

Re: Mars Petcare September 2022 CPI Close Out

From: Paul Carroll <[REDACTED]@coles.com.au">
To: "Nankervis, Luke" <[REDACTED]@effem.com>
Cc: Emma Bates <[REDACTED]@coles.com.au>; "lane.barrett@effem.com"; "Byrnes, Anthony" <[REDACTED]@effem.com>; "Conkling, Justin" <[REDACTED]@effem.com>
Date: Thu, 08 Sep 2022 21:17:32 +1000
Attachments: RE_MARS Petcare Round 3 vs Round 2 Trade plan Analysis.eml.msg.msg (320.51 kB); RE_Mars Pet Nutrition - CPI.eml.msg.msg (1.46 MB); Pack Groups with Additional Investment 07.09.22.xlsx (193.67 kB)

Approved

Sent from my iPhone

On 8 Sep 2022, at 8:05 pm, Nankervis, Luke <[REDACTED]@effem.com> wrote:

Hi Paul,

Thank you for your time over the past few weeks to work through our upcoming CPI.

Below are the details of our verbal agreement on to close out the Cost Price Increase.

- Below agreement elements are on top of the detail provided in the two attached emails (round 3 proposal, and our response to PWC key questions).
- We are able to meet your request of 1% 5th margin progression, which is further progress from the 80bps we previously demonstrated. This also now has Dog Treats blended 5th margin sitting above [REDACTED]%, and our projected 5th margin for the portfolio at [REDACTED]%. Please see below.
- An additional +\$[REDACTED] of margin progression is included in this offer to reach the [REDACTED]% blended 5th margin projection, which has been directed against 4 Dog Treats pack groups to improve our position against the sub-category margin target. Please see below progress; I've also attached the updated modelling for these 4 pack groups so you can see the blended margin progression.
- We are able to provide the provisional framework for a Growth Incentive commencing from FY23H2 (Jan '23) with the below structure.
 - If Mars Petcare (Category 1298 – Pet Food) grows RSV (Retail Sales Value) +3.00% or more in Coles Supermarkets (inc. Coles Local) above the agreed 'base' growth rate in FY23H2 and FY24H1, a payment of \$[REDACTED] in MDI will become available for Coles in the following financial half. The maximum payment, to be utilised as MDI/Straights for Coles Media assets, from Mars within this 12 month period is \$[REDACTED] made up of 2x \$[REDACTED] payments for hitting the growth target in each half. If one half target is met, and the other is not, \$[REDACTED] will be the value of the payment.
- The above Growth Incentive has the beneath conditions:
 - Growth Incentive value is payable in financial halves, a maximum value of \$[REDACTED] for each target for a financial half hit. This \$[REDACTED] value is to be spent as MDI/Straights in the following financial half. i.e. if FY23H2 target is hit, this MDI is to be spent in FY24H1. This MDI value must be spent against associated and agreed Coles Media assets.
 - The 'base' growth rate of which the Growth Incentive value will be based on must be mutually agreed by Coles & Mars, and in principle must be in addition to the current growth run rate of the business.
 - As an example, if our current projected RSV growth rate for FY23H2 is +12.00%, our total RSV growth rate must equal or exceed +15.00% (+3.00% or greater) in order for the half payment of \$[REDACTED] to be unlocked.
 - The mutually agreed growth rate must be aligned between Mars & Coles at least 8 weeks before the commencement of the financial half. For FY23H2, we need to align this at the beginning of November 2022.
 - Please note this agreement is not in perpetuity, and is only being proposed for FY23H2 and FY24H1, or calendar year 2023.
 - Please note the above is not finalisation of this Growth Incentive, rather is a provisional framework from Mars in order to proceed conversations. We will work to formalise this provisional framework into an agreement document over the coming weeks.

Please note that as always profit is a projection only.

Please provide me back with your written confirmation of the above accurately depicting our agreement and your approval to proceed forward with our cost price increase in full, and we will begin to commence the administration to execute this. We will provide the formal promotional submission template next week once we have your approval.

Thank you for your ongoing support and partnership,

Luke

Luke Nankervis (he/him)
 Customer Development Director | Coles
 Mars Petcare Australia
 M [REDACTED]
 E [REDACTED]@effem.com

*We work flexibly at Mars Petcare. I'm sending this email at a time that suits me. Please feel comfortable knowing that I do not expect you to read, respond to, or action it outside your normal working hours
 Mars Petcare respectfully acknowledges the Traditional Custodians of the land on which we live and work, and pay our respects to their Elders, past, present and emerging.*

CONFIDENTIALITY. This email and any attachments are confidential and may also be privileged. If received in error, please do not disclose the contents to anyone, but notify the sender by return email and delete this email and any attachments from your system. Pricing is at the sole discretion of the retailer. Profit is a projection only.

	Last Proposal			New Proposal			Variance		
	BSCW	Promo Funding	Total	BSCW	Promo Funding	Total	BSCW	Promo Funding	Total
PEDIGREE Dentastix 28	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$351,346	-\$76,872	\$274,474
PEDIGREE Dentastix 56	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$84,428	-\$18,354	\$66,074
SCHMACKOS Dog Treats 500g	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$290,039	-\$47,237	\$242,803
SCHMACKOS Strapz 200g	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$171,249	-\$31,716	\$139,533
							\$897,063	-\$174,178	\$722,885

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CATEGORY	FROM			TO			TARGET	PROGRESS	v TARGET
	RSV (incl. GST)	5TH TM \$	5TH TM %	RSV (incl. GST)	5TH TM \$	5TH TM %			
LITTER	\$9,158,524	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$11,311,529	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	%	0.0%	-3.7%
WET DOG	\$83,063,508	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$95,535,505	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	%	1.2%	-1.1%
DRY CAT	\$27,197,057	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$32,166,312	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	%	1.4%	-3.5%
WET CAT	\$112,716,235	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$131,073,316	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	%	0.6%	0.1%
DRY DOG	\$44,116,914	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$46,145,431	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	%	0.0%	0.8%
DOG TREATS	\$54,940,661	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$62,665,726	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	%	2.0%	-2.6%
CAT TREATS	\$15,711,882	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$18,407,379	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	%	0.8%	0.3%
	\$346,907,780	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL	\$397,305,197	REDACTED - CONFIDENTIAL	REDACTED - CONFIDENTIAL		1.0%	

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