



28 April 2022

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2022 Third Quarter Sales Results

Please find attached for immediate release to the market the 2022 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
Company Secretary

Results Release

colesgroup

28 April 2022

2022 Third Quarter Sales Results

**Solid sales performance whilst navigating significant
Omicron and flood related disruptions**

Third Quarter Sales - 12 weeks from 3 January 2022 to 27 March 2022

\$ MILLION	COMPARABLE			
	3Q22	3Q21	CHANGE	GROWTH
Supermarkets	8,226	7,895	4.2%	3.9%
Liquor	784	763	2.8%	2.8%
Express	285	291	(2.1)%	(0.8)%
Group gross retail sales (non-IFRS)¹	9,295	8,949	3.9%	3.6%

¹ Comprises retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys points. Fuel concession sales are excluded from Express gross retail sales on the basis Coles does not control retail pricing. Refer Appendix 2 for further details.

\$ MILLION	COMPARABLE		
	3Q22	3Q21	CHANGE
Supermarkets ¹	8,032	7,729	3.9%
Liquor	781	759	2.9%
Express	269	275	(2.2)%
Group sales revenue	9,082	8,763	3.6%

¹ 3Q21 sales revenue has been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).

Third quarter performance summary

In the third quarter, Group gross retail sales of \$9.3 billion increased by 3.9% and group sales revenue of \$9.1 billion increased by 3.6%. The third quarter was characterised by unprecedented events including:

- High COVID-19 Omicron cases in January resulted in increased absenteeism with a significant number of Coles and supplier team members required to isolate. This led to availability challenges and short-term impacts on Coles' promotional program and disruptions to stores and distribution centres;
- Floods in South Australia caused severe road and rail logistic disruptions into Western Australia and the Northern Territory, in particular the East-West rail network with the single train-line into both states closed for four weeks;
- Floods in New South Wales and Queensland saw 130 stores temporarily close across the Supermarkets, Liquor and the Express network. Twelve stores remained closed at the end of the third quarter; and
- Cost price inflation impacting suppliers as a result of increased raw material, commodity, shipping and fuel costs.

Supermarkets sales revenue of \$8.0 billion increased by 3.9%. Sales were elevated in the early part of January as the Omicron variant spread through the community. Sales were also impacted by the floods in New South Wales and Queensland with supply chain challenges impacting availability and sales.

Local shopping trends re-emerged with the contribution from neighbourhood stores greater, as compared to shopping centres and CBD stores, in the third quarter compared to the second quarter. In addition, COVID-19 driven availability issues in store also resulted in customers shopping in their local store network including specialist retailers, as opposed to COVID-19 travel restrictions which drove local shopping trends in the past. Strong Supermarkets eCommerce sales growth of 45% reflected increased capacity investments alongside Omicron-related isolation demand.

Liquor sales revenue of \$781 million increased by 2.9% with growth across all states, despite the impact of the significant flood events. Rising Omicron cases in the early part of the quarter also limited social gatherings and associated liquor consumption.

In Express, convenience (c-store) sales revenue of \$269 million declined by 2.2% with fuel volumes impacted by COVID-19 isolations and regulations. Traffic flows increased with workers returning to offices and children returning to school later in the quarter which was partially offset by the flood events and global fuel price increases.

The direct cost of the flood events for the third quarter, including the loss of stock, asset write-offs and increased freight costs through rail and road disruptions was approximately \$30 million. The costs do not include an estimate of the loss of profits as a result of business interruption. Coles is working through the insurance claim process and did not recognise an insurance recovery in the third quarter.

Coles incurred COVID-19 costs of approximately \$65 million in the third quarter, in comparison to approximately \$10 million of costs in the prior corresponding period. Costs peaked at approximately \$30 million in January, largely driven by team member isolation requirements in stores and distribution centres across the Supermarkets and Liquor segments, the operation of shift bubbles and costs associated with administering rapid antigen testing in distribution centres. COVID-19 costs tapered meaningfully in February and March.

Coles continues to closely manage the ongoing disruptions from COVID-19 and the flood events, including recovery of supply chain, whilst the focus remains on the health and wellbeing of team members, ensuring supply and delivering trusted value for customers.

Statement from Coles Group CEO, Steven Cain

"Coles Group remains focused on our commitment to deliver trusted value for Australian families amid growing cost of living pressures driven by both local and global supply circumstances. In particular, we have the widest range of great value and sustainable own brand products in Australia.

I want to thank our team members and suppliers for their continued hard work during the quarter to provide the best offer possible despite the impact of widespread flooding and record COVID-19 numbers. I would also like to thank our customers, community partners and state and federal governments for their help and generosity in supporting Coles' efforts to assist communities impacted by flooding during the quarter."

In the third year of Coles' "Winning in our Second Century" strategy, we continue to make progress on delivering our strategy.

Q3 Strategic highlights

Inspire Customers

- Placed more than 530 products lines on everyday low prices during the quarter, an increase of 31% compared to the prior corresponding period
- Delivered trusted value for customers with the relaunch of the "What's for Dinner" campaign focusing on providing customers with tools to plan affordable, healthy meals across the week, while over 100 new Coles Own Brand products were launched during the quarter
- Supermarkets eCommerce sales grew by 45% with sales penetration of 7.8% with further expansion of same day and next day delivery stores
- Liquor eCommerce sales grew by 50% for the quarter with sales penetration of 4.3%; re-launched Vintage Cellars loyalty program 'VC Club' with members rewarded for their loyalty with benefits such as special member-only offers and pricing across all categories
- Commenced roll-out of Shell Coles Express App in Victoria with Pay At Pump and Store Locator functionality as well as monthly c-store offers, with national roll-out to follow in the fourth quarter

Smarter Selling

- On track to deliver Smarter Selling benefits in excess of \$200 million in FY22
- Continued tailored store format strategy with two Supermarket and 36 Liquor format renewals, including 32 Black & White Liquorland renewals
- Fresh Produce Easy Ordering went live in first store with features including automated forecasting and replenishment improving availability and range for customers
- Progressed Witron and Ocado transformation projects with Ocado Sydney customer fulfilment centre handed over for robotics fit-out in the third quarter

Win Together

- Raised more than \$1.8 million for the Australian Red Cross Queensland and New South Wales Flood Appeal to provide support to communities affected by flooding, through fundraising in store and Coles dollar-for-dollar matching
- Partnered with Government, suppliers and industry to activate contingency supply lines to transport stock into Western Australia and Northern Territory following floods in South Australia that significantly impacted road and rail logistics routes including use of marine shipping between Sydney, Melbourne and Perth
- Recognised as Australia's Best Sustainable Seafood Supermarket by the Marine Stewardship Council having retained the award since 2017
- Continued focus on the mental wellbeing of team members and creating a mentally healthy workplace, with over 500 store managers attending facilitator lead mental health training in the third quarter
- Partnered with Get Skilled Access and Randstad Australia on a two-year 'RecruitAble' pilot program to support employers create inclusive workplaces and more job opportunities for people with disabilities

Segment performance review

Supermarkets

Retail calendar results

	3Q22	3Q21	CHANGE
Gross retail sales (\$bn)	8.2	7.9	4.2%
Sales revenue (\$bn)	8.0	7.7	3.9%
Comparable sales growth (%)	3.9	(6.4)	N/M
eCommerce sales ¹ (\$bn)	0.6	0.4	44.9%
eCommerce penetration (%)	7.8	5.6	220bps
Sales per square metre ² (MAT \$/sqm)	18,066	17,789	1.6%
Net selling area (MAT '000 sqm)	1,954	1,933	1.1%
Inflation / (deflation) (%)	3.3	(0.2)	346bps
Inflation / (deflation) excl. tobacco and fresh (%)	2.9	(0.8)	361bps

N/M denotes not meaningful.

¹ eCommerce sales include Liquor sold through coles.com.au.

² Sales per square metre is on a moving annual total (MAT), calculated on a rolling 52-week basis.

Key highlights

Supermarkets sales revenue of \$8.0 billion for the third quarter increased by 3.9% on the prior corresponding period, with comparable sales also growing by 3.9%. Gross retail sales of \$8.2 billion increased by 4.2%.

Sales growth was supported by strong eCommerce growth and well executed trade plans, including the re-launch of the "What's for Dinner" campaign focused on delivering affordable meals to customers, as well as the MasterChef knives and KitchenAid ovenware campaigns.

eCommerce sales grew by 45% (B2C sales growth of 50%) with sales penetration of 7.8% in the third quarter with elevated demand earlier in the quarter as a result of the Omicron-related isolation requirements. Growth was also supported by capacity increases in same day and next day home delivery and Click & Collect. During the quarter, Coles Online increased its coverage through the addition of nine new home delivery stores, including in regional areas, while 11 new Click & Collect to the boot of car sites were added.

Inflation steadily increased throughout the third quarter with total Supermarkets price inflation of 3.3% compared to Supermarkets price deflation of (0.2%) in the second quarter. Inflation in the quarter was driven by inflation in packaged and fresh¹. Of the supplier input cost inflation requests received, the primary drivers were raw material, commodity, shipping and fuel costs. In Fresh, continued inflation in meat was largely a result of elevated livestock prices, and inflation in fresh produce was driven by vegetables such as cucumbers, broccoli and tomatoes, with the floods in Queensland and New South Wales impacting availability. Supermarkets recorded inflation excluding tobacco and fresh of 2.9% for the third quarter.

To alleviate cost of living pressures, Coles delivered trusted value to customers through 'Down Down' promotions and placing more than 530 new products on everyday low prices in the quarter, 31% higher compared to the prior corresponding period. Pleasingly, more than 1,500 products have remained at the same 'Down Down' and everyday low pricing for more than 12 months.

In addition to promotions and everyday low pricing, Coles delivered trusted value and innovation to customers through Exclusive to Coles products, with third quarter sales of \$2.6 billion, an increase of 3% on the prior corresponding period. Over 100 new Coles Own Brand products were launched in the quarter including Coles' fresh convenience salad bowl range with the Superfood Chicken Salad, Parmesan Ranch and Italian Salad. In the Easter range, the most successful product launches included Coles' hot cross buns range with innovative flavours such as vegemite and cheese, jalapeno and cheese, salted caramel, sticky date and butterscotch.

¹ Includes fresh produce, meat, deli, dairy and bakery

During the quarter, Coles Own Brand won three awards including a Choice award for Coles Chocolate Hot Cross Buns.

Coles Own Brand continued to drive industry change in responsible sourcing practices and was recognised by the Marine Stewardship Council's Sustainable Seafood Awards with Coles named as Australia's Best Sustainable Seafood Supermarket, having retained the award since 2017. In addition, Coles achieved a Business Benchmark for Farm Animal Welfare (BBFAW) Tier 3 rating with a D impact rating, the highest rating achieved by a major Australian supermarket.

During the quarter, Coles completed two renewals while three stores were opened and four stores closed, taking the total network to 834 Supermarkets.

Liquor

Retail calendar results

	3Q22	3Q21	CHANGE
Gross retail sales (\$m)	784	763	2.8%
Sales revenue (\$m)	781	759	2.9%
Comparable sales growth (%)	2.8	2.1	74bps
eCommerce sales ¹ (\$m)	33	22	50.1%
eCommerce penetration (%)	4.3	2.9	136bps
Sales per square metre ² (MAT \$/sqm)	16,291	16,632	(2.0)%
Net selling area (MAT '000 sqm)	221	216	2.2%

¹ eCommerce sales exclude Liquor sold through coles.com.au which is reported in Supermarkets' eCommerce sales.

² Sales per square metre is on a moving annual total (MAT), calculated on a rolling 52-week basis.

Key highlights

Liquor sales revenue of \$781 million for the third quarter increased by 2.9% on the prior corresponding period, with comparable sales growing by 2.8%. Gross retail sales of \$784 million increased by 2.8%.

Sales were resilient during the quarter with growth across all states, despite the impact of significant flood events. As a result, 66 liquor stores were temporarily closed, while seven stores remained closed at the end of the quarter. Rising Omicron cases through the early part of the quarter limited social gatherings and associated liquor consumption with customers preferring larger pack sizes. Sales growth was driven by eCommerce and Liquorland, which continued to be the strongest performing banner, supported by a focus on delivering trusted value through lowering prices for longer. At the category level, Ready-To-Drink (RTD) and Spirits continue to be the key drivers of growth.

Prior strategic investments in eCommerce supported sales growth of 50% and penetration of 4.3%. Further enhancements to the eCommerce customer experience were implemented during the quarter, including the introduction of live chat customer service functionality on each banner's website.

Despite the disruption from external factors, strategy execution remained a focus with investments in transformation continuing throughout the quarter.

The Vintage Cellars loyalty program was re-launched during the quarter, now known as 'VC Club'. VC Club rewards members for their loyalty with benefits such as special member-only offers and pricing across all categories. VC Club has seen strong new member sign-ups and increased scan rates since re-launch of the program in March.

Renewal activity continued across all three Liquor banners with 36 renewals completed. For the quarter, two new stores were opened and five closed taking the total network to 928 Liquor sites.

Express

Retail calendar results

	3Q22	3Q21	CHANGE
C-store gross retail sales ¹ (\$m)	285	291	(2.1)%
C-store sales revenue (\$m)	269	275	(2.2)%
Comparable c-store sales growth (%)	(0.8)	6.3	(714)bps
Weekly fuel volumes (mL)	55.9	58.8	(4.9)%
Fuel volume growth (%)	(4.9)	(7.5)	261bps
Comparable fuel volume growth (%)	(3.9)	(9.3)	538bps

¹ Fuel concession sales are excluded from Express gross retail sales on the basis that Coles does not control retail pricing.

Key highlights

C-store sales revenue of \$269 million for the third quarter decreased by 2.2% on the prior corresponding period, with comparable c-store sales decreasing by 0.8%, an improvement on the 5.6% decline recorded in the second quarter. Gross retail sales of \$285 million decreased by 2.1%.

Sales growth was impacted by significant flood events in New South Wales and Queensland and reduced consumer mobility as a result of the Omicron variant early in the third quarter. However, the improving trajectory of c-store sales growth was supported by seasonal categories such as drinks and ice cream, and food-to-go with continued strength in coffee across all states. The decline in tobacco sales moderated during the quarter with underlying c-store sales (ex-tobacco) increasing by 3.5%.

To further improve the customer experience and provide convenient payment solutions, Express launched a new Shell Coles Express App in Victoria with Pay At Pump and Store Locator functionality as well as monthly c-store offers. National roll-out of the App is due to commence in the fourth quarter.

Fuel volumes declined by 4.9% during the quarter with comparable fuel volumes declining by 3.9% driven by the impacts of floods, the Omicron variant, as well as the sharp rise in fuel prices due to geopolitical events in Ukraine and Russia. Average weekly volumes of 55.9mL per week were recorded.

During the quarter, one site was opened and one site was closed, taking the total network to 711 sites.

Outlook

In the fourth quarter to date, Coles has recorded a solid trading period with no COVID-19 related restrictions on traditional family events such as Easter. We continue to manage the ongoing impacts from the highly disruptive events from the third quarter, pleasingly availability continues to improve as the supply chain recovers. COVID-19 costs are expected to continue to moderate further, particularly as public health requirements are eased.

Supplier input cost inflation is expected to continue in the fourth quarter and into FY23. Coles will continue to focus on providing trusted value for customers to ease the burden from cost of living pressures.

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Appendix 1 – Number of retail stores

	OPEN AS AT 3 JAN 2022	OPENED	CLOSED	OPEN AS AT 27 MAR 2022
NSW & ACT	263	0	(2)	261
QLD	181	1	0	182
VIC & TAS	234	1	(2)	233
SA & NT	61	0	0	61
WA	96	1	0	97
Supermarkets	835	3	(4)	834
Liquor	931	2	(5)	928
Express	711	1	(1)	711
Group store numbers	2,477	6	(10)	2,473

Appendix 2 – 3 year-on-year analysis

Gross retail sales comprise retail sales on a gross basis before adjusting for concession sales and the cost of Flybuys points. Fuel concession sales are excluded from Express gross retail sales on the basis that Coles does not control retail pricing. Partner inclusive sales captured under gross retail sales are used internally by management for performance analysis, planning and reporting purposes.

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Supermarkets	7,757	8,678	7,365	7,756	7,867	9,089	8,372	8,307
Liquor	703	938	700	731	727	968	743	879
Express	277	311	259	276	281	327	272	296
Group gross retail sales	8,737	9,927	8,324	8,763	8,875	10,384	9,387	9,482

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	3YOY(%) ¹
Supermarkets	8,630	9,583	7,895	8,537	8,816	9,766	8,226	11.7%
Liquor	855	1,101	763	823	877	1,130	784	12.0%
Express	309	360	291	302	279	336	285	9.9%
Group gross retail sales	9,794	11,044	8,949	9,662	9,972	11,232	9,295	11.7%

¹ 3YOY growth is calculated as growth between 3Q22 and 3Q19 (retail calendar basis). Given the existence of a 53rd week in FY19, Coles has opted to disclose retail results for 52 weeks for the purposes of comparability with the current financial period.

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Supermarkets ²	7,594	8,475	7,241	7,614	7,710	8,883	8,235	8,184
Liquor ²	701	936	697	729	726	965	740	877
Express	256	291	243	258	264	308	256	279
Group sales revenue	8,551	9,702	8,181	8,601	8,700	10,156	9,231	9,340

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	3YOY(%) ¹
Supermarkets ²	8,471	9,341	7,729	8,326	8,629	9,387	8,032	10.9%
Liquor ²	852	1,094	759	821	874	1,125	781	12.0%
Express	291	341	275	285	262	316	269	10.6%
Group sales revenue	9,614	10,776	8,763	9,432	9,765	10,828	9,082	11.0%

¹ 3YOY growth is calculated as growth between 3Q22 and 3Q19 (retail calendar basis). Given the existence of a 53rd week in FY19, Coles has opted to disclose retail results for 52 weeks for the purposes of comparability with the current financial period.

² For periods prior to 1H22, sales revenue has been restated to reflect a reclassification of fulfilment income to Sales revenue (previously reported within Other Income).