

RE: Mars Petcare September 2022 CPI Close Out

From: "Nankervis, Luke" <[REDACTED]@effem.com>
To: Paul Carroll <[REDACTED]@coles.com.au>
Cc: Brian Keane <[REDACTED]@coles.com.au>; Emma Bates <[REDACTED]@coles.com.au>; "Barrett, Lane" <[REDACTED]@effem.com>; "Byrnes, Anthony" <[REDACTED]@effem.com>
Date: Mon, 26 Sep 2022 12:14:00 +1000
Attachments: CPI - Commercial Trade Plan Template 26.09.22.xlsx (848.48 kB)

Hi Paul,

Please see attached the template in line with our agreed offer.

We will discuss the growth incentive further when you return from leave.

Thanks,

Luke

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



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From: Paul Carroll <[REDACTED]@coles.com.au>
Sent: Thursday, 15 September 2022 1:34 PM
To: Nankervis, Luke <[REDACTED]@effem.com>
Cc: Brian Keane <[REDACTED]@coles.com.au>
Subject: RE: Mars Petcare September 2022 CPI Close Out

[EXTERNAL]

Hi Luke,

As agreed, when you get chance can you amend the updates to our final agreement via the PWC template. This is so we can validate your additional investments.

Thankyou

From: Paul Carroll <[REDACTED]@coles.com.au>
Sent: Thursday, 8 September 2022 9:18 PM
To: Nankervis, Luke <[REDACTED]@effem.com>
Cc: Emma Bates <[REDACTED]@coles.com.au>; Barrett, Lane <[REDACTED]@effem.com>; Byrnes, Anthony <[REDACTED]@effem.com>; Conkling, Justin <[REDACTED]@effem.com>
Subject: Re: Mars Petcare September 2022 CPI Close Out

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.

1. 1. 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).
2. 2. 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.
3. 3. 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.
4. 4. We are able to provide the provisional framework for a Growth Incentive commencing from FY23H2 (Jan '23) with the below structure.
 1. 1. **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.**

5. The above Growth Incentive has the beneath conditions:
 1. 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.
 2. 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.
 1. **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.**
 2. 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.
 3. Please note this agreement is not in perpetuity, and is only being proposed for FY23H2 and FY24H1, or calendar year 2023.
 4. 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] - PII

E [REDACTED] - [\[REDACTED\]@effem.com](mailto:[REDACTED]@effem.com)

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