



4 December 2012

The Manager  
Company Announcements Office  
Australian Securities Exchange

Dear Sir,

**Kmart Investor Site Tour**

The following presentation is to be given at a Kmart Investor Site Tour on 4 December 2012.

Yours faithfully,

A handwritten signature in black ink, appearing to be "L J Kenyon".

L J KENYON  
COMPANY SECRETARY

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# Kmart Investor Site Tour

4 December 2012



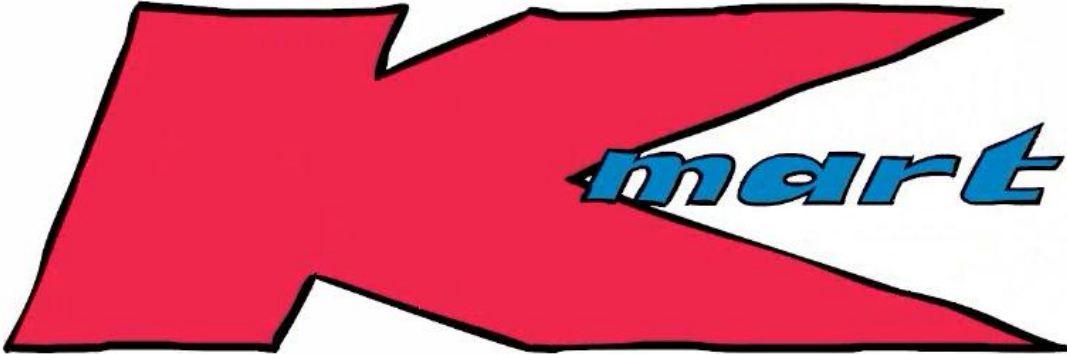
# Agenda

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9.15	Registration
9.30	Introduction – Guy Russo
9.40	Profit – Marina Joanou
9.50	Product, Price, Promotion – Ian Bailey
10.10	People, Customer & Supply Chain – David Matheson
10.30	Place – Emmett Sheppard
10.40	Growth Summary & Introduction to Southland Store – Ian Bailey
10.50	Conclusion – Guy Russo
11.00	Q&A
11.30	Lunch
12:00	Bus travel to Westfield Southland shopping complex
12.30	Tour of Kmart store (Westfield Southland shopping complex)
14:00	Bus depart to Airport / CBD

# Flip That

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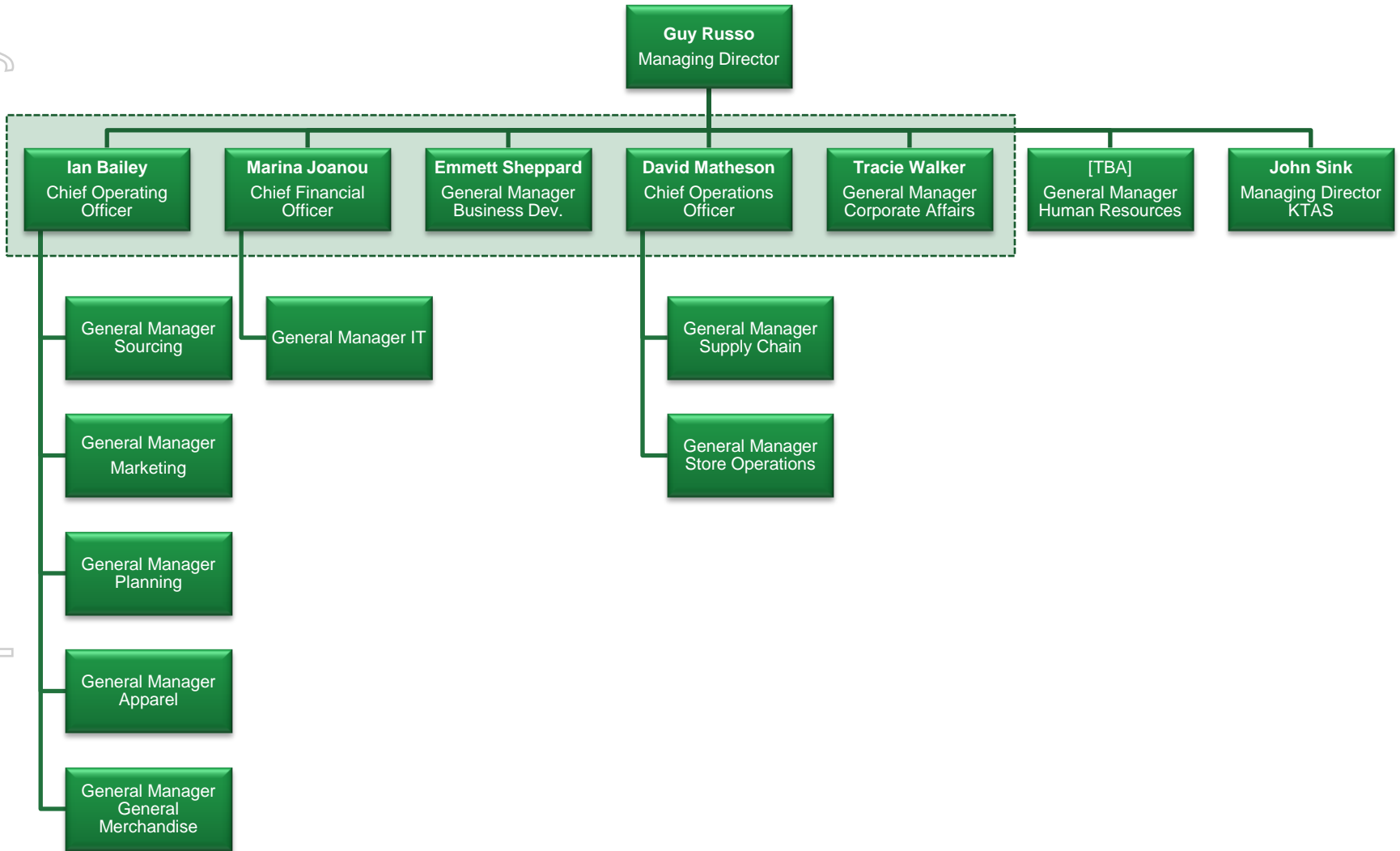
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**Guy Russo**  
**Managing Director**



# Kmart Leadership Team

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# Vision

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Where families come first for the lowest prices on everyday items

# Our Values

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- Customers come first
- Deliver results
- Integrity
- Teamwork
- Boldness



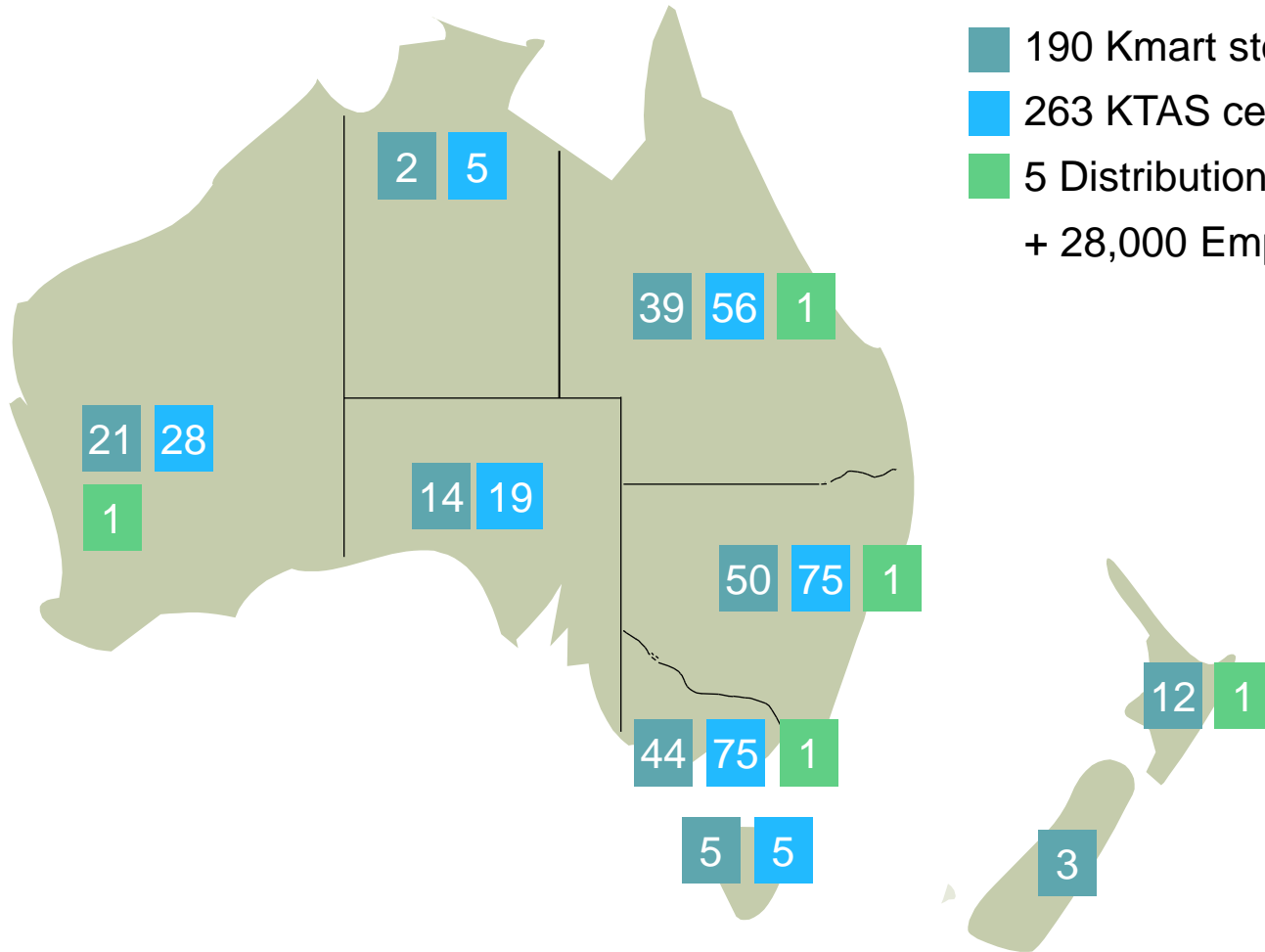


# Kmart Today

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## Quick Facts

- 190 Kmart stores
- 263 KTAS centres
- 5 Distribution centres
- + 28,000 Employees



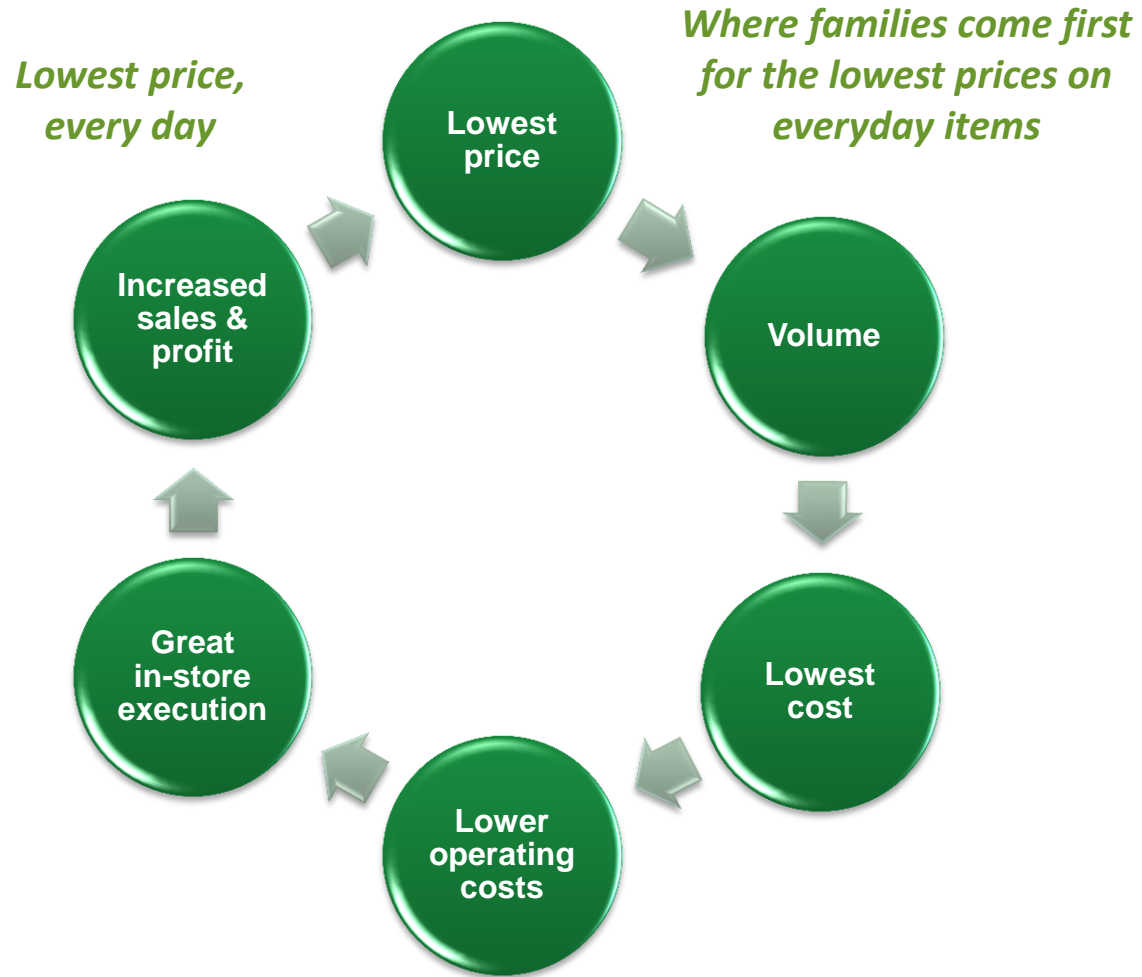
# Kmart Strategy

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# Value Creation Model

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# Sustainability & Community Engagement

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- Kmart's commitment to sustainability spans across many areas:
  - Focus on sustainable purchasing
  - Continually identifying ways to reduce energy, gas, water & packaging use
- Kmart plays an active role in the communities in which we operate:
  - Salvation Army
  - Half the Sky Foundation (China)
  - Salam Balak Foundation (India)
  - Plunket (New Zealand)
  - Variety The Children's Charity



# Ethical Sourcing

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- Kmart's ethical sourcing team works closely with suppliers & provides continuous education & support
- Our ethical sourcing code ensures compliance with local laws on issues such as child labour, bribery, wages & benefits, working hours, & health & safety
- Suppliers are periodically audited to verify compliance & identify areas where action is warranted
- Suppliers that fail to commit to Kmart's ethical sourcing code will be deregistered

# Kmart Tyre & Auto

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- Australia's largest retail automotive service, repair & tyre business
- Network of more than 263 stores & 1,300 team members
- Recently completed store reimage program
- Strong growth in car servicing
- Corporate Fleet opportunity

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**Marina Joanou**  
**Chief Financial Officer**



# Kmart Strategy

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# Our Journey So Far

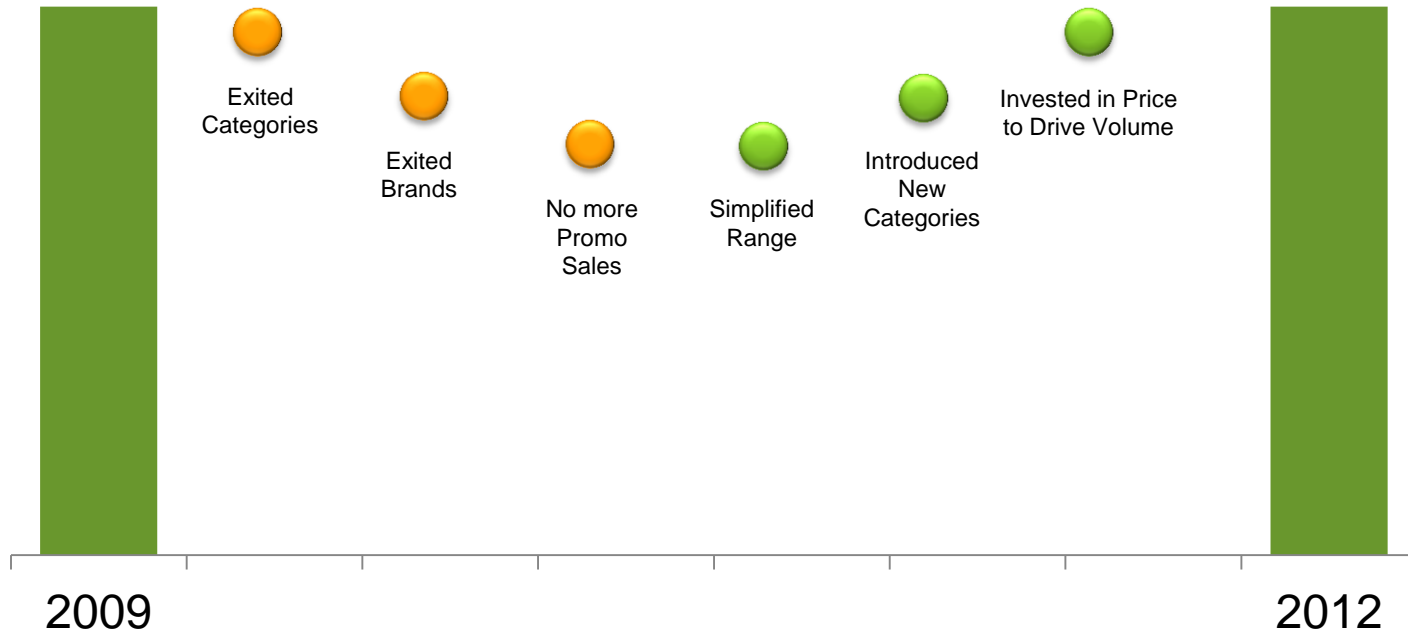
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- Cleaned up our stores
- Rationalised distribution centre network
- Moved away from Hi-Lo pricing to EDLP
- Simplified range to everyday items & exited unprofitable categories
- Focused on mums & families
- Expanded direct sourcing capabilities

# Significant Underlying Change

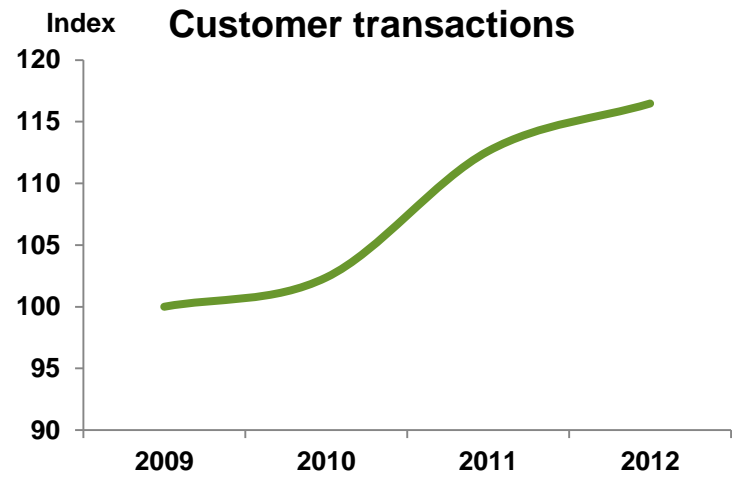
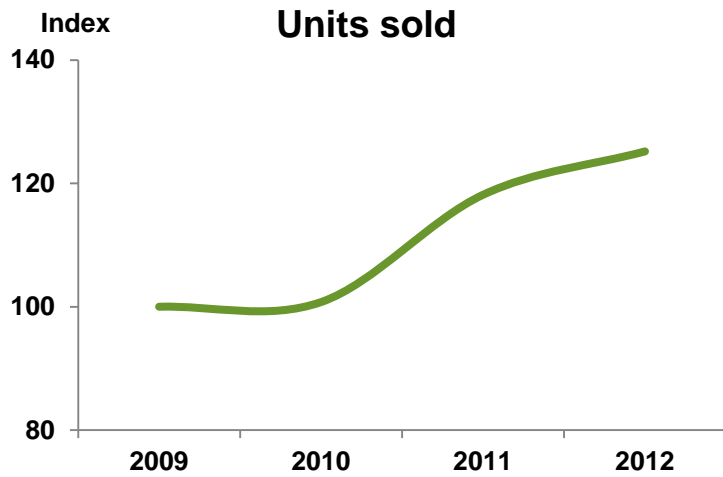
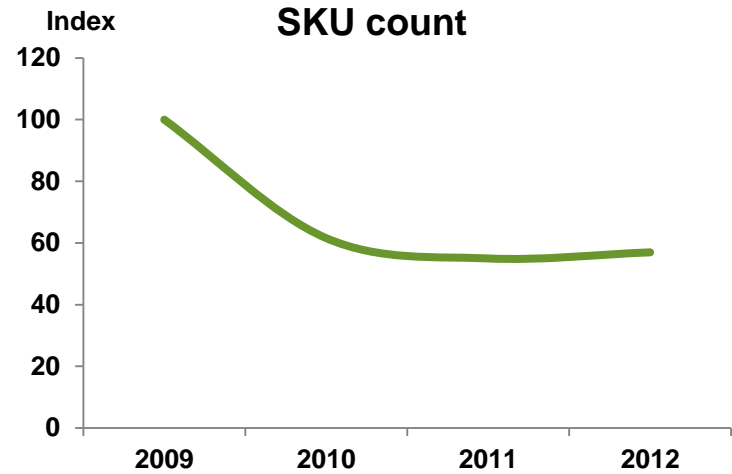
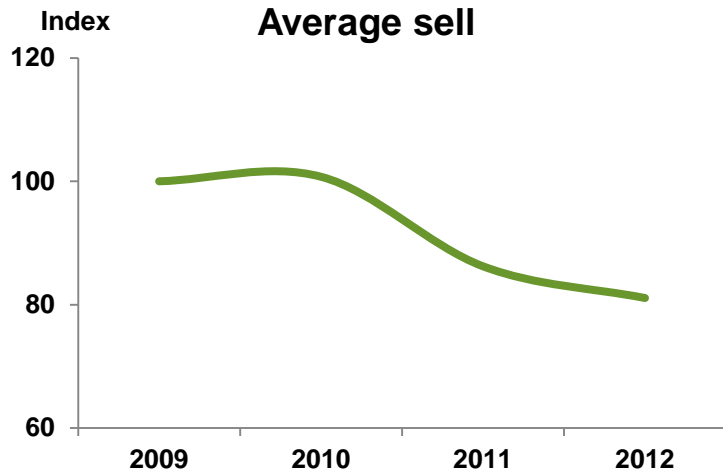
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Sales \$4b



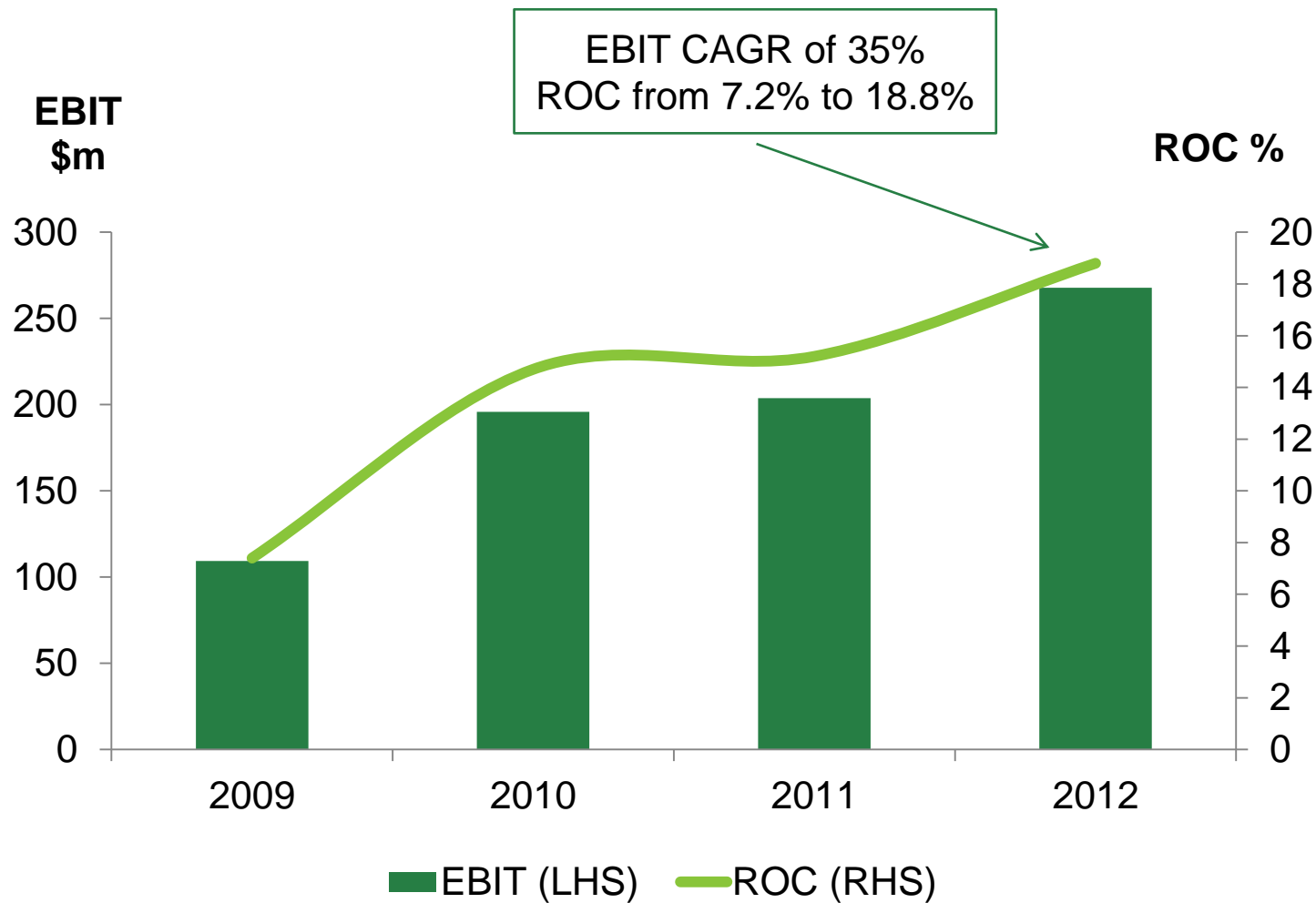
# The Results So Far

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# EBIT & Return on Capital

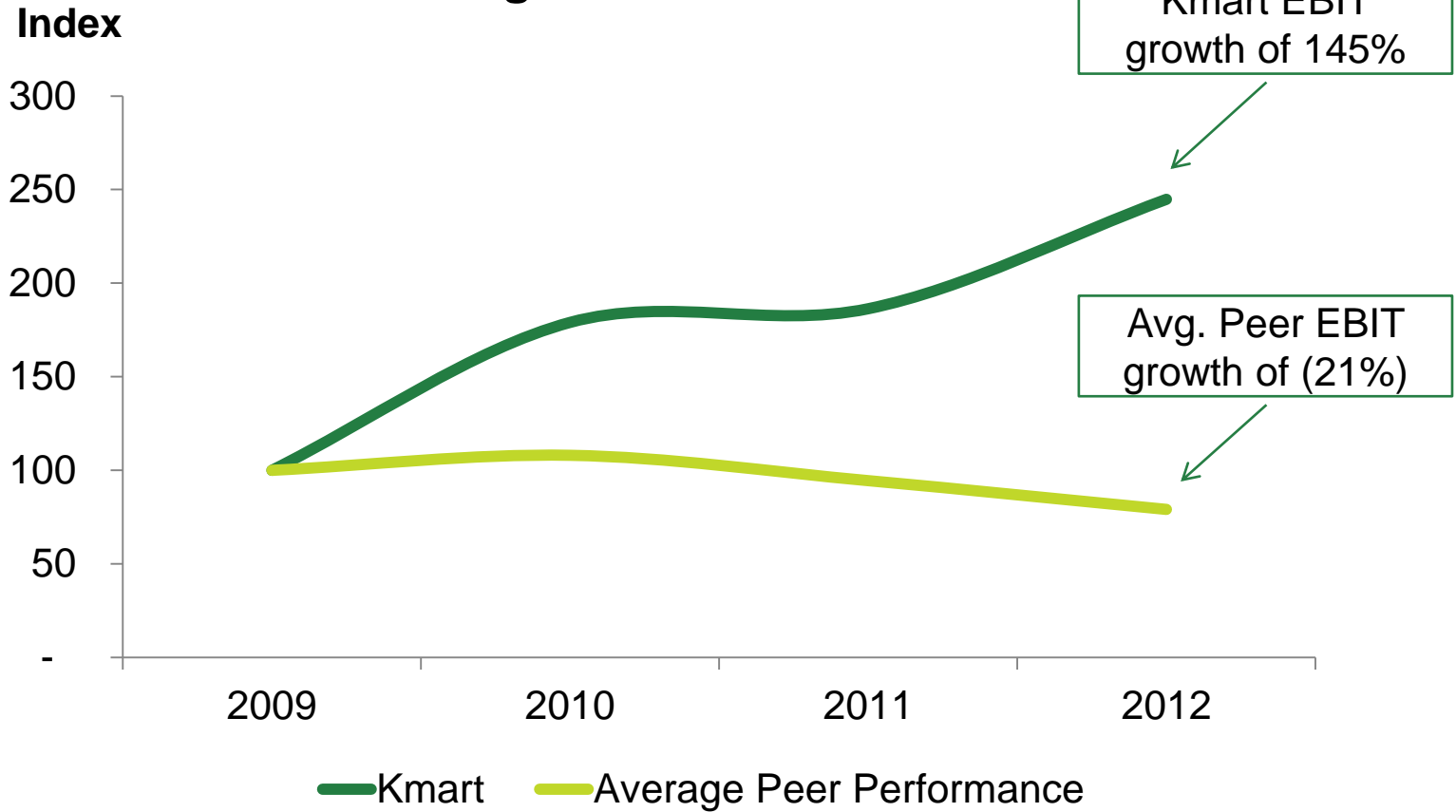
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# Comparative Performance

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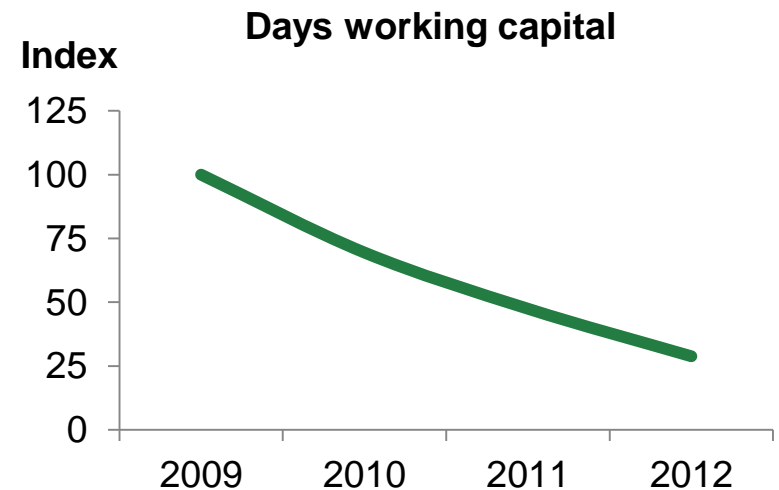
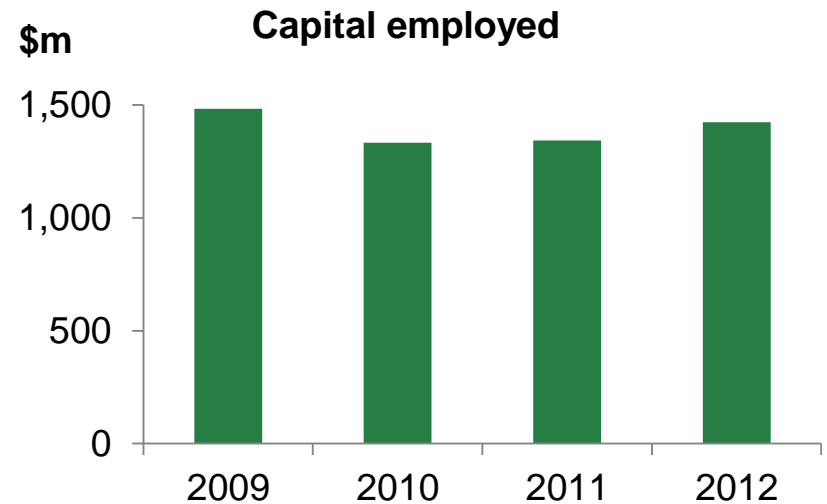
### EBIT growth since 2009



# Working Capital & Investment

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- Capex previously limited to 'fixing the basics' & DC network consolidation
- Capital investment provides a material growth opportunity as the network is renewed & extended
- Creditor & inventory management has been a key focus



# Going Forward

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- Value creation model remains focus
- Transition from 'fixing the business' to 'growing the business'
  - Volume retailer
  - Operational excellence
  - Adaptable stores
  - High performing culture
- Focus on being end-to-end lowest cost

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Where families come first for the lowest prices on everyday items



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Ian Bailey  
Chief Operating Officer



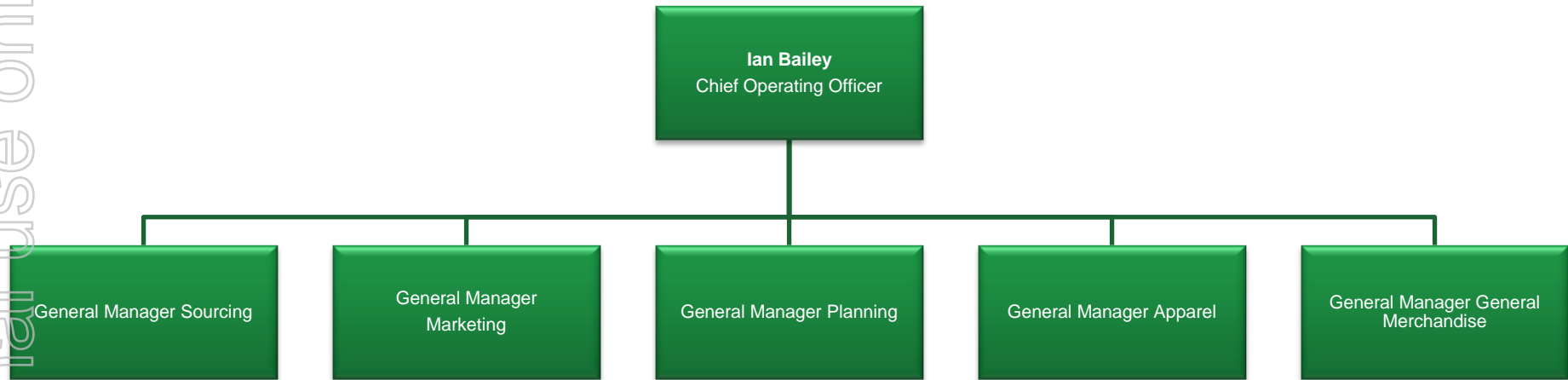
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Where families come first for the lowest prices on everyday items

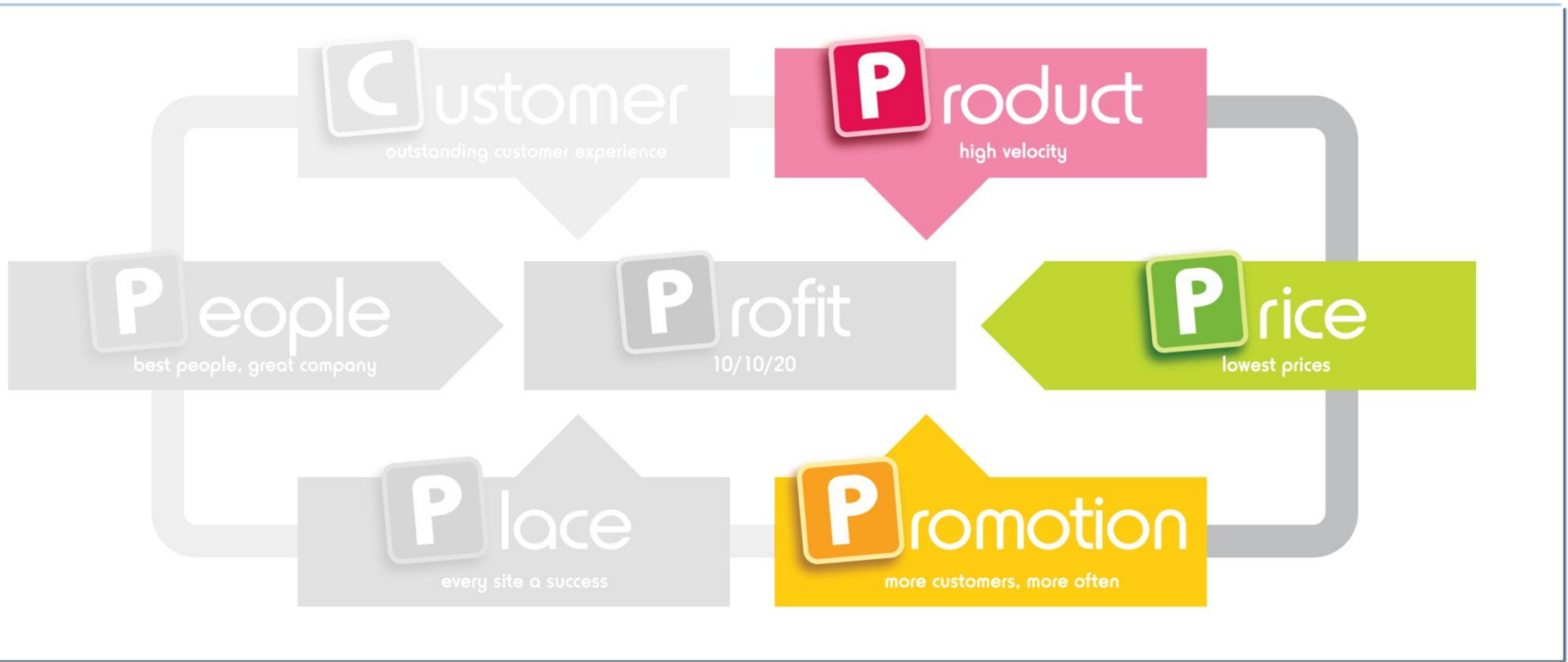
# Leadership Team

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# Kmart Strategy

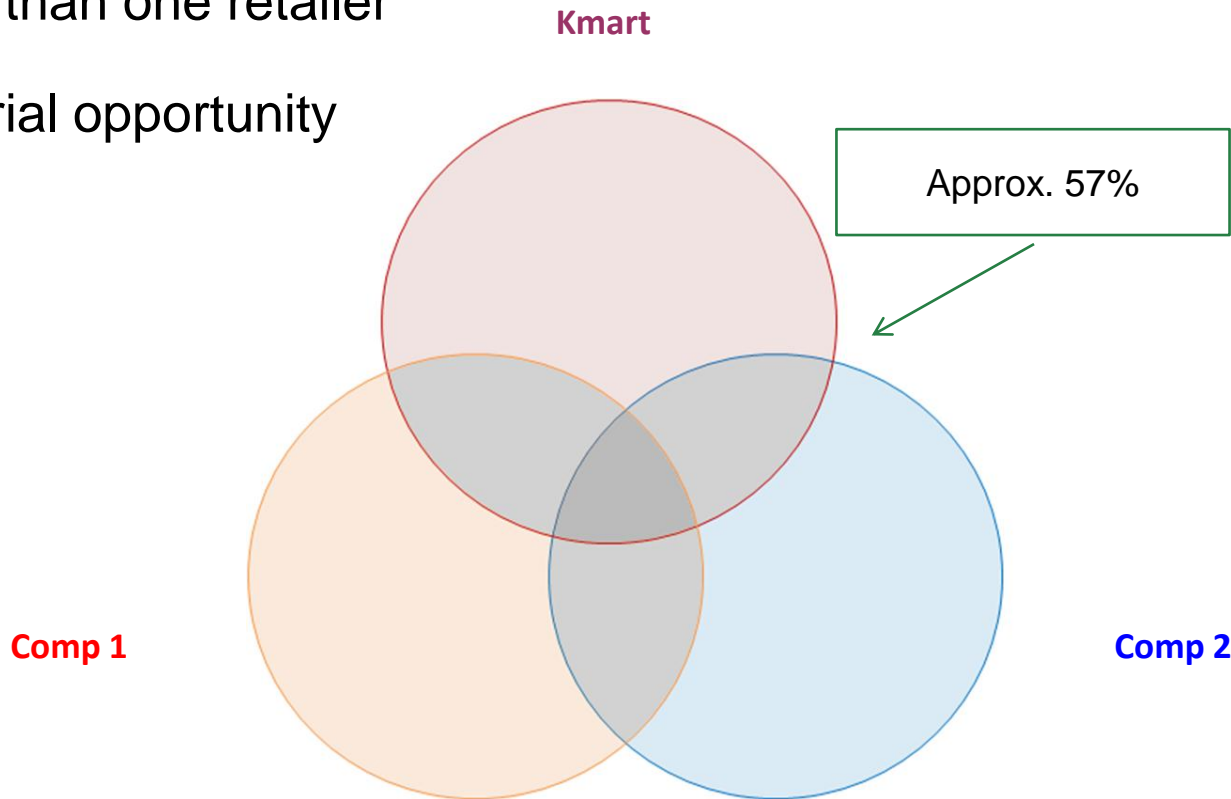
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# DDS Shopping Behaviour

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- Approximately 57% of consumers share their DDS purchasing at more than one retailer
- Material opportunity



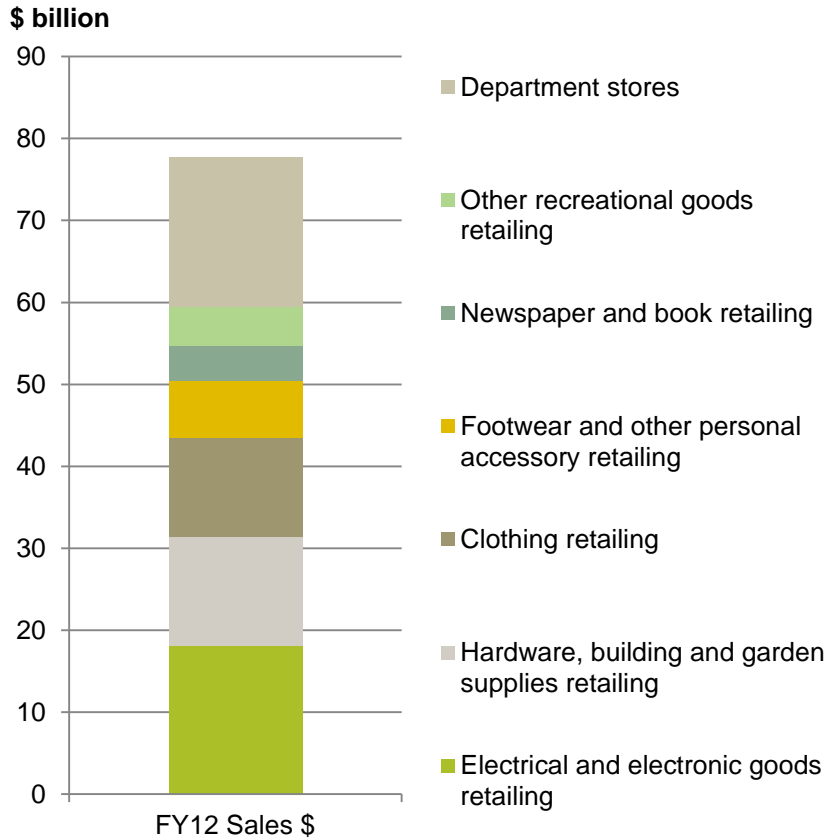
Source: Roy Morgan Single Source: In the 12 months to June 12

# Market Share Opportunity

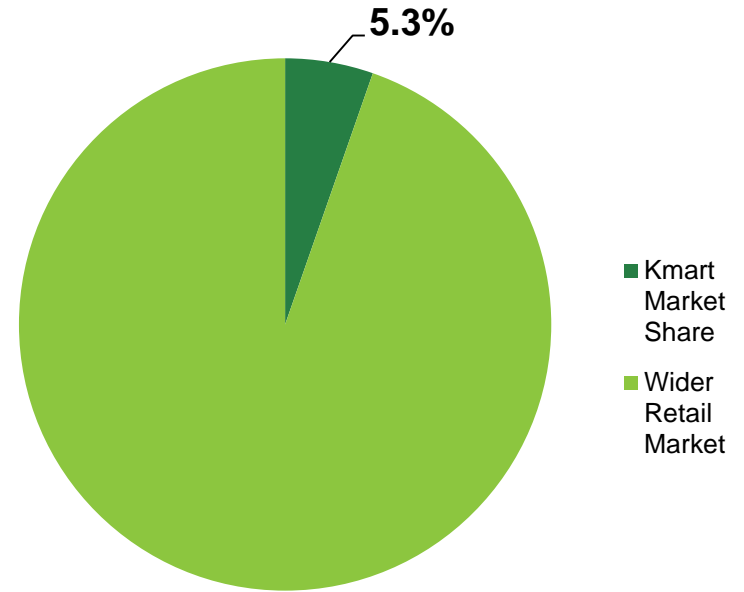
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- Significant opportunity remains to capture greater market share

### Kmart Potential Market (Aust) c. \$78b



### Kmart Share of Potential Market - FY12



Source: ABS Retail Trade 8501.0

# Communicating 'Low Price' Remains the Priority

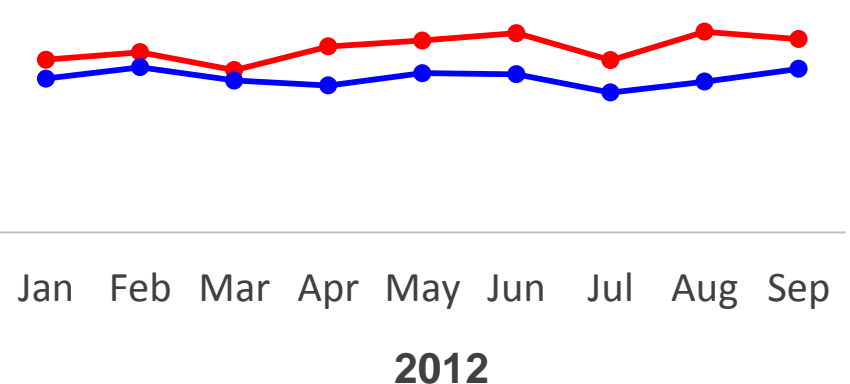
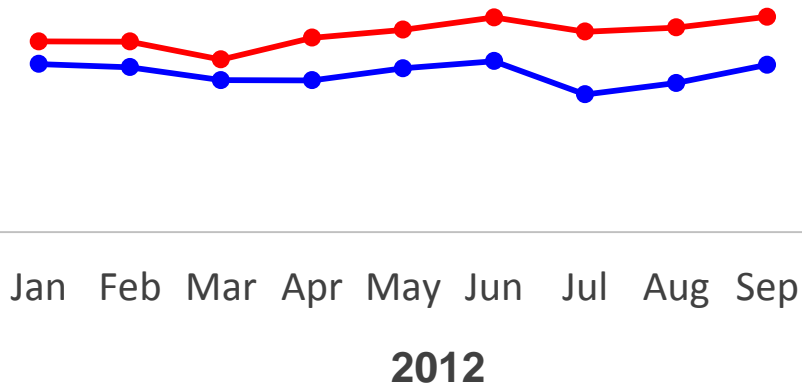
- Customer perception research confirms Kmart's pricing is consistently lowest

### Has the lowest prices

### Consistently low prices everyday

● Kmart ● Comp1

● Kmart ● Comp1



Source: Forethought Research Customer Image Monitor (Rolling 12 months)

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# High Velocity Product

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- Still focus on the basics
  - Be in-stock of the right products
- Improve our ability to process volume
  - High volume product from 'Flow Through' to 'Pick & Pack'
  - Late allocations process
  - More product on 'replenishment'
- More desirable, high volume own brand products
  - Improve on quality
- Identify new categories





# Driving Volume – Bulk Ends

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# Driving Volume – Table Lines

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# Lowest Price

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- Be lowest price
- Optimise price architecture
- End-to-end lowest cost

# Sourcing

- Direct sourcing is important to Kmart
- Offshore team is fully integrated into our buying departments
- Our retail prices & sourcing costs are internationally competitive
- Growth in volume has enabled access to suppliers of high volume international retailers
- Always looking for new markets to source from



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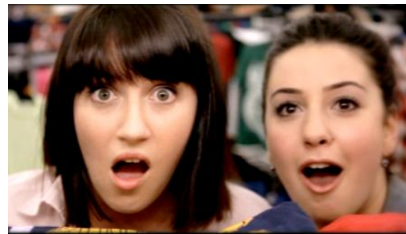
# 260 Team Members Across Five Offshore Offices

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# More Customers More Often

- Continue to invest aggressively in our OK campaign
  - Real Mums experiencing real price revelations
- Exploit our depth of range at key price points
  - Source of significant competitive advantage
- Actively promote our price reductions throughout the year
  - The visible proof of our commitment to lowering prices



# 1,000 Mums TVC

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On July 11, Kmart invited 1,000 mums  
to a store with no price tags.

# Price Sculptures TVC



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# Connect More Customers With Kmart

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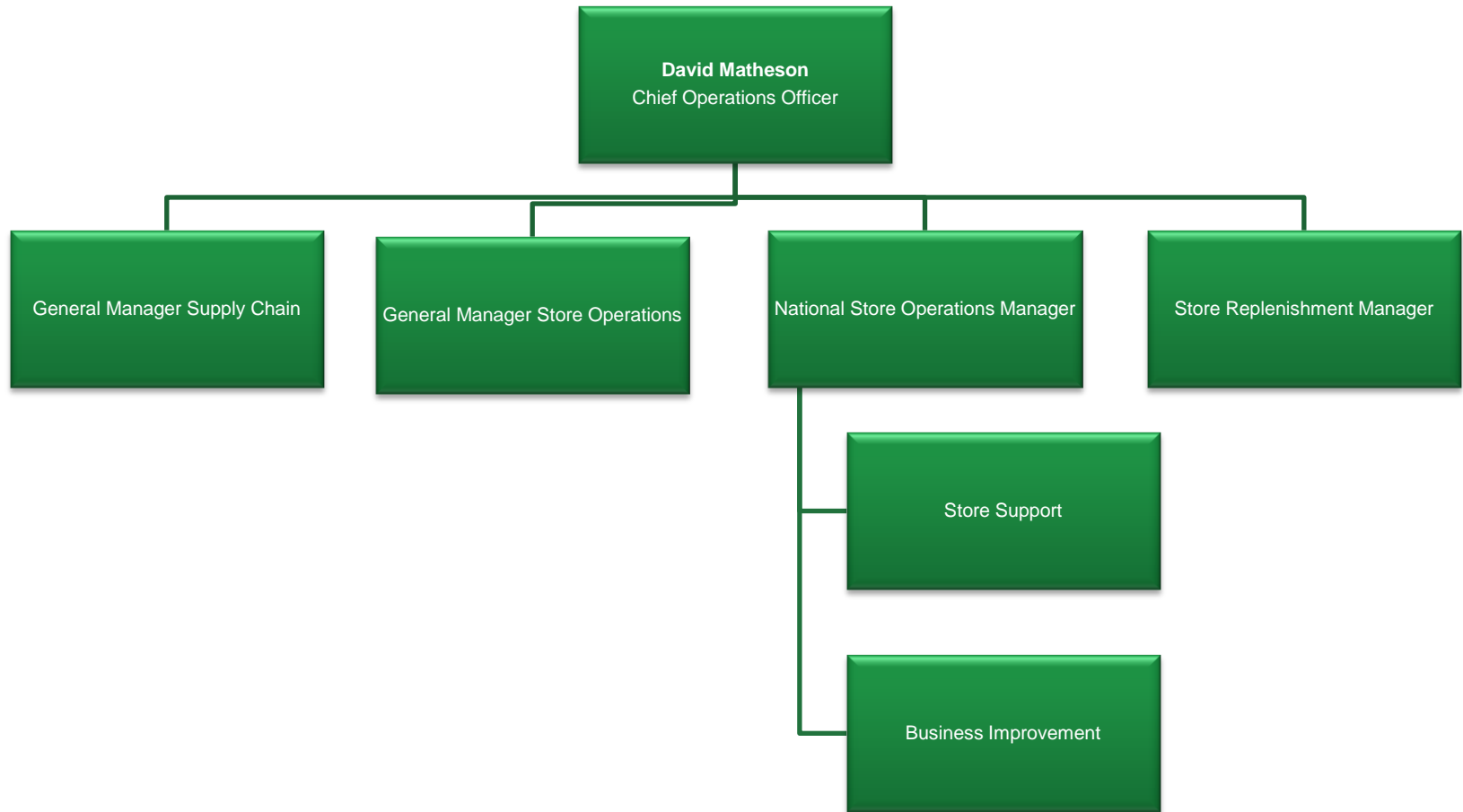
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David Matheson  
Chief Operations Officer



# Leadership Team

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# Kmart Strategy

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# The Journey

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## 2009/2010

- Reduced ranges
- Lower inventory
- Clear aisles
- Fewer promotions
- Tidier stores

## 2010/2011

- Safety focus
- More disciplined execution
- Cleanliness
- L50M
- Kmart Way

## 2012/2013

- Safety leadership
- Volume retailer
- Adaptable stores
- Operational excellence
- High performing culture

# Productivity Initiatives – Last 50 Metres

- Efficient truck to shelf



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# Productivity Initiatives – Kmart Way

- Simple & efficient operations



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# Supply Chain - International

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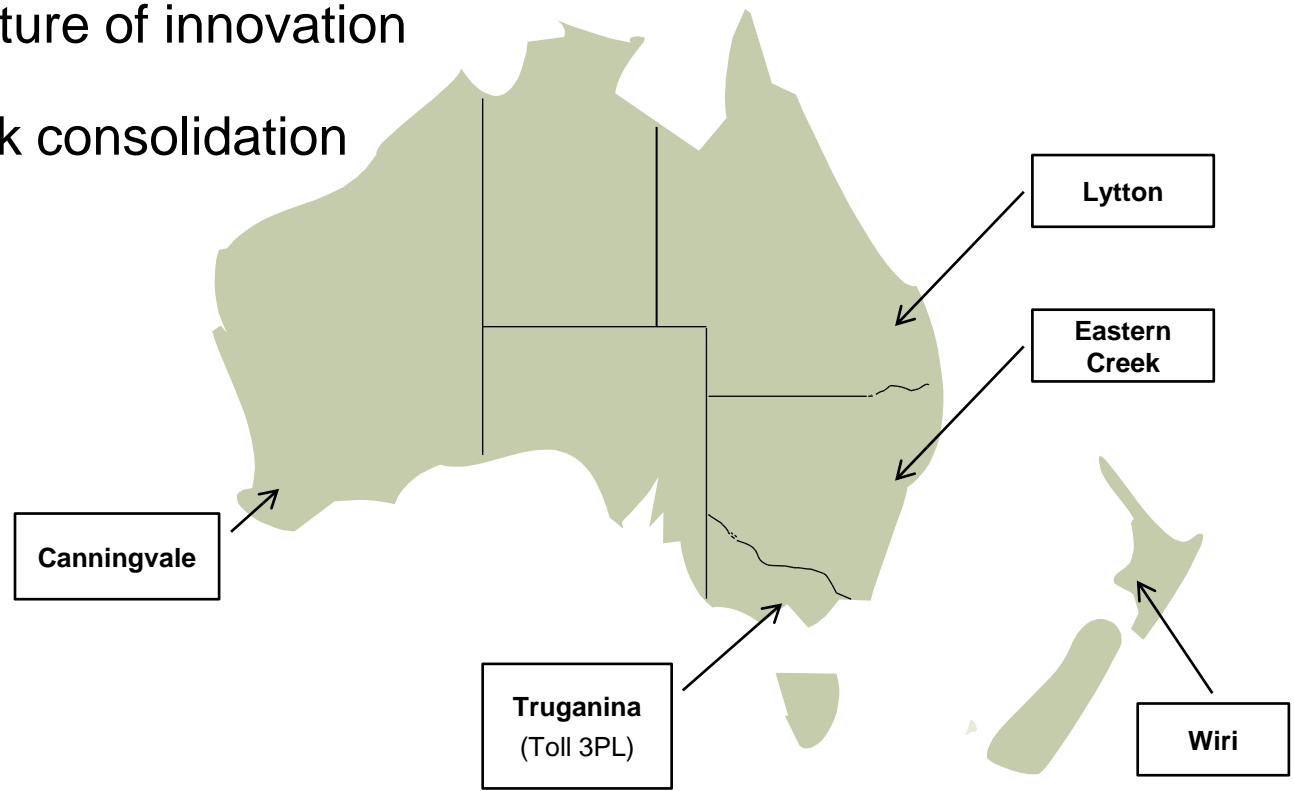
- Continue to source from new origins
- Increase offshore processing
- Optimise costs & supplier reliability
- Simplify flow of product





# Supply Chain - Local

- Maintain focus on safe operations
- Improve end-to-end operational efficiency (costs & service)
- Capitalise on culture of innovation
- Continue network consolidation



# All About The Customer

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- Customers come first
- Deliver results
- Integrity
- Teamwork
- Boldness



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Emmett Sheppard  
General Manager  
Business Development



# Kmart Strategy

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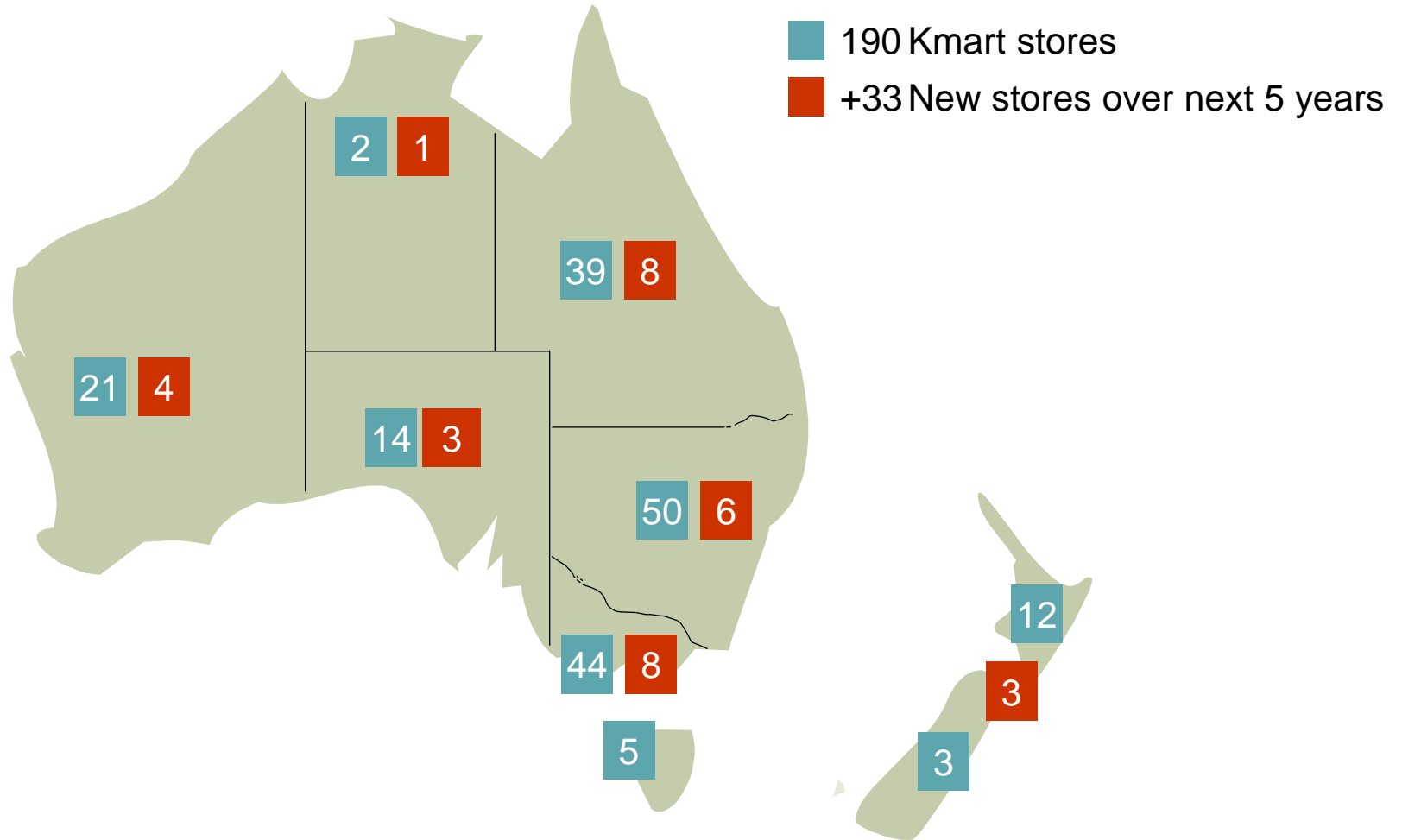
# Every Site A Success

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- Improve the existing estate
  - Only 3 store closures necessary since 2009
- Store design which grows sales & profit
  - 10 refits in the last 12 months
- Open profitable new stores
  - 6 new stores in F13 & pipeline continues to grow
- Ability to renew stores, creating flexible & productive space
  - Flexible design creates adaptable store
  - Store environment acts as point of difference

# New Store Pipeline

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# Fitting Rooms...From This

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# ... To This

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# Walkways...From This

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# ... To This

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# Lighting...From This

For personal use only



# ... To This

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# Presentation...From This

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# ... To This

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# Store Entrance...From This

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# ... To This

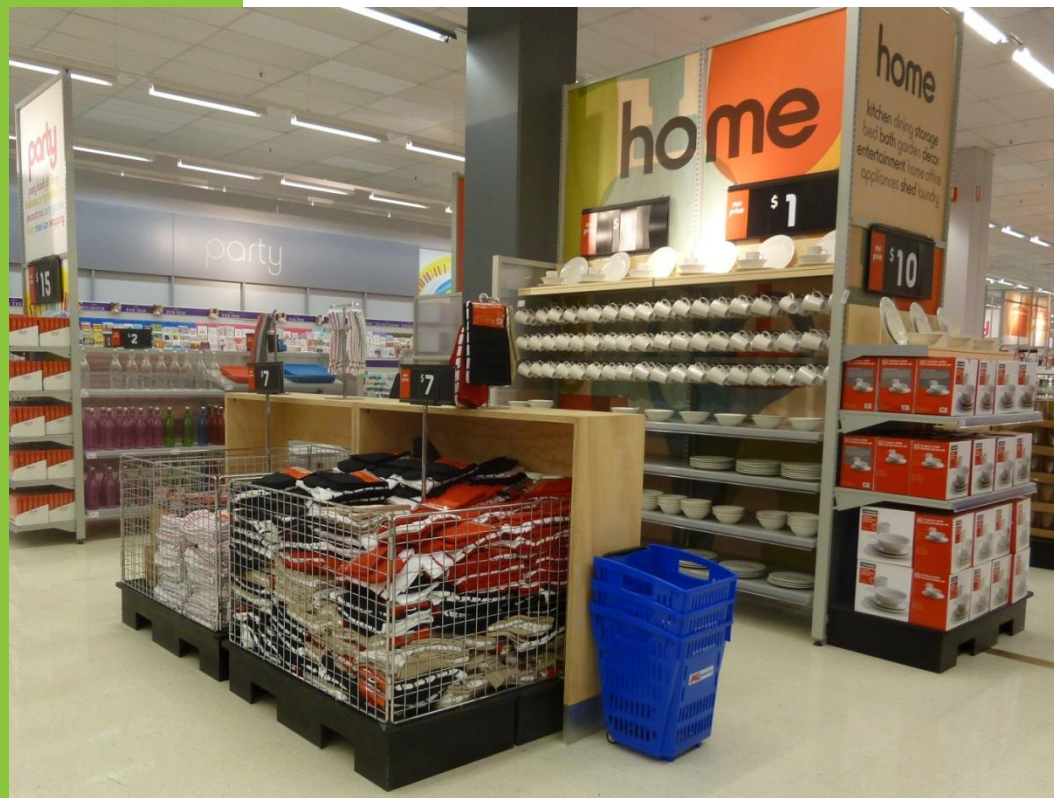
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Ian Bailey  
Chief Operating Officer



# Growth Summary

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Volume retailer



Operational excellence



Adaptable stores



High performing culture

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- Different to our competitors
- Great base standards
  - Clean tidy stores, good presentation standards, clear aisles
- Flexible format
  - More aligned to how a customer shops
  - Set up by rooms, flexible categories
  - One fixture type, one floor, flexible lighting

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**Guy Russo**  
**Managing Director**



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# Questions

