

Analysts
Alfred Long
alfred.long.jy@u.nus.edu
Nicolas Ng Ning Sheng
nicolas.ng.ning.sheng@u.nus.edu
Sun Jianxiang
e1525241@u.nus.edu
Tay Wei Wen Terrence Ezekiel
terrence.tay@u.nus.edu
Basic Issuer Information
Bond Issuer Coles Group Treasury Pty Ltd

Ultimate Parent Coles Group Ltd

Equity Ticker ASX: COL

Bloomberg Ticker COL: AU

Rating (M/S/F) Baa1/BBB+/-

Country of Risk Australia

Sector Consumer Defensive

Company Description

Coles Group is one of Australia’s largest and most trusted retailers, operating more than 840 supermarkets nationwide alongside a strong network of liquor stores, financial services, and its online shopping platform. Founded in 1914 and headquartered in Hawthorn East, Victoria, the company employs over 115,000 team members and works with thousands of suppliers to serve millions of customers each week.

Key Management
MD & CEO Leah Weckert

CFO Charlie Elias

CPO Deborah Yates

CTO Mike Sackman

Key Financials

<i>AUD mn</i>	FY22	FY23	FY24	FY25
Revenue	38,341	40,591	43,684	44,487
Gross Margin	25.9%	26.0%	25.8%	26.6%
EBIT Margin	4.8%	4.6%	4.7%	4.7%
Net Margin	2.7%	2.7%	2.6%	2.4%
Current Ratio	0.6x	0.6x	0.6x	0.6x
EBITDA / Interest Exp.	8.6x	7.9x	7.5x	6.6x

Defensive Cash Flows Amid Rising Leverage Pressures
Recommendation

We initiate coverage of Coles Group (Baa1/BBB+/-) with a **Neutral** issuer profile.

We adopt a neutral stance on Coles’ bonds relative to domestic supermarket peers. In our view, near-term execution risks are broadly balanced by strengthening underlying credit fundamentals, underpinned by resilient cash generation and a disciplined financial policy.

Within the curve, we favour longer-dated maturities, where we see more compelling spread compensation relative to the front end and better risk-adjusted carry for investors with moderate duration tolerance.

Recent Developments

- In August 2025, Coles Group Limited (“Coles”) achieved its target of 100% renewable electricity across its national operations, while also reducing combined Scope 1 and 2 emissions by 81.3% from FY20 levels.
- In November 2024, Coles announced a five-year strategic partnership with Microsoft, focusing on AI deployment, hyper-personalised digital experiences, and productivity tools to enhance customer experience and employee effectiveness.
- In late 2024, Coles invested AUD 880.0mn in a third AI-enabled Automated Distribution Centre (“ADC”) in Victoria, alongside two new Customer Fulfilment Centres (“CFC”), strengthening network efficiency and further scaling its e-commerce capabilities.

Credit Positives

- Coles’ scale, defensive market position and expanding e-commerce platform underpin resilient earnings, strong supplier bargaining power and stable cash flow generation across cycles.
- Coles’ conservative leverage, strong interest coverage, and well-laddered maturity profile, supported by AUD 2.6bn of undrawn facilities, sustain strong liquidity and funding flexibility.
- Coles’ continued investment in ADCs is expected to enhance supply chain efficiency, support margin stability and reinforce long-term cash flow durability.

Credit Negatives

- Coles’ significant exposure to long-term store leases creates a structurally fixed cost base that reduces operating flexibility and increases sensitivity to earnings volatility and interest rate movements.
- Coles’ rising leverage has narrowed financial headroom and heightened sensitivity to earnings and cost pressures, increasing downside risk should operating performance soften.
- Execution risk around Coles’ ADC rollout, including prior delays and cost overruns, raises the potential for further automation investment to pressure margins and weigh on free cash flow generation.

Figure 1: Coles' Store Distribution

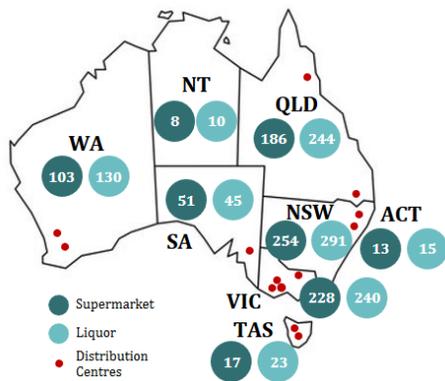


Figure 2: Revenue by Segment

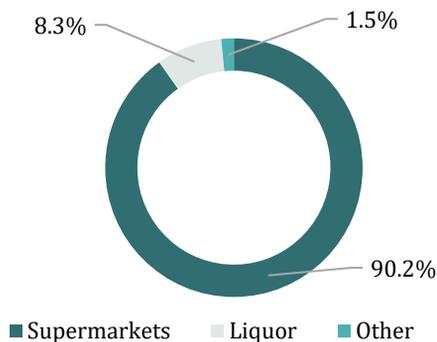
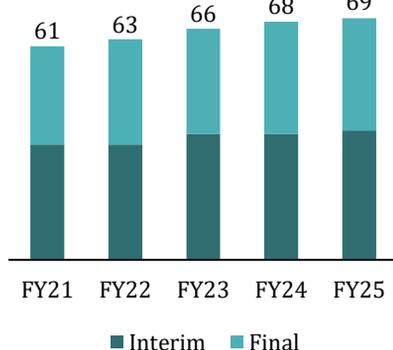


Figure 3: Coles Brand Portfolio by Segment



Figure 4: Dividends paid for FY21 to FY25 (AUD cents per share)



Company Overview

Coles is an Australian consumer retail supermarket company founded in 1914 and headquartered in Melbourne. The company operates across three core business segments: Supermarkets, Liquor and Others.

Coles' Supermarkets division is its largest business, with over 840 stores nationwide, providing fresh food, groceries, and household essentials. The Liquor division comprises more than 900 outlets (Figure 1).

Coles generates revenue primarily through company-operated stores rather than licensing or franchising. This structure enables Coles to exercise direct control over pricing, product mix, and operations across its store network. While its Liquor and Express businesses provide diversification, Supermarkets account for most sales and earnings.

Revenue by Segments

Coles' three operating segments: Supermarket, Liquor and Others contributed 90.2%, 8.3% and 1.5% of total revenue respectively in FY25 (year-ending June 30) (Figure 2).

The Supermarket segment comprises fresh food, groceries and general merchandise, and includes the Coles Online, Coles Financial Services and Coles 360 retail media services platforms.

The Liquor segment includes brands such as Liquorland and Vintage Cellars and is distributed through both retail and online stores.

The Others segment represent business operations that are not separately reportable, including Property, Coles' equity interest in the Flybuys loyalty program, as well as costs associated with enterprise functions.

Collectively, Coles' brand portfolio includes Coles Group, Coles, Coles Local, Liquorland, First Choice Liquor Market, Vintage Cellars, Liquorland Warehouse and Liquorland Cellars (Figure 3).

FY25 Earnings Highlights

Coles delivered resilient FY25 results despite the 52-week reporting period, with revenue increasing 1.8% to AUD 44.4bn (3.6% normalised), driven by volume-led Supermarkets growth of 4.3% (normalised), partially offset by subdued Liquor performance (+1.1% normalised).

Underlying EBITDA rose 7.5% to AUD 4.1bn (10.7% normalised), reflecting operating leverage and gross margin expansion, with Supermarkets' underlying EBIT margin expanding 21bps to 5.5%, more than offsetting Liquor margin compression.

Reported NPAT declined 3.5% to AUD 1.1bn due to higher financing costs (AUD 541.0mn, +22.4%) and significant items, though underlying NPAT increased 3.1% on a normalised basis.

Operating cash flow strengthened to AUD 4.0bn, supporting elevated capex of AUD 1.3bn related to ADC and digital investments. Lease-adjusted leverage remained moderate at 2.6x with AUD 2.6bn undrawn facilities, underpinning balance sheet resilience and maintaining Coles' solid investment-grade credit profile.

Coles distributed a dividend of 69.0 cents per share for FY25., marking the fifth consecutive year of increasing dividends distributed (Figure 4).

Ownership & Management

Leah Weckert is the Chief Executive Officer and Managing Director of Coles Limited. She assumed the position on 1 May 2023, succeeding Steven Cain, who retired after leading the company since its demerger from Wesfarmers in 2018. Prior to her appointment as CEO, Weckert held several senior roles within Coles. She is Coles' second CEO since its demerger, reflecting stability in leadership compared to peers in the retail industry.

Figure 5: Market Share of Australia's Supermarket (Duopoly)

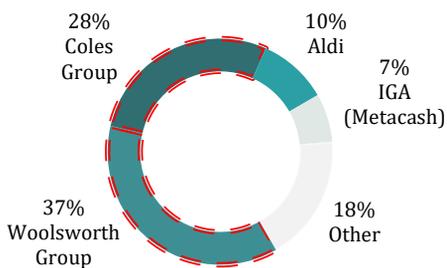


Figure 6: Porter's 5 Forces

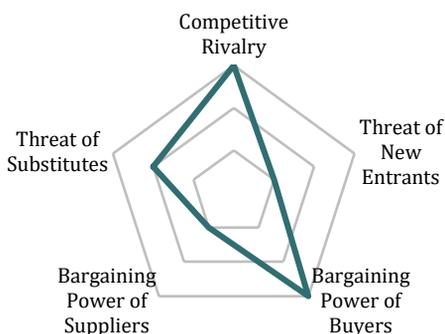


Figure 7: Australia Grocery Market (AUD Bn)

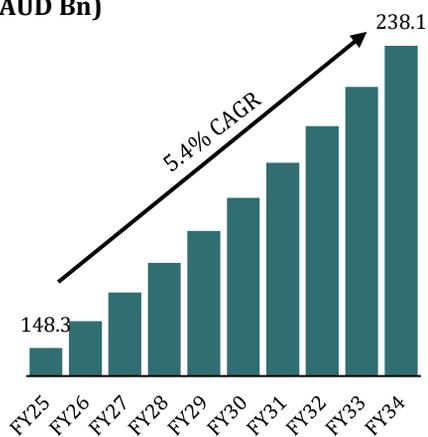
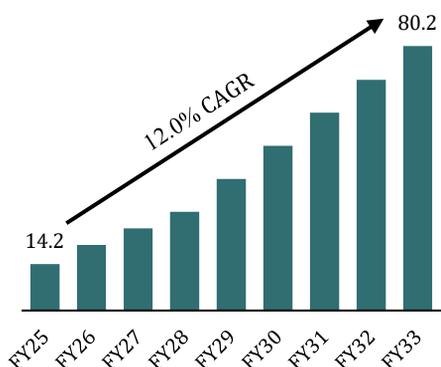


Figure 8: Australia Online Grocery Market (AUD Bn)



Industry Outlook

Coles operates in a mature, highly concentrated Australian supermarket and grocery industry that functions as a rational duopoly (Figure 5) with growing online channels and rising regulatory and cost-of-living pressures. This environment supports relatively stable long-term demand but exposes Coles to margin risk from competition, inflation, and policy intervention.

Market Structure and Concentration

Coles and Woolworths Group together account for approximately two-thirds of Australia's supermarket grocery sales, with Aldi and IGA comprising most of the remaining organised market share. This high level of concentration provides the two leading national chains with substantial buying power and significant economies of scale (Figure 6).

At the same time, Aldi now holds a high single-digit share of the grocery market after opening hundreds of stores nationwide. Its expansion has introduced sustained price pressure in the value segment. In contrast, independent operators such as IGA and specialty grocers remain regionally fragmented, limiting their ability to compete with the major chains on pricing and network reach.

Industry Size and Growth Outlook

The Australian grocery market was valued at about AUD 141.0bn in 2024 and is projected to grow at around 5.4% annually from 2025 to 2034, reaching roughly AUD 238.0bn by 2034 (Figure 7). Growth is underpinned by population increases, stable food demand, and channel expansion into online and convenience formats rather than by volume per capita.

Within this, supermarkets and large-format grocers remain the primary channel for packaged food and everyday essentials, while discount formats and warehouse clubs capture more price-sensitive and bulk-buy segments. The relatively defensive nature of food spending supports resilience through economic cycles, though trading-down and basket-size adjustments are evident during cost-of-living shocks.

Competitive Dynamics and Positioning

Competition between Coles and Woolworths is intense on price, promotions, loyalty programs, and fresh-food quality, shaping most of the industry's strategic moves. Their scale gives them advantaged logistics networks, private-label development capabilities, and national marketing reach, reinforcing barriers to entry for traditional full-line rivals.

Aldi competes primarily on an everyday-low-price, limited-assortment model, forcing Coles and Woolworths to maintain sharp entry-price points and invest in private-label ranges. Online-only and marketplace players such as Amazon and meal-kit providers add incremental competition in selected categories but remain significantly smaller than the two majors in grocery share.

Structural shift to e-commerce

Online grocery and delivery are the fastest-growing parts of the market, supported by consumer demand for convenience and wider assortment. The Australian online grocery and delivery segment was estimated at around AUD 14.0-15.0bn in 2024 and is forecast to grow at about 12.0% annually through 2034, potentially tripling in size (Figure 8).

Coles and Woolworths currently dominate online grocery awareness and sales, leveraging their store networks for click-and-collect and last-mile delivery while investing heavily in automated fulfilment centres. New initiatives such as Aldi's partnership with DoorDash illustrate how rivals are using third-party platforms to narrow the convenience gap and capture incremental share.

Figure 9: Household Disposable Income, Inflation Adjusted

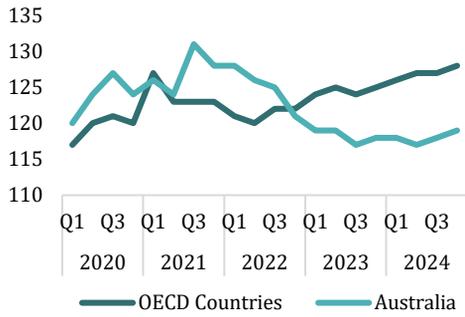


Figure 10: Australia States Served By ADCs

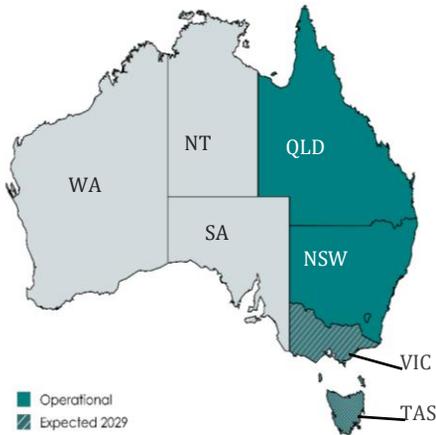
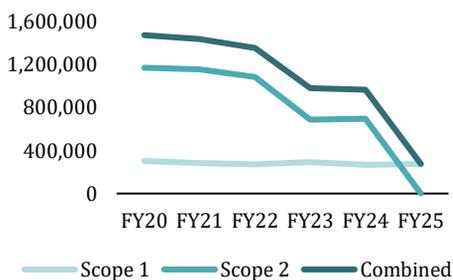


Figure 11: Australia States Served By CFCs



Figure 12: Coles Scope Emissions



Regulation pressure arising from cost-of-living and ESG concerns

The industry has seen heavier regulatory scrutiny over various concerns.

The existing duopoly has led competition regulators to conduct formal inquiries into supermarket pricing, bargaining power with suppliers, and the transparency of loyalty schemes. Recent findings highlight an imbalance of bargaining power between Coles, Woolworths and smaller suppliers, with recommend reforms aimed at fairer contracts. At the same time, elevated food inflation and weak real wage growth (Figure 9) have intensified scrutiny of supermarket margins, heightening reputational and regulatory risk for the sector.

ESG expectations are also rising, with pressure on large chains to reduce emissions across logistics, cut food waste, and improve labour practices, all of which may require additional investment.

Key implications for Coles' credit profile

The duopolistic structure, large and growing market, and defensive demand characteristics provide Coles with strong revenue visibility and scale economies that support cash-flow stability. However, sustained competition on price and loyalty, rapid e-commerce expansion, and ongoing regulatory and cost-of-living scrutiny constrain pricing power and create execution risk around margins and capital spending.

Recent Developments

Coles Achieve 100% Renewable Electricity Target

In August 2025, Coles announced that it has achieved its target of sourcing 100% renewable electricity for its national operations, highlighting positive progress in maintain and improving potential regulatory and reputational risks.

Coles has achieved an 81.3% reduction in combined Scope 1 and 2 greenhouse gas emissions in FY25 from the FY20 baseline and has achieved its target to reduce combined Scope 1 and Scope 2 emissions by more than 75% by the end of FY30 five years ahead of schedule (Figure 12).

Automation and E-Commerce Expansion

Coles Group's recent investments in automation and e-commerce represent a pivotal strategic response to intensifying competition and shifting consumer preferences in Australia's supermarket industry. By committing AUD 880 million to its third Automated Distribution Centre (ADC) in Victoria (Figure 10), Coles is positioning itself to lower costs, enhance service reliability, and capture growth in online grocery sales which are all critical for maintaining market share against rivals like Woolworths and Aldi.

The new Victorian ADC, announced in late 2024, significantly boosts Coles' logistics capacity with about 15% more throughput than its existing facilities. This fully automated hub employs AI-driven robotics to streamline storage, picking, and distribution across Victoria, Tasmania, and beyond, reducing labor costs, shrinkage, and transport inefficiencies inherent in manual warehouses. In a concentrated duopoly market, this upgrade prevents a competitive cost disadvantage and supports Coles' value proposition through better product availability and on-shelf freshness.

Coles has also expanded its e-commerce capabilities through two Customer Fulfilment Centers (CFCs), which are highly automated facilities designed to pack and dispatch online orders directly to customers (Figure 11). These facilities alleviate in-store picking pressures, cut per-order fulfillment costs, and enable next-day delivery in key metros, directly addressing the structural rise of e-commerce in one of the world's fastest-growing online grocery markets.

Figure 13: Profit Margins

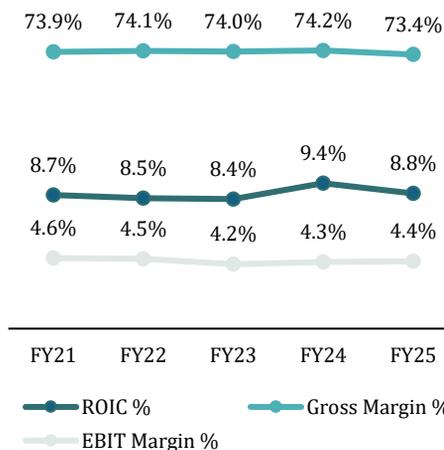


Figure 14: Asset Turnover

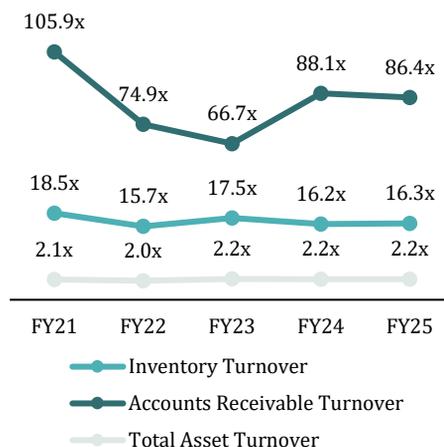


Figure 15: Leverage Ratios

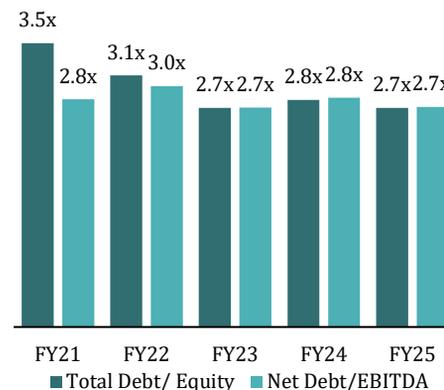
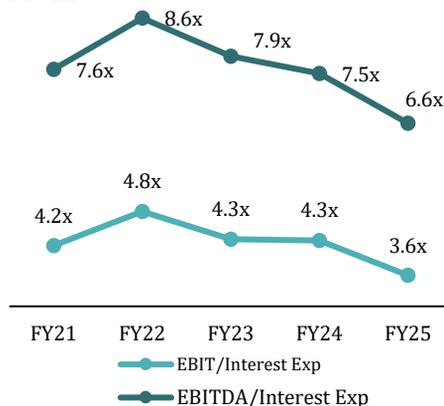


Figure 16: Coles Debt Maturity Profile



Strategic 5 Year Partnership with Microsoft

In November 2024, Coles announced a five-year strategic partnership with Microsoft to accelerate digital transformation and operational efficiency through four key initiatives. First, Coles is building a generative AI platform, Tell Coles, to analyze customer feedback and deliver sentiment insights to store managers. Second, the partnership expands Coles' Intelligent Edge Backbone (IEB) to integrate IoT devices across the supply chain and stores, advancing sustainability goals and customer experiences. Third, Coles is enhancing digital experiences via machine-learning-powered hyper-personalized recommendations across all digital channels. Finally, Coles will automate employee tools to boost efficiency.

Financial Analysis

Coles' financials reflect a business that has remained exceptionally stable and resilient across multiple macro cycles including Covid 19. While many global retailers experienced significant earnings swings during the pandemic, Coles maintained consistent margins, predictable cash flow and disciplined capital management. Even today as Coles embarks on a major investment programme in automation through ADC and CFCs the company continues to demonstrate financial stability supported by strong working capital dynamics, a negative cash conversion cycle and moderate leverage. The overall financial trajectory points to a supermarket leader with defensive earnings and a firm foundation for long term credit strength.

Profitability

Coles' profitability profile is marked by consistency with gross margins anchored around 74.0%. EBIT margins have remained stable despite inflation and supply chain pressures improving from 4.2% in FY23 to 4.4% in FY25. Returns also remain supportive for creditors with ROIC in the high single digits (Figure 13). This stability highlights the defensive nature of grocery retail and Cole's ability to preserve margins even as it invests heavily in automation and digital capabilities. For creditors, this consistency translates into predictable earnings capacity and reliable support for future debt servicing.

Liquidity

Although Coles accounting liquidity ratios appear weak with a current ratio near 0.6x and a quick ratio near 0.2x its underlying liquidity is structurally strong. The company maintains a negative cash conversion cycle of roughly 23-28 days driven by rapid inventory turnover and extended supplier terms. Because most sales occur in cash and receivables are minimal Coles consistently generates cash ahead of its payables schedule (Figure 14). This efficient working capital engine supports daily liquidity requirements and meaningfully reduces the need for large on balance sheet cash buffers. As such Coles is far less exposed to short term liquidity stress than its headline ratios suggest.

Leverage

Coles' capital structure remains moderately leveraged and stable even throughout its period of elevated investment. Total debt to equity improved from 3.5x-2.7x between FY21 and FY25 and net debt to EBITDA remains around 2.7-2.9x which is stronger than Woolworths at 3.2x (Figure 15). The company maintains a well distributed maturity profile with an average tenor of five years and undrawn facilities of AUD 2.6bn (Figure 16). Coles does not rely on equity raising and instead funds expansion through a combination of retained earnings and stable debt levels. This approach supports a balanced and credit friendly capital structure.

Coverage Ratios

Interest coverage has softened slightly due to higher interest costs and the scale up of automation investments but remains comfortably within investment grade territory. EBIT to interest is around 3.6x and EBITDA to interest stands at about 6.6x (Figure 16).

Figure 17: Market Share of Australia Supermarket

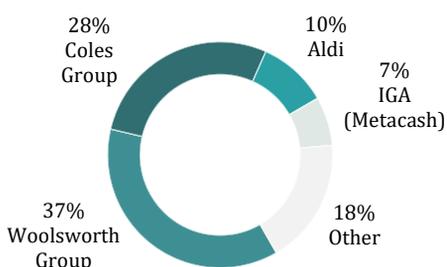


Figure 18: e-Commerce Penetration By Segment

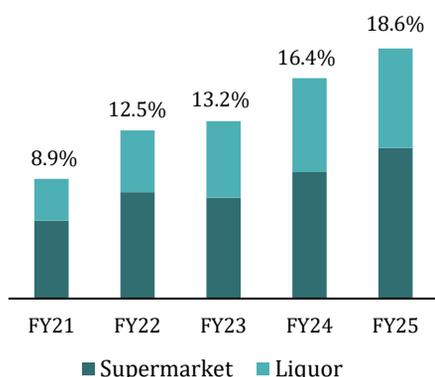
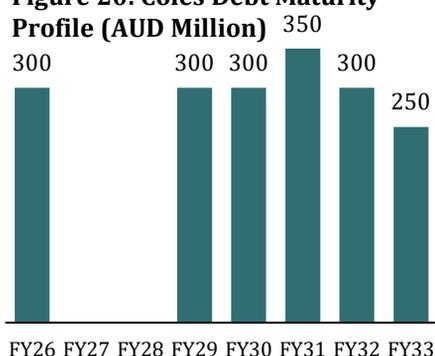


Figure 19: Table Comparison Between Coles and Woolworths

Metric FY25	Coles	Woolworths
EBITDA/Interest Exp	6.55x	5.90x
Net Debt/EBITDA	2.71x	3.2x
Undrawn Facilities	AUD 2.6bn	AUD 2.9bn
Biggest Bond	AUD 350mn	AUD 888mn

Figure 20: Coles Debt Maturity Profile (AUD Million)



Even when considering significant capex Coles maintains 4.0x coverage which demonstrates that free cash flow remains sufficient to service debt. Importantly the softening in coverage is cyclical and linked to the investment phase rather than structural deterioration. As automation assets mature operational efficiency gains should help stabilise and eventually strengthen coverage metrics.

Issuer Credit Analysis

Positives:

1. Digital Expansion Enhances Cash Generation and Traffic Resilience

Coles' position as the second-largest player in the Australian supermarket sector, with a 28.0% market share just behind Woolworths (Figure 17), underscores its substantial scale and competitive relevance. This level of market penetration provides Coles with meaningful bargaining power across its supply chain, enabling more favourable terms with suppliers and greater efficiency in procurement.

In a defensive sector like grocery retail where demand remains relatively stable even during economic downturns, such scale enhances operational resilience and supports consistent cash flow generation, which is a key factor in credit strength.

The company's strategic investments in e-commerce have further bolstered its credit profile. Accelerated by the COVID-19 pandemic, Coles has rapidly expanded its digital capabilities, including online ordering, delivery logistics, and customer engagement platforms. This digital transformation has not only met changing consumer preferences but also positioned Coles to capture a larger share of the growing online grocery market. The consistent year-on-year growth in e-commerce penetration from 8.9% in FY21 to 18.6% in FY25 (Figure 18), reflects the success of these initiatives and signals a durable shift in consumer behaviour that Coles is well-equipped to serve.

Moreover, Coles' strong brand equity plays a pivotal role in customer retention and conversion across both physical and digital channels. The trust and familiarity associated with the Coles brand have translated effectively into its online platforms, where the e-commerce segment has emerged as the fastest-growing part of the business. This growth trajectory enhances revenue diversification and margin potential, while also demonstrating the company's agility in adapting to market shifts. Taken together, these factors reinforce Coles' financial stability and operational robustness, making this a clear credit positive for the company.

2. Superior Debt Coverage and Liquidity Headroom

With reference to Figure 19, Coles demonstrates a stronger debt profile compared to its primary competitor, Woolworths, which is a clear credit positive. The company's net leverage of 2.7x is notably lower than Woolworths' 3.2x, highlighting that Coles has relied on less leverage to generate earnings. This conservative approach to debt management reduces financial risk and enhances balance sheet resilience, positioning Coles more favourably in terms of long-term creditworthiness.

In addition, Coles benefits from a well-structured debt maturity profile. The absence of debt maturities in 2027 and 2028 (Figure 20) reduces refinancing risk in the medium term, while the average maturity of five years provides stability and predictability in capital planning. Complementing this is the company's substantial undrawn facilities of AUD 2.6bn, which offer ample liquidity headroom to fund future developments, strategic investments, or unexpected needs.

Figure 21: Distribution of ADC's. present and constructing

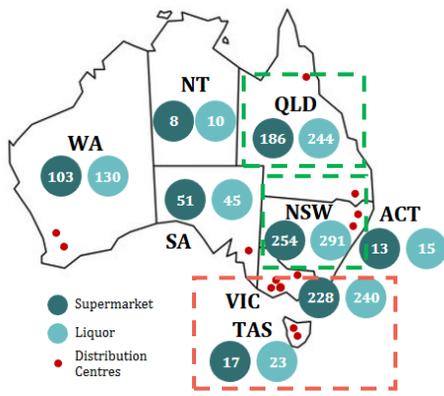


Figure 22: Breakdown of Total Liabilities (FY25)

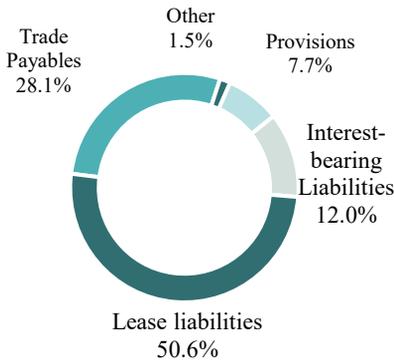


Figure 23: Breakdown of Total Liabilities (FY25, AUD Mn)

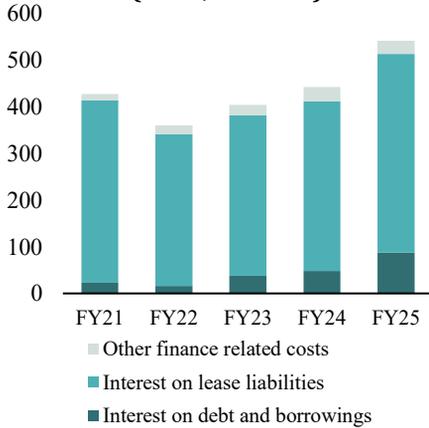
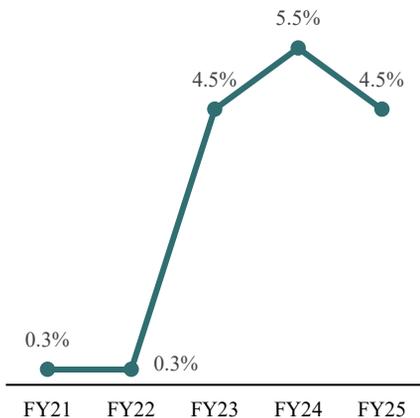


Figure 24: U.S Interest Rates (%)



Equally important is Coles' superior interest coverage ratio. With interest coverage ratio at 6.6x versus Woolworths' 5.9x, Coles demonstrates a stronger ability to service its debt obligations comfortably. This higher coverage ratio reflects robust operating cash flows and provides a significant buffer against potential interest rate hikes or market volatility.

Together, these factors underscore Coles' prudent financial management and strong liquidity position, making its debt coverage and funding flexibility a clear credit positive.

3. Strong Operational Improvements through Strategic Investments

Coles' recent expansion of its automated distribution network highlights a significant step forward in operational efficiency and long-term competitiveness. With the opening of its second ADC in Kemps Creek, New South Wales, Coles now has two fully operational facilities that are designed to deliver a safer, more sustainable, and more efficient supply chain. This investment directly enhances product availability across Queensland and New South Wales, ensuring that customers benefit from improved service levels while Coles reduces costs and operational risks.

The announcement on 31 October 2024 of a third ADC in Truganina, Victoria, further underscores Coles' commitment to strategic investment in infrastructure. Together, these three ADCs represent an AUD 1.9bn long-term capital program (Figure 21) that will fully automate Coles' ambient supply chain across the eastern seaboard. By modernizing and automating its logistics backbone, Coles is positioning itself to achieve significant productivity gains, reduce reliance on manual processes, and strengthen resilience against supply chain disruptions.

From a credit perspective, these investments are positive. It reflects a forward-looking strategy that enhances operational scalability and efficiency, while also embedding sustainability into Coles' core operations. The long-term nature of the ADC program ensures that Coles will reap benefits for decades, supporting consistent cash flow generation and reinforcing its competitive edge in the grocery sector. This combination of efficiency, resilience, and sustainability makes Coles' operational improvements through strategic investments a clear credit positive.

Negatives:

1. High Fixed Cost Base from Lease Liabilities

Coles' operating model is heavily dependent on long-term lease commitments across its extensive store network, which creates a structural rigidity in its cost base. Lease liabilities account for more than 50.0% of the company's total liabilities (Figure 22), underscoring the scale of this obligation. Importantly, the interest expense arising from these leases is more significant than that from traditional debt (Figure 23), meaning that financing costs are structurally elevated. Between FY21 and FY25, when interest rates remained high, these costs rose steadily, further tightening cash flow flexibility (Figure 24).

While the expansion of store numbers has supported revenue growth and market presence, it simultaneously introduces inflexibility. In the event of an economic downturn or a prolonged high-interest rate environment, Coles' cash flows would be constrained by these fixed lease obligations. Unlike variable costs, which can be adjusted in response to weaker demand, lease commitments remain binding, limiting the company's ability to scale down expenses quickly. From a credit perspective, this reliance on long-term leases weakens Coles' financial flexibility and heightens risk, making its high fixed cost base from lease liabilities a clear credit negative.

Although Coles' shift towards expanding its e-commerce operations is unlikely to fully offset margin pressures in a stressed macroeconomic environment, it represents a constructive, forward-looking initiative.

Figure 25: Leverage Ratio FY21 to FY25 (x)

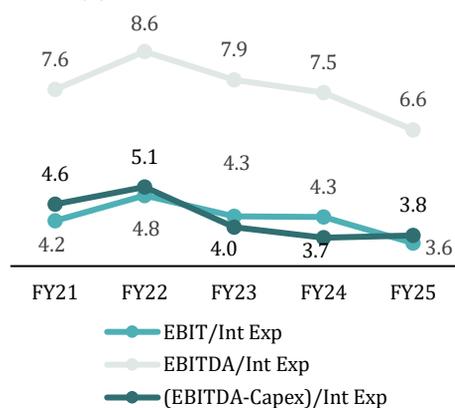


Figure 26: Coles ADC Project Relevant Dates

Projects	Expected Completion Date	Actual Completion Date
NSW ADC	FY2024	FY2025
QLD ADC	FY2024	FY2025
VIC ADC	FY2029	-

Over time, this omnichannel expansion may support incremental cash flow resilience and partially mitigate the structural rigidity of its store-heavy model. As such, although near-term pressures remain, the strategy reflects prudent operational adaptation that is supportive of the company’s broader credit profile.

2. Leverage Ratios have Deteriorated Gradually

Coles’ leverage ratios have all shown a steady decline over the period despite being better than its competitors, signalling a weakening in the company’s financial headroom. While the company’s coverage metrics remain adequate for an investment-grade profile, the downward trajectory (Figure 25) highlights growing vulnerability to earnings volatility and cost inflation pressures.

The gradual erosion of leverage ratios suggests that Coles is becoming increasingly sensitive to shifts in its operating environment. Rising input costs, competitive pressures, or macroeconomic headwinds could further strain profitability, leaving less buffer to absorb shocks. This narrowing of financial flexibility raises concerns about the company’s ability to sustain its current credit profile if adverse conditions persist.

If the trend continues, Coles’ capacity to withstand operational disruptions or higher borrowing costs could be constrained. Such a scenario would pose downside risk to credit quality, as weaker leverage metrics undermine resilience and limit the company’s ability to protect margins and coverage ratios. From a credit perspective, the gradual deterioration of leverage ratios is a clear negative, pointing to heightened sensitivity and reduced flexibility in Coles’ financial structure.

3. Risks from Aggressive Expansion and Investments

Coles’ ambitious automation strategy has introduced notable execution risks, as evidenced by delays and cost escalations in its distribution centre projects (Figure 26). The company had initially expected both centres, developed in partnership with Ocado, to be fully operational earlier, with Kemps Creek slated for completion by FY2024. However, the ramp-up has been slower than anticipated, highlighting challenges in implementing complex automation systems at scale.

In addition to timing setbacks, Coles has incurred higher-than-expected implementation costs, with AUD 85mn recorded in significant items. These overruns have placed pressure on margins and increased capital expenditure requirements, reducing near-term financial flexibility. Such cost escalations underscore the inherent risks of large-scale expansion projects, particularly when they involve advanced technology and long-term infrastructure commitments.

The spotlight now turns to the upcoming ADC project in Truganina, Victoria, where investors and creditors will be closely monitoring execution. Any further delays or cost blowouts could amplify concerns about Coles’ ability to deliver on its automation strategy without eroding profitability or straining its balance sheet. From a credit perspective, these developments highlight the risks associated with aggressive expansion and investments, making them a clear negative for Coles’ financial profile.

However, if Coles can withstand these execution challenges, the automation strategy remains strategically sound over the medium to long term. While near-term implementation risks and capital outlays weigh on margins, successful execution could strengthen operating leverage, support sustainable cost savings, and enhance competitive positioning in an increasingly digital grocery landscape. As such, the current pressures appear transitional rather than structural, and the long-term benefits of automation may ultimately offset the upfront financial strain.

Issuance Analysis

Figure 27: Coles vs UST Yield Curves

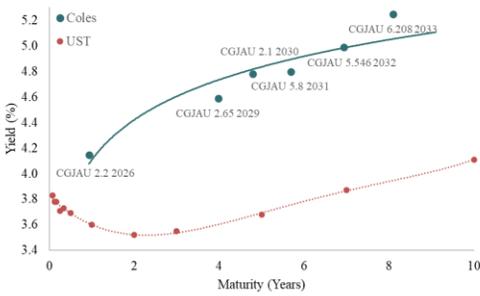
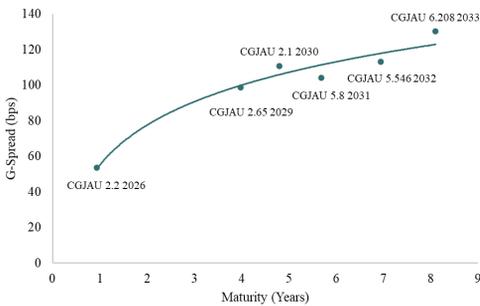


Figure 28: Coles' G-spread Yield Curve



Company's Outstanding Bonds

Coles currently has six outstanding bonds, with maturities ranging from 2026 to 2033, forming a broadly upward sloping yield and G-spread curve. Most bonds are tightly clustered around the curve, indicating consistent market pricing of Coles' credit risk across short- and medium-term maturities.

The key exception is the longest dated bond, CGJAU 6.208 2033, which trades at a significantly wider yield and G-spread relative to the rest of the curve. This suggests that the market is pricing in a disproportionately high premium for long-term credit risk. In our view, this overstates Coles' structural risks and underestimates the long-term benefits arising from automation, supply chain transformation, and superior ESG positioning. This mispricing creates an opportunity via an intra-curve flattening trade.

Underweight CGJAU 2.65 2029

The CGJAU 2.65 2029 bond is selected as the short leg due to its greater exposure to near-term operational and financial pressures. Coles is currently absorbing front loaded costs associated with its ADC and CFC investments, which may constrain free cash flow and interest coverage in the medium term. This makes intermediate maturities more vulnerable to spread widening as investors price in near-term uncertainty.

Additionally, Coles' high fixed cost structure, driven largely by long-term lease obligations, limits cost flexibility in the event of softer consumer demand or margin pressure. Although liquidity remains strong, the market is likely to remain cautious until automation benefits are fully realised. The 2029 bond retains sufficient duration and spread sensitivity to reflect these risks, making it a more effective short than the 2026 bond, which is affected by pull to par effects due to its proximity to maturity.

Overweight CGJAU 6.208 2033

The CGJAU 6.208 2033 bond is identified as the long leg given its exposure to long-term credit improvements that are not yet fully priced. Coles' automation program is expected to deliver operational expenses reductions, improved supply chain efficiency, and more resilient margins. These benefits are inherently back loaded, reducing fundamental credit risk in the long term.

In addition, the 2033 bond offers attractive carry through its relatively high coupon and yield, providing meaningful income while awaiting credit re-rating. This enhances total return potential, particularly in a stabilizing interest rate environment. With inflation moderating, the Reserve Bank of Australia is increasingly focused on policy stability, which is supportive for long duration assets and reinforces the potential for spread compression.

Coles' strong ESG positioning further supports long-end spread compression. The achievement of 100% renewable electricity and significant emissions reductions lowers long-term transition and regulatory risk relative to peers, increasing the attractiveness of Coles' long-term debt to ESG focused investors. Despite these factors, the 2033 bond trades at an elevated G-spread, implying an overly conservative assessment of long-term risk. As operational and ESG benefits materialise, this excess premium is expected to unwind, driving appreciation at the long end of the curve.

Trade Rationale

Taken together, the trade expresses a flattening view on Coles' G-spread curve. By shorting the 2029 bond and going long the 2033 bond, the strategy seeks to take advantage of the convergence of spreads across the curve while minimising exposure to broader interest rate movements. The focus on relative value rather than outright yield direction allows the trade to perform in both rising and falling rate environments.

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Appendix

Coles Group Ltd (ASX: COL)

Live Scenario:

Base

In AUD, unless stated otherwise

Fiscal year end date

	Historical										Forecast						
	FY20A	FY21A	FY22A	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E						
	28/06/20	27/06/21	26/06/22	25/06/23	30/06/24	29/06/25	30/06/26	30/06/27	30/06/28	30/06/29	30/06/30						
Income Statement																	
Revenue	37,784.0	38,955.0	38,341.0	40,591.0	43,684.0	44,487.0	46,770.9	49,378.5	52,385.3	55,885.8	59,980.4						
Total Revenue	37,784.0	38,955.0	38,341.0	40,591.0	43,684.0	44,487.0	46,770.9	49,378.5	52,385.3	55,885.8	59,980.4						
COGS	(28,043.0)	(28,773.0)	(28,396.0)	(30,034.0)	(32,392.0)	(32,649.0)	(34,585.1)	(36,266.5)	(38,212.9)	(40,487.0)	(43,166.4)						
Gross Profit	9,741.0	10,182.0	9,945.0	10,557.0	11,292.0	11,838.0	12,185.7	13,112.0	14,172.4	15,398.8	16,814.0						
Operating Costs	(5,420.0)	(5,605.0)	(5,505.0)	(5,892.0)	(6,410.0)	(6,758.0)	(6,818.5)	(6,951.8)	(7,113.1)	(7,309.0)	(7,546.9)						
Depreciation and Amortisation	(1,440.0)	(1,513.0)	(1,385.0)	(1,461.0)	(1,398.0)	(1,569.0)	(1,817.3)	(1,985.1)	(2,163.2)	(2,353.1)	(2,557.1)						
Other Administration Expenses	(1,221.0)	(1,274.0)	(1,307.0)	(1,495.0)	(1,574.0)	(1,561.0)	(1,614.1)	(1,704.0)	(1,807.8)	(1,928.6)	(2,075.0)						
Other Income (Expenses)	108.0	88.0	86.0	132.0	165.0	132.0	141.3	149.1	158.2	168.8	181.2						
Share of Profit (Loss) from Equity Accounted Investments	(6.0)	(5.0)	(7.0)	(13.0)	(18.0)	(5.0)	(10.2)	(10.8)	(11.5)	(12.2)	(13.1)						
Total Operating Expenses	(7,979.0)	(8,309.0)	(8,118.0)	(8,698.0)	(9,235.0)	(9,761.0)	(10,118.8)	(10,502.6)	(10,937.4)	(11,434.3)	(12,006.5)						
EBIT	1,762.0	1,873.0	1,827.0	1,859.0	2,057.0	2,077.0	2,066.9	2,609.4	3,234.9	3,964.6	4,825.5						
Interest Expense	(443.0)	(427.0)	(360.0)	(394.0)	(442.0)	(541.0)	(545.5)	(524.8)	(504.8)	(473.9)	(422.0)						
EBT	1,319.0	1,446.0	1,467.0	1,465.0	1,615.0	1,536.0	1,521.4	2,084.6	2,730.1	3,490.6	4,403.6						
Income Tax	(341.0)	(441.0)	(422.0)	(423.0)	(487.0)	(457.0)	(441.0)	(604.2)	(791.3)	(1,011.7)	(1,276.3)						
Earnings from Discontinued Operations	-	-	3.0	56.0	(10.0)	-	9.6	10.1	10.7	11.4	12.3						
Net Profit	978.0	1,005.0	1,048.0	1,098.0	1,118.0	1,079.0	1,090.1	1,490.5	1,949.6	2,490.4	3,139.6						
Balance Sheet																	
ASSETS																	
Current Assets																	
Cash and Cash Equivalents	992.0	787.0	589.0	597.0	675.0	705.0	701.6	798.2	1,007.3	1,162.0	1,257.0						
Trade and Other Receivables	434.0	368.0	470.0	605.0	496.0	487.0	548.8	579.4	614.6	655.7	704.0						
Inventories	2,166.0	2,107.0	2,448.0	2,323.0	2,703.0	2,733.0	2,473.6	2,908.4	3,064.5	3,246.9	3,461.8						
Other Current Assets	187.0	172.0	244.0	227.0	112.0	253.0	230.5	243.4	258.2	275.4	295.7						
Total Current Assets	3,779.0	3,434.0	3,751.0	3,752.0	3,986.0	4,178.0	4,254.4	4,529.4	4,944.7	5,340.0	5,718.4						
Non-current Assets																	
ROU Assets	7,660.0	7,288.0	7,199.0	6,507.0	7,048.0	6,942.0	6,850.8	6,726.2	6,569.6	6,383.1	6,169.6						
Property, Plant and Equipment	4,127.0	4,463.0	4,807.0	4,985.0	5,619.0	5,866.0	6,184.3	6,499.6	6,817.3	7,144.2	7,489.1						
Intangible Assets	1,597.0	1,698.0	1,864.0	2,035.0	2,203.0	2,246.0	2,270.4	2,278.7	2,271.5	2,249.9	2,215.2						
Equity Accounted Investments	217.0	220.0	219.0	220.0	225.0	240.0	240.0	240.0	240.0	240.0	240.0						
Deferred Tax Assets	849.0	873.0	822.0	740.0	717.0	671.0	640.8	611.9	584.4	558.1	532.9						
Other Non-current Assets	120.0	147.0	174.0	53.0	72.0	151.0	139.0	146.8	155.7	166.1	178.4						
Total Non-current Assets	14,570.0	14,689.0	15,085.0	14,540.0	15,884.0	16,116.0	16,325.3	16,503.2	16,638.5	16,741.4	16,825.2						
Total Assets	18,349.0	18,123.0	18,836.0	18,292.0	19,870.0	20,294.0	20,579.7	21,032.6	21,583.1	22,081.4	22,543.7						
LIABILITIES																	
Current Liabilities																	
Trade and Other Payables	3,737.0	3,660.0	4,335.0	4,434.0	4,584.0	4,637.0	4,866.7	5,103.3	5,377.2	5,697.2	6,074.2						
Lease Liabilities, Current Portion	855.0	897.0	914.0	820.0	911.0	928.0	869.9	859.1	841.7	816.2	781.0						
Borrowings, Current Portion	-	-	-	-	-	150.0	379.1	229.6	229.6	303.9	169.8						
Other Current Liabilities	1,059.0	1,262.0	1,166.0	1,154.0	1,276.0	1,141.0	1,337.3	1,433.0	1,520.2	1,621.8	1,741.2						
Total Current Assets	5,681.0	5,819.0	6,415.0	6,408.0	6,771.0	6,856.0	7,473.0	7,625.0	7,968.8	8,439.2	8,766.2						
Non-current Liabilities																	
Lease Liabilities, Long-term Portion	8,198.0	7,859.0	7,767.0	7,029.0	7,506.0	7,415.0	7,426.5	7,334.6	7,186.0	6,968.2	6,667.5						
Borrowings, Long-term Portion	1,354.0	1,142.0	1,095.0	1,118.0	1,652.0	1,834.0	1,133.3	1,067.7	940.2	669.6	499.7						
Other Non-current Liabilities	501.0	490.0	435.0	381.0	324.0	383.0	487.9	515.2	546.5	583.0	625.9						
Total Non-current Assets	10,053.0	9,491.0	9,297.0	8,528.0	9,482.0	9,632.0	9,047.8	8,917.4	8,672.7	8,220.8	7,793.1						
Total Liabilities	15,734.0	15,310.0	15,712.0	14,936.0	16,253.0	16,488.0	16,520.8	16,542.5	16,641.4	16,659.9	16,559.4						
SHAREHOLDERS' EQUITY																	
Common Stock	1,611.0	1,585.0	1,636.0	1,644.0	1,672.0	1,704.0	1,761.6	1,925.5	2,027.7	2,061.0	2,061.0						
Retained Earning	961.0	1,159.0	1,393.0	1,996.0	1,842.0	1,996.0	2,191.4	2,458.6	2,808.0	3,254.4	3,817.2						
Reserves	43.0	69.0	95.0	104.0	103.0	106.0	106.0	106.0	106.0	106.0	106.0						
Total Equity	2,615.0	2,813.0	3,124.0	3,356.0	3,617.0	3,806.0	4,058.9	4,490.1	4,941.7	5,421.4	5,984.2						
Total Liabilities and Equity	18,349.0	18,123.0	18,836.0	18,292.0	19,870.0	20,294.0	20,579.7	21,032.6	21,583.1	22,081.4	22,543.7						
Cash Flow Statement																	
Cash Flow from Operating Activities																	
Net Income	978.0	1,005.0	1,048.0	1,098.0	1,118.0	1,079.0	1,090.1	1,490.5	1,949.6	2,490.4	3,139.6						
Adjustments																	
Depreciation and Amortization	1,495.0	1,559.0	1,571.0	1,558.0	1,602.0	1,829.0	1,817.3	1,985.1	2,163.2	2,353.1	2,557.1						
Other Non-cash Add-backs	(28.0)	29.0	15.0	26.0	83.0	31.0	-	-	-	-	-						
Changes in Operating Working Capital																	
Changes in Trade and Other Receivables	(78.0)	66.0	(102.0)	(135.0)	119.0	18.0	(61.8)	(30.6)	(35.3)	(41.1)	(48.3)						
Changes in Inventories	(201.0)	59.0	(341.0)	39.0	(372.0)	(30.0)	(40.6)	(134.8)	(156.1)	(182.4)	(214.9)						
Changes in Trade and Other Payables	339.0	(77.0)	675.0	102.0	162.0	85.0	229.7	236.6	273.9	320.0	377.0						
Changes in Other Operating Items																	
Changes in Equity Accounted Investments	6.0	5.0	7.0	13.0	18.0	5.0	-	-	-	-	-						
Changes in Deferred Tax Assets	(121.0)	(24.0)	51.0	46.0	24.0	43.0	30.2	28.9	27.6	26.3	25.1						
Changes in Other Operating Assets	15.0	(19.0)	(143.0)	99.0	58.0	(102.0)	34.5	(20.6)	(23.8)	(27.7)	(32.5)						
Changes in Other Operating Liabilities	147.0	234.0	(91.0)	(39.0)	(19.0)	(22.0)	321.3	102.9	118.6	138.1	162.3						
Cash Flow from Operating Activities	2,552.0	2,837.0	2,690.0	2,807.0	2,793.0	2,936.0	3,420.6	3,657.9	4,317.7	5,078.8	5,965.4						
Cash Flow from Investing Activities																	
Additions to Property, Plant and Equipment	(833.0)	(1,279.0)	(1,272.0)	(1,514.0)	(1,671.0)	(1,487.0)	(1,075.1)	(1,135.1)	(1,204.2)	(1,284.6)	(1,379.2)						
Additions to Intangible Assets	-	-	-	-	-	-	(323.7)	(341.7)	(362.5)	(386.7)	(415.2)						
Other Net Proceeds (Spending)	175.0	173.0	130.0	514.0	158.0	123.0	-	-	-	-	-						
Cash Flow from Investing Activities	(658.0)	(1,106.0)	(1														

Appendix

Coles Group Ltd (ASX: COL)

Live Scenario:

# days	Base Units	Historicals				
		2021A	2022A	2023A	2024A	2025A
		365	365	365	366	365

Ratio Analysis

Profitability

Return on Assets %	%	5.5%	5.6%	6.0%	5.6%	5.3%
Return on Invested Capital %	%	8.7%	8.5%	8.4%	9.4%	8.8%
Return on Equity %	%	37.0%	35.2%	32.2%	32.4%	29.1%

Margin Analysis

Gross Margin %	%	73.9%	74.1%	74.0%	74.2%	73.4%
EBITDA Margin %	%	8.3%	8.1%	7.6%	7.6%	8.0%
EBIT Margin %	%	4.6%	4.5%	4.2%	4.3%	4.4%
Net Income Margin %	%	2.6%	2.7%	2.7%	2.6%	2.4%
Levered Free Cash Flow Margin %	%	3.7%	3.0%	2.4%	2.4%	2.3%
Unlevered Free Cash Flow Margin %	%	4.4%	3.6%	3.0%	3.0%	3.0%

Asset Turnover

Total Asset Turnover	x	2.1x	2.0x	2.2x	2.2x	2.2x
Fixed Asset Turnover	x	2.7x	2.5x	2.8x	2.8x	2.8x
Accounts Receivable Turnover	x	105.9x	74.9x	66.7x	88.1x	86.4x
Inventory Turnover	x	18.5x	15.7x	17.5x	16.2x	16.3x

Liquidity

Current Ratio	x	0.6x	0.6x	0.6x	0.6x	0.6x
Quick Ratio	x	0.2x	0.2x	0.2x	0.2x	0.2x
Avg. Days Sales Out.	Days	3.4 days	4.9 days	5.5 days	4.2 days	4.2 days
Avg. Days Inventory Out.	Days	19.7 days	23.3 days	20.9 days	22.6 days	22.4 days
Avg. Days Payable Out.	Days	46.4 days	55.7 days	53.9 days	51.8 days	51.8 days
Avg. Cash Conversion Cycle	Days	(23.2) days	(27.5) days	(27.5) days	(25.0) days	(25.2) days

Solvency

Total Debt/Equity		3.52x	3.13x	2.67x	2.78x	2.71x
LT Debt/Equity		3.20x	2.84x	2.43x	2.53x	2.43x
Total Liabilities/Total Assets		0.84x	0.83x	0.82x	0.82x	0.81x

Coverage

EBIT / Interest Exp.		4.18x	4.84x	4.30x	4.28x	3.60x
EBITDA / Interest Exp.		7.60x	8.59x	7.85x	7.52x	6.55x
(EBITDA-CAPEX) / Interest Exp.		4.61x	5.06x	4.01x	3.74x	3.80x
Total Debt/EBITDA		3.05x	3.16x	2.90x	3.03x	2.91x
Net Debt/EBITDA		2.81x	2.97x	2.71x	2.83x	2.71x

Appendix

Coles Group Ltd (ASX: COL)

Live Scenario: In AUD, unless stated otherwise Fiscal year end date	Base	Historical					Forecast				
		FY21A	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
		28/06/21	27/06/22	26/06/23	25/06/24	30/06/25	29/06/25	30/06/26	30/06/27	30/06/28	30/06/29
Revenues											
Revenues		38,955.0	38,341.0	40,591.0	43,684.0	44,487.0	46,770.9	49,378.5	52,385.3	55,885.8	59,998.4
joy growth (%)			-2%	6%	8%	2%	5%	6%	6%	7%	7%
Total Number of retail stores											
Total Net Additions					856.0	860.0	868.0	876.0	884.0	892.0	900.0
Total Number of liquor stores					992.0	998.0	998.0	998.0	998.0	998.0	998.0
Total Net Additions						6.0	-	-	-	-	-
Revenue by segment											
By Channel											
Supermarket					45,609,813.08	46,496,511.63	48,598,534.88	51,028,589.93	53,863,017.24	57,196,714.63	
Retail					39,042.0	39,987.0	42,183.5	44,701.0	47,614.9	51,019.5	55,032.9
eCommerce					3,700.0	4,500.0					
Liquor Stores					3,692.0	3,667.0	3,754.3	3,844.4	3,937.4	4,033.4	4,132.5
Retail					3,437.0	3,398.0					
eCommerce					255.0	269.0					
Other					950.0	833.0	833.0	833.0	833.0	833.0	833.0
Total					43,684.0	44,487.0	46,770.9	49,378.5	52,385.3	55,885.8	59,998.4
Supermarket											
Western Australia (WA)											
Number of Stores					101.0	103.0	104.0	105.0	106.0	107.0	108.0
Net Addition of Stores							1.0	1.0	1.0	1.0	1.0
Bull							2.0	2.0	2.0	2.0	2.0
Base							1.0	1.0	1.0	1.0	1.0
Bear							-	-	-	-	-
% of WA revenue					12%	12%	12%	12%	12%	12%	12%
Retail											
Implied revenue from retail					4,170.0	4,250.2	4,377.3	4,507.8	4,641.7	4,779.2	4,920.3
Implied revenue from retail per store					41.3	41.3	42.1	42.9	43.8	44.7	45.6
Growth					2%	2%	2%	2%	2%	2%	2%
Bull							3%	3%	3%	3%	3%
Base							2%	2%	2%	2%	2%
Bear							2%	2%	2%	2%	2%
eCommerce											
Implied revenue from eCommerce					436.6	539.0	677.0	850.2	1,067.8	1,340.8	1,683.6
Implied revenue from eCommerce per store					4.3	5.2	6.5	8.1	10.1	12.5	15.6
eCommerce Penetration Growth							24%	24%	24%	24%	24%
Bull							24%	24%	24%	24%	24%
Base							24%	24%	24%	24%	24%
Bear							24%	24%	24%	24%	24%
Total WA					4,606.6	4,789.1	5,054.2	5,358.0	5,709.5	6,120.0	6,603.9
Northern Territory (NT)											
Number of Stores					8.0	8.0	9.0	10.0	11.0	12.0	13.0
Net Addition of Stores							1.0	1.0	1.0	1.0	1.0
Bull							2.0	2.0	2.0	2.0	2.0
Base							1.0	1.0	1.0	1.0	1.0
Bear							-	-	-	-	-
% of WA revenue					1%	1%	1%	1%	1%	1%	1%
Retail											
Implied revenue from retail					330.3	330.1	378.8	429.3	481.7	536.0	592.3
Implied revenue from retail per store					41.3	41.3	42.1	42.9	43.8	44.7	45.6
Growth					2%	2%	2%	2%	2%	2%	2%
Bull							3%	3%	3%	3%	3%
Base							2%	2%	2%	2%	2%
Bear							2%	2%	2%	2%	2%
eCommerce											
Implied revenue from eCommerce					34.6	41.9	58.6	81.0	110.8	150.4	202.7
Implied revenue from eCommerce per store					4.3	5.2	6.5	8.1	10.1	12.5	15.6
eCommerce Penetration Growth							24%	24%	24%	24%	24%
Bull							24%	24%	24%	24%	24%
Base							24%	24%	24%	24%	24%
Bear							24%	24%	24%	24%	24%
Total NT					364.9	372.0	437.4	510.3	592.5	686.4	794.9
Queensland (QLD)											
Number of Stores					185.0	186.0	187.0	188.0	189.0	190.0	191.0
Net Addition of Stores							1.0	1.0	1.0	1.0	1.0
Bull							2.0	2.0	2.0	2.0	2.0
Base							1.0	1.0	1.0	1.0	1.0
Bear							-	-	-	-	-
% of WA revenue					22%	22%	22%	21%	21%	21%	21%
Retail											
Implied revenue from retail					7,638.2	7,675.1	7,870.7	8,071.0	8,276.2	8,486.4	8,701.7
Implied revenue from retail per store					41.3	41.3	42.1	42.9	43.8	44.7	45.6
Growth					2%	2%	2%	2%	2%	2%	2%
Bull							3%	3%	3%	3%	3%
Base							2%	2%	2%	2%	2%
Bear							2%	2%	2%	2%	2%
eCommerce											
Implied revenue from eCommerce					799.6	973.3	1,217.2	1,522.3	1,903.9	2,380.9	2,977.5
Implied revenue from eCommerce per store					4.3	5.2	6.5	8.1	10.1	12.5	15.6
eCommerce Penetration Growth							24%	24%	24%	24%	24%
Bull							24%	24%	24%	24%	24%
Base							24%	24%	24%	24%	24%
Bear							24%	24%	24%	24%	24%
Total QLD					8,437.8	8,648.4	9,087.9	9,593.4	10,180.1	10,867.4	11,679.2

Appendix

Coles Group Ltd (ASX: COL)

Live Scenario: In AUD, unless stated otherwise Fiscal year end date	Base	Historical					Forecast				
		FY21A	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
		28/06/21	27/06/22	26/06/23	25/06/24	30/06/25	29/06/25	30/06/26	30/06/27	30/06/28	30/06/29
New South Wales (NSW)											
Number of Stores				253.0	254.0	255.0	256.0	257.0	258.0	259.0	
Net Addition of Stores							1.0	1.0	1.0	1.0	1.0
Bull							2.0	2.0	2.0	2.0	2.0
Base							1.0	1.0	1.0	1.0	1.0
Bear							-	-	-	-	-
% of WA revenue				30%	30%	29%	29%	29%	29%	29%	29%
Retail											
Implied revenue from retail				10,445.7	10,481.0	10,732.8	10,990.3	11,253.9	11,523.7	11,799.7	
Implied revenue from retail per store				41.3	41.3	42.1	42.9	43.8	44.7	45.6	
Growth							2%	2%	2%	2%	2%
Bull							3%	3%	3%	3%	3%
Base							2%	2%	2%	2%	2%
Bear							2%	2%	2%	2%	2%
eCommerce											
Implied revenue from eCommerce				1,093.6	1,329.1	1,659.9	2,073.0	2,588.9	3,233.1	4,037.5	
Implied revenue from eCommerce per store				4.3	5.2	6.5	8.1	10.1	12.5	15.6	
eCommerce Penetration Growth							24%	24%	24%	24%	24%
Bull							24%	24%	24%	24%	24%
Base							24%	24%	24%	24%	24%
Bear							24%	24%	24%	24%	24%
Total NSW				11,539.3	11,810.1	12,392.6	13,063.3	13,842.8	14,756.8	15,837.2	
Australian Capital Territory (ACT)											
Number of Stores				13.0	13.0	14.0	15.0	16.0	17.0	18.0	
Net Addition of Stores							1.0	1.0	1.0	1.0	1.0
Bull							2.0	2.0	2.0	2.0	2.0
Base							1.0	1.0	1.0	1.0	1.0
Bear							-	-	-	-	-
% of WA revenue				2%	2%	2%	2%	2%	2%	2%	2%
Retail											
Implied revenue from retail				536.7	536.4	589.2	644.0	700.6	759.3	820.1	
Implied revenue from retail per store				41.3	41.3	42.1	42.9	43.8	44.7	45.6	
Growth							2%	2%	2%	2%	2%
Bull							3%	3%	3%	3%	3%
Base							2%	2%	2%	2%	2%
Bear							2%	2%	2%	2%	2%
eCommerce											
Implied revenue from eCommerce				56.2	68.0	91.1	121.5	161.2	213.0	280.6	
Implied revenue from eCommerce per store				4.3	5.2	6.5	8.1	10.1	12.5	15.6	
eCommerce Penetration Growth							24%	24%	24%	24%	24%
Bull							24%	24%	24%	24%	24%
Base							24%	24%	24%	24%	24%
Bear							24%	24%	24%	24%	24%
Total ACT				592.9	604.5	680.4	765.4	861.8	972.3	1,100.7	
Victoria (VIC)											
Number of Stores				226.0	228.0	229.0	230.0	231.0	232.0	233.0	
Net Addition of Stores							1.0	1.0	1.0	1.0	1.0
Bull							2.0	2.0	2.0	2.0	2.0
Base							1.0	1.0	1.0	1.0	1.0
Bear							-	-	-	-	-
% of WA revenue				26%	27%	26%	26%	26%	26%	26%	26%
Retail											
Implied revenue from retail				9,330.9	9,408.2	9,638.4	9,874.1	10,115.4	10,362.4	10,615.2	
Implied revenue from retail per store				41.3	41.3	42.1	42.9	43.8	44.7	45.6	
Growth							2%	2%	2%	2%	2%
Bull							3%	3%	3%	3%	3%
Base							2%	2%	2%	2%	2%
Bear							2%	2%	2%	2%	2%
eCommerce											
Implied revenue from eCommerce				976.9	1,193.0	1,490.6	1,862.4	2,327.0	2,907.3	3,632.2	
Implied revenue from eCommerce per store				4.3	5.2	6.5	8.1	10.1	12.5	15.6	
eCommerce Penetration Growth							24%	24%	24%	24%	24%
Bull							24%	24%	24%	24%	24%
Base							24%	24%	24%	24%	24%
Bear							24%	24%	24%	24%	24%
Total VIC				10,307.8	10,601.2	11,129.1	11,736.6	12,442.4	13,269.6	14,247.4	

Appendix

Coles Group Ltd (ASX: COL)

Live Scenario: In AUD, unless stated otherwise Fiscal year end date	Base	Historical					Forecast				
		FY21A	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
		28/06/21	27/06/22	26/06/23	25/06/24	30/06/25	29/06/25	30/06/26	30/06/27	30/06/28	30/06/29
Tasmania (TAS)											
Number of Stores				17.0	17.0	18.0	19.0	20.0	21.0	22.0	
Net Addition of Stores						1.0	1.0	1.0	1.0	1.0	
Bull						2.0	2.0	2.0	2.0	2.0	
Base						1.0	1.0	1.0	1.0	1.0	
Bear						-	-	-	-	-	
% of WA revenue			2%	2%	2%	2%	2%	2%	2%	2%	
Retail											
Implied revenue from retail			701.9	701.5	757.6	815.7	875.8	938.0	1,002.3		
Implied revenue from retail per store			41.3	41.3	42.1	42.9	43.8	44.7	45.6		
Growth					2%	2%	2%	2%	2%		
Bull					3%	3%	3%	3%	3%		
Base					2%	2%	2%	2%	2%		
Bear					2%	2%	2%	2%	2%		
eCommerce											
Implied revenue from eCommerce			73.5	89.0	117.2	153.9	201.5	263.2	343.0		
Implied revenue from eCommerce per store			4.3	5.2	6.5	8.1	10.1	12.5	15.6		
eCommerce Penetration Growth					24%	24%	24%	24%	24%		
Bull					24%	24%	24%	24%	24%		
Base					24%	24%	24%	24%	24%		
Bear					24%	24%	24%	24%	24%		
Total TAS			775.4	790.4	874.8	969.5	1,077.3	1,201.1	1,345.2		
South Australia (SA)											
Number of Stores				53.0	51.0	52.0	53.0	54.0	55.0	56.0	
Net Addition of Stores						1.0	1.0	1.0	1.0	1.0	
Bull						2.0	2.0	2.0	2.0	2.0	
Base						1.0	1.0	1.0	1.0	1.0	
Bear						-	-	-	-	-	
% of WA revenue			6%	6%	6%	6%	6%	6%	6%	6%	
Retail											
Implied revenue from retail			2,188.2	2,104.5	2,188.6	2,275.3	2,364.6	2,456.6	2,551.3		
Implied revenue from retail per store			41.3	41.3	42.1	42.9	43.8	44.7	45.6		
Growth					2%	2%	2%	2%	2%		
Bull					3%	3%	3%	3%	3%		
Base					2%	2%	2%	2%	2%		
Bear					2%	2%	2%	2%	2%		
eCommerce											
Implied revenue from eCommerce			229.1	266.9	338.5	429.2	544.0	689.2	873.0		
Implied revenue from eCommerce per store			4.3	5.2	6.5	8.1	10.1	12.5	15.6		
eCommerce Penetration Growth					24%	24%	24%	24%	24%		
Bull					24%	24%	24%	24%	24%		
Base					24%	24%	24%	24%	24%		
Bear					24%	24%	24%	24%	24%		
Total SA			2,417.3	2,371.3	2,527.1	2,704.5	2,908.6	3,145.8	3,424.3		
Total Supermarket Revenue			39,042.0	39,987.0	42,183.5	44,701.0	47,614.9	51,019.5	55,032.9		

Appendix

Coles Group Ltd (ASX: COL)

Live Scenario: In AUD, unless stated otherwise Fiscal year end date	Base	Historical					Forecast				
		FY21A	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
		28/06/21	27/06/22	26/06/23	25/06/24	30/06/25	29/06/25	30/06/26	30/06/27	30/06/28	30/06/29
Liquor											
Western Australia (WA)											
Number of Stores				129.0	130.0	130.0	130.0	130.0	130.0	130.0	130.0
Net Addition of Stores											
Bull						1.0	1.0	1.0	1.0	1.0	1.0
Base						-	-	-	-	-	-
Bear						-	-	-	-	-	-
% of WA revenue				13%	13%	13%	13%	13%	13%	13%	13%
Retail											
Implied revenue from retail				446.9	442.6	451.5	460.5	469.7	479.1	488.7	
Implied revenue from retail per store				3.5	3.4	3.5	3.5	3.6	3.7	3.8	
Growth						2%	2%	2%	2%	2%	
Bull						3%	3%	3%	3%	3%	
Base						2%	2%	2%	2%	2%	
Bear						2%	2%	2%	2%	2%	
eCommerce											
Implied revenue from eCommerce				33.2	35.0	37.6	40.3	43.2	46.3	49.6	
Implied revenue from eCommerce per store				0.3	0.3	0.3	0.3	0.3	0.4	0.4	
eCommerce Penetration Growth						7%	7%	7%	7%	7%	
Bull						7%	7%	7%	7%	7%	
Base						7%	7%	7%	7%	7%	
Bear						7%	7%	7%	7%	7%	
Total WA				480.1	477.7	489.0	500.8	512.9	525.4	538.3	
Northern Territory (NT)											
Number of Stores				10.0	10.0	10.0	10.0	10.0	10.0	10.0	
Net Addition of Stores											
Bull						1.0	1.0	1.0	1.0	1.0	
Base						-	-	-	-	-	
Bear						-	-	-	-	-	
% of WA revenue				1%	1%	1%	1%	1%	1%	1%	
Retail											
Implied revenue from retail				34.6	34.0	34.7	35.4	36.1	36.9	37.6	
Implied revenue from retail per store				3.5	3.4	3.5	3.5	3.6	3.7	3.8	
Growth						2%	2%	2%	2%	2%	
Bull						3%	3%	3%	3%	3%	
Base						2%	2%	2%	2%	2%	
Bear						2%	2%	2%	2%	2%	
eCommerce											
Implied revenue from eCommerce				2.6	2.7	2.9	3.1	3.3	3.6	3.8	
Implied revenue from eCommerce per store				0.3	0.3	0.3	0.3	0.3	0.4	0.4	
eCommerce Penetration Growth						7%	7%	7%	7%	7%	
Bull						7%	7%	7%	7%	7%	
Base						7%	7%	7%	7%	7%	
Bear						7%	7%	7%	7%	7%	
Total NT				37.2	36.7	37.6	38.5	39.5	40.4	41.4	
Queensland (QLD)											
Number of Stores				245.0	244.0	244.0	244.0	244.0	244.0	244.0	
Net Addition of Stores											
Bull						1.0	1.0	1.0	1.0	1.0	
Base						-	-	-	-	-	
Bear						-	-	-	-	-	
% of WA revenue				25%	24%	28%	28%	28%	27%	27%	
Retail											
Implied revenue from retail				848.9	830.8	847.4	864.3	881.6	899.3	917.2	
Implied revenue from retail per store				3.5	3.4	3.5	3.5	3.6	3.7	3.8	
Growth						2%	2%	2%	2%	2%	
Bull						3%	3%	3%	3%	3%	
Base						2%	2%	2%	2%	2%	
Bear						2%	2%	2%	2%	2%	
eCommerce											
Implied revenue from eCommerce				63.0	65.8	70.5	75.6	81.0	86.9	93.1	
Implied revenue from eCommerce per store				0.3	0.3	0.3	0.3	0.3	0.4	0.4	
eCommerce Penetration Growth						7%	7%	7%	7%	7%	
Bull						7%	7%	7%	7%	7%	
Base						7%	7%	7%	7%	7%	
Bear						7%	7%	7%	7%	7%	
Total QLD				911.8	896.5	917.9	939.9	962.6	986.1	1,010.3	

Appendix

Coles Group Ltd (ASX: COL)

Live Scenario: In AUD, unless stated otherwise Fiscal year end date	Base	Historical					Forecast				
		FY21A	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
		28/06/21	27/06/22	26/06/23	25/06/24	30/06/25	29/06/25	30/06/26	30/06/27	30/06/28	30/06/29
New South Wales (NSW)											
Number of Stores				287.0	291.0	291.0	291.0	291.0	291.0	291.0	291.0
Net Addition of Stores											
Bull						1.0	1.0	1.0	1.0	1.0	1.0
Base						-	-	-	-	-	-
Bear						-	-	-	-	-	-
% of WA revenue				29%	29%	34%	33%	33%	33%	33%	32%
Retail											
Implied revenue from retail				994.4	990.8	1,010.6	1,030.8	1,051.4	1,072.5	1,093.9	
Implied revenue from retail per store				3.5	3.4	3.5	3.5	3.6	3.7	3.8	
Growth						2%	2%	2%	2%	2%	
Bull						3%	3%	3%	3%	3%	
Base						2%	2%	2%	2%	2%	
Bear						2%	2%	2%	2%	2%	
eCommerce											
Implied revenue from eCommerce				73.8	78.4	84.1	90.1	96.6	103.6	111.0	
Implied revenue from eCommerce per store				0.3	0.3	0.3	0.3	0.3	0.4	0.4	
eCommerce Penetration Growth						7%	7%	7%	7%	7%	
Bull						7%	7%	7%	7%	7%	
Base						7%	7%	7%	7%	7%	
Bear						7%	7%	7%	7%	7%	
Total NSW				1,068.1	1,069.2	1,094.7	1,121.0	1,148.1	1,176.1	1,205.0	
Australian Capital Territory (ACT)											
Number of Stores				15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Net Addition of Stores											
Bull						1.0	1.0	1.0	1.0	1.0	1.0
Base						-	-	-	-	-	-
Bear						-	-	-	-	-	-
% of WA revenue				2%	2%	2%	2%	2%	2%	2%	2%
Retail											
Implied revenue from retail				52.0	51.1	52.1	53.1	54.2	55.3	56.4	
Implied revenue from retail per store				3.5	3.4	3.5	3.5	3.6	3.7	3.8	
Growth						2%	2%	2%	2%	2%	
Bull						3%	3%	3%	3%	3%	
Base						2%	2%	2%	2%	2%	
Bear						2%	2%	2%	2%	2%	
eCommerce											
Implied revenue from eCommerce				3.9	4.0	4.3	4.6	5.0	5.3	5.7	
Implied revenue from eCommerce per store				0.3	0.3	0.3	0.3	0.3	0.4	0.4	
eCommerce Penetration Growth						7%	7%	7%	7%	7%	
Bull						7%	7%	7%	7%	7%	
Base						7%	7%	7%	7%	7%	
Bear						7%	7%	7%	7%	7%	
Total ACT				55.8	55.1	56.4	57.8	59.2	60.6	62.1	
Victoria (VIC)											
Number of Stores				237.0	240.0	240.0	240.0	240.0	240.0	240.0	240.0
Net Addition of Stores											
Bull						1.0	1.0	1.0	1.0	1.0	1.0
Base						-	-	-	-	-	-
Bear						-	-	-	-	-	-
% of WA revenue				24%	24%	28%	27%	27%	27%	27%	27%
Retail											
Implied revenue from retail				821.1	817.2	833.5	850.2	867.2	884.5	902.2	
Implied revenue from retail per store				3.5	3.4	3.5	3.5	3.6	3.7	3.8	
Growth						2%	2%	2%	2%	2%	
Bull						3%	3%	3%	3%	3%	
Base						2%	2%	2%	2%	2%	
Bear						2%	2%	2%	2%	2%	
eCommerce											
Implied revenue from eCommerce				60.9	64.7	69.3	74.3	79.7	85.4	91.6	
Implied revenue from eCommerce per store				0.3	0.3	0.3	0.3	0.3	0.4	0.4	
eCommerce Penetration Growth						7%	7%	7%	7%	7%	
Bull						7%	7%	7%	7%	7%	
Base						7%	7%	7%	7%	7%	
Bear						7%	7%	7%	7%	7%	
Total VIC				882.1	881.8	902.8	924.5	946.9	969.9	993.8	

Appendix

Coles Group Ltd (ASX: COL)

Live Scenario:	Base	Historical					Forecast				
In AUD, unless stated otherwise		FY21A	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
Fiscal year end date		28/06/21	27/06/22	26/06/23	25/06/24	30/06/25	29/06/25	30/06/26	30/06/27	30/06/28	30/06/29
Tasmania (TAS)											
Number of Stores				23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Net Addition of Stores											
Bull							1.0	1.0	1.0	1.0	1.0
Base							-	-	-	-	-
Bear							-	-	-	-	-
% of WA revenue				2%	2%	3%	3%	3%	3%	3%	3%
Retail											
Implied revenue from retail				79.7	78.3	79.9	81.5	83.1	84.8	86.5	
Implied revenue from retail per store				3.5	3.4	3.5	3.5	3.6	3.7	3.8	
Growth						2%	2%	2%	2%	2%	
Bull						3%	3%	3%	3%	3%	
Base						2%	2%	2%	2%	2%	
Bear						2%	2%	2%	2%	2%	
eCommerce											
Implied revenue from eCommerce				5.9	6.2	6.6	7.1	7.6	8.2	8.8	
Implied revenue from eCommerce per store				0.3	0.3	0.3	0.3	0.3	0.4	0.4	
eCommerce Penetration Growth						7%	7%	7%	7%	7%	
Bull						7%	7%	7%	7%	7%	
Base						7%	7%	7%	7%	7%	
Bear						7%	7%	7%	7%	7%	
Total TAS				85.6	84.5	86.5	88.6	90.7	93.0	95.2	
South Australia (SA)											
Number of Stores				46.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Net Addition of Stores											
Bull							1.0	1.0	1.0	1.0	1.0
Base							-	-	-	-	-
Bear							-	-	-	-	-
% of WA revenue				5%	5%	5%	5%	5%	5%	5%	5%
Retail											
Implied revenue from retail				159.4	153.2	156.3	159.4	162.6	165.8	169.2	
Implied revenue from retail per store				3.5	3.4	3.5	3.5	3.6	3.7	3.8	
Growth						2%	2%	2%	2%	2%	
Bull						3%	3%	3%	3%	3%	
Base						2%	2%	2%	2%	2%	
Bear						2%	2%	2%	2%	2%	
eCommerce											
Implied revenue from eCommerce				11.8	12.1	13.0	13.9	14.9	16.0	17.2	
Implied revenue from eCommerce per store				0.3	0.3	0.3	0.3	0.3	0.4	0.4	
eCommerce Penetration Growth						7%	7%	7%	7%	7%	
Bull						7%	7%	7%	7%	7%	
Base						7%	7%	7%	7%	7%	
Bear						7%	7%	7%	7%	7%	
Total SA				171.2	165.3	169.3	173.3	177.5	181.9	186.3	
Total Liquor Revenue				3,692.0	3,667.0	3,754.3	3,844.4	3,937.4	4,033.4	4,132.5	
Other Revenue											
Other Revenue				950.0	833.0	833.0	833.0	833.0	833.0	833.0	833.0
Total				950.0	833.0	833.0	833.0	833.0	833.0	833.0	833.0

Appendix

Coles Group Ltd (ASX: COL)

Live Scenario: In AUD, unless stated otherwise Fiscal year end date	Base	Historical					Forecast				
		FY21A	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E
		28/06/21	27/06/22	26/06/23	25/06/24	30/06/25	29/06/25	30/06/26	30/06/27	30/06/28	30/06/29
Tasmania (TAS)											
Number of Stores				23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Net Addition of Stores											
Bull						1.0	1.0	1.0	1.0	1.0	1.0
Base						-	-	-	-	-	-
Bear						-	-	-	-	-	-
% of WA revenue				2%	2%	3%	3%	3%	3%	3%	3%
Retail											
Implied revenue from retail				79.7	78.3	79.9	81.5	83.1	84.8	86.5	
Implied revenue from retail per store				3.5	3.4	3.5	3.5	3.6	3.7	3.8	
Growth						2%	2%	2%	2%	2%	2%
Bull						3%	3%	3%	3%	3%	3%
Base						2%	2%	2%	2%	2%	2%
Bear						2%	2%	2%	2%	2%	2%
eCommerce											
Implied revenue from eCommerce				5.9	6.2	6.6	7.1	7.6	8.2	8.8	
Implied revenue from eCommerce per store				0.3	0.3	0.3	0.3	0.3	0.4	0.4	
eCommerce Penetration Growth						7%	7%	7%	7%	7%	7%
Bull						7%	7%	7%	7%	7%	7%
Base						7%	7%	7%	7%	7%	7%
Bear						7%	7%	7%	7%	7%	7%
Total TAS				85.6	84.5	86.5	88.6	90.7	93.0	95.2	
South Australia (SA)											
Number of Stores				46.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Net Addition of Stores											
Bull						1.0	1.0	1.0	1.0	1.0	1.0
Base						-	-	-	-	-	-
Bear						-	-	-	-	-	-
% of WA revenue				5%	5%	5%	5%	5%	5%	5%	5%
Retail											
Implied revenue from retail				159.4	153.2	156.3	159.4	162.6	165.8	169.2	
Implied revenue from retail per store				3.5	3.4	3.5	3.5	3.6	3.7	3.8	
Growth						2%	2%	2%	2%	2%	2%
Bull						3%	3%	3%	3%	3%	3%
Base						2%	2%	2%	2%	2%	2%
Bear						2%	2%	2%	2%	2%	2%
eCommerce											
Implied revenue from eCommerce				11.8	12.1	13.0	13.9	14.9	16.0	17.2	
Implied revenue from eCommerce per store				0.3	0.3	0.3	0.3	0.3	0.4	0.4	
eCommerce Penetration Growth						7%	7%	7%	7%	7%	7%
Bull						7%	7%	7%	7%	7%	7%
Base						7%	7%	7%	7%	7%	7%
Bear						7%	7%	7%	7%	7%	7%
Total SA				171.2	165.3	169.3	173.3	177.5	181.9	186.3	
Total Liquor Revenue				3,692.0	3,667.0	3,754.3	3,844.4	3,937.4	4,033.4	4,132.5	
Other Revenue											
Other Revenue				950.0	833.0	833.0	833.0	833.0	833.0	833.0	833.0
Total				950.0	833.0	833.0	833.0	833.0	833.0	833.0	833.0