



10 charts that show our work to give New Zealanders a fair deal

New Zealanders really care about getting a fair deal at the supermarket checkout, and a fair deal generally from big companies.

Foodstuffs North Island (FSNI) is a co-operative of NZ-owned supermarkets who are focussed on serving their local communities. It's a responsibility we take seriously, as we have done for generations.

In 2020, the Commerce Commission was asked to carry out a market study into the grocery industry, and in 2022, the Commission published its final report. The report made a number of recommendations and resulted in legislative changes that included the passing of the Grocery Industry Competition Act, in July 2023.

FSNI accepted this and has acted and openly reported on the recommendations

and regulations. That includes the way we do business, including simplifying our prices so they're easier to understand, opening our wholesale supply to other retailers, and working hard to limit price rises due to inflation.

We've also supported and adopted the Grocery Supply Code, which gives clarity to the rules of engagement with our suppliers.

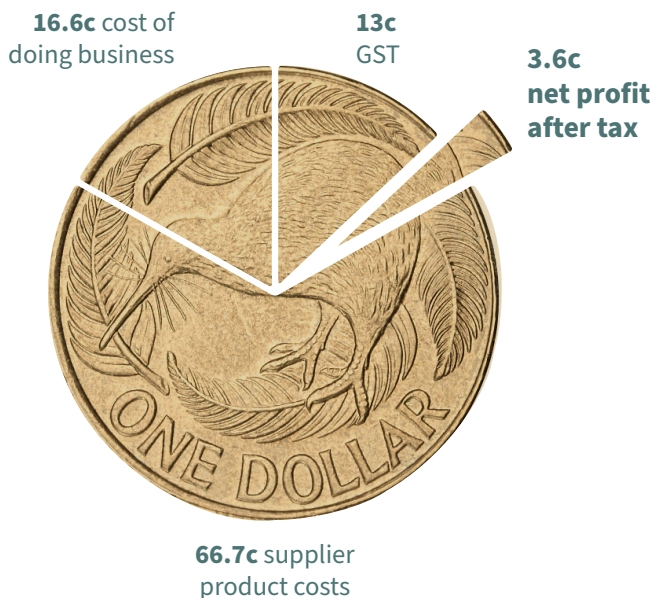
Through the challenges New Zealand's experienced in recent years, we've kept delivering value at the checkout and meaningful work for our team, and continued to invest in and support our local communities.

We're happy to share the facts on all that. Below are 10 charts that show our work to give New Zealanders a fair deal.

1 Profit remains a small component of our retail shelf prices

Breakdown of the price on shelf

Percentages based on the average over five years for Foodstuffs North Island Whole of Business FY19–FY23



Over the past five years, Foodstuffs North Island's net profit after tax of the shelf-price of goods sold has averaged less than four cents per dollar.

Around two-thirds of the shelf price covers the cost of buying the product from the supplier.

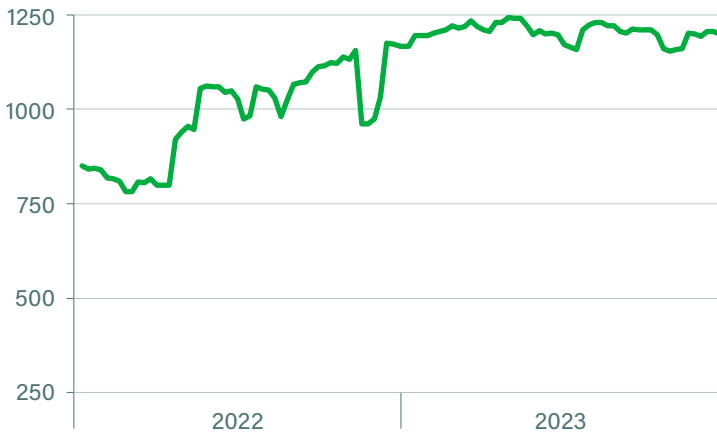
About 17 cents pays for FSNI's cost of doing business – which includes investing in our stores to ensure a good customer experience, paying wages to our 25,000+ team members, running our supply chain network, paying interest on our borrowings, and paying taxes – and 13 cents is GST.

We believe less than four cents per dollar is a fair and reasonable profit, and because our stores are 100% NZ-owned, any profits not invested in value and innovation are distributed to our NZ family grocers.

2 More of our prices are staying low for longer

Items with EDLP 2022–2023

Number of separate items with Everyday Low Pricing at North Island New World stores



Everyday Low Pricing (EDLP) is a grocery industry term for having consistently low prices instead of offering short-term discounts or promotional pricing. EDLP allows us to deliver consistent low prices on the products that matter to customers, and as part of our response to inflation.

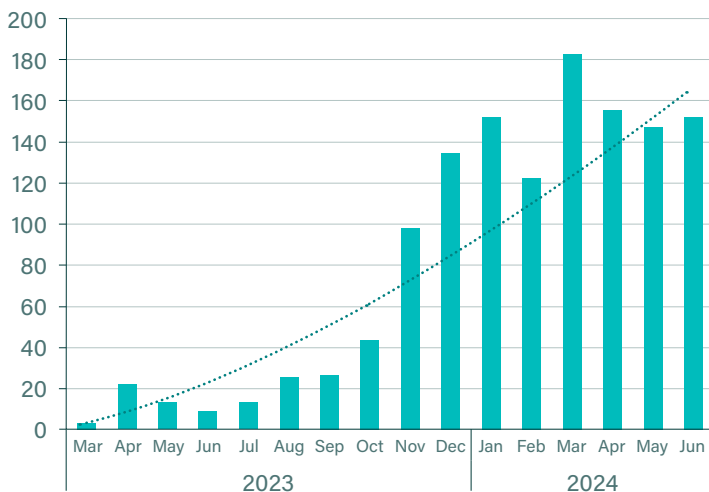
The chart to the left shows the number of products with EDLP at New World stores throughout 2022 and 2023 – rising from 851 in the first week of 2022, to around 1,200 items throughout 2023.

FSNI has been increasing the number of items with EDLP over the last three years, as one of the ways we’re helping to make it easy for customers to get the lowest prices on the products they want.

3 We’re supporting competitor retailers

FSNI wholesale sales per month

(\$000)



Under the Grocery Industry Competition Act, we’re required to offer wholesale supply of groceries to retailers, to make it easier for them to enter the market and/or grow, by letting them benefit from our efficiency and distribution capabilities.

FSNI already had some external wholesale customers before it became mandatory in late 2023, at which time sales jumped.

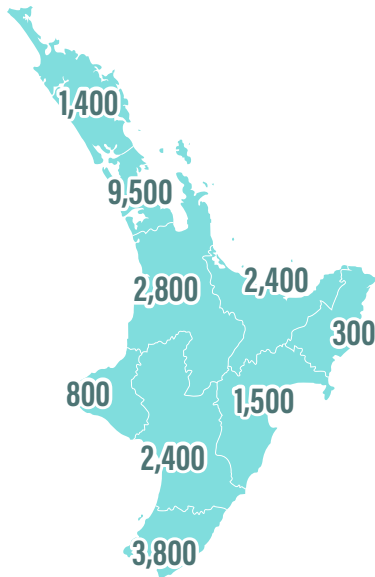
The number of participating suppliers is growing too, though many of our suppliers are yet to sign up.

We’re supportive of increasing competition but note that a regulated wholesale market wasn’t a recommendation in the Commerce Commission’s market study report, and believe a cost-benefit analysis and wider review of regulatory barriers for third party competitors is needed.

4 We're a major jobs provider in the North Island

FSNI jobs per region 2024

Approx team members in stores, support centres, supply chain



Foodstuffs North Island employs around 25,000 people across our 320 stores, in our support centres, and throughout our supply chain.

Few other businesses employ so many North Islanders, and so widely across the regions.

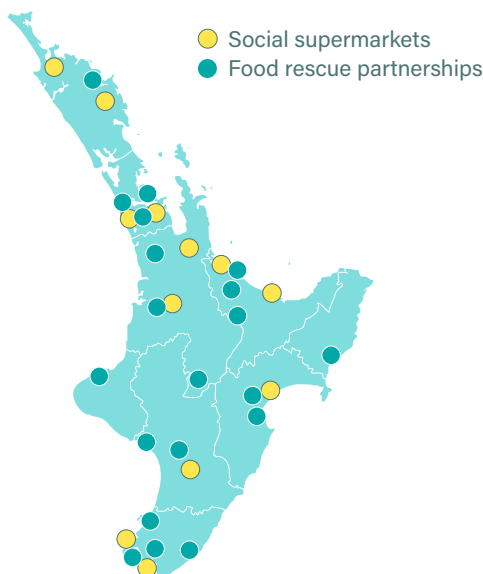
Those figures exclude all the indirect jobs generated too, like supplier businesses and tradespeople.

Our stores are also one of the biggest providers of apprenticeships in the entire North Island, training 295 new butchers and bakers in FY24, giving them lifelong skills and career prospects.

5 We're supporting families in communities

FSNI grocery donation partnerships July 2024

Excludes local store donations direct to community foodbanks



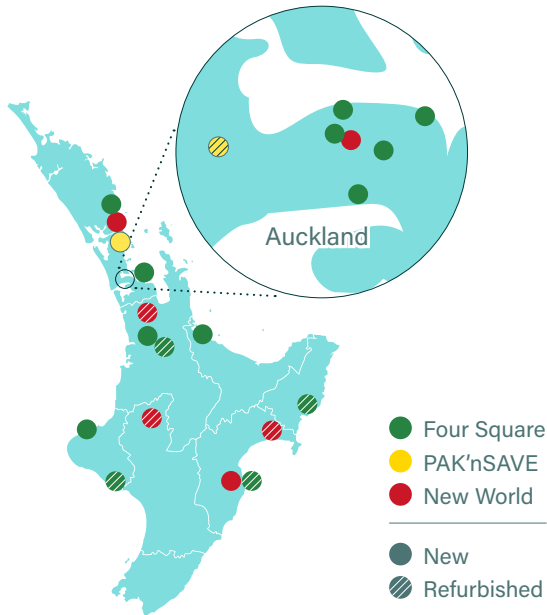
Foodstuffs North Island stores actively support their local communities, through grants and by donating food to those in need. At last count, 88% of New World and PAK'nSAVE stores in the North Island had a relationship with a local food bank or food rescue partner, and in FY23 they donated the equivalent of 4.7 million meals.

FSNI is also partnering with social service agencies to create 'social supermarkets,' which let their clients choose their food. By July 2024, there were 12 in 11 towns and cities, half of which had opened in the previous year, with over 37,000 families supported since March 2021.

Our store Owner-Operators also gave \$7 million to local communities in FY24, including schools and community groups.

6 We're constantly reinvesting in stores and digital solutions

FSNI new and refurbished stores 2021-24

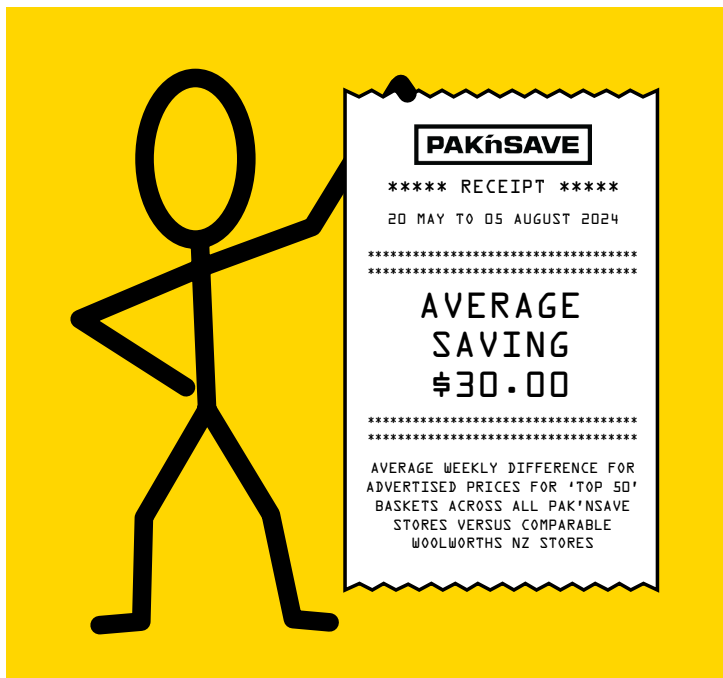


Since 2021, FSNI has invested more than \$300 million in new stores and store upgrades, so our local communities can have world class shopping experiences. Those stores also create local jobs and support local producers.

We've invested in expanding our online shopping offering too, to help customers plan and shop more easily. That's now available at 44 PAK'nSAVE stores and 100 New World stores.

As we're 100% NZ-owned, any profits not invested in value and innovation are distributed to our NZ family grocers, who live and work in their local communities.

7 We provide a low-cost supermarket for New Zealanders



The two Foodstuffs co-ops work hard to provide a low-cost grocery option for budget-conscious Kiwis. Our 58 PAK'nSAVE stores are in 31 towns and cities around NZ, serving 1.8 million customers every week.

PAK'nSAVE stores' advertised prices for the top 10 most frequently shopped items from five departments are regularly compared with a comparable Woolworths NZ store, and in the 12 weeks to 5 August 2024, the total price of the top 50 items at PAK'nSAVE on the day of comparison was always cheaper, with an average saving of around \$30.

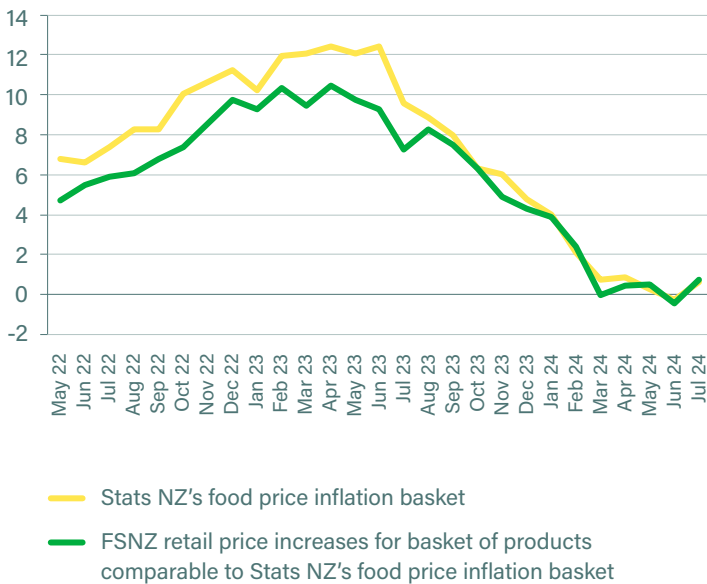
PAK'nSAVE has been named 'most trusted supermarket' in Reader's Digest's Trusted Brands Awards for 13 years, and was #2 in the 2024 annual Kantar Corporate Reputation Index.

- Based on NielsenIQ Homescan Service data.
- For more information on how the comparisons are conducted see: paknsave.co.nz/pricecheck.

8 We're actively fighting food price inflation

Food price inflation vs Foodstuffs price increases

Year on year % per month May 2022 – July 2024



Like many countries, New Zealand has experienced higher than normal inflation over the past two years. In mid-2022, the two Foodstuffs co-ops started tracking the rate of food price increases at our stores for a basket of products in the same categories that Stats NZ monitors for food price inflation.

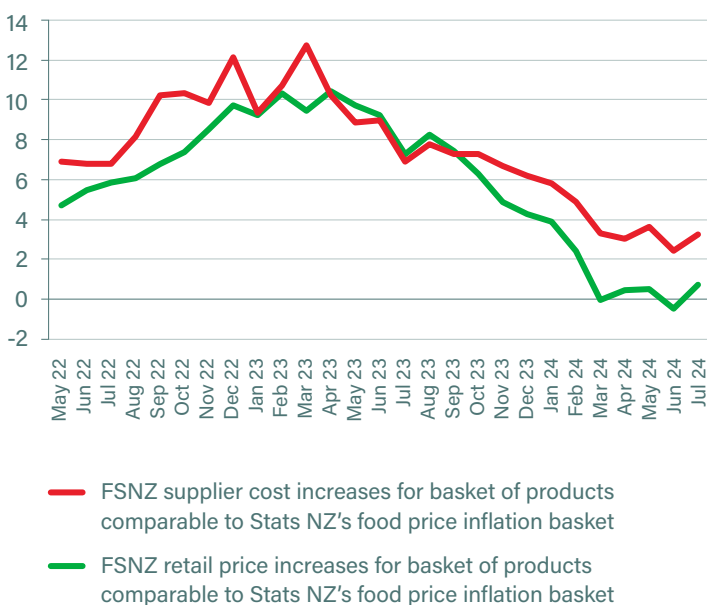
Since then, through the peak of the global inflation crisis, the co-ops' annual rate across our 500+ stores has been below Stats' rate for 24 out of 27 months – made possible by our efforts to get good deals on the products Kiwis want, and run our stores more efficiently.

By July 2024, New Zealand's rate of food price inflation was one of the lowest in the OECD.

9 We've been absorbing product cost increases

Foodstuffs price increases vs. supplier cost rises

Year on year % per month May 2022 – July 2024



In the two years the Foodstuffs co-ops have been comparing their retail price increases against Stats NZ's food price inflation rate, they've also been monitoring the rate of supplier cost increases – how much more suppliers are charging for the co-ops' basket.

Reporting on this is part of our commitment to be transparent about cost pressures and a global first in the grocery industry.

Since May 2022, the annual rate of price increases across the two co-ops' 500+ stores has been below the annual rate of their suppliers' cost increases for 21 out of 27 months, and we have been committed to not passing on the full cost increases to our customers.

10 Our returns are lower than global grocers

What matters to customers is that we have been focused on price. We are actively fighting food price inflation and have kept the rate of food price increases in our stores below Stats NZ's rate for 24 out of the last 27 months, to July 2024 (for a basket of products in the same categories that Stats NZ monitors).

In both the 2022 market study and the Grocery Commission's 2024 Annual Report on the grocery industry, the Commerce Commission uses Return on Average Capital Employed (ROACE) as its measure of profitability.

For FSNI, ROACE estimates our returns earned from running our Owner Operated supermarket businesses relative to the amount of capital required to operate such a business. This includes the capital needed to be invested to keep our stores (including the cost of land and buildings), supply chain, and systems optimised.

Our average annual ROACE for the five years to FY23 was below the comparator set of international grocery retailers used in the Commission's market study.

FSNI Whole of Business ROACE (excl. Gilmours) FY15-FY23

