

Coles HBB CPI Update

3rd March 2022

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- FY22 and FY23 Strategic Approach
 - CPI Summary
 - VMO Position & Recognised GAP
 - Proposed Resolution
 - Next Steps
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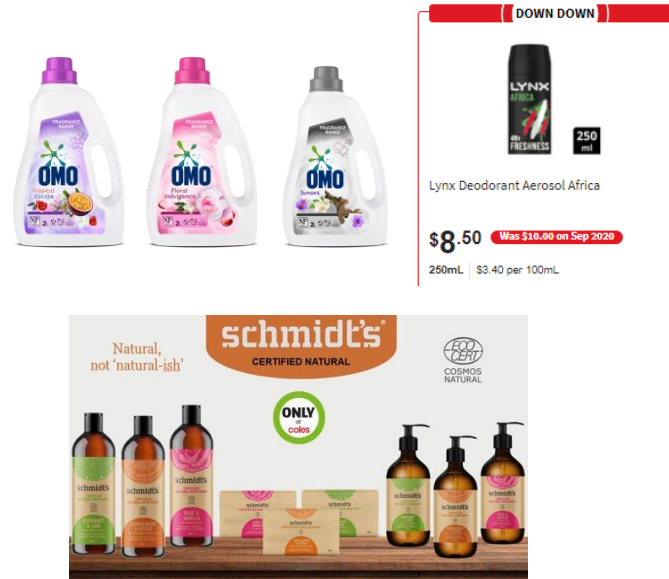
STRATEGY FOR REMAINDER OF FY22 AND FY23 COMBINES DELIVERING STRONGLY ON THE CORE, DIFFERENTIATING TO DRIVE GROWTH AND CONTINUED MANAGEMENT OF COST VOLATILITY

Drive the Core:



- Drive Premium / Naturals in Deodorants - Schmidt's
- Optimise Mainstream / Premium in Hair – TRESemme & Dove
- Continued focus on Capsules, Premiumisation and Sustainability

Differentiate to Outperform:



- OMO Fragrance Opportunity in discussion (5 SKU's)
- Schmidt's Premium Naturals Soaps (9x SKU's)
- Optimise Lynx 250ml (4x SKU's)
- Resource to extended shelf support across all categories

Manage Cost Volatility:

H1 2022:

- Blended Average 4.3% COG's increase (6.7% Homecare; 3.1% HBB)
- 5th and NP Profit Share + Promo plans strengthening
- No major promotions impacted
- No OOS experienced

H2 2022:

- Commodity and Freight Costs continue to increase beyond above numbers since setting of prior CPI.
- Aluminium, Propane and Ocean Freight seeing double digit increases since June
- Mid-High Single digit increases on Packaging, Crude and PKO since June
- Updated Letter for April sent working through initial VMO response

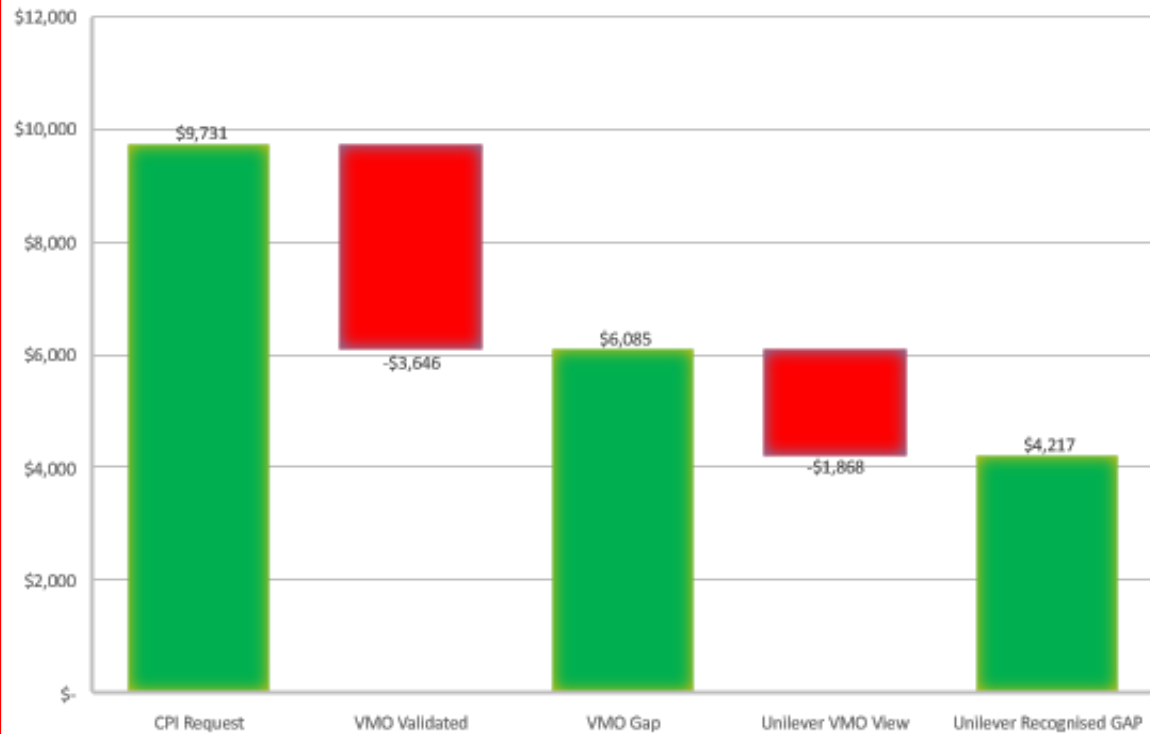
CPI RECAP:

- Go Live across 4th April, 11th April and 18th April
- Initial VMO response:

Category No.	Category	No. of SKUs	Last 12 months COGS \$	Increase request from		CCT Recommendation		GAP
				% Increase Request	Value Request	% Increase Accept	Value Accept \$	
1021	HAIR CARE	24	\$ 4,992,337	18.8%	\$ 936,587	9.6%	\$ 478,330	-\$ 458,257
1038	SOAPS & BODY WASH	9	\$ 3,097,822	10.2%	\$ 317,230	8.2%	\$ 253,729	-\$ 63,501
1045/1069	DEOS & GROOM	94	\$ 67,503,117	12.1%	\$ 8,169,739	4.0%	\$ 2,684,908	-\$5,484,831
1120	SKIN CARE	11	\$ 3,493,435	8.8%	\$ 307,672	6.6%	\$ 229,273	-\$ 78,399
	Total	138	\$ 79,086,711	12.3%	\$ 9,731,228	4.6%	\$ 3,646,240	-\$6,084,988

VMO: INITIAL VALIDATION AND FURTHER WORK

Overview of VMO position

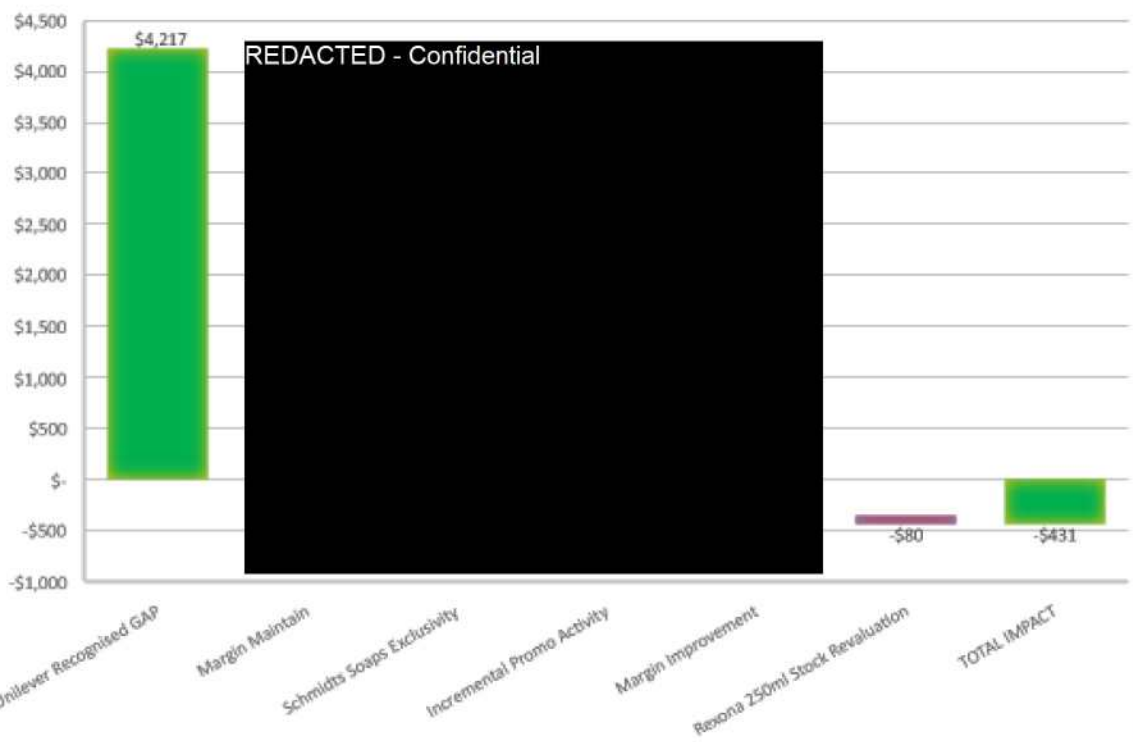


Details:

- Initial validation of \$3.6m
- Further validation assumed to value of \$1.9m
 - Deos \$1.66m (Composition, Timing and Capping)
 - Skin care \$0.13m (Capping)
 - Soaps \$0.06m (Capping)
 - Hair \$0.02m (Composition)
- Net GAP recognised as \$4.2m

SOLVING FOR THE OUTSTANDING GAP: COMBINING INCREMENTAL 5TH \$ BENEFIT ACROSS MARGIN, PROMOTIONS, AND EXCLUSIVITY FOR \$4.6M OF 5TH MARGIN

Solving for the \$4.2m GAP



Details:

- Funding to margin maintain position post CPI worth \$RED 5th Margin
- Soaps 12 month Coles Only at Coles on Schmidts (\$2.5m RSV at 45%) to value of \$RED
- Incremental Promo activity driving 5th \$ of REDAC
 - Deos incremental \$RED 5th
 - Hair incremental \$RED 5th
 - Skin Care incremental \$RED 5th
- 5th margin improvement totalling \$RED
 - Deos \$RED
 - Hair \$RED
- Agreement not to invoice Rexona 250ml Down Down Stock revaluation worth \$80k

AOB:

- Impact/planning on EDLP lines:
 - Rexona 250ml
 - Lynx 250ml / 1l
 - Toni & Guy multibuy
 - Lux 6pk
 - Impulse 75ml