

2019 First Quarter Retail Sales Results

15 October 2018

Coles First Quarter Sales (\$m)	2019	2018	Variance %
Supermarkets ¹	7,657	7,239	5.8
Liquor ^{1,2}	744	729	2.1
Convenience ^{1,3}	1,437	1,402	2.5
Total Coles	9,838	9,370	5.0

Refer to Appendix Three for footnotes.

Wesfarmers Limited today announced the Coles retail sales results for the first quarter of the 2019 financial year. Managing Director Rob Scott said that the results reflected continued good momentum in Coles, driven by a successful 'Little Shop' promotional campaign, improved in-store execution and investments in flybuys promotions.

"Coles Supermarkets' headline sales increased 5.8 per cent during the quarter, and its total sales increased by 5.0 per cent," Mr Scott said.

"Strong growth in basket size, transaction numbers and units sold, as well as improvements in fresh market share supported the sales result. Coles' liquor and convenience segments also recorded headline sales growth for the quarter.

"The result for the first quarter was pleasing as it demonstrated the ability of the Coles team to continue to focus on improving in-store execution while preparations continued for the proposed shareholder vote on the demerger of Coles," Mr Scott said.

Subject to shareholder approval of the proposed demerger, Coles plans to continue to report quarterly sales as a standalone listed company in future quarters.

Supermarkets

Coles Supermarkets recorded sales for the first quarter of \$7,657 million, up 5.8 per cent on the prior corresponding period. Comparable food sales increased 5.1 per cent for the quarter driven by significant growth in average customer basket size, units sold and transaction growth.

Sales in the quarter were driven by the highly successful 'Coles Little Shop' campaign, improved in-store execution and flybuys promotional campaigns. During the quarter, Coles also removed single-use plastic bags which saw additional costs incurred, relating to investments in service, flybuys investments and reusable plastic bag giveaways, to assist customers to transition to the change. The EBA introduced in April also saw additional costs in the quarter compared to the prior corresponding period.

Supply-side cost pressures in key fresh categories underpinned price inflation of 0.6 per cent for the quarter. The higher cost of grain and lower supply of livestock as a result of the drought impacted pricing in the bakery and meat categories during the quarter. Fresh produce costs also increased, reflecting heavily deflated prices in the prior corresponding period due to favourable growing conditions. Excluding fresh and tobacco, underlying price deflation was 0.8 per cent as Coles continued to invest in the customer offer.

Coles Managing Director Steven Cain said the Coles team around Australia was focused on making life easier for our customers.

"Our 116,000 team members continue to passionately engage and build trust with our customers, positioning us well for long term growth," Mr Cain said.

"In-store execution improved during the quarter underpinned by improved availability through our stockless stockrooms and new initiatives such as the roll out of monster ends. The impact of these initiatives was reflected in improved operational metrics.

"Coles continued to focus on improving the quality and range of fresh products within the business which supported further growth in fresh market share for the quarter despite inflationary headwinds from the drought and seasonal impacts."

Coles Online achieved over 30 per cent sales growth for the quarter and is on track to surpass \$1,000 million of sales for the current financial year. At the end of the period, there were over 1,000 Click & Collect locations rolled out across the network as further investment was made to provide convenient solutions to customers.

Coles continued to improve and optimise its store network, opening four supermarkets and closing four during the quarter, resulting in a total of 809 supermarkets at the end of the period. During the quarter, five supermarket renewals were completed.

Liquor

The Liquor division recorded sales, including hotels, for the first quarter of \$744 million, an increase of 2.1 per cent on the prior corresponding period. Comparable liquor sales increased 1.3 per cent for the quarter driven by growth in basket size and transactions.

The transformation program continued to deliver growth in sales, with significant opportunities remaining to improve product range through exclusive brands and deliver greater convenience for customers. Investment in the store network continued in the quarter with 21 store renewals, including the next evolution Liquorland format and seven First Choice Liquor Market brand conversions.

Coles continued to improve its liquor network, opening five stores and closing five stores during the quarter, resulting in a total of 900 retail liquor sites and 87 hotels at the end of the period.

Convenience

Coles Express recorded sales, including fuel, for the quarter of \$1,437 million, an increase of 2.5 per cent on the prior corresponding period.

Headline convenience store sales grew by 2.4 per cent for the quarter and 3.4 per cent on a comparable store basis. Growth in convenience store sales continued to be driven by improvements to the overall food-to-go offering and convenience range.

For the quarter, headline fuel volumes decreased 14.8 per cent and comparable fuel volumes decreased 15.9 per cent. Fuel volumes in the quarter were impacted by a substantial increase in the cost price of fuel caused by higher global oil prices, a lower Australian dollar, and the ongoing impact of changes to the commercial terms of the Alliance. The business continues to work with its Alliance partner to provide a more competitive fuel offer.

Coles Express continued to optimise its network during the quarter, opening one new site and closing one site, maintaining the total network at 711 sites.

Refer to Appendix Three for footnotes.

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APPENDIX ONE

2019 FIRST QUARTER COLES SALES RESULTS – KEY METRICS

Key Metrics (%)	First Quarter 2019	Fourth Quarter 2018	Third Quarter 2018	Second Quarter 2018	First Quarter 2018
COLES					
Supermarkets					
Comparable store sales growth	5.1	1.8	0.9	1.3	0.3
Comparable store sales growth adjusted for Easter & New Year's Day timing)	5.1	1.8	1.3	1.0	0.3
Price inflation/(deflation)	0.6	(0.6)	(0.7)	(0.9)	(2.3)
Liquor²					
Comparable store sales growth	1.3	2.0	0.7	1.6	1.6
Comparable store sales growth adjusted for Easter & New Year's Day timing)	1.3	2.0	0.7	1.6	1.6
Convenience					
Total fuel volume growth	(14.8)	(14.6)	(14.6)	(17.0)	(20.2)
Comparable fuel volume growth	(15.9)	(15.8)	(15.9)	(17.7)	(21.0)
Total convenience store sales growth (excl. fuel sales)	2.4	3.7	0.9	(0.6)	2.7
Comparable convenience store sales growth (excl. fuel sales)	3.4	4.6	1.3	0.6	0.2

n.a. - not applicable
Refer to Appendix Three for footnotes.

APPENDIX TWO

COLES STORE NETWORK

FINANCIAL YEAR 2019, YEAR TO DATE

	Open at 1 Jul 2018	Opened	Closed	Re-branded	Open at 30 Sep 2018
COLES					
Supermarkets	809	4	(4)	-	809
Liquor					
1st Choice	98	-	(1)	-	97
Vintage Cellars	84	-	-	-	84
Liquorland	717	5	(3)	-	719
Hotels	88	-	(1)	-	87
Total Liquor	987	5	(5)	-	987
Convenience	711	1	(1)	-	711
Selling Area (m²)					
Supermarkets	1,865,983	n.a.	n.a.	n.a.	1,864,397
Liquor (excluding hotels)	213,511	n.a.	n.a.	n.a.	213,039

APPENDIX THREE

FOOTNOTES

1. Financial Year 2019 for the 13 week period 25 June 2018 to 23 September 2018 and Financial Year 2018 for the 13 week period 26 June 2017 to 24 September 2017.
2. Includes hotels, excludes gaming revenue and property income.
3. Includes fuel sales.