Game On

Executive Summary – State of the Industry

November 2023

Our talking points

01

Goldilocks has left the building

Macro trends

Is there light at the end of the tunnel?

POLITICAL: Change of government; Tax cuts

ECONOMIC: High inflation; High mortgage rates; Migration rates

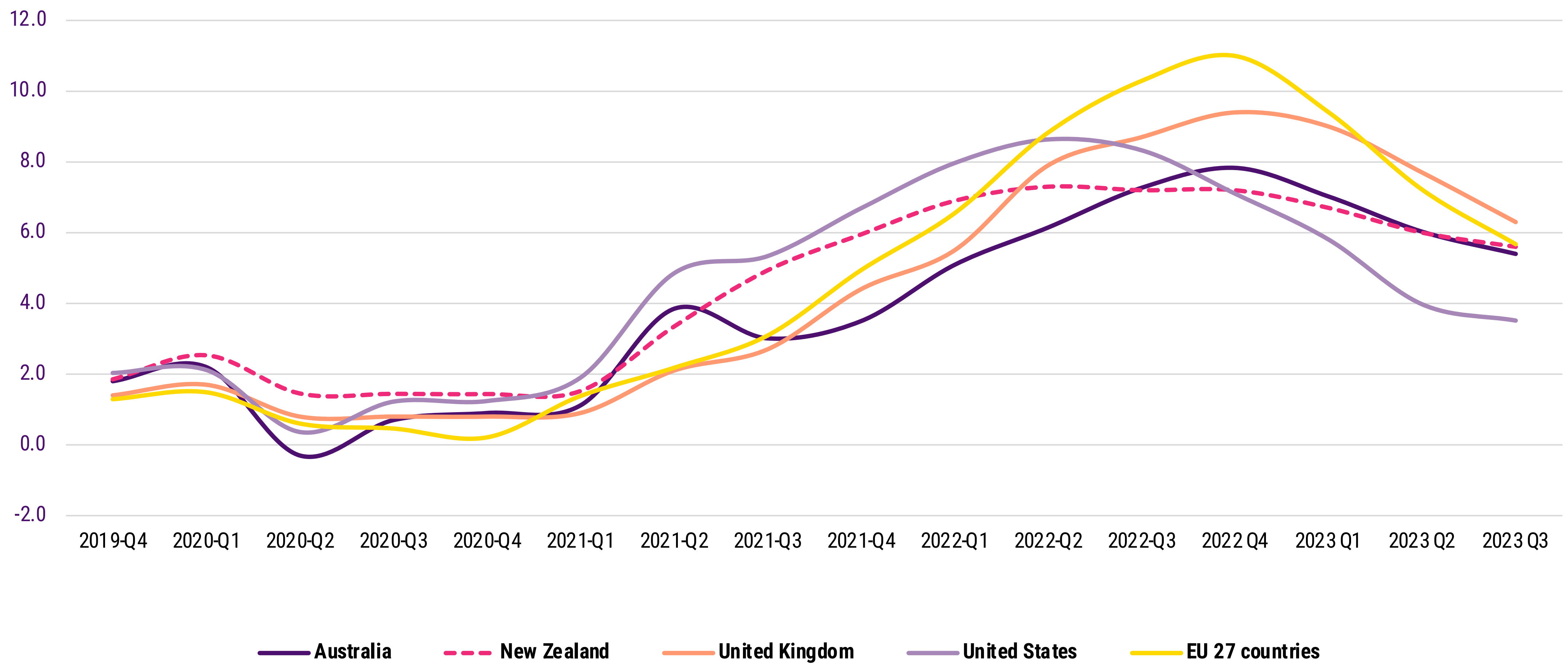
SOCIAL: Demographic disruption; Post pandemic behaviour

TECHNOLOGICAL: Rise of AI; Chat GPT

LEGAL: Vaping/Tobacco; Eggs; Grocery Code

ENVIRONMENTAL: Climate Change; Carbon offsets; Food Security

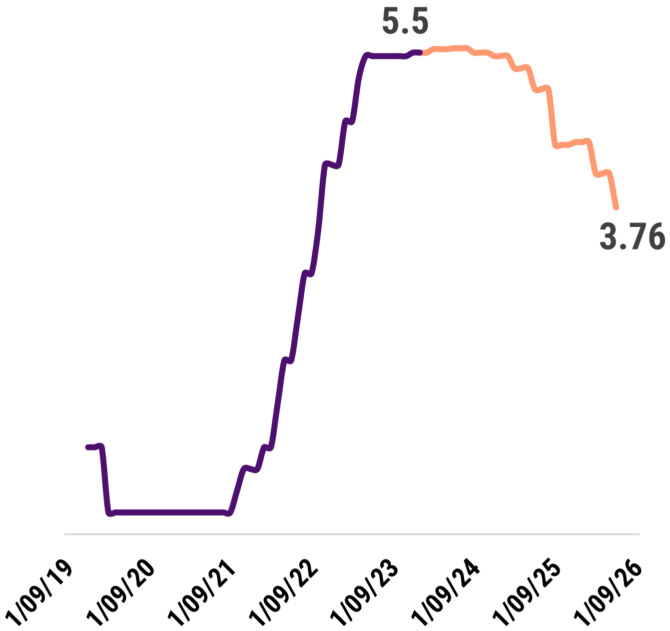
Inflation rates have peaked and are declining globally



Source: Stats NZ Sept 2023, ABS; Australia Sept 2023., USA based on Sept 23 US Bureau of Labor Statistics
*** United Kingdom's CPI Sept figure not their headline figure, which is 'Consumer Prices Index including owner occupiers' housing costs (CPIH)., Eurozone Sept 2023 figures*

Confidence will transmit faster than policy

RBNZ signals we should get used to OCR at this level.



GDP
Jun Qtr vs YA +1.8%

Unemployment Rate
June Qtr 3.6%

Record Migration
July YE +96,200 net migration

Source: Stats NZ Sept 2023, Reserve Bank

Demographic disruption

- Aging population & workforce
- Diversity
- Rise of single person households

Post pandemic behaviour

- Mobility returns
- International travel
- Back to the office?
- Mental health

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Asking if robots are coming to take our jobs is just so 2019

Now it's all about using machine learning and AI to make us more efficient and smarter

"You can talk all day long about empowerment, but unless you have the data, analytics, and the capability to make the right decisions at the right level, you won't be agile,"

Steve Cahillane, chairman and CEO of Kellogg Co

Will the route channel go up in smoke?

SMOKEFREE ENVIRONMENTS & REGULATED PRODUCTS AMENDMENT ACT 2022

LAYER HENS CODE OF WELFARE
THERAPEUTIC PRODUCTS BILL
STANDARDISATION OF KERBSIDE COLLECTION

GROCERY CODE OF CONDUCT

"….I believe I do have the stamina, and the experience, for the job at hand - it won't be a sprint - it will be a marathon to get change in the Grocery Industry - but I am determined to get it done."
Pierre van Heerden

Sustainability currently takes a back seat for consumers, but will you be on the right side of history?

10.78%
Green Party support

Circana research from US shows sustainability-marketed products continues to grow in the face of high inflation

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Source: Circana US/NYU Stern, Circana Cost of Living Survey , Wave 4 October 2023 N = 1000

02

The big squeeze

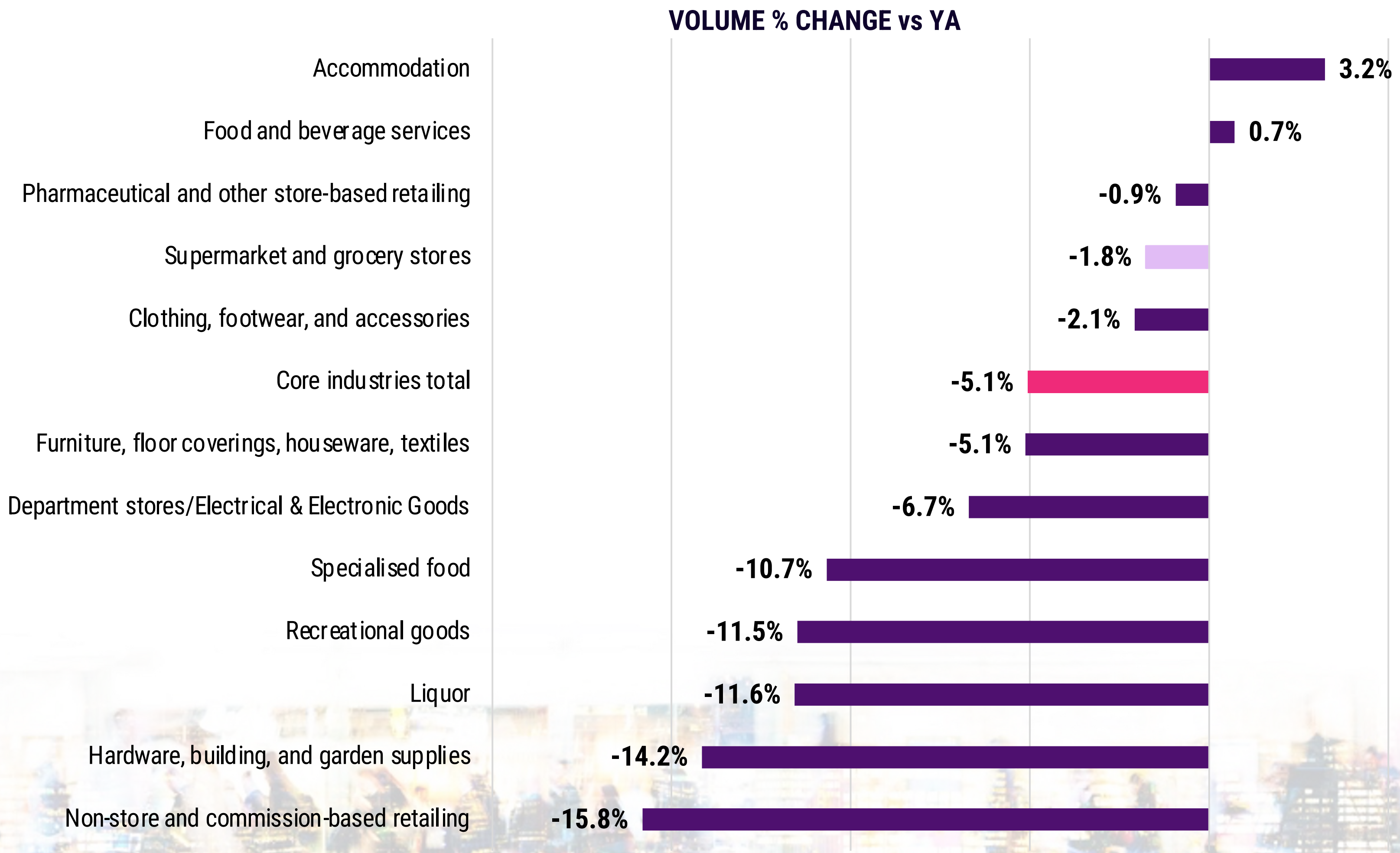
Retail performance

Retail spending falls to lowest level per person in four years

Quarter June 23
Retail Trade Survey
CORE INDUSTRIES

Sales	Volume
+3.7%	-5.1%

Versus YA Qtr Jun 2022

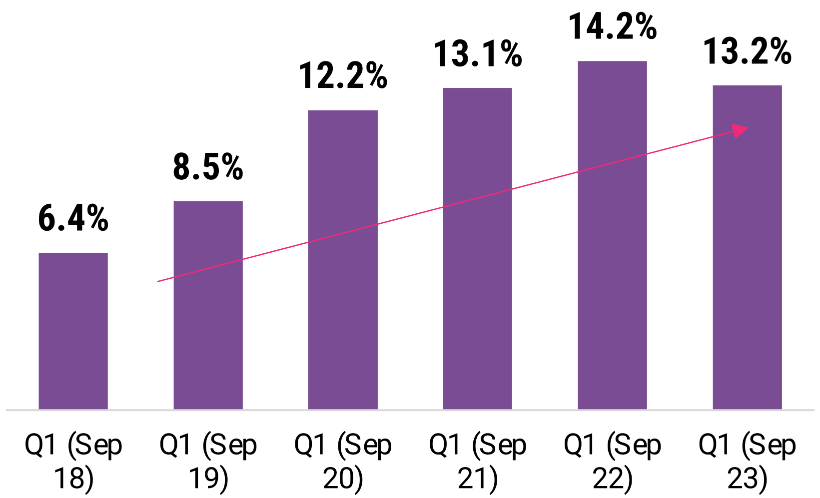


Source: Stats NZ Retail Trade Survey June 2023

There is long term sustainable growth expected in eCommerce

Value % change	MAT SEP 23 VS YA	QTR SEP 23 VS YA
Total Online	-10.3%	-0.4%
Grocery Online	-11.9%	-7.0%

Countdown's Ecommerce penetration of total sales



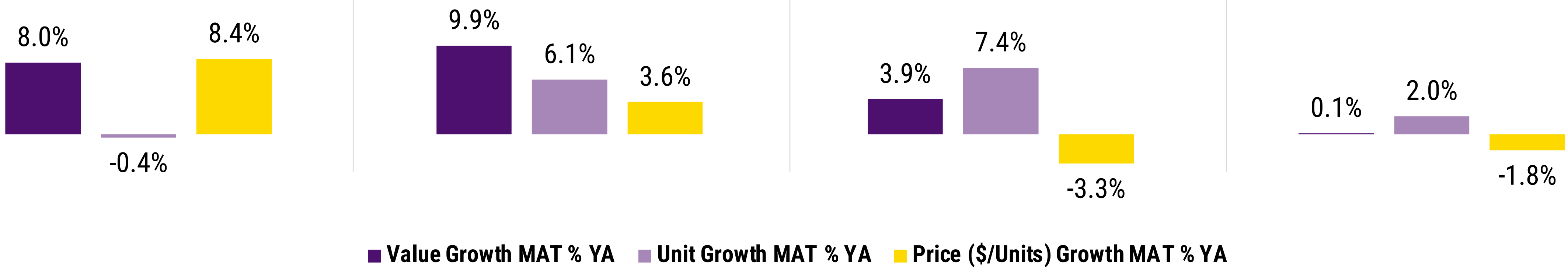
Source: RetailWatch Sept 2023, Total excludes Travel, Woolworths Annual Report

03

The consumer impact

Circana's channel performance

Mixed performance across Circana's retail channels



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Source: Circana MarketEdge Total Prepackaged Goods MAT to 10/09/23; Total Pharmacy (including modelled CWH (MAT to 03/09/23; Total Petrol Scan MAT 24/09/23; Total Business (2Y Trading) MAT to 10/09/2023

A bounce back in unit growth reflects decline in hospo

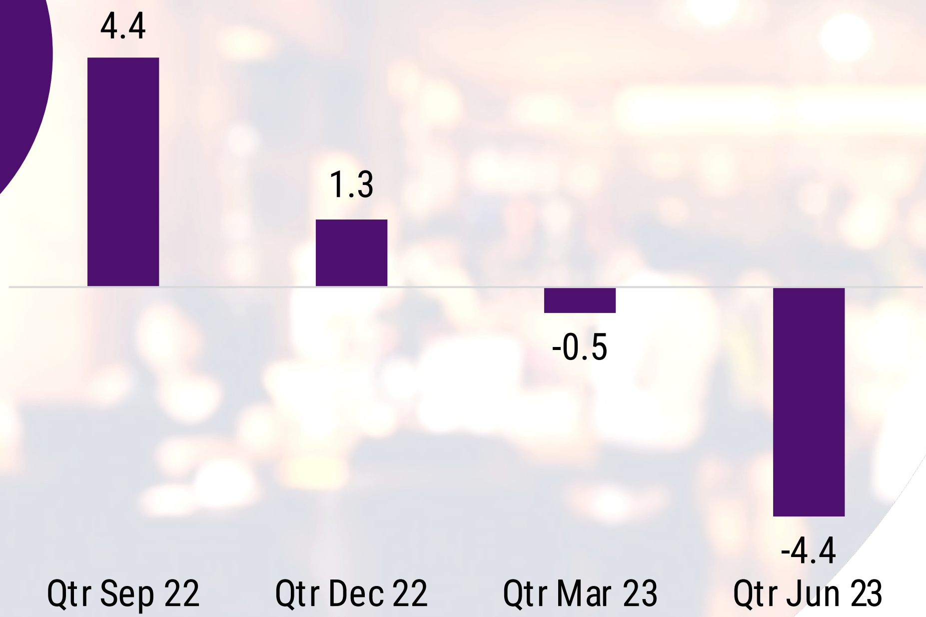
Full Service Dining → Casual Restaurants → Quick Serve Food → Supermarket

ELECTRONIC CARD DATA

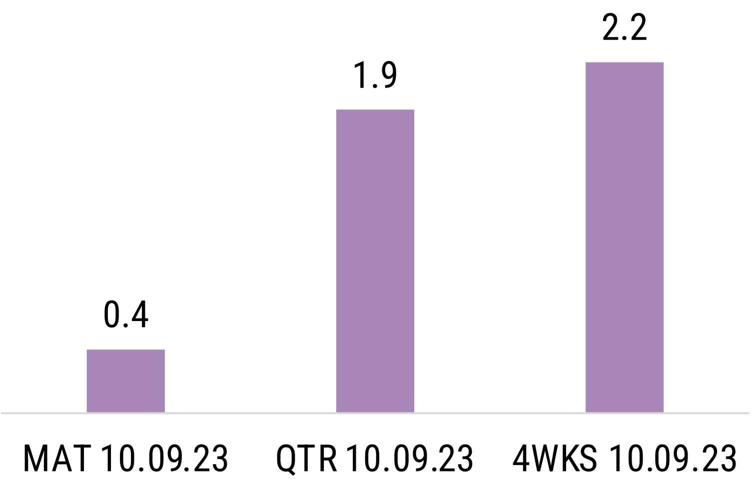
-4.3%

% CHANGE DOLLAR SALES
AUG 23 VS JUL 23

Foodservice percentage change from previous quarter
based on seasonally adjusted sales volumes

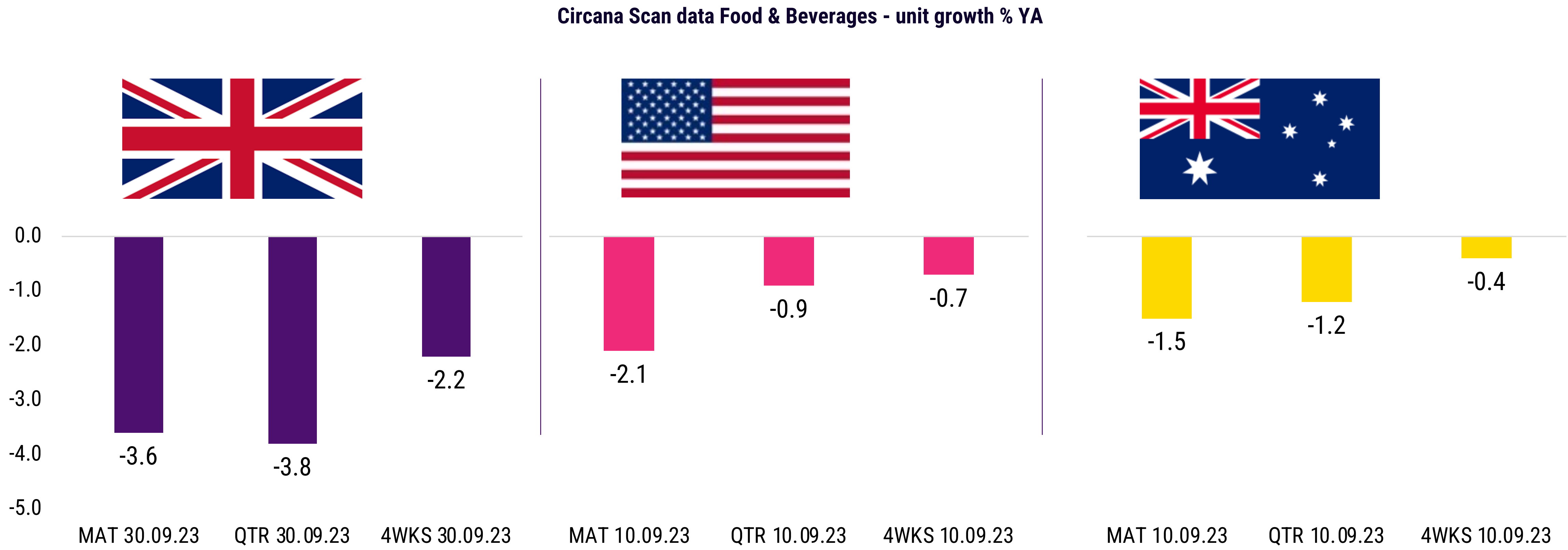


Circana Scan data Food & Beverages - unit growth % YA



Source : Stats NZ Retail Trade Survey Qtr Jun 2023 (expressed in September 2010 quarter prices)

Global unit decline across food in grocery is slowing



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Source: Circana Food & Beverage Performance US/UK/Australia

The cost of living takes its toll on consumers

97%

are concerned about the cost of living

51% say they are worse off compared to a year ago

49%

are cutting back on how much they spend at the supermarket

30%

had to dip into their savings to make ends meet

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Source: Circana Cost of Living Survey , Wave 4 October 2023 N = 1000

Shoppers are pulling all levers to make ends meet

And are evaluating every choice they make, resulting in ….

- Bifurcated Consumption
- Trading Down
- Cheaper Meals
- Bulk Buying/ Buying Less
- Do it Yourself
- Promo Hunters

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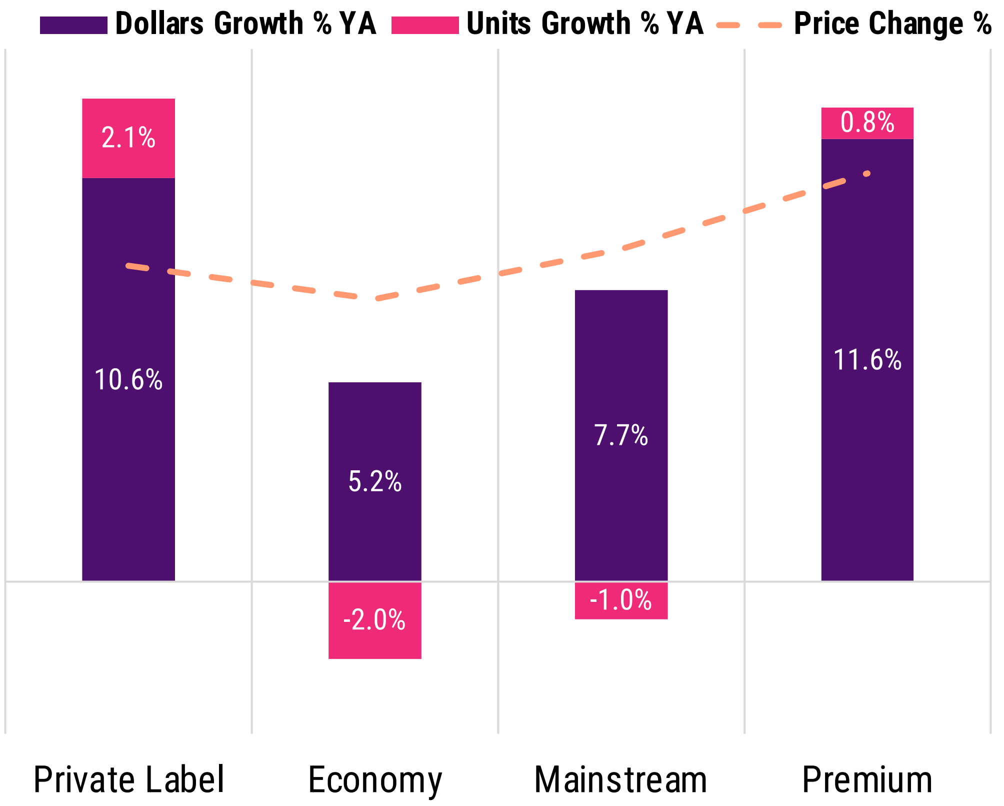
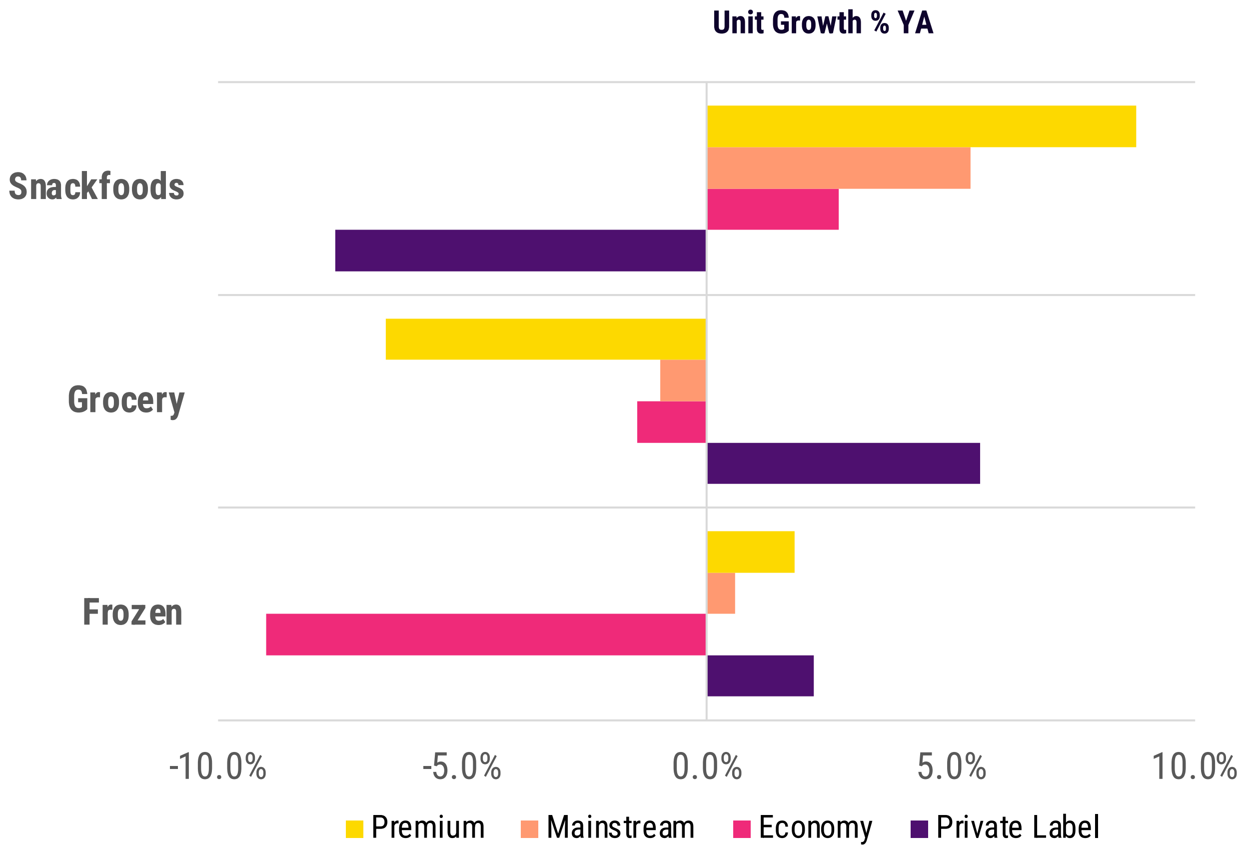
Uneven trading demonstrates bifurcated consumption

BIFURCATED CONSUMPTION

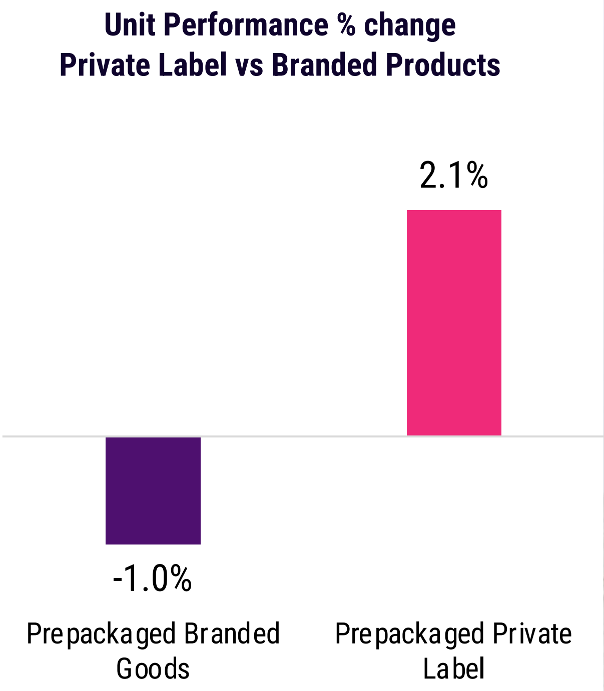




Source: Circana MarketEdge Grocery MAT 10/09/23

“I stick to a few essential items and purchase **private label** more often”

TRADING DOWN



Categories where Consumers are TRADING DOWN to Private Label

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Source: Circana MarketEdge Grocery MAT 10/09/23

"So expensive, we're eating **lower quality foods** to save money"

CHEAPER MEALS

Categories where Consumers are TRADING DOWN – Unit decline vs YA

Fresh Pasta/Sauce
-0.3%

Shelf-Stable Pasta
+4.3%
Bottled Sauces
+3.2%

Fresh Soup
-8.4%

Canned Soup
+4.3%

Fresh Juice
-7.3%

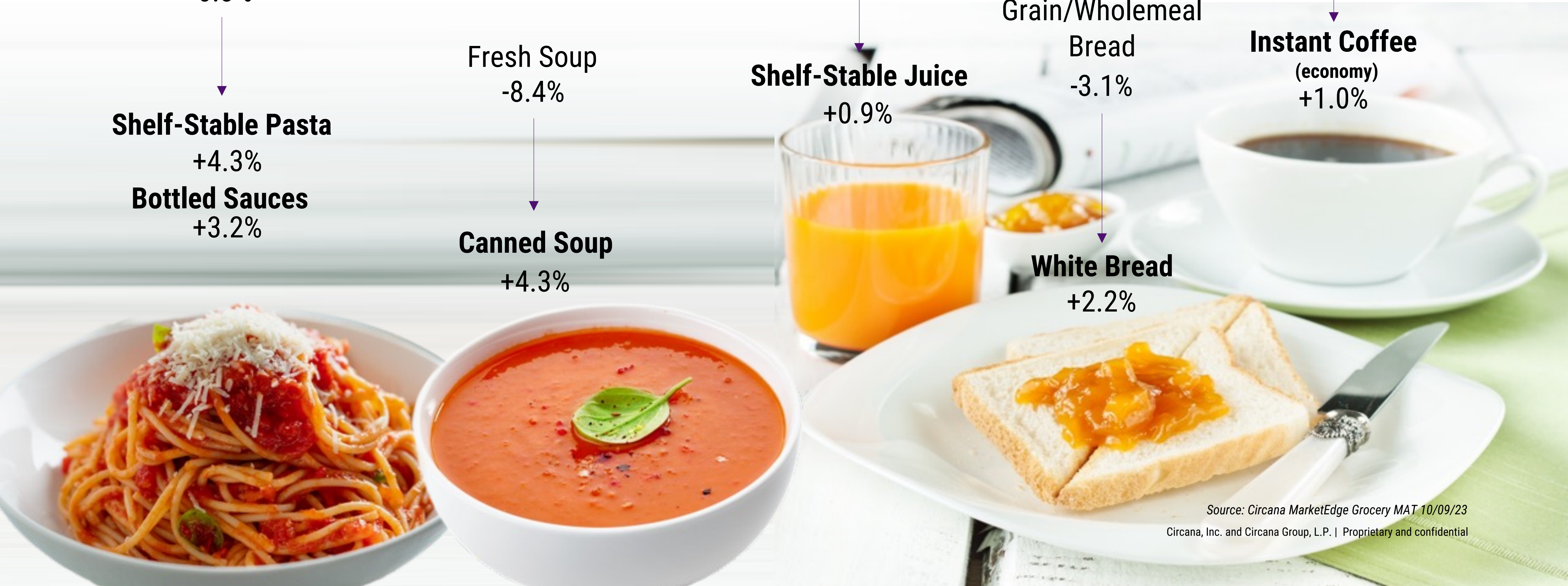
Shelf-Stable Juice
+0.9%

Grain/Wholemeal Bread
-3.1%

White Bread
+2.2%

Fresh Coffee
-3.2%

Instant Coffee
(economy)
+1.0%



Source: Circana MarketEdge Grocery MAT 10/09/23

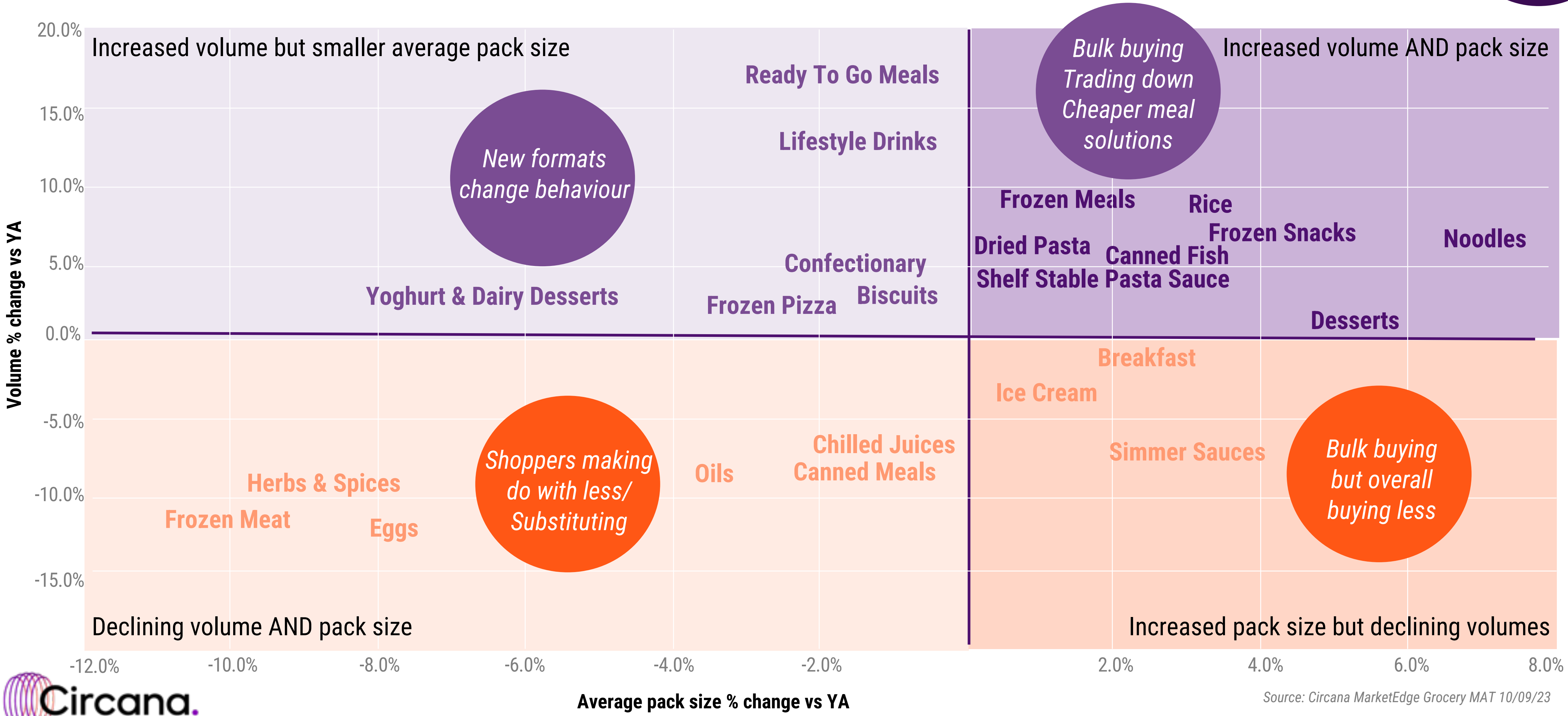
More products are coming to market to enable us to get our groove on at home

DO IT YOURSELF

At Home Whitening	Self-Tanning	Footcare	Men's Hair Colourants	Facial elements
+$3.0M	**+$1.4M**	**+$0.5M**	**+$0.5M**	**+$1.3M**

There's a whole new dynamic in play between pack size and meeting needs

BULK BUYING
BUYING LESS



Source: Circana MarketEdge Grocery MAT 10/09/23

"Am buying smaller packets"

"Buy bigger because cheaper"

BULK BUYING
BUYING LESS

Declining volume and smaller average pack size

Increased volume AND pack size

Eggs
+102.7M, vol -13.2%

6-10 pack **+18.2%**
12+ pack **-15.0%**

Oils
+2.4M, vol -7.3%

Up to 500mls **+3.1%**
500mls+ **-11.4%**

Noodles
+25.9M

Under 250g -2.5%
251g+ packs **+8.8%**

Rice
+11.9M

1kg and under +6.1%
More than1 kg **+10.1%**

Canned Fish
+8.9M

Up to 250g +1.7%
251g+ **+10.0%**

Source: Circana MarketEdge Grocery MAT 10/09/23

“I always buy on sale”

PROMO HUNTERS

Less promotions available but more being sold as shoppers hunt down bargains

-15%

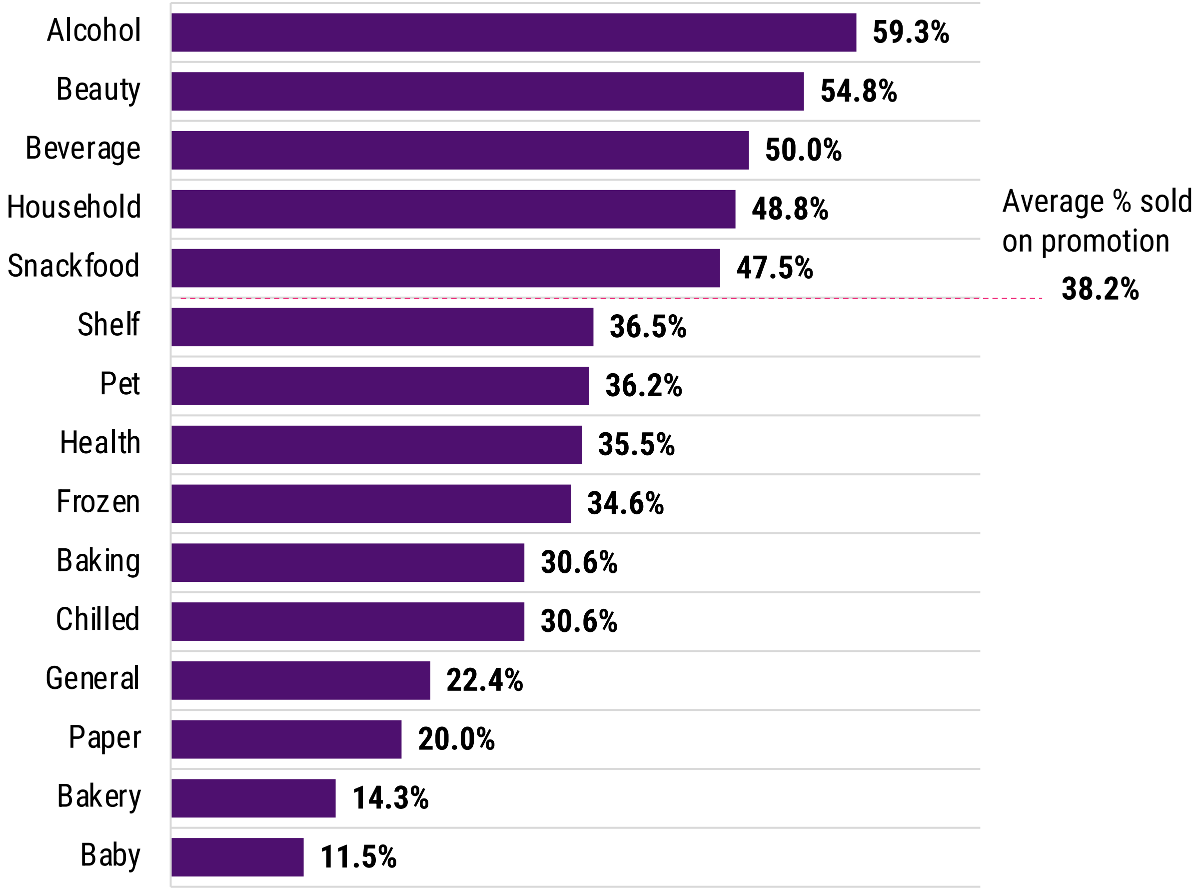
Points on promotion
2023 vs 2019

+12%

Sold on promotion
2023 vs 2019

73% of shoppers say they shop on promotion
44% of shoppers say fewer of the items they want are on sale

Sold on promotion by department ($)



Source: Circana MarketEdge Grocery MAT 10/09/23, Circana Cost of Living Survey , Wave 4 October 2023 N = 1000

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New flavours, pack formats & convenience drive top NPD

Ranked by **<u>dollars sold per active week</u>**

+$13.1M

+$13.3M

+$10.9M

+$1.4M

+$4.9M

+$1.3M

+$2.9M

+$2.3M

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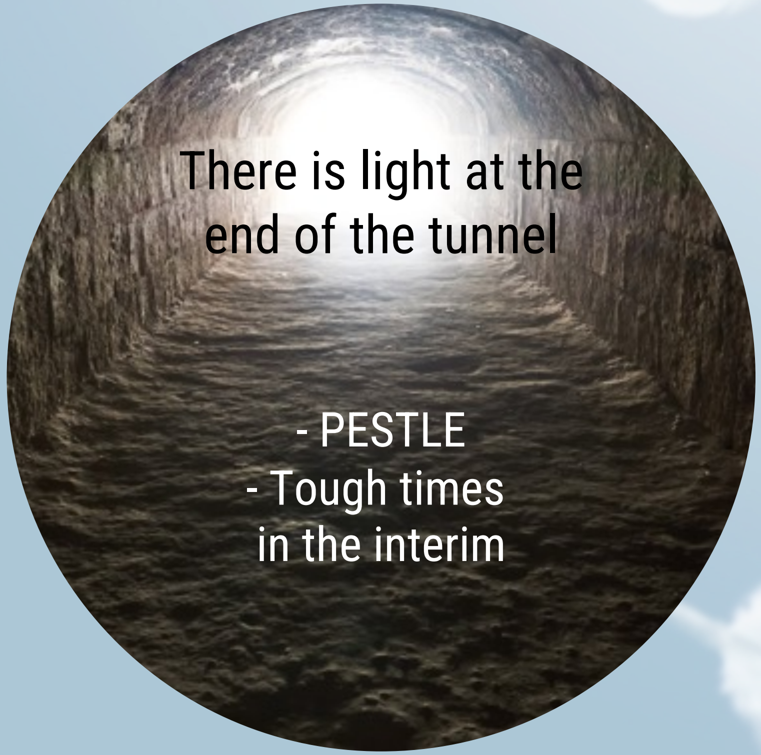
Source: Circana MarketEdge Grocery MAT 10/09/23

04

So what, now what?

The soft-landing best-case scenario



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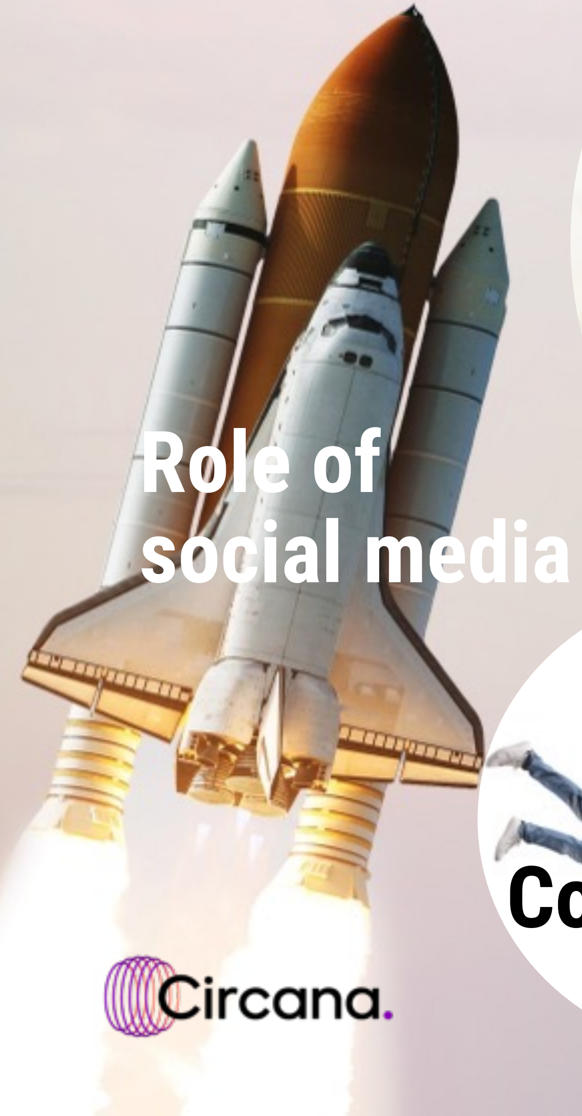
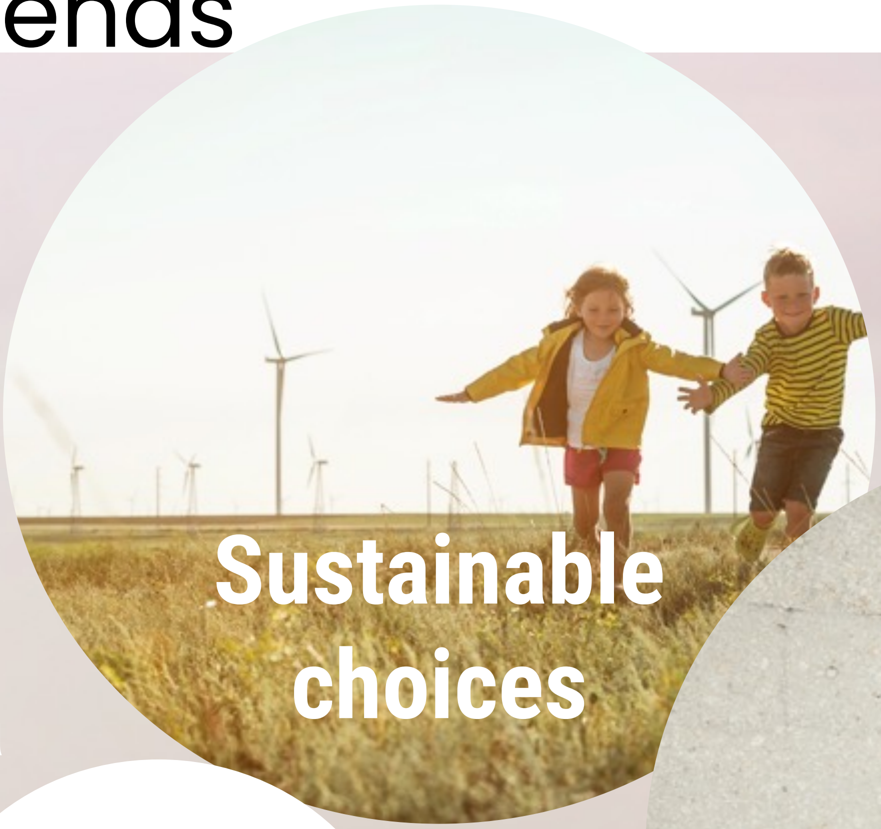
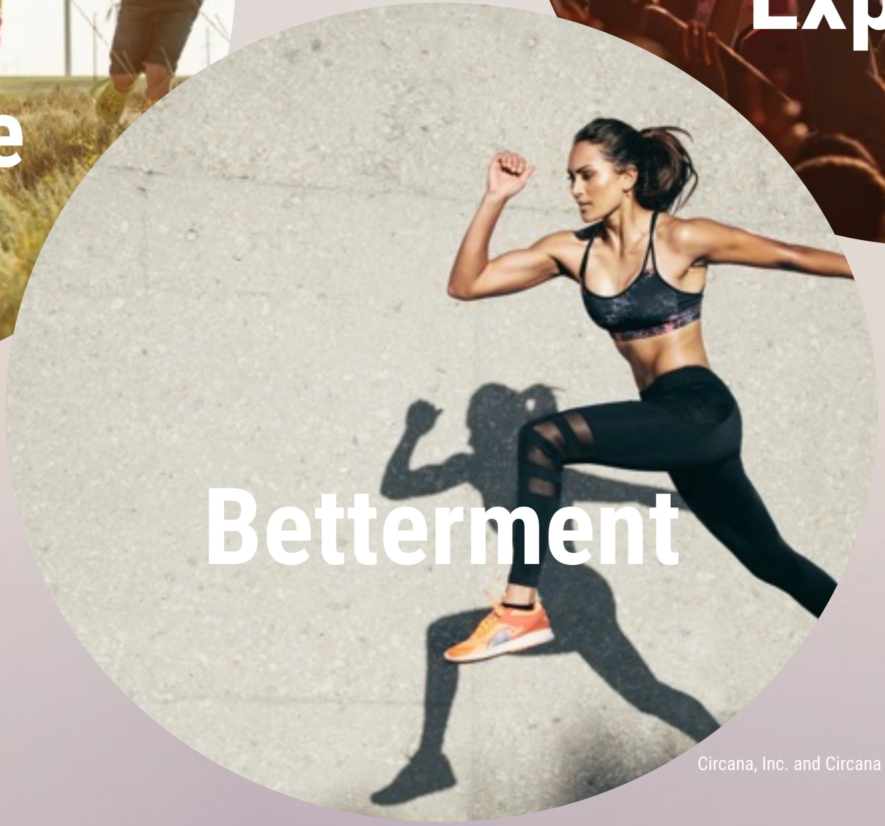
Growth trends







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State of the Industry

15 NOVEMBER 2023

SCAN TO REGISTER NOW

2023