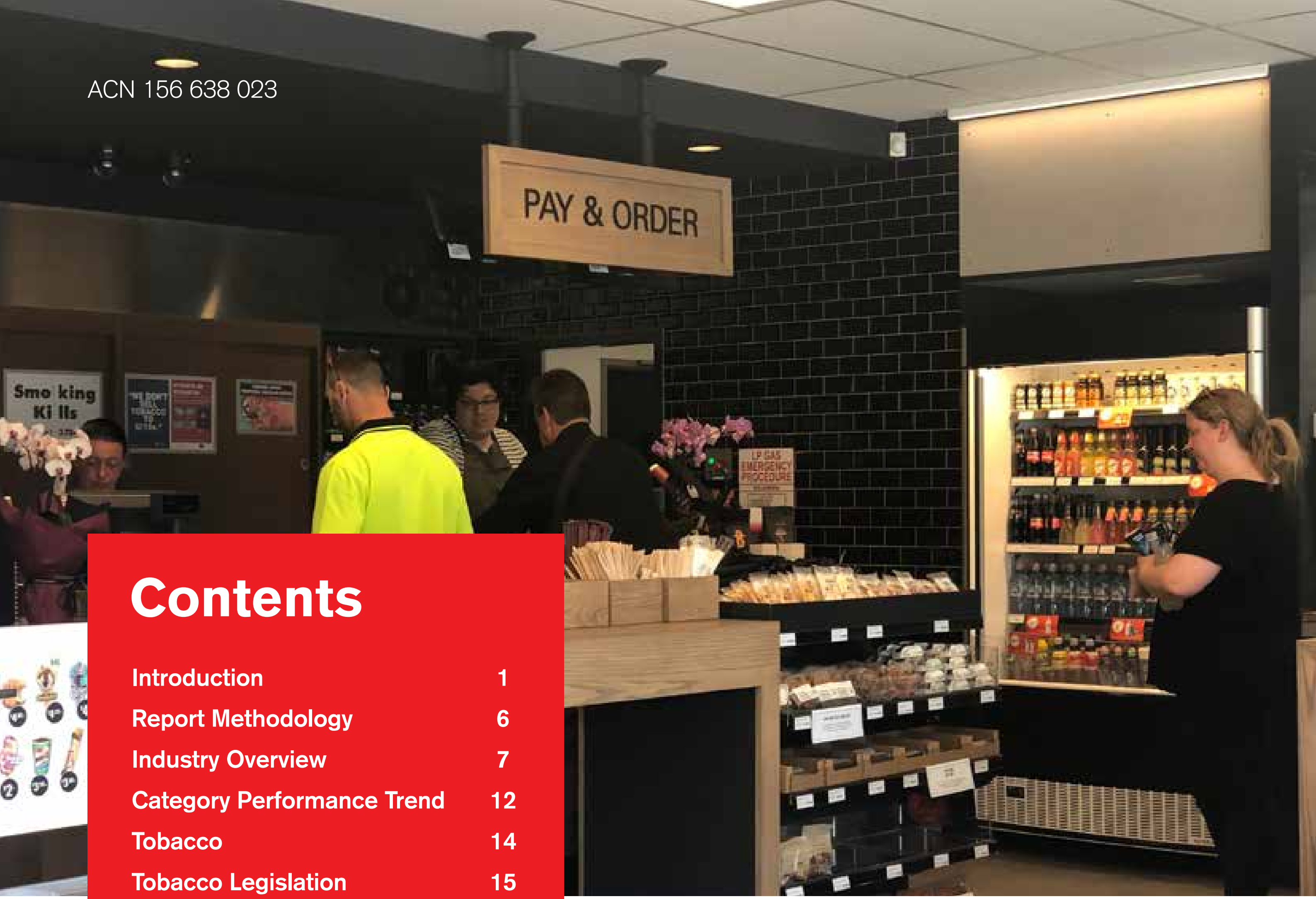
State of the Industry Report
2019

AACS
AUSTRALASIAN ASSOCIATION OF CONVENIENCE STORES
Established 1990
30 YEARS

innovate accelerate
AACS

ACN 156 638 023



Contents

This report is produced using information provided by AACS members, CMA, IRI, ASX company announcements and available data on company and industry websites. The commentary is based on data available and in discussions with AACS members. The validity and comprehensiveness of supplied information has not been independently verified.

CONVENIENCE MEASURES AUSTRALIA

Introduction

We are pleased to bring the '2019 AACS State of the Industry report' to you.

Once again, I have pleasure in welcoming you to our latest AACS State of the Industry Report. As I write this the world is still seeing the spread of the Coronavirus which is creating much uncertainty and affecting people's lives in so many ways. We can only hope that this will be contained soon and that vaccines and other preventative measures will be found by those who specialise in these areas.

Having come through drought and bushfires in 2019 it is pleasing to see the resilience of our industry. With many retail channels suffering difficult times and even closures the convenience industry held its own and in fact in some areas showed very positive growth.

The year ahead in 2020 however will present us with challenges as Australia and the world grapple with the Covid-19 pandemic.

We are well positioned to address competitive threats with almost 7,000 stores nationally. Convenience stores are continuing to innovate and to offer their customers merchandise and services to make their lives easier and save time for those on the go.

In 2019 sales at total C-stores were up 2.08% as at December 2019. In dollar terms this is $8.776billion. The pleasing area is the growth in Food and Beverages which has received much attention in recent years. Food & Beverage sales were $4,038billion, up 5.98%, however Non Food sales at $4,738billion declined by -1.02% on 2018. This decline is in part due to the Tobacco category which only grew at 0.83% in 2019 compared to 6.4% the previous year.

There are other categories as well which showed very pleasing growth in 2019 and the details are in this report.

I thank all of our Retailers who took the time to provide their data without which this report would not be possible or credible. I also thank Brett Barclay and his Team at CMA for the work in producing another excellent report for our industry.

Special thanks also to CCA, BAT and Campbell's for again showing their support of AACS and our industry by sponsoring this report – thank you.

Our '3 Pillars' remain extremely relevant for our industry and they are:

- **Advocacy**
- **Connection**
- **Knowledge**

Convenience in-store merchandise sales growth

↑2.1%

Total Beverages share of Sales

24.9%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Jeff Rogut
FIML, MAICD, FCLP
Chief Executive Officer

AACS SOI 2019 Report Sponsors

Introduction

Convenience in-store merchandise sales growth

$8.8b

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

As consumers become more brand disloyal, marketers can no longer expect 20% of their portfolio to drive 80% of their sales.

The data behind disloyalty is staggering: Only 8% of global consumers are loyal to the brands and products they've always bought.

It's important to note that "better value for money" is the No. 1 influencer globally. It's also the strongest influencer across four of the globe's five primary regions. In Asia-Pacific, consumers rank "enhanced or superior quality or function" above value for their money. Globally, enhanced or superior quality or function ranks No. 2 (of the five top influencers), which reinforces the fact that cost isn't always the best motivational lever to pull.

Source: Nielsen, Disloyalty is the New Black, Looking to Land in Consumer Baskets? Don't Bank on Your Brand Power
HYPERLINK "https://www.nielsen.com/us/en/insights/cpg-fmcg-and-retail/" CPG, FMCG & Retail 07-02-2019

So what of the future?

AACS will continue to focus on our Pillars for the benefit of the industry i.e. ***Advocacy, Connection and Knowledge.***

The Australasian Association of Convenience Stores (AACS) is the champion of the convenience industry and now in 2020 we celebrate our 30th anniversary. We have a long history serving retailers and suppliers; we've witnessed seismic changes, game-changing innovations, shifts in consumer behaviour, new regulations and much more.

As we highlighted some years ago when we produced our 'AACS Convenience 2020' report important elements to success remain collaboration, innovation and differentiation.

As we look ahead to the year ahead and new decade, our path is clear: we're focused on helping you understand where we are, where we're going, how we'll get there and how we may add value to your business – large or small.

Our vision is 20-20….and beyond.

Convenience in Australia: Where we are

Our industry is dynamic and as lines between retailers increasingly blur, new competitors emerge and trading conditions present new challenges, the fast-paced evolution which defines convenience will only speed up more.

By virtue of our key reason for being – to offer a convenient service – we are at the cutting edge

Your AACS Board members

Retail Member Directors

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Vice Chair: Amanda Woollard, BP
Treasurer: Rob Anderson, APCO
Chris Andrianopoulos, AA Holdings
Darren Park, UCB
Steve Cardinale, New Sunrise Group
Martin Monaghan, Caltex
Stephen Crystal, VIVA Energy

Supplier Member Directors

Theo Foukkare, Pacific Optics
Caroline Waite, Frucor
Brett Barclay, CMA

Introduction

of retail change. We need to understand our customers if we are to go on the journey with them.

We need to know who they are, who they will be in the future, and who we want to shift across. As consumers age, socio-economic backgrounds change and ethnicities diversify, we need to ask ourselves if we're prepared for the changes. The 'AACS Convenience Usage & Attitudes' research we undertook in 2019 is a valuable member resource in this regard.

This year, new and different competitors have emerged and more invariably will, so we need to be clear on our value proposition. We must take the time to understand why some customers shop with us, why some don't, what we offer that no-one else can, and what new entrants are attempting to compete with us on.

Food, is another example. We have already carved out a reputation for being a viable meal option, but we still see the opportunity for 'better for you' food and beverages.

Perhaps part of the solution lies in collaborations. Food is still the future for our industry, but whether the focus is on proprietary ranges developed specifically for retailers, or through collaborations with known brands, is a question for operators.

Collaborations might be achieved through franchised operations run side by side, incorporated in stores or, like we saw with the partnership between BP and David Jones, fully branded offers.

Consumers will determine the success of these strategies, but we need to offer them choice. Just as we must continue to offer customers the choice to buy legal products like tobacco, sold responsibly.

Despite the long-term trend in the decline of tobacco sales, our channel continues to do well. Yet Governments continue to pocket exorbitant taxes from consumers on legal tobacco, systematically increasing excise, while largely ignoring the illicit tobacco flooding communities at street level.

Illicit tobacco sales account for around 15% of the total tobacco market according to KPMG, with these products potentially more harmful to consumers given their unknown origins and ingredients. Government and health bodies like the Cancer Council still remain very quiet on this issue, instead focusing on responsible retailers of legal tobacco. This needs to change.

As for e-cigarettes, the landscape shifted in 2019. Developments in the USA give us cause to pause and consider, and we will need to be guided by experts on this score, although Public Health England still maintains through its research that

2019

In terms of Connection and Knowledge for the past year we have had:

AACS Annual State of the Industry Report Launch

- **AACS Supplier round table meetings**
- **AACS Downunder Study Tour in Melbourne**
- **AACS Convenience Leaders Summit and AACS Gala and Awards dinner in Sydney**
- **AACS Collaboration and Innovation workshops**
- **AACS Overseas Study Tour to the USA**
- **AACS PJ Convenience Industry Award**
- **AACS Women in Convenience events**
- **AACS Store of the year award**
- **AACS Weekly eNewsletter publication**

Introduction

e-cigarettes are 95% safer than traditional tobacco.

The changes we've experienced in 2019 set the scene for more challenges and opportunities ahead.

Where we're going

We know the reason behind most visits to the convenience store is to satisfy an immediate need. How we do this as needs and expectations shift will define our success.

Fresh food on-the-go will continue to draw customers in. Quality, freshness, availability and value are the key drivers. You could argue we've got lunch covered but convenience is still not capitalising on breakfast and dinner, so these present growth opportunities for savvy retailers.

Beverages – particularly hot beverages – will continue to grow as new developments in flavours and equipment emerge. How long until a robot barista is making our coffee? This is something that will develop in the future for speed and consistency, as well as from the consumer interaction perspective.

Technology will keep moving the goalposts, so we have to keep up. Product delivery is an area undergoing change. For instance, drone delivery experiments are already taking place while mobile ordering is here, but are retailers really exploiting this growing opportunity? How about digital wallets and acceptance of mobile payments – are we preparing or ready for this development?

> **"Chinese consumers were the first to embrace the multi-functionality of mobile phones, using these devices to interact with peers as well as brands. In 2015, China was the first market to spend more on mobile than any other device. In 2018, 77% of digital purchases in China were mobile based."**
>
> Source: Euromonitor 2019

Similarly, how long before the first frictionless store opens in Australia? Judging by the acceptance, use and growth of this concept in the USA, and while it may not be suitable in every location, it has both potential and appeal in Australia. The savings in terms of labour costs and time for consumers make it a trend to watch and for retailers to experiment with, as costs of implementation reduce and technology improves.

Even small format unstaffed stores present opportunities, as was highlighted during the recent AACS Overseas Study Tour to the USA in 2019 and to China in 2018.

It is clear that convenience must continue to evolve, both inside and outside the store, to ensure we keep pace with what's happening around us. And we will.

We need to be prepared for some dramatic changes in the industry, be they driven internally or externally. We read in the media about the rebranding for Caltex to Ampol. We have read about the possible entry into Australia by the convenience giant Couche Tard. We have seen the successful entry by E.G. into Australia. We have seen the alliance between BP and David Jones.

How we'll get there

We have a reputation for innovation and the runs on the board. Our industry's recent efforts to innovate, particularly in food, have changed perceptions as to what the convenience offer is.

Now is not the time to rest on our laurels. Instead we must ramp up our commitment to innovating and embracing change. By listening to the cues that research gives us, mining international trends and integrating new offers, programs and experiences based on our understanding of our customers, we will grow and flourish in the new decade.

Our industry will have to embrace – and that means plan for and invest in – artificial intelligence (AI).

Introduction

Ideally, convenience operators are already mobilising in this space. The applications and scope for AI and robotics in convenience, in many areas, is impossible to ignore and hopefully retailers and their suppliers are actively investigating the possibilities here, from supply chain to customer loyalty and interactions.

Partnerships will also influence our future success. For example, despite the slow growth of electric vehicles (EVs), there remain only a few operators investing in charging facilities for consumers. Now is the time to flag that we understand the potential future needs of our customers and to start accommodating those needs.

Consumers who do drive EVs will need charge points so we should partner with leading providers of this service at appropriate sites from early on. Some shopping malls and centres are already doing it.

Then there are the impacts of driverless cars to consider, with the potential growth of these vehicles possibly bypassing service stations. How do we continue to offer these consumers value?

Our industry, indeed our world, will be vastly different ten years from now. Our challenge and our opportunity is to read where possible the writing on the wall, and ensure we not only respond to what's happening, but lead the way.

Your Association

The AACS will continue to serve as the proactive voice and agent for change for the Australian convenience industry. We will represent our Members, large or small, retailers or suppliers to our industry.

Some of our focus areas as we embark on a new decade are familiar. We will continue to rally against the rising cost of doing business by seeking a more level playing field for our retailers and small businesses generally, calling out anti-competitive tactics, and lobbying Government where required.

Much has been written in the media about underpayments by various companies. This issue is sure to restart discussions about awards, cost of doing business, and ensuring that companies do operate ethically.

Crime, including but not limited to petrol theft, is perhaps the most critical issue we're facing. We will continue to work with other industry bodies and our members to implement new programs and initiatives to protect our people, while advocating for a zero-tolerance approach from law enforcement authorities, the judicial system and legislators.

We'll also keep our foot on the pedal in seeking new opportunities and avenues for growth. We'll keep working to elevate the Australian convenience range up to the level of the rest of the world. We are lagging in many respects and Government needs to be constantly reminded that we're getting left behind.

Packaged alcohol is a key potential growth category and one that we will pursue for our industry.

We will also continue to invest in research and bring results to our Members of new insights that may positively impact their businesses.

> **The AACS is your Association and it's our mandate to maintain our focus on the areas important to you. If there's an issue or initiative that you would benefit us lending our voice to, let us know.**

We sincerely thank our Retailers and Suppliers for their ongoing efforts, particularly in very challenging times.

Report Methodology

CMA have again been appointed by AACS to compile the AACS State of Industry Report.

CMA uses both IRI's Market Edge scan data and Retailer specific sales data for those not included in IRI, allowing for broad coverage of the Petrol & Convenience Channel. Total industry and category data presented in this report is a combination of these results.

Not all P&C Retailers are members of AACS or are able to provide data across all areas of their business. As such not all have provided data for this report.

In instances where a retailer is not able to provide data through either of these methods, a projection is included to represent their contribution to the P&C retail market.

The headline performance metrics for each of the 16 categories profiled in this report are based on IRI coverage in combination with AACS members contributions derived from an industry survey.

The categories represented remain the same as 2018 in which changes were made to condense the amount of categories reported from 19 to 16 and includes Hot Beverages as its own category, separate from Total Beverages.

The Shopper Insights and measures provided in the report are from the CMA Convenience Shopper Report 2019.

Chart of coverage

Estimated other
8%

Retailer contributions
28%

IRI Market Edge
64%

Source: AACS Retailer Submissions, IRI Market Edge, Company Websites

Industry Overview

A slightly softer year in 2019 v 2018 with the slowing growth in the Tobacco category having the largest impact. The growth of 2.1% remains above CPI of 1.8% as reported by the ABS for 2019, which was in line with 2018.

- Hot Dispensed Beverages for the 3rd year in a row was the fastest growing category adding another $46m of growth or 18%
- Food on the Go grew at 11.5% adding $68 million of growth to the Channel
- Packaged Beverages grew at 4.4% and delivered the greatest dollar value contribution of any category totalling $79 million
- Tobacco remains the largest category adding $28m, although growth slowed to 0.8% driven by a 6.8% unit decline
- The Snacking categories were all up with Ice Cream +5.2%, Snackfoods +4.1% and Confectionery + 2.1% all significantly stronger than 2018

Key Industry Changes

EG Australia
take over the Woolworths Petrol business in April

Caltex
open their first Metro site in partnership with Woolworths in North Ryde

7 Eleven
open their first cashless store in Richmond Victoria

BP
partners with David Jones and opens first store in Bayside Victoria

VIVA Energy
takes 100% ownership of Liberty

Chevron
agrees to buy Puma Energy (to be completed in 2020)

Couche Tarde
offers to buy Caltex for $8.8b (3rd bid). EG enters the bidding war early 2020

Caltex
announce they will rebrand Ampol after Chevron terminates the agreement

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Performance

Dollar Sales
$8.776b
↑2.1%
2.4% in 2018

$ Value Increase
$179m
$201m in 2018

Dollar Sales
(Excluding Tobacco)
$5.359b
↑2.9%
Flat in 2018

Average Transaction Value
$9.69
↓0.2%

Average Merchandise Transactions per day
498
↑3.1%

Margin
33.5%
↑0.1%
33.4% in 2018

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Industry Overview

Performance

Store Numbers

6,995

↑2.9%

Source: AACS Retailer Submissions, IRI Market Edge, Company Websites

CMA Shopper Insights

Shopper Visit Frequency

↑ **2.8**

per week

Items Per basket

↓ **2.0**

items

Shoppers

Male Female

63% 37%

Source: CMA Shopper Report 2019

- Store numbers continue to exceed Channel and CPI growth @ 2.9% mainly driven by New Sunrise +17% and Metro Petroleum +11%
- Margin was slightly stronger driven by Hot Beverages +6.8% mainly due to increased Barista offer in Independents
- Food on the Go delivered $38m of extra margin despite overall percentage margin remaining flat
- Tobacco margin dropped below an average of 20% and delivered $18m less than in 2018

The Australian market growth was less than half of the USA Convenience market, which increased by 4.4% despite a slight decline of less than 1% in Convenience stores operating according to NACS State of Industry data

- Communications, Travel Tickets and Printed Material categories continued the decline of 2018 which resulted in $89m of lost sales and $15m in margin
- 2019 provided the largest gap between growth of the Food & Beverage segment vs. Non Food segment. Food & Beverage grew (+6%, adding $228m in value) versus Non Food (decline of 1%, or $49m in value)
- Shopper visit frequency, according the CMA Convenience shopper Report 2019, improved from 2.7 to 2.8 visits per week. Number of items however, was down from 2.1 to 2.0 items per basket
- The Convenience channel growth was slightly below the Food and Non Alcoholic Beverages average growth of 2.6%, as reported by the ABS CPI 2019 data report

Group Growth

Convenience	Food & Non Alcoholic Beverages	Alcohol & Tobacco	Clothing & Footwear	Housing
2.1%	2.6%	6.5%	1.4%	0.2%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements, ABS CPI 2019 Data

Site statistics of retailers used in channel measurement

Stores	2019	2018	Difference	%
7-Eleven	708	692	16	2.3%
AA Petroleum	53	53	0	0.0%
APCO	24	22	2	9.1%
BP	321	304	17	5.6%
BP Buying Group	383	400	-17	-4.3%
Caltex	708	702	6	0.9%
Coles Express	713	713	0	0.0%
Freedom Fuels	49	47	2	4.3%
Metro Petroleum	227	205	22	10.7%
Independents	300	300	0	0.0%
New Sunrise	948	813	135	16.6%
NightOwl	73	75	-2	-2.7%
OTR	149	145	4	2.8%
Puma Energy	221	226	-5	-2.2%
UCB	1180	1164	16	1.4%
United	403	398	5	1.3%
EG Australia	535	540	-5	-0.9%
TOTAL	6995	6799	196	2.9%

Note: 2018 numbers adjusted to include retailers not previously reported.
Source: AACS Retailer Submissions, IRI Market Edge, Company Websites, ASX Announcements

Food & Beverage 2019 $ Sales

$4.04b

↑6.0% +$228m

2018 ↑3.0% $111m

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Non Food 2019 $ Sales

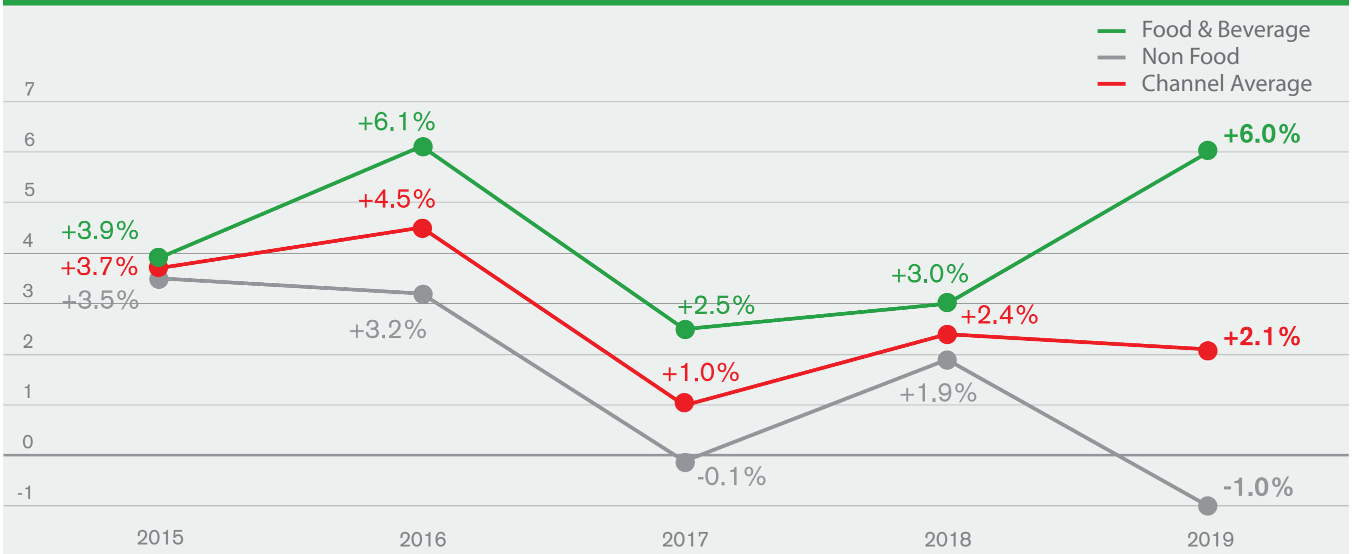
$4.74b

↓1.0% -$49m

2018 ↑1.9% $90m

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

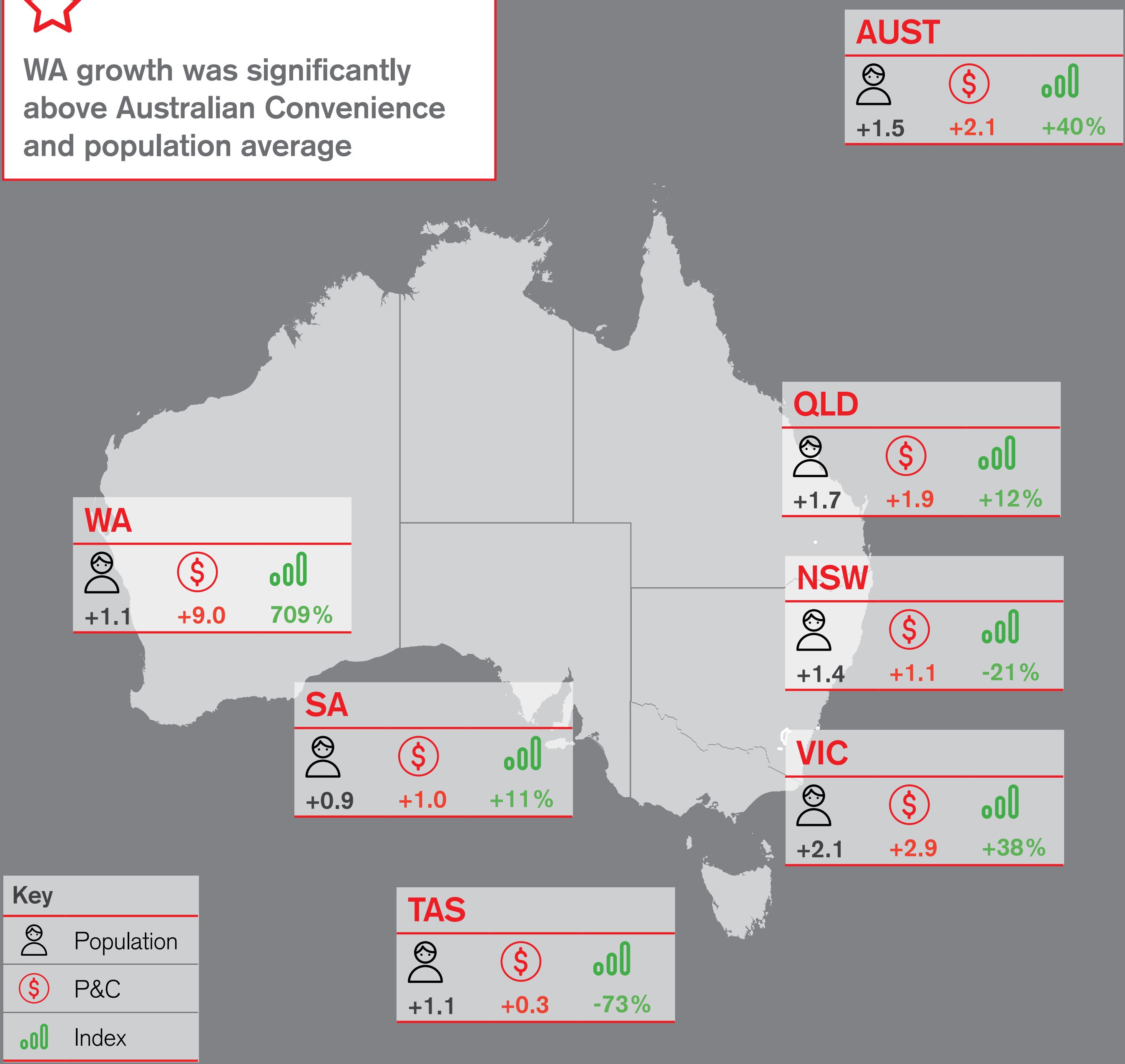
Trend Chart



Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

State Performance

WA growth was significantly above Australian Convenience and population average



Source: AACS Retailer Submissions, IRI Market Edge, ABS

Industry Overview

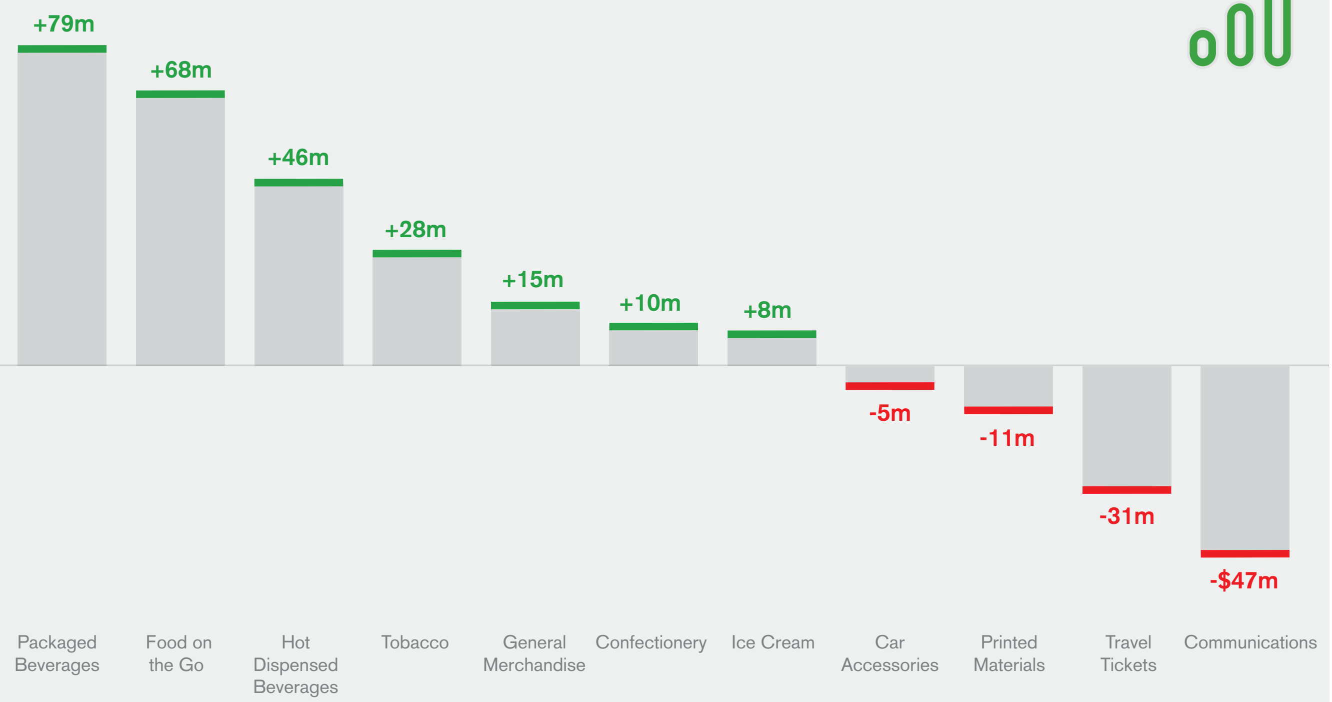
Basket Penetration

	Beverages	Food on the Go	Fuel	Snacking	Grocery & General Merchandise	Tobacco
2018	73%	22%	19%	17%	18%	7%
2019	**72%**	**25%**	**19%**	**16%**	**19%**	**6%**

- Beverages continue to be present in over 70% of baskets
- Food on the go continues to grow basket penetration up 3 points on 2018
- Tobacco slight decline identifies less people buying from the channel

Source: CMA 2019 Shopper Report

Table of value of growth



Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Category Performance Trend

Non Food

Food & Beverage

Ranked by 2019 Value Contribution

Top 5 Positive		2015	2016	2017	2018	2019
Packaged Beverages	Food & Beverage	+2.2%	+2.6%	+2.5%	+1.2%	**+4.4%**
Food on the Go	Food & Beverage	+13.0%	+18.3%	+13.3%	+9.9%	**+11.5%**
Hot Dispensed Beverages	Food & Beverage	+29.7%	+24.7%	+16.1%	+14.6%	**+18.0%**
Tobacco	Non Food	+5.2%	+5.6%	+3.4%	+6.4%	**+0.8%**
General Merchandise	Non Food	+9.8%	+20.6%	-2.4%	-3.7%	**+3.4%**

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Top 4 Negative		2015	2016	2017	2018	2019
Car Accessories	Non Food	-2.8%	-2.0%	-7.0%	-5.1%	**-3.3%**
Printed Materials	Non Food	-8.5%	-8.2%	-10.2%	-11.2%	**-9.4%**
Travel Tickets	Non Food	+6.6%	-5.0%	-13.5%	-14.0%	**-17.0%**
Communications	Non Food	-10.1%	-11.7%	-10.7%	-13.0%	**-16.2%**

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Category Channel Performance

Category	2019 Value ($000,000s)	2018 Value ($000,000s)	Actual Growth YA ($000,000s)	Share	2019 Growth	2018 Growth
Total Convenience	**8,776**	**8,597**	**+179**	**100%**	**+2.1%**	**+2.4%**
Total Non Food	**4,738**	**4,787**	**-49**	**54.0%**	**-1.0%**	**+1.9%**
Total Food	**4,038**	**3,810**	**+228**	**46.0%**	**+6.0%**	**+3.0%**
Hot Dispensed Beverages	302	256	+46	3.4%	**+18.0%**	+14.6%
Food on the Go	659	591	+68	7.5%	**+11.5%**	+9.9%
Bread	40	38	+2	0.5%	**+5.3%**	-3.9%
Ice Cream	162	154	+8	1.9%	**+5.2%**	-4.8%
Packaged Beverages	1885	1806	+79	21.5%	**+4.4%**	+1.2%
Snackfoods	202	194	+8	2.3%	**+4.1%**	+0.7%
Take Home Food	149	144	+5	1.7%	**+3.5%**	+10.1%
General Merchandise	462	447	+15	5.3%	**+3.4%**	-3.7%
Confectionery	493	483	+10	5.6%	**+2.1%**	+0.1%
Milk	146	144	+2	1.7%	**+1.4%**	-1.4%
Grocery	212	210	+2	2.4%	**+1.0%**	+0.0%
Tobacco	3417	3389	+28	38.9%	**+0.8%**	+6.4%
Car Accessories	146	151	-5	1.7%	**-3.3%**	-5.1%
Printed Materials	106	117	-11	1.2%	**-9.4%**	-11.2%
Communications	244	291	-47	2.8%	**-16.2%**	-13.0%
Travel Tickets	151	182	-31	1.7%	**-17.0%**	-14.0%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Tobacco

Performance

Sales Performance

$3.4b

↑0.8% $28m

2018 Growth
6.4% $204m

Margin

19.9%

Dollar Share

38.9%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

- Tobacco unit Sales declined 6.8% in 2019 with South Australia having the highest decline of 10.9%, while Western Australia was flat
- Tobacco share of Convenience Channel fell from 39.4% to 38.9%
- Growth rate in Tobacco is the lowest since 12.5% Excise Tax legislation was brought in
- The category margin declined from 20.6% in 2018 to 19.9% in 2019 and is off the highs of 22.8% in 2016
- Dollar share continues to increase in both lower priced cigarettes and Roll Your Own Tobacco
- Despite the lower growth rate the Tobacco Category still delivered $28m in extra value or 15.6% of total value growth
- Competitive pricing in Supermarkets and Tobacconists on the key 20's pack size was one of the drivers for the weaker results in 2019

	Dollar Share	Dollar Growth 2019	Dollar Growth 2018
Low Price Cigarettes	17.5%	**28.9%**	-5.8%
Roll Your Own	11.8%	**13.0%**	19.9%
Deep Discount Cigarettes	40.1%	**-2.0%**	17.5%
Mid Priced Cigarettes	22.1%	**-9.0%**	-5.7%
Premium Cigarettes	8.5%	**-11.0%**	-2.2%

Source: AACS Retailer Submissions, IRI Market Edge and Supplier Contribution

CMA Shopper Insights

Visit Frequency Tobacco Shoppers

3.0

times per week

Average Spend with Tobacco in basket

$37.30

per visit

Main Mission – Tobacco

55%

Tobacco Shoppers

Male **67%**

Female **33%**

Source: CMA Shopper Report 2019

Shopper Insights

- Loyalty to Convenience stores for Tobacco purchases is strong with almost 50% of shoppers buying their Tobacco needs from Convenience stores
- Despite the softening in the growth rate average basket spend was up 16% on prior year
- Tobacco purchases are highly planned with 55% of Tobacco shoppers on a specific Tobacco mission, which was up 3% on 2018
- Visit frequency of Tobacco Shoppers was up 7% versus 2018 and was above the industry average of 2.8 times per week

Source: CMA Shopper Report 2019

Tobacco Legislation

E-Cigarettes

E-Cigarettes remain a banned product by the Federal Government in Australia however they continue to be sold in Convenience Stores throughout the globe. Recent stronger regulations have been introduced in the United States after an increase in deaths attributed to e-cigarettes.

In September 2019 Walmart, the worlds largest retailer, made the decision to ban the sale of e-cigarettes which came about after the FDA looked to toughen laws.

"Given the growing federal, state and local regulatory complexity and uncertainty regarding e-cigarettes, we plan to discontinue the sale of electronic nicotine delivery products at all Walmart and Sam's Club U.S. locations," Walmart said in a statement. "We will complete our exit after selling through current inventory."

The FDA decision published on its website https://www.fda.gov/news-events/press-announcements/fda-finalizes-enforcement-policy-unauthorized-flavored-cartridge-based-e-cigarettes-appeal-children on January 2nd 2020. Amid the epidemic levels of youth use of e-cigarettes and the popularity of certain products among children, the U.S. Food and Drug Administration today issued a policy prioritising enforcement against certain unauthorised flavored e-cigarette products that appeal to kids, including fruit and mint flavors. Under this policy, companies that do not cease manufacture, distribution and sale of unauthorised flavored cartridge-based e-cigarettes (other than tobacco or menthol) within 30 days risk FDA enforcement actions.

"The United States has never seen an epidemic of substance use arise as quickly as our current epidemic of youth use of e-cigarettes. HHS is taking a comprehensive, aggressive approach to enforcing the law passed by Congress, under which no e-cigarettes are currently on the market legally," said HHS Secretary Alex Azar. "By prioritizing enforcement against the products that are most widely used by children, our action today seeks to strike the right public health balance by maintaining e-cigarettes as a potential off-ramp for adults using combustible tobacco while ensuring these products don't provide an on-ramp to nicotine addiction for our youth. We will not stand idly by as this crisis among America's youth grows and evolves, and we will continue monitoring the situation and take further actions as necessary."

> **These tighter controls could be launched immediately in Australia as according to a new study reported in *The New England Journal of Medicine*, published 7th February 2019 e-cigarette smokers kicked the habit at double the rate of standard nicotine replacement therapies.**
>
> **At the conclusion of the 12 month study, 18% of the e-cigarette group had quit smoking, compared to 9.9% of the nicotine-replacement group. After a year however, of those who had stopped smoking, 80% were still using e-cigarettes compared to only 20% still using nicotine replacements.**

All Tobacco companies in Australia would support the introduction of e-cigarettes as a way of helping reduce traditional smoking rates in Australia.

Packaged Beverages

Performance

Sales Performance

$1.9b

↑4.4% $79m

2018 Growth
1.2% $21m

Margin **45.8%**

Dollar Share **21.5%**

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

- Packaged Beverages increased its dollar share of the channel from 21% to 21.5% in 2019
- Packaged Beverages delivered the highest dollar value growth in 2019 with $79m or 44% of total channel growth
- The Packaged Beverages growth rate was 4.4% which was significantly up on 1.2% in 2018
- Category margin was slightly down by 1% on average, however still delivered an extra $18m or 25% of total channel margin growth
- Container deposit scheme was launched in Queensland for the full 2019 year (launched Nov 18) however, unit growth was at 1.8% versus National average of 1.5%
- Value growth was strongest in Western Australia and Queensland which were both 39% above the channel average
- An increase in Promotional Pricing for Packaged Beverages helped drive a 9 cents price per litre increase in 2019, with the biggest growth coming from the RTD Coffee +$1.08 and RTD Tea category +$0.84
- Energy Drinks delivered the strongest value growth for 2019 delivering an extra $25m dollars of value versus 2018
- Soft Drinks added $20m of growth to the channel up 5.2% versus 1.2% in 2018
- After successive years of decline, Water grew at 4.5% and added $10m of value growth in 2019 after declining 1.2% in 2018

CMA Shopper Insights

Visit Frequency Beverage Shoppers

2.4

times per week

Average spend with Beverages in basket

$10.20

per visit

Main Mission – To buy a Drink

53%

Beverage Shoppers

Male **66%** Female **34%**

Source: CMA Shopper Report 2019

Shopper Insights

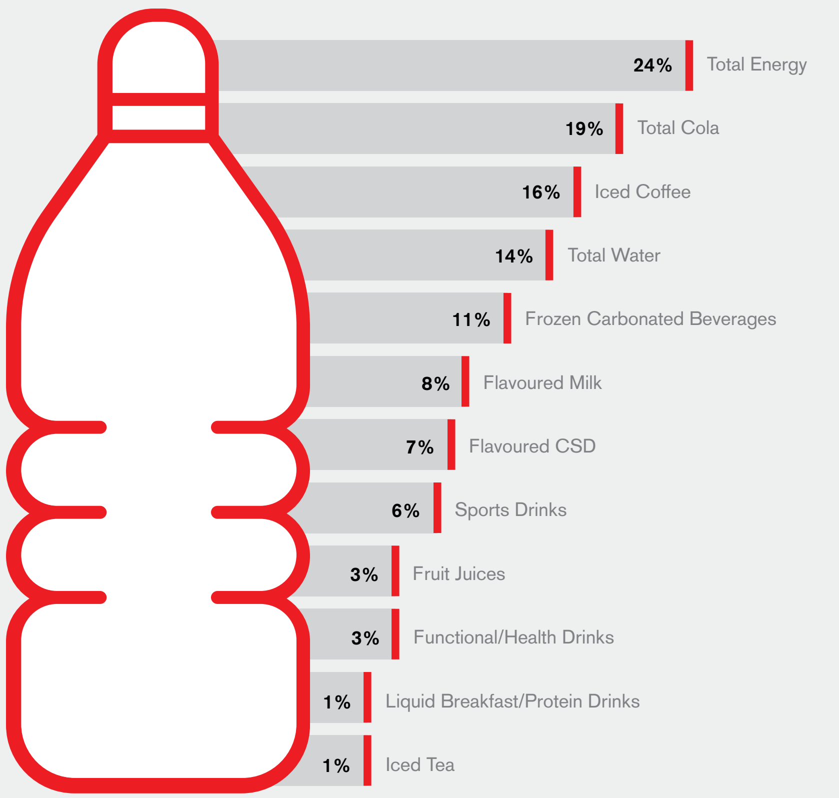
- The average spend of the Beverage shopper has increased with co-purchase of Food on the Go up 5 points
- The Better for you trend continues to grow penetration of Functional and Health drinks up 2 points, and 26% of all Cola purchases being Sugar Free
- Visit frequency of Beverage shoppers continues to increase up to 2.4 times per week although below channel average by 14%
- Beverage Shopper Main mission To buy a Drink increased from 48% in 2018 to 53% in 2019 with Energy Drinks being the strongest at 58%

Source: CMA Shopper Report 2019

Packaged Beverages

- Total Flavoured Milk declined in 2019 by 0.2%. Dedicated Iced Coffee maintained growth of 1.2% while Flavoured Milk declined by 6%
- Sports Drinks was the fastest growing of the established packaged Beverage categories growing at 7% in 2019
- Kombucha continues to grow the Tea segment although percentage growth has more than halved in 2019, it still contributed $3.5m in extra sales value
- Protein Drinks rebounded after a 20.2% decline in 2018 to be back in solid growth, with new entrants to the market the key driver
- RTD provided all the growth in 2019 with Take Home packs in decline versus 2018, dropping $400k

Beverage Penetration 2019



Source: CMA Shopper Report 2019

Beverage Category	Dollar Share	Dollar Growth 2019	Dollar Growth 2018
Energy Drinks	28.2%	**5.1%**	0.8%
Soft Drinks	22.0%	**5.2%**	2.1%
Flavoured Milk	20.6%	**-0.2%**	1.3%
Water	12.7%	**4.5%**	-3.5%
Sports Drinks	8.0%	**7.0%**	-0.5%
Frozen Drinks	4.0%	**2.8%**	1.2%
Juice	2.1%	**-3.1%**	2.1%
Tea Drinks	1.4%	**20.4%**	50.1%
Protein Drinks	1.0%	**24.9%**	-20.2%

Source: AACS Retailer Submissions, IRI Market Edge, Supplier Contributions

Hot Dispensed Beverages

Performance

Sales Performance

$302m

↑18.0% $46m

2018 Growth
14.6% $36m

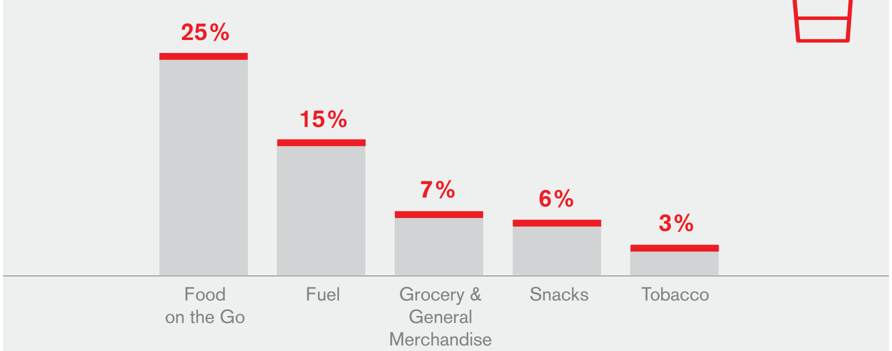
Margin
61.6%

Dollar Share
3.4%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

- Hot Dispensed Beverages was the fastest growing category again in 2019 at 18% and passed $300m in total value
- Dollar contribution was the second highest adding $46m of value or 26% of total growth
- Overall margin percentage increased from 54.8% to 61.6% while delivering an extra $38m in margin contribution
- The category has added $113m in value over the last 3 years or +60% in value since 2016
- Pricing increases to a minimum $1 along with the expansion of that offer in the broader market has contributed to the strong growth

Items Purchased with Hot Coffee



Source: CMA Shopper Report 2019

CMA Shopper Insights

Visit Frequency Hot Beverage Shoppers

3.7

times per week

Average spend with Hot Beverage in basket

$6.90

per visit

Main Mission – To buy a Drink

71%

Hot Beverage Shoppers

Male	Female
66%	**34%**

Source: CMA Shopper Report 2019

Shopper Insights

- Visit frequency is the highest of all categories driven by 38% of Hot Coffee shoppers who visit daily
- Visit frequency continues to improve with an increase from 3.5 times per week to 3.7 in 2019
- Coffee shoppers remain largely Male with a highly planned purchase of 97%
- Average spend of the Shopper purchasing in the category improved by $0.70 cents per transaction with improvements driven by purchases with Food on the Go

Source: CMA Shopper Report 2019

Food on the Go

- Food on the Go was the second fastest growing category delivering $68m in extra sales or 38% of total channel growth
- Margin was slightly up to 50.4% while delivering an extra $38m in margin in 2019
- Dollar value share of the channel has improved from 6.9% in 2018 to 7.5% in 2019
- Food Service category continues to grow as a share of Food on the Go as more retailers broaden range especially around Snacking alternatives
- Sandwiches and Wraps growth has matured after a strong two year period of growth 2017 26%, 2018 17% and 7.5% in 2019

Performance

Sales Performance

$659m

↑11.5% $68m

2018 Growth
9.9% $53m

Margin

50.4%

Dollar Share

7.5%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Food on the Go Category	Dollar Share	Dollar Growth 2019	Dollar Growth 2018
Hot Food	40.0%	**9.7%**	7.5%
Sandwiches & Wraps	29.0%	**7.5%**	17.0%
Fresh Cakes	21.0%	**12.4%**	6.1%
Food Service	10.0%	**11.4%**	5.8%

Source: AACS Retailer Submissions, IRI Market Edge and Supplier Contribution

Shopper Insights

- Bakery Snacks grew 5 points to have the highest penetration within Food on the Go
- Spend of the shopper was up $0.40c on 2018 and visit frequency also increased from 2.5 to 2.7 times a week
- Beverages is the highest cross category purchase with Food on the Go, driven by Hot Coffee which accounts for more than half of the Beverage purchases
- 92% of Food on the Go Shoppers planned to buy the items they purchased. Of those 69% new exactly what they were going to purchase
- Visit frequency of Food on the Go Shopper increased from 2.5 to 2.7 times per week, while basket value also increased $0.20 cents

Source: CMA Shopper Report 2019

CMA Shopper Insights

Visit Frequency Food on the Go Shoppers

2.7

times per week

Average spend with Food on the Go in basket

$11.20

per visit

Main Mission – To buy a Meal

34%

Food on the Go Shoppers

Male **67%**

Female **33%**

Source: CMA Shopper Report 2019

Take Home Food

Performance

Sales Performance

$149m

↑3.5% $5m

2018 Growth
10.1% $13m

Margin

28.3%

Dollar Share

1.7%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

- Take Home Food growth slowed in 2019 to 3.5% down from 10.1% in 2018 and 18% in 2017
- After adding $33m of growth in the last two years, Take Home Food value growth in 2019 was $5m
- Margin percentage dropped from 29% in 2018 to 28.3% in 2019 while dollar margin contribution remained flat at $42m, which has been consistent since 2017 despite the value growth
- IBIS World report Industry revenue is expected to increase at an annualised 1.0% over the five years through 2019-20, to $971.5 million
- There are currently 196 businesses in Australia producing Prepared Meals

According to Technomic, consumer demands are intensifying. Consumers are becoming more health-oriented, activist, ethnic, and urban. This is key to understanding the direction of product development across the food industry, as these traits are linked to specific ideas about food, such as:

- **Health-oriented – fresh, natural, and nutritious**
- **Activist – transparent, local, and sustainable**
- **Ethnic – bold, authentic, and adventurous**
- **Urban – gourmet, trendy, and convenient**

Key Industry Changes

The ACCC
reported in September that the total chilled ready meals market continues its growth and is worth approximately $130 million per year at retail level

Woolworths
invests $30 million in Marley Spoon maker of Meal kits for a 9% stake in June 2019

The ACCC
in September 2019 blocked B&J City Kitchens' proposed acquisition of Jewel Fine Foods who went into Administration in April 2019. Since then Coles have purchased Jewel Fine Foods in March 2020.

Source: ACCC and ASX Company announcements

Shopper Insights

- The Ready Meals segment growth for total market was 4.1% in 2019 and is forecast to be at 3.6% in 2020 slowing over the next 4 years as the market matures
- The average consumption of Ready Meals grew to 13.4kg per person in 2019 and this is expected to remain in slight growth to 13.6kg over the next 4 years
- According to a CMA Shopper Matters online survey June 2019, 14% of Convenience store shoppers are most likely to purchase food as a meal from Convenience Stores*
- The main reasons Shoppers purchased meals from Convenience Stores is Value for money, availability and ability to get in and out quickly*

Source: Statista (Ready Meals September 2019 Report) www.statista.com
*Shopper Matters June 2019

Confectionery

- Confectionery growth of 2.1% backed up 2018's slight growth and is the strongest result since 2016
- Value in 2019 was up $10m after delivering a flat growth in 2018 and declining $16m in 2017
- Margin percentage was down 1% to 45.9% impacting margin contribution which fell by $1m
- Nutritional Bars (now represented in Confectionery category) have maintained the strongest growth rate at 14% although still represent under 4% of Category value
- Category Dollar share remained consistent with 2018 at 5.6%
- Chocolate Bars remains the strongest sub segment of Confectionery representing 30.6% of all Confectionery sales

Performance

Sales Performance

$493m

↑2.1% $10m

2018 Growth
+0.1% Flat

Margin 45.9%

Dollar Share 5.6%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Confectionery Category	Dollar Share	Dollar Growth 2019	Dollar Growth 2018
Chocolate Confectionery	57.3%	**1.1%**	1.6%
Sugar Confectionery	26.9%	**4.5%**	-2.4%
Gum & Mint	12.0%	**1.6%**	-1.5%
Nutritional Bars	3.8%	**14.0%**	17.0%

Source: AACS Retailer Submissions, IRI Market Edge, Supplier Contributions
Note: Nutrional Bars is now included in the splits of Confectionery Category rather than Snackfoods previously

Shopper Insights

- Confectionery is a highly impulsive category with 20% of shoppers buying more items than they planned when buying Confectionery
- 32% of all Confectionery purchased is bought on promotion with an average spend of $11.30
- Category Shopper swung from a slight Male over index to an even split between Male and Female, significantly different to the overall channel demographics
- Visit frequency of the Confectionery Shopper was down from 2.1 to 1.9 visits per week and sits 33% below channel average

Source:CMA Shopper Report 2019

CMA Shopper Insights

Visit Frequency Confectionery Shoppers

1.9

times per week

Average Basket Spend with Confectionery in basket

$10.50

per visit

Main Mission – to buy Fuel

29%

Confectionery Shoppers

Male	Female
50%	**50%**

Source: CMA Shopper Report 2019

Snackfoods

Performance

Sales Performance

$202m

↑4.1% $8m

2018 Growth
0.7% Flat

Margin

44.4%

Dollar Share

2.3%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

- Snackfoods growth of 4.1% was the strongest in the last 3 years after a slight 0.7% increase in 2018
- Margin was down 1.7% to 44.4% however, it still delivered positive dollar margin growth of $1m
- Dollar share remained in line with 2018 at 2.3%
- Category Basket value improved 9% on 2018 and had a swing towards Female shoppers who now represent 49% of the category
- NPD is an important part of the category success and represented 5.6% of total sales in 2019
- Nuts, Jerky and Rice Snacks delivered the highest percentage of growth at 8.3% however Chips delivered the greatest value contribution
- Popcorn continued for a second year to have double digit value decline after significant category growth in 2016

CMA Shopper Insights

Visit Frequency Snackfoods Shoppers

2.2

times per week

Average spend with Snackfoods in the basket

$10.80

per visit

Main Mission – to buy a Drink

36%

Snackfoods Shoppers

Male	Female
51%	**49%**

Source: CMA Shopper Report 2019

Snacking Category	Dollar Share	Dollar Growth 2019	Dollar Growth 2018
Chips	80.4%	**5.0%**	0.5%
Nuts, Jerky & Rice Snacks	16.0%	**8.9%**	8.5%
Popcorn	3.6%	**-26.0%**	-18.5%

Source: AACS Retailer Submissions, IRI Market Edge, Supplier Contributions
Note: Nutrional Bars is now included in the splits of Confectionery Category rather than Snackfoods previously

Shopper Insights

- Better for you Snacks has increased its share of Snackfoods from 45% to 51%
- Main mission for Snackfoods Shoppers is to Buy a Drink and now represents over a third of Shopper Missions for Snackfoods Shoppers
- The Snackfoods shopper is one of the youngest with an average age of 37 driven by a high share of 18y - 25y olds.
- A swing towards Female Shoppers in the category increasing 5% in 2019 versus 2018

Source: CMA Shopper Report 2019

Ice Cream

- Ice Cream had a strong 5.2% Value increase the first growth year since 2015. This delivered an extra $8m in sales value
- Margin dropped by 1.1% to 44.8% although margin dollar contribution still increased by an extra $2m in 2019
- Better For You has played a role this year, with strong launches in Dairy Free which increased category penetration
- NPD has been a key contributor to the growth especially around licensed brands and extension of core high selling brands
- Home delivery has also helped drive growth through the relevant platforms and NPD in Take Home Ice Cream has helped drive both in store and home delivery growth
- A reduced reliance of promotional activity & higher RRPs have also contributed to growth in the 2nd half of the year

Performance

Sales Performance

$162m

↑ **5.2% $8m**

2018 Growth
-4.8% -$8m

Margin
44.8%

Dollar Share
1.8%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Ice Cream Category	Dollar Share	Dollar Growth 2019	Dollar Growth 2018
Ice Cream Singles	74.9%	**4.0%**	-5.3%
Ice Cream Take Home	19.1%	**6.3%**	-4.8%
Icy Poles Singles	6.0%	**21.3%**	-0.1%

Source: AACS Retailer Submissions, IRI Market Edge, Supplier Contributions

Shopper Insights

- Ice Cream shoppers are less likely to buy on promotion than the average with only 8% doing so
- In 2019 the Ice Cream shoppers main mission changed from being Fuel focused as in 2018, to being a Snack mission
- 25% of Ice Cream shoppers are buying the Ice Cream for kids
- Growth seems to have come from more Males engaging in the category versus 2018 increasing 9% although females still over index versus channel average

Source: CMA Shopper Report 2019

CMA Shopper Insights

Visit Frequency Ice Cream Shoppers

1.6

times per week

Average spend with Ice Cream in the basket

$8.30

per visit

Main Mission – To buy a Snack

34%

Ice Cream Shoppers

Male **54%**

Female **46%**

Source: CMA Shopper Report 2019

Milk

Bread

Performance

Sales Performance

$146m

↑1.4% $2m

2018 Growth
-1.4% -$2m

Margin **29.8%**

Dollar Share **1.7%**

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

← Milk

- Milk grew at 1.4% in 2019 after a decline of 1.4% in 2018 and delivered first year of growth since 2016
- Category Margin percentage declined from 35.3% to 29.8% so delivered margin dropped $7m in 2019
- Full Cream Milk delivered the total growth with Modified Milk declining 4.9% in 2019

Performance

Sales Performance

$40m

↑5.3% $2m

2018 Growth
-3.9% -$2m

Margin **23.7%**

Dollar Share **0.5%**

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

CMA Shopper Insights

Visit Frequency Milk Shoppers

2.2

times per week

Average spend with Milk in basket

$9.60

per visit

Main Mission – Top Up Shop

70%

Milk Shoppers

Male **52%** Female **48%**

Source: CMA Shopper Report 2019

Bread →

- Bread grew by 5.3% in 2019 and delivered an extra $2m in sales
- Margin percentage declined from 27.9% to 23.7% and margin dropped to $9m down $1m in value contribution
- Visit frequency of Bread shoppers did jump from 2.3 in 2018 to 2.6 times per week in 2019

Shopper Insights

- Both Bread and Milk had a significant swing in mission to more Top Up Shopping as the main mission, up from 57% in 2018.

Source: CMA Shopper Report 2019

CMA Shopper Insights

Visit Frequency Bread Shoppers

2.6

times per week

Average spend with Bread in the basket

$11.70

per visit

Main Mission – Top Up Shop

71%

Bread Shoppers

Male **48%** Female **52%**

Source: CMA Shopper Report 2019

Grocery

General Merchandise

Grocery – Performance

Sales Performance

$212m

↑1.0% $2m

2018 Growth
0% Flat

Margin **29.1%**

Dollar Share **2.4%**

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

← Grocery

- Grocery category grew by $2m after being flat in 2018 and strong growth of 17.5% in 2017
- Margin percentage decline from 32.8% to 29.1% however maintained the same overall dollar margin contribution
- Grocery Staples remain the strongest category share representing 40% while Medicinal is the second highest at 25% of category sales

General Merchandise – Performance

Sales Performance

$462m

↑3.4% +$15m

2018 Growth
-3.7% -$7m

Margin **46.2%**

Dollar Share **5.3%**

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Grocery – CMA Shopper Insights

Visit Frequency Grocery Shoppers

2.3 times per week

Average spend with Grocery items in the basket

$15.80 per visit

Main Mission – Top Up Shop

40%

Grocery Shoppers

Male **45%** Female **55%**

Source: CMA Shopper Report 2019

General Merchandise →

- General Merchandise was up 3.4% after a 3.7% decline in 2018, delivering $15m in dollar value
- Margin was up 0.9% which which helped deliver an extra $11m in dollar margin in 2019

Shopper Insights

- While Main mission remained similar to that of 2018 for Grocery and General Merchandise, more female shoppers were engaging within the category, increasing from 47% in 2018, to 55% in 2019

Source: CMA Shopper Report 2019

General Merchandise – CMA Shopper Insights

Visit Frequency General Merchandise Shoppers

2.3 times per week

Average spend with General Merchandise in the basket

$15.80 per visit

Main Mission – Top Up Shop

40%

General Merchandise Shoppers

Male **45%** Female **55%**

Source: CMA Shopper Report 2019

Front of Store/Lifestyle

Performance

Sales Performance

$244m

↓16.2% -$47m

2018 Growth
-13.0% -$44m

Margin	Dollar Share
11.3%	2.8%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Communications

- Communications declined 16.2% for the fourth straight year of double digit decline dropping $47m in value
- Margin percentage was slightly down to 11.3% from 12.2% in 2018 with delivered margin dropping $8m in 2019
- Recharge cards continues to have the greatest impact dropping 19.2%

Shopper Insights

- Average spend of communications shoppers increased 20% in 2019 and sits more than double the channel average although they visit less frequently than the average shopper

Source: CMA Shopper Report 2019

Performance

Sales Performance

$151m

↓17.0% -$31m

2018 Growth
-14.0% -$30m

Margin	Dollar Share
5.4%	1.7%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Travel Tickets

- Travel tickets had the greatest percentage decline in 2019 -17% and $31m in dollar value
- Margin was flat versus 2018 at 5.4% however, delivered $2m less in margin dollar contribution
- Travel tickets' share of store sales has dropped from 2.1% in 2018 to 1.7% in 2019

Performance

Sales Performance

$106m

↓9.4% -$11m

2018 Growth
-11.2% -$15m

Margin	Dollar Share
11.8%	1.2%

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

Printed Materials

- Printed Materials declined by 9.4% which was a drop of $11m in value in 2019
- Margin percentage declined from 14.9% to 11.8% in 2019 which meant delivered margin dropped $5m
- Overall Dollar share of the channel dropped from 1.4% in 2018 to 1.2% in 2019

Shopper Insights

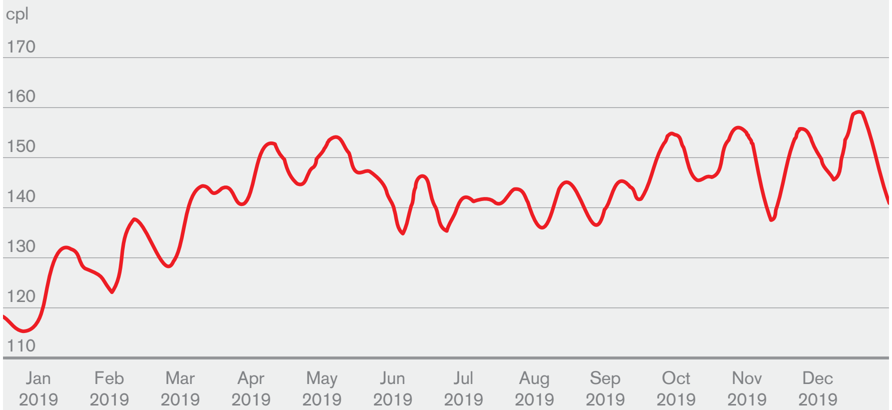
- The visit frequency of Printed Material Shoppers declined 40% in 2019 although average spend increased by 36% which shows significant changes in behaviour in the category

Source: CMA Shopper Report 2019

Petrol/ Vehicle Care

- According to the ACCC Petroleum Report Gross indicative retail differences (GIRDs) for 2019 were 12.6 cpl which was slightly above 12.5cpl which is the average over the last two years
- The average fuel price for 2019 dropped 1.6% according to the API Annual Retail Price Report, which was well down on the average 11.6% increase in 2018
- Average litres per transaction increased 1.8% which improved after the 2.6% drop in 2018
- Petrol Theft dropped 1.8% however still costs $166.91 per fuel retail outlet per week
- Fuel Prices started the year as they finished in 2018 at the lowest price point and gradually increased until June. There was some easing after June, yet the year finished at the highest point which was the complete opposite to 2018

Daily average prices (on a rolling seven-day average basis)



Source: ACCC calculations based on FUELtrac data.

Shopper Insights

- Despite the slightly lower prices, shop basket value when fuel was purchased dropped by 3.5% while visit frequency of the fuel shopper remained stable at 1.7 visits per week
- While Fuel Mission still remains the number one reason Fuel shoppers come to store it did decline by 6% to 85%, highlighting a greater interaction by Fuel shoppers with Shop

Source: CMA Shopper Report 2019

Performance

Price Growth
↓1.6%

Litres per transaction
↑1.8%

Petrol Theft
↓1.8%
$166.91 per week

Total Litres
↓3.0%

Source: AACS Retailer Contribution, AIP Annual Retail Price Data 2019, ACCC Report on the Australian petroleum market

CMA Shopper Insights

Fuel Shopper Visit Frequency
1.7 per week

Average spend on items (exc. Fuel) when Fuel is purchased
$8.20 per visit

Main Mission – To buy Fuel
85%

Fuel Shoppers
Male 60%
Female 40%

Source: CMA Shopper Report 2019

Petrol/ Vehicle Care

State Fuel Prices Summary

Nationally Fuel Prices dropped 1.6% to an average of 142.0 per litre versus 144.3 in 2018

South Australia was the only state where fuel prices went up during 2019 up 1.1% and 0.7 cents above the national average

NSW and Victoria had the lowest average price for the year at 141.1 per litre or 0.9 cents below the National average

Western Australia had the greatest decline versus 2018 -2.1% and ended up 1.4% slightly below the national average

Car Accessories →

- Declined 3.3% in 2019 or $5m in dollar sales value versus 2018 which drove dollar share down 0.1% to 1.7% in 2019
- Overall percentage margin was down 0.5% while overall margin dollar contribution dropped $3m
- While value was down 3.3% unit sales were up 19% driven by Air Freshener Trees with lower value transaction of between $3-$4
- One Shot Windscreen washer concentrate grew by over 900% in 2019

Performance

Sales Performance

$146m

↓3.3% -5m

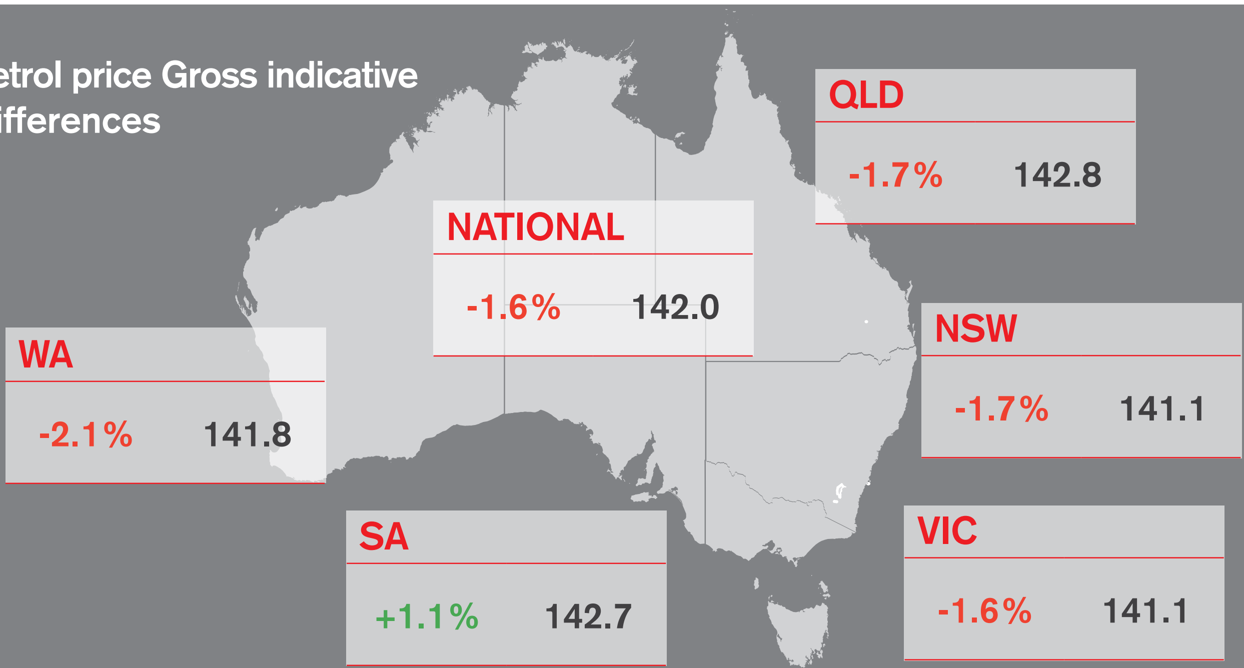
2018 Growth
-5.1% -$8m

Margin	Dollar Share
43.9%	**1.7%**

Source: AACS Retailer Submissions, IRI Market Edge, ASX Announcements

- Fuel cans units were down 2% however, value was down 3.2% due to cheaper imported product being sold

2019 petrol price Gross indicative retail differences



Source: AIP Annual Retail Price Data 2019 Report - Average Petrol Retail Price Published 8th January 2020

Petrol/ Vehicle Care

ACCC Financial performance of the Australian downstream petroleum industry 2002 - 2018 (Released April 2020)

Retail Sales Performance	Value	Net Margin
25b litres (approx) down 3%	$35b (approx)	2.2 cents per litre

Key Takeouts

In 2017–18 around 63 per cent of total net profits in the retail sector ($390 million) were generated from fuel sales, which equates to average net profits of 2.2 cents per litre (cpl) across all fuels. This compares with average net profits of 1.5 cpl across all fuels in the period 2008–09 to 2013–14. Net profits on petrol products, (i.e. RULP, PULP and EBP), were $333 million in 2017–18, which made up over 85 per cent of net profits on all fuels. Net profits on diesel were $52 million in 2017–18.

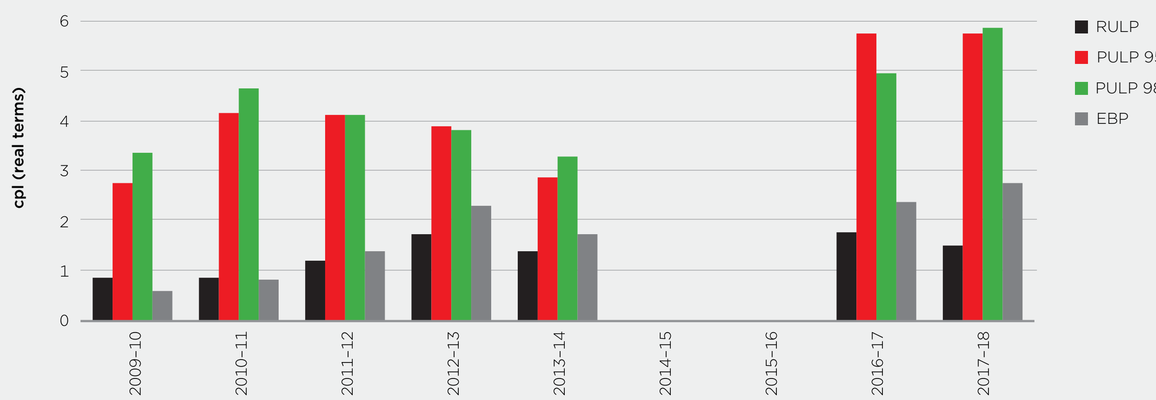
Net profits on petrol products (RULP, PULP and EBP) have increased in most years since 2008–09 and in 2017–18 they were the highest on record ($333 million, or 3.0 cpl). In cents per litre terms, net profits on petrol products in 2017–18 were almost double the average in the period 2008–09 to 2013–14 (1.6 cpl).

In 2017–18 net profits on PULP (both PULP 95 and PULP 98) were $199 million, significantly larger than those on other petrol products (RULP and EBP). Compared with average net profits over the period 2009–10 to 2013–14, in 2017–18:

- PULP 95 net profits were around 50 per cent higher, at around $82 million
- PULP 98 net profits were almost double, at around $117 million.

Net profits of PULP 95 and PULP 98 contributed around 60 per cent of profits on all petrol products, while only representing around a third of petrol volumes sold.

Retail sector net profits per litre on RULP, PULP 95, PULP 98 and EBP: 2009–10 to 2017–18



Petrol/ Vehicle Care

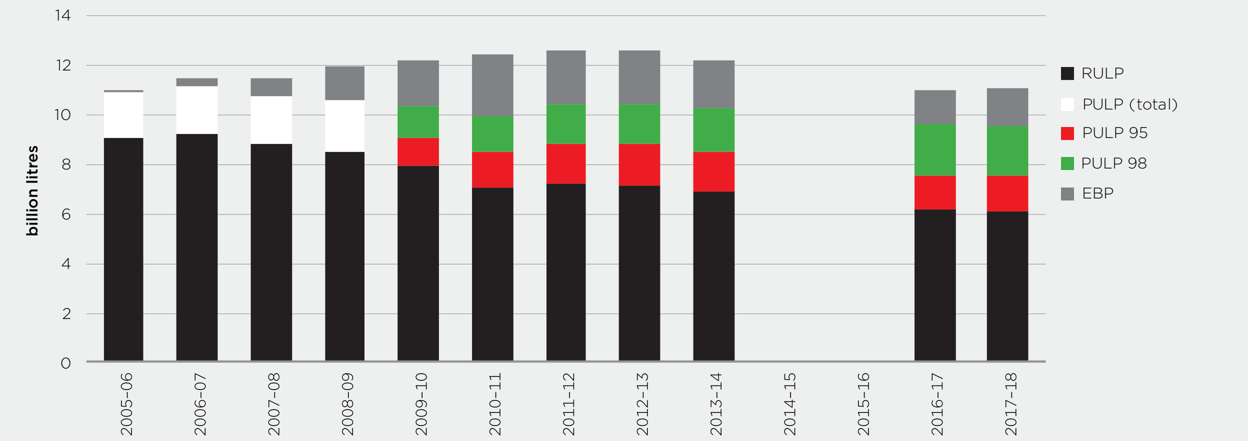
ACCC Financial performance of the Australian downstream petroleum industry 2002 - 2018 (Released April 2020)

(continued)

Over time, PULP 95 and PULP 98 have become more expensive relative to the retail price of RULP. Between 2009–10 and 2017–18, the annual average price differential between RULP and PULP 95 increased from 10.9 cpl to 13.0 cpl—an increase of 2.1 cpl (in real terms). The annual average price differential between RULP and PULP 98 similarly increased from 16.5 cpl to 20.4 cpl—an increase of 3.9 cpl.

Higher average prices for PULP, relative to RULP, can be influenced by a variety of factors, including adjustments to specific international benchmarks and potentially changes in the quality of PULP products. However, the increases in PULP prices in recent years may be translating, at least in part, to higher profits on PULP.

Retail sector sales volumes for RULP, PULP 95, PULP 98 and EBP: 2005–06 to 2017–18



Retail sales volumes of PULP (particularly PULP 98) have increased over time, contributing to the total net profits generated on PULP:

- PULP 95 sales volumes increased from around 9 per cent of petrol sales in 2009–10 to around 13 per cent of petrol sales in 2017–18. The majority of this increase occurred between 2009–10 and 2012–13, with PULP 95 volumes subsequently trending slightly downwards.
- PULP 98 sales volumes, however, generally increased throughout the period, from around 10 per cent of petrol sales in 2009–10 to around 18 per cent in 2017–18.

In contrast, sales volumes of RULP have declined. Between 2009–10 and 2017–18 RULP sales volumes decreased from around 66 per cent of petrol sales to around 55 per cent.

Source: ACCC calculations based on data obtained from monitored companies.

The 11 companies from which the ACCC collects financial data are:
- refiner–wholesalers—BP, Caltex, Mobil and Viva Energy
- independent wholesalers—Liberty, Puma Energy and United
- supermarket chains—Coles Express and Woolworths
- large independent retailers—7-Eleven and On The Run

AACS Awards

CONVENIENCEPULSE®

The AACS Awards held in August 2019 were based on the Winter 2019 Programme with the winners being:

Convenience Pulse® is conducted twice a year benchmarking 16 Retailers and 50 Suppliers across 5 Performance Areas:

- Business Practices
- Personnel
- Category Management
- Execution/Marketing
- Supply Chain

Award	Winner
Retailer of the year	BP
Supplier of the year	PepsiCo
Beverages	Frucor Suntory
Confectionery	Mondelez
Distributors	The Distributors
Food on the Go	Patties
Grocery & GM	Pacific Optics
Snacking	PepsiCo
Telecommunications	Optus
Tobacco	Philip Morris

Key Insights

Retailer Overall

Overall the Retailer average continued to improve with scores increasing 8 points versus the Winter 18 results. 4 of the 5 Performance Areas showed consistent growth however, Supply Chain declined 1 point on average.

Supplier Overall

The Supplier overall result was up 6 points with Category Management up 11 points highlighting a greater Objective approach towards Category Management. Personnel however was only up by 1 point over the same period.

Business Practices Focus

On review of previous results it was established that those Retailers and Suppliers who had strong Business Practices, scored well overall.

It all starts from strong collaboration and a trust in the process between both parties. Being Proactive in negotiations is a very important part of the process, as poor standards can often get in the way of productive discussions.

Ensuring that you have a strong Business planning process and are clear in the company strategy and plans, while delivering against each others initiatives, can deliver a strong sales outcome for both businesses.

Good Business Practices:

- Refer back to your business plans regularly
- Set benchmarks for success
- Monitor performance
- Adapt to change
- Lead by example

Trends

Health

As per 2018 this will continue to grow as customers look for more Fresh, Plant based products, Better for you Snacks & Beverages and Protein products. One of the big drivers is the short ingredient list on products and also the lower sugar and fat content. Retailers are extending ranges in these areas both in Australia and Globally and while it still represents a low proportion of sales, it can't be ignored.

Food on the Go

This remains the second fastest growing category in the channel and continues to grow basket penetration each year. This is based on a more credible consistent offer across the network although some retailers have a greater representation than others.
As shoppers eat more on the go and are looking for more snacking alternatives.

Cashless Technology

Continues to grow globally to make the checkout experience seamless however has come up against many hurdles in 2019. Regulatory concerns against disadvantaging those limited by the financial system or technological devices, has seen some states ban cashless stores in the USA. The technology is expensive and has not taken off at the rate predicted in 2018.

Sustainability

Is a must for the future for both Retailers and Suppliers. We have seen some examples of this already implemented in Australia and Globally however, we still have a long way to go. Governments are being very active on this subject and will continue to focus on this, especially with the weather conditions and impacts of the last 12 months.

Supply Chain

This includes both delivery to and delivery from Convenience Stores. We saw in 2019 delivery through Uber Eats, Deliveroo etc. extend even further in the retail landscape. Home delivery through online ordering continues to grow as highlighted by Amazon up by $270m in 2019. We have also seen the extension of Woolworths into the wholesaling space in 2019.

Electric Vehicles

We are seeing fuel volume continue to decline mainly through more fuel efficient cars and a small uptake of Electric Vehicles. A Boston Consulting Study published in 2019 found at least a quarter of Petrol Stations worldwide risked closure by 2035 without significant changes to their business models. Time will tell on this however, with Britain banning new Petrol/Diesel cars by 2035 it may force the change to happen.

Corporate information

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AACS

AUSTRALASIAN ASSOCIATION OF CONVENIENCE STORES

Established 1990

30 YEARS

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