



18 August 2021

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2021 Full Year Results Presentation

Please find attached for immediate release to the market the 2021 Full Year Results Presentation 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



Coles' Together to Zero sustainability strategy set our ambitions including 100% renewable energy by FY25.

2021 Full Year Results Presentation

18 August 2021



Disclaimer

This presentation contains summary information about Coles Group Limited (ACN 004 089 936) and its controlled entities (collectively, 'Coles', 'Coles Group' 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. This presentation also includes forward-looking statements regarding climate change and other environmental and energy transition scenarios. 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 from the relevant statements. There are also limitations with respect to scenario analysis, and it is difficult to predict which, if any, of the scenarios might eventuate. Scenario analysis is not an indication of probable outcomes and relies on assumptions that may or may not prove to be correct or eventuate.

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 Results 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 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 2021 Full Year Results Presentation provides readers of these documents with meaningful insights into Coles' financial performance.

Balance sheet and cash flow information presented in this 2021 Full Year Results Presentation is consistent with the underlying information disclosed in the Appendix 4E Full Year Financial Report.

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.



Coles, its customers and its pork farmers raised more than \$6.7 million for FightMND (left), and also supported food rescue organisation SecondBite (right). During FY21, Coles marked the milestone of donating the equivalent of 150 million meals to SecondBite since the partnership began in 2011, supporting our ambition of Together to zero hunger.

FY21 summary



Whilst we have made significant strategic progress in the last two years, the majority of our transformation and benefits are still to come over the next three years

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**

Strong progress on strategy execution over last two years

With more differentiation and benefits to come

FY19

Post-demerger foundations

- Successful demerger of ASX 20 company in November 2018
- Launched refreshed strategy 'Winning in our 2nd century'
- Signed partnership agreements with Ocado & Witron
- Established Smarter Selling program
- Restructured Coles Express Alliance agreement
- Established Queensland Hotel joint venture

FY20-21

Delivered progress

- Increased Coles customer satisfaction and trust
- Improved 'Exclusive to Coles' contribution to 32% (from 29% in FY19)
- Accelerated eCommerce strategy by doubling capacity in Supermarkets and opening three dark stores in Liquor
- Delivered cumulative Smarter Selling benefits in excess of \$550m
- Refreshed Liquor strategy to be a simpler, more accessible, locally relevant drinks specialist
- Trialled new and innovative store formats and tailored store ranges e.g. Coles Local and B&W Liquorland
- Recorded highest ever supplier engagement score and rolled out pioneering direct long-term Own Brand milk sourcing with farmers
- Launched *Together to Zero* sustainability strategy
- Embedded safety culture with 31% improvement in TRIFR

FY22 onwards

More to come

- Grow 'Exclusive to Coles' to 40% of sales focusing on health and convenience
- Launch single app and Ocado extended range to differentiate online offer
- Improve efficiencies with two Witron automated DCs
- \$1bn of cumulative Smarter Selling benefits by FY23 enabled by technology and AI throughout stores and supply chain
- Continue to build Coles as a great place to work through greater team engagement
- 100% renewable electricity, reduced emissions and ultimately net zero
- Truly localise community partnerships

Accelerating pace and investment for long-term growth

FY21 financial highlights

Second year of strategy delivered to grow trust and long-term shareholder value

Total sales revenue



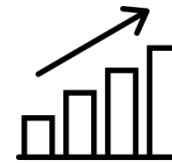
\$38.6bn
3.1% vs. pcp;
10.2% vs. FY19

EBIT



\$1,873m
6.3% vs. pcp

Net profit after tax¹



\$1,005m
7.5% vs. pcp

Smarter Selling



Delivered
benefits of
~\$300m in FY21

Gross operating capex



\$1.1bn
on an accrued
basis

Operating cash flow²



\$3,628m
106% cash
realisation

Final dividend³



**28 cents per
share fully-
franked**

Net debt



\$355m
pre-dividend
payment

Safety



19.1 TRIFR⁴
15.7%
improvement
vs. FY20

¹ Excludes significant items in FY20.

² Excluding interest and tax.

³ The Coles Board has declared a fully-franked final dividend of 28 cents per share with a record date of 27 August 2021 and a payment date of 28 September 2021. Total FY21 dividends payable are a 6% increase on the prior year

⁴ Total Recordable Injury Frequency Rate.



Progress against strategy: Inspire Customers

Customer advocacy (NPS)¹ improved by 2.3 points in Supermarkets; 4.9 points in Liquor



Coles helped lower the cost of dinner.



Coles provided more value for customers through the MasterChef cookware and knives campaigns linked to flybuys membership.

- Q4 exit market share restored to pre-COVID-19 levels as shopping centres recovered
- Now ranked as one of Australia's most trusted consumer brands in Roy Morgan survey
- Removed door-to-door paper catalogues and launched coles&co for more personalised experience
- eCommerce sales growth of 52% for the year with Q4 growth of 62% and Q4 penetration of 6%
- Progressed trusted and targeted value strategy, placing a net 474 new products on everyday low prices
- Exclusive to Coles products sales growth of 5% with penetration of 32% at Q4
- Provided a tailored offer to meet the differing needs of customers with 30% of store layouts tailored
- Progressed convenience roll out now available in more than 300 stores
- Accelerated Liquor eCommerce and omnichannel capabilities through the opening of three eCommerce dark stores

¹ Going forward, NPS will be the metric used to measure customer advocacy. Liquor NPS is based on Liquorland NPS results.

Supermarkets eCommerce key metrics

Q4 growth of 62% supported by investments in capacity and customer experience

Monthly active shoppers



+46%
vs. pcip

eCommerce penetration



6% in Q4
vs. 3.8% in Q4
FY20

Omnichannel customers spend



2.2x
vs. in-store only
shoppers in Q4

Coles Plus subscription



6x

increase in paid
members since re-
launch in Feb 2021

Perfect order rate



1.7x
improvement
in FY21

Online NPS



**Almost
doubled**
vs. FY20

Same-day home delivery



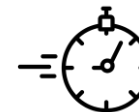
available in
>300 stores

Click & Collect
(to the boot of car)



>500 sites

Click & Collect
Rapid



available in
>400 stores



Progress against strategy: Smarter Selling

Achieved Smarter Selling benefits of approximately \$300 million in FY21



- Delivered total cumulative benefits in excess of \$550 million since commencement of program
- Despite challenging operating conditions presented by COVID-19, the following key initiatives were delivered:
 - Data and technology-led solutions supporting store operations
 - Measures to reduce loss through use of artificial intelligence
 - Technology-led transport and logistics solutions improving the end-to-end flow of fresh goods
 - Introduction of new customer self-service solutions at checkout
- Commenced implementation of Fresh Produce Easy Ordering
- Construction progressed at the Witron automated distribution centres in NSW and QLD – the Ocado CFCs in Melbourne and Sydney progressed well
- Launched myhub (people and payroll system), providing a ‘one-stop shop’ for team members
- Tailored store format strategy continued with 65 renewals completed during the year

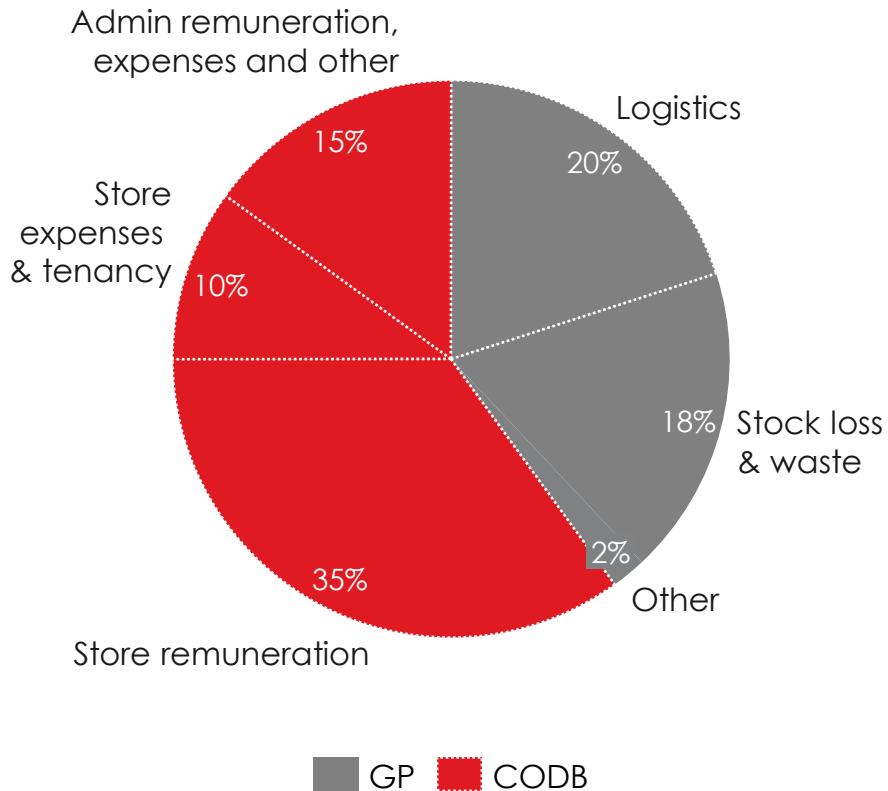
Internal (bottom) and external (top) view of the Witron automated distribution centre in Queensland. Consistent with Coles' sustainability commitments, solar panels will be installed on the substantial roof surface during construction.



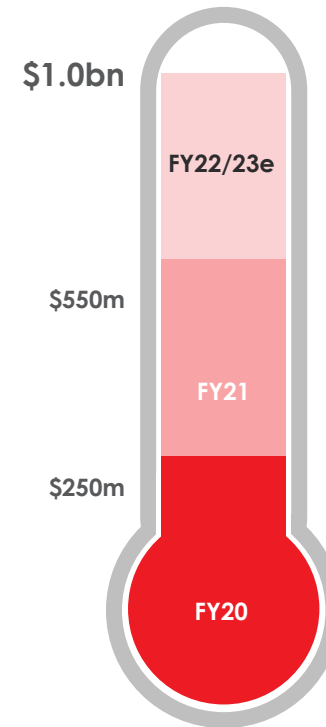
Progress against strategy: Smarter Selling

In excess of \$550m of Smarter Selling benefits achieved since commencement of program

FY21 Smarter Selling benefits of
~40% in GP, ~60% in CODB



On track to deliver \$1bn of benefits
by FY23 (ex-COGS)





Progress against strategy: Win Together

Launched new sustainability strategy *Together to Zero and Better Together*



Coles' sustainability icon created for Coles by Bundjalung/Biripi artist Nikita Ridgeway.



Coles announced that it has extended its direct milk sourcing model to Tasmania, allowing more dairy farmer suppliers to enter long-term relationships with Coles.

- Committed to reduce environmental impact through:
 - 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)
 - Divert 85% of waste from landfill by FY25 and continue our focus on reducing food waste
- Improved safety with 15.7% improvement in TRIFR
- Invested in team member mental health, wellbeing and learning and development
- Supported diversity through increased gender balance; recognised as a leader in LGBTQI+ inclusion, winning a Gold Australian Workplace Equality Index award
- Improved relationships with suppliers - highest ever engagement score in the 2021 Advantage supplier survey
- Announced direct milk sourcing model to Tas and further expanded model in Vic, NSW and SA
- Significant contributions to community organisations and charities in FY21, including FightMND and the Curing Homesickness fundraising initiative
- Supported team members and communities through COVID-19 lockdowns, floods and bushfires

Coles' market share has recovered to pre-COVID-19 levels

Supermarkets market share

Key events

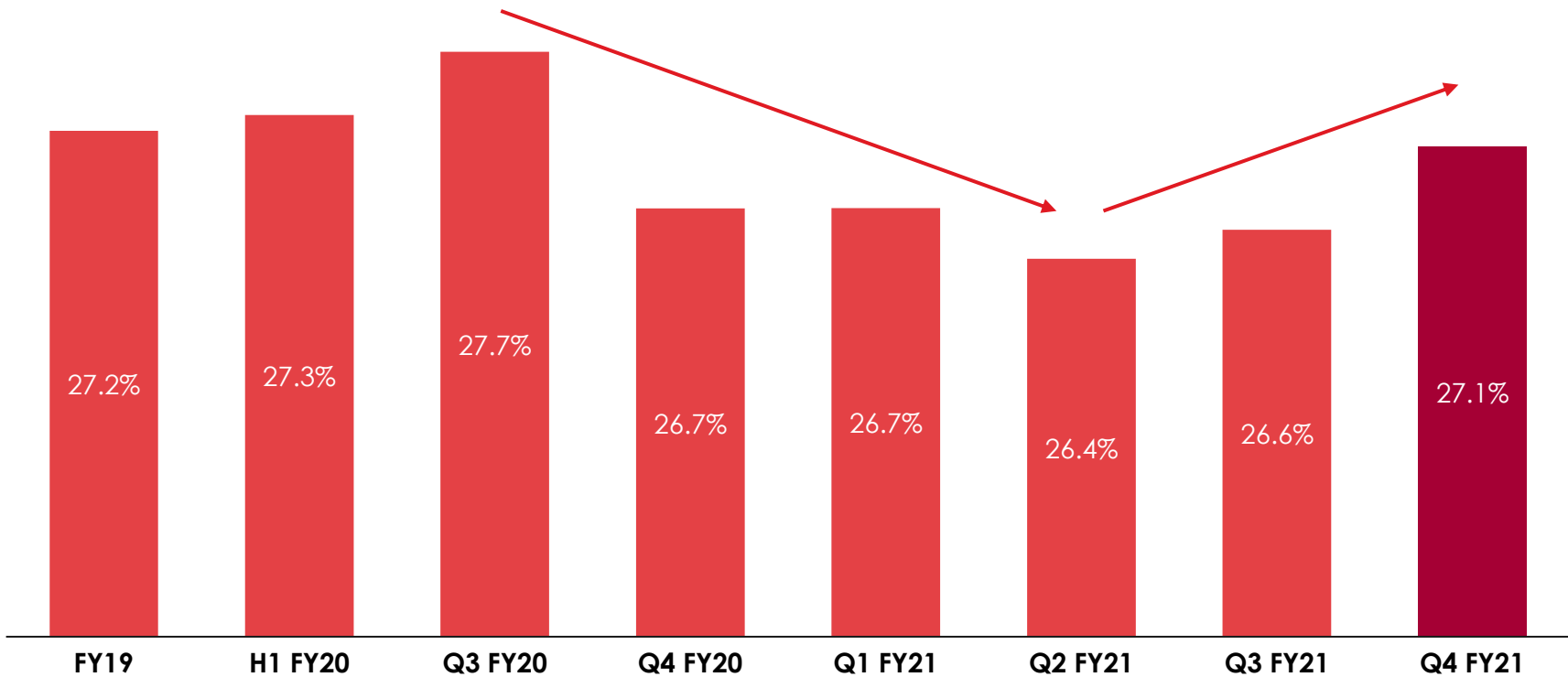
Refreshed strategy starting to gaining traction

COVID-19 pantry stocking

National lockdown

Victoria lockdown

Local shopping unwind



Coles' strategy tracker – 2nd year of strategy delivered

KPIs	Progress
Reduced safety TRIFR	<ul style="list-style-type: none"> 15.7% reduction in TRIFR compared to FY20
Increased team member engagement	<ul style="list-style-type: none"> Three percentage points lower in FY21, however improved since strategy refreshed in FY19
Improved customer satisfaction	<ul style="list-style-type: none"> Supermarkets NPS improved by 2.3 points; Liquor NPS improved by 4.9 points
Sales growth at least in line with the market	<ul style="list-style-type: none"> ABS total market growth of 5.0%¹ Supermarkets headline sales revenue growth of 2.6% in FY21 Supermarkets relative growth impacted by COVID-19 "local shopping" trends. Coles' share recovered as consumer behaviours normalised in-line with pre-COVID-19 share
Increased sales density	<ul style="list-style-type: none"> Supermarket sales density increased by 1.7% YoY to \$17,847/sqm Liquor sales density increased by 5.5% YoY to \$16,287/sqm
\$1bn cost-out by FY23	<ul style="list-style-type: none"> Achieved Smarter Selling benefits of ~\$300 million in FY21
EBIT growth	<ul style="list-style-type: none"> Group EBIT growth of 6.3%
Cash realisation² >100%	<ul style="list-style-type: none"> Cash realisation of 106%

¹ Source: 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).

² Cash realisation is calculated as operating cash flow excluding interest and tax, divided by EBITDA.



Coles Local in Ascot was opened in June 2021, the first Coles Local store to open in Queensland.

Group financial overview



FY21 results – Group

Operating leverage delivered strong earnings growth in FY21

\$m	FY21	FY20	Change
Sales revenue	38,562	37,408	3.1%
EBITDA	3,432	3,257	5.4%
EBIT	1,873	1,762	6.3%
EBIT margin %	4.9	4.7	15bps
Net profit after tax ¹	1,005	935	7.5%
Basic earnings per share ¹ (cents)	75.3	70.1	7.5%
Interim dividend per share ² (cents)	33.0	30.0	10.0%
Final dividend per share ² (cents)	28.0	27.5	1.8%
Total dividend per share² (cents)	61.0	57.5	6.1%

¹ Net profit after tax and Basic earnings per share excludes significant items in FY20.

² Dividends announced.

FY21 results – segment financials

Sales revenue and EBIT growth across all segments

\$m	FY21	FY20	Change	2-yr change ¹
Sales revenue				
Supermarkets	33,845	32,993	2.6%	9.6%
Liquor	3,525	3,308	6.6%	15.1%
Express	1,192	1,107	7.7%	13.8%
Group sales revenue	38,562	37,408	3.1%	10.2%
EBITDA				
Supermarkets	3,001	2,867	4.7%	
Liquor	276	242	14.0%	
Express	207	167	24.0%	
Other ²	(52)	(19)	N/M	
Group EBITDA	3,432	3,257	5.4%	
- EBITDA margin (%)	8.9	8.7	19bps	
EBIT				
Supermarkets	1,702	1,618	5.2%	
Liquor	165	138	19.6%	
Express	67	33	103.0%	
Other ²	(61)	(27)	(125.9)%	
Group EBIT	1,873	1,762	6.3%	
- EBIT margin (%)	4.9	4.7	15bps	

¹ Headline 2-year growth is calculated as growth between FY21 and FY19 (retail calendar basis).

² Includes corporate costs, Coles' 50% share of flybuis' net result, the net gain or loss generated by Coles' property portfolio and self-insurance provisions. N/M denotes not meaningful.

Operating cash flow

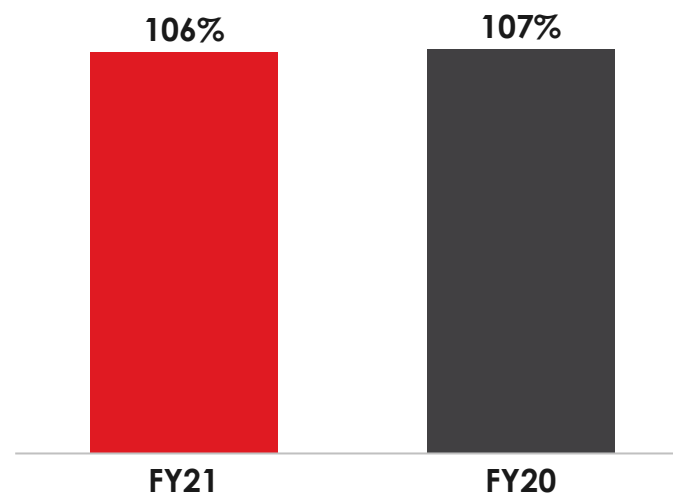
Cash realisation of 106%

Cash flow		
\$m	FY21	FY20
EBIT	1,873	1,762
Depreciation and amortisation	1,559	1,495
EBITDA	3,432	3,257
Change in working capital	48	60
Change in provisions and other	148	168
Operating cash flow (excl. interest and tax)	3,628	3,485

Comments

- Working capital movement reflects lower inventory and trade payables
- Change in provisions as a result of higher employee entitlements with fewer team members taking leave during COVID-19 and increase in workers compensation

Cash realisation¹



¹ Cash realisation is calculated as operating cash flow excluding interest and tax, divided by EBITDA.

Capital expenditure

Increased investment in renewals, growth and efficiency initiatives

Capital expenditure breakdown

\$m	FY21	FY20
Store renewals	245	161
Growth initiatives	267	151
Efficiency initiatives	375	275
Maintenance	224	246
Operating capital expenditure	1,111	833
Property acquisitions and development	161	78
Property divestments	(126)	(245)
Net property capital expenditure	35	(167)
Net capital expenditure	1,146	666

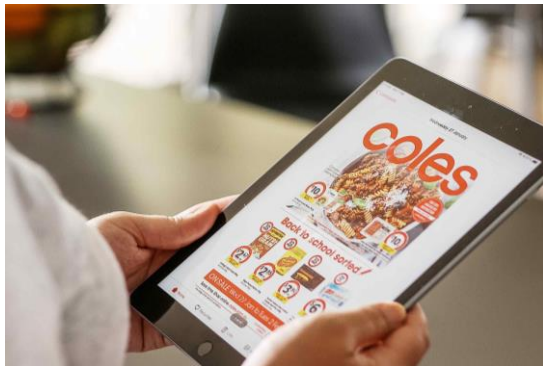
FY21 key capital expenditure initiatives

Store renewals	<ul style="list-style-type: none"> • Store renewals across Supermarkets (65) • First Choice Liquor Market (17) and B&W Liquorland renewals (25)
Growth initiatives	<ul style="list-style-type: none"> • New stores in Supermarkets (20) and Liquor (31) • Continued investment in Ocado
Efficiency initiatives	<ul style="list-style-type: none"> • Supply Chain Modernisation • Investment in loss and front end customer service initiatives
Maintenance	<ul style="list-style-type: none"> • Refrigeration and electrical • Lifecycle maintenance of stores and technology
Property	<ul style="list-style-type: none"> • FY21 net property outflow of \$35m

Increased investment capex is focused on driving long-term growth and efficiencies

Coles is expected to spend ~\$1.4bn in FY22

Incremental capex	Examples	Rationale
Omnichannel offer expansion	<ul style="list-style-type: none">Click & collect (to boot of car),Digital experience enhancements (e.g. website, app)	Customers preference to shop online, accelerated through COVID-19
Format acceleration and innovation	<ul style="list-style-type: none">Coles Local and Liquorland	Local shopping trends and shift to convenience
Customer offer enhancements	<ul style="list-style-type: none">Tailored range and category acceleration (e.g. international cuisine, health in every aisle)Rapid innovation	Increasing customer diversity
Smarter Selling	<ul style="list-style-type: none">Front end transformation (e.g. trolley assisted checkouts)Fresh Produce Easy Ordering	Increased level of comfort of customers to use self-serve options in store; advances in machine learning



Coles is investing in digital experience including through the Coles Online app.



A renewed Black and White Liquorland store.



A trolley assisted checkout at Toorong, Vic.

Balance sheet

Investment grade credit metrics with flexibility for future growth

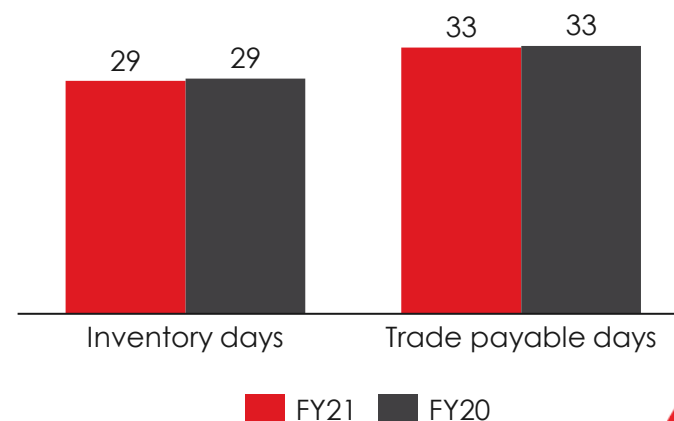
Balance sheet summary

\$m	27 Jun 2021	3 Jan 2021	28 Jun 2020
Inventories	2,107	2,423	2,166
Trade and other receivables	368	415	434
Trade and other payables	(3,660)	(4,173)	(3,737)
Working capital	(1,185)	(1,335)	(1,137)
PP&E and equity investments	4,683	4,496	4,344
Right-of-use assets	7,288	7,703	7,660
Intangibles	1,698	1,620	1,597
Provisions	(1,408)	(1,358)	(1,333)
Other	35	(64)	38
Capital employed	11,111	11,062	11,169
Net cash / (debt)	(355)	38	(362)
Lease liabilities	(8,756)	(9,168)	(9,083)
Net tax balances	813	860	891
Total net assets	2,813	2,792	2,615

Comments

- Net debt of \$355 million and balance sheet leverage ratio of 2.8x¹
- Working capital higher than the half year, reflecting seasonally lower inventory and trade payables with both inventory and payable days stable
- Trade and other receivables reduced following the settlement of a one-off property development loan
- PP&E and equity investments increased as a result of investment in new stores, renewals, and milestone payments for the Supply Chain Modernisation Program and Ocado

Inventory and trade payable days



¹ Calculated as gross debt less cash at bank and on deposit (\$931m) add lease liabilities (\$8,756m), divided by EBITDA for the 12 months ended 27 Jun 2021 (\$3,432m).

Capital management

Total FY21 dividends payable up 6% and a strong liquidity and debt maturity profile

Dividend

- Fully-franked FY21 final dividend of 28 cents per share. Total FY21 dividends payable are a 6% increase on the prior year
- Coles retains its industry-leading annual target dividend payout ratio of 80% to 90%

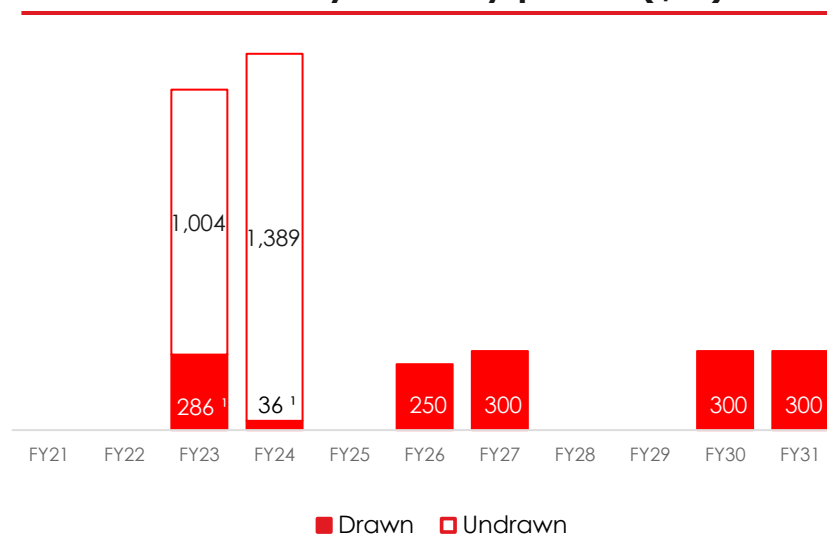
Funding and liquidity

- Weighted average drawn down debt maturity of 6.9 years provides funding stability
 - Undrawn facilities of \$2.4bn, providing appropriate headroom
 - Cash at bank and on deposit of \$0.2bn
- Strong access to bank and debt capital markets throughout the pandemic
- Coles is committed to retaining diversified funding sources and a staggered debt maturity profile

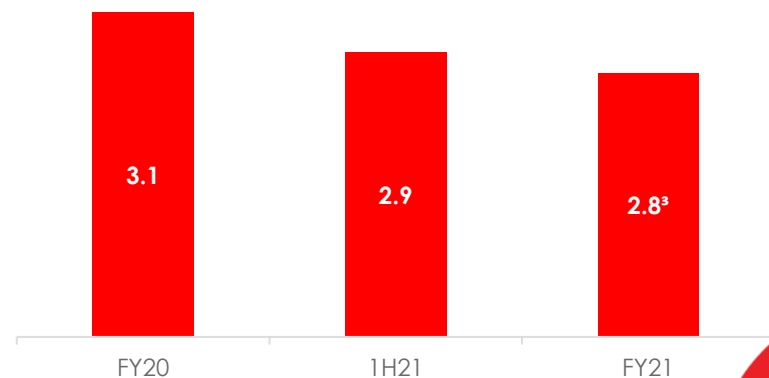
Credit ratings

- Coles is committed to solid investment grade credit ratings with S&P and Moody's

Debt facility maturity profile (\$m)



Leverage ratio²



¹ Includes bank guarantees.

² Leverage ratio post-AASB 16.

³ FY21 leverage ratio calculated as Net financial debt (\$931m), add lease liabilities (\$8,756m), divided by EBITDA (\$3,432m).



Here's what you get with Coles Plus

FREE DELIVERY

Free delivery for all online orders over \$100

Flybuys
2x POINTS

Double Flybuys points on all online purchases

LIQUORLAND
FREE DELIVERY

Free delivery on one Liquorland order over \$50 per month



Priority Customer Care

 **Click&Collect Rapid**

Free 90 minute Rapid Click&Collect at selected locations

Coles expanded its Click & Collect (to boot of car) to more than 500 stores (left) and re-launched its Coles Plus membership subscription offer (right) during the year.

Supermarkets

Supermarkets key metrics

Successful value campaigns and strength in eCommerce

Total sales revenue



\$33.8bn
+2.6% vs. pcp

2-year¹ comp sales
growth



8.4%
vs. pcp

Sales per sqm



\$17,847
+1.7% vs. pcp

Exclusive to Coles
sales



+5.3%
vs. pcp

eCommerce sales²



+51.8%
vs. pcp

Customer satisfaction



89.7%
+2.6pp on FY20

Gross margin



25.9%
+35bps vs. pcp

EBIT



\$1,702m
+5.2% vs. pcp

EBIT margin



5.0%
+13bps vs. pcp

¹ Comparable 2-year growth is calculated as the aggregate of FY21 and FY20 growth rates.

² eCommerce sales include Liquor sold through coles.com.au.

Supermarkets FY21 results

Operating leverage with EBIT margin increasing to 5.0%

FY21 results

\$m	FY21	FY20	Change
Key P&L items			
Sales revenue	33,845	32,993	2.6%
EBITDA	3,001	2,867	4.7%
EBIT	1,702	1,618	5.2%
Key metrics			
Comparable sales growth (%)	2.5	5.9	(337)bps
Gross margin (%)	25.9	25.5	35bps
CODB (%)	(20.8)	(20.6)	(22)bps
EBIT margin (%)	5.0	4.9	13bps
Sales per square metre (\$/m ²)	17,847	17,547	1.7%
Price inflation (%)	0.8	2.4	(152)bps
Price in/(de)flation excl. tobacco and fresh (%)	(0.8)	1.5	(223)bps

Key commentary

- Sales growth supported by local shopping unwind, successful value campaigns, execution across the MasterChef cookware and knives campaigns and continued strength in eCommerce
- eCommerce contributed \$2 billion of sales, growing by 52% as more consumers shifted towards purchasing online, in part as a result of lockdowns
- Gross margin increased by 35bps driven by strategic sourcing and Smarter Selling benefits, despite additional COVID-19 costs and business continuity costs at the Smeaton Grange distribution centre
- CODB increased by 22bps largely due to strategic investments in marketing and technology initiatives and opex to support the capex program, partially offset by Smarter Selling benefits and lower COVID-19 costs compared to the prior year



Coles Liquor raised more than \$125,000 in just two weeks to support Clean Up Australia in its mission to clean up, fix up and conserve the environment (left). Investments were also made in eCommerce, including the roll out of Click & Collect (right).



Liquor key metrics

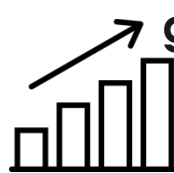
Sales growth driven by all banners, categories and states, underpinned by a strong performance in eCommerce

Total sales revenue



\$3.5bn
+6.6% vs. pcp

2-year comp sales



growth¹
13.6%
vs. pcp

eCommerce sales²



+78.6%
vs. pcp

B&W Liquorland
format



Moving from test
to trial phase

FCLM³ renewals



79%
of the fleet
renewed

Number of stores



929
+19 vs. FY20

Gross margin



21.8%
23bps vs. pcp

EBIT



\$165m
+19.6% vs. pcp

EBIT margin



4.7%
+49bps vs. pcp

¹ Comparable 2-year growth is calculated as the aggregate of FY21 and FY20 growth rates.

² eCommerce sales exclude Liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales.

³ First Choice Liquor Market.

Liquor FY21 results

Progress made during the first year of Liquor's refreshed strategy "to be a simpler, more accessible, locally relevant drinks specialist"

FY21 results

\$m	FY21	FY20	Change
Key P&L items			
Sales revenue	3,525	3,308	6.6%
EBITDA	276	242	14.0%
EBIT	165	138	19.6%
Key metrics			
Comparable sales growth (%)	6.3	7.3	(99)bps
Gross margin (%)	21.8	21.6	23bps
CODB (%)	(17.1)	(17.4)	26bps
EBIT margin (%)	4.7	4.2	49bps

Key commentary

- Implemented a new customer focused organisational structure, introduced simplified operating model
- Investments in capacity, order fulfilment, range and customer experience supported eCommerce sales growth of 79%
- Gross margin increased by 23bps largely due to strategic sourcing benefits from improved relationships with suppliers
- CODB improved by 26bps with strong cost control and volume growth from higher sales fractionalising Liquor's fixed cost base, partially offset by strategic investments in service



Coles Express self-serve coffee machine serving the award winning Urban Coffee Culture (left). Coles Express is also proud to support the Movember campaign for men's health (right).



Express key metrics

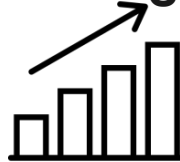
Strong c-store sales driven by investments and range reviews

Total sales revenue



\$1,192m
+7.7% vs. pcp

2-year comp sales
growth¹



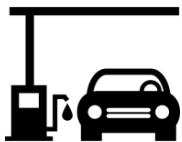
11.4%
vs. pcp

EBIT



\$67m
+103.0% vs. pcp

FY21 weekly fuel
volumes



57.1mL/wk
(4.0)% vs. pcp

Comp fuel volume
growth



(5.4)%
vs. pcp

Number of sites



717
+4 vs. FY20

¹ Comparable 2-year growth is calculated as the aggregate of FY21 and FY20 growth rates.

Express FY21 results

Strong c-store sales and cost control supported an increase in Express EBIT

FY21 results

\$m	FY21	FY20	Change
Key P&L items			
C-store sale revenue	1,192	1,107	7.7%
EBITDA	207	167	24.0%
EBIT	67	33	103.0%
Key metrics			
Comp c-store sales growth (%)	6.8	4.6	229bps
Weekly fuel volumes (mL)	57.1	59.5	(4.0)%
Fuel volume growth (%)	(4.0)	(2.3)	(165)bps
Comp fuel volume growth (%)	(5.4)	(2.5)	(292)bps
Gross margin (%)	52.4	53.7	(134)bps
CODB (%)	(46.7)	(50.8)	404bps
EBIT margin (%)	5.7	3.0	270bps

Key commentary

- Sales growth driven by food-to-go (inc coffee) and cold drinks, supported by recent investments in new self-serve coffee machines and fast-lane fridges
- Strategic investments made in the network, including renewing over 80 sites together with our Alliance partner
- Average weekly fuel volumes of 57.1mL per week were recorded during the year
- CODB improved by 404bps due to a strong focus on cost control throughout the year and higher sales fractionalising Express' fixed cost base
- Gross margin decreased by 134bps largely due to declining fuel volumes and lower fuel margin income



Coles is committed to supporting diversity through providing more opportunities for Indigenous peoples, suppliers and communities (left) and championing inclusion for our LGBTIQ+ team members, customers and the community (right).

Outlook



Outlook for FY22

- In Supermarkets, sales growth in the first 7 weeks of Q1 is approximately 1% on a headline basis and 12% on a two-year headline basis as a result of the elevated sales from COVID-19. eCommerce penetration is approximately 8% in the first quarter. In July, Supermarkets incurred around \$15 million of COVID-19 costs .
- In Liquor, sales in the first 7 weeks of Q1 have remained strong as lockdowns continue, with headline growth flat and approximately 19% on a two-year headline basis. Investments in the customer offer and capability as part of Liquor's refreshed strategy will also increase across the year, including the Liquorland renewal and new store program.
- In Express, fuel volumes continue to be impacted by lockdowns with average weekly fuel volumes of approximately 49mL in the first 7 weeks. In Q1, Express will be cycling elevated tobacco sales in the prior corresponding period, as well as the impact of no increase in the tobacco excise in September 2021.
- In Other, FY22 corporate costs are expected to be approximately \$75 million. Property earnings are expected to be slightly below that achieved in FY21.
- Smarter Selling benefits are expected to be in excess of \$200 million in FY22. Coles expects to renew approximately 50 stores and to open approximately 20 stores in FY22, subject to COVID-19 conditions.
- FY22 will be a significant year in both capital and operating expenditure as a result of Coles' two major commitments announced in FY19 focussed upon delivering world-class technology solutions to improve efficiencies and customer experiences. For the two Witron centres, Coles continues to expect total capital investment of \$950 million, of which approximately \$290 million will be incurred in FY22, along with increased levels of operating costs as Coles prepares for start-up and double-running costs of the Queensland facility in 1HFY23. For the two Ocado CFCs, further project costs will be incurred as Coles prepares to commence operations during FY23 in Melbourne and FY24 in Sydney, subject to COVID-19 restrictions.
- Coles expects to incur one-off project operating costs of up to \$75 million in FY22 and \$160 million in FY23, across both programmes, as previously advised. The longer term operational, customer and financial benefits of these new major technology investments will be reflected in the Company's financial performance, commencing in FY24 and beyond.
- Gross operating capital expenditure is expected to be up to \$1.4 billion in FY22 as Coles invests in omnichannel offer expansion for customers, Fresh Produce Easy Ordering, front end transformation, Coles Local and Liquorland renewals, and new space. There is no change to current guidance of net property capital expenditure of +/- \$100 million.



Coles is proud to be the official Supermarket of the AFLW and AFL and to support grass roots athletics through Little Athletics.

Q&A

