

International partnership between Ocado and Coles

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RNS Number : 9536T
Ocado Group PLC
26 March 2019

This announcement contains inside information

25th March 2019

Ocado Group plc / Coles Group Ltd

Announcement of international partnership between Ocado and Coles

We are pleased to announce the signing of an agreement between Ocado Group plc ("Ocado") and Coles Group Ltd ("Coles") to partner with Ocado Solutions to develop Coles Online's grocery business in Australia using the Ocado Smart Platform ("OSP").

Coles is one of Australia's largest retailers, trading from 818 supermarkets, 911 liquor stores, and 712 Coles Express petrol stations across the country and generating sales in FY2018 of A\$39.4bn (£22bn).

Coles is already a market leader in online grocery retailing in Australia through Coles Online, with more than A\$1bn of sales on an annualised basis.

Adoption of OSP will enable Coles Online to serve customers in Australia's larger urban areas by fulfilling orders through Ocado's unique robotic Customer Fulfilment Centres ("CFCs") with customers in less populated areas benefiting from Ocado's proprietary store-pick software.

Coles and Ocado have agreed to operate two CFCs, one in Sydney and one in Melbourne. These facilities are expected to go live within four years. Coles Online will also transition its store-pick based operations to the Ocado Smart Platform and this is expected to take place in parallel with the CFCs going live.

As is now standard in OSP partnerships, Ocado will provide a comprehensive and customized suite of support and engineering services to enable a smooth launch and sustainable ecommerce operations. Coles and Ocado will also partner to incorporate ongoing learning and innovation from Ocado's global experience into the Australian marketplace. In consideration of the investments made by Ocado, including maintenance and access to technology, Coles will pay Ocado certain upfront fees upon signing and during the development phase, then ongoing fees linked to both sales achieved and installed capacity within the CFC and service criteria.

The agreement is exclusive in Australia as long as certain conditions continue to be maintained.

Steven Cain, CEO of Coles Group Ltd, said:

"Ocado is singularly focused on online grocery shopping and, as a result, has become the best 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".

Tim Steiner, CEO of Ocado, 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."

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".

Expected financial impact for Ocado

Ocado expects this deal to create significant long term value to the business. The impact of this transaction should be earnings negative in the current financial year as no cash fees will be recognised in revenue until operations commence. Ocado expects minimal additional capex in FY19 with the majority of additional capex in the 18 months prior to the opening of the CFCs.

There will be a conference call for analysts held at 7.30am GMT.

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A replay will be made available shortly afterwards on the website.

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Notes to editors

About Ocado

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.

About Ocado Solutions

Ocado Solutions is responsible for corporate partnerships, providing the Ocado Smart Platform 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.

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 A\$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, flybuys. 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 & Secondbite. Coles was demerged from Wesfarmers in November 2018 and is now an ASX 30 company with around 500,000 institutional & retail shareholders

Coles Online has sales of A\$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 & 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 & 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 our stores with Optus;
- New HR, finance and procurement systems with SAP; and

- Partnerships with Uber Eats and eBay.

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