



ASX Release

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COLES ENTERS EXCLUSIVE PARTNERSHIP WITH OCADO TO PROVIDE LEADING ONLINE GROCERY SHOPPING EXPERIENCE TO MAKE LIFE EASIER FOR AUSTRALIAN CUSTOMERS

KEY HIGHLIGHTS:

- **Under the service agreement with Ocado, Coles will gain access to Ocado's unique Ocado Smart Platform (OSP) technology – the world's leading online grocery website, automated single pick fulfilment technology and home delivery solution**
- **Two multi-temperature, highly automated Customer Fulfillment Centres (CFCs), one located in each of Melbourne and Sydney, are expected to be operational by FY23. Each CFC has an estimated sales capacity of between approximately \$500m and \$750m per annum. Capital expenditure inclusive of upfront Ocado fees is expected to be approximately \$130m to \$150m over the four year development and construction period**
- **Key benefits of the partnership include a seamless digital customer experience, greater range, improved product availability and freshness, more regular delivery windows, increased network capacity at a lower cost to serve, a safer working environment for Coles' team members and more highly skilled technology, engineering and construction jobs in Australia**
- **This initiative is expected to approximately double Coles' current Australia-wide home delivery capacity and is expected to lead to an improved profit margin for Coles Online**

Coles Group Limited (Coles, ASX: COL) today announced it has entered into an exclusive services agreement with Ocado Group plc (Ocado, LON: OCDO) to bring the world's leading online grocery platform, automated single pick fulfilment technology and home delivery solution to Australia prior to the end of the 2023 financial year.

Ocado has more than 15 years' experience at the forefront of innovation and success in disrupting the traditional grocery market.



Under the agreement, Ocado will partner with Coles in Australia to launch an end-to-end online grocery shopping solution, including:

- A significantly enhanced customer experience, supported by Ocado's entire end-to-end proprietary software applications and technology solutions required to operate a world-class online grocery business, known as the Ocado Smart Platform (OSP), which will be available to Coles' customers Australia-wide by the 2023 financial year;
- Two state-of-the-art automated customer fulfilment centres (CFCs), one located in each of metropolitan Melbourne and Sydney. Ocado will be responsible for the installation of the material handling equipment in the CFCs, including the provision of ongoing maintenance of the equipment; and
- Last-mile routing management technology to optimise delivery efficiency and customer service.

Migration to Ocado's online platform and the development and construction of the CFCs is expected to be completed by the end of the 2023 financial year. To ensure successful implementation of the project, Ocado has committed to a dedicated team to be based in Australia, both during the construction phase and then permanently for the ongoing maintenance of the facilities.

The partnership provides a unique opportunity for Coles to deliver a best-in-class customer experience driven by greater range, improved product availability and freshness, a significantly enhanced online capability and more regular delivery windows. Furthermore, Coles will be better able to meet the increasing demands of its customers as it increases network capacity at a lower cost to serve. The introduction of the CFCs will also provide a safer working environment for Coles' team members.

Customers outside of metropolitan Melbourne and Sydney will benefit from the world-class Ocado online website where orders will continue to be fulfilled by the existing store-based network, which will continue to evolve over the coming years.

Under the services agreement, Coles will pay Ocado fees for the installation and maintenance of the equipment within the CFCs and licensing of the OSP software. It is estimated that each CFC has a sales capacity of between approximately \$500m and \$750m per annum. This in turn will approximately double Coles' current home delivery capacity Australia-wide, and is expected to lead to an improved profit margin. Coles' capital expenditure inclusive of Ocado upfront fees, is expected to be approximately \$130m to \$150m over the development and construction period, relating to the IT integration of the OSP, non-automated equipment and construction of the CFCs.

Coles CEO Steven Cain said: "Ocado is singularly focused on online grocery shopping, and as a result, has become the leading solution provider in the world. We are delighted to be partnering with them to make life easier for Coles' customers here in Australia. Ocado's ongoing investment and retail partnerships around the world will help us continue to improve our offer into the future".



Luke Jensen, CEO of Ocado Solutions, said: "We are delighted to partner with Coles. Already a leading player in online grocery retailing in Australia, we are proud that they have chosen the Ocado Smart Platform to take them to the next level. Our flexible, scalable and modular solution will help them bring new levels of convenience, choice and value to Australian consumers. The Australian market is changing as consumer needs evolve and our platform will enable Coles to lead this transformation in a profitable and sustainable way".

Ocado CEO Tim Steiner said: "Today marks another big moment in the continuing transformation of Ocado. Our unique, proprietary and industry-leading technology is bringing new growth opportunities to retailers around the world and changing the customer experience of grocery shopping. Coles is a grocer with a global reputation for innovation and outstanding commitment to their customers, and I am delighted we will be working together in the years to come to reshape the food retail landscape in Australia".

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About Coles and Coles Online:

Coles has been trading in Australia for more than 100 years and is a leading retailer with annual sales of approximately \$40 billion. Coles has over 2,500 retail outlets nationally, operating a portfolio of leading brands in supermarkets, liquor, fuel, convenience, financial services and a 50% interest in Australia's leading loyalty program, flybuis. Coles employs over 115,000 team members dedicated to servicing over 21 million customers transactions each week and is committed to winning together with its 7,000 suppliers and key community partners including Redkite and Secondbite. Coles was demerged from Wesfarmers in November 2018 and is now an ASX 30 company with around 490,000 institutional and retail shareholders.

Coles Online has sales of \$1 billion on an annualised basis and represents around 3% of Supermarket sales. Today, Coles Online has capability to deliver to over 90% of Australian households and recently launched a national same day delivery offer for customers. There are over 1,000 Click & Collect locations across the Coles Group network. Coles Online is continuing to invest in innovation and delivering a great customer experience and is currently achieving customer satisfaction in excess of 85%.



Coles is investing in digital technology and automation for long term growth to meet rapidly changing consumer needs and improve efficiency. Recent other announcements include:

- Two fully automated case picking distribution centres in NSW and Queensland which are expected to be operational by the 2023 financial year. Coles has partnered with global industry leader, Witron, on this important initiative;
- High speed broadband access within all stores with Optus;
- New HR, finance and procurement systems with SAP; and
- Partnerships with Uber Eats and eBay.

About Ocado and Ocado Solutions:

Ocado is a UK based company admitted to trading on the London Stock Exchange (Ticker OCDO). It comprises one of the world's largest dedicated online grocery retailers, operating its own grocery and general merchandise retail businesses under Ocado.com and other specialist shop banners, together with its Solutions division. In February 2019, Ocado Group announced the creation of an online grocery retail joint venture with Marks & Spencer plc, one of the UK's leading food and clothing retailers.

Ocado Solutions is responsible for corporate partnerships, providing the Ocado Smart Platform (OSP) as a service to retailers around the world. OSP comprises access to Ocado's physical infrastructure solutions, running highly efficient warehouse operations for the single pick of products, together with the entire end-to-end proprietary software applications required to operate a world-class online grocery business. It is underpinned by Ocado's proven expertise and experience as a dedicated online grocer in the UK.