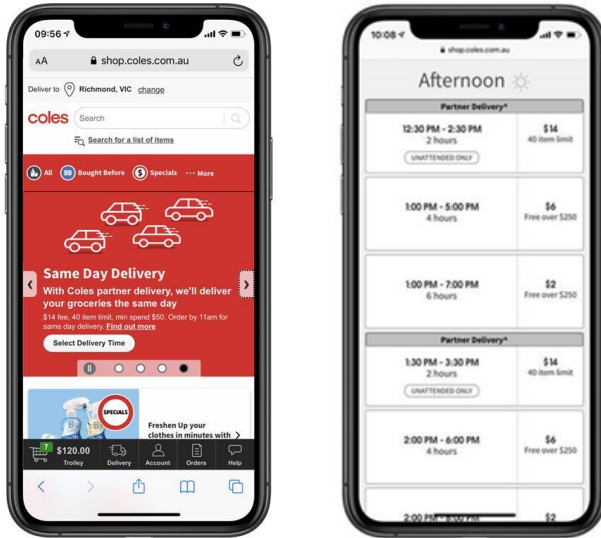
Click&Collect Rapid



90-minute order to pick up service

...and expand our home delivery service

Same day home delivery



Will be available in over 400 stores

Regional delivery network expansion



Will increase regional delivery capacity and reach

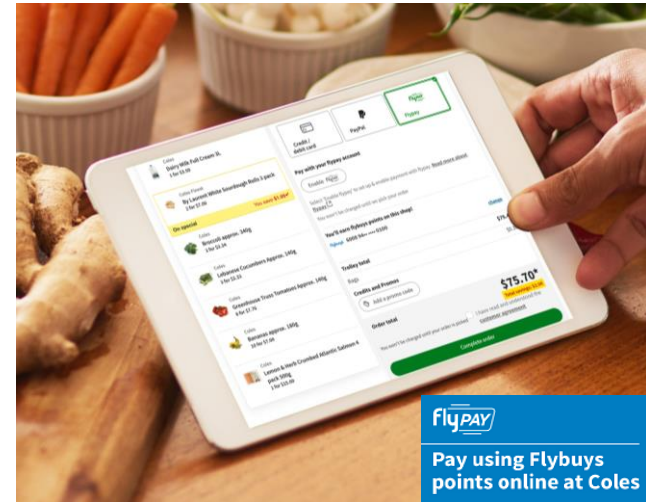
Increasing omnichannel loyalty with Coles Plus and flypay

Coles Plus



Membership benefits will continue to expand

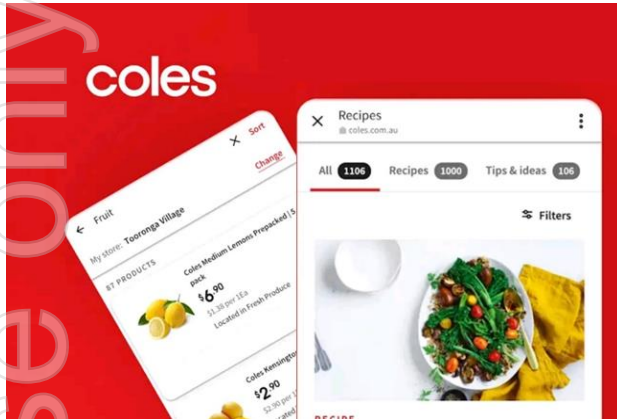
flypay



flybuys' customers can now redeem points online

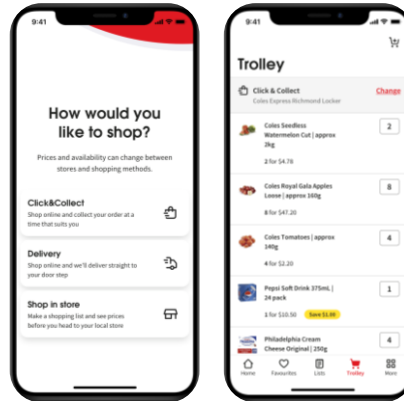
Unifying digital channels to enable Coles' omnichannel strategy

Unified website



Merge content with commerce

Shoppable app



Leverage growing use of mobile devices

Omnichannel experience



Frictionless digital in-store experience

Our Ocado partnership enables a step-change in eCommerce



Expanded Range

- Doubling the online product range with new-to-Coles premium and local range
- Complete Coles product offering, including extended Liquor range
- Quickly change overall range through test/learn approach



Superior Service

- World-class perfect order rates
- Transparent and accurate fresh product life
- Expanded delivery slots and locations



Operating Efficiency

- 24/7 automated, intelligent fulfilment capability
- Best-in-channel economics and operating cost
- Integrated intelligent delivery planning that optimises efficiency

Our Ocado partnership also provides us access to ongoing global retail innovation

ocado®
GROUP

M&S
EST. 1884

GRUPE
Casino
NOURRIR UN MONDE
DE DIVERSITÉ

sobeys inc.

ICA

Kroger

bp
bon préu

AEON

Ocado experience with other retailers has been encouraging



In the first six months post-launch



In first three months post-launch



In first month post-launch



87 Net promoter score



98.6% on time delivery score



99.6% products ordered are delivered

'Our partnership with Ocado has been second-to-none.'

Together through collaboration, we have accomplished creating the next stage of Kroger's ecosystem'

Chairman and CEO of Kroger -
Rodney McMullen

Anytime, Anywhere, Anyhow: summary



- ✓ Strong omnichannel positioning
- ✓ Positive leading indicators
- ✓ Growing customer offerings
- ✓ Leveraging industry-leading partnerships

Inspire Customers: summary

- Use loyalty data and advanced analytics to provide more personalised customer experiences
- Continue to invest in range, both in-store and online, to provide a tailored offer across the network
- Provide trusted value through everyday low prices, optimal promotional mix and a differentiated and innovative Own Brand offer
- Expand and innovate in convenience and health
- Provide a seamless, unified omnichannel customer experience

coles

Healthier Living



For more healthy rec Coles 'Healthier Living' magazine [thisliving](#)



Internal construction is progressing at the Witron automated distribution centre in Queensland



Smarter Selling

George Saoud – Chief Executive Emerging Business & Smarter Selling

Matt Swindells – Chief Operations Officer

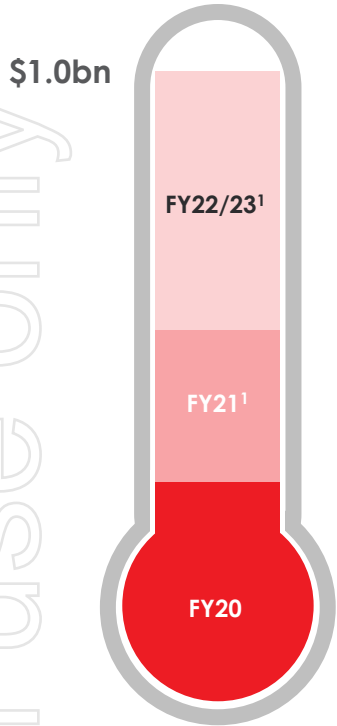
Roger Sniezek – Chief Information Officer

Thinus Keeve – Chief Sustainability, Property & Export Officer

Strategic elements

- Technology-led stores and supply chain
- Strategic sourcing
- Optimised network and formats
- Efficient and agile SSC

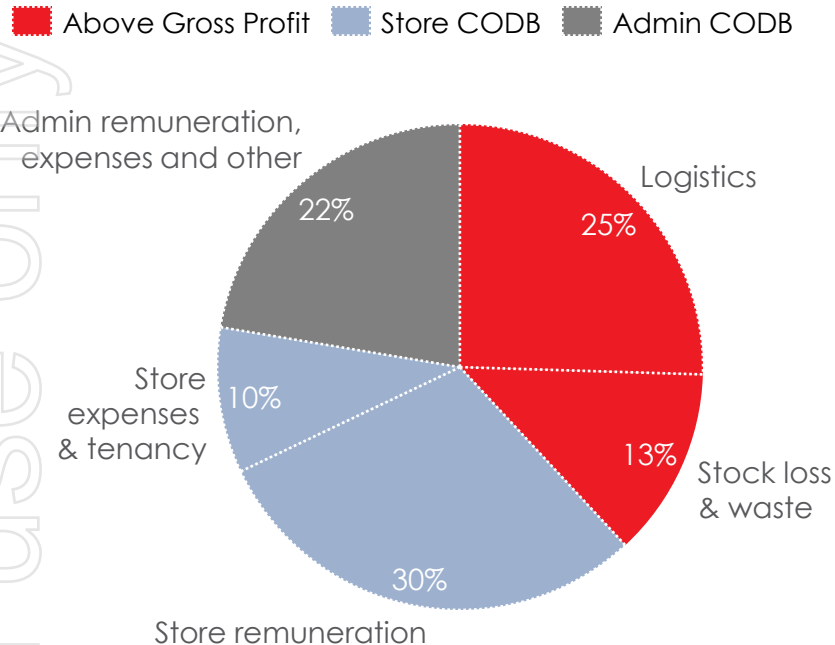
Strong progress on Smarter Selling program to date



- Key purpose of Smarter Selling program is to offset cost inflationary headwinds and enable strategic re-investment back into the business
- On track to deliver cumulative Smarter Selling benefits in excess of \$550m by FY21
- Continue to target a total of \$1bn by FY23, excluding COGS benefits
- Capex investment will be required in FY22/FY23 to achieve remaining Smarter Selling target

Smarter Selling benefits are re-invested in strategic initiatives

Efficiencies achieved by transforming our operating model



Enabling us to productively re-invest in the business

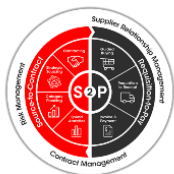
- Offsetting underlying inflation headwinds in CODB, while re-investing in:
 - store and online customer service
 - accelerating eCommerce to grow omnichannel sales
 - advanced analytics team to drive better decision making
 - transitioning technology to cloud and SaaS¹ to reduce maintenance capex over time
 - digital catalogue and coles&co to provide recipes and promotions for customers

Strategic sourcing delivering COGS benefit & improved engagement

Driving value through strategic sourcing partnerships



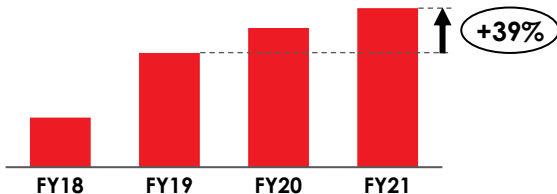
Sustained focus on category planning, joint business planning, frequent and consistent communications, and improved agility and responsiveness have led to enhanced supplier relationships



SAP Ariba Source to Pay enables Coles to digitally manage sourcing, contracting, buying and invoicing of our GNFR¹ spend improving commercial, sustainability and risk management outcomes.

Improving supplier relationships and procurement processes

Advantage supplier survey – Net Favourable score², #



- **Stronger supplier partnerships** and improved perception despite challenges from COVID-19, while delivering YoY COGS benefits
- **Improved GNFR purchasing performance** with 1400+ suppliers digitally invoicing >76% of spend, and 98% of spend under Coles contractual agreement

Future areas of focus

- **Continue to save costs** via shift to smarter, multi-year end-to-end buying plans
- **Rebuild primary supplier interface**, driving efficiencies and making it easier for suppliers
- Further **deepen and integrate supplier relationships**, by better understanding each suppliers' role within Coles' programs of work and providing support for embedding change
- **De-risk Coles' supply chain** through closer supplier collaboration and technology enablement
- Leverage suppliers innovation and capability to deliver on '**Together to Zero**' sustainability targets

Our stores are utilising technology to continue to drive efficiency

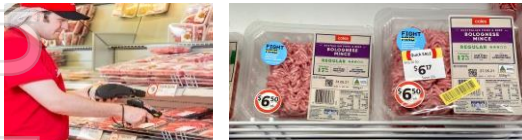
Introduced new technology & self-serve solutions in-stores



Fresh Produce Easy Ordering enables improved product freshness and availability for customers, and better planning for suppliers



Introduced a variety of self-serve solutions to improve customer experience



Leveraging advanced analytics to improve waste and markdowns

Bringing benefits to our customers, team & bottom line

Delivering fresher produce, improved availability, tailored ranges, and more **accurate forecasting** for Coles and suppliers

A newly designed main lane enables **greater choice** at the checkout, enabling **customers and team members to pack simultaneously**

Dynamic Markdowns use advanced analytics to calculate an optimal markdown in real-time

Future areas of focus

- **Expand Smarter Forecasting** to further support future growth & supplier engagement
- Continue to transform through **customer self-service** and accelerating frictionless technologies, e.g. Trolley ACO
- Accelerate the **Advanced Analytics** journey through deploying Dynamic Markdowns into all categories

Our supply chain continues to be transformed via technology

Major transformation and cost saving programs on track



Coles Collect provides transport solutions and other value add services to suppliers, unlocking significant value from our network



Paperless operations (left) provide significant annualised labour savings through efficiency and speed. Faster Fresh Flows (right) allows us to get from paddock to plate faster to deliver increased product life to our customers, by changing the way we order and process items through our supply chain.

Coles Collect improved customer metrics and delivered cost savings

Coles Collect

- Delivered **35% increase** in pallets moved¹
- Consistently **better service outcomes** than non-Coles Collect carriers
- Reduced over **1 million kms** p.a.²

Faster Fresh Flows

- Delivering customers **increased product life**, by reducing store order lead time by **20 million days**²

Paperless Operations

- **Inbound and outbound self-serve** rolling out to **10 sites**
- Driver induction and chain of responsibility **moved to online platform**

Future areas of focus

- Embedding a **fully integrated transport management system** to improve efficiency and service
- **Expanding Coles Collect** to improve customer availability and freshness, and increase revenue
- Explore **next phase DC automation** and **eCommerce fulfilment solutions**

Witron automated DCs will create a powerful advantage



Witron benefits

- **Safer working environments** with improved service at a lower cost
- **Reduced lead time for better availability**, with both sites providing full ambient range in each state
- **Doubled the volume on half the footprint**
- **Approximately two-thirds operating costs of a standard site**
- **Integration of Witron automated DCs and Ocado CFCs¹ will create a powerful advantage**
- **Solar panels are expected to deliver almost half of the site's power requirements**

Coles' technology strategy supports 'Winning in our Second Century'



Technology Foundations

- Cyber security
- Data centre, network & infrastructure
- Enterprise tools
- Stability and resilience



Smarter Technology

- AI and Machine Learning
- Foundational future capabilities
- Cloud migration
- Enterprise data platform



Technology Innovation

- lab288
- Innovation with partners
- Proof of concept in stores/DCs
- Edge compute



People, Culture and Operating Model

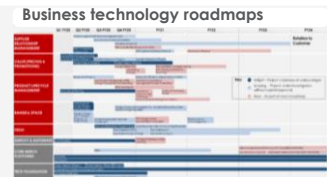
- Continued journey to agile
- Tools to work from anywhere
- Training in new technologies



Partnerships and Procurement

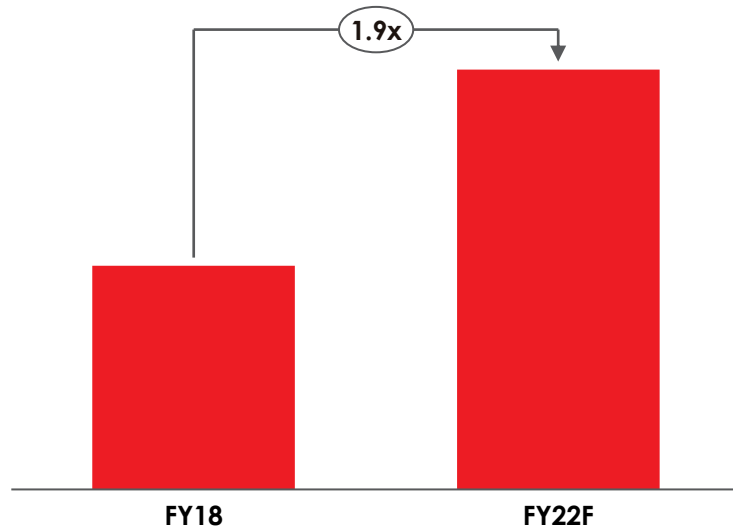
- Strategic partnerships
- Smarter procurement
- Global innovation

Our technology strategy enables us to deliver the extensive business technology roadmaps



Increasing investment in technology

Group technology investment (capex & opex)



- **1.9x planned investment in technology spend in FY22 vs FY18.** Key programs of work:
 - eCommerce customer experience
 - Ocado solution
 - Supply chain automation
 - Store operations optimisation
 - Advanced analytics enablement

Smarter Forecasting showcases the technology strategy

What is Smarter Forecasting?

```
1 smarter_forecast = function(config, modelCode, d_eng){
2   # feature engineering (imbalance detection)
3   # pricing promotions, weather, events, etc
4   timings = addTimingsTable(paste0("Model -",
5     modelCode, " - feature Engineering"),
6     printing = 1, printTime = 1)
7   d_eng = config$feature_engineering(d_eng, config = config,
8     modelCode = modelCode, mode = "TRAIN")
9
10  # Build all learners
11  for(learner in names(config$learners)){
12    # run learner
13    # config$run_learner$run_learner_specific_learners
14    learner_result = config(paste0(learner))$d_eng, config, meta_data)
15    d_eng[["training"]] = learner_result[["pred_train"]]$d_eng[["training"]]
16    # attach validation set
17    # on = meta_data[["join_key"]]
18    d_eng[["validation"]] = learner_result[["pred_valid"]]$d_eng[["validation"]]
19  }
20 }
```

- Forecasts sales **by SKU, by store, by day** for supermarkets
 - Improves **availability**, reduces cost and waste
 - Utilises a large set of **AI models**
 - **Model features** include historic sales, promotions, weather and events
 - **Productionised** into core technology platforms

How we have achieved it?







- Built by our internal **Advanced Analytics team**
- Partnered with **Microsoft** to deploy in **Azure**
- **Computational scalability** provided by the **enterprise data platform**
- **IP owned by Coles** and models are **continuously improved**

Platform for the future



- **Single version of the truth**
- **Multiple further applications** already utilise Smarter Forecasting (e.g. dynamic markdowns)
- This 'engine' will also be deployed to:
 - **Coles Express**
 - **Liquor**
 - **Fresh Produce Easy Ordering**

Innovation at scale in the right format, delivering higher returns

	Format A	Format B	Format C	Coles Local
Description	<i>Innovation stores</i>	<i>Top traders</i>	<i>Core traders</i>	
				
	Transformational stores to trial structural innovation	Premium, foodie offer with extended range	Mainstream offer, with selected range	Focus on efficiencies – simple to shop
Store examples	Tooronga (VIC), Moonee Ponds (VIC)	Croydon (VIC), Inglewood (WA)	Noarlunga (SA), Sunnybank Plaza (QLD)	Springfield (QLD), Old Bar (NSW)
				Rose Bay (NSW), Fitzroy (VIC)

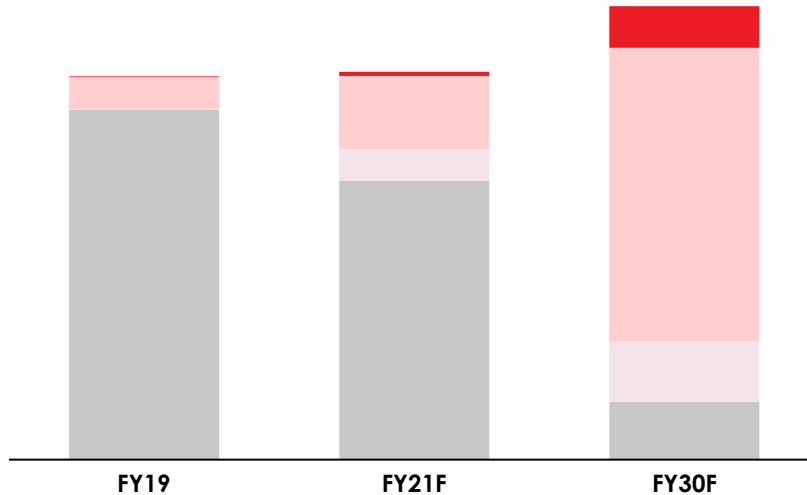
Rapid innovation enables us to continuously roll-out new concepts into other formats (e.g. Sushi Sushi, Deli undercases, Sendai berry cases)



Coles will keep growing and transforming the network

Coles stores network, #

■ Coles Local ■ Format C
■ New Format (A&B) ■ Previous format



- Coles' innovation process helps:
 - Transform the fleet including the roll-out of Coles Local
 - Improve customer experience; and
 - Improve return on capital
- Transforming the physical network also enables improvements in eCommerce fulfilment operations
- Coles will target net new space growth of ~1.5% p.a., while investing in the right store at the right time with a tailored format

Smarter Selling: summary

- Progress to deliver \$1bn cumulative Smarter Selling benefits by FY23, excluding COGS benefits
- Transform in-store customer service and operations through an increased use of technology, data and AI
- Progress automation in DCs and fulfilment centres, and expand Coles Collect to deliver efficiencies and better service
- Deliver further COGS improvement by building enhanced supplier relationships
- Target net new space of ~1.5% p.a., and invest in our existing fleet delivering innovation at scale and pace
- Simplify and transform our ways of working in the SSC, empowering decision making



Coles Local Rose Bay, opened May 2020 – Fruit & Vegetable aisle



Queensland team members at Brisbane's Big Gay Day in May 2021. Coles is committed to championing inclusion for our LGBTQI+ team members, customers and the community



Win Together

Thinus Keeve – Chief Sustainability, Property & Export Officer

Sally Fielke – General Manager Corporate Affairs

Kris Webb – Chief People Officer

David Brewster – Chief Legal & Safety Officer

Strategic elements

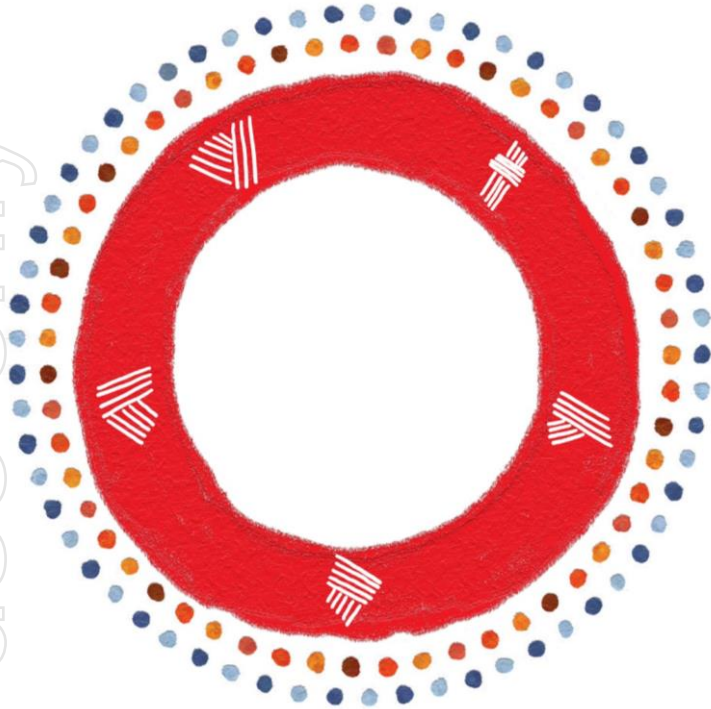
- Safer choices together
- Great place to work
- Together to Zero to drive generational sustainability
- Better Together through diversity and stakeholder engagement
- Innovation through partnerships

Our ambition is to become Australia's most sustainable supermarket

Internal use only



Our new sustainability icon



The **dots**, as used in the art of Northern Aboriginal Australian people, reflect the notion of community with many different groups circling around a larger collective goal

The **cross hatching** designs, as used in the art of Southern Aboriginal Australian people, represent the weaving technique used to create tools to hunt and gather food

Combined they represent the importance of working together to protect and sustain life

Artwork created for Coles by Bundjalung/Biripi artist Nikita Ridgeway of Boss Lady Design and Communications

Committed to reduce environmental impact through 'Together to Zero'



Coles Group signed an agreement with Lal Lal Wind Farms for the purchase of large-scale generation certificates for renewable electricity until the end of 2030

Together to zero emissions

- Net zero greenhouse gas emissions by 2050
- 100% renewable electricity by the end of FY25
- Reduce combined Scope 1 and 2 greenhouse gas emissions by more than 75% by the end of FY30 (from a FY20 baseline)



A concrete slab carpark made partly from recycled soft plastics at Coles Horsham, made possible by Coles' partnership with REDcycle, Replas and RMIT University

Together to zero waste

- Divert 85% of waste from landfill by FY25 and continue our focus on reducing food waste
- Support Australian Government's 2025 National Packaging Targets including:
 - All Coles Brand packaging 100% recyclable, reusable or compostable by 2025
 - All Coles Brand packaging to contain 50% average recycled content by 2025
- Stop selling single-use plastic tableware products from 1 July 2021



Coles has donated the equivalent of more than 58 million meals to SecondBite since FY19

Together to zero hunger

- Continue and enhance our program to provide unsold edible food to people in need through our work with:
 - SecondBite through Coles supermarkets and fresh produce DCs
 - Foodbank through ambient DCs

Better Together through diversity and stakeholder engagement



A team that is better together

- Celebrating diversity and inclusion
- Coles recognised as Gold tiered employer at AWEI¹ awards



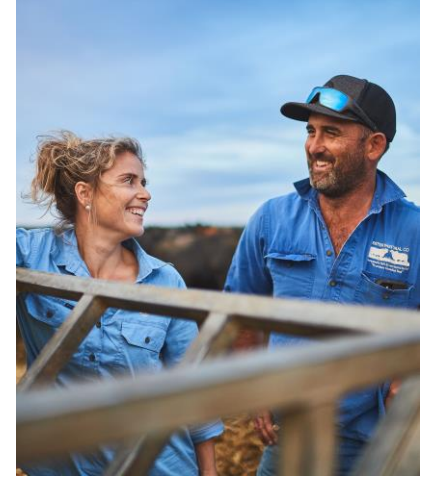
A community that is better together

- Fostering key community partnerships: feeding Australians in need, helping sick children and supporting healthy lifestyles
- Supporting communities in times of need



Sourcing that is better together

- Offering quality, safe and trusted products sourced ethically, transparently and responsibly
- Continue to support independent certification of Coles Brand products with higher environmental and labour risks



Farming that is better together

- Providing Australian-grown produce as a first priority
- Supporting farmers with the \$50 million Coles Nurture Fund
- 60 dairy farmers supplying Coles own brand milk on long term contracts that allows them to invest for the future

Our strategy to be 'A Team that is Better Together'



We're all different. And at Coles, we know that's a good thing.
Just as we have for over a century, we're making Coles somewhere everyone feels like they belong.
So that we can all live healthier and happier lives.

Belonging

Foster an open and welcoming culture where everyone feels valued

Gender equity

Achieve a gender balanced workforce to benefit all of us

Accessibility

Recognise and enable people with all kinds of abilities

Pride

Champion LGBTQI+ inclusion in the workplace and beyond

Indigenous

Provide more opportunities for Aboriginal and Torres Strait Islander peoples, suppliers, customers and communities to engage with our business

Future areas of focus



Achieve 'Employer of Choice' recognition and build an open and welcoming culture



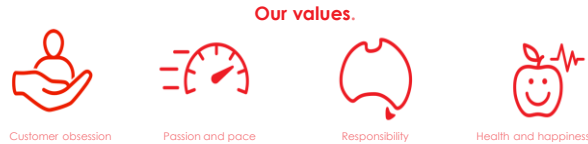
Achieve 40% of women in leadership roles and achieve pay parity



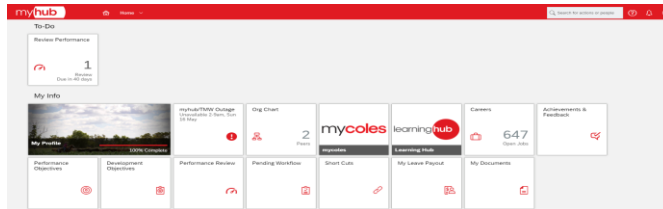
Provide more opportunities for Indigenous peoples, suppliers and communities

We are making progress on 'Great place to work'

Delivered on our key strategic pillars



Launched and embedded Coles Group values across the organisation



Launched new payroll and HR system (myhub) across all of Coles Group



Recognised #1 in GradAustralia's 'Top retail, sales and consumer goods graduate employers' in 2021

Future areas of focus

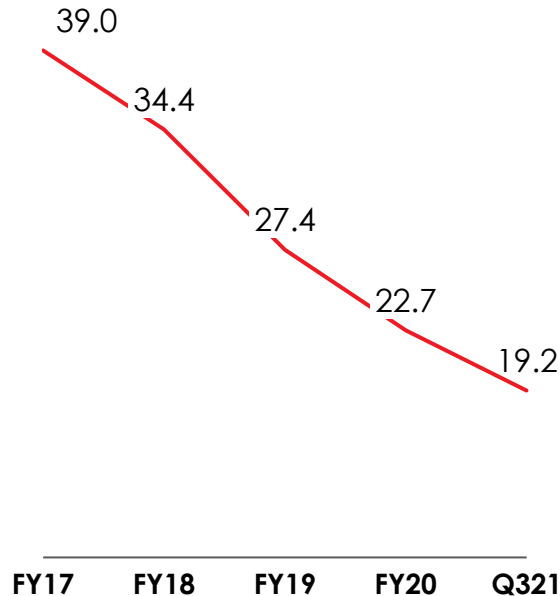
- Year-on-year progress to **grow team member engagement**
- **Invest in learning, development and team member enablement** to deliver outstanding customer experience in-store and online
- **Communicate our employer brand** to attract and retain the best talent
- **Deliver major capability programs:** automation, eCommerce and technology, reskill and reshape our workforce

We continue to make 'Safer choices together'

Delivered numerous safety initiatives



Resulting in significantly lower TRIFR



Future areas of focus

- **Smarter safety through data, technology** and innovative engineering controls
- **Creating a mentally healthy workplace** and Board positions on 'Corporate Mental Health Alliance Australia' and 'Healthy Heads in Trucks and Sheds'
- Continue to foster a **culture where safety decisions lead to improved safety performance**

Win Together: summary

- Develop a pathway through to Zero waste, Zero emissions and Zero hunger
- Support Australian communities, producers and diversity of team members
- Foster a culture of belonging to make Coles a 'Great place to work'
- Cultivate a safety culture across Coles, inspire and help team members to focus on their physical and mental wellbeing



Harvey Citrus, WA recipient of financial support from the Coles Nurture Fund



New B&W Liquorland at Merrifield, VIC

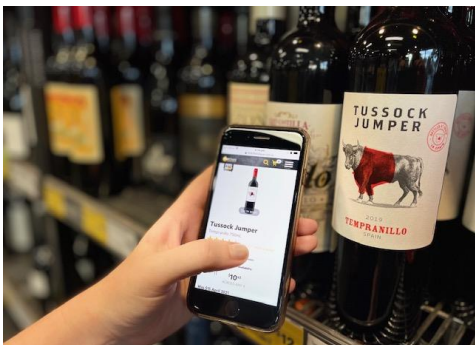


Liquor strategy update

*Darren Blackhurst –
Chief Executive Liquor*

Elevated Liquor retail market, with evolving customer preferences

Overall market elevated, online accelerating



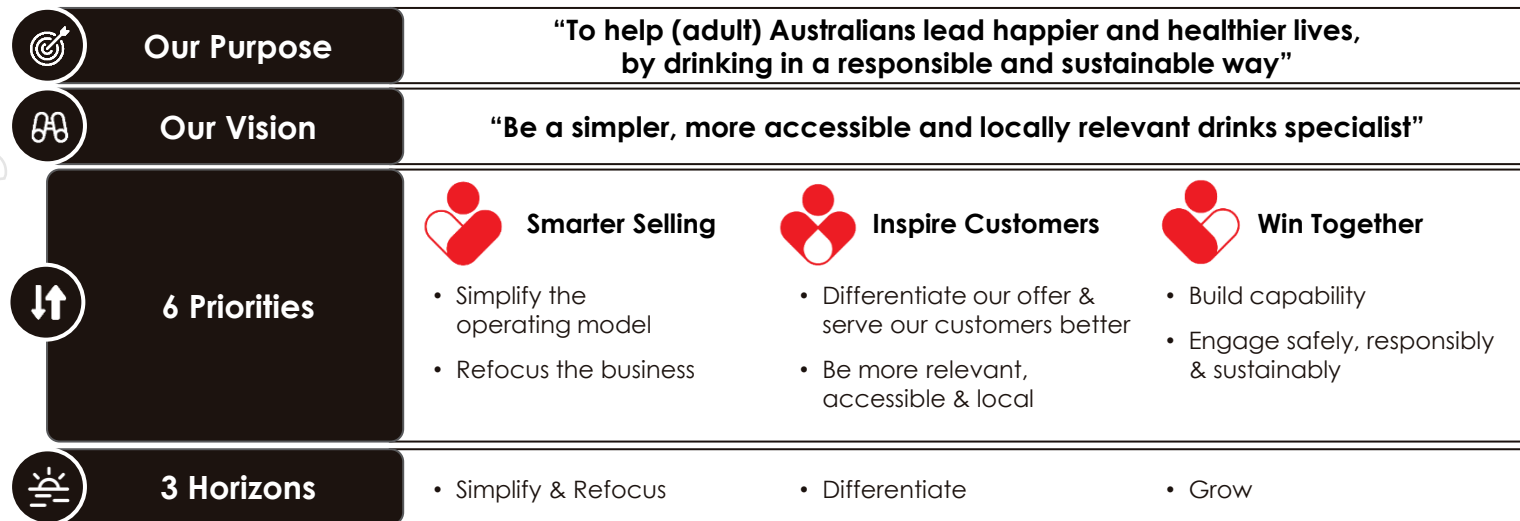
- **Liquor retail market was impacted** by panic buying, lockdowns and the closure of on-premise throughout the year driving more consumption in home
- **Big box, online, spirits and suburban/regional stores** – the key drivers of elevated sales
- **Online and on-demand is the fastest growing channel**, accelerating under COVID-19, growing by 90% in 1H21

Importance of local, craft & boutique



- **Increased demand for local, premium, on-trend products and healthier alternatives.** Customers seeking more local wines, craft beers and boutique spirits
- **Team member friendliness, knowledge and availability** are fundamental to the customer experience
- **Ease of shop, value and choice remain key to the overall offer.** During the last 12 months customers have shown a stronger preference for trusted value and local brands

Liquor strategy launched in August 2020 is driving our long-term plan



Liquor strategy underpinned by investment in team, systems, online, new stores and format renewal

Our 6 key priorities are progressing



Simplify the operating model



Decluttering and reducing cost



Differentiate our offer & serve our customers better



Creating locally relevant ranges

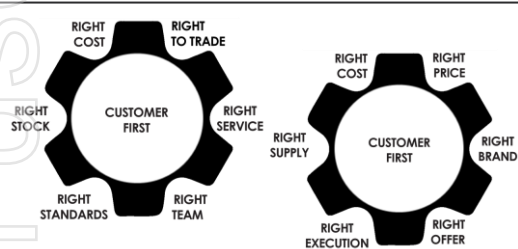


Build capability



Investing in team, systems and online

Refocus the business



Resetting commercial and operation agendas

Be more relevant, accessible & local



Investing in formats and the estate

Engage safely, responsibly & sustainably



Choose to
**Drink
Wise.**



Proactively engaging our community

Three distinct banners, relevant to customers' evolving needs...

LIQUORLAND



The local, convenient specialist

FirstChoice LIQUOR MARKET



The warehouse

VINTAGE CELLARS



The spirit of an independent



...available online and through Coles



Coles Express site at Keilor Park, VIC



Express strategy update

*Michael Courtney – Executive
General Manager Express*

Improved our underlying convenience proposition

Key priorities

Achievements so far

1

Improve convenience store profitability

- Offset fuel headwinds, presented through COVID-19, with top-line delivery and robust cost management
- Better partnering with our supply partners

2

Leverage Coles Group capability

- Extended Supermarkets ranging where appropriate (e.g. convenience range)
- Participated in Coles initiatives that differentiate in the channel (e.g. collectibles and MND¹ campaigns)

3

Invest in store formats

- Invested in a store refurbishment program, being rolled out to ~130 sites
- Reset coffee offer and delivered fast-lane fridges

4

Better engagement with team

- Launched the 'Express Yourself' Learning and Development Program
- Improved team engagement

5

Build a strong basis to be channel-leading in sustainability

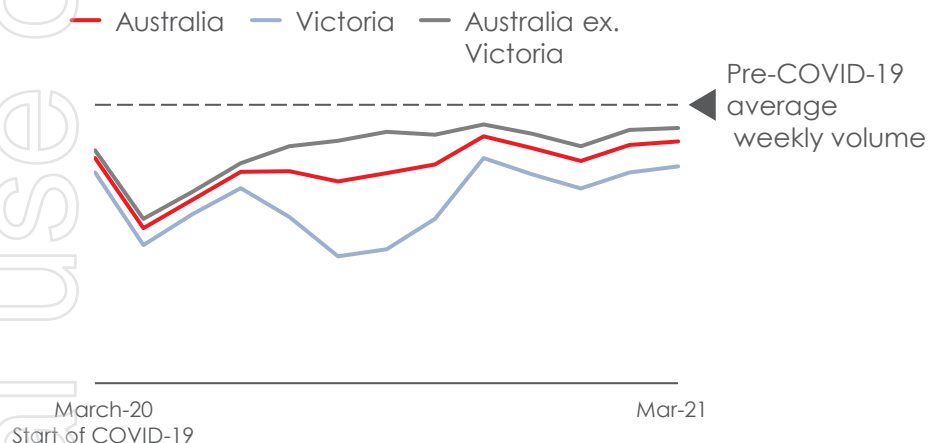
- Delivered sustainability roadmap
- Delivered several channel-leading initiatives in ethical sourcing

Maintained fuel market share and outperformed in shop sales

Fuel volumes are gradually recovering from COVID-19 related impacts

- Despite improvements, fuel volume remains below pre-COVID-19 levels
- Victoria fuel volumes continue to lag the rest of Australia

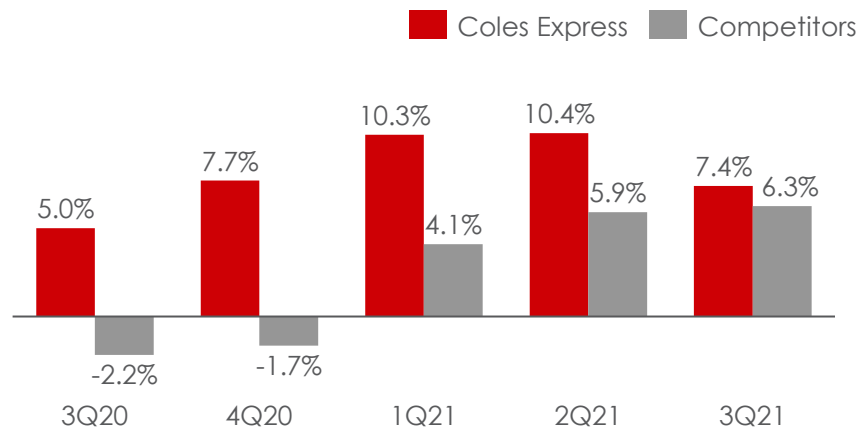
Comparison of average weekly fuel volumes to pre-COVID-19 by period, % of pre-COVID-19 period¹



Despite lower fuel volumes, strong shop sales have driven an increase in market share

- The convenience channel has seen increased growth since COVID-19
- Express has consistently delivered above market growth through improvement in the customer offer

Quarterly convenience shop sales growth, Coles and competitors, % YoY growth, 3Q20 – 3Q21



Addressing right strategic priorities to grow our potential



Inspire Customers

- Increased tailoring to provide a more relevant convenience offer
- Embed Coles Express in the Coles digital ecosystem, leveraging the group's assets to remove barriers
- Leverage Coles food credentials to provide differentiated range solutions



Smarter Selling

- Segment the Express network through format investment
- Re-platform core systems to increase capability and enable simplification
- Leverage technology to further enhance our commercial efficiency



Win Together

- Enhance our channel-leading selling and service programme
- Drive channel leadership in sustainability in line with Coles Group's objectives
- Continue to grow community and strategic partnerships



Coles Kalgoorlie store in WA – opened May 2021



Coles' financial framework

Leah Weckert -
Chief Financial Officer

Coles' financial framework aligns with our vision

To deliver attractive returns with disciplined approach to capital allocation while maintaining a strong balance sheet to drive long-term shareholder value



1. Focus on achieving attractive returns

- ROC hurdles well above long-term WACC¹
- ROC incentives for management



2. Disciplined approach to capital allocation

- Strong cash conversion
- Structured approach to capital allocation
 - 'Stay in business' capex to maintain safe operations
 - Competition for growth and efficiency capex balancing returns and strategic importance
 - Post-implementation reviews
- Maintain attractive dividend payout

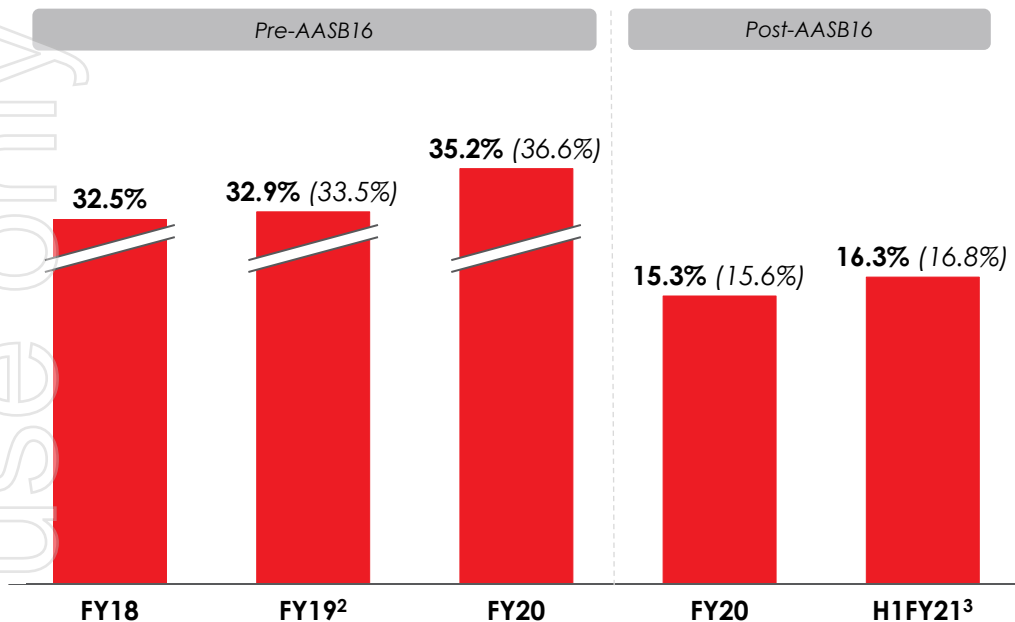


3. Maintain strong balance sheet

- Commitment to solid investment grade ratings
- Maintain financial flexibility to take advantage of future investment opportunities

Focus on achieving attractive returns

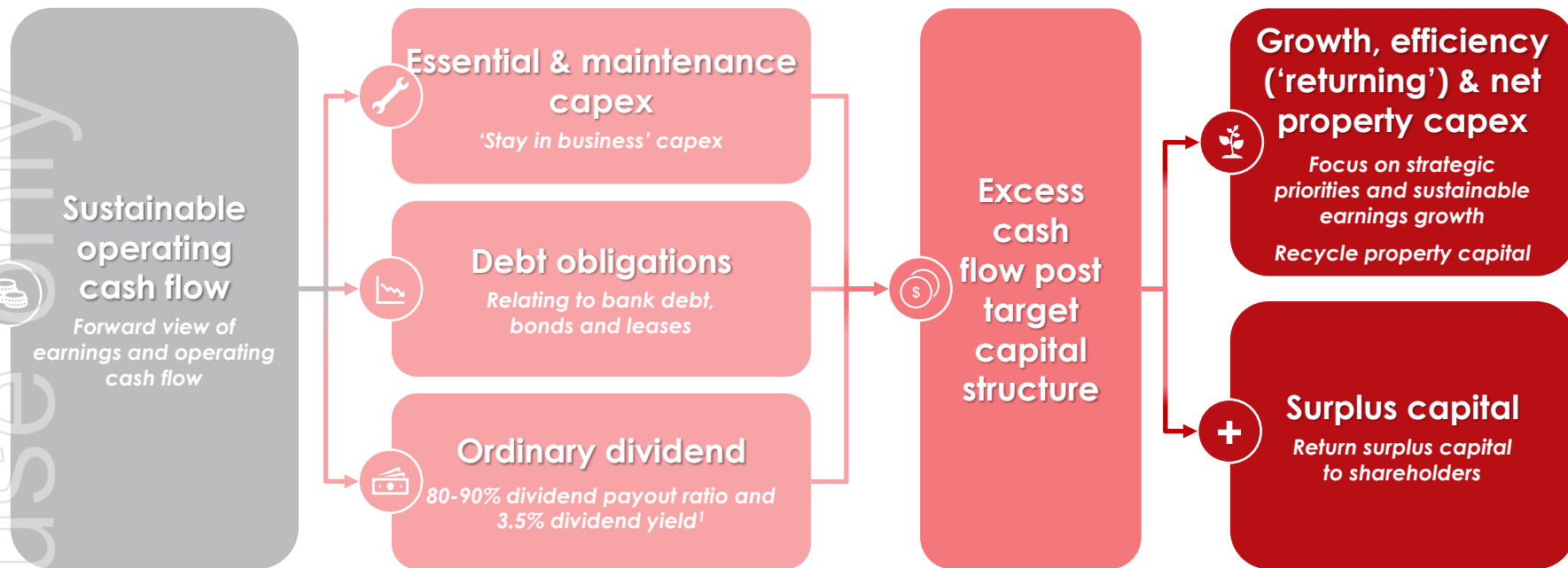
Reported Group ROC (Underlying Group ROC¹), %



Key comments

- Management LTIs⁴ equally balanced between ROC and TSR
- Capital spend categories/projects have differing rates of return but are all expected to reach hurdle rates well above long-term WACC and achieve an attractive blended return
- Witron and Ocado automation capex and project implementation opex have and will continue to impact ROC prior to benefits materialising

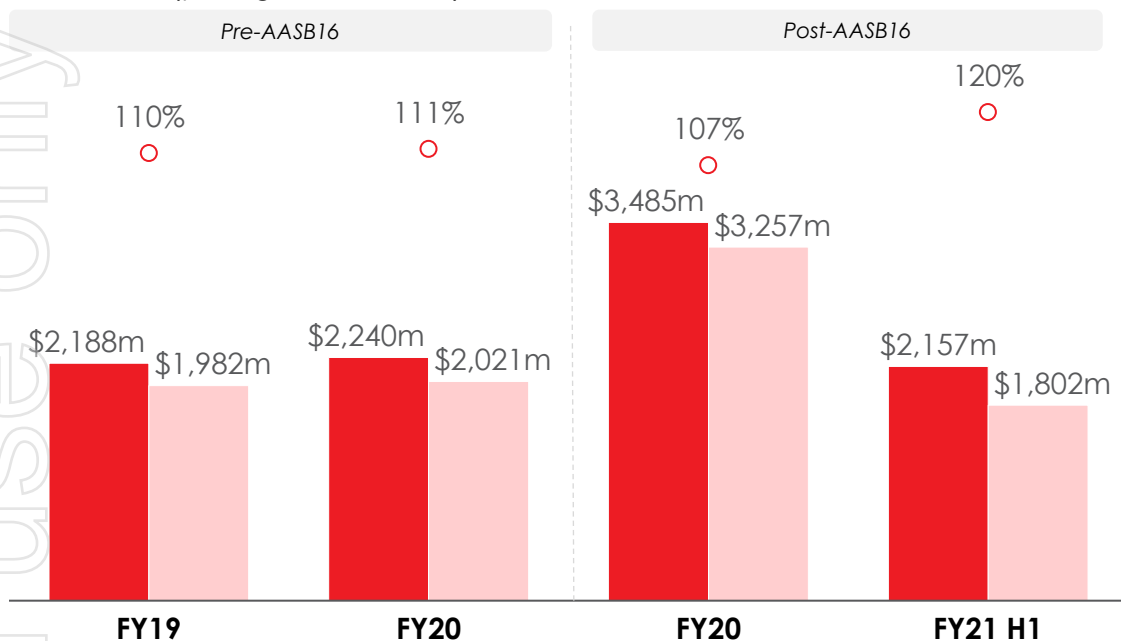
2 Disciplined approach to capital allocation



2 Coles is a highly cash generative business

Cash flow realisation, %

■ Operating cash flow (excluding interest and tax) ○ Cash realisation
■ EBITDA (pre-significant items)



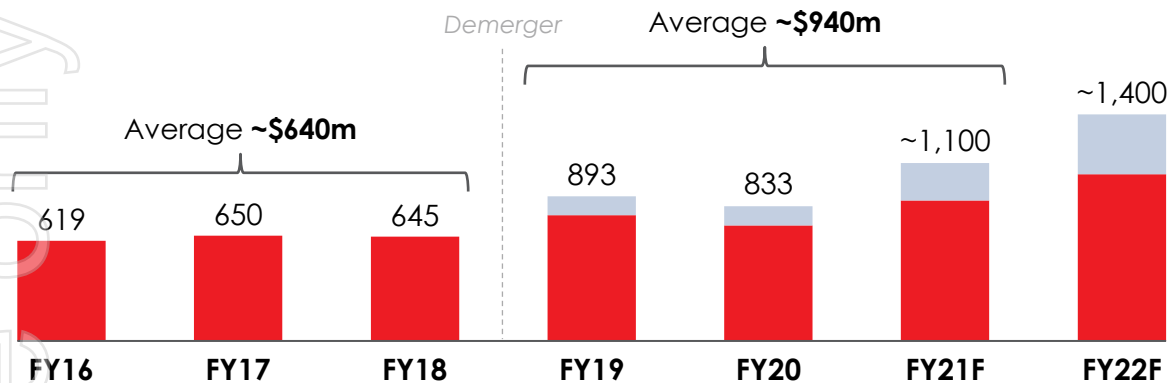
Key comments

- Strong EBITDA growth
- Coles has achieved cash realisation well in excess of 100% since demerger
- Focus on improving working capital management and operating costs
- Strong operating cash flow supports dividends and growth capex

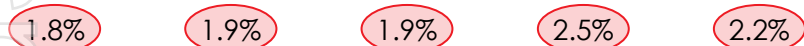
Coles is investing for further growth and efficiencies

Gross operating capex¹, \$m

■ Operating capex ■ Witron and Ocado capex



Gross operating capex rate to sales, %



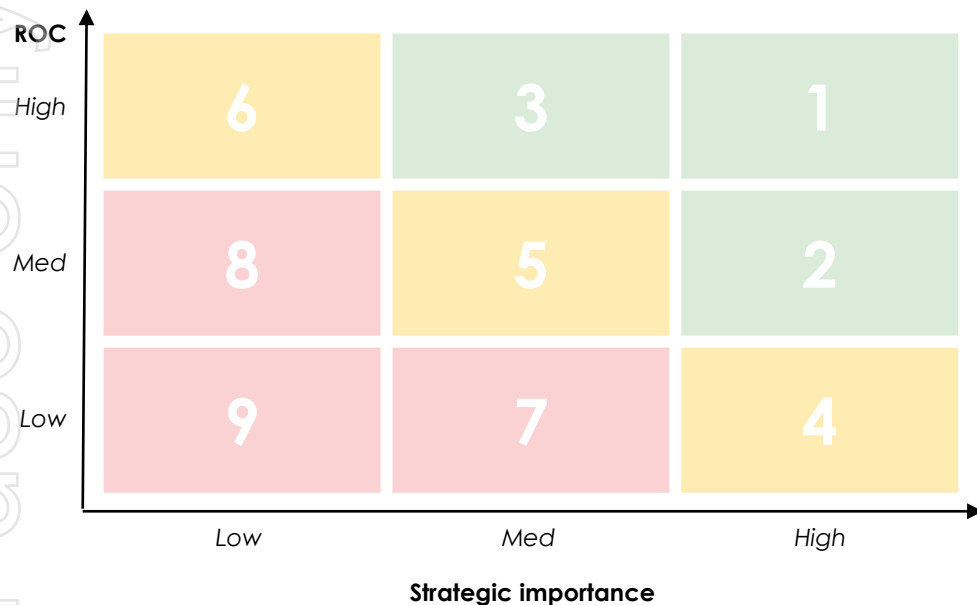
Key comments

- Historically lower capital investment prior to demerger
- Disciplined and rapid deployment to capture organic opportunities to create future value for shareholders
- Balance sheet strength supports acceleration of strategic projects to drive long-term earnings growth

Coles expects gross operating capital expenditure in FY22 to be up to ~\$1.4bn

Capital prioritisation framework

■ Prioritise
 ■ Allocate
 ■ Minimise

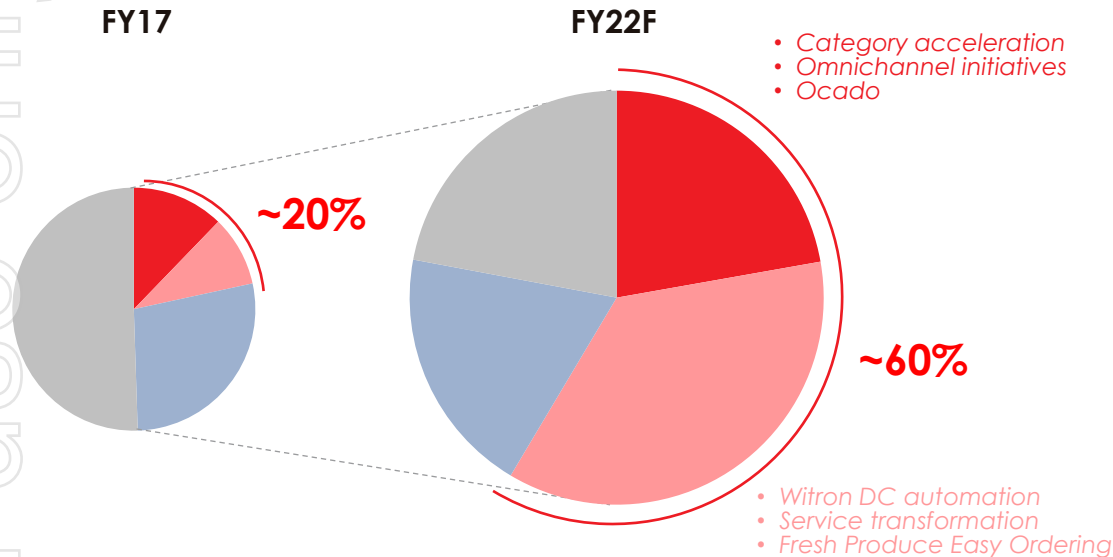
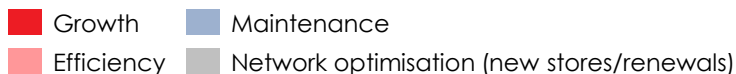


Key comments

- Competitive allocation of returning capital (i.e. not essential and maintenance) determined by capital prioritisation framework
- Capex allocated toward growth & efficiency initiatives with highest returns and strategic importance (i.e. strategic differentiators and alignment with strategy)

2 Coles has shifted its capex to growth and efficiency initiatives

Group capex profile, %



Key comments

- Shift to growth and efficiency capex with expected greater spend in FY22
- ~50 renewals and ~20 new stores expected in FY22
- ~\$290m capex for Witron expected in FY22
- Project implementation opex for Witron and Ocado is expected to be up to \$75m in FY22 and up to \$160m in FY23
- Depreciation and amortisation is expected to be between \$1.67bn - \$1.72bn in FY22 impacted by increased capex, as well as increased AASB16 leasing impacts including the Witron Queensland site being recognised on the balance sheet as a ROU¹ asset
- Depreciation will be further impacted in FY23 as the Witron and Ocado assets (ROU and PPE²) begin to depreciate

Coles has an industry leading dividend payout

Delivering strong underlying dividend growth

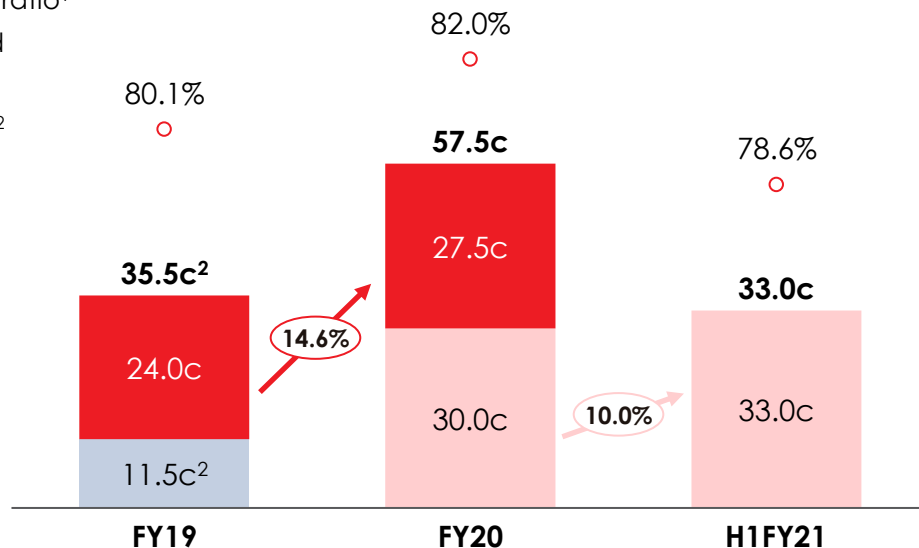
Dividend, cents per share

○ Dividend payout ratio¹

■ Full year dividend

■ Interim dividend

■ Special dividend²



Key comments

- Coles retains its annual target dividend payout ratio of 80-90%
- Dividends franked to maximum extent possible
- Dividend policy and capital management to be considered by Board periodically

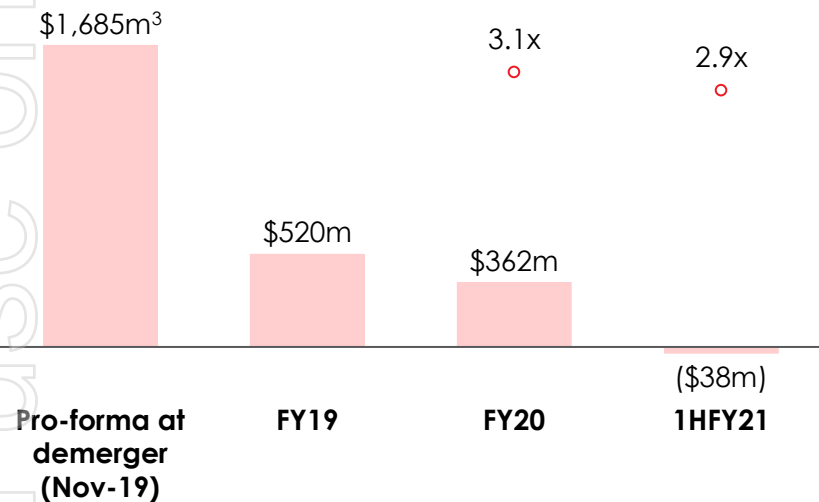
Maintain strong balance sheet

Coles has significantly de-levered since demerger¹...

Net debt/(cash) ex-lease liabilities, \$m

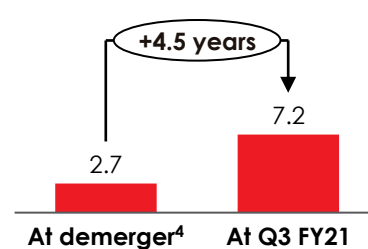
○ Post-AASB16 leverage ratio²

■ Net debt/(cash) ex-lease liabilities

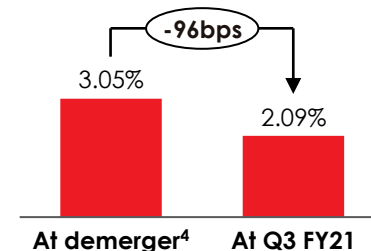


... and extended tenor and lowered cost of debt

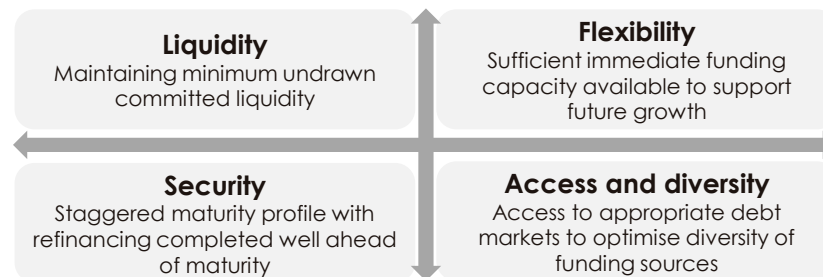
Weighted average maturity on drawn debt, years



Weighted average cost of debt, %



Debt funding framework - commitment to solid investment grade rating



Summary of key financial updates

- Smarter Selling benefits expected to be in excess of ~\$200m in FY22
- Witron and Ocado opex expected to be up to ~\$75m in FY22 and ~\$160m in FY23
- Net EBIT benefits from Witron expected to commence from FY25. Sales benefits from Ocado expected from FY24 as the customer fulfilment centres build their volumes
- Capex of \$1.4bn expected in FY22 with investments in a number of key growth areas:
 - Witron and Ocado automation programs
 - Omnichannel and offer expansion for customers
 - Smarter Selling, including front end transformation
 - Fresh Produce Easy Ordering
 - Coles Local and Liquorland renewals and new space
- Depreciation and amortisation expected to be between \$1.67bn - \$1.72bn in FY22 as a result of increasing investment, as well as increased AASB16 leasing impacts including the Witron Queensland site being recognised on the balance sheet as a Right of Use asset

Summary of today

- Delivered significant strategic and financial progress since announcing 2019 strategy
- Emerged stronger from an extraordinary period through COVID-19, bushfires and floods
- One of Australia's most trusted brands and improving relationships with suppliers and farmers
- The Australian food and drinks market remains one of the most attractive globally
- With a strong balance sheet, we are committed to driving growth by increasing investment in:
 - Group wide data, eCommerce, technology, and automation
 - Acceleration of Coles Local and Liquorland formats
 - Sustainability – building on our recently launched 'Together to Zero' and 'Better Together' programs
- Strong cash generation supports commitment to our industry leading dividend payout ratio