



30 April 2024

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2024 Third Quarter Sales Results

Please find attached for immediate release to the market the 2024 Third 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
Group Company Secretary

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Results Release

colesgroup

30 April 2024

2024 Third Quarter Sales Results

Continued momentum in Supermarkets with value campaigns delivering positive volume growth and solid Q3 sales

Third Quarter Sales - 12 weeks from 1 January to 24 March 2024

GROUP SALES REVENUE (\$M)	3Q24	3Q23	CHANGE
Supermarkets ¹	9,065	8,629	5.1%
Liquor	786	801	(1.9)%
Other	182	-	n/m
Sales revenue – continuing operations	10,033	9,430	6.4%
Express – discontinued operations	-	271	n/m
Total Group sales revenue	10,033	9,701	3.4%

¹3Q23 Supermarkets sales revenue has been restated due to an understatement in the first three quarters of FY23. This understatement did not affect Gross Retail Sales. n/m denotes not meaningful.

GROUP GROSS RETAIL SALES (\$M)	3Q24	3Q23	CHANGE	COMPARABLE GROWTH
Supermarkets	9,316	8,874	5.0%	4.2%
Liquor	789	803	(1.8)%	(3.1)%
Other	182	-	n/m	n/a
Gross retail sales – continuing operations	10,287	9,677	6.3%	
Express – discontinued operations	-	287	n/m	
Total Group gross retail sales (non-IFRS)	10,287	9,964	3.2%	

n/m denotes not meaningful.

Statement from Coles Group CEO, Leah Weckert

"We have delivered another solid sales result across our supermarkets this quarter reflecting strong execution of our trade plans and our continued focus on delivering great value and great quality alongside improved availability. We have also seen a meaningful increase in customers interacting with our digital platforms and loyalty programs which is allowing us to engage on a more personalised basis with these customers.

I'm also pleased to report that we are delivering on our commitment to address loss with a positive trajectory throughout the quarter."

Third quarter performance highlights



Sales revenue growth

▲5.1%
in Supermarkets
▼(1.9)%
in Liquor



eCommerce sales growth

▲34.9%
in Supermarkets
▲4.1%
in Liquor



Exclusive brand sales revenue growth

▲8.8%
Exclusive to Coles
▼(0.5)%
Exclusive Liquor Brand

Destination for food and drink

- Provided value through the Summer value campaign and the continued roll out of instant \$10 off at check out for Flybuis members, including roll out to Liquorland and First Choice Liquor Market stores
- Launched 219 new Exclusive to Coles products and expanded 'Coles Simply' value range to 80 products and 'Coles Finest' range to 241 products
- Provided convenient meal solutions for customers through the roll out of Meal Deals to more than 70 stores
- Launched the 'The Savvy Dinner Plan' in partnership with taste.com.au to help customers save time, money and effort on dinner

Accelerated by digital

- Coles App monthly active users grew by 44.1% and online NPS saw continued gains
- Launched Coles 360Impact, a retail media measurement solution designed to provide deeper insights into campaign performance for suppliers
- Launched Swaggle, Australia's newest online pet retailer providing pet parents with a speciality range of products, pet insurance and free vet advice
- NSW customer fulfilment centre (CFC) on track with incremental ramp up planned to commence in Q4; VIC CFC on track with commissioning and end to end testing underway

Delivered consistently for the future

- Roll out of loss technology continued with Skip Scan now in 346 stores, Smart Gates in 286 stores and Bottom of Trolley in 187 stores
- Successfully received inbound deliveries at the Kemps Creek Automated Distribution Centre as part of the planned testing and commissioning process
- Transitioned to 100% WA sourcing of all Coles Brand fresh beef, poultry, pork and lamb in WA stores to improve availability and as part of our commitment to provide customers with more local and sustainable meat choices
- Awarded the Marine Stewardship Council's 'Best Sustainable Seafood Supermarket' at the Sustainable Seafood Awards Australia 2024

Win Together

- Celebrated International Women's Day and raised >\$500,000 for not-for-profit organisation 'Fitted for Work' to help empower Australian women experiencing disadvantage to be work ready and achieve financial independence
- Launched Coles' 'Dairy Farm Sustainability Accelerator Fund', with \$1.45 million in grants awarded to 100 of our direct sourcing dairy farmers to drive innovation and fund projects which invest in animal welfare, solar energy and infrastructure improvements
- Launched Coles' Stretch Reconciliation Action Plan, setting our ambition to win together with Indigenous communities

Segment performance overview

Supermarkets

	3Q24	3Q23	CHANGE
Sales revenue ¹ (\$m)	9,065	8,629	5.1%
Sales revenue growth (excl. tobacco) (%)	6.6	8.7	n/m
Gross retail sales ² (\$m)	9,316	8,874	5.0%
Comparable sales growth (%)	4.2	6.5	n/m
eCommerce sales ³ (\$m)	856	635	34.9%
eCommerce penetration ³ (%)	9.3	7.3	n/m
Sales density per square metre ⁴ (MAT \$/sqm)	19,786	18,907	4.6%
Inflation / (deflation) (%)	2.2	6.2	n/m
Inflation / (deflation) excl. tobacco (%)	1.9	6.4	n/m
Inflation / (deflation) excl. tobacco and fresh (%)	2.9	7.6	n/m

¹ 3Q23 Supermarkets sales revenue has been restated due to an understatement in the first three quarters of FY23. This understatement did not affect Gross Retail Sales.

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

³ eCommerce gross retail sales and penetration include Liquor sold through coles.com.au and excludes gift cards sold online. eCommerce penetration is based on gross retail sales excluding gift cards. 3Q23 eCommerce sales and penetration has been restated to remove the impact of gift cards sold online which were included in the prior corresponding period.

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

n/m denotes not meaningful.

Key highlights

Supermarkets sales revenue of \$9.1 billion for the third quarter increased by 5.1%¹ with comparable sales growth of 4.2%. Excluding tobacco, sales revenue increased by 6.6%.

Momentum from the first half continued into the third quarter with sales revenue and volume growth driven by successful execution of the Summer value campaign, well executed trade events in store and online, including Australia Day and Valentine's Day, and the Pokémon Builders collectible campaign. Strong trade in the lead up to Easter also supported sales with Easter falling earlier in 2024 compared to the prior year. Improvements in availability, as the business cycled significant supply chain disruptions in the prior corresponding period, also contributed.

Providing value for customers remained a priority during the quarter. In addition to the Summer value campaign where prices were lowered on more than 300 products, the Coles Simply range was expanded, enabling customers to easily identify value products, and almost 1,000 products were placed on everyday low prices. Our Flybuys loyalty program experienced 6.8% growth in active members with triple-digit growth in customer points redemptions as we made it easier for customers to redeem points including through the continued roll out of instant \$10 off at check out for Flybuys members.

Exclusive to Coles sales revenue increased by 8.8% to \$3.1 billion with strong volume growth. The portfolio continues to outgrow proprietary products on a volume and sales basis as customers seek value. Product innovation during the quarter saw more than 200 new products launched including more than 40 products in the Easter range.

eCommerce sales increased by 34.9% to \$856 million with penetration growing to 9.3% in the third quarter. Strong sales were delivered across both Home Delivery and Click & Collect propositions. The delivery of key seasonal events, an ongoing focus on targeted customer offers and strong growth in Coles App monthly active users of 44.1% underpinned sales growth. Coles' digital platforms are also increasingly influencing in store purchases with more than 20% of store sales capable of being linked to customer research through the Coles App or website, as more customers research online before buying in store.

Growth in Coles' retail media business continued with Coles 360 income increasing by 30.5% in the third quarter.

Total Supermarkets price inflation reduced to 2.2% in the third quarter (3.0% in 2Q24) as a result of moderating inflation in packaged coupled with deflation within the fresh category. Inflation excluding tobacco and fresh also continued to moderate to 2.9% (4.0% in 2Q24) with packaged inflation cycling elevated supplier cost price increase requests in the prior corresponding period. Within fresh categories (including fresh produce, meat deli & seafood, and bakery), fresh produce

¹ Adjusted for the differences in the retail calendar which included New Years Day in the current period (2Q23 in the prior corresponding period), sales revenue increased by 5.6% and comparative sales increased by 4.7%.

and meat remained in deflation. Fresh produce deflation was driven by fruit, particularly apples and avocados, while deflation in meat was driven by red meat, particularly lamb. Bakery inflation remained elevated due to wheat commodity prices.

During the quarter, Coles renewed 11 stores, opened two new stores and closed one store, taking the total network to 851 supermarkets.

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Liquor

	3Q24	3Q23	CHANGE
Sales revenue (\$m)	786	801	(1.9)%
Gross retail sales ¹ (\$m)	789	803	(1.8)%
Comparable sales growth (%)	(3.1)	1.5	n/m
eCommerce sales ² (\$m)	44	43	4.1%
eCommerce penetration ² (%)	5.7	5.4	32bps
eCommerce penetration (inc. COL) ³ (%)	6.4	6.4	1bps
Sales density per square metre ⁴ (MAT \$/sqm)	15,983	16,088	(0.6)%

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

² eCommerce gross retail sales and penetration excludes Liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales, and B2B sales. eCommerce penetration is based on gross retail sales.

³ eCommerce penetration including Liquor sold through coles.com.au.

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

Key highlights

Liquor sales revenue of \$786 million for the third quarter declined by 1.9%² and comparable sales declined by 3.1% as customers reduced their discretionary spend on liquor in response to economic pressures and the business continued to transition away from less profitable bulk sales and adjusted its promotional mix across eCommerce channels.

eCommerce sales revenue grew by 4.1% with penetration of 5.7% (6.4% including Coles Online) underpinned by strong growth in the on-demand channel.

Increased investments were made in value and loyalty with successful cross promotions through Flybuys between Supermarkets and Liquorland across Valentine's Day and Easter with swipe rates increasing across all banners. Consistent with our Supermarkets offer, instant \$10 off points redemption was also introduced at check out for Flybuys members in Liquorland and First Choice Liquor Market stores. The Exclusive Liquor Brand (ELB) portfolio also provided affordable choices to customers with 39 new lines added during the quarter and more than 80 awards received, including a Gold award and being named Country Winner at the World Vodka Awards 2024 for Pure Origin Tasmanian Vodka.

Across the Liquorland, Vintage Cellars and First Choice banners 17 store renewals were completed, three new stores were opened and three stores closed. At the end of the period the portfolio comprised 964 stores.

In February Coles successfully executed an agreement to acquire 20 liquor stores in Tasmania from Federal Group. With only three stores currently in Tasmania, this acquisition will significantly increase Coles Liquor's footprint in the region. Following the acquisition approximately 30% of the Tasmanian population will be within a five-minute drive of a Coles Liquor store. ACCC approval for the acquisition was received in February.

Other

Revenue of \$182 million was recorded in the third quarter in the Other segment relating to the Product Supply Agreement with Viva Energy Ltd which commenced on 1 May 2023 following the divestment of the Coles Express fuel and convenience retailing business.

² Adjusted for the differences in the retail calendar which included New Years Day in the current period (2Q23 in the prior corresponding period), sales revenue decreased by 1.4% and comparative sales decreased by 2.7%.

Outlook

In the early part of the fourth quarter, Supermarkets volumes have remained positive underpinned by our value campaigns and strong execution of trade plans. We have also continued to see deflation in fresh produce and meat and moderation in inflation across our broader packaged categories which is pleasing for customers given the current economic environment.

We have made good progress in addressing loss which is expected to continue in the fourth quarter. The impact on the loss rate is in line with expectations.

In Liquor, discretionary spending is expected to remain subdued and in the early part of the fourth quarter sales performance has been broadly in line with the third quarter.

Depreciation and amortisation is now expected to be approximately \$1.6 billion³ (previous guidance approximately \$1.65 billion).

Coles Group CEO, Leah Weckert, said: "We remain committed to providing our customers the best possible value on their grocery bills. We are well positioned in the current economic environment as we continue to invest in value, including through our Autumn value campaign with the prices lowered on 300 products in store and online. Our recently launched KitchenAid Ovenware campaign provides additional value to customers who will be cooking more at home through the cooler months. Looking forward, I believe that the opening of our Kemps Creek Automated Distribution Centre and our two CFCs will be yet another step on our road to improving operating efficiency and differentiating our offer."



Swaggle, Australia's newest online pet retailer, was launched during the quarter providing pet parents with a specialty range of products, pet insurance and free vet advice.



Coles' KitchenAid Ovenware campaign provides additional value with customers able to redeem points for ovenware products for free when they spend \$20 or more in one transaction and scan their Flybuys card.

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³ Consistent with the FY23 Results announcement, guidance is provided on a 52 week basis for comparability purposes.

Appendix

Appendix 1

Number of retail stores

	OPEN AS AT 1 JAN 2024	OPENED	CLOSED	OPEN AS AT 24 MAR 2024
NSW & ACT	264	1	(1)	264
QLD	183	1	-	184
VIC & TAS	241	-	-	241
SA & NT	61	-	-	61
WA	101	-	-	101
Supermarkets	850	2	(1)	851
Liquor	964	3	(3)	964
Group store numbers	1,814	5	(4)	1,815

Appendix 2

Reporting calendars for FY23, FY24 and FY25

FY23	1Q23	2Q23	3Q23	4Q23
Reporting period	27 Jun 2022 - 25 Sep 2022	26 Sep 2022 - 1 Jan 2023	2 Jan 2023 - 26 Mar 2023	27 Mar 2023 - 25 Jun 2023
Number of days	91 days	98 days	84 days	91 days
Number of weeks	13 weeks	14 weeks	12 weeks	13 weeks
FY24	1Q24	2Q24	3Q24	4Q24
Reporting period	26 Jun 2023 - 24 Sep 2023	25 Sep 2023 - 31 Dec 2023	1 Jan 2024 - 24 Mar 2024	25 Mar 2024 - 30 Jun 2024
Number of days	91 days	98 days	84 days	98 days
Number of weeks	13 weeks	14 weeks	12 weeks	14 weeks
FY25	1Q25	2Q25	3Q25	4Q25
Reporting period	1 July 2024 - 29 Sep 2024	30 Sep 2024 - 5 Jan 2025	6 Jan 2025 - 30 Mar 2025	31 Mar 2025 - 29 Jun 2025
Number of days	91 days	98 days	84 days	91 days
Number of weeks	13 weeks	14 weeks	12 weeks	13 weeks

FY24 includes a 53rd week captured within the fourth quarter. The 53rd week contributes sales at a higher margin as a result of fixed cost operating leverage. Cash flow conversion for FY24 is anticipated to be lower than prior periods due to year end timing.