

# Managing Director and Chief Executive Officer's Report



Dear Shareholder,

I feel privileged to be leading Coles as its new Managing Director and CEO at an exciting time in our history.

In my first months as CEO, I travelled around the country to listen to team members and customers about what's important to them. During that time, I have been reminded of our strengths, the diversity of the local communities we serve, the passion of our team members, and the impact we can have on Australia.

Since commencing, we have appointed three new members to the Executive Leadership Team: Chief Customer Officer, Amanda McVay; Coles Liquor Chief Executive, Michael Courtney; and Chief Commercial Officer, Anna Croft, who joins us in January 2024. All have strong experience in retail and will support our teams to deliver for customers.

We have also refreshed our strategy, and our new purpose – 'helping Australians eat and live better every day' – renews our ambition to be a great food and drink business.

Our customers want Coles to deliver value, quality, convenience, and great service. They want consistency of availability, shopping that is increasingly personalised and technology-enabled, healthier food options, and products and services that are more sustainable. Our purpose and strategy will focus us on doing just that.

## Strategic and business highlights

In the 2023 financial year, we continued to deliver for customers and shareholders.

Cost of living remains the number one focus of our customers, and we helped

customers find value for money with our Dropped & Locked range, everyday trusted pricing, thousands of weekly specials, our Flybuys program and our exclusive brand portfolio. We also launched MasterChef cookware and glassware continuity campaigns as well as the Harry Potter Magical Builders collectables which proved popular with customers.

We grew the sales and product lines of our Exclusive to Coles range with 1,421 new products launched. The range delivered sales revenue growth of 9.6%, with Q4 growth of 13.1%. Coles Own Brand also won 103 product awards, including 11 Product of the Year awards voted for by consumers.

The Flybuys program now reaches approximately 80% of Australian households, offering personalised offers and experiences. In FY23, the program continued to perform strongly with 9% growth in active members and a 30% increase in points redemption.

With our customers seeking greater convenience in how they shop, we expanded Rapid Click & Collect by another 151 stores and Home Delivery Rapid by 463 stores. We enhanced our app and website with a range of new features, including opt-in substitutions at check-out, dietary and brand filters, and the integration of Flybuys offers.

Pleasingly, even as customer shopping patterns have normalised, we continued to grow eCommerce by 1.1% for the full year. Over the past three years, our eCommerce sales have grown by 116%.

We continued to invest and tailor our store network to better suit the needs of our customers. Our capital investment supported the opening and refurbishment of new and existing stores, including Coles Local and our Black &

White Liquorland renewals. We opened a total of 17 new supermarkets and renewed 46 stores. In Liquor, we opened 35 new stores and renewed 236.

We also made an important change by phasing out soft-plastic shopping bags, which is estimated to remove approximately 230 million plastic bags from circulation in one year.

## Financial performance

Coles continued to demonstrate a strong financial position and stable returns with Group EBITDA and EBIT on a continuing operations basis of \$3,382 million and \$1,859 million respectively, and Group NPAT of \$1,098 million<sup>1</sup>.

Notwithstanding our investments in value, inflationary cost pressures, and major project implementation costs, Group EBITDA and EBIT from continuing operations increased by 3.8% and 1.8% respectively, supported by Smarter Selling benefits and a net reduction in direct COVID-19 costs compared to the prior year.

Supermarkets inflation was 6.7% across FY23, but moderated during the year, with Q4 inflation of 5.8% and some areas, such as fresh produce, exiting the year in deflation. Population growth increased by 2.1%, supporting sales, after a number of years of low growth during the pandemic.

## Team members and community

The passion and dedication of our more than 120,000 team members is one of our greatest assets.

In FY23 we achieved our highest ever engagement score in our *mysay* survey. This was an improvement of three percentage points year on year

and is now ahead of industry average<sup>2</sup>. The *mysay* engagement score was 10 percentage points above our survey in FY19, showing strong improvement in our culture over a sustained period.

We also recorded improvements in team member safety with a 9.2% reduction in our Total Recordable Injury Frequency Rate (TRIFR) compared to FY22.

Our team members come with a rich mix of backgrounds, perspectives and experience, and we are proud of the growing diversity within Coles as a result of programs to enhance representation, develop pathways to senior leadership and initiatives to foster a greater culture of inclusion.

In FY23, we improved representation of women in leadership to 41.5%, Aboriginal and/or Torres Strait Islander self-identification to 3.5%, and the number of team members working with us with a disability increased to 7.6%.

We went big in our celebrations of Sydney WorldPride, supporting the event as a presenting partner, as part of our commitment to create a safe and welcoming environment for LGBTQI+ people across our workforce and stores.

One of the common things I hear from team members is their passion for supporting our local communities.

During the year we provided more than \$40 million in support to community partners<sup>3</sup>. These organisations are supporting health and medical research, raising awareness of health and nutrition, and building resilience in our communities. In addition, we provided unsold, edible food to rescue organisations such as SecondBite and Foodbank to distribute through agencies and community food programs.

During the course of the year, we achieved two incredible milestones: \$50 million raised for RedKite over our 10-year partnership to support children and families affected by cancer, and the equivalent of 200 million meals donated to SecondBite since 2011.

## Looking ahead

As we look to the year ahead, I'm excited about what we'll achieve together.

Our immediate focus is to restore availability, reduce loss and provide a high-quality fresh food offering. We're also continuing to deliver value for customers and improving customer experience.

With a focus on what matters most to our customers, and prioritising our investment accordingly, I am confident that Coles will deliver on our vision to become the most trusted retailer in Australia and grow long-term shareholder value.

I thank Steven Cain for his leadership of Coles, the Board for their support, and of course our team members for their dedication to our customers and communities.

I would also like to thank our suppliers and customers.

And finally, to our shareholders, thank you for your continued confidence in Coles.

**Leah Weckert**  
Managing Director and Chief Executive Officer, Coles Group Limited

Group sales revenue – continuing operations

**\$40.5bn**

Group EBIT – continuing operations

**\$1.9bn**

<sup>1</sup> On a continuing and discontinued operations basis.

<sup>2</sup> Benchmarked by Culture Amp against Australian companies with more than 5,000 team members.

<sup>3</sup> Includes Coles' direct contribution of cash, time and management costs as well as fundraising from customers, suppliers and team members (leverage).