



18 August 2020

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

Coles Group Limited – 2020 Full Year Results Presentation

Please find attached for immediate release to the market the 2020 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



SecondBite CEO Jim Mullan accepts donations from Coles during the COVID-19 pandemic. By the end of FY20, Coles had donated the equivalent of 116 million meals to SecondBite since 2011 and the equivalent of 32 million meals to Foodbank since 2003. This is the equivalent of 148 million meals to people in need since 2003.

2020 Full Year Results Presentation

18 August 2020

Disclaimer

This presentation contains summary information about Coles Group Limited (ACN 004 089 936) and its related bodies corporate (together, Coles) 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

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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 control of Coles, that could cause the actual results, performances 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.

Non-IFRS financial information

To support an understanding of comparable business performance, this 2020 Full Year Results Presentation presents results on a retail (non-IFRS basis). Retail results reflect a retail calendar (which ends on the last Sunday in June) and include adjustments for the following non-comparable items:

- FY20
 - impacts of applying AASB 16 Leases, which was effective for the Group from 1 July 2019
 - impacts of significant items
- FY19
 - impacts of moving to a commission agent model under the new alliance agreement with Viva
 - impacts of the sale of Spirit Hotels
 - impacts of discontinued operations of Kmart, Target & Officeworks
 - impacts of significant items

Balance sheet and cash flow information presented in this 2020 Full Year Results Presentation is consistent with the information disclosed in the statutory presentation in the Appendix 4E Full Year Financial Report. In relation to the comparative period, Coles' external auditors have performed certain agreed upon procedures relating to the adjustments between the statutory and retail calendar profit and loss disclosures.

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 2020 graduates in February at the Store Support Centre in Melbourne (pre-social distancing). Coles was named the Most Popular Retail and FMCG Employer in the Top 100 Graduate Employers 2020 Awards.

FY20 summary



FY20 financial highlights

First year strategy delivered whilst supporting team members, suppliers and community through droughts, bushfires and COVID-19

Total sales revenue



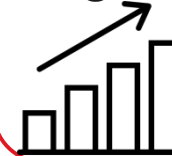
\$37.4bn
6.9% vs. pc¹

EBIT



\$1,387m
4.7% vs. pc¹

Supers comp sales growth of 5.9%²



51 quarters of consecutive growth

Smarter Selling



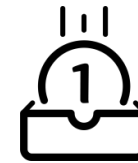
>\$250m
in cost-out initiatives

Gross operating capex



\$833m
on an accrued basis

Operating cash flow



\$2,240m
111% cash realisation

Dividend³



57.5 cents per share fully-franked

Net financial debt



\$362m
pre dividend payment

Safety



22.7 TRIFR⁴
18.3% improvement vs. FY19

¹ Sales revenue excludes Fuel sales and Hotels in FY19. EBIT is based on a retail (non-IFRS) basis and is pre-AASB 16 in FY20 and excludes Hotels and significant items in FY19.

² To better align the timing of comparable sales between the FY20 and FY19 financial periods, FY19 is based on 2 July 2018 to 30 June 2019.

³ The Coles Board has declared a fully-franked final dividend of 27.5 cents per share. Coles paid an interim dividend of 30.0 cents per share on 27 March 2020.

⁴ Total Recordable Injury Frequency Rate.

Winning in our second century

Coles Group Values launched in second half building on the existing Look ahead, Energise everyone and Deliver with pride (LEaD) behaviours framework



We value...



Customer obsession
We constantly seek to better understand our diverse customers



Passion and pace
Enthusiasm, energy and responding at pace is us at our best



Responsibility
We always strive to do the right thing, reduce waste and take accountability for our actions



Health and happiness
We believe caring about our team members helps them do a great job in caring for our customers, suppliers and the community

Enabled by our behaviours...



look ahead
know your stuff · have a plan · explain the why



energise everyone
build it together · empower and support · celebrate progress



deliver with pride
own it · stay the course · have fun with it

Strengthened leadership team with five new executives



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



Thinus Keevé
Chief Sustainability,
Property & Export Officer



George Saoud
Chief Executive
Emerging Businesses



David Brewster
Chief Legal & Safety Officer



Kris Webb
Chief People Officer



Roger Sniezek
Chief Information Officer



Lisa Ronson
Chief Marketing Officer



Daniella Pereira
Company Secretary



Ian Bowring
Group Executive
Transformation



Sally Fielke
General Manager
Corporate Affairs

Joined in FY20



Progress against strategy: Inspire Customers

Improvement in customer satisfaction across Supermarkets, Liquor and Express in Q4



Contactless Click & Collect has now been rolled out to more than 400 supermarkets.



The expanded convenience range at Tooronga, Victoria.

- Data driven ranging tools enable one of the largest tailored range change across stores in many years with >1,600 new SKUs
- Delivered trusted value through the “Helping lower the cost of...” campaign
- Lowered the cost of living for customers with >1,500 new products on everyday low prices
- >\$10 billion in Own Brand sales growing by 10% with >1,850 products launched
- Introduced a dedicated convenience meals section across almost 150 supermarkets with >240 new lines launched including the new Coles Kitchen range from our recently acquired Jewel manufacturing facility in Sydney
- Almost doubled online capacity through rapid roll out of contactless Click & Collect
- Re-platformed coles.com.au and all three Liquor banners websites
- Significant investment in flybuys to build a cloud-based data analytics and loyalty management platform that will benefit members through a seamless digital experience
- Refreshed Liquor strategy focusing on being a simpler, more accessible, locally relevant drinks specialist
- Double-digit revenue growth in meat Export business with strong growth in Asia



Progress against strategy: Smarter Selling

Achieved cost savings >\$250m as Coles pivots to greater use of technology to drive efficiencies



A transport hub driving efficiencies in the supply chain.



Coles team members attending a virtual forum while working remotely during COVID-19.

- Streamlined SSC with removal of 450 roles and implementation of new systems across Finance and Procurement
- Establishment of transport hubs in Victoria and NSW enabling Coles to optimise logistics and significantly increase backhaul
- Improved labour productivity through end-to-end supply chain optimisation (e.g. delivery frequency and full pallet picks)
- New data and technology-led solutions in store (e.g. Deli easy ordering and bakery production tools)
- Energy and waste management reductions (e.g. LED lights and refrigeration control system)
- Implemented measures to reduce loss in store (e.g. glass panels at front of store, anti-sweep shelving)
- Renewed 70 supermarkets in the year including 10 Format A, 31 Format C and 3 Coles Local
- Developed AI tools to drive greater efficiencies across the business in areas such as forecasting and dynamic markdowns
- Technology enabled transition of >3,000 SSC team members Australia-wide to remote working
- Entered into long-term leases for development of Ocado sites in Sydney and Melbourne, construction commenced on Melbourne site
- Structural work at Witron automated distribution centre in Queensland progressing, NSW distribution centre at approvals stage



Progress against strategy: Win Together

Improvements in team member engagement (+7pp) and safety scores (TRIFR reduction of 18.3%)



Coles team members present a cheque to Bec Daniher from FightMND's on behalf of the Coles meat team and Aussie pork farmers.



Patrick Dangerfield from Geelong's AFL team, Stephanie Chiocci, captain of Collingwood's AFLW team and Kylie Rogers, GM Commercial at the AFL after Coles announced its 5 year partnership with the AFL.

- Almost \$1 million raised for SecondBite Winter Appeal in just 2 weeks
- \$5.2 million raised for FightMND to support research into finding effective treatments and a cure for Motor Neurone Disease
- >\$6 million contributed to rural firefighters and bushfire relief
- Launched Coles Group Values to guide the day-to-day decisions and actions of all team members, building on the existing LEaD behaviours framework
- More than 4,700 Aboriginal and Torres Strait Islander people across our stores, store support centres and distribution centres, representing 3.8% of Coles team members
- Coles named the Most Popular Retail and FMCG Employer in the Top100 Graduate Employers 2020 Awards
- Entered into five-year agreement to be the official supermarket to the Australian Football League and the AFLW
- Partnered with Stephanie Alexander's Kitchen Garden Foundation to promote healthy eating
- Continued sponsorship of the highly successful MasterChef
- Announced direct milk sourcing model to SA and WA following the successful roll out in VIC, Southern and Central NSW



Progress against strategy: Win Together

Continued to play a significant role to support community and team members through COVID-19



A customer shopping during Community Hour at Coles Southland, Victoria.

- Provided a safe in-store environment for team members and customers through additional sanitiser, cleaning, safety screens, store signage to assist physical distancing and security
- Ensured Australia's elderly and most vulnerable together with emergency and healthcare workers were provided better access to groceries through Community Hour
- Launched Coles Online Priority Service and Coles Online Remote Delivery Service
- Increased total headcount by >5,000 during the year, including uplift in casual team members through COVID-19
- Additional food donations to the value of \$7.9 million to SecondBite and Foodbank
- One-off thankyou payment to store and supply chain team members
- Double discount on shopping and subsidised flu vaccinations offered to all team members
- Mental well-being and staying connected packs sent to 110,000 team members and their families



Coles Alice Springs team members deliver a food donation to Purple House, an Indigenous-owned and run health service.

Coles' strategy tracker

KPIs	Progress
Reduced safety TRIFR	<ul style="list-style-type: none">▪ 18.3% reduction in TRIFR compared to FY19
Increased team member engagement	<ul style="list-style-type: none">▪ Improved mysay team engagement score by 7pp
Improved customer satisfaction	<ul style="list-style-type: none">▪ Customer satisfaction¹ improved to 88.2% (Q3: 83.4%)
Sales growth at least in line with the market	<ul style="list-style-type: none">▪ Supermarkets headline sales revenue growth of 6.8%▪ ABS Total Market Growth of 6.7%²
Increased sales density	<ul style="list-style-type: none">▪ Supermarket sales density increased by 5.0% YoY to \$17,547/sqm▪ Liquor sales density increased by 7.6% YoY to \$15,438/sqm
\$1bn cost-out by FY23	<ul style="list-style-type: none">▪ In excess of \$250m of cost-out achieved driven by streamlining of SSC, establishment of transport hubs in VIC and NSW, improved labour productivity through end-to-end supply chain optimisation, data and technology-led solutions in store, energy and waste management reductions and measures to reduce loss in store
EBIT growth	<ul style="list-style-type: none">▪ Return to full year Group EBIT growth for the first time in four years, increasing by 4.7%
Cash realisation³ >100%	<ul style="list-style-type: none">▪ Cash realisation of 111% (107% post-AASB 16)

¹ Customer satisfaction based on Tell Coles data.

² 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).

³ Cash realisation is calculated as operating cash flow excluding interest and tax, divided by EBITDA (excluding significant items).



The expanded gin and spirits range at the new Liquorland trial concept store in Oakleigh, Victoria.

Refreshed Liquor strategy



We have reviewed our business through 4 lenses...

Our Customers

- Ensure stores are easy to shop, with clear navigation and less clutter
- Focus on friendliness and team member availability and service
- Be relevant and offer more craft, local and boutique products
- Provide competitive prices everyday

The Market

- Overall consumption decline, growth in premium and key categories
- The online channel is becoming increasingly important for customers
- Supporting local producers

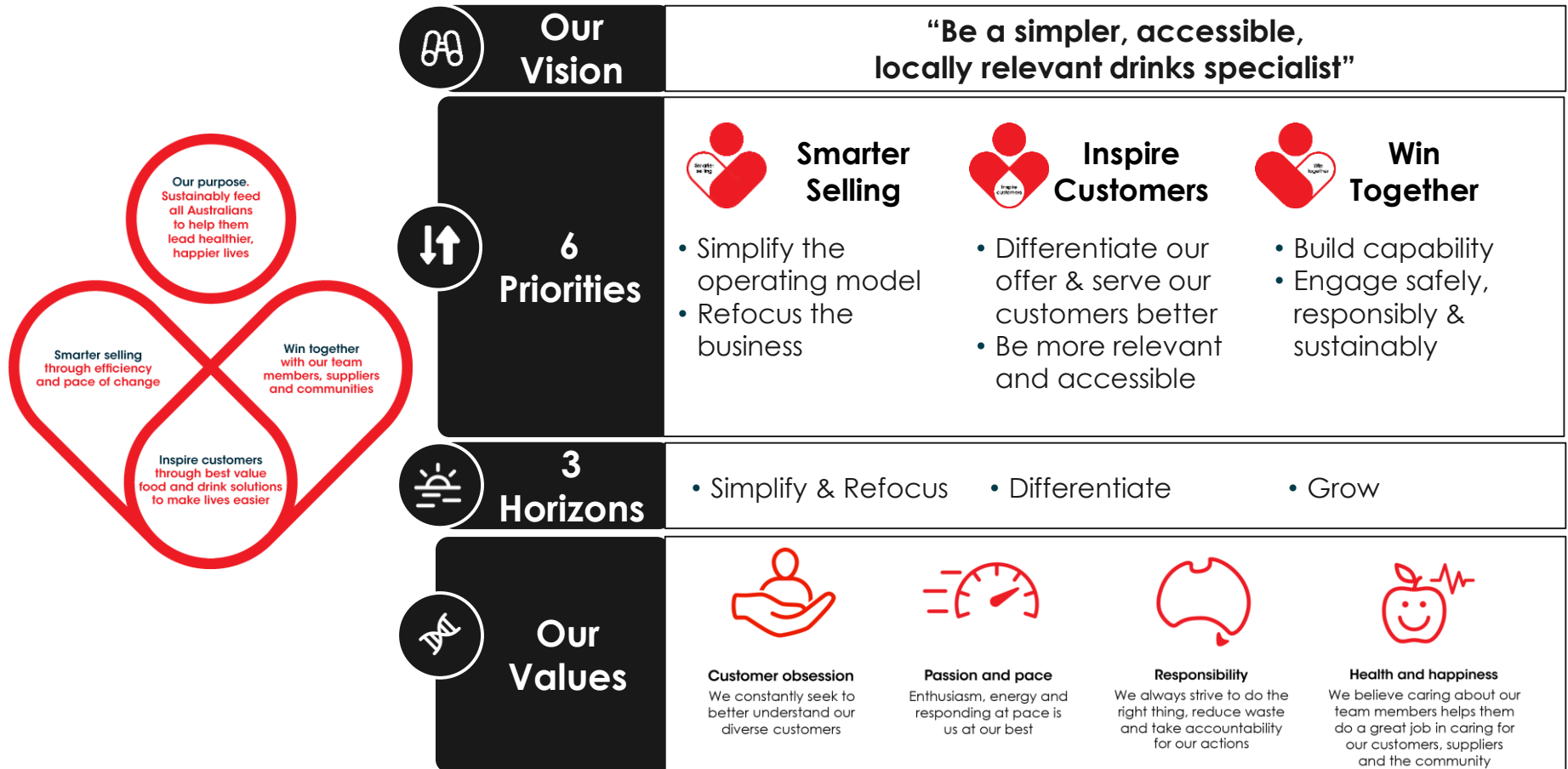
Our Suppliers

- Simplify the way we work
- Provide clear strategic direction and framework for growth
- Build longer term plans and partnerships
- Respond faster to innovation in new products

Our Business

- A passionate and dedicated team
- 3 distinct formats in convenient locations with potential for growth
- Strong and developing ELB portfolio
- Largely fixed cost base, now requires investment supported by top line growth
- Headroom for growth in online

We have now set a strategic framework for growth



Our 6 priorities...

Smarter Selling

Simplify the operating model



Refocus the business



Source

Buy

Move

Sell

Inspire Customers

Differentiate our offer & serve our customers better



Be more relevant and accessible



Win Together

Build Capability



Engage safely, responsibly and sustainably¹



¹Image showing the "BeeSAFE" team member safety pin reflecting the "Be Safe" framework at Coles Liquor.



Coles has partnered with Stephanie Alexander's Kitchen Garden Foundation giving thousands of children across Australia access to a food education program that helps them develop a healthy relationship with food, self-confidence and life skills.

Group financial overview



FY20 results – Group

Group EBIT (pre-AASB 16 and significant items) growth for the first time in four years

\$m	Retail basis		
	FY20	FY19 ¹	Change
Sales revenue	37,408	35,001 ²	6.9%
EBIT (post-AASB 16, pre-significant items) ³	1,762	N/A	N/M
EBIT (pre-AASB 16, pre-significant items) ³	1,387	1,325	4.7%
EBIT margin % (pre-AASB 16, pre-significant items) ³	3.7%	3.8%	(8)bps
Net profit after tax (pre-AASB 16, pre-significant items) ³	951	888	7.1%
Basic earnings per share ⁴ (cents)	71.3	66.5	7.1%
Interim dividend per share ⁵ (cents)	30.0	-	N/M
Final dividend per share ⁵ (cents)	27.5	24.0	14.6%
Special dividend per share ⁵ (cents)	-	11.5	N/M
Total dividend per share⁵ (cents)	57.5	35.5	N/M

¹ 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. The FY19 statutory results are 52 weeks and one day. These financial periods are consistent with the presentation of the FY19 full year results.

² FY19 retail (non-IFRS) results have been adjusted as follows: (i) fuel sales revenue has been removed as the Group now recognises commission income following commencement of the New Alliance Agreement in March 2019; and (ii) sales revenue associated with Hotels has been removed to reflect the sale of this business in April 2019.

³ Retail (non-IFRS) EBIT and NPAT excludes Hotels to reflect the sale of this business in April 2019, and significant items.

⁴ Basic earnings per share attributable to equity holders of the Company from continuing operations, pre-AASB 16 and significant items.

⁵ Dividends announced or paid.

N/M denotes not meaningful.

FY20 results – segment financials

Sales revenue growth across all segments and strong EBIT growth in Supermarkets

\$m	Retail basis		
	FY20	FY19	Change
Sales revenue			
Supermarkets	32,993	30,890	6.8%
Liquor	3,308	3,063	8.0%
Express	1,107	1,048	5.6%
Group sales revenue	37,408	35,001	6.9%

\$m	Statutory FY20	AASB 16 impact	Retail FY20	Retail FY19	Retail Change
EBIT					
Supermarkets	1,618	(308)	1,310	1,183	10.7%
Liquor	138	(18)	120	120	0.0%
Express	33	(49)	(16)	50	N/M
Other ¹	(27)	-	(27)	(28)	3.6%
Group EBIT	1,762	(375)	1,387	1,325	4.7%

¹ Includes corporate costs, Coles' 50% share of flybuys' net result, the net gain or loss generated by Coles' property portfolio and self-insurance provisions. N/M denotes not meaningful.

Normalised cash flow

Cash realisation of 111% (pre-AASB 16) driven by strong trading performance

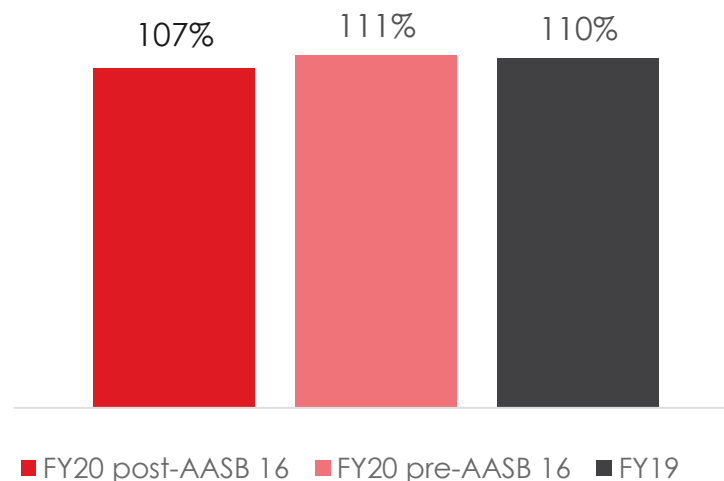
Normalised cash flow¹

\$m	FY20	FY20 pre-AASB 16	FY19
Statutory EBIT pre-significant items	1,762	1,387	1,343
Depreciation and amortisation	1,495	634	640
Statutory EBITDA pre-significant items	3,257	2,021	1,982
Change in working capital	60	60	81
Change in provisions and other	168	159	125
Operating cash flow (excl. interest and tax)	3,485	2,240	2,188

Comments

- Working capital impacted by increased inventories offset by an uplift in trade and other payables to support heightened trading activity during Q4
- Higher provisions related to Award covered salaried team member review and annual leave provision with less team members taking entitlements in the latter part of the year
- Reported FY20 depreciation reflects adoption of AASB 16

Cash realisation²



¹ FY19 based on statutory reporting, cash flows have been normalised for demerger items relating to self-insurance provisions and intercompany balances. The proceeds from the sale of the Hotels business in FY19 are not included in the above reconciliation to net cash from operating activities as they are classified as investing cash flow for statutory purposes.

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

Capital expenditure

Investment in-line with guidance despite COVID-19 impacts

Capital expenditure breakdown

\$m	Statutory	
	FY20	FY19
Store renewals	161	146
Growth initiatives	151	191
Efficiency initiatives	275	297
Maintenance	246	259
Gross operating capital expenditure	833	893
Property acquisitions	78	146
Property divestments	(245)	(269)
Net property capital expenditure	(167)	(123)
Net capital expenditure	666	770

Key capital expenditure initiatives

Store renewals	<ul style="list-style-type: none"> Store resets across Supermarkets store fleet (70) Liquor Market conversions (30)
Growth initiatives	<ul style="list-style-type: none"> New stores in Supermarkets (8) and Liquor (20) Convenience offering rollout to almost 150 stores
Efficiency initiatives	<ul style="list-style-type: none"> Supply Chain Modernisation Project Investment in reducing and preventing loss
Maintenance	<ul style="list-style-type: none"> Refrigeration and electrical Lifecycle maintenance of in-store technology
Property	<ul style="list-style-type: none"> FY20 net property inflow of (\$167m), in-line with guidance

Balance sheet

Investment grade credit metrics with flexibility for future growth

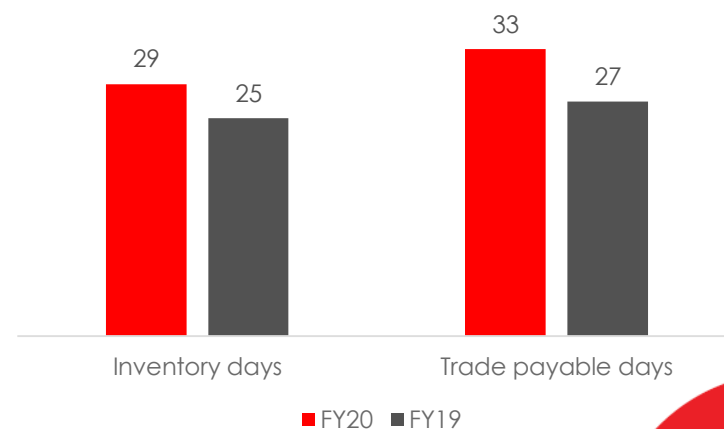
Balance sheet summary

\$m	Statutory	
	28 June 2020 post-AASB 16	30 Jun 2019
Inventories	2,166	1,965
Trade and other receivables	434	360
Trade and other payables	(3,737)	(3,380)
Working capital	(1,137)	(1,055)
PP&E and equity investments	4,344	4,331
Intangibles	1,597	1,541
Other	(1,295)	(1,304)
Capital employed	3,509	3,512
Right-of-use assets	7,660	-
Lease liabilities	(9,083)	-
Lease balances	(1,423)	-
Net debt	(362)	(520)
Net tax balances	891	365
Total net assets	2,615	3,357

Comments

- Recognition of a net lease liability of \$1,423 million following the adoption of AASB 16 which also largely drove the movement in net tax balances
- Net debt of \$362m and balance sheet leverage ratio of 0.4x¹
- Gross debt of \$1.4bn due to change in debt profile with \$700m of external debt repaid and converted into a longer dated \$600m bond issuance with favourable coupon
- Increase in inventory and trade payable days reflects change to the recognition of duties and taxes on tobacco, and the exclusion of fuel inventory and payables

Inventory and trade payable days



¹ Calculated as gross debt less cash at bank and on deposit (\$902m), divided by EBITDA (pre-AASB 16) for the 12 months ended 28 June 2020 pre-significant items (\$2,021m).

Capital management

Attractive fully-franked dividend and lengthened debt maturity profile at favourable rates

Dividend

- Fully-franked FY20 final dividend of 27.5 cents per share
- Total FY20 dividends of 57.5 cents per share

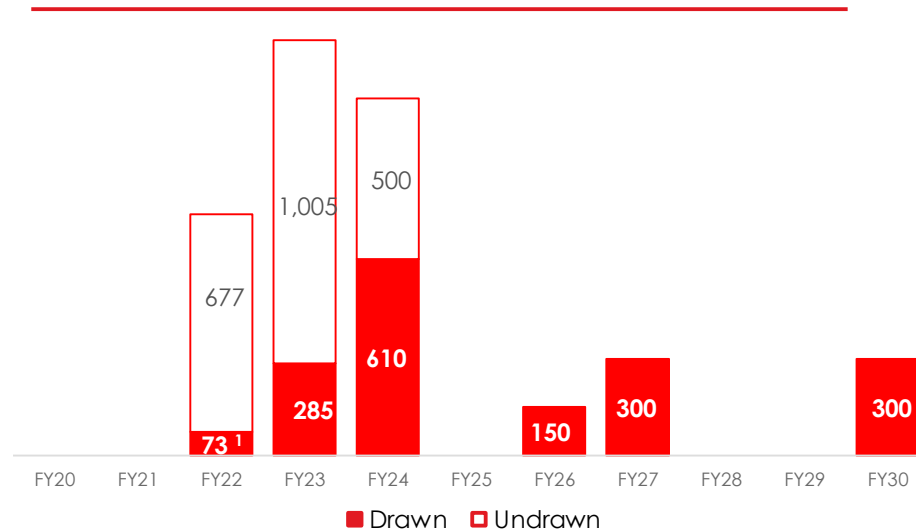
Funding and liquidity

- Weighted average drawn down debt maturity of 5.6 years provides funding stability
 - Undrawn facilities of \$2.2bn, providing appropriate headroom
 - Cash at bank and on deposit of \$452m
- Coles issued \$300m seven-year and \$300m 10-year senior unsecured fixed-rate medium-term notes in October
- Coles is committed to diversifying funding sources and extending the debt maturity profile over time

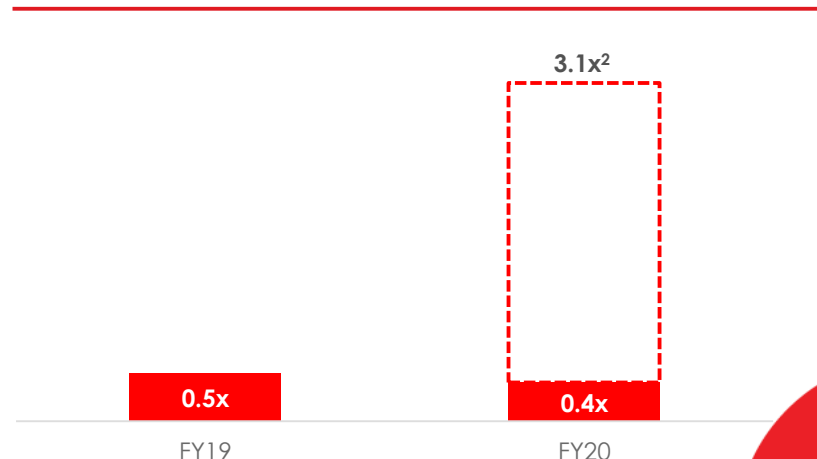
Credit ratings

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

Debt facility maturity profile (\$m)



Leverage ratio



¹ Includes bank guarantees.

² Leverage ratio post-AASB 16, calculated as Net financial debt (\$902m), add lease liabilities (\$9,083m), divided by EBITDA (post-AASB 16) \$3,258m.



The recently opened Coles Local in Hawthorn, Victoria.

Supermarkets



Supermarkets key metrics

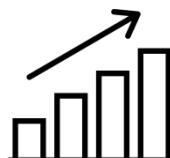
51 consecutive quarters of comparable sales growth

Total sales revenue



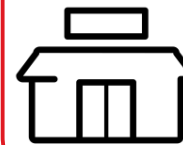
\$33.0bn
+6.8% vs. pcp

Comp sales growth¹



5.9%
vs. pcp

Sales per sqm



\$17,547
+5.0% vs. pcp

Own Brand sales



+9.7%
vs. pcp

Coles Online sales



+18.1%
vs. pcp

Customer satisfaction



88.2% (4Q20)
+4.8pp on 3Q20

Gross margin



25.1%
+30bps vs. pcp

EBIT



\$1,310m
+10.7% vs. pcp

EBIT margin



4.0%
+14bps vs. pcp

¹ To better align the timing of comparable sales between the FY20 and FY19 financial periods, FY19 is based on 2 July 2018 to 30 June 2019.

Supermarkets FY20 results

Second half of improving profitability

FY20 results

\$m	Retail basis		
	FY20	FY19	Change
Key P&L items			
Sales revenue	32,993	30,890	6.8%
EBITDA	1,879	1,735	8.3%
EBIT	1,310	1,183	10.7%
Key metrics			
Comparable sales growth (%)	5.9	2.7	320bps
Gross margin (%)	25.1	24.8	30bps
CODB (%)	(21.1)	(20.9)	(16)bps
EBIT margin (%)	4.0	3.8	14bps
Sales per square metre (\$/m ²)	17,547	16,704	5.0%
Price inflation (%)	2.4	0.8	154bps
Price in/(de)flation excl. tobacco and fresh (%)	1.5	(1.2)	265bps

Key commentary

- Sales trajectory improving prior to Christmas and in the early part of Q3, prior to COVID-19
- In addition to the sales uplift from COVID-19, comparable sales growth of 5.9% was driven by trusted value campaigns, extensive range reviews and Coles' tailored format strategy
- Basket size grew strongly for the year, partially offset by lower transaction growth
- Online sales grew by 18.1% for the year following the temporary suspension of services during March and April
- Inflation ex tobacco and fresh of 1.5% driven by cost inflation, lower product availability and mix impacts
- Gross margin increased by 30bps driven by favourable mix, strategic sourcing benefits and a more efficient supply chain
- CODB increased by 16bps driven by higher store expenses partially offset by Smarter Selling initiatives
- EBIT also includes a \$16 million charge as a result of the Award covered salaried team member review
- Coles expects to incur incremental operating expenditure in FY22 and FY23 for the Witron and Ocado projects. This operating expenditure relates to project implementation costs, and in FY23, includes double-running costs. In FY22, Coles expects these costs to be up to \$75 million



A selection of local Mornington Peninsula wines at Liquorland, Oakleigh.

Liquor



Liquor key metrics

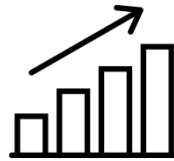
Sales growth driven by strong performance across all three banners

Total sales revenue



\$3.3bn
+8.0% vs. pcp

Comp sales growth¹



7.3%
vs. pcp

Online sales



+40.3%
vs. pcp

Award winning
quality



372
ELB medals and
awards

FCLM renewals



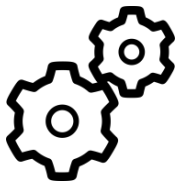
61%
of the fleet
renewed

Number of stores



910
No change
vs. FY19

Gross margin



21.6%
(72)bps vs. pcp

EBIT



\$120m
0.0% vs. pcp

EBIT margin



3.6%
(28)bps vs. pcp

Note: The above data does not include the financial performance of Coles' Hotels business, which was subject to the transaction with Australian Venue Co that completed in April 2019.

¹ To better align the timing of comparable sales between the FY20 and FY19 financial periods, FY19 is based on 2 July 2018 to 30 June 2019.

Liquor FY20 results

EBIT in-line with last year with higher sales volume offset by margin pressure from mix and ongoing clearance activity associated with range changes

FY20 results

\$m Key P&L items	Retail basis		
	FY20	FY19	Change
Sales revenue	3,308	3,063	8.0%
EBITDA	149	153	(2.6)%
EBIT	120	120	0.0%
Key metrics			
Comparable sales growth (%)	7.3	1.2	610bps
Gross margin (%)	21.6	22.3	(72)bps
CODB (%)	(17.9)	(18.4)	44bps
EBIT margin (%)	3.6	3.9	(28)bps

Note: The above table does not include the financial performance of Coles' Hotels business, which was subject to the transaction with Australian Venue Co that completed in April 2019.

Key commentary

- The new leadership team have completed a review of operations and reset the Liquor strategic framework to become a simpler, more accessible, locally relevant local drinks specialist
- Targeted investment in online platforms across all three banners supported strong online sales growth of 40.3% for the year
- Continued the successful roll out of First Choice Liquor Market with 61% of the fleet renewed
- Changes in mix during COVID-19 and ongoing clearance costs associated with range change impacted gross margin and EBIT
- EBIT also includes a \$4 million charge as a result of the Award covered salaried team member review



Coles Express supporting the Rural Fire Service fuel replenishment during the Summer bushfires in Moss Vale, New South Wales.



Express key metrics

C-store sales growth driven by pantry stocking and strong basket size growth in the latter part of the year. EBIT impacted by lower fuel volumes

Total sales revenue¹



\$1,107m
+5.6% vs. pcp

C-store comp sales growth²



4.6%
vs. pcp

EBIT



(\$16)m
following material
decline in fuel
volumes

FY20 weekly fuel volumes



59.5mL/wk
(2.3)% vs. pcp

Comp fuel volume growth



(2.5)%
vs. pcp

Number of sites



713
-1 vs. FY19

¹ Fuel sales have been excluded as Express no longer records fuel sales as sales revenue under the New Alliance Agreement with Viva Energy.

² To better align the timing of comparable sales between the FY20 and FY19 financial periods, FY19 is based on 2 July 2018 to 30 June 2019.

Express FY20 results

Average weekly fuel volumes showed an improving trajectory throughout the fourth quarter

FY20 results

§m	Retail basis		
	FY20	FY19	Change
Key P&L items			
C-store sale revenue ¹	1,107	1,048	5.6%
EBITDA	12	76	(84.2)%
EBIT	(16)	50	(132.0)%
Key metrics			
Comp c-store sales growth (%)	4.6	0.1	450bps
Weekly fuel volumes (mL)	59.5	60.9	(2.3)%
Fuel volume growth (%)	(2.3)	(13.0)	N/M
Comp fuel volume growth (%)	(2.5)	(13.7)	N/M
Gross margin (%)	53.7	61.4	N/M ¹
CODB (%)	(55.2)	(56.7)	153bps
EBIT margin (%)	(1.5)	4.7	N/M ¹

¹ FY19 sales exclude fuel sales and has been restated for flybuys. However, the change in gross margin and EBIT margin may not be meaningful ('N/M') as the fuel margin model has changed under the New Alliance Agreement during FY19.

Key commentary

- Comparable c-store sales growth of 4.6% driven by COVID-19 related pantry stocking and strong basket size growth in the latter part of the year
- Invested in the customer offer, commencing network wide roll out of new self-service coffee machines in Q4
- Average weekly fuel volumes of 59.5mL were recorded in the year, prior to COVID-19 fuel volumes were trending positively
- CODB decreased by 153bps as a result of cost control and efficiency measures
- Express recorded an EBIT loss for the full year of \$16m as a result of a material decline in fuel volumes and in part c-store margin deterioration as customers shifted towards top-up and non-food categories



The first Coles Local store outside Victoria was recently opened in Rose Bay, New South Wales.



Outlook for FY21

- In the first 6 weeks of 1QFY21, Supermarkets comparable sales remain broadly in-line with the levels achieved in the second half. In Online, following the significant increase of capacity in the second half, sales are up approximately 60% in the first 6 weeks of FY21, driven by Victoria
- Coles has continued to incur significant incremental COVID-19 costs in the early part of FY21. Given these incremental costs, Supermarkets is achieving an EBIT margin consistent with the FY20 full year. The extent and duration of these incremental costs will depend upon a number of factors as we continue to proactively manage the unfolding COVID-19 situation
- In Liquor, sales have remained elevated with any moderation of sales growth dependent on social distancing restrictions for hotels, pubs, clubs and licensed venue operators. Aside from incremental COVID-19 costs, Liquor also expects to step-up its investment in customer service in the coming 12 months as it implements its new strategy
- In Express, average weekly fuel volumes in the early part of the first quarter are broadly in-line with the June exit rate, with significant variation between states
- In Other, FY21 corporate costs are also expected to be slightly above FY20 recurring corporate costs driven by a market-wide increase in insurance costs, while net earnings from property operations are expected to be more modest than FY20 and weighted toward the first half due to lower anticipated disposal activity. Coles' 50% share of flybuys' net result is also expected to be broadly in-line with FY20
- Coles retains its \$1 billion cost-out target to be achieved between FY20 and FY23. In FY21, Coles will continue to focus on realising cost-out opportunities however, the timing will be dictated, in part, by COVID-19
- Coles' optimised store network and formats is already transforming the make-up and performance of our extensive store network with plans to renew approximately 65 stores and to open in the range of 15 to 20 new stores in FY21, including five stores that were delayed in FY20 due to COVID-19
- Gross operating capital expenditure is expected to be approximately \$1 billion and includes increased investment on the Witron ambient automated distribution centres as the project enters its third year. In addition, Coles also expects net property capex to be approximately +/- \$100 million in FY21



The Hemphill family dairy farm in Kyabram, Victoria supplies milk to Coles under our direct milk sourcing model. Coles is building long-term relationships with dairy farmers by extending the model to SA and WA following the successful roll out in VIC, Southern and Central NSW.

Q&A



APPENDIX: Impact of AASB 16

Impact of new lease accounting standard AASB 16

Balance Sheet		1-Jul-19	28-Jun-20	Income Statement (FY20 impact)	
Right-of-use assets	↑	\$7.5bn	\$7.7bn	EBITDA	↑ \$1,236m
Lease liabilities	↑	\$8.9bn	\$9.1bn	Depreciation	↑ \$861m
Provisions ¹	↓	\$188m	-	EBIT	↑ \$375m
Deferred tax assets	↑	\$356m	\$365m	Finance costs	↓ \$(399)m
Retained earnings	↓	\$831m	-	Profit/(loss) before tax	↓ \$(24)m
				Profit/(loss) after tax	↓ \$(17)m