



ASX Release

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ADDRESS BY MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER LEAH WECKERT

COLES GROUP LIMITED 2023 ANNUAL GENERAL MEETING – 3 NOVEMBER 2023

Please see attached the address to be delivered by the Managing Director and Chief Executive Officer to shareholders at this morning's Annual General Meeting.

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This announcement was authorised for release by Daniella Pereira, Company Secretary.

Coles Group 2023 Annual General Meeting
Managing Director & Chief Executive Officer's address to shareholders

Thank you, James, and good morning everyone joining us in person and online.

It's a privilege to be here this morning in my new capacity of Coles' CEO.

In recent years, as the Chairman has said, we've emerged from numerous challenges: COVID, natural disasters and a range of supply chain issues. At the same time, the retail industry has been evolving with changing customer preferences and behaviours, and advancements in a range of technologies.

Over the past six months I have had the chance to meet with Coles teams around the country and hear from our customers. This has given me a good perspective on what's working well and where we need to improve.

Customers are telling us that they want quality produce and products, convenience, and flexibility in where, when and how they shop. They want shopping that is increasingly personalised and technology-enabled, healthy and sustainable food and packaging options, and being able to rely on the availability of the products they want to buy.

And, right now, above all else, they want us to deliver great value.

Today, particularly as Australian households face higher cost-of-living pressures, we have such an important role to help their budgets go further, to help them affordably put dinner on the table, fill school lunchboxes and enable them to celebrate the special moments in life with family, friends and loved ones.

With all of these factors in mind, we have recently reset our strategy.

Our renewed purpose is 'Helping Australians eat and live better every day',

Helping refers to the growing ask from customers to help them solve problems – what's for dinner, how to be more sustainable, how to eat healthily when life is so busy.

Eat and live refers to food as our core purpose but surrounding that with adjacencies like liquor, pet, health, beauty and homecare which are all high transaction frequency, close to our core and convenient to buy alongside food.

Better refers to our passion for more delicious, more healthy and more sustainable products.

And every day, is a very important concept. It points to the consistency we need to deliver in our business to give each customer a great experience in our stores, online and with our products when they get them home, every day.

To support this purpose, our new strategy will focus on creating a destination for food and drinks, accelerating through digital and delivering consistently now and for the future.

As part of our strategy evolution, we have also done a lot of work with our team members to re-establish our company values. Our values - Care for each other, Deliver for customers, Have courage to make the right choices and Create for the future – are built on what team members tell us is most important and what will support them to succeed at work each day.

It is all these components working together that will enable us to deliver our vision to be the most trusted retailer in Australia and grow long-term shareholder value.

Now turning to some of our operational highlights of the year.

With many Australians feeling the effects of cost-of-living pressures, we're focused on delivering great value in our supermarkets and online.

We launched Great Value, Hands Down in August this year, which makes it easier for our customers to find value across stores and online. During FY23, we reduced prices through multiple Dropped and Locked campaigns, provided 1000s of weekly specials and had over 4200 products on Everyday prices.

Our Exclusive to Coles range is another way we provide value. Coles Own Brand has grown significantly over the past three years, contributing about a third of our supermarkets sales. In FY23, our Exclusive to Coles range in supermarkets grew 9.6 per cent. We introduced an additional 1,400 Coles Own Brand items to the range, bringing the total to more than 6,000 products.

Flybuys has helped millions of customers stretch their budget further, and the program now reaches approximately 80 per cent of Australian households. In FY23, the program continued to perform strongly with a 9 per cent growth in active members.

More than 1.1 million unique households participated in our immensely popular MasterChef Cookware Collectible programs in FY23. We now have over 28.5 million kitchen items in Australian households from across our campaigns which serve as a daily reminder to our customers of the differentiated value they receive when shopping with us.

And in FY23, Coles Liquor continued to realise its vision to be a simpler, more accessible, locally relevant drinks specialist. Our Exclusive Liquor Brand collection received more than 500 awards, including the Tasmanian Gin of the Year trophy for Pure Origin Tasmanian Dry Gin at the Melbourne International Spirits Competition.

People are at the heart of what we do at Coles, and we are proud of what we have been able to achieve alongside our team members this year.

I would like to reiterate what the Chairman said about our women in leadership targets. We were pleased to have reached 41.5 per cent of women in leadership roles across the Group and recorded a company-wide gender pay parity gap of less than 1 per cent. Coles was also awarded Employer of Choice for Gender Equality by the Workplace Gender Equality Agency (WGEA) for its active commitment to achieving gender equality.

At the end of the financial year, 3.5 per cent of team members identified as Aboriginal or Torres Strait Islander.

We are proud to have sponsored Sydney WorldPride earlier this year, part of our commitment to creating a safe and welcoming environment for LGBTQIA+ people across our workforce and stores. We also offered inclusion training to team members.

We continued to invest in our team members through development and training. In doing so, we are investing in the future of our business. This year, Coles was recognised as an Employer of Choice for graduates in the Australian Association of Graduate Employers (AAGE) Employer Report. And for the fourth year in a row, Coles was named Most Popular Retail and FMCG Employer in the Australian Financial Review/GradConnection's Top 100 Graduate Employers awards.

In FY23, we delivered sales revenue growth from continuing operations of 5.9%; driven by value campaigns, successful execution of events such as Easter, Christmas and Mother's Day, collectible campaigns, as well as investment in store renewal.

EBITDA and EBIT growth from continuing operations was 3.8% and 1.8%, respectively.

When adjusted for the one-off implementation costs associated with the Witron and Ocado programs and the \$25 million provision related to the Fair Work Ombudsman proceedings, the adjusted EBITDA and EBIT growth was 5.3% and 4.5%.

Our Smarter Selling program continued to drive efficiency across our whole business to help offset the effects of inflationary pressures and allow us to invest back into the business for the future. By the end of FY23, we reached our target of \$1 billion in cumulative benefits over four years, and in the past financial year, delivered benefits of approximately \$220 million.

Moving now to FY24, our Q1 sales in supermarkets and liquor were up 4.7 per cent and 1.8 per cent, respectively. Our sales results also highlighted our focus on building our omnichannel offer, with supermarkets eCommerce revenue growth of 24.6 per cent, and Liquor eCommerce revenue growth of 32.2 per cent.

Christmas is right around the corner, and to help Aussies around the country celebrate, we have curated a Christmas range focused on providing value at every price point.

This year, we are featuring an impressive 349 products across supermarkets and liquor from ham and turkey to puddings and mince pies. And for those on hosting duties this year, our latest Curtis Stone BBQ cookware campaign will help inspire preparations, with customers eligible to collect free BBQ cookware pieces when they spend and scan their Flybuys card.

As we look ahead to the coming year and beyond, our unwavering priority will continue to be to deliver for our customers.

Pleasingly for customers, we are seeing availability in stores improve and inflation in key categories moderate. During Q1, fresh produce and red meat were in deflation with lower prices year on year on cucumbers, berries, beef and lamb, for example.

We look forward to progressing our supply chain automation projects further. While the Redbank Automated Distribution Centre in Queensland already services 219 stores, we are working toward the Kemps Creek ADC in New South Wales receiving its first inbound deliveries in Q3. Our first CFC is scheduled to go live in NSW in the middle of CY2024.

To help us deliver consistently for the future, our new Simplify and Save to Invest program will again aim to deliver in excess of \$1 billion in cumulative savings over the next four years.

We continue to focus on market performance, which is important to underpin investment in growth initiatives that will deliver strong financial outcomes and support dividend payments in future years.

In closing, I would like to thank James and the Board for their support throughout the year. I would also like to thank the Coles leadership team, and to our team members right across the country, for their outstanding work and commitment to our purpose.

To our customers, thank you for choosing Coles. We hope you have a wonderful and safe Christmas. And finally, thank you, our 440,000 shareholders. We appreciate your support.

Before I hand back to the Chairman, I would like to share a short video about our first automated distribution centre in Queensland.