

6 May 2015

The Manager Companies  
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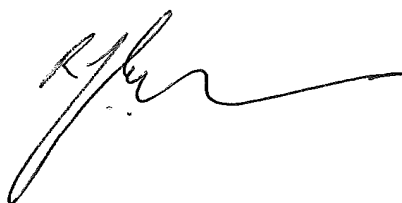
Dear Sir/Madam

**Woolworths Limited – ASX Code (WOW) – Investor Strategy Day**

We attach the Investor Strategy Day Presentation to be delivered from 9.30am today.

The webcast of the Investor Presentation can be viewed on the Company's webpage at [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au).

**For and on behalf of  
WOOLWORTHS LIMITED**



**RICHARD DAMMERY**  
Chief Legal Officer and Company Secretary

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# Woolworths Investor Strategy Day

May 2015

WOOLWORTHS LIMITED



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# Woolworths Investor Strategy Day

**Grant O'Brien**

Managing Director and Chief Executive Officer

# Q3'15 Sales

Third Quarter Sales (\$ million)	2015 (13 weeks)	2014 (13 weeks)	Increase	Easter Adjusted Increase (%)
Australian Food and Liquor	10,621	10,382	2.3%	1.7%
Petrol (dollars)	1,181	1,822	(35.2)%	(34.8)%
<i>Petrol (litres)</i>	977	1,234	(20.8)%	(20.2)%
<b>Australian Food, Liquor and Petrol</b>	<b>11,802</b>	<b>12,204</b>	<b>(3.3)%</b>	<b>(3.7)%</b>
<b>New Zealand Supermarkets (AUD)</b>	<b>1,433</b>	<b>1,331</b>	<b>7.7%</b>	<b>7.7%</b>
<i>New Zealand Supermarkets (NZD)</i>	1,500	1,429	5.0%	5.0%
<b>General Merchandise</b>	<b>907</b>	<b>926</b>	<b>(2.1)%</b>	<b>(5.7)%</b>
<b>Hotels</b>	<b>359</b>	<b>357</b>	<b>0.6%</b>	<b>1.1%</b>
Masters	217	179	21.2%	19.2%
Home Timber and Hardware	238	195	22.1%	24.0%
<b>Home Improvement</b>	<b>455</b>	<b>374</b>	<b>21.7%</b>	<b>21.7%</b>
<b>Total Third Quarter Sales</b>	<b>14,956</b>	<b>15,192</b>	<b>(1.6)%</b>	<b>(2.1)%</b>
<i>Total Third Quarter Sales (excluding Petrol)</i>	13,775	13,370	3.0%	2.3%

## Q3 Sales Commentary

- We were disappointed with Australian Food and Liquor sales in December and January. February and March have shown improvement as we commenced the actions announced in February, however April has been more subdued
- Liquor continues to perform strongly
- Petrol sales continue to be impacted by our decision to change our agreement with Caltex and lower average fuel sell prices
- New Zealand Supermarkets' result is pleasing and shows customers are responding to our strong promotional activities and commitment to value
- General Merchandise results continue to be impacted by the BIG W transformation. We have made solid early progress with inventory clearance activity
- Hotels show positive sales momentum particularly in Victoria and Queensland

## Key messages



**Woolworths is  
a strong  
business with  
lots of potential**



**We are  
absolutely aware  
of the challenges  
to realising that  
potential**



**We are taking  
the steps  
required**

# Our retail portfolio model brings competitive advantage

- 1** Seamless customer experience
  - Across channels,
  - Across occasions & missions
- 2** Active portfolio management
  - Build businesses to leading positions in offer, access & value
  - Fix and transform underperformers
  - Exit where no longer the most value adding owner
- 3** Tightly defined centre
  - Leveraging scale benefits
  - Capturing scope advantages
  - Building platforms
  - Incubating and innovating



# We have strong market positions, affording many opportunities for further growth

	Position	Further Growth Opportunities
<b>Food - Australia</b>	Australia's largest supermarket operator 14.6m customers on average per week 20% greater share than nearest competitor	Share gains in a fragmented food sector Share of wallet gains Food market expansion New occasions
<b>Food - New Zealand</b>	NZ's #1 supermarket brand	New categories Online expansion
<b>Liquor</b>	Australia's #1 liquor business #1 in convenience, #1 in destination, #1 online	Online growth Premiumisation
<b>Home Improvement</b>	54 big box stores Leading trade building specialist position	DIY big box white space Market consolidation Online growth and expansion
<b>General Merchandise</b>	#2 Market share Largest online apparel in Australia and New Zealand	New and expanded categories Online share and growth
<b>Hotels</b>	330 venues 3½ x larger than nearest competitor	New technologies Accommodation and food
<b>Online</b>	Australia and New Zealand's largest online retailer Over 50% share of food and liquor Over 2m online customers	Click & Collect network Marketplaces



# We are a growth business, regardless of the environment

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	<b>ERA I: 2000-2005</b> <b>Consolidating into a national food and liquor retailer</b>	<b>ERA II: 2005-2010</b> <b>Building from a strong position, turbocharged by acquisition (NZ)</b>	<b>ERA III: 2010-2014</b> <b>Refocus on core and investing in future growth</b>
<b>Environment:</b>	5.4% retail spending growth 3.7% food price inflation Moderate competition	5.0% retail spending growth 4.1% food price inflation Emerging competition	3.3% retail spending growth 1.6% food price inflation Strong competition
<b>Actions:</b>			
<b>New categories</b>	Fuel, Hotels, Big box liquor	Financial Services	Hardware, Food to go, Online
<b>Acquisitions</b>	2% of revenue growth - Franklins - Hotels/ALH	2% of revenue growth - New Zealand (PEL)	(1%) of revenue growth - Disposals: Dick Smith, SCA & India Tata JV - Acquisitions: EziBuy, Cellarmasters
<b>Enablers</b>	Project Mercury Refresh	Everyday Rewards	Talent Online capabilities Data: Quantum Property development
<b>Outcomes:</b>	9.4% sales CAGR 3.5% food m <sup>2</sup> CAGR <sup>1</sup> 15.6% EBIT CAGR	10.5% sales CAGR 3.5% food m <sup>2</sup> CAGR <sup>1</sup> 19.2% EBIT CAGR	4.1% sales CAGR 4.0% food m <sup>2</sup> CAGR <sup>1</sup> 5.2% EBIT CAGR

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# A new era brings new retail challenges

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**Woolworths' Lean Retail Model**

	<b>Era I, II</b>	<b>Era III &amp; beyond</b>
<b>Cost</b>	<ul style="list-style-type: none"> <li>Advantage built on scaling up fixed cost base, relying on fractionalisation in a high inflation environment</li> </ul>	<ul style="list-style-type: none"> <li>Lower inflation requires real-dollar cost out across both COGS &amp; CODB</li> <li>Scalable platforms needed to win in digital environment</li> </ul>
<b>Customer offer</b>	<ul style="list-style-type: none"> <li>Mainstream dominant, rewarding a well executed standard one-size-fits-all offer</li> </ul>	<ul style="list-style-type: none"> <li>Disappearing middle</li> <li>Consumers demanding more choice, tailoring, value and convenience</li> </ul>
<b>Growth</b>	<ul style="list-style-type: none"> <li>High retail growth</li> <li>Comp sales from gaining share in fragmented markets, bolstered by M&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>Modest retail growth</li> <li>Disruptive competitor models</li> <li>Overseas competition</li> </ul>

# Six challenges to realising our potential

1

Regaining momentum in Australian Supermarkets

- ➔ Building customer trust
- ➔ Maintaining focus and consistency in execution
- ➔ Extending market leadership

2

Continuing to outperform in Liquor

- ➔ Dealing with a low growth market environment
- ➔ Staying at the forefront of digital innovation

3

Making clear progress on Masters' path to profitability

- ➔ Landing new range and store format
- ➔ Educating the customer about our unique offer
- ➔ Maximising market consolidation opportunity

4

Accelerating the reset of BIG W

- ➔ Converting our new capabilities into results
- ➔ Maintaining test-and-learn pace
- ➔ Aligning our inventory to our new customer offer

5

Accelerating our lean retail model to compete in a new environment

- ➔ Turbocharging our cost-out program
- ➔ Empowering strong businesses while keeping portfolio synergies

6

Maintaining disciplined portfolio management and capital allocation

- ➔ Driving focus on long-term shareholder value

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# In 2014 we kicked off a structured Group-wide transformation to turbocharge a 'lean retail' model

## Fuel For Growth Program

A continuation of our historical approach of driving growth via seeking efficiencies and investing them in our customers ... but with emphasis on the need to take 'real dollar' costs out in a low inflation environment, without impacting customers

		Already scoped and in flight
Mercury 2 (end to end)	Implement lean processes, leveraging technology	\$0.1b+
Support	Reduce complexity then simplify organisation Operate with a lean centre	\$0.1b+
Non-trade procurement and capex	Leveraging scale across businesses, managing demand and improving controls	\$0.1b+
Supermarkets	Process efficiencies, COGS improvements, reduced shrinkage	\$0.3b+
		<b>\$0.5b+</b>

## Woolworths' Lean Retail Model



A confirmed pipeline of "cost out" that will fund our planned investments

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## We are exercising capital discipline

- Skewing capital allocation to Supermarkets
- Reduce Masters investment until the model is proven
- BIG W capex being curtailed until transformation complete
- Further efficiency in Stay in Business capex and heightened review and accountability of all capex growth
- Continuing to invest to sustain long term competitive advantage (e.g. Mercury 2)

# Each business leader has been given the mandate to realise the full potential of their businesses

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## Food



## Liquor



## Home Improvement



## General Merchandise



## Hotels





## Key messages



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## Agenda for today

Time	Topic	Session Led By
9.30 - 10.15	Q3 Sales & Introduction	Grant O'Brien
10.15 - 11.45	Food	Brad Banducci, Dave Chambers
11.45 - 12.15	Liquor	Martin Smith
12.15 - 1.00	Lunch	
1.00 - 2.00	General Merchandise	Alistair McGeorge
2.00 - 3.00	Home Improvement	Matt Tyson
3.00 - 4.00	Enablers of Competitive Advantage	Grant O'Brien, Penny Winn, Emma Gray & Matthew Stanton
4.00 - 4.20	Afternoon tea	
4.20 - 4.50	Group Financial Overview	David Marr
4.50 - 5.30	Questions & Close	Grant O'Brien
5.30pm	Drinks	

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## Woolworths Food Group

**Brad Banducci**

Managing Director

Woolworths Food Group

**Dave Chambers**

Director

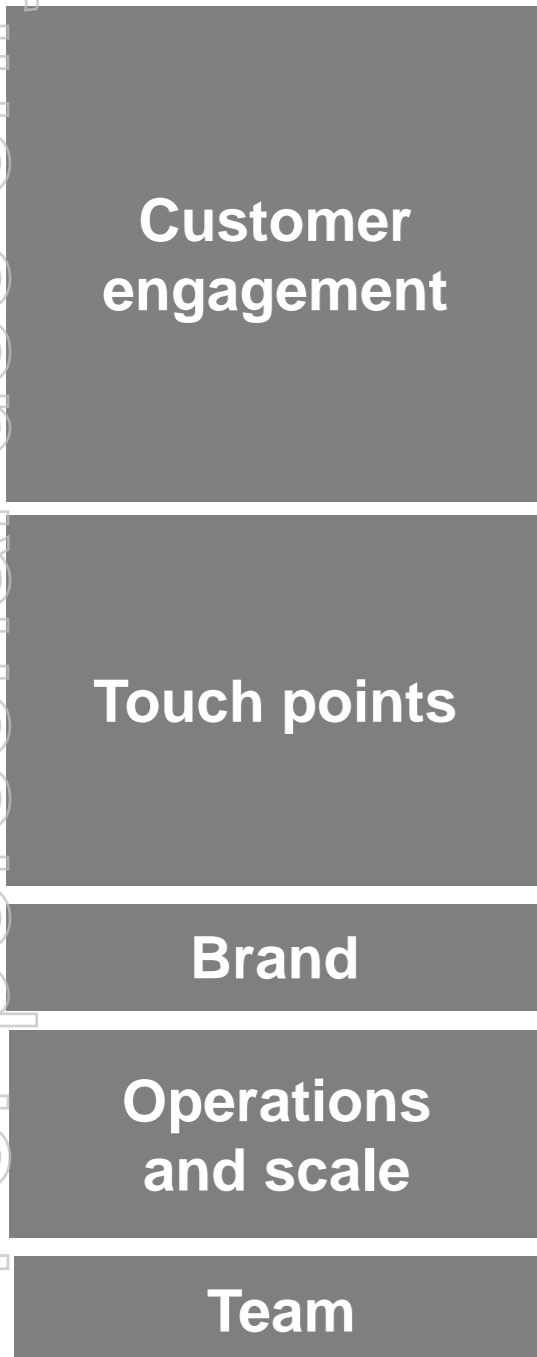
Woolworths Supermarkets

## Observations 10 weeks in

- A strong franchise - with good people, assets and capabilities
- A clear strategic plan with significant potential
- However, we have lost focus on our customers and this needs to be addressed with some urgency
- What needs to be done is clear but it will take time to build customer trust and regain sales momentum
- The key to success is in our hands – it will require focus, consistency and changing our ways of working

# Woolworths is a strong business franchise

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- ✓ We have frequent interaction with our customers
  - 14.6m customers shopping with us 1.3 times per week<sup>1</sup>
  - 500,000+ unique online customer visits per week
- ✓ We know how our customers shop at a local level via our 8.5m Everyday Rewards customers

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- ✓ We have the biggest store network: 952 stores at Q3
- ✓ We are the leading online food store with over 50% share
- ✓ We have a small but growing urban small store business

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- ✓ We are the “Fresh Food People”

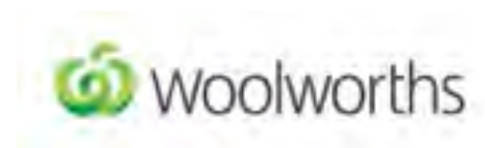
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- ✓ We have economies of scale = 1.2 times store base versus our biggest competitor

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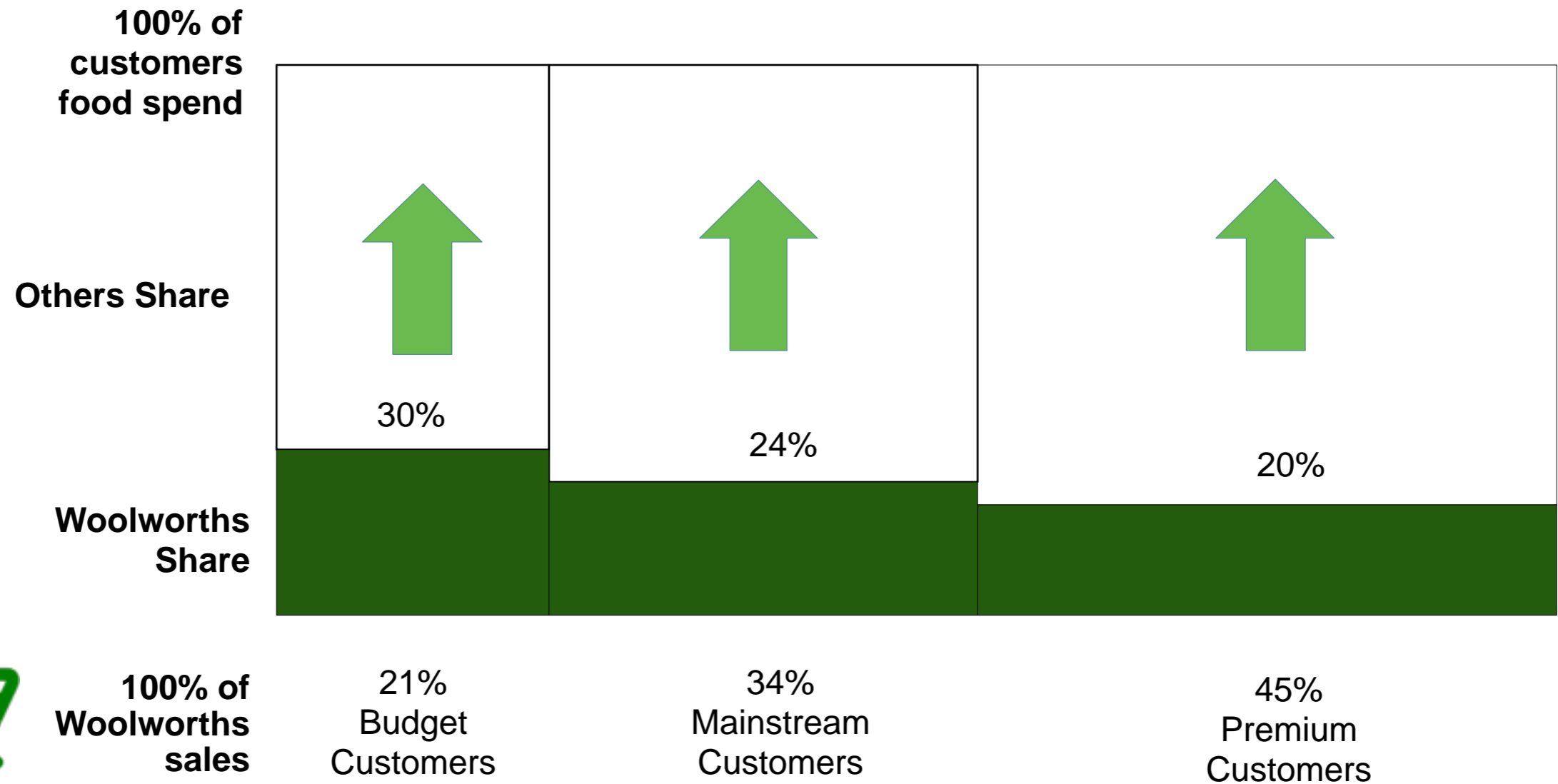
- ✓ We have a very strong team culture

(1) Quantum Checkout data, 16 weeks to end of January 2015



# We have a lot of white-space to grow

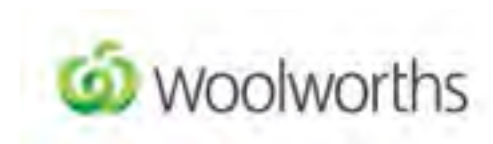
## Australian Food Spend by Customer Segment



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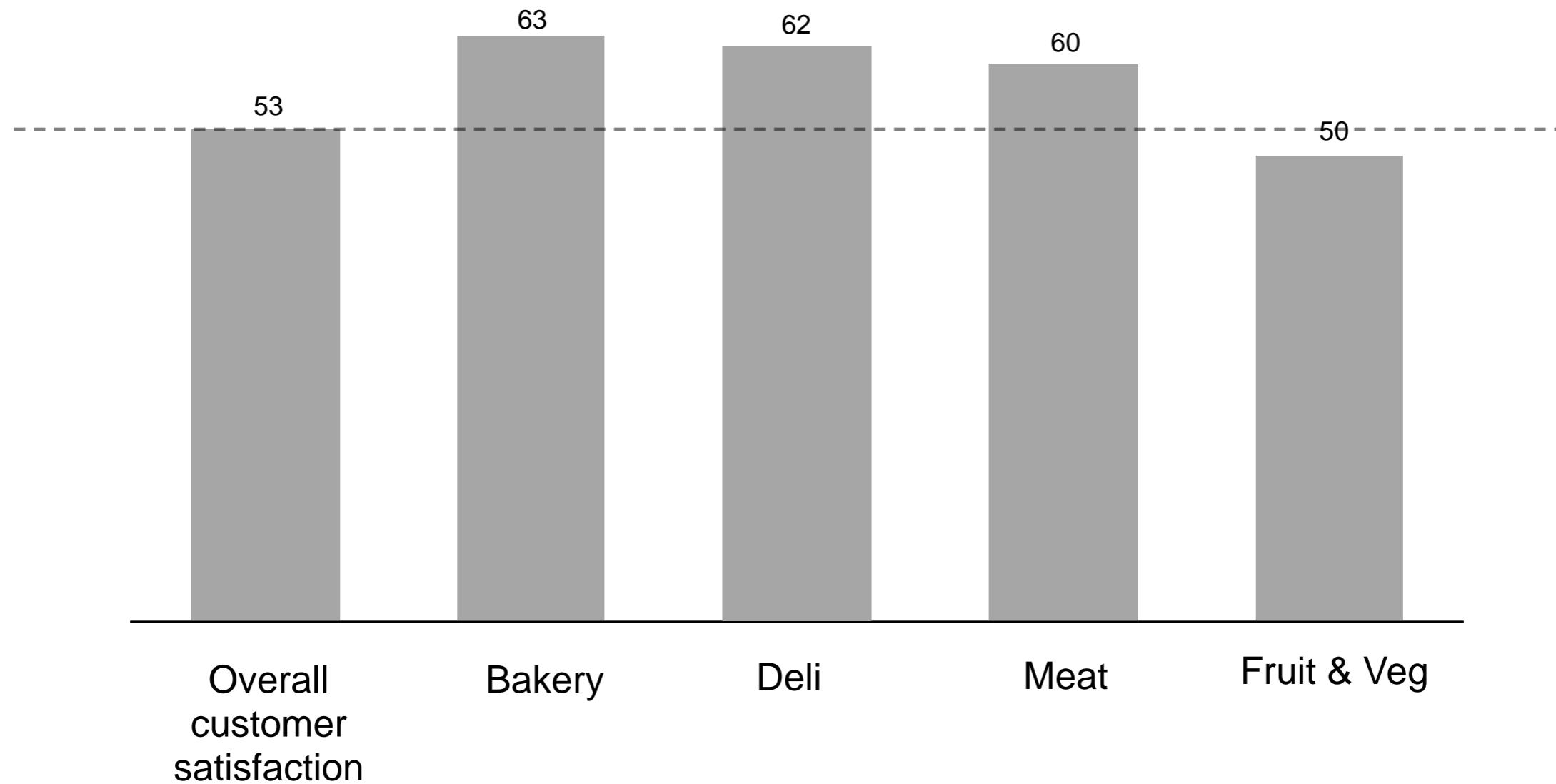
SOURCE: Nielsen, ABS, Everyday Rewards



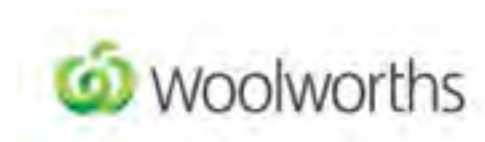
## However, our customers are not particularly satisfied with us

### Woolworths Customer Satisfaction Overall and by Fresh Department: February 2015

(%)



SOURCE: Voice of the customer, February 2015



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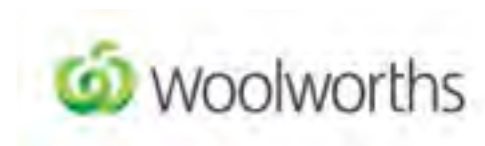
# We do not have any clear points of difference with our major competitor

## Woolworths vs. Coles: F15 Q3 Brand Perception<sup>1</sup>



SOURCE: Woolworths Brand Tracker

(1) Percent of customers rating a 5,6 or 7 out of 7 on brand attributes



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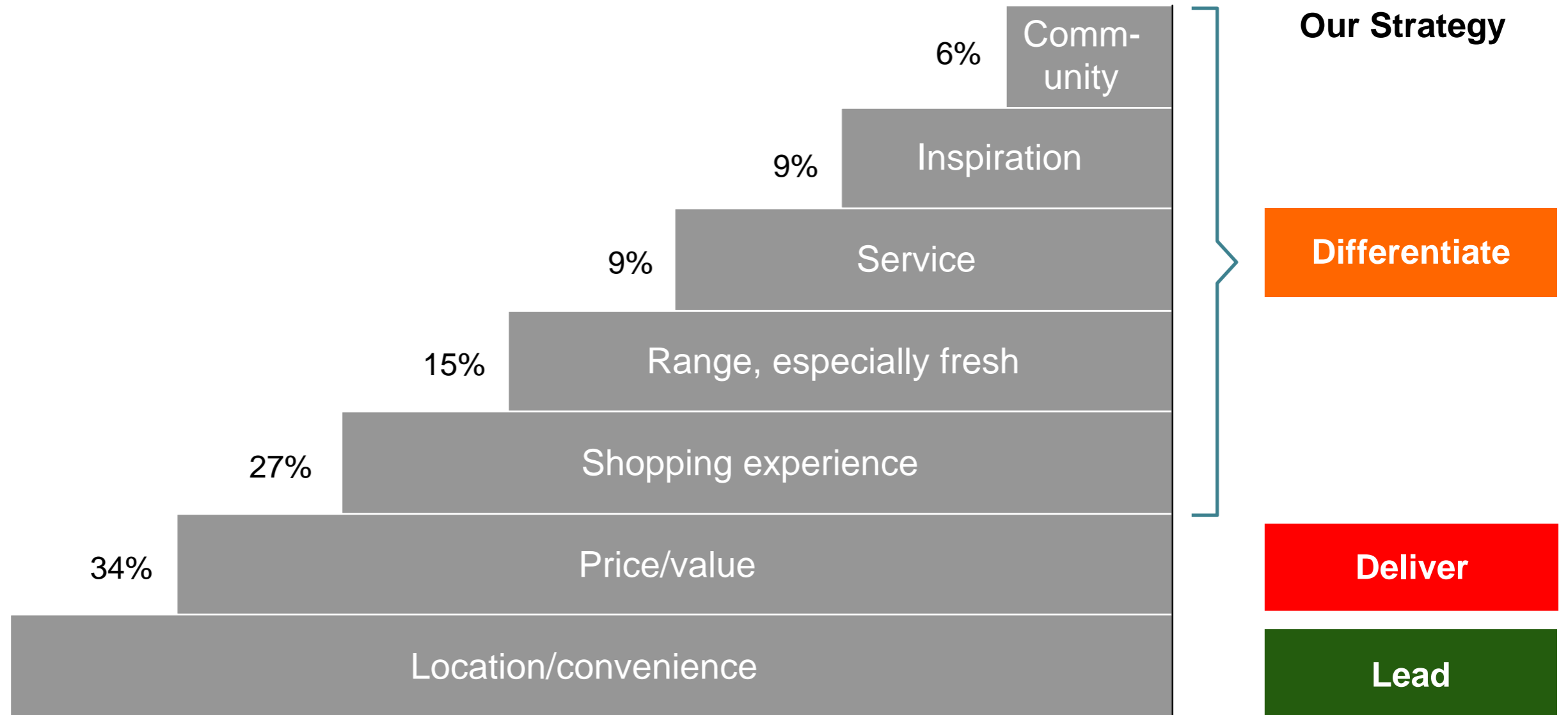
Our plan of action is to get our customers to put us 1st

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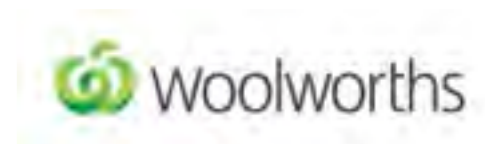
# How do we get customers to put us 1st?

## Customer Supermarket Shopping Decision Criteria (% relative importance)



**Relative importance of customer shopping decision**

SOURCE: Woolworths Brand Tracker 2014



## Our customer proposition

### Customer 1st

***Customers know they get good prices across their shopping basket***

***Customers have a consistently great shopping experience across all touch points – supermarkets, small stores and online***

***Customers perceive Woolworths to have the best quality and range, especially in fresh food***

***Customers talk about us as “Woolworths the Fresh Food People”***



## We have already started to take action in the second half

### Good Prices

- Invested \$125m in lower prices
- Lowered online prices to match store pricing

### Great Shopping Experience

- Invested 58,000 team member hours per week focussed on priority areas
- Added extra ½ day of stock in the short term to improve product availability

### Best quality and range

- Improved fruit and vegetable display and range, emphasising seasonal abundance and value
- End-to-end initiatives to improve freshness, starting with strawberries

### Meeting more customers' needs

- Launched online Delivery Saver
- Re-launching our website at present with greatly improved user experience
- Piloting our fresh convenience food plant

### Culture, business model and brand

- Upweighted customer metrics on store scorecards
- Re-organised how we work

# Improving our core offer is a critical precondition to everything else



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# Customers need to be confident they get good prices at Woolworths

## What our customers told us

- Woolworths needs more competitive prices
- Aldi delivers on value and quality
- Everyday Rewards does not deliver enough value
- Why doesn't online have the same pricing as supermarkets?

## Actions since January

- Invested \$125m in lower prices
- Removing 'price irritants' to ensure consistency in pricing across range
- Starting to close gaps in our entry level ranging
- Reduced online pricing to match store pricing

## Priorities

- Neutralise Coles and contain Aldi on pricing
  - Further targeted investment
  - Ensuring our reward program delivers more value
  - Own and exclusive brands that offer great quality/value
  - Enhance our pricing capabilities

**We are delivering our most competitive prices to our customers since early 2014**

# Improved pricing will grow items per basket and shopping occasions


## Share of customer wallet


### Price per item


### Items per basket

### Shopping occasions

**Our performance in year to February**


 Rising by more than competition


 Declining by more than competition

 Marginal growth but significantly below competitors

**Priorities**

 Improve relative pricing

 Be rewarded by customers as they put more items in their baskets

 Be rewarded by customers moving shopping occasions to us



**Relatively fast response**



**Will take longer to earn back trust**

# Our customers should expect a great shopping experience

## What our customers told us

- Woolworths service needs to improve
- They are not satisfied with product availability
- Our shopping experience varies significantly by store
- Some stores feel very old and tired

## Actions since January

- Put 58,000 hours back in stores at times when stores busiest - focused on fruit and vegetables and service
- Cross-functional availability team
- Actions underway to improve Self Check-out

## Priorities

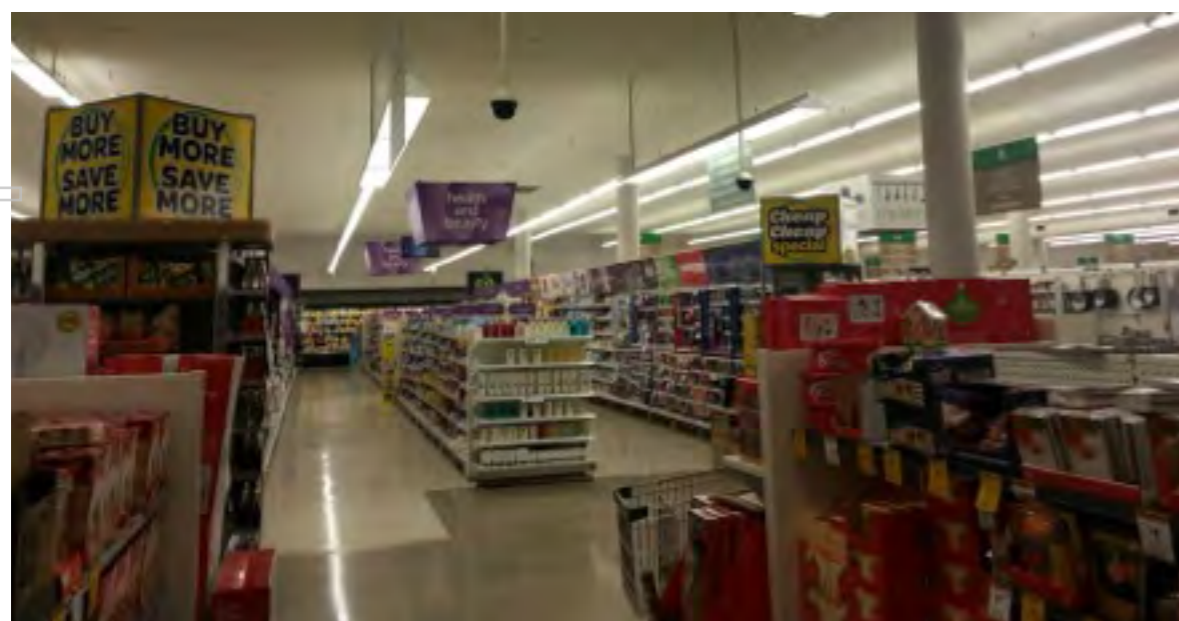
- Invest a further 63,000 hours in stores next year
- Dramatically improve on-shelf availability, starting with promotional SKUs and meat
- Rapidly address customer experience basics – trolleys, signage, gates, lighting, etc.
- Rebalance store openings with refurbishments

**Our service perception scores have stabilised in the second half**



# We are investing in our stores – quick wins

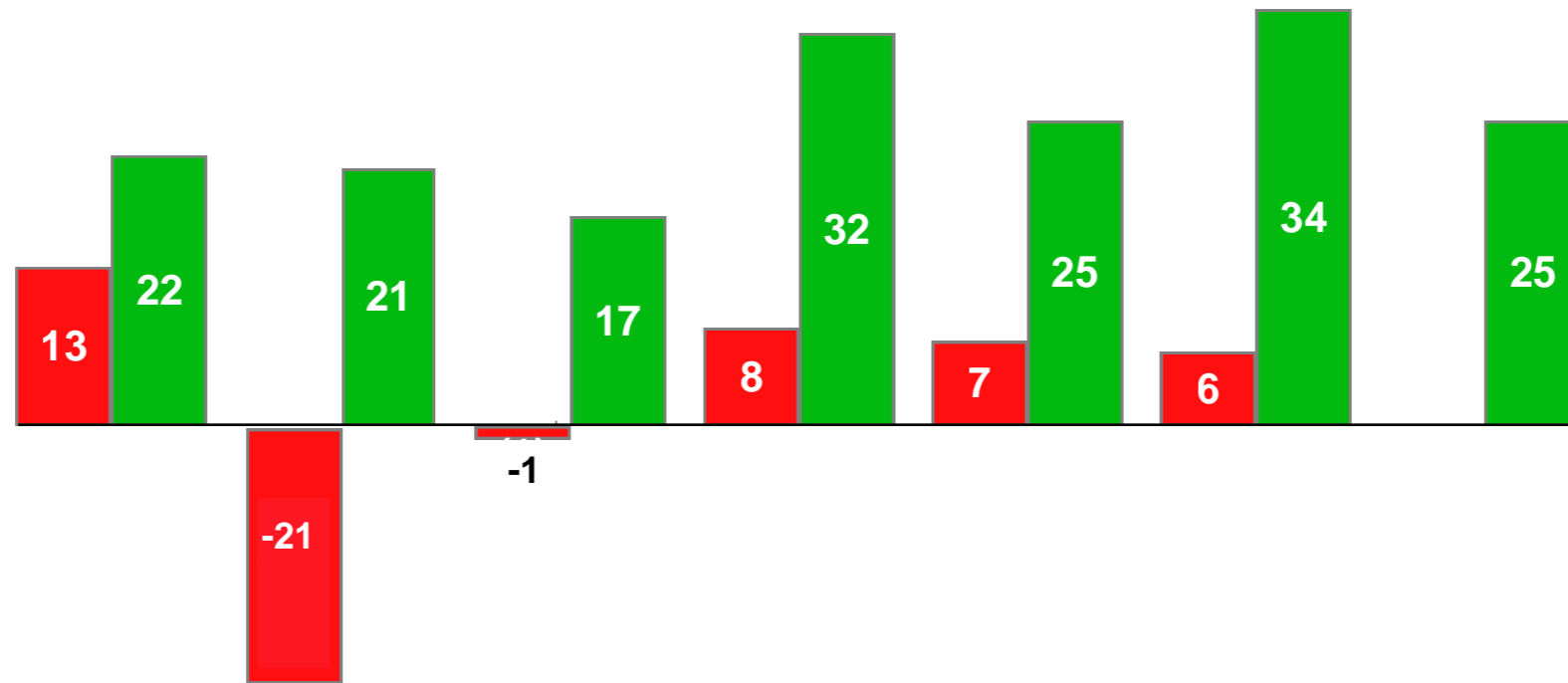
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# We are rebalancing our investment in new versus refurbished stores

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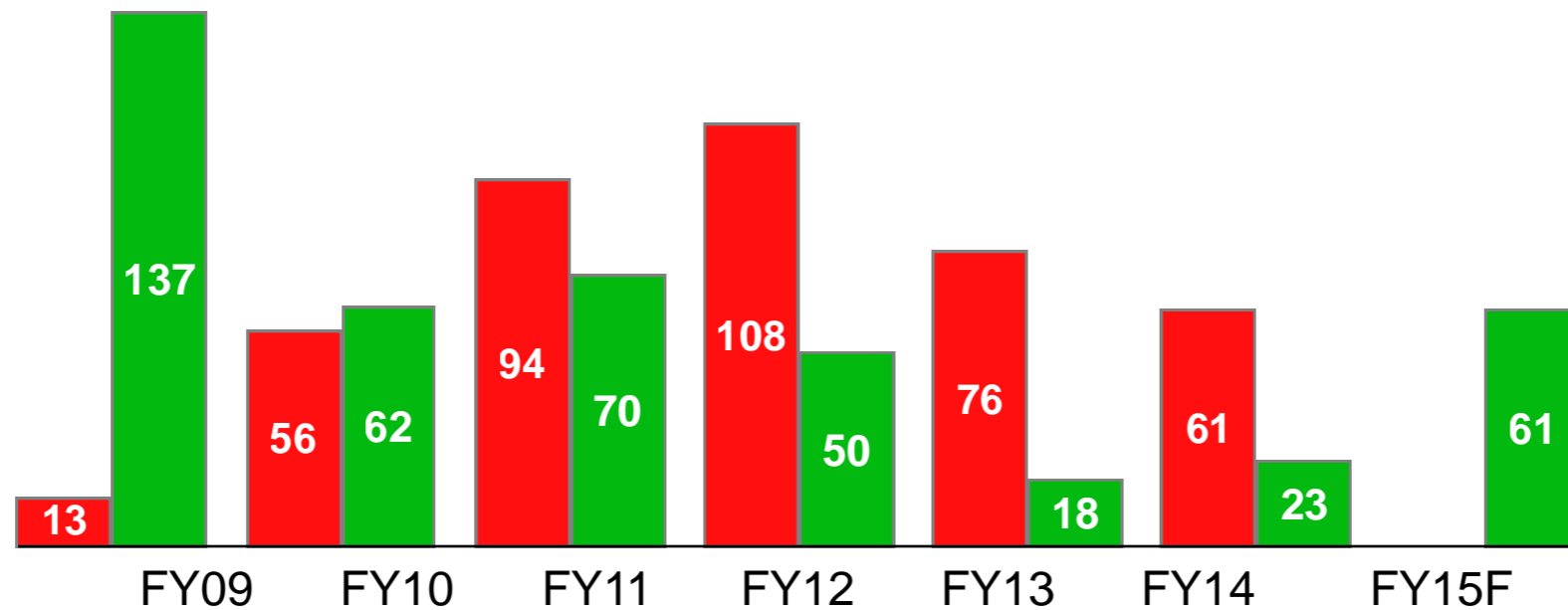
**Net new store openings**



## Our Strategy

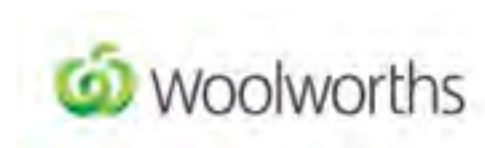
Continue to open 20 – 30 supermarkets per annum in line with population growth and network gaps

**Number of Refurbishments**



Increase refurbis to 80+ per annum prioritised by customer feedback and store condition

SOURCE: Woolworths finance; Wesfarmers website. FY15 data not available for Wesfarmers.



## Our customers have high expectations from us in terms of range

### What our customers told us

- Have high expectations of us to deliver the best Fresh and we need to do better
- We can do a better job of ranging products in their store to match their needs
- Aldi brands seen to be on par or better than Woolworths Select and better than Homebrand

### Actions since January

- Fruit and vegetables actions
  - Layout, pricing, ranging, service and supply chain
- Launched targeted customer ranging pilots in key categories
- Review of own brand strategy

### Priorities

- Consistently deliver the freshest fruit and vegetables, starting with priority products
- Continue to rollout tailored customer ranging
- Reposition our own and exclusive brands as part of the Woolworths FoodCo plan

**We lead on range but can do better**

# We have taken a number of actions in fruit and vegetables already

**We won't be  
beaten on price**

- Reinvested COGS savings in better prices
- Launch \$1 specials
- Launch of Odd Bunch

**Great products  
across total  
range**

- In-conversion Organics launch
- Exclusive varieties & new products

**Best quality  
from paddock  
to plate**

- Minchinbury DC moving toward pick to zero
- Specialist Agronomist team extended

**Merchandised  
with passion &  
knowledge**

- “We Love Fruit & Veg” relaunched nationally
- Included new merchandising standards and additional training for Produce Specialists

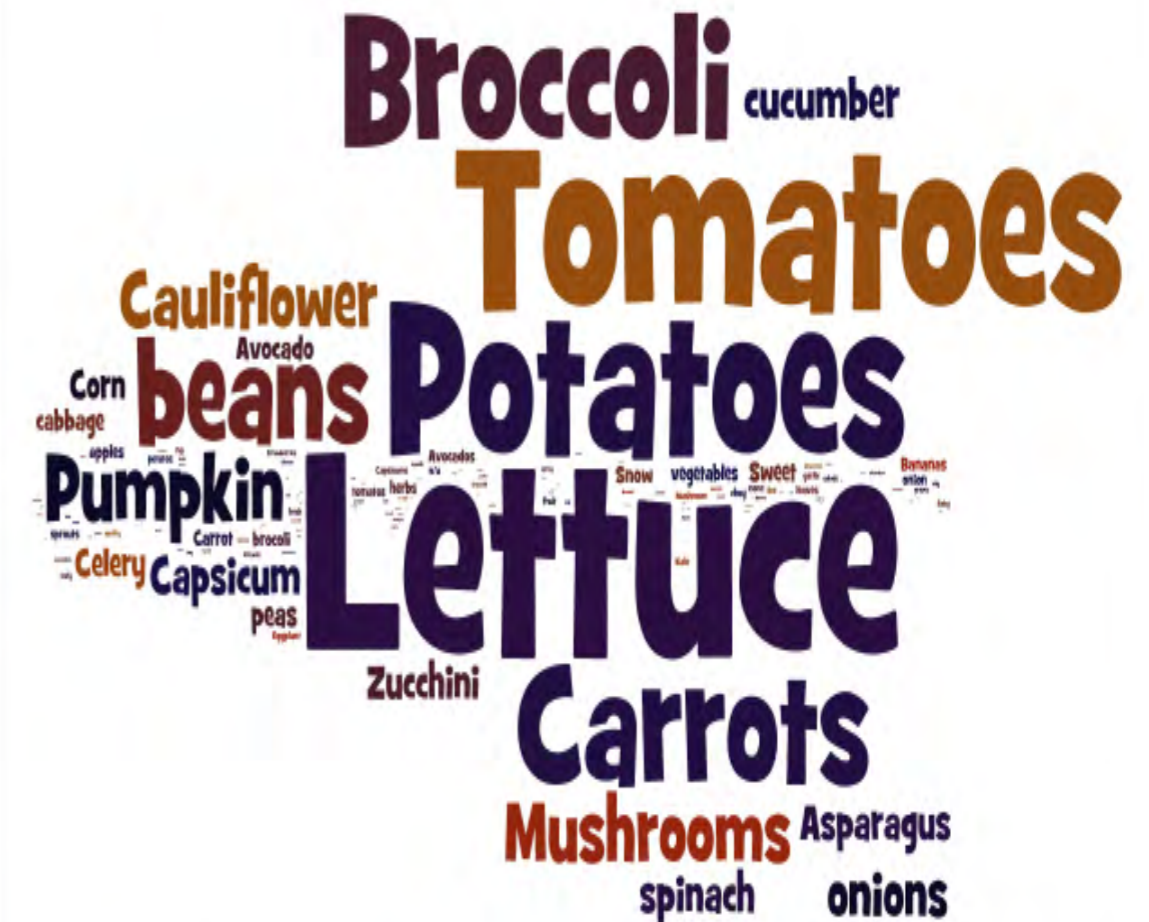
**Supporting our  
growers &  
community**

- “Odd Bunch” supporting ‘More of Crop’
- Platinum member of PMA (Produce Ass’n)
- Woolworths Agricultural Scholarships program

**Customer  
satisfaction is  
up 8% in pilot  
stores**

We are taking actions to improve the products that customers value most

Customer Research: Fruit and Vegetable Quality and Freshness Priorities

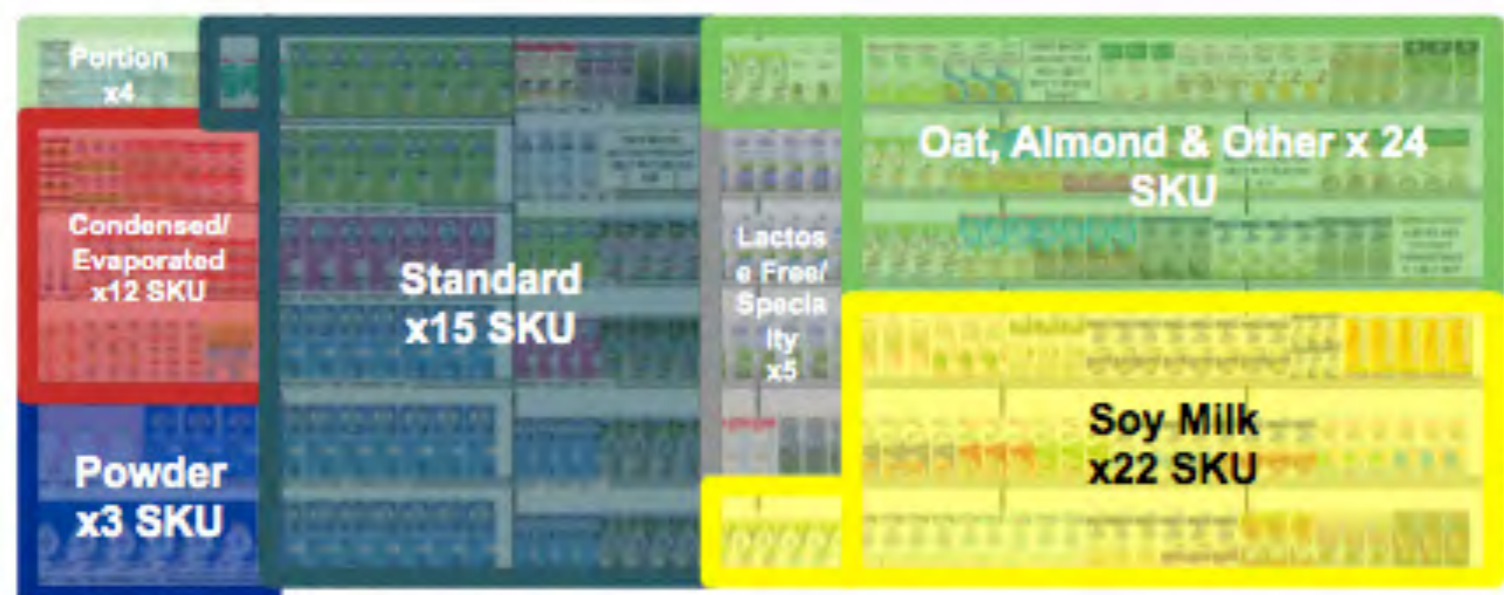


SOURCE: Woolworths team analysis

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# Tailored customer ranging pilots are showing promising results: Long-Life milk example

**Non-Dairy Cluster (e.g. Double Bay store)**  
Increased range and space for non-dairy products – 92 SKUs

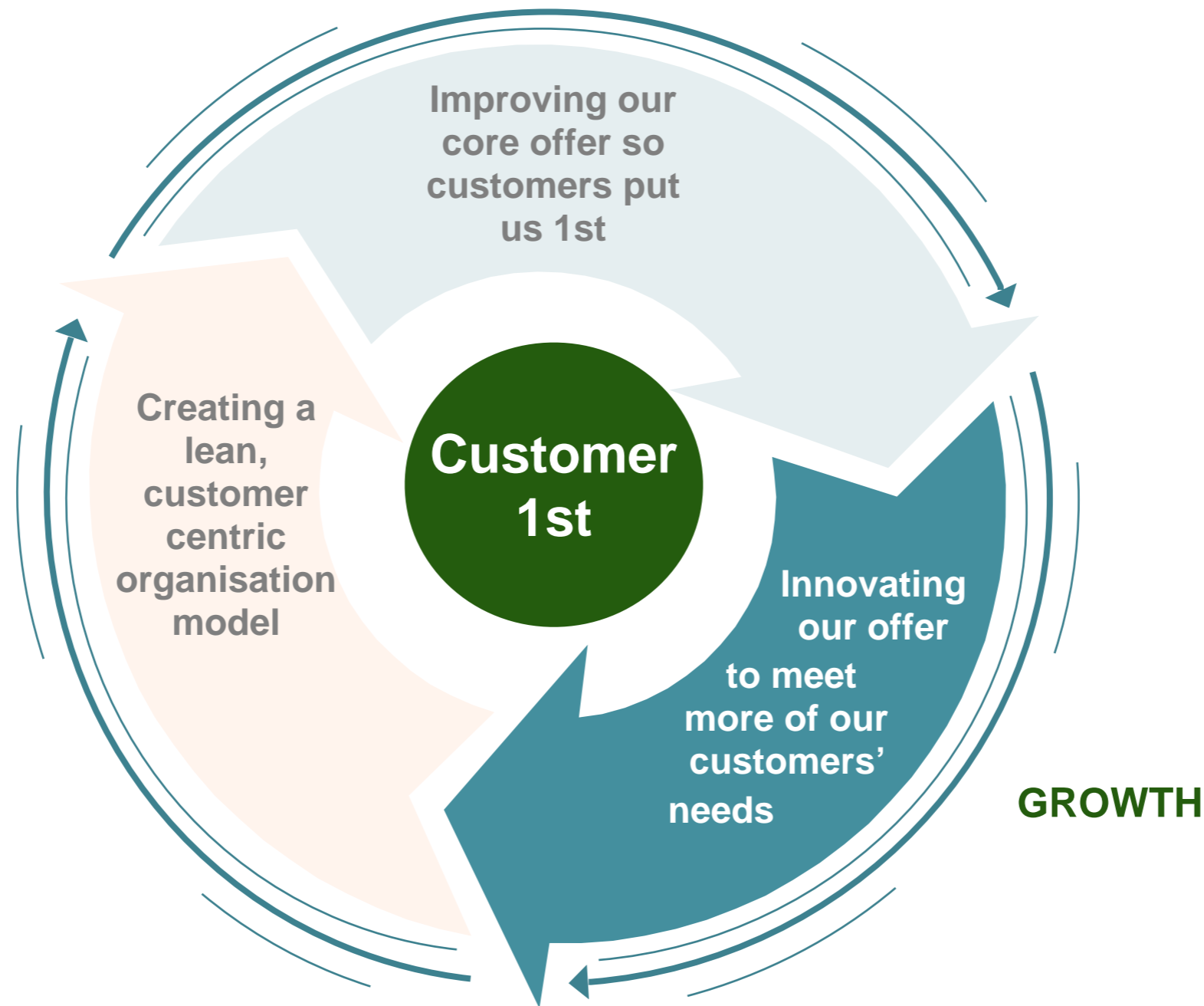


**Powder Metro Cluster (e.g. Eight Mile Plains store)**  
Increased space for powdered milks – 81 SKUs



**Promising results with 3.9% sales uplift in Long-Life milk**

# Customer needs and shopping habits are changing, we are innovating our offer



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# Innovating our offer to better meet our customers' needs is an important longer term priority

## What our customers told us

- They are increasingly time poor and our online offer meets a key need
- They shop elsewhere for food-for-now/later and often for top-up
- Some confusion about our current convenience offer

## Actions since January

- Continued online innovation – Delivery Saver, Website user experience (UX) and now the Apple Watch
- Working with local suppliers to develop a scalable food for-now/later supply base
- Review convenience store strategy including branding and pricing

## Priorities

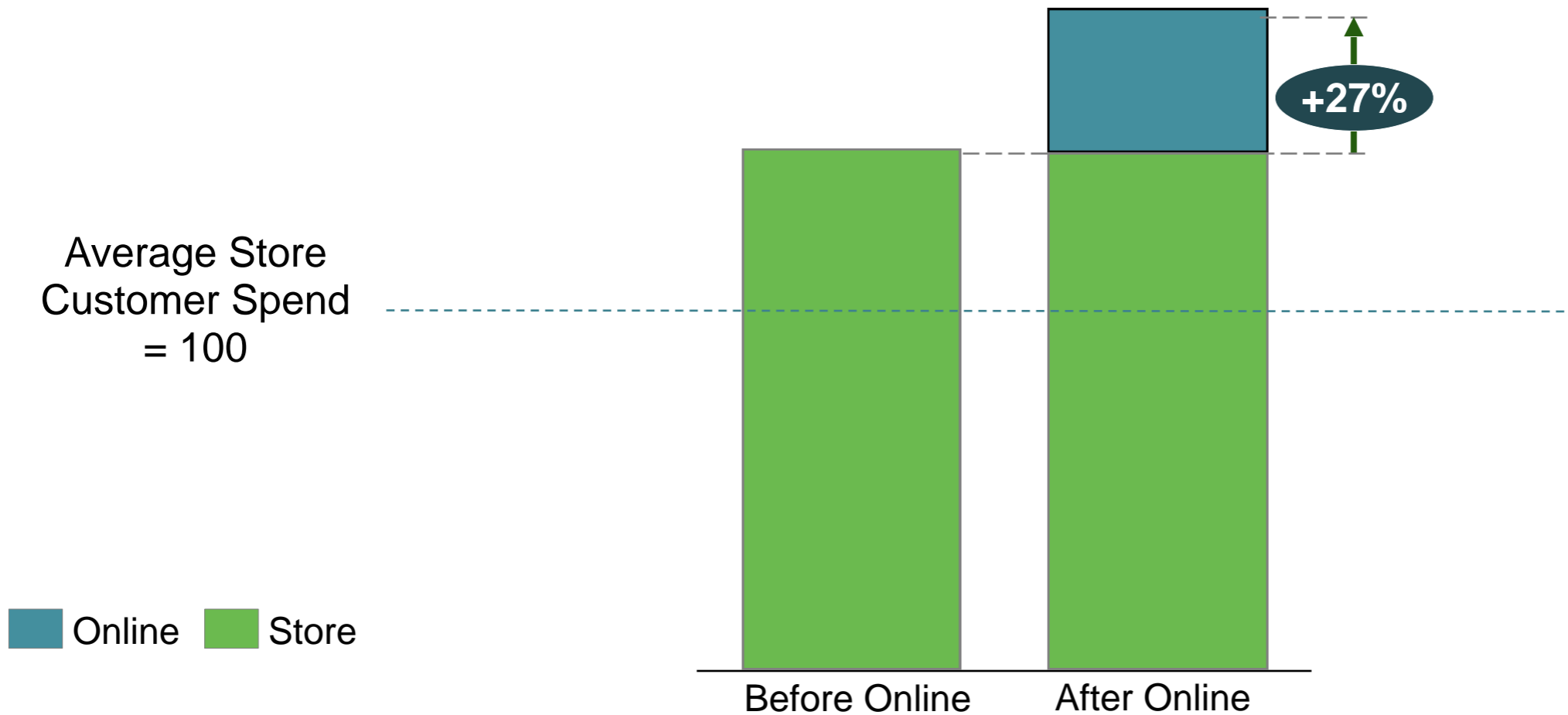
- Continue to improve our online experience, including extending range and pickup collection points
- Scale up our food-for-now/later business
- Grow our 'Woolworths Urban Small Food Stores' to better serve food for now/later and top up shopping missions

**We have lots of growth potential as we innovate our offer**

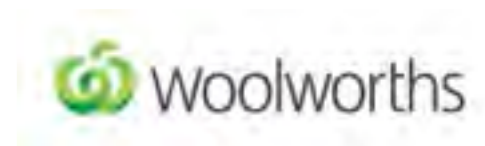


# Online customers reward us with more of their basket

## Woolworths Online Customers' Annual Spend

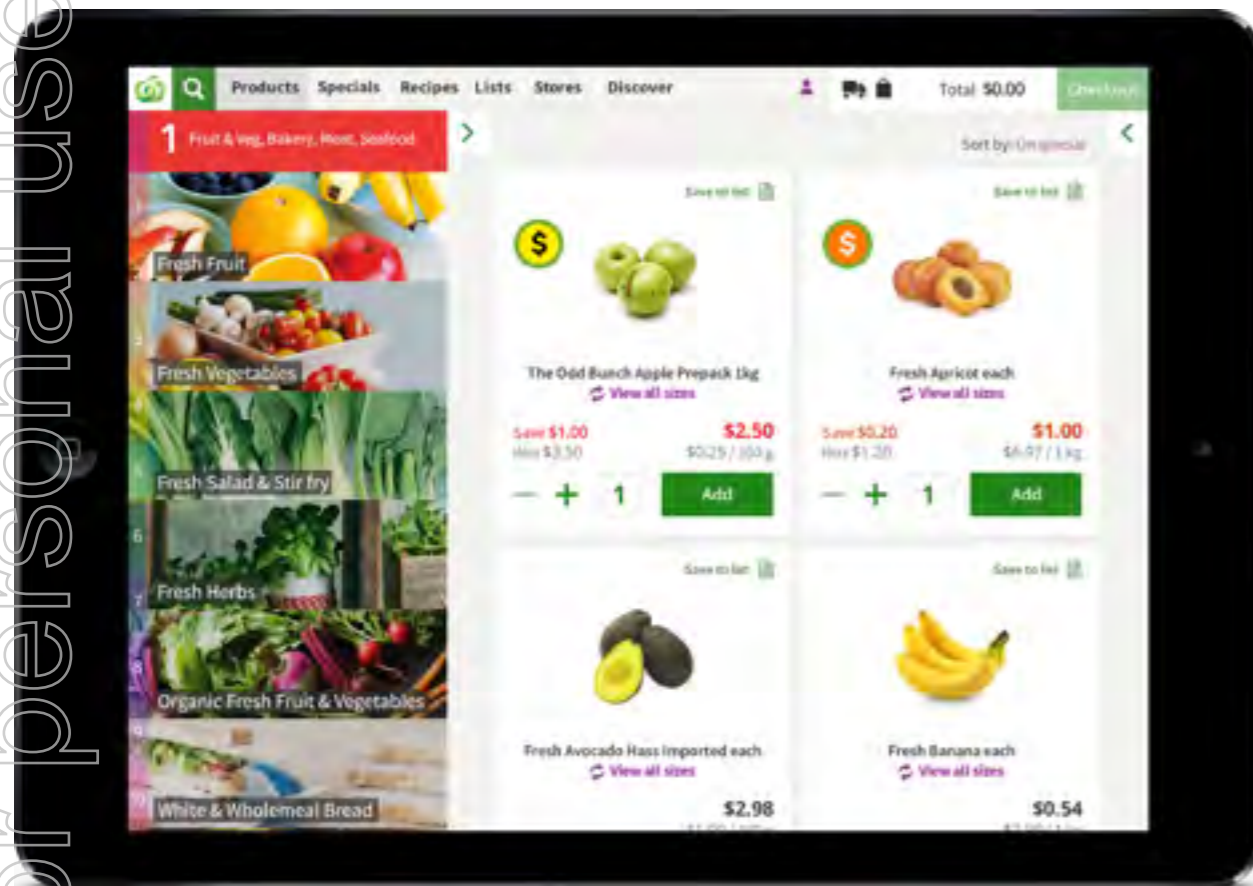


SOURCE: Quantum 2014; Woolworths Brand Tracker



# We are creating a world-class online and mobile experience

Website<sup>1</sup>



Apple Watch app



Lists



Product View

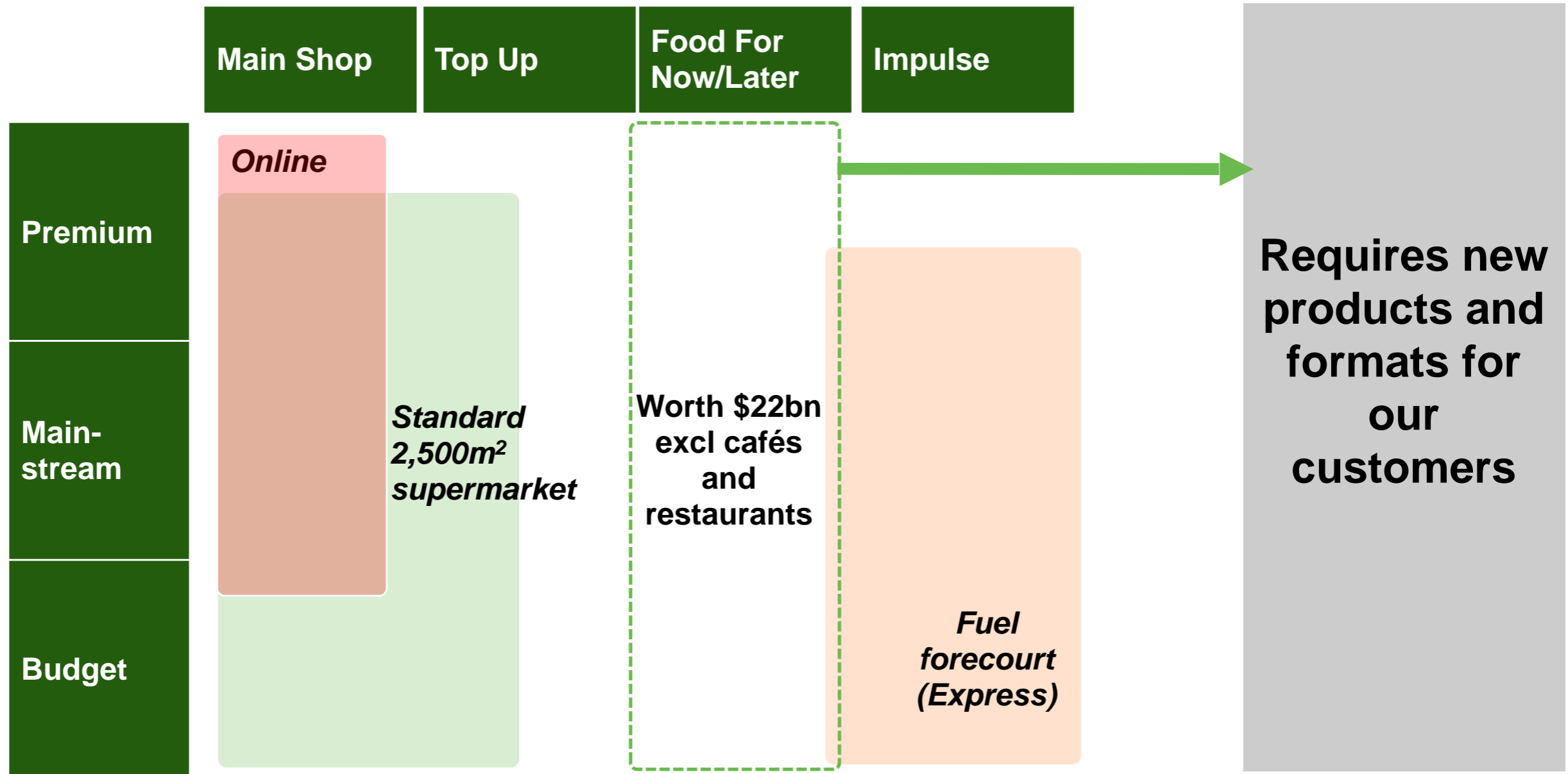


Store info

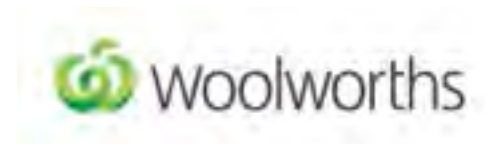
(1) TAS launched 28/04; WA, QLD, SA, NT to launch on 04/05, and NSW, VIC, ACT to launch on 11/05

# There is significant 'white space' for us in Food if we can better serve more of our customers' food shopping missions

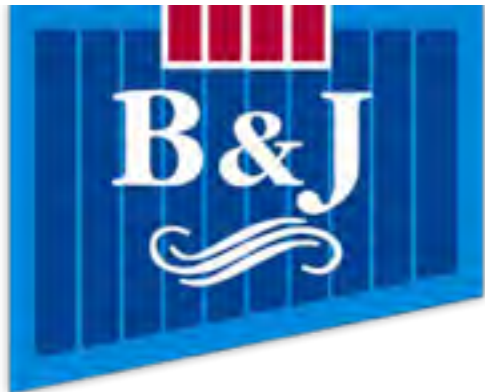
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Source: ABS, Internal analysis



# Woolworths is partnering with local producers to dramatically improve the quality and taste of fresh convenience foods



## Example: Beak & Johnston Partnership

- B&J's "City Kitchen" production facility in Western Sydney opens May 2015
- Will employ 250+ people
- Facility will make fresh and post pack pasteurised (PPP) meals and components, both ready to cook and ready to heat
- *Also working with other local producers on salads, pizza, sandwiches and meal solutions*



Fresh Pie Bakes



Chef Endorsed Scratch Kits



New Recipe & Rebranded PPP Meals

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# Small urban food stores represent an exciting incremental growth opportunity

**Central Station Convenience Store**



**Coogee Small Supermarket**



**Thomas Dux**

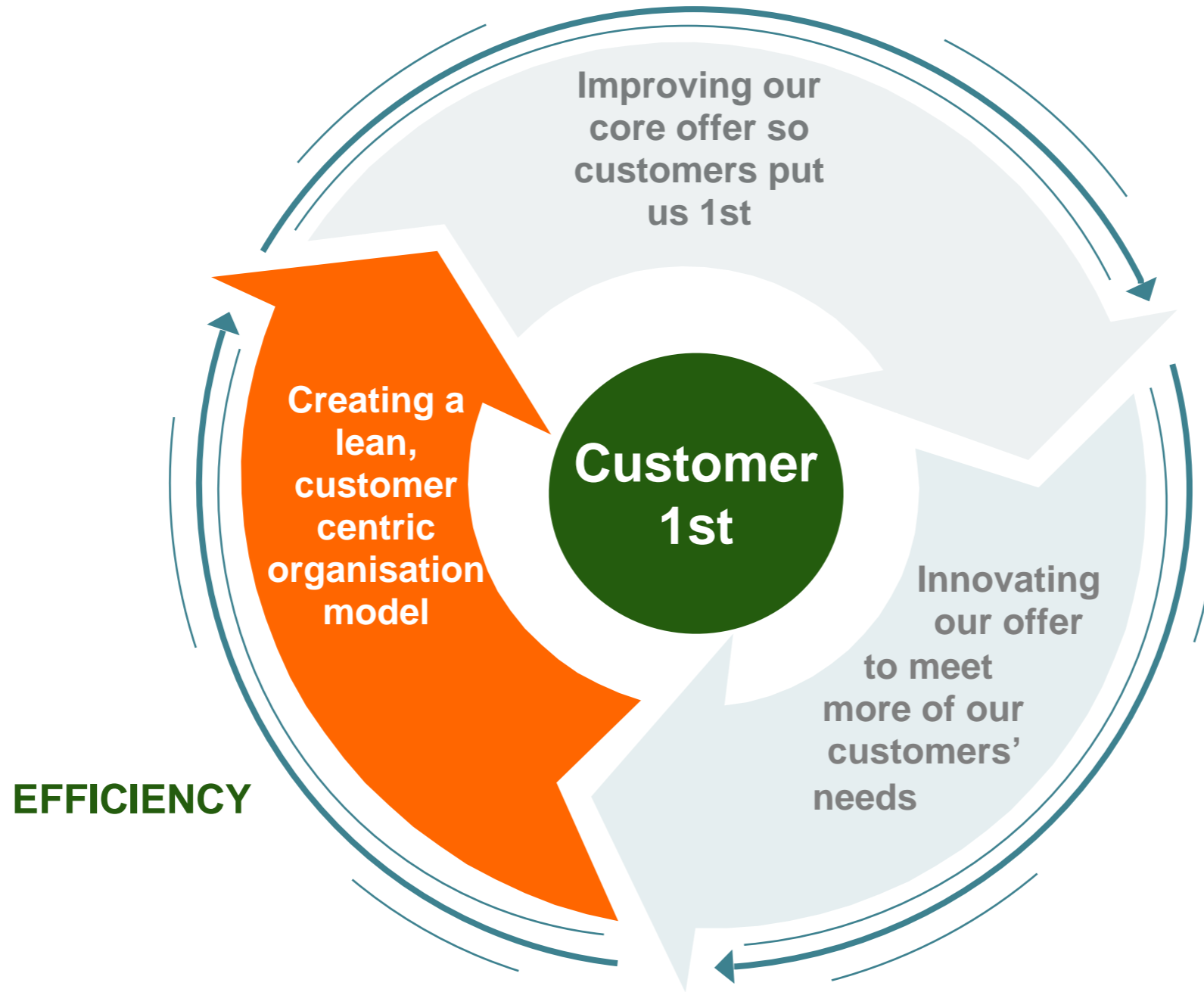


**Rose Bay Convenience Store**



# What is different this time? We will organise ourselves for success

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# We are organising our business around delivering value to our customers

## What our team/suppliers told us

- Customer is not a key performance measure
- Silo based organisation - Merch-Ops-Marketing
- Disconnects in our marketing and brand program
- Opportunities to improve underlying processes
- Hard to do business with

## Actions since January

- New customer focused store scorecard is being rolled-out
- New organisation structure in place
- Brand and marketing review completed
- Wave based improvement program underway
- Engaging with suppliers

## Priorities

- Bed down the organisation and customer priorities
- Evolve our brand and marketing
- Focus on improving core retailing capabilities
- Relentless, systematic focus on lean retailing
- Supplier joint business planning/ process improvement

**We are changing the way we work**

# Our store metrics and incentives now reflect the importance of customer

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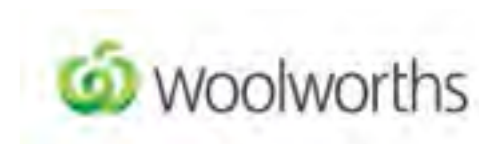
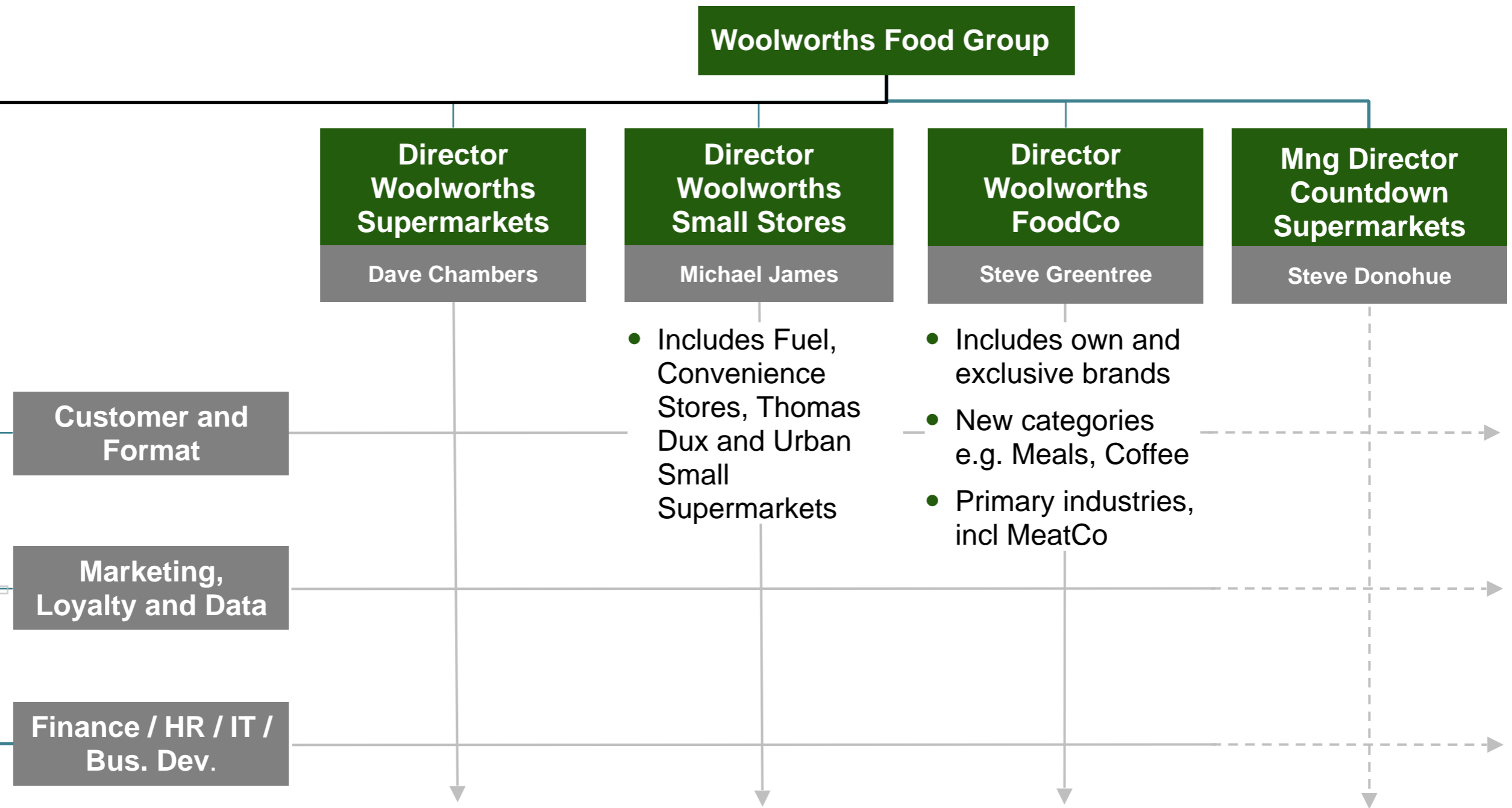
Store Team Member Scorecard Metrics	
<b>Customer (33%)</b>	Voice of Customer ----- On-shelf availability -----
<b>Operations &amp; People (33%)</b>	Team Engagement Score ----- Safety ----- Shrinkage -----
<b>Financial (33%)</b>	Sales ----- Total Controllable Expenses ----- Branch Controllable Profit

**Simplified down from 20 previous metrics**



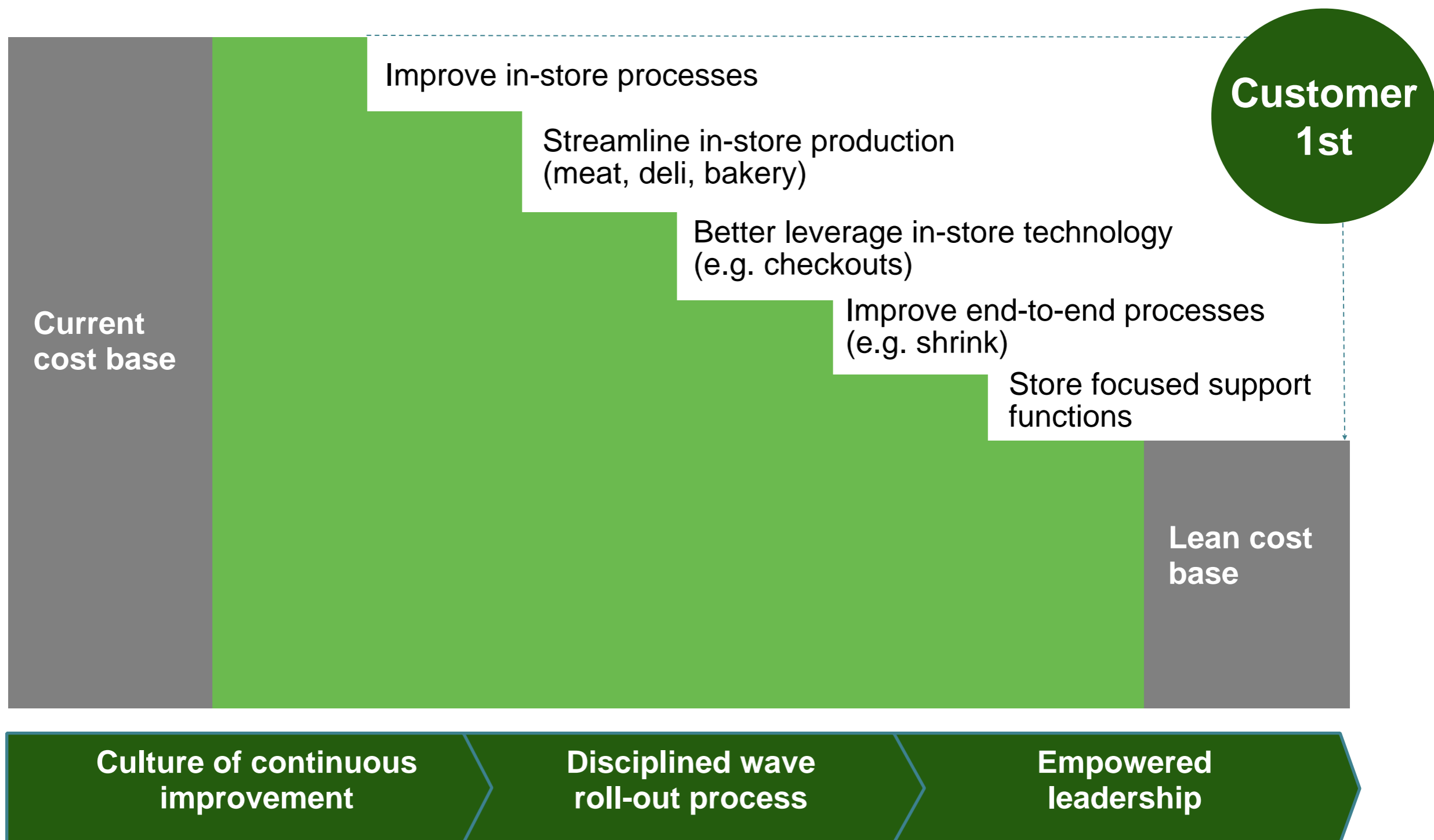
# An organisation structure that improves accountabilities

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# We have opportunities to become more lean

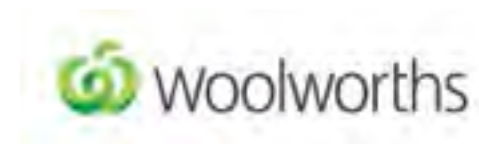
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# We are on a 3 year journey to get our customers to put us 1st

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	<b>Excel on the fundamentals</b> <b>2015</b>	<b>Improve our offer</b> <b>2016</b>	<b>Innovate our offer</b> <b>2017</b>
<b>What our customers should say</b>	<i>“Woolworths is changing for the better”</i>	<i>“A quality fresh food experience at prices I trust”</i>	<i>“My Woolies makes eating &amp; living well affordable &amp; easy”</i>
<b>Prices</b>	<ul style="list-style-type: none"> <li>• Noticeably improved prices</li> <li>• Refocused reward program</li> </ul>	<ul style="list-style-type: none"> <li>• Good prices a given</li> <li>• Great value own brands</li> </ul>	<ul style="list-style-type: none"> <li>• Customers trust us on price</li> <li>• Standout own/exclusive brands</li> </ul>
<b>Shopping experience</b>	<ul style="list-style-type: none"> <li>• Consistently good store and online experience</li> <li>• Proven small store concept</li> </ul>	<ul style="list-style-type: none"> <li>• Consistently great store and online experience</li> <li>• Improved new and refurb stores</li> </ul>	<ul style="list-style-type: none"> <li>• Exciting new and refurb stores</li> <li>• World-leading online UX</li> <li>• Thriving small store network</li> </ul>
<b>Range</b>	<ul style="list-style-type: none"> <li>• Noticeably fresher fruit and veg</li> <li>• Improved local ranging</li> </ul>	<ul style="list-style-type: none"> <li>• Consistently good fresh food</li> <li>• Best range of known brands</li> </ul>	<ul style="list-style-type: none"> <li>• Consistently great fresh food</li> <li>• “My Woolies” tailored ranging</li> <li>• Australia’s best meals offer</li> </ul>
<b>Brand</b>	<ul style="list-style-type: none"> <li>• More consistent delivery of brand across all mediums</li> </ul>	<ul style="list-style-type: none"> <li>• Customer brand advocacy</li> </ul>	<ul style="list-style-type: none"> <li>• Brand connects at deep emotional level – “Our Woolies”</li> </ul>



## Outlook for the Woolworths Food Group

- We need to earn our customers' trust and are focused on doing so
- We will make further investment in price, service and availability in FY16 and continue to remove waste from our operating model
- Our investments will be carefully targeted – to what our customers value
- We won't win on price alone – we will neutralise on price but get customers to put us 1st through experience, freshness and range
- Lots of growth remains as our competitive set widens – share of food consumption

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# Questions

**Brad Banducci**

Managing Director

Woolworths Food Group

**Dave Chambers**

Director

Woolworths Supermarkets



**WOOLWORTHS  
LIQUOR  
GROUP**



# Woolworths Liquor Group

**Martin Smith**

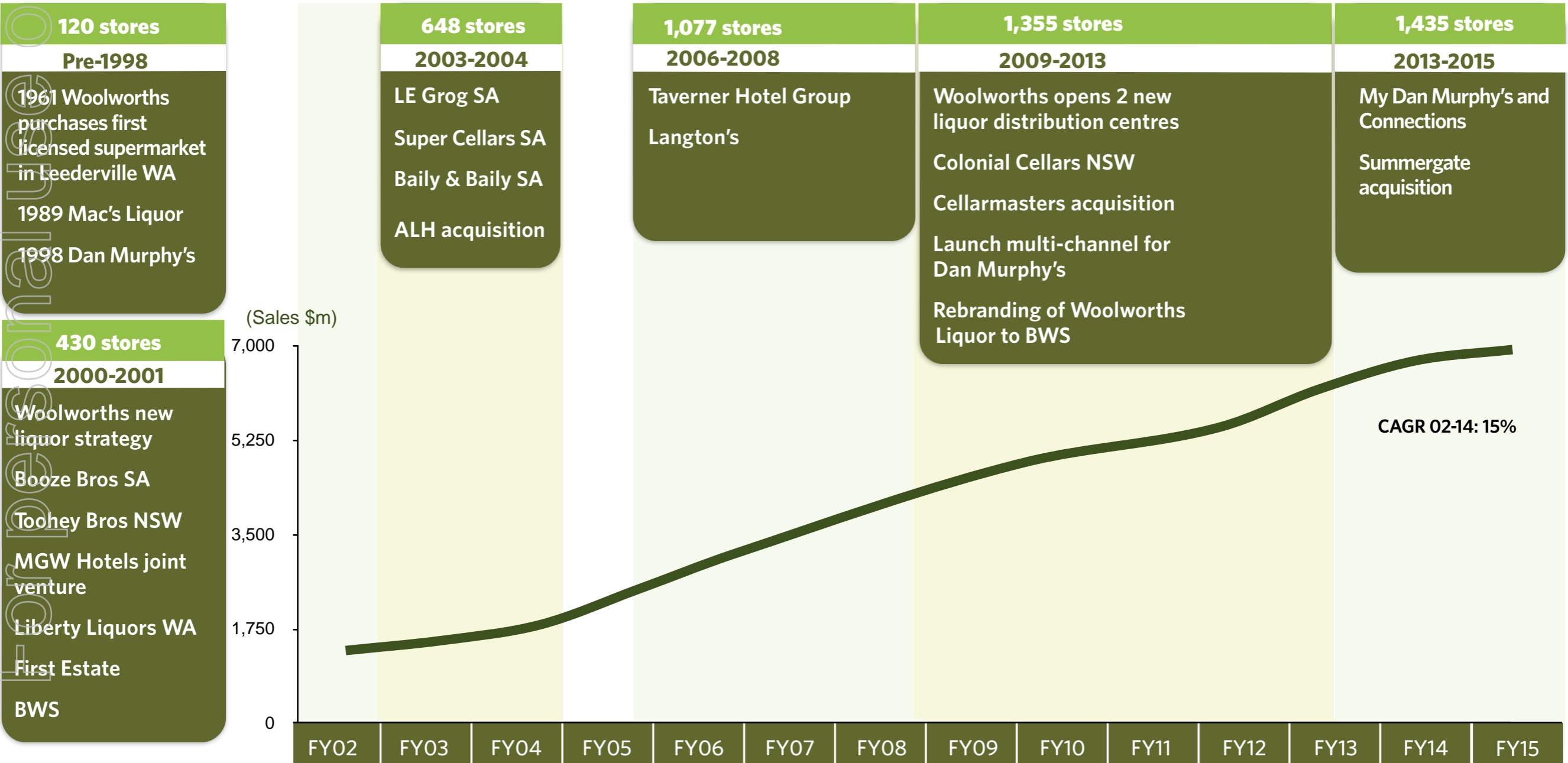
Managing Director

## Overview

- Woolworths Liquor Group is a strong business with a track record of 17 years growth that has resulted in a \$7 billion business and more than 1,400 retail stores
- We are determined to extend our market leadership despite a low growth market through:
  - Meeting and anticipating customer needs
  - Building more stores
  - Online innovation
  - Expanding ranges
- We have a seamless customer offer across a range of formats and channels to capture every customer occasion

# Woolworths Liquor Group is a 17-year Australian success story

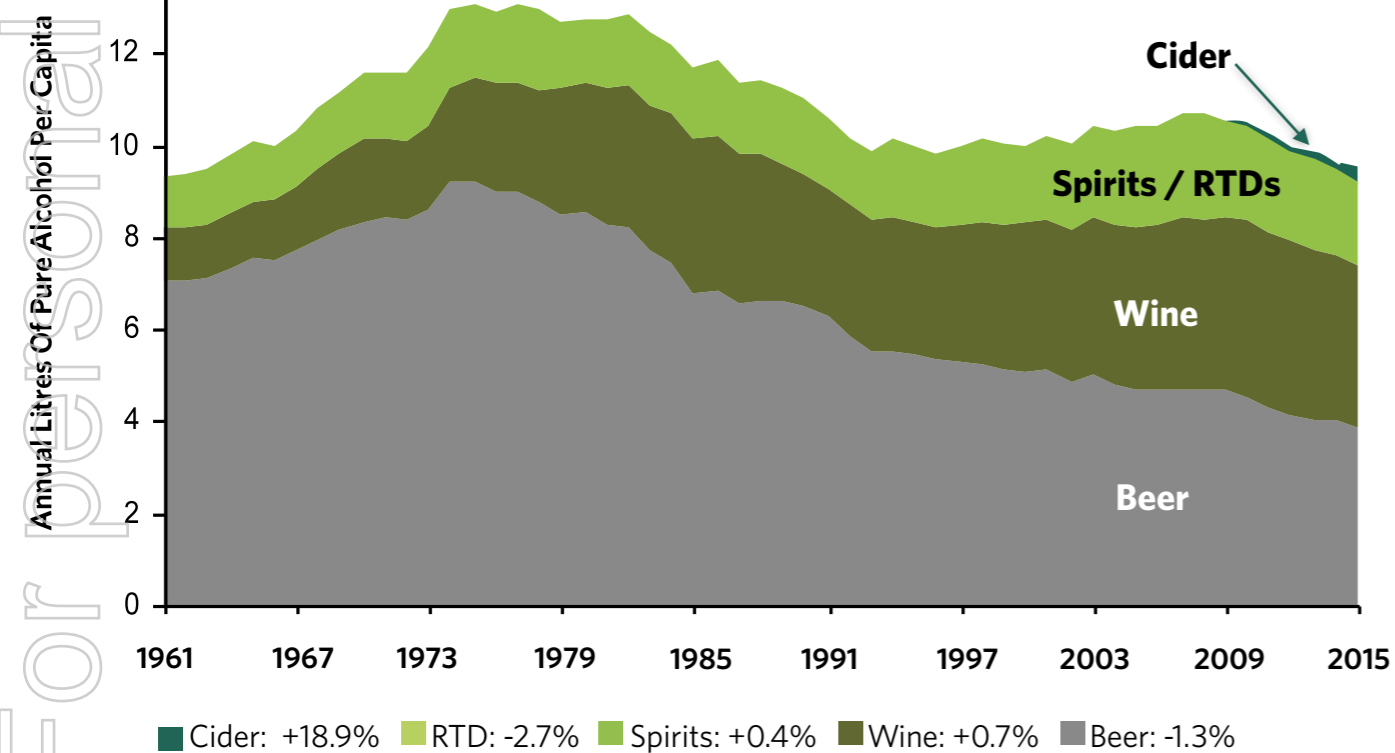
## WLG Sales FY02-FY14



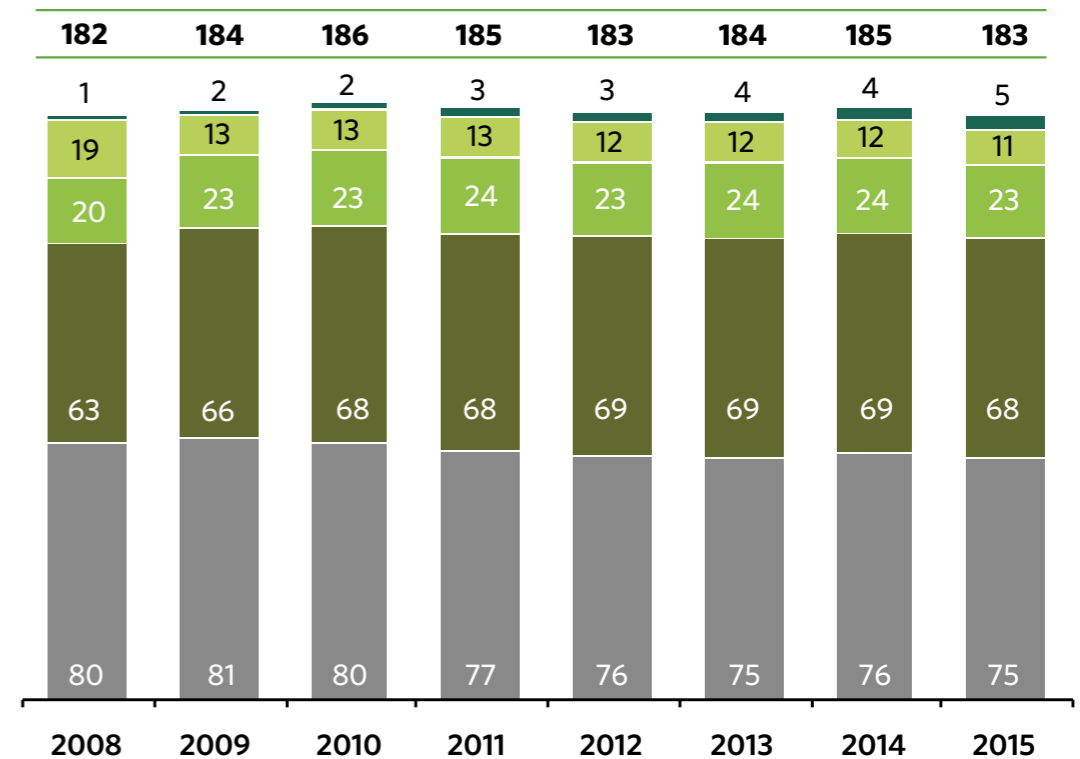


# We are operating in a low growth market where declining consumption is being offset by population growth...

## Per Capita Alcohol Consumption In Australia (Litres Of Pure Alcohol; Adult)



## Absolute Consumption Of Alcohol In Australia (Million Litres Of Pure Alcohol; Adult)

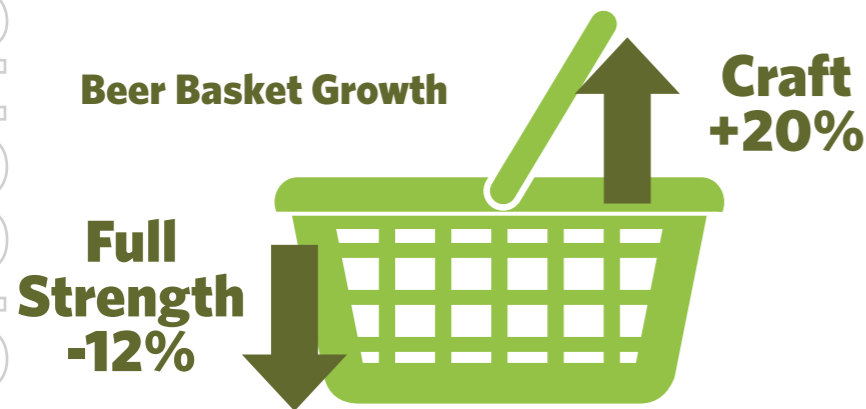


# ...by catering to the increasing sophistication of Australian drinkers

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## Beer

Beer shoppers switching their baskets from more traditional segments to craft beer



**1.7x price per litre premium vs full-strength beer**

## Wine

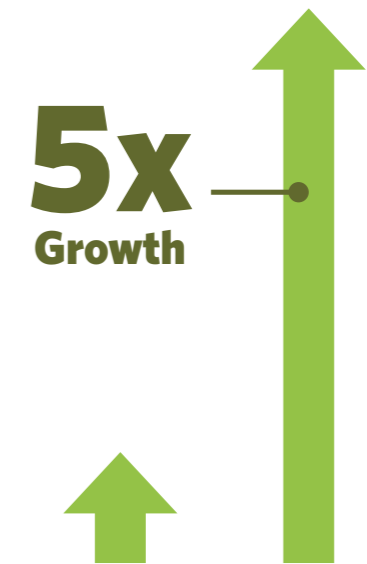
Three of every 10 bottles of sparkling wines sold are Champagne - driving overall growth of sparkling wines



**5x price per bottle premium vs other sparkling wines**

## Spirits

Whisky over \$50 growing five times faster than under \$50 whisky and representing one in every five bottles of whisky sold



**< \$50      > \$50**

## We have built a seamless relationship with our customers by...



### Addressing all our customers' occasions

Understanding the different circumstances in which our customers buy drinks, and matching our proposition to those circumstances



### Building a powerful online proposition

Creating a set of capabilities and brands to deliver the offer and innovations that multichannel customers demand



### Tailoring our range

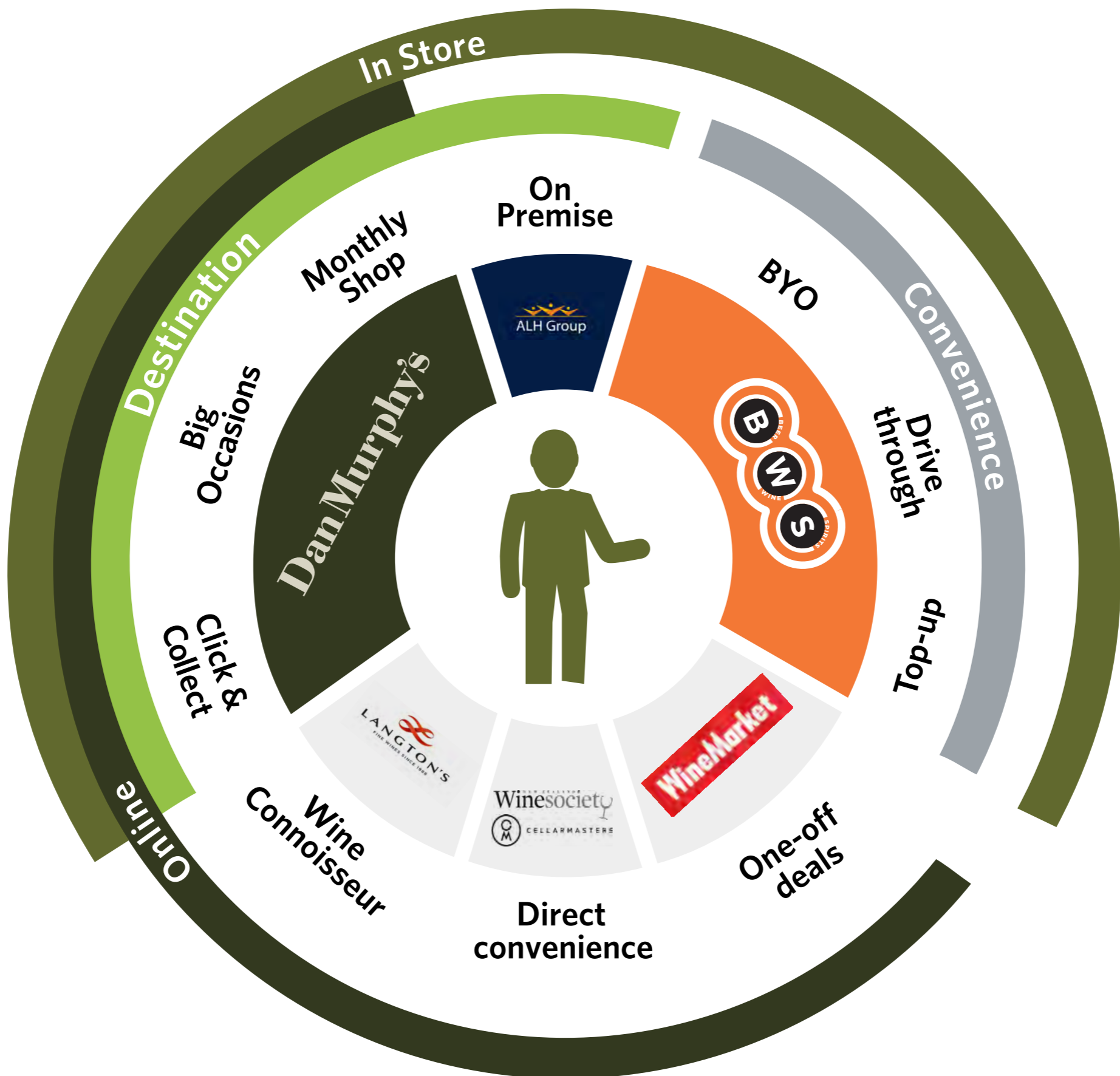
Building a sophisticated logistics network and capability that enables us to tailor ranges to each store's circumstances



### Participating along the value chain

Identifying that we can deliver a better offer to our customers by selectively participating further up the value chain

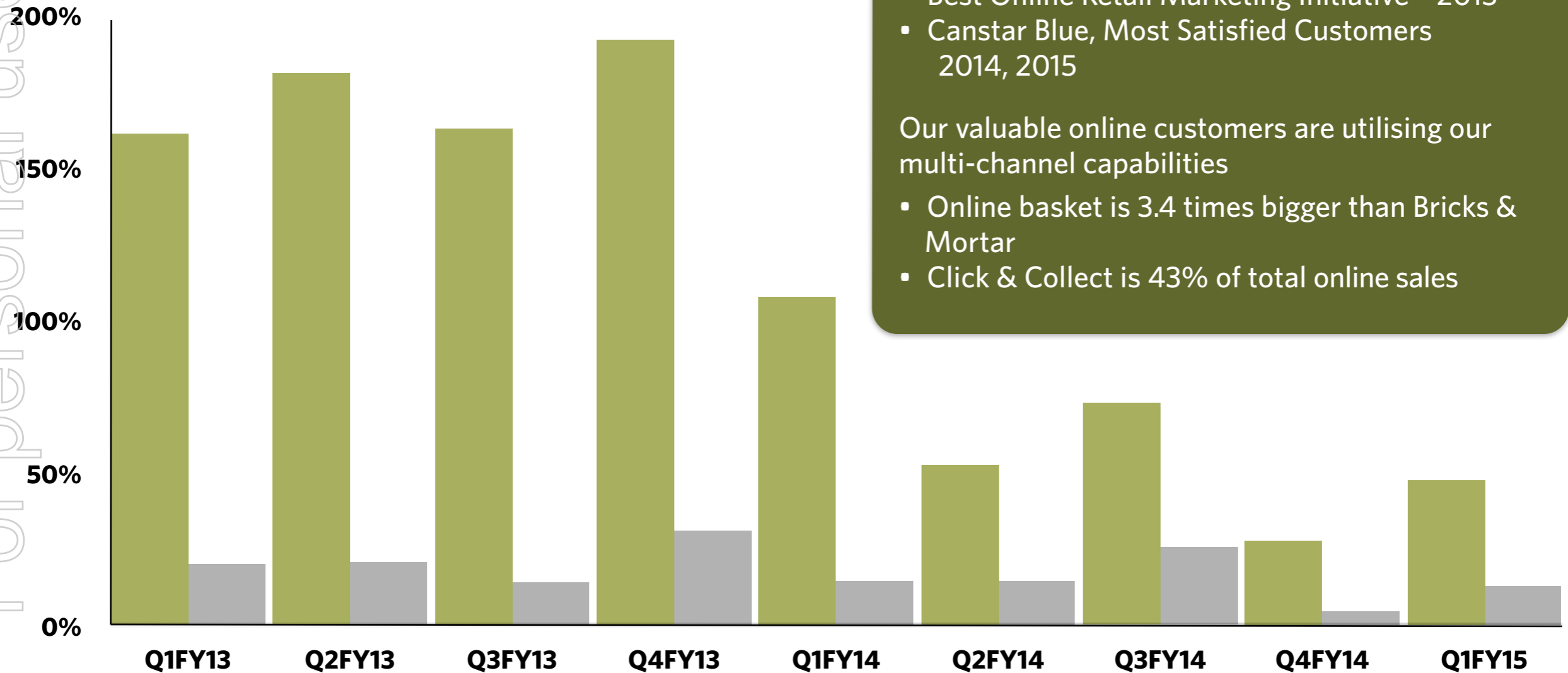
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## Online sales growth

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■ Dan Murphy's  
■ Food and liquor market



Dan Murphy's online is an award winning channel

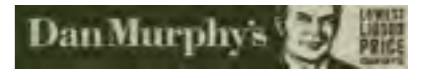
- Online Retailer of the Year - 2013
- Best Online Retail Marketing Initiative - 2013
- Canstar Blue, Most Satisfied Customers 2014, 2015

Our valuable online customers are utilising our multi-channel capabilities

- Online basket is 3.4 times bigger than Bricks & Mortar
- Click & Collect is 43% of total online sales

# Significant capabilities and platforms underpin our online proposition

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**Brand**

Australia's leading fine wine and spirits retailer

Australia's largest direct wine seller

New Zealand's largest direct wine seller

Big brands, boutique & small parcels of wine at ridiculously low prices

Australia's largest liquor website

**Fulfilment**



...Australia's Wine Home Delivery Specialist



**Capabilities**

**Direct Marketing**

- Personalised offers based on customer segmentation
- In-house creative production services

**Customer Management**

- Focus on trends and insights
- Automated marketing on-site
- Customer life-cycle management

**Technology Development**

- In-house team of developers as well as utilising third party agencies
- Agile engineering culture to ensure speed to market
- Customer data warehouse

## Tailoring ranges store by store to suit customers

**Understanding customer demographics and shopping missions to tailor our range by store...**

**...which is delivering uplift in sales growth and margins for BWS stores**



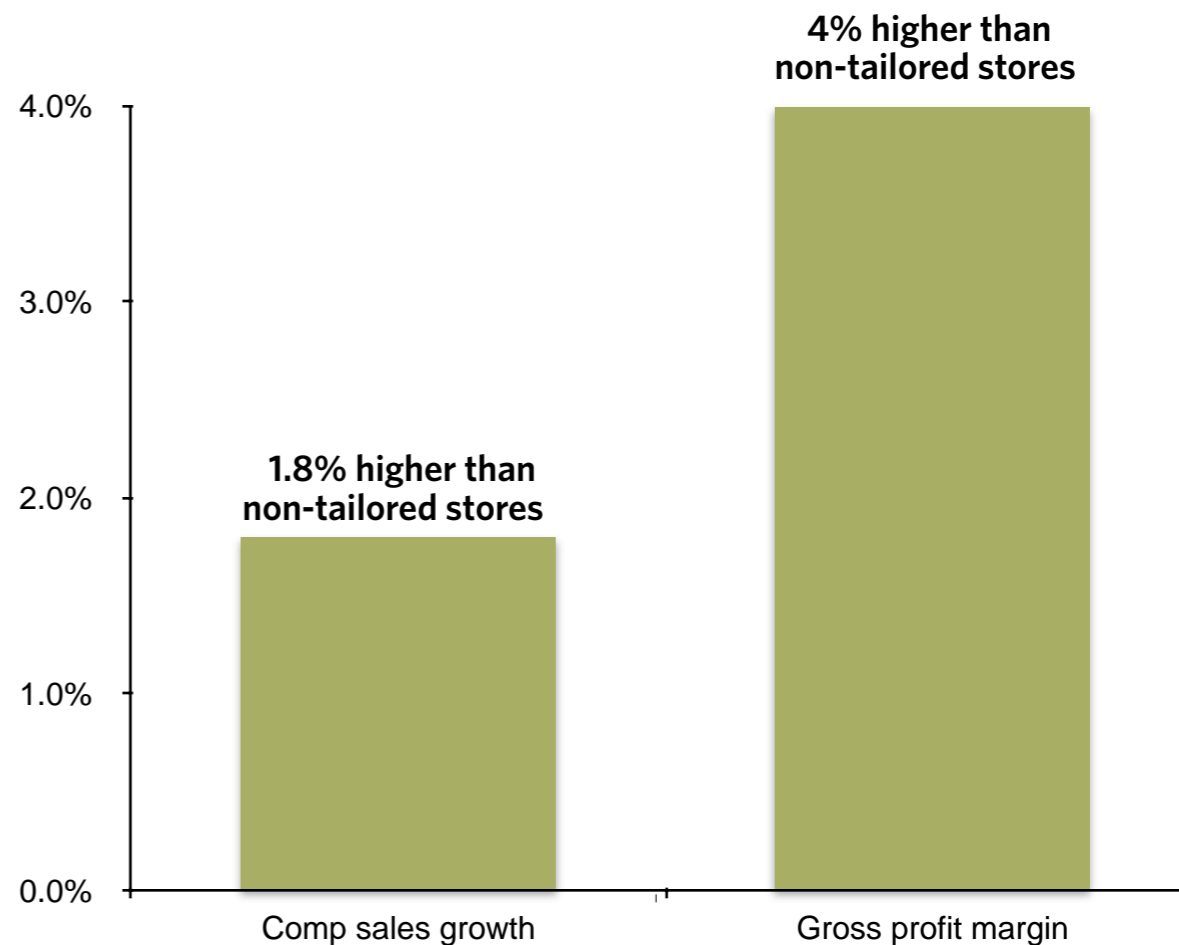
BWS can access Dan Murphy's broader product range to tailor offering for premium store shoppers in BWS Drive-Thrus



Catering to the Local Community and supporting Local Producers - an example in Dan Murphy's Orange



Simplifying wine choice for convenience shoppers in BWS Drive-Thrus



Uplift in tailored compared with non-tailored BWS stores

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## Pinnacle is the vehicle we use to deliver exclusive brands to our customers

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### Exclusive Distribution in Australia



We have worked hard to get exclusive rights to some of the world's best brands

or

### Exclusive IP



We own the brand and make it



We own the brand and someone else makes it



## With Pinnacle, we are able to selectively participate right back along the value chain



**13,500 tonne winery  
(Barossa)**

### **Dorrien Estate**

One of Australia's  
largest wine  
producers

Five star James  
Halliday rated  
winery

Manages 40 million litres  
of wine per annum

14 winemakers - located in  
the heart of Barossa Valley



**25% share in  
a brewery**

### **Gage Roads Brewery**

Located in Fremantle,  
WA - publicly listed  
company

Capacity - 3 million cases  
per annum

Award winning range and  
producer of Pinnacle IP  
brands



**10.5m case  
bottling plant**

### **Vinpac International**

Australia's leading  
provider  
of bottling services

Capacity - 10.5 million  
9 litre cases per year

Full range of finishing  
services - including full  
laboratory

Still and sparkling  
winemaking



**Marlborough  
Winery and Vineyards**

### **Isabel Estate**

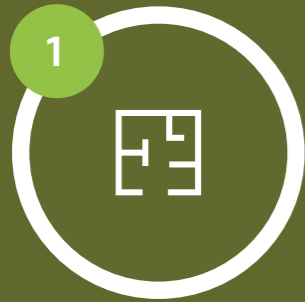
Estate grown and estate bottled  
Marlborough NZ winery and  
brand

45ha vineyard -  
35ha currently  
planted

Winery with capacity  
of 1000 tonnes -  
opportunity  
to move to 3000t

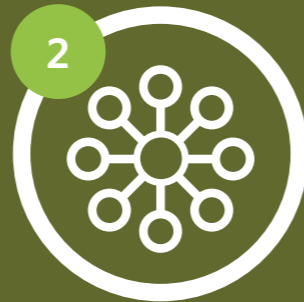
On-site bottling line

# We have many more opportunities to grow



## New stores

Significant and evolving pipeline of new stores planned for both Dan Murphy's and BWS



## Multi-channel

Digital remains fastest growing part of the market, and we can grow our share by offering more choices to customers



## Premiumisation & lifestyle

Social trends are creating opportunities for trading up and new categories



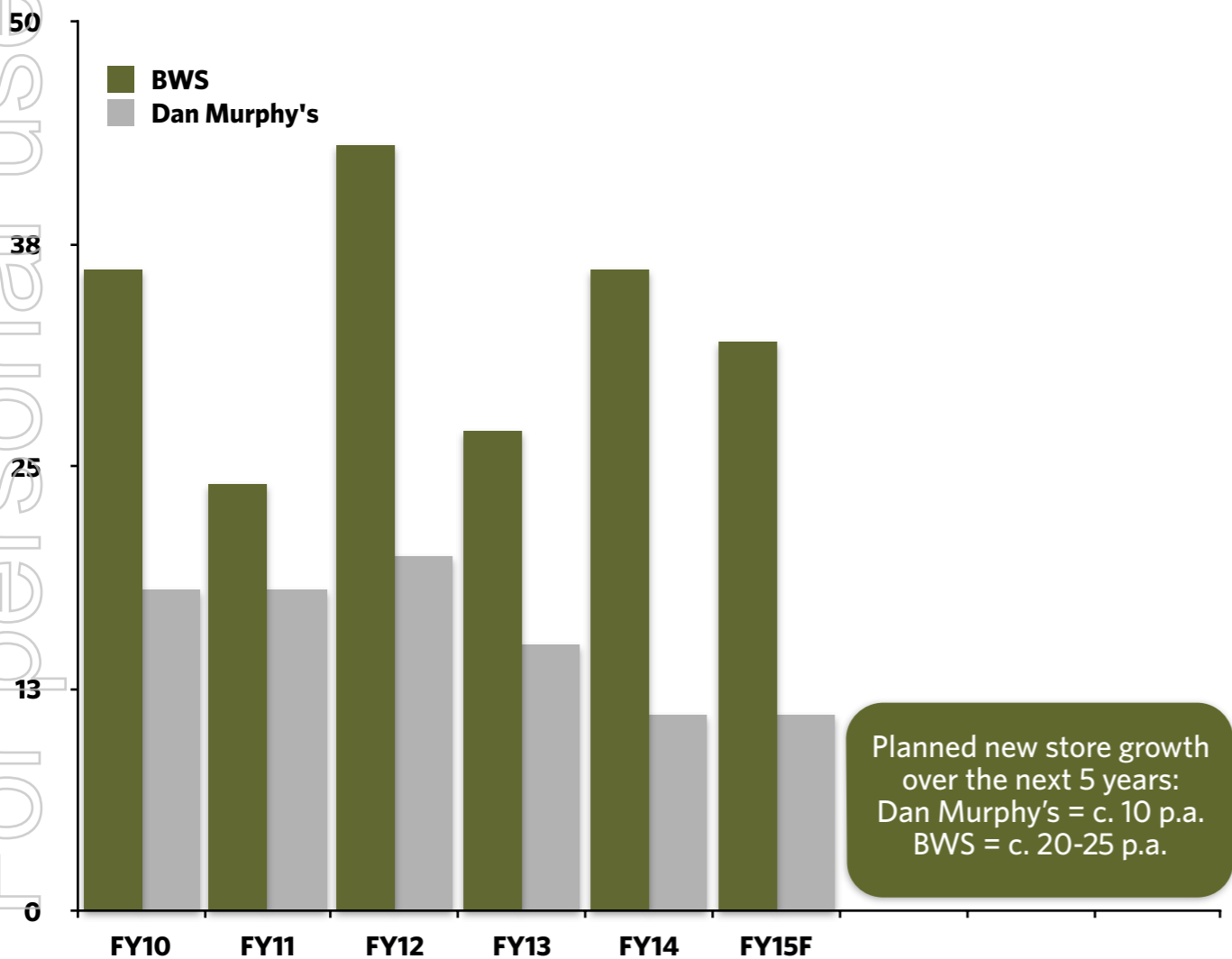
## New markets

Summergate a strategic investment that complements Langton's and Pinnacle  
  
Pinnacle entering NZ market via Countdown

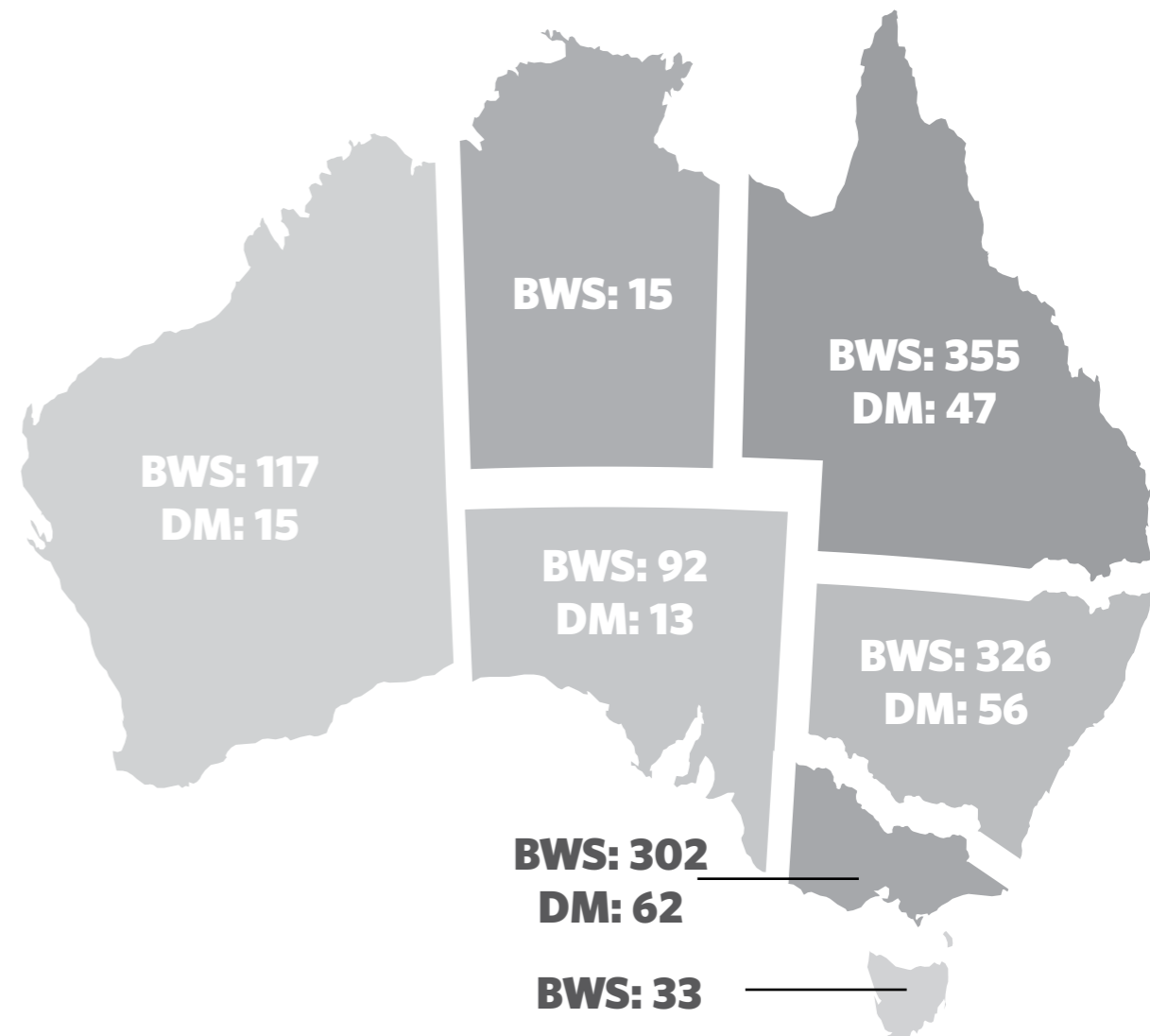
## Continuing pipeline of new stores planned for both Dan Murphy's and BWS

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### Woolworths Liquor Group store growth (net)

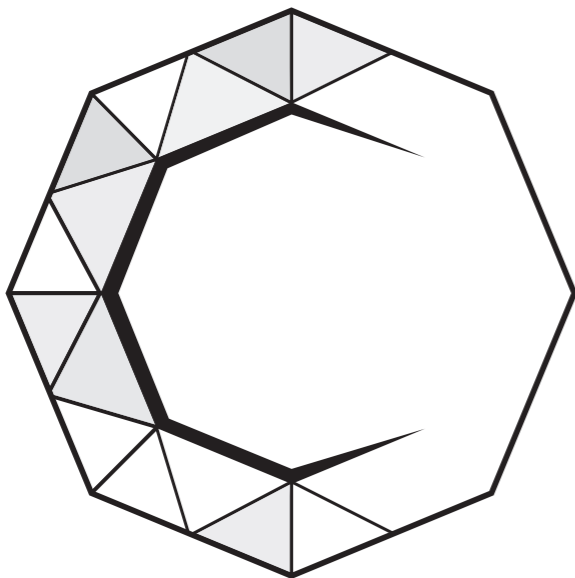


### Current store network



**We will capture multi-channel growth through providing more choice for our customers**

### More range



# CONNECTIONS

### Better Delivery



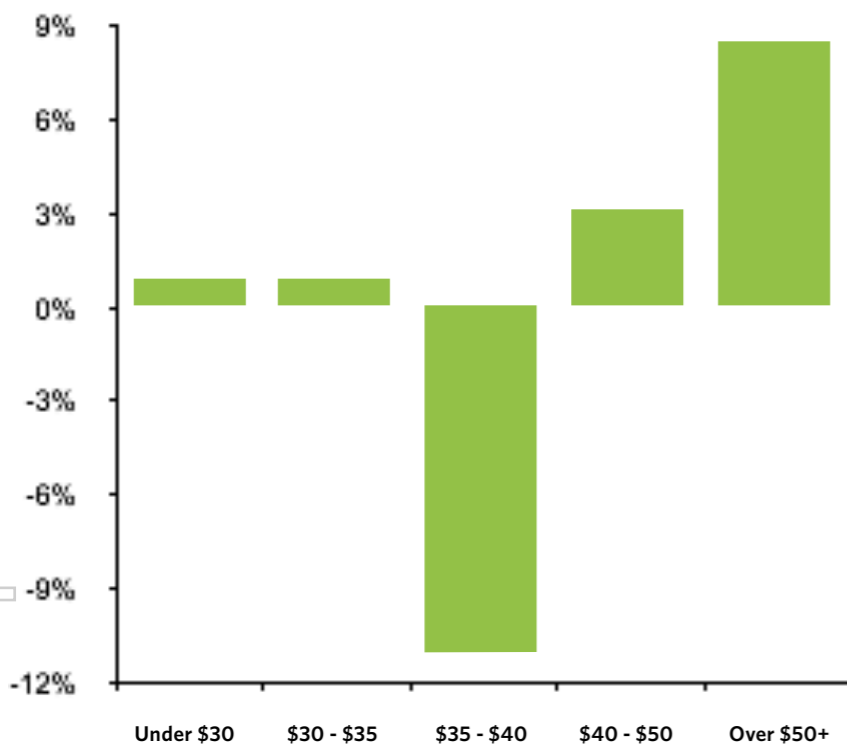
- Same Day
- Next Business Day
- Pick a Day
- Standard 2 - 4 days
- ShipSmart

- 2 hours
- 7 days (back order)
- Pick a day

We continue to grow our range and provide fulfilment options to meet our customer needs. Flexibility and choice in today's retail environment is now the norm.

## Premium and lifestyle offer further growth opportunity

Growth in Glass Spirits at premium price points demonstrates the propensity of shoppers to trade up, especially during key events



**2014 AVG Basket Size increases:**

- Christmas** +35%
- NYE/NYD** +26%
- Easter** +10%

Low Carb and Mid Strength Beer are growing in popularity and gaining share of the Beer category



**Australian Beer category mix % by volume 2010 vs. 2014**

	2010	2014	
Low Carb + Mid Strength	27%	<b>32%</b>	↑
Full Strength	<b>45%</b>	37%	↓

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# Questions

**Martin Smith**

Managing Director



# General Merchandise

**Alistair McGeorge**  
Managing Director



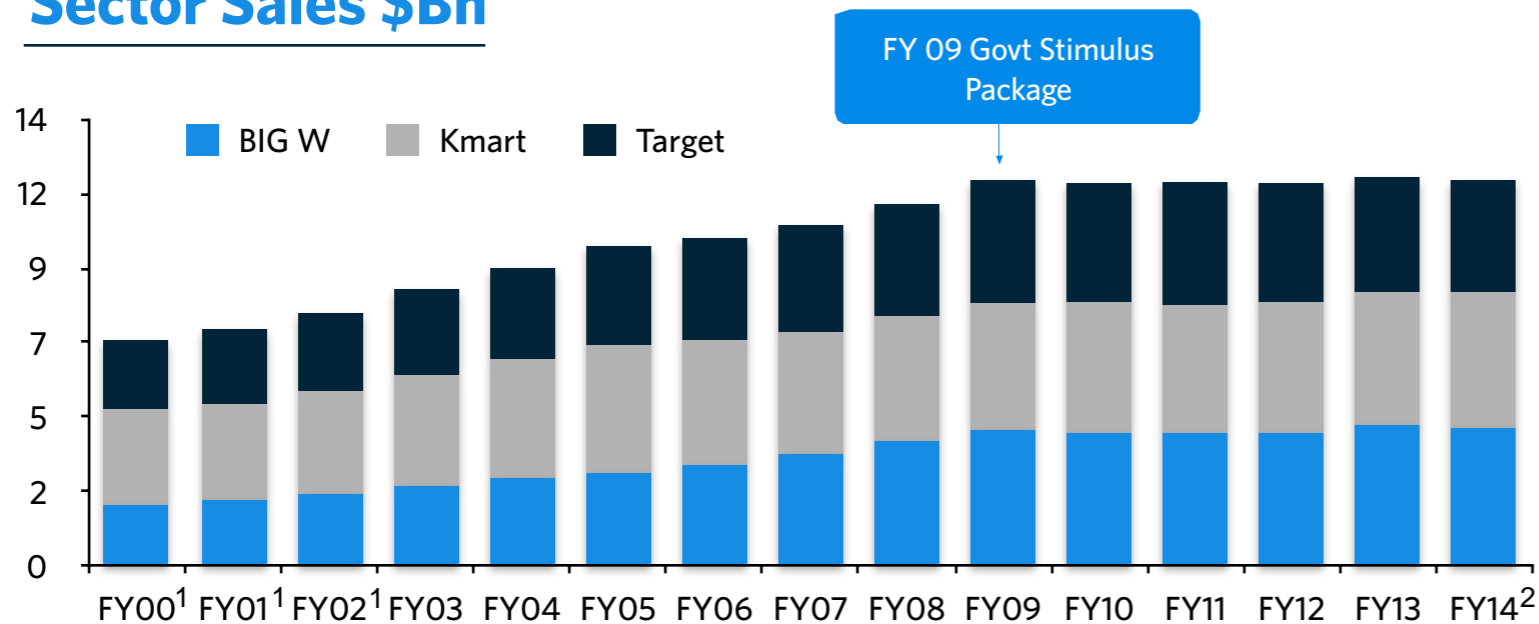
## Overview

- The Discount Department Store (DDS) sector has been resilient but needs to evolve
- We have approached this business with an aggressive re-set posture
- We are clear on how to build the new BIG W customer proposition and why we can win
- We understand and are addressing the key challenges
- We are targeting a return to profit growth in FY16

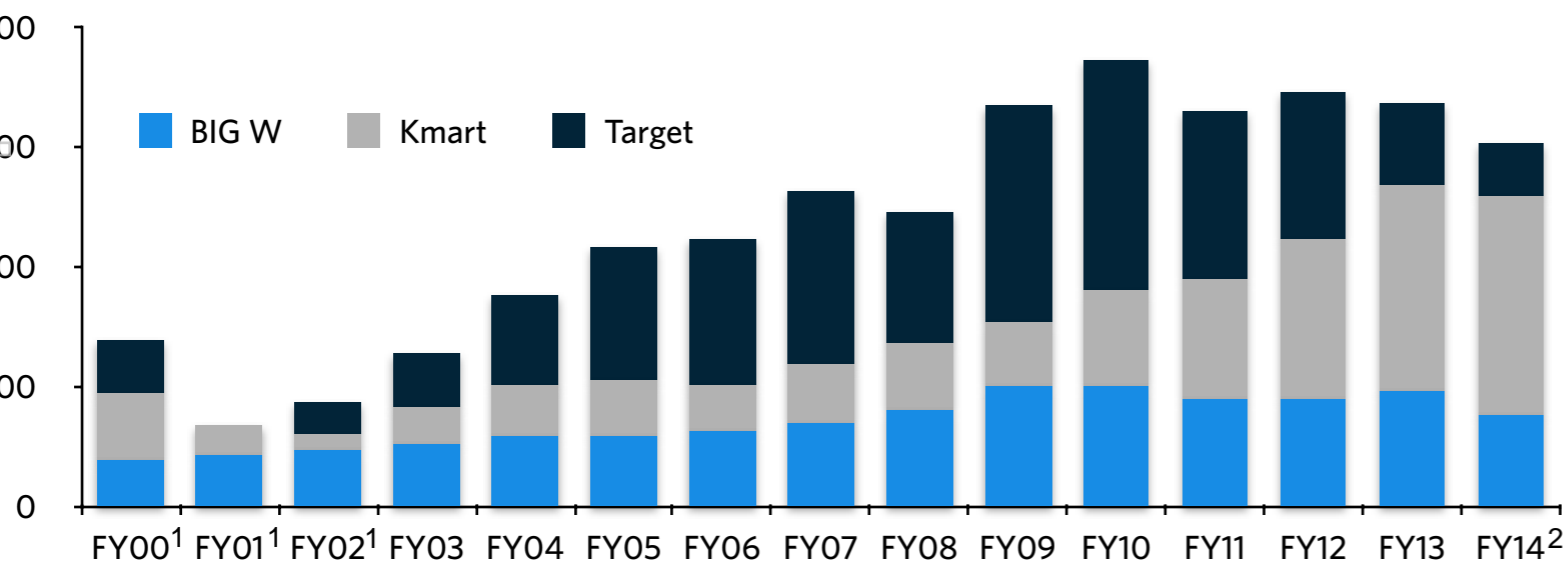
# The DDS sector is resilient, but needs to change

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## Sector Sales \$Bn



## Sector EBIT \$M



- The DDS sector will always have a role as long as it evolves to meet customer needs
- The sector thrived in the 2000s driving categories that were relevant to customers
- After cycling the boost provided by the Government stimulus it was clear that the DDS competitors would need to update their offers to drive growth moving forward
- New specialist entrants are providing higher levels of competition to the traditional DDS players
- We signalled the need to change in FY12 and began in FY14

**We have approached BIG W with an aggressive re-set posture**



**People**



**Cash**



**Trading  
capability**



**Test and learn**



# The level of capability in BIG W has been significantly improved

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## A team with world class experience

- Renewed Executive team with 4 of 5 new to BIG W
- Increased capability and bench-strength in Commercial and Store Operations through 8 new appointments
- New people bring local and global experience from Rebel Sport, Dick Smith, Walmart, Marks & Spencer, Tesco, Debenhams, New Look, Matalan, Next, Asda, C&A, Adidas & Aldi



## The right capability

- Recruited people with re-set experience
- Invested in leadership capability across top 70 senior leaders. Rolling out to store based teams from June'15
- Started ongoing investment in visual merchandise training for all store managers and department leaders



## The right structure

- Immediately reviewed support functions and removed 35 roles
- Restructured store teams around key competencies
- Currently reviewing merchandise and replenishment structures



## Focus on cashflow



### Stock

- Reducing stock holding by over \$100m through:
  - Creating Drop Zone space in all stores to clear non productive stock
  - 46% of non-productive stock units cleared in first 8 weeks
  - On track to complete by October'15
- Benefits should start to flow from Spring/Summer'15



### Costs

- Minimising costs through
  - Lowering headcount
  - Focussing on essential spend only



### Capital

- No new stores unless already committed
- Other capital limited to staying in business and proving the future



## Improving our ability to plan, buy, allocate and replenish in a more effective manner



### Merchandise Capability

- Five month intensive merchandise analytics capability build completed in December'14
- Investment has:
  - Enabled better ranging of depth and width
  - Improved stock allocation and replenishment based on sales, not just space
- Benefits will start to flow from Spring/Summer'15



### Systems

- New merchandise system, Galaxy, implemented in March'15 which provides better planning and stock level monitoring in a more integrated way



### Supply Chain

- Increase in Group direct sourcing by 17% in FY16
- Reduced stock delivery lead time to WA from 7 to 4 days
- Future focus will be on significantly reducing product lead times

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## We've already tested and proven a number of changes which we're now rolling out across the business



### Space Changes

- Reduced space across Motoring, Hardware, Outdoor Furniture, Pet & Audio Visual for growth categories
- Increasing space for Emerson brand by up to 20% across Womens & Mens
- Kids apparel space increased by up to 20% in new store format
- Toys space increased by 12% across 89 stores through removal of TV canyons & consolidation of Photolab & Technology desks



### Back of House

- Redesigned processes to improve stockflow efficiencies and better stock management



### New Categories

- Preparing to seize share of significantly growing and profitable category in Party



### Online

- New online platform and customer experience launched 2nd May'15



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# The new BIG W and how we will bring it to life

Ambition:

**To be the number one choice for Australian families in general merchandise**

**We'll win by bringing back excitement and discovery to shopping**



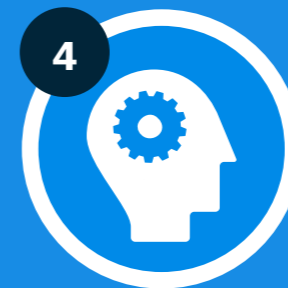
**Broadest range  
of choice**



**Best offer of  
national brands**



**Great customer  
experience**



**Newness  
& innovation**



**Surprisingly  
helpful service**



Our price guarantee:

**Unbeatable value for money**



# Video

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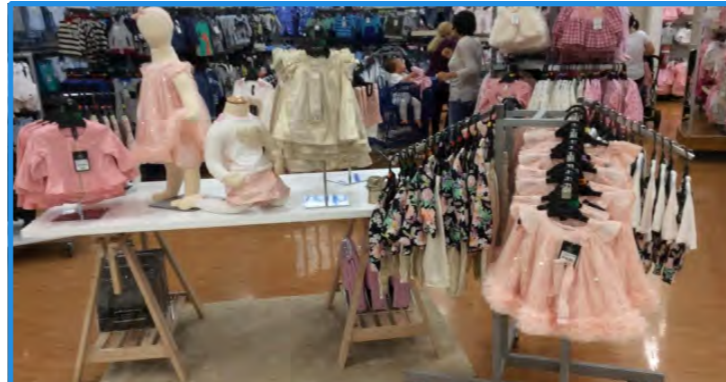


## Nine destination categories will provide the broadest range of choice for core family customers

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**Apparel**



**Childrenswear**



**Intimates**



**Party**



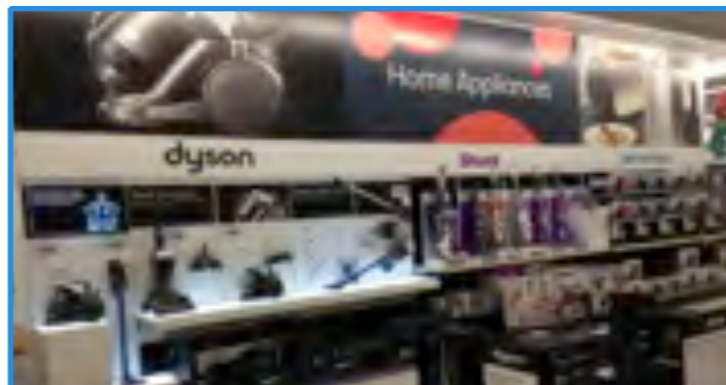
**Toys**



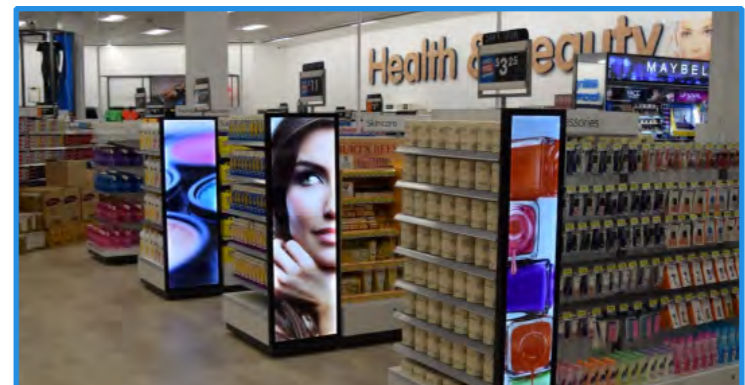
**Books**



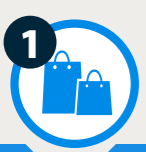
**Home**



**Small Appliances**



**Beauty**



## Creating true destinations in Fashion

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### Apparel



- Emerson becoming proven brand
- Lee Cooper launched February'14, sales \$39M YTD
- Introduced Lyla & Co October'14
- Womens activewear sales \$19M YTD

### Childrenswear



- Expanded Lee Cooper into Kids range July'14, sales \$11M YTD
- Launched Peter Morrissey Kids range in July'14, Sales \$10M YTD
- Rationalised brands and launched Emerson brand into kids
- Expanded licensed products, sales \$25M YTD
- Launching Kardashian Kids Clothing Collection in Q1/FY16

### Women's Intimates



- Expanded Emerson Intimates range August'14 sales \$60M YTD
- Launched Emerson Intimates Collection April'15
- Launching new national brand 'Va Voom' in Q4/FY15, new brand exclusive to BIG W from Bendon



## Hardgoods destination categories we can own with authority

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### Party



- 23 party stores in network with 63 to be rolled out by June'15 and an additional 100 in FY16
- Utilising excess space from shrinking categories is already delivering sales uplift of c. 25%

### Toys



- Market leading share
- Lego exclusives
- Home of Frozen with key events
- Launching ranges for Minions (June'15) and Star Wars (Sept'15)

### Books



- Australia's No. 1 book seller
- Launching Australia's top 100 favourites July'15
- Key book signings e.g. Julia Gillard, Donna Hay, Julie Goodwin, Matthew Reilly. Upcoming in FY16: Chris Judd, Mark Webber, Michael Clarke, Tim Cahill, Peter Garrett



## Further developing categories where we already have strength

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### Home



- Launched Peter Morrissey Home February'14, sales \$6M YTD
- Become strong baking destination through introduction of Cake Boss and Wilton
- Lead market with Flavourstone cookware innovation

### Small Appliances



- Contempo own brand launched September'14, sales \$13M YTD
- Expanded Dyson further across store network, sales \$8M YTD
- Introduction of DeLonghi Kettles and Toasters (best) in January'14

### Beauty



- Launched BOE private label (good) in FY14 leading to launch of BOE Professional (better) in FY15
- Burt's Bees (Lipcare) launched FY15
- Baylis and Harding gift packs launched and range extended



## All ranges will have elements of good, better, best product

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Best

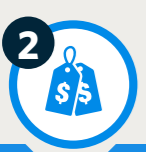


Better



Good





# Best offer of national brands



## A wide portfolio of national brands, complemented with our own power brands

### National Brands

More recently added



### BIG W Own Brands



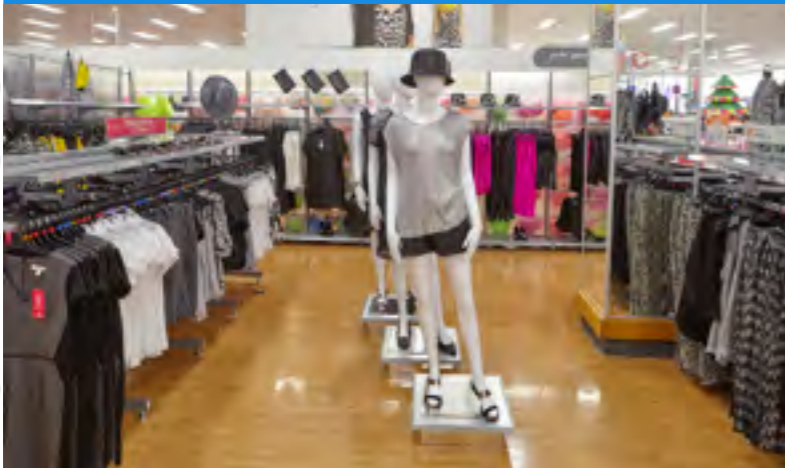
Our price guarantee:

# Unbeatable value for money

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# Bringing discovery and inspiration back to shopping through better visual merchandising

## Womenswear



## Childrenswear



## Women's Intimates



We are creating a step change in customer experience by:

- Improving visual merchandise standards
- Giving space back to the customer
- Creating shop in shop layout by lifestyle

The first three softgoods categories we have trialled are showing strong results:

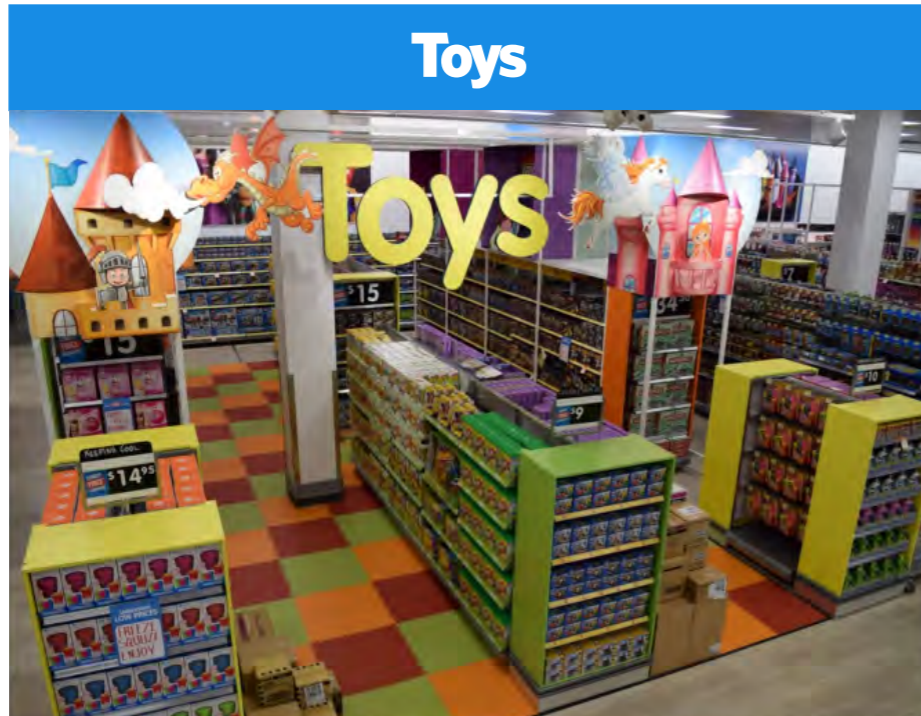
- Customer experience (NPS) up 6%; Sales up 3%
- Being rolled out to 40 stores by June'15 with further 100 planned for FY16
- Cost per store only \$70k through using existing equipment





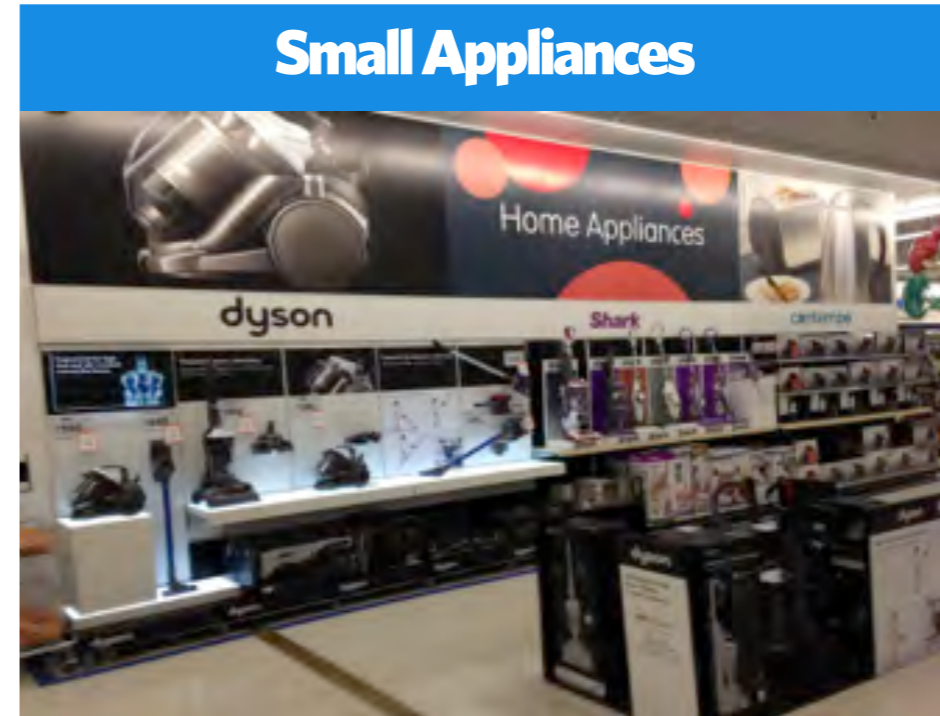
## Now rolling out visual merchandise changes across hardgood categories

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### Toys

- New layout with clear differentiation between age groups, signage and branded pop-outs
- Delivering 4% uplift in sales
- 100 executions planned for FY16



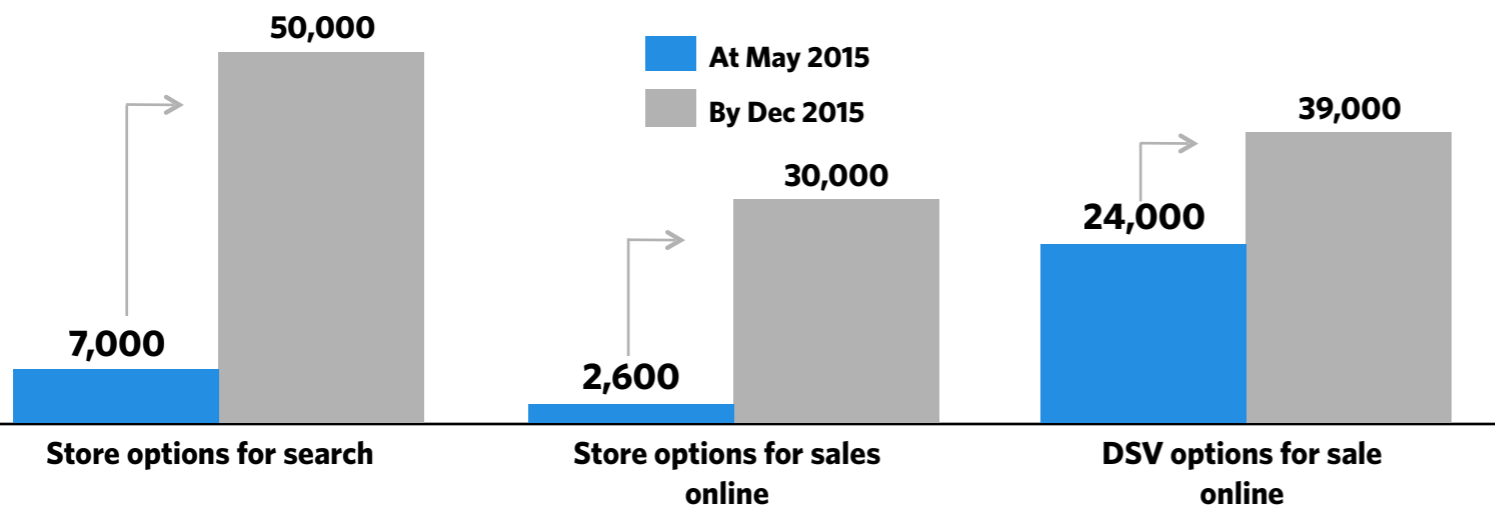
### Small Appliances

- Bringing brands and range alive through better signage and fixturing height
- Will aggressively roll out in FY16 when proven
- Currently concluding trial at BIG W Macquarie with sales responding positively

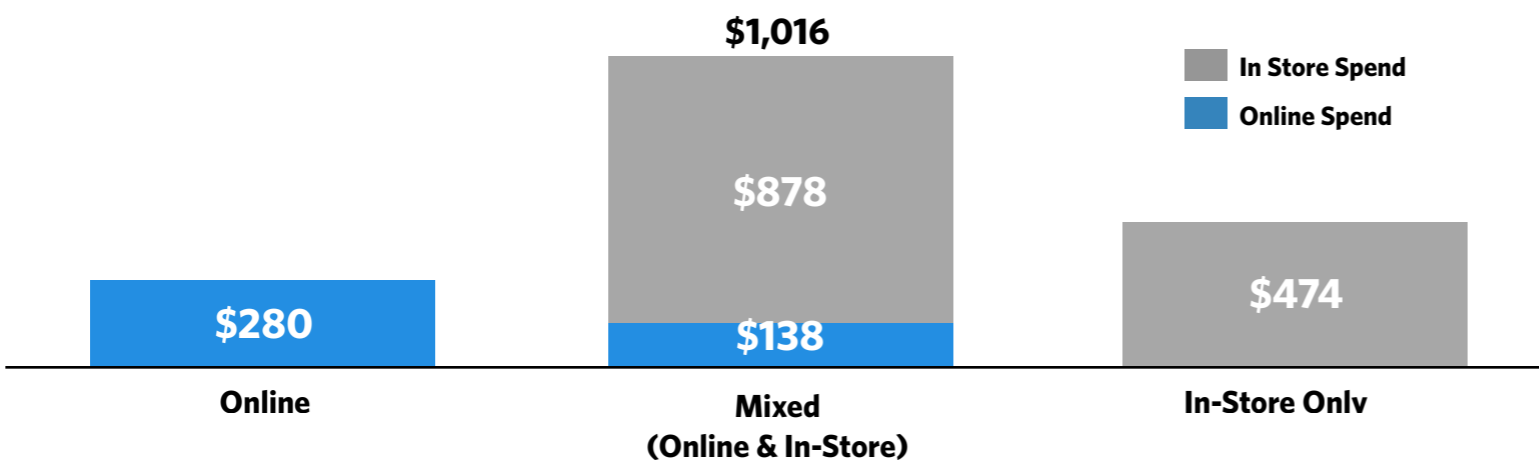
# The new online offer will provide a seamless customer experience across all channels

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## BIG W Online Range



## BIG W Average annual spend per customer per channel



- The customer experience will improve through:
  - increased level of product
  - Drop Ship Vendor (DSV) capability
  - 231 Simply Collect kiosks available with plans to grow to 282 in H1/FY16
- Pick from store capability expected in FY16
- Will drive more store traffic and increase share of wallet





## A step change in events from September '15

STAR  
WARS

NEW  
Coca-Cola  
life.

MARVEL  
THE AVENGERS

Disney  
FROZEN

- Events represents an unutilised opportunity in Australia. We plan to make BIG W the home of seasonal and special events
- Creating shop in shop look and feel to make events come alive
- Collaborating with vendors and licensors

Rolling out a second dedicated events space across all stores by September'15

# Investing in service to make it easier for customers to buy

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Clearing stock, better stock management and staff training will release more hours per store per week to reinvest in customer engagement in FY16

This will enable us to:

- Re-energise our staff and customer experience
- Provide service to categories where customers value advice
- Improve check-out experience
- Uplift presentation standards

More than 100 hours per store per week will be reinvested in the customer



Broadest range of choice

BIGW

# Lowest price at all price points on the BIG W ladder

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Our price guarantee:

# Unbeatable value for money

# While we understand what we need to do to win, we recognise there will be short term challenges

BIGW

## Brand

- The BIG W brand is currently being refreshed and will be rolled out in FY16



## People

- While we have improved capability through recent recruitment there is more to do and it will take time for them to make a difference



## Product

- We are accelerating clearing unproductive inventory which is key to enabling new ranges to be bought



## Capital

- We have the appropriate level of capital to roll out the changes we have proven
- When the new store concept has been proven, a low cost version will be developed and rolled out across the store network

Our short term performance will remain volatile, however we are targeting a return to profit growth in FY16

## Overview

- The DDS sector has been resilient but needs to evolve
- We have approached this business with an aggressive re-set posture
- We are clear on how to build the new BIG W customer proposition and why we can win
- We understand and are addressing the key challenges
- We are targeting a return to profit growth in FY16



# Questions

**Alistair McGeorge**  
Managing Director





# Home Improvement

**Matt Tyson**

Managing Director

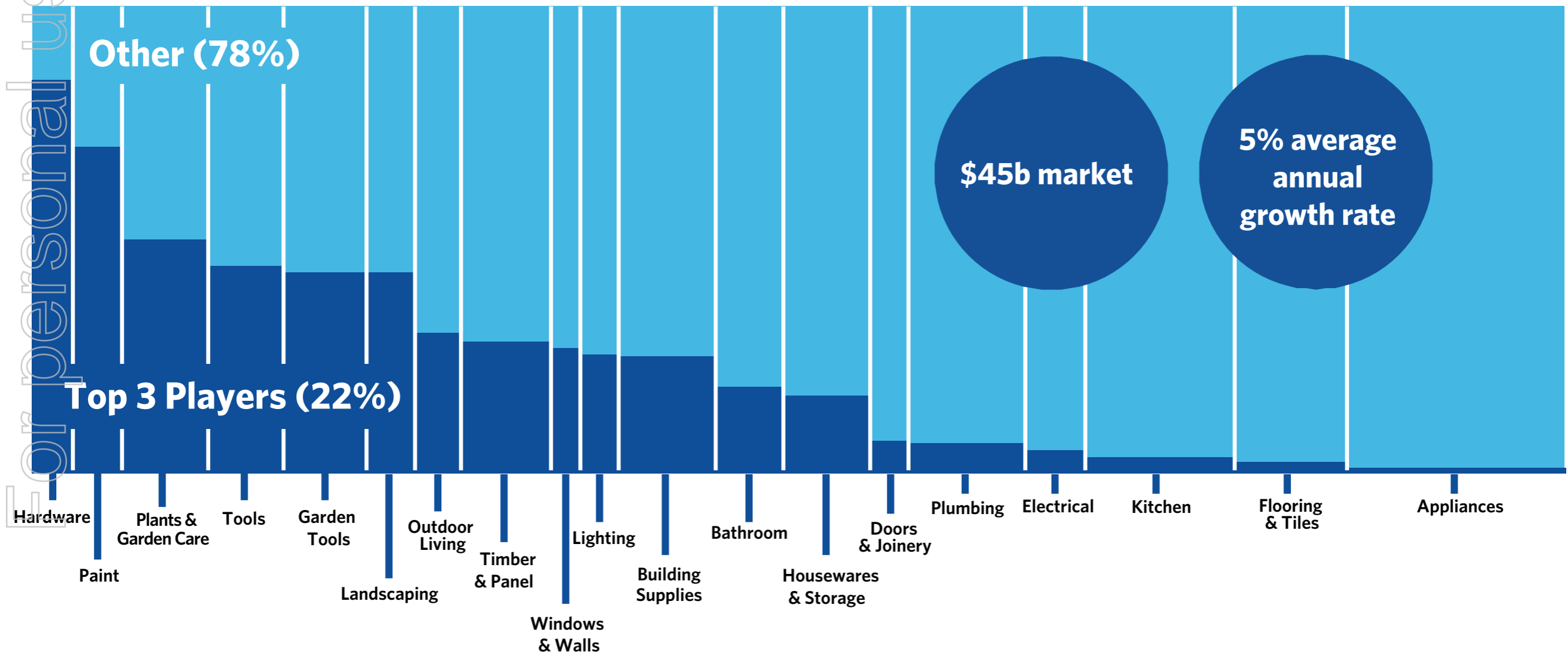
## Overview

- The rationale for entering the \$45 billion market remains compelling
- We have learnt a great deal and have adapted our model
- We are making good progress on the activities outlined last August including:
  - Ranging
  - Value perception
  - Format evolution
  - Store network
- We are realistic about the time it will take to prove our offer, but encouraged by the customer response to these changes
- Masters will be a long term profit contributor to the Woolworths Group

# The Home Improvement market in Australia remains a highly attractive opportunity because of its size, growth and level of fragmentation

## A large and growing fragmented market...

Size of market and market share of players by category (FY13)

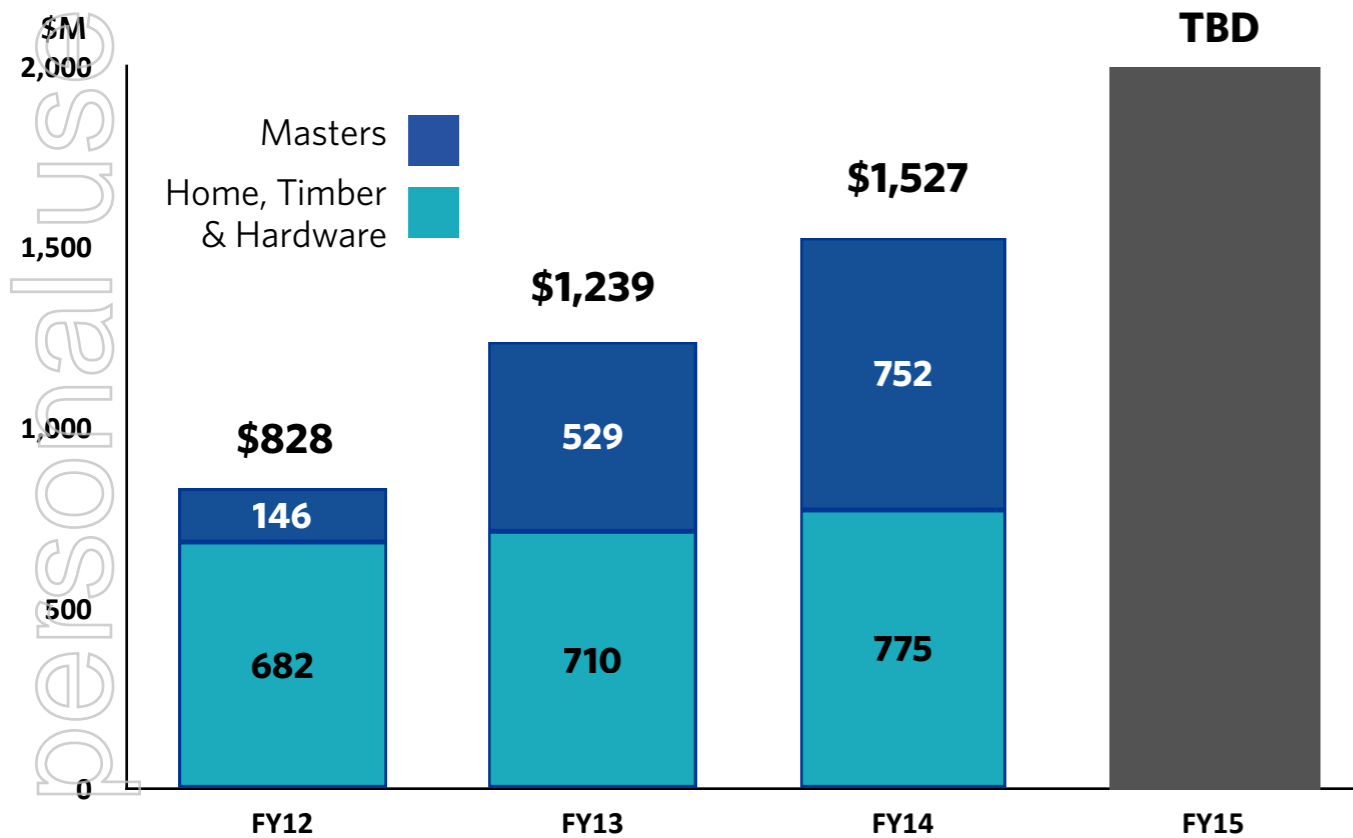


# The combination of Masters & Home Timber & Hardware (HTH) brings scale and coverage to compete in the Home Improvement market

We are quickly building a sizeable operation ...

... covering all key segments of the HI market

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Recent acquisition of Hudson, FAW and Belmont has reinforced Home Timber and Hardware in the Trade market

	Masters	HOME TIMBER & HARDWARE	Trends
<b>DIY</b>	✓	✓	<ul style="list-style-type: none"> <li>Fast growth</li> <li>Big Box consolidation</li> </ul>
<b>Light Trade</b>	✓	✓	<ul style="list-style-type: none"> <li>Fast growth (follows construction trend)</li> </ul>
<b>Heavy Trade</b>		✓	<ul style="list-style-type: none"> <li>Consolidation of regional players</li> <li>Big Box growth</li> </ul>

- ✓ Core customer basis
- ✓ Significant presence

We have identified four areas to significantly enhance the start-up Masters Model



Mix & Store Flow



Range Authority



Value Perception



Store Roll-out

Challenges

Initial store layout too **project - focused**  
Opportunity to expand **space** for **high visitation/high margin categories**

Some **range gaps** in critical categories...  
...limiting Masters ability to further **expand customer loyalty**

**Low customer value perception:** Actual price competitiveness insufficiently perceived

Quick initial roll-out to **establish presence** Higher levels of cannibalisation due to **denser initial store network in VIC**



Initiative

**Masters 2.0 Format**  
**Additional space** for high visitation/high margin categories. Enhanced **flows & adjacencies**

**Range Refresh**  
Structured **redesign of key categories' ranges** with addition of new **brands**

**Shout About Value**  
**National campaigns** to drive **value perception & traffic**

**Store Roll-out**  
Detailed **assessment of future store locations** **Slowing.** of original roll-out plan to provide greater focus on **Metro, particularly in NSW**

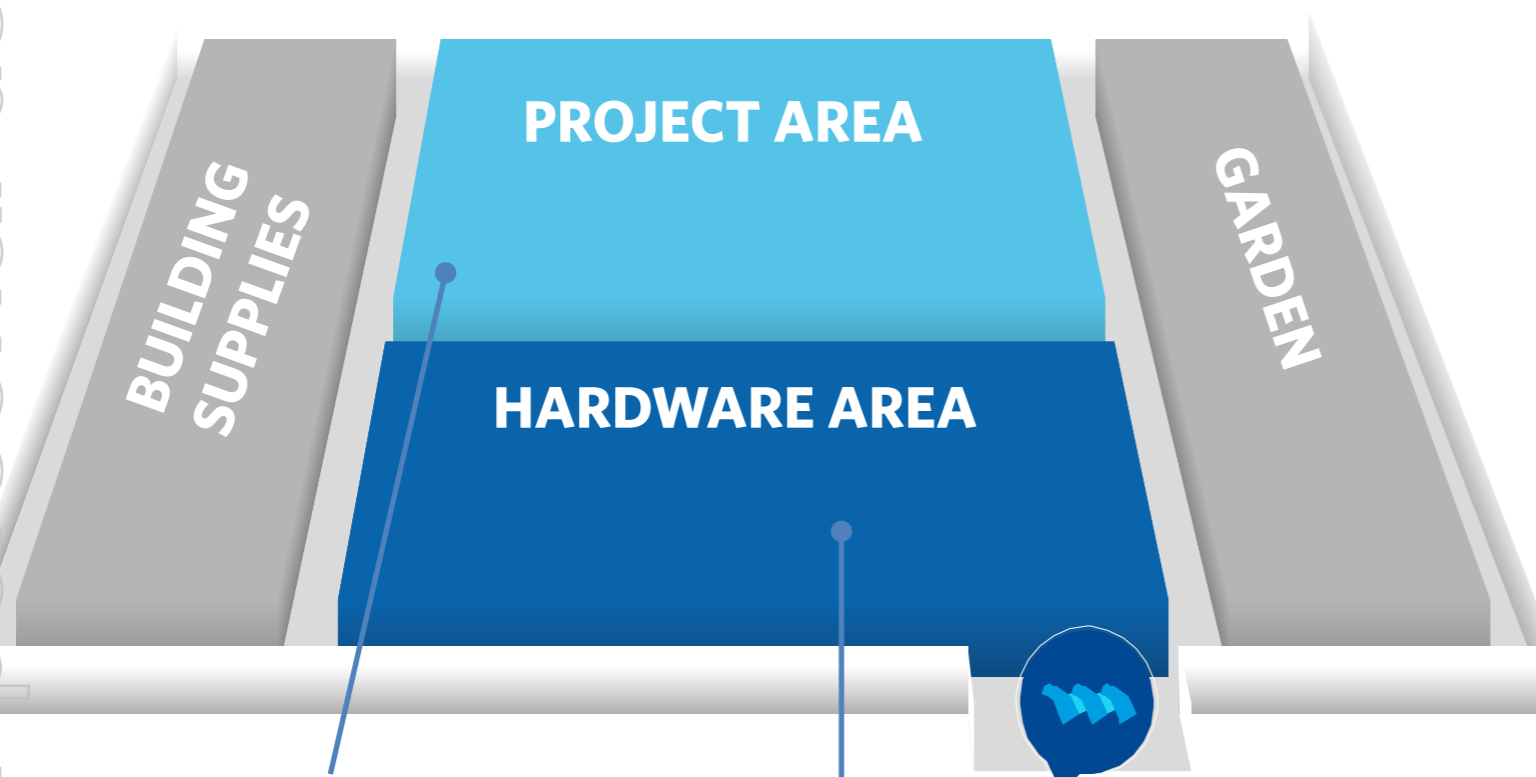
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## The new format has improved store performance by re-allocating space and enhancing flows and adjacencies for key categories

### New store layout principles

- Re-allocated space and improved store category mix
- Enhanced store flows and adjacencies

### Examples of key categories



**COVER CUSTOMER PROJECT NEEDS**  
(fragmented market)

'Soft' and inspirational project categories  
(e.g. Flooring, Kitchens, Bathrooms)

**Store entrance**

**DRIVE TRAFFIC AND MARGIN MIX**  
(high visitation & margin)  
'Hard' and realisation categories  
(e.g. Tools, Paint, Hardware)

Type	Categories <sup>1</sup>	Space <sup>1</sup> Increase
<b>Traffic/ Margin Drivers</b>	Garden Care	+70%
	Hardware	+40%
	Powertools	+30%
	Paint	+15%
<b>Projects</b>	Flooring & Tiles	+40%
	Bathroom	+25%
	Kitchen	+15%

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# The layout of key categories has drastically changed in the new format stores

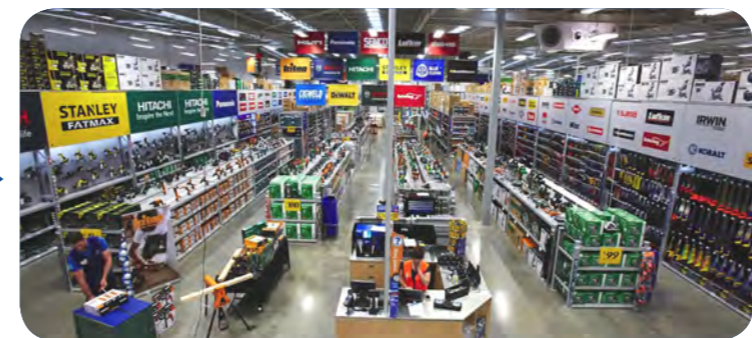
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## Former Store Format

## 2.0 Format

## Impact

**Tool shop**



Strong sales and traffic improvement

**Paint**



Strong margin improvement driven by mix

**Flooring**



Perception c. +20%

**A comprehensive review of our range is well under way - new range will be progressively rolled-out in new and existing stores**

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## Enhanced Range

### Key Categories Reviewed

- Hardware
- Paint
- Power Tools
- Flooring
- Bathroom
- Windows & Walls
- Lighting

### Comprehensive Review

- Customer-centric
- Price hierarchy
- Brand architecture
- Range gaps

## Additional Iconic Brands



## Comprehensive Roll-out

- c. 5,300 new lines**  
(net increase of c. 2,500)
  - **5 New Stores** to open with new range in FY15
  - **3 Existing Stores** to be retro-fitted in FY15
  - Key categories to be back-integrated progressively in all stores
- Successful 1st back-integration of Hardware category**



## Masters recently launched national campaigns with positive impact on traffic, sales and value perception

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### Campaigns

**Paint campaign**  
(one-off, Oct 2014)



### Impact on Traffic & Sales <sup>1</sup>

- **+90% weekly sales** in interior paint in first 3 weeks
- **Average interior paint sales** per store then stabilised **over +20%** vs previous year
- **Minimal margin impact** across paint category

**Price jolts campaign**  
(weekly, since Oct 2014)



- **Positive sales impact** on both price jolt and attachments
- **Attracts new customers**

**Multiple customer metrics improved over 12 months**

## Masters will have 59 stores open by the end of FY15, including 22% new format stores

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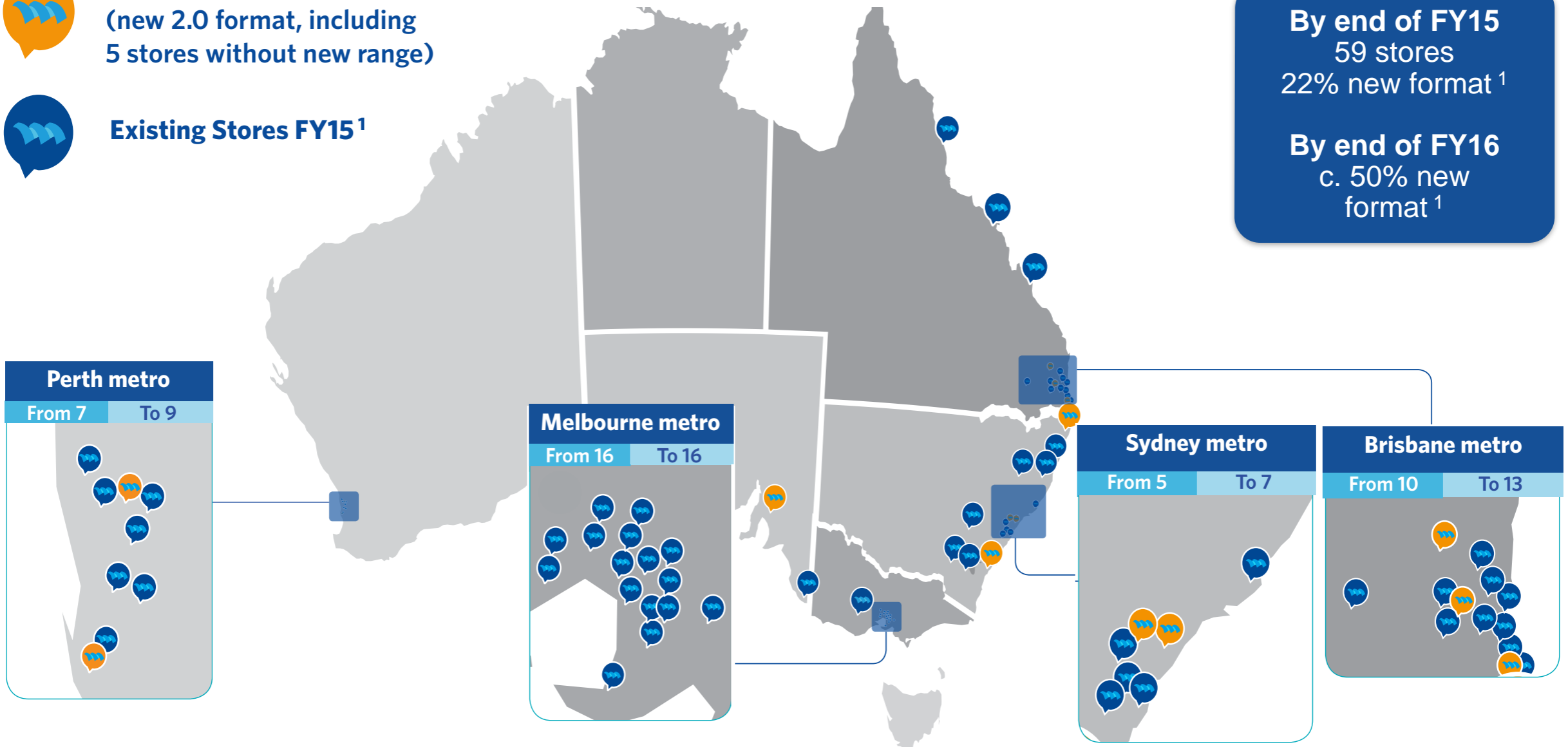
**New Stores FY15**  
(new 2.0 format, including 5 stores without new range)



**Existing Stores FY15<sup>1</sup>**

**By end of FY15**  
59 stores  
22% new format<sup>1</sup>

**By end of FY16**  
c. 50% new format<sup>1</sup>



## Heavy cannibalisation impact in Victorian stores is unwinding

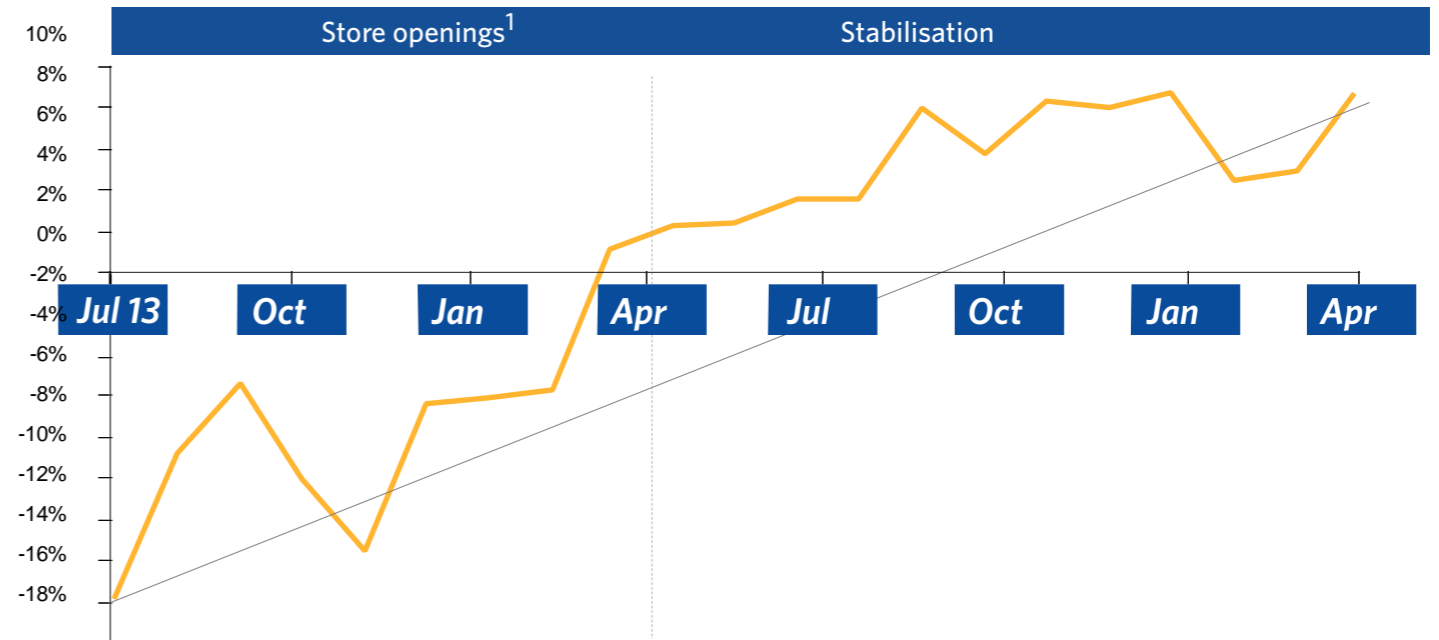
### Masters stores in Melbourne

In the first three years, Masters stores in Melbourne grew from 1 to 17. This market will now have time to settle



### Year on year compared average sales growth (VIC vs Others)

**Store openings<sup>1</sup>:** high cannibalisation impact causing lower sales growth relative to network  
**Stabilisation:** growth catch-up phase



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## We have scaled down our roll-out plan in the coming years to focus primarily on high potential locations

### Rationale

- Masters now has a good understanding of future location potential (sufficient sales history and robust tools to assess targeted sites)
- We will use the balance of this calendar year to test the new models' performance

### Decision

- Decision to re-focus roll-out plan until the success of the revised value proposition is clearly demonstrated
- Roll-out re-focused on:
  - Strategic/high potential locations
  - Already-committed stores (construction commenced or committed leaseholds)

### Impact

- Number of stores opened reduced by 4-10/year
- Capital spend reduced by \$600m
- Plan for existing network secured:
  - Retrofit stores
  - Back-integration of new range within initial format



# We have attracted new talent and developed our people to grow our capabilities

## Talent Acquisition



**Matt Tyson**  
Managing Director



**David Walker**  
GM Finance



**Dion Workman**  
GM Marketing



**Gillian Davie**  
GM HR



**Dean McMillan**  
Head of Format Development

- c. 30 new managers also attracted from local competitors, international Home Improvement leaders, Lowe's and Woolworths Group
- New expert sales force initiatives on key categories

## Engagement & Capability Development

- Change management culture: internal strategy updates, training, office moves, etc.
- Recognition & Reward programs (HQ and stores)
- Masters Business Awareness (MBA) program
- Store Management Talent program

Increased Home Improvement capability

Cultural shift

Strategic alignment at all levels

Engaged workforce

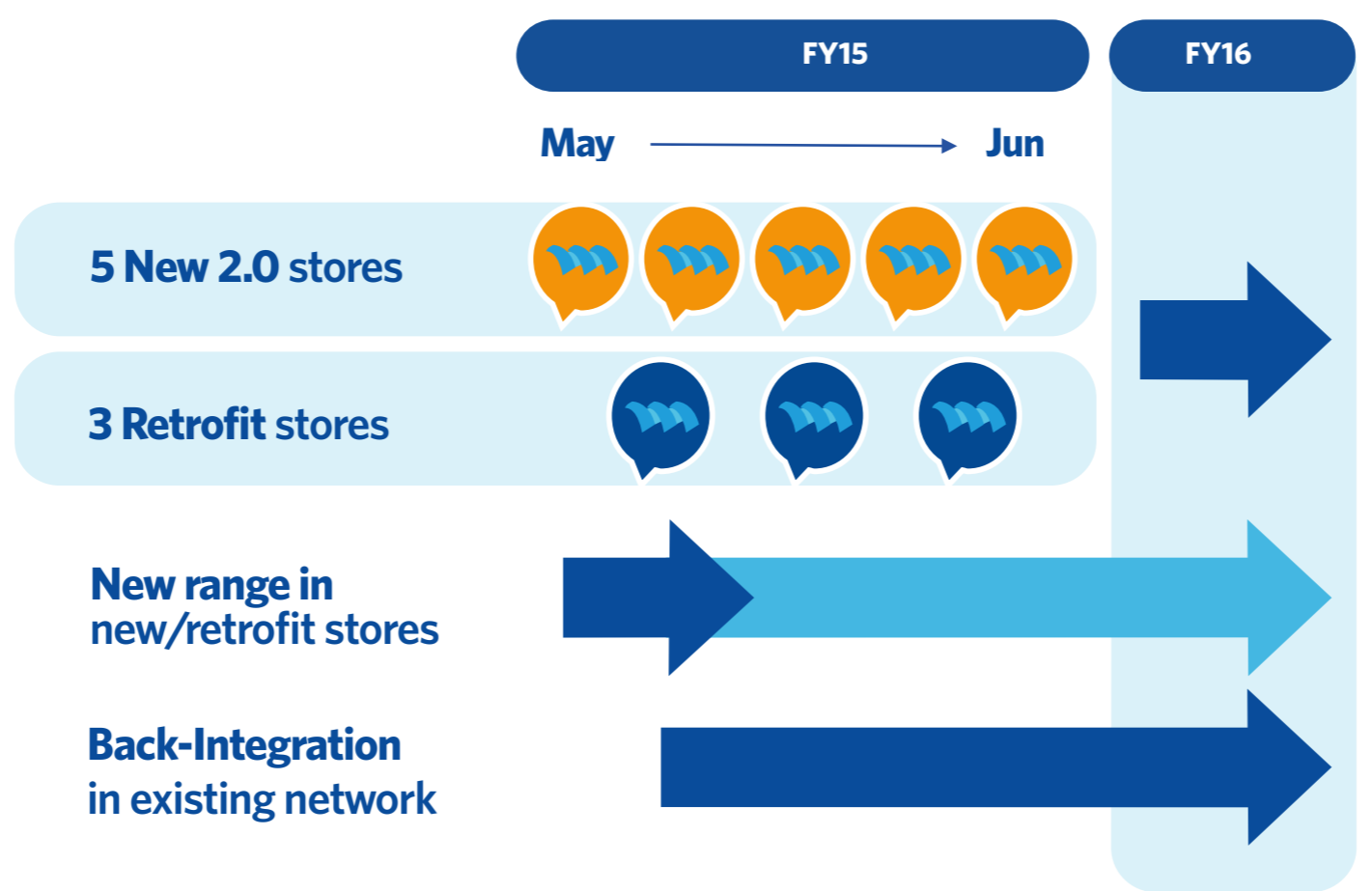
Diverse backgrounds & innovative environment

# We are implementing a large number of changes and will be able to demonstrate improvement from the new model in FY16

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**New format stores roll-out**

**Range**



**22% of the fleet will have new 2.0 format by end of FY15 (c. 50% by the end of FY16)**

**Higher sales expected from traffic and footprint**

**Improved margin expected from better product mix**

## Overview

- The rationale for entering the \$45 billion market remains compelling
- We have learnt a great deal and have adapted our model
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  - Ranging
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# Questions

**Matt Tyson**  
Managing Director





WOOLWORTHS LIMITED



# Enablers of Competitive Advantage

**Grant O'Brien, Penny Winn,  
Emma Gray & Matthew Stanton**

## Overview

- The scope of Woolworths' retail portfolio allows us to secure productivity and growth opportunities that are not available to our competitors. It also provides the basis for superior economic returns
- Our model allows us to create opportunities through
  - Leveraging scale benefits
  - Capturing scope advantages
  - Building platforms
  - Incubating and innovating
- We are refining and changing our operating model as we learn what works in an environment of rapid and fundamental change

# An exciting set of initiatives underway to deliver the next step-change in productivity and growth

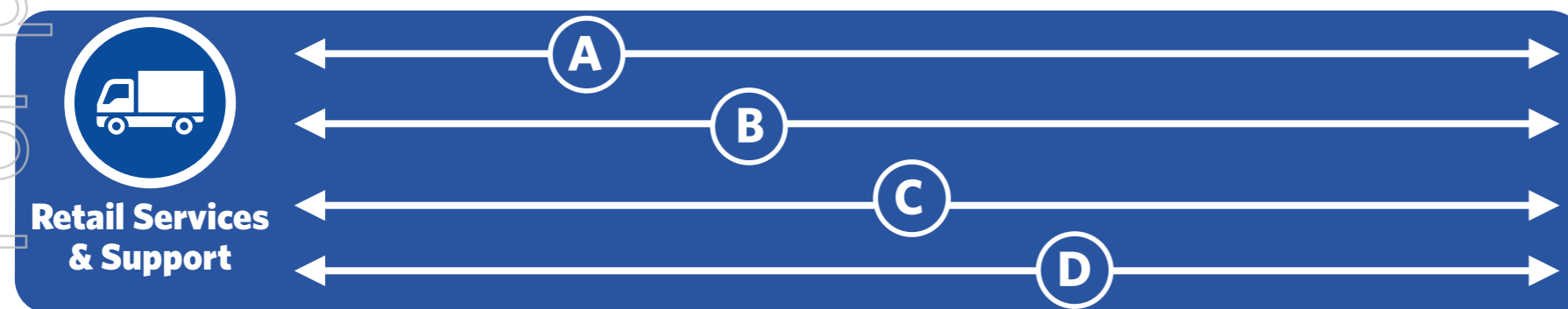


**A** Click & Collect network

**B** Mercury 2

**C** Data

**D** Fuel for Growth

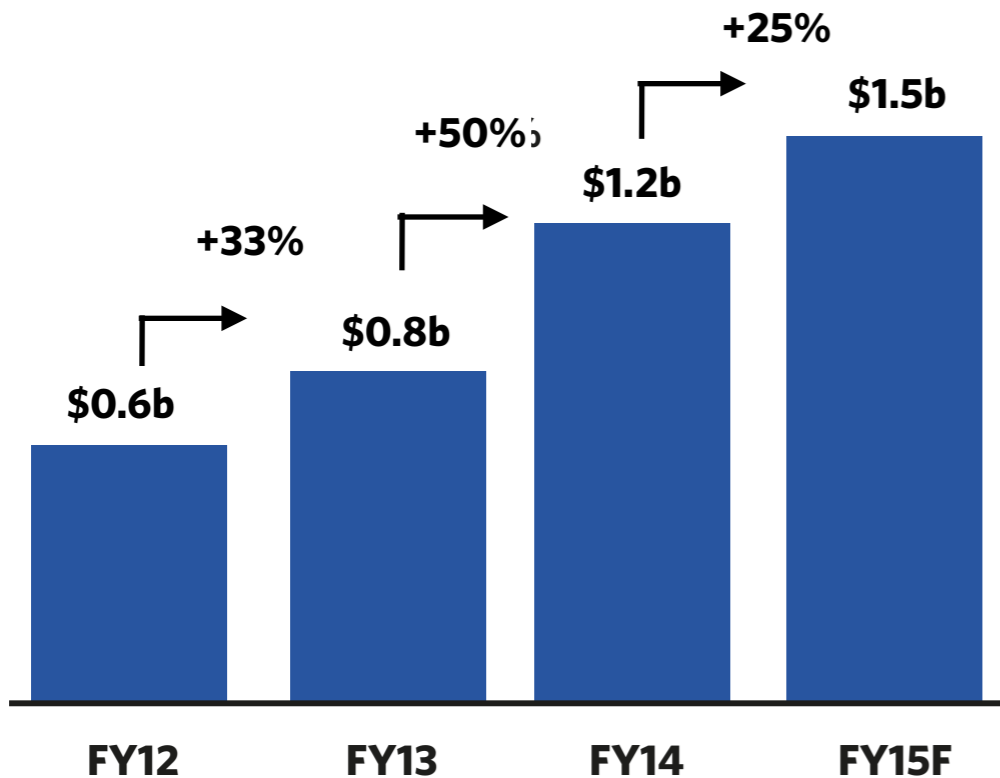


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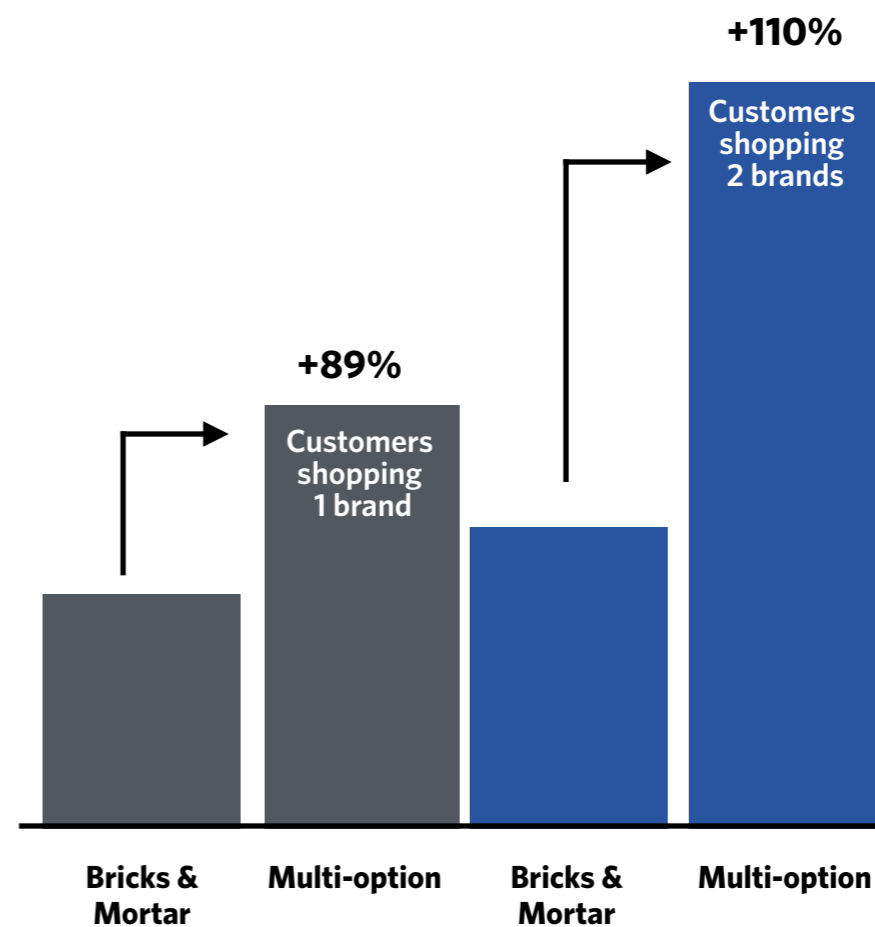
# We have built the largest domestic online retail business in Australia

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## Online sales



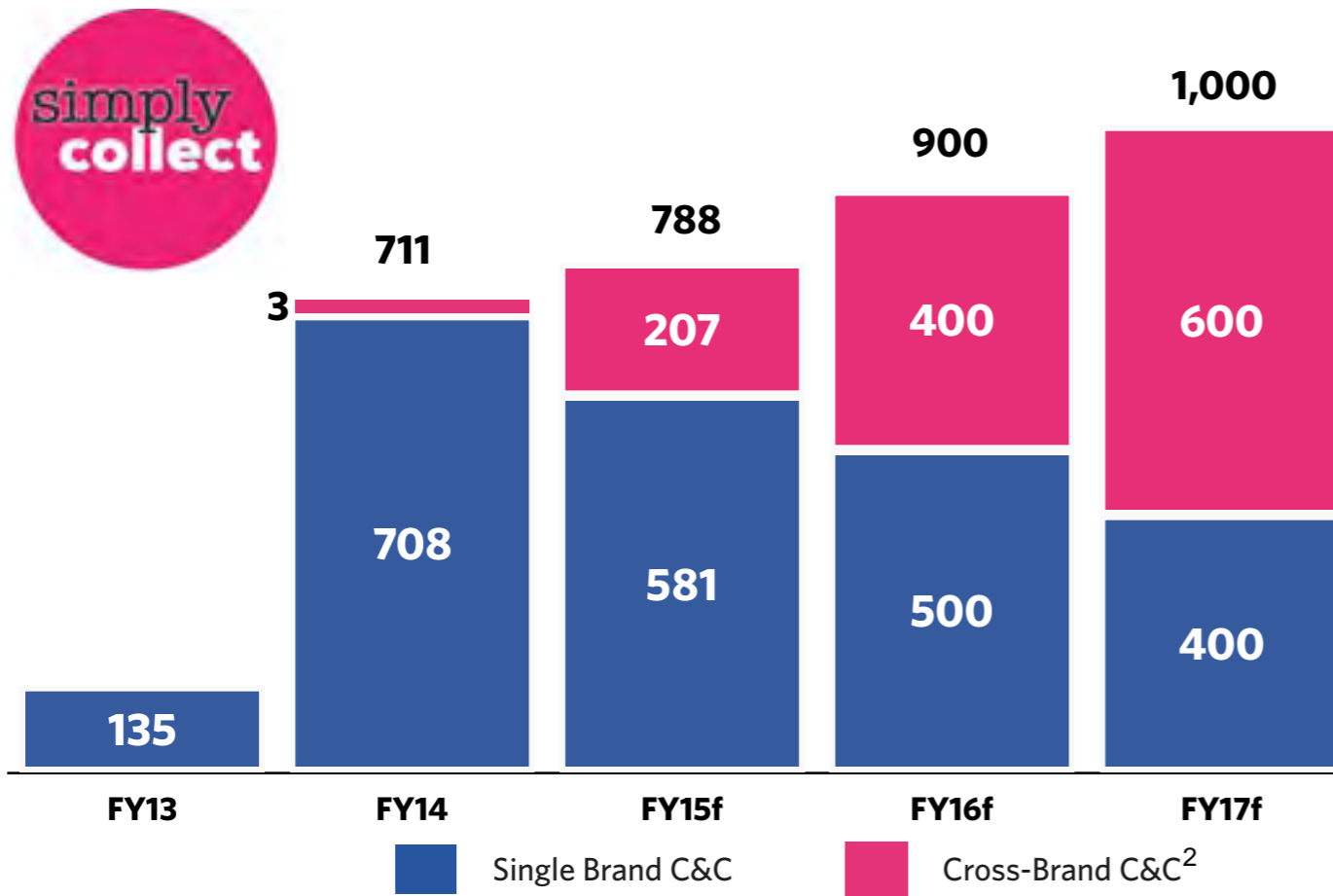
## Spend per customer cross-brand and cross-channel



- We have done this by leveraging the scale and scope of our multi-brand retail portfolio
- ... and by combining leading old and new world assets to offer the convenient collection and unparalleled delivery options our customers demand

**We have built a unique cross-banner Click & Collect network as a platform for further growth**

**Click & Collect Locations<sup>1</sup>**



Having built leading edge Click & Collect (C&C) capabilities within our businesses, we have now also built a cross-group Click & Collect platform for the next wave of growth

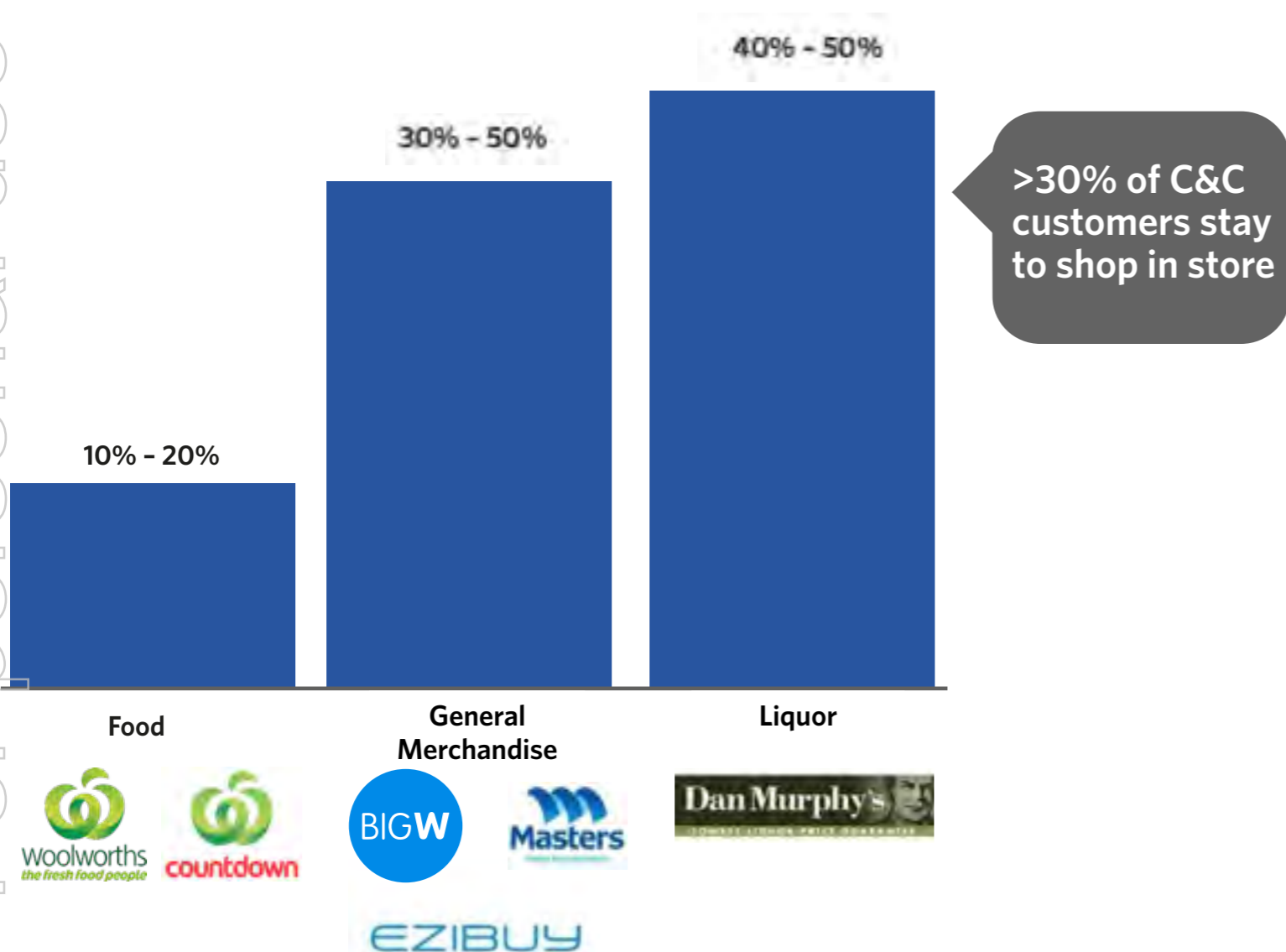
Note: 1. C&C rollout plan for FY16 and FY17 subject to change

2. Includes Grocery, Australian and NZ Simply Collect "cross-brand" locations

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**More than one third of people stay to shop in-store**

**% Online Sales as Click & Collect (FY15)**



**C&C Customer Measures**



**C&C Net Promoter Score +36**



**C&C Net Promoter Score +51**



**More than 450,000 items delivered through the Simply collect network to date**

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## We are open to new ways of working to satisfy our customers' changing needs



Our partnership with eBay allows us to

- Accelerate the scale-up of our Simply Collect platform
- Attract new customers into our stores
- Jointly learn and partner with other leading edge online players
- Offer our customers convenient collection in categories we do not currently participate in

We are leveraging our existing resources and logistics to deliver this service

How is it performing?

- 948 eBay sellers offering over 300,000 items for sale through Simply Collect
- Great customer feedback
- Exceeding KPI's

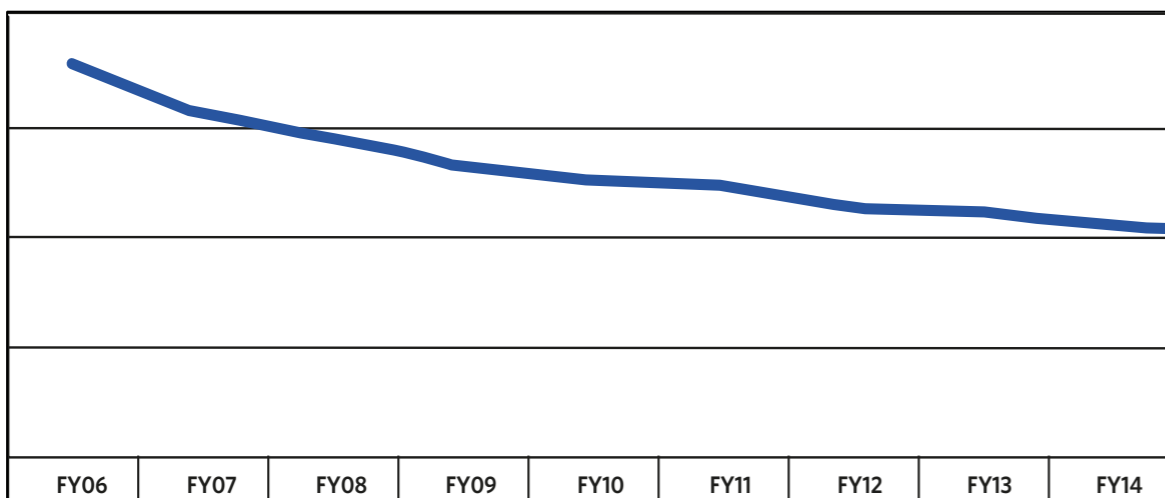
# Supply chain excellence

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## Outcomes from Mercury 1

	2000 vs 2006
CODB	2.6% pts of sales
Outbound service levels	4.5% pts
Store out-of-stocks	5.0% pts
Australian Supermarket inventory days	11 days

Logistics Cost % Sales  
Australian Food and Liquor



The original Mercury program provided a significant competitive advantage for Supermarkets over the last eight years

With Galaxy embedded and new technologies available, the next wave of advantage is now available across the group

Mercury 2 is now moving into execution phase



# Mercury 2 will be global best practice

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## Cross-brand



## End to End

### Growers



Vendor collaboration  
International flow  
Shelf ready devices

### Network



International consolidation/  
processing  
Transport optimisation  
Agnostic flow  
Fastest fresh

### Stores



Unit load devices  
Targeted customer ranging  
Small stores and convenience

### Customers



Multi-option  
Click & Collect  
Home delivery

## Strategic principles

### Fastest fresh



### Step change in vendor capability



### Enabling range growth



### Less manual activities



### Global supply chain



### Customer forecast driven



### Market leading availability



### Optimal flow at lowest cost

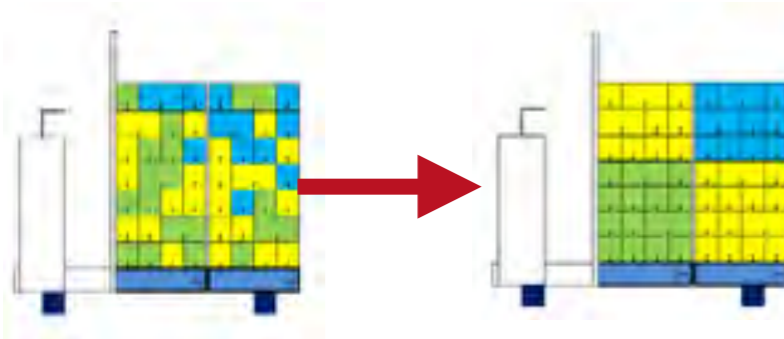


# Mercury 2 will drive network productivity and market leading availability

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## Wave 1 Optimising today (FY15-16)

- Family Grouping
- Accelerated Direct Store Delivery Conversion\*
- Improvements to fresh flow
- Optimal flow paths\*
- Leverage group volumes



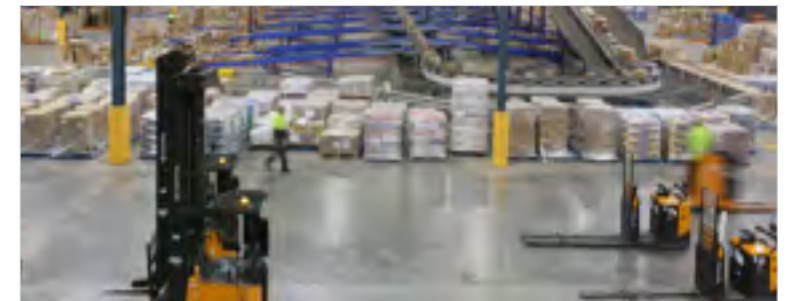
## Wave 2 Build new capabilities (FY16-FY18)

- Online & international supply chain
- New levels of availability through best forecast and replenishment\*
- Enable targeted ranging at lowest supply chain cost
- Joint improvements in vendor networks



## Wave 3 New infrastructure and systems (FY18+)

- Customer insights and data driven demand
- Network infrastructure to enable volume and range growth\*
- Technology enabling improved efficiencies



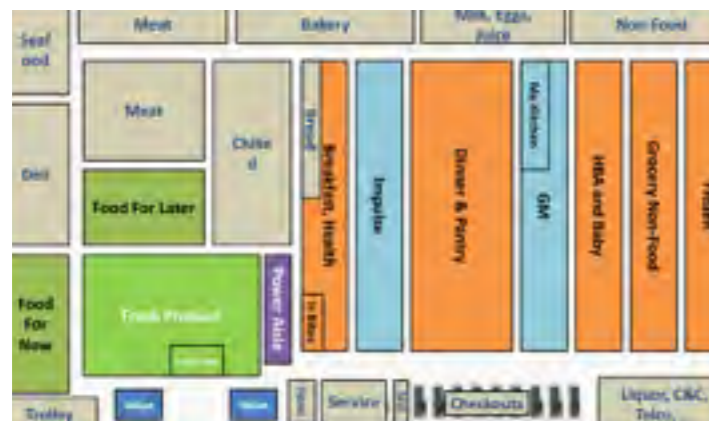
Enabled through leveraging Galaxy capabilities

# Tailored customer ranging will step change store productivity and customer offer

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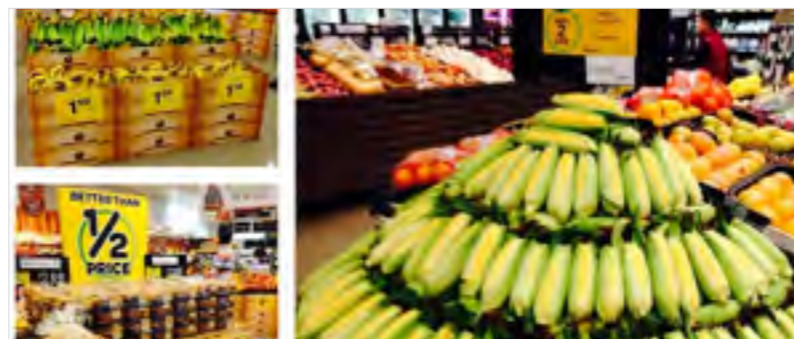
## Tactical Optimising today (FY15-16)

- Customer and category data used to tailor individual store ranges to meet customer needs
- New ways of working
- Currently in food and liquor



## New Technology Build new capabilities (FY16-FY18)

- New technology to ensure right range, at the right time, in the right store that suits our customers' needs at all times
- Further enabling a low cost operating model



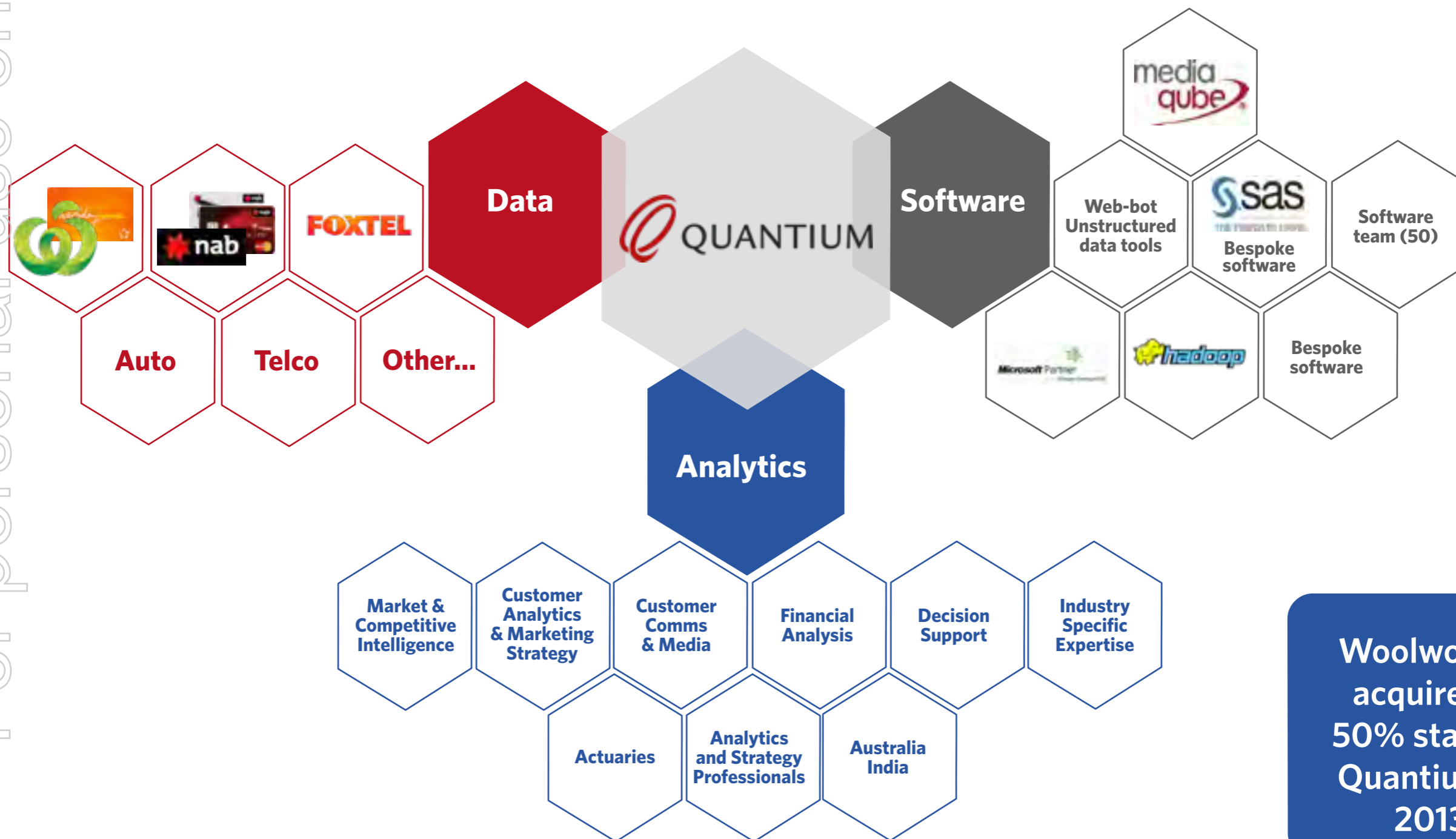
## New Network New infrastructure and systems (FY18+)

- Leveraging the new network to ensure we have capacity to expand range
- Reporting and analytics capability to enable more accurate decisions for space and range



# Quantium contributes a deep analytical backbone to decision making

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Woolworths acquired a 50% stake in Quantium in 2013

# Our insights allow us to respond to and predict customer needs more effectively

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**8.5 million**  
registered Everyday  
Rewards (EDR)  
cardholders



**Actual  
behaviour**  
vs. Claimed behaviour



**50%**  
of Woolworths  
transactions (baskets)  
captured by EDR cards



**67%**  
of Woolworths  
sales (\$) captured  
by EDR cards



**Credit card  
linkage**  
captures transactions  
when cards are not  
swiped

# Better insight helps us shift internal capability and culture to serve customers better...

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**... and make more informed decisions**

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# With Quantum we have also developed tools to co-create with our suppliers

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- User-friendly, intuitive and interactive
- Suppliers have full visibility of categories for the first time
  - product level, store level, and online
- Access to the dataset of 8.5m Everyday Rewards cardholders
- Common language with WOW
  - the same data and reports used by WOW

**PLATINUM PARTNERSHIP**

15 signed

QUANTUM  
**CheckOut**

41 subscription packages signed



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**Matt Kelly**

Unilever Customer Marketing Director for Woolworths

# Our approach to cost, which we established in July'14, aligns to the new market context

## Context

- The retail landscape is evolving as consumers' preferences change:
  - Offers focused on value and distinctive, tailored experiences are growing share
- In a low inflation environment we need to focus on taking 'Real \$' costs out

## Our approach

- We are building a low-cost foundation to give us options to serve all customer segments
- We have set up a central cost-out program to identify opportunities, realise initiatives and deliver benefits
- Benefits will be reinvested in value and distinctive, tailored customer experiences to grow sales

## Four guiding principles

- No adverse impact on our customers
- Implement lean processes leveraging technology
- Reduce complexity then simplify organisation
- Operate with a lean centre

## Woolworths' Lean Retail Model



**This focussed program is driving cost reduction across the business with plans now in place to deliver in excess of \$500m benefit**

Rigorously managed through stage gates and delivery cadence, using dedicated tracking software

**Transformation Office**  
(Delivery Office)

*Devolved to the business*

**Mercury 2 (End to End)**

Scope: \$1.4b

Leverage work in Mercury 2 to extend lean logistics to entire cost base

- ✓ Family Grouping c.\$6m
- ✓ Brisbane Capacity Solution c.\$8m
- ✓ Targeted Customer Ranging

**\$0.1b+**

**Support Functions**

Scope: \$1.1b

Improve design of support functions to increase efficiency & effectiveness

- ✓ IT - Mainframe Decommissioning c. \$12m
- ✓ IT - Application simplification c. \$22m
- ✓ Support - c. 400 roles already removed with a similar number to be realised going forward

**\$0.1b+**

**Non-Trade Procurement & Capex**

Scope: \$5.6b

Reduce external spend using purchasing techniques

- ✓ Ocean Freight c. \$12m
- ✓ Simplified Capital expenditure c. \$38m
- ✓ LED lighting c. \$13m
- ✓ In-source Repairs and Maintenance c. \$14m

**\$0.3b+**

**Supermarket Operations & Procurement**

Lower cost through in-store initiatives and COGS improvements

- ✓ Wave methodology
- ✓ Shrink

- ✓ Plans complete and savings being realised
- ✓ Plans in progress

**1,000+ initiatives identified underpinned by lean process and technology**

**\$500m+ benefit on track to be delivered across FY15-16 with a strong level of confidence to deliver further upside**

Only use original examples Scopes & Initiatives in flight

## Overview

- The scope of Woolworths' retail portfolio allows us to secure productivity and growth opportunities that are not available to our competitors. It also provides the basis for superior economic returns
- Our model allows us to create opportunities through
  - Leveraging scale benefits
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  - Incubating and innovating
- We are refining and changing our operating model as we learn what works in an environment of rapid and fundamental change

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# Questions

**Grant O'Brien, Penny Winn,  
Emma Gray & Matthew Stanton**



# Group Financial Overview

**David Marr**

Chief Financial Officer

## Overview

- Strong financial position providing flexibility to address current performance challenges
- Strong cash generation with \$20bn of operating cash flow to fund new businesses, capex, dividends and property development since the beginning of FY08
- Disciplined capital allocation that will underpin growth plans
- Working capital remains an opportunity
- Capital management remains a priority

# Attractive financial profile and balance sheet strength despite investment for future growth

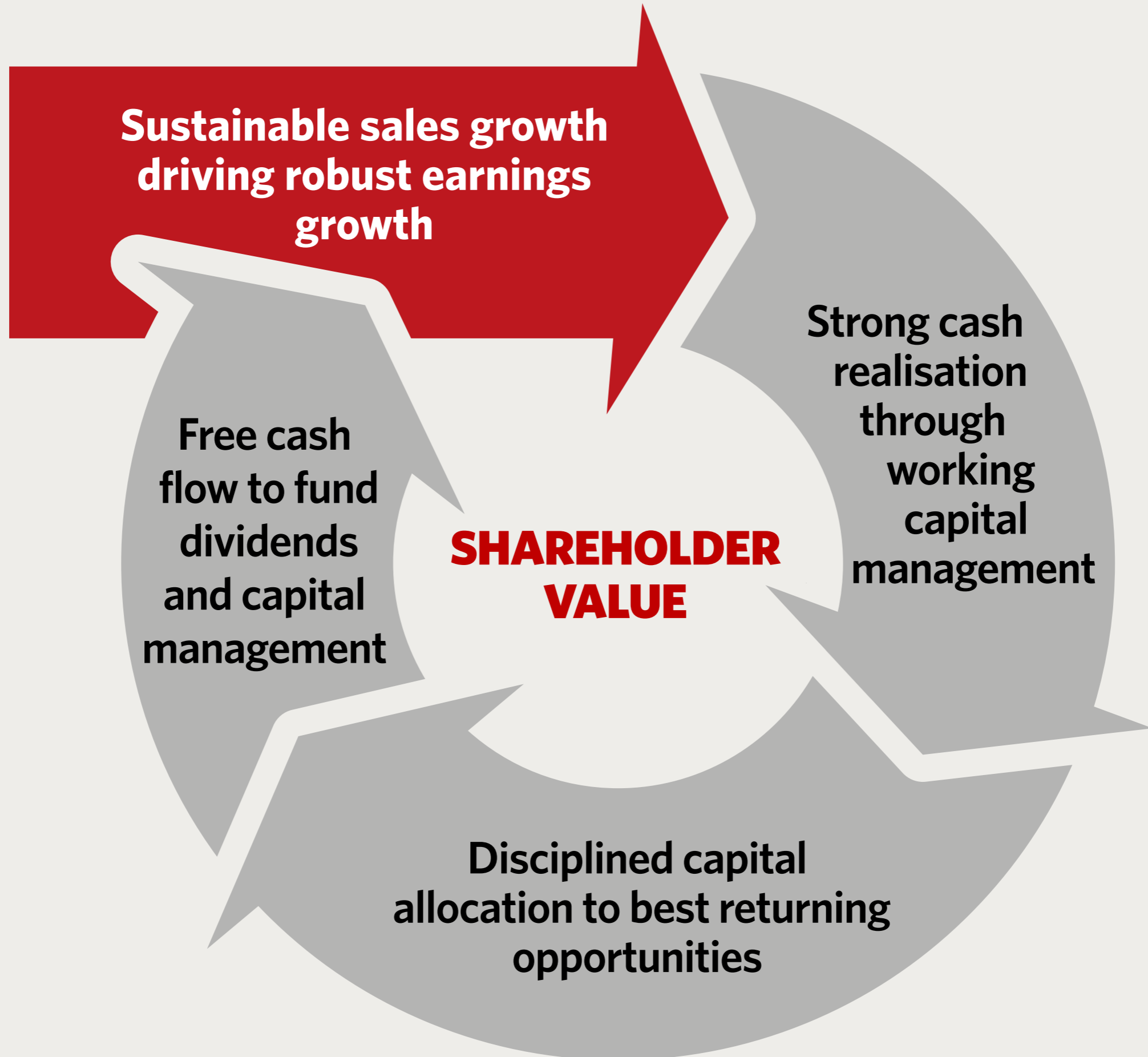
## Key Financial Metrics

	FY08	FY14	CAGR <sup>1</sup>
Sales (\$m)	47,035	60,773	5.2%
EBIT (\$m)	2,529	3,775	8.7%
NPAT (\$m)	1,627	2,452	9.6%
Dividends per share ¢	92.0	137.0	9.2%
Fixed charges cover (x)	2.9	3.0	
ROFE (%) reported	31.4	27.0	
ROFE (%) lease adjusted	19.2	18.4	

- Solid growth profile with leading market positions
- Strong cash generation
- Scale and scope benefits as Australia's largest retailer
- Robust balance sheet with strong credit rating and diversified sources of funding
- Strong returns with ambition to grow ROFE further



# Delivering sustainable returns to shareholders

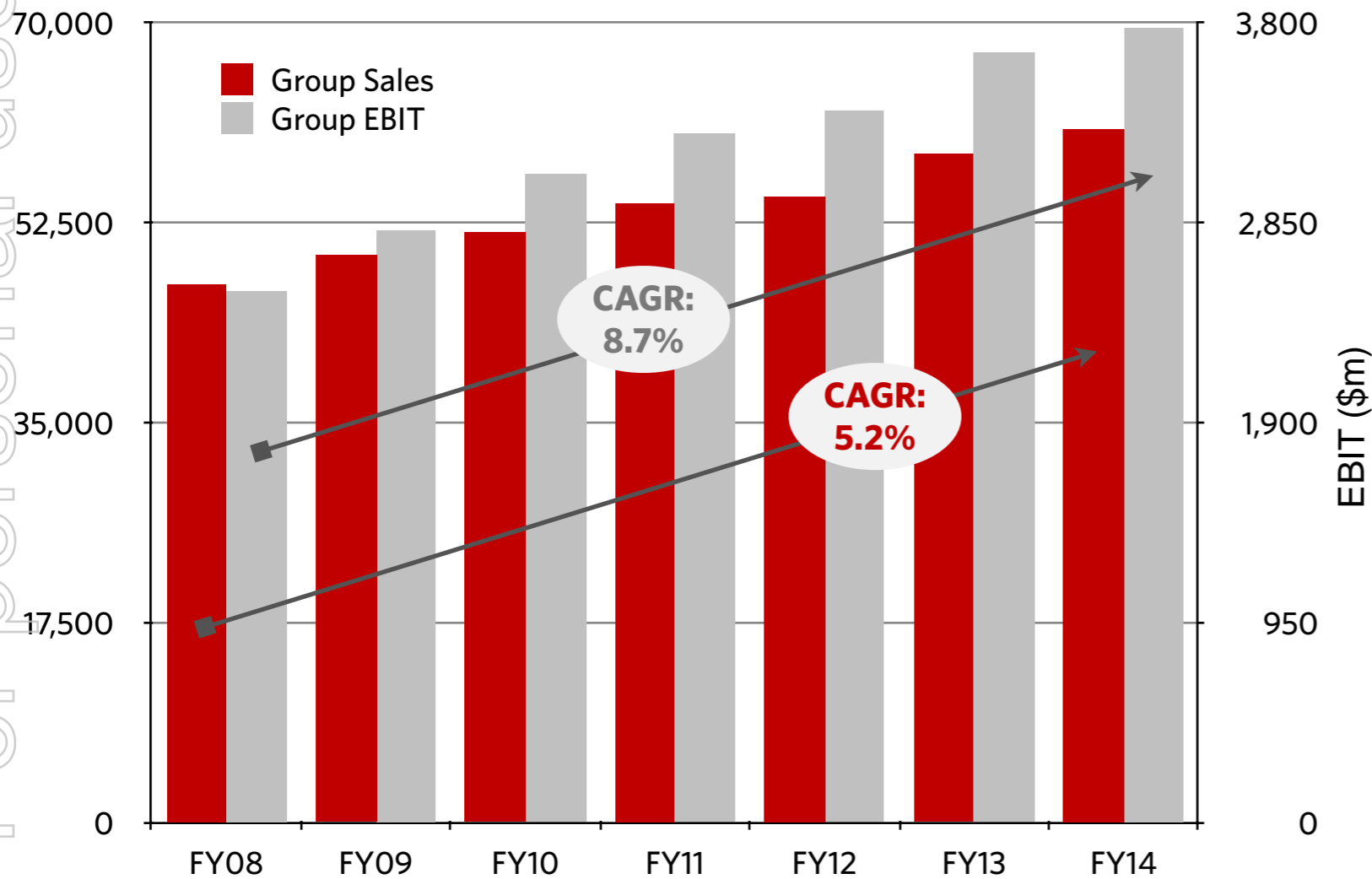


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# Sustainable sales growth driving robust earnings growth

## Group Sales and EBIT (before significant items)



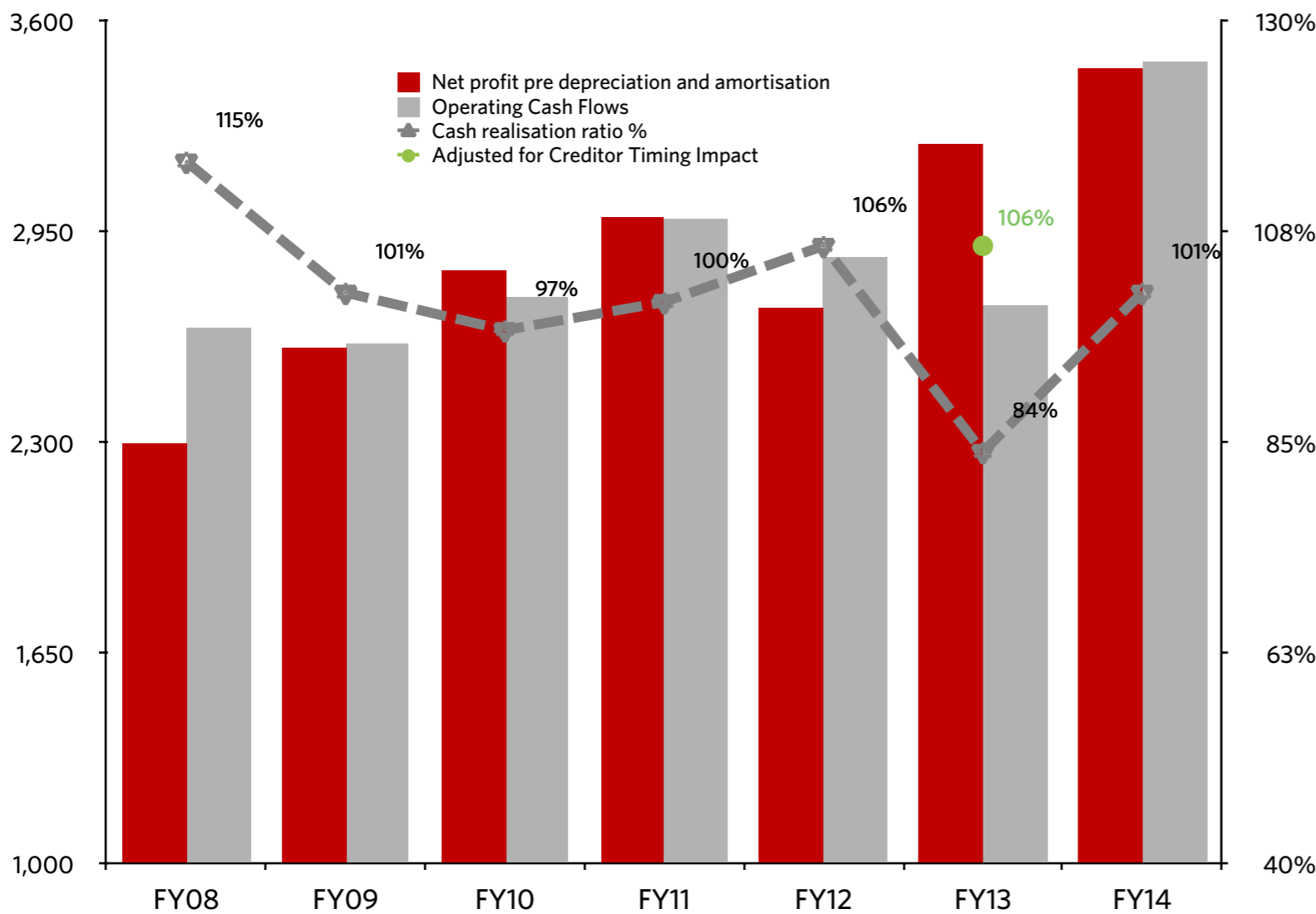
- Long-term track record of strong sales growth driving EBIT growth
- EBIT growth has averaged 6% from FY10 despite more difficult trading environment and investment in Home Improvement
- Group EBIT growth of 4% achieved in 1H15 despite a sales performance below our expectations

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## Earnings converted into operating cash flow, we see further opportunity in Net Investment in Inventory over medium term

### Cash Realisation



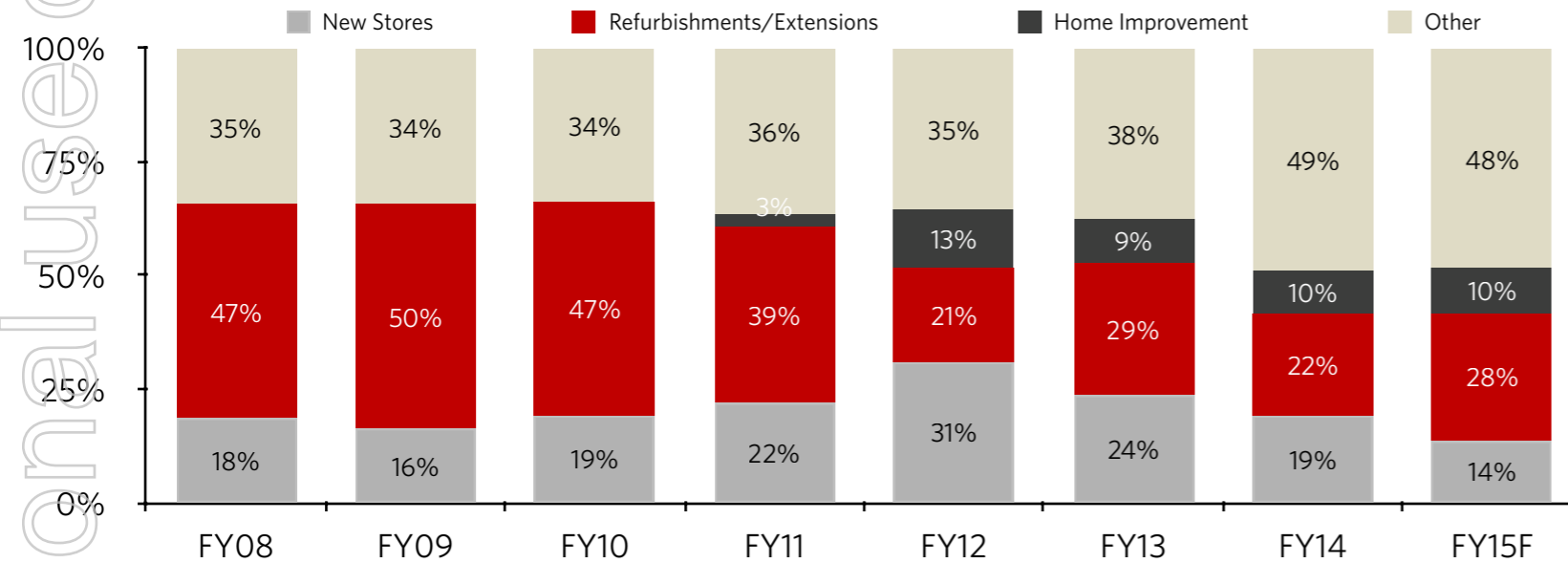
- Cash realisation has remained around 100% when adjusted for creditor payment timing despite investment in Home Improvement and tougher trading conditions in General Merchandise
- We are targeting a further reduction in Net Investment in Inventory of over \$500m over the medium-term
- We intend to aggressively focus on cash generation in BIG W

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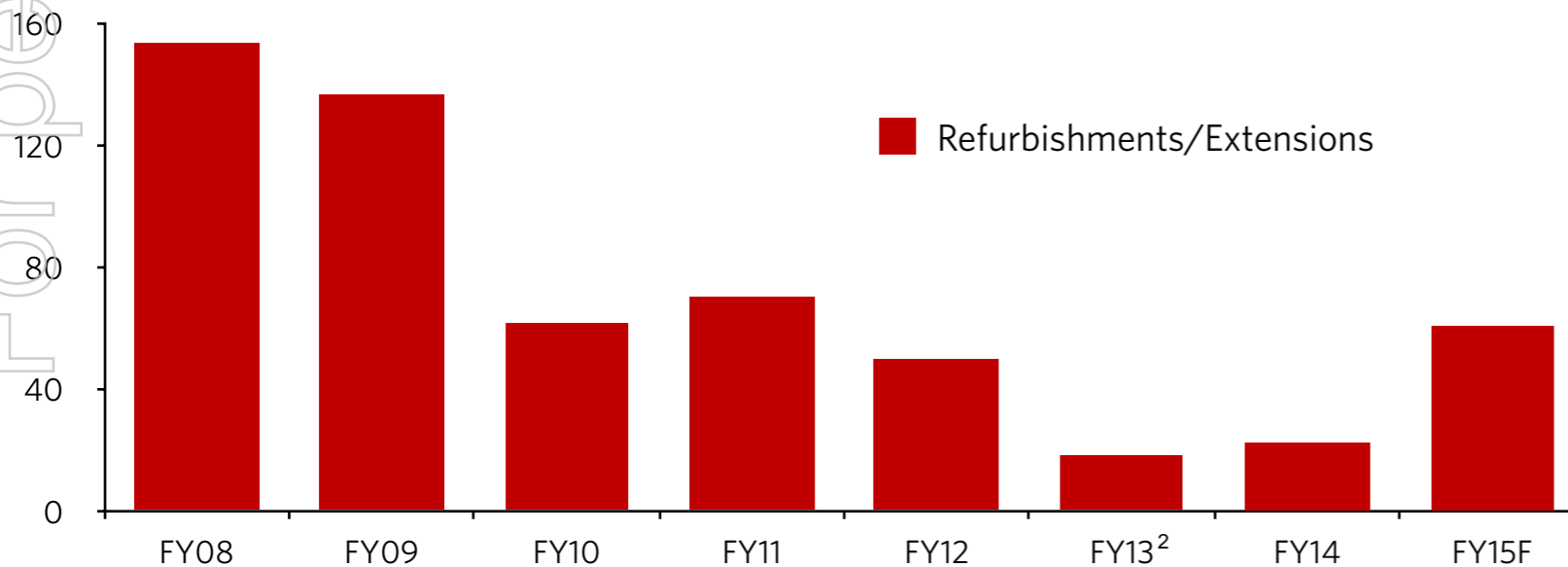


## Capital investment reflected evolving property network strategy with recent focus on new stores

### Capex Breakdown FY08 - FY15F<sup>1</sup>



### Australian Supermarket Refurbishments: FY08-FY15F



- Intentional recent focus on new store growth while industry space growth was low
- Refurbishment spend deliberately reduced in recent years following significant investment in FY08-FY10
- Growth in "Other" capex in recent years due to SAP implementation

1: Excluding Property Development and Acquisitions 2: Excludes minor refurbishments  
 Note: Other category includes Stay in Business, Store Replacements and other elective capex, IT & Logistics



## Disciplined capital allocation process in place

### Capex Principles

### Enhancements Implemented or Underway

### Medium-term Implications

#### Alignment to strategy

- Closely align capex to best strategic opportunities
- Appropriate investment in new businesses to underpin long-term growth
- Carefully balance capex for short-term vs. long-term returns
- Restrict spend in low growth businesses until proven

#### Financial returns

- Critically focus all capex spend on returns
- Appropriate hurdle rates
- Post-Implementation rigour vs business case
- Increase efficiency of existing asset base

#### Capacity to spend

- Ensure appropriate resource and process
- Capex forecasting rigour and compliance

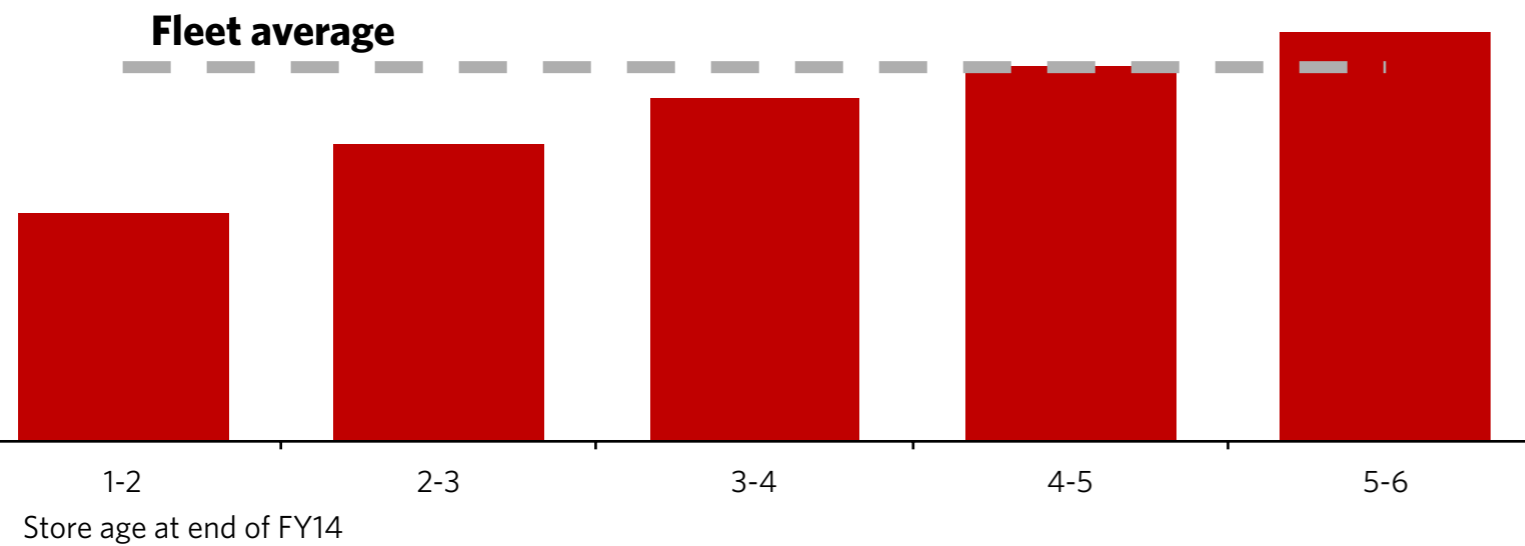
- Skew to Australian Food & Liquor (from 52% of capex<sup>1</sup> in FY14 to 64% in FY16)
- New store numbers to be driven by population growth and network gaps
- Higher Australian Supermarkets refurbishments
- Masters and BIG W investment curtailed until the model proven
- Further efficiency in Stay in Business capex
- FY16 total capex below FY15 with operational capex (ex property) broadly in line with FY15 inclusive of incremental \$200m Mercury 2 spend

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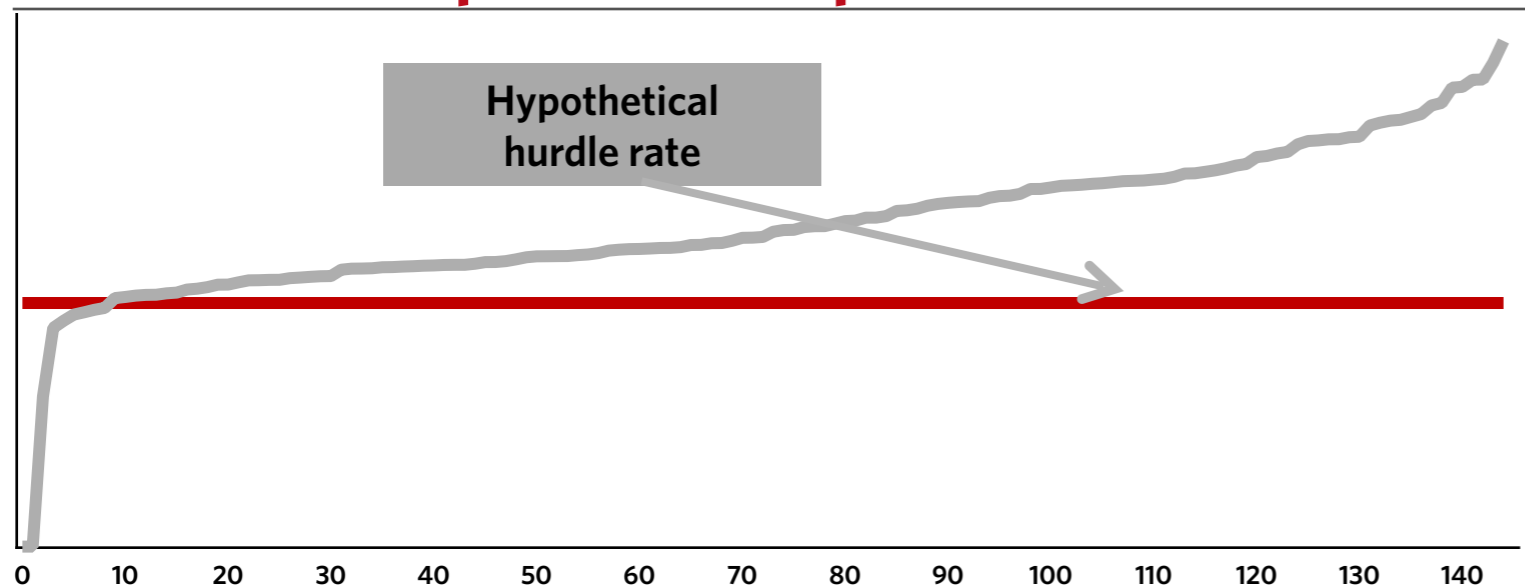


## New stores continue to provide strong returns on capital

### Australian Supermarkets' Sales Per Sqm - New Stores Vs. Established Stores



### IRR<sup>1</sup> For New Supermarkets Opened 2010-2013



- Sales per square metre has been impacted by:
  - Higher relative number of immature new stores (12% in FY14 vs 10% in FY10)
  - Lower refurb levels (152 in FY12-15 vs 423 in FY 08-11)
- However, returns on new stores remain well above hurdle rates including adjusting for cannibalisation
- Discipline around new store capex remains very strong with new stores reviewed 1, 3 & 5 years after opening

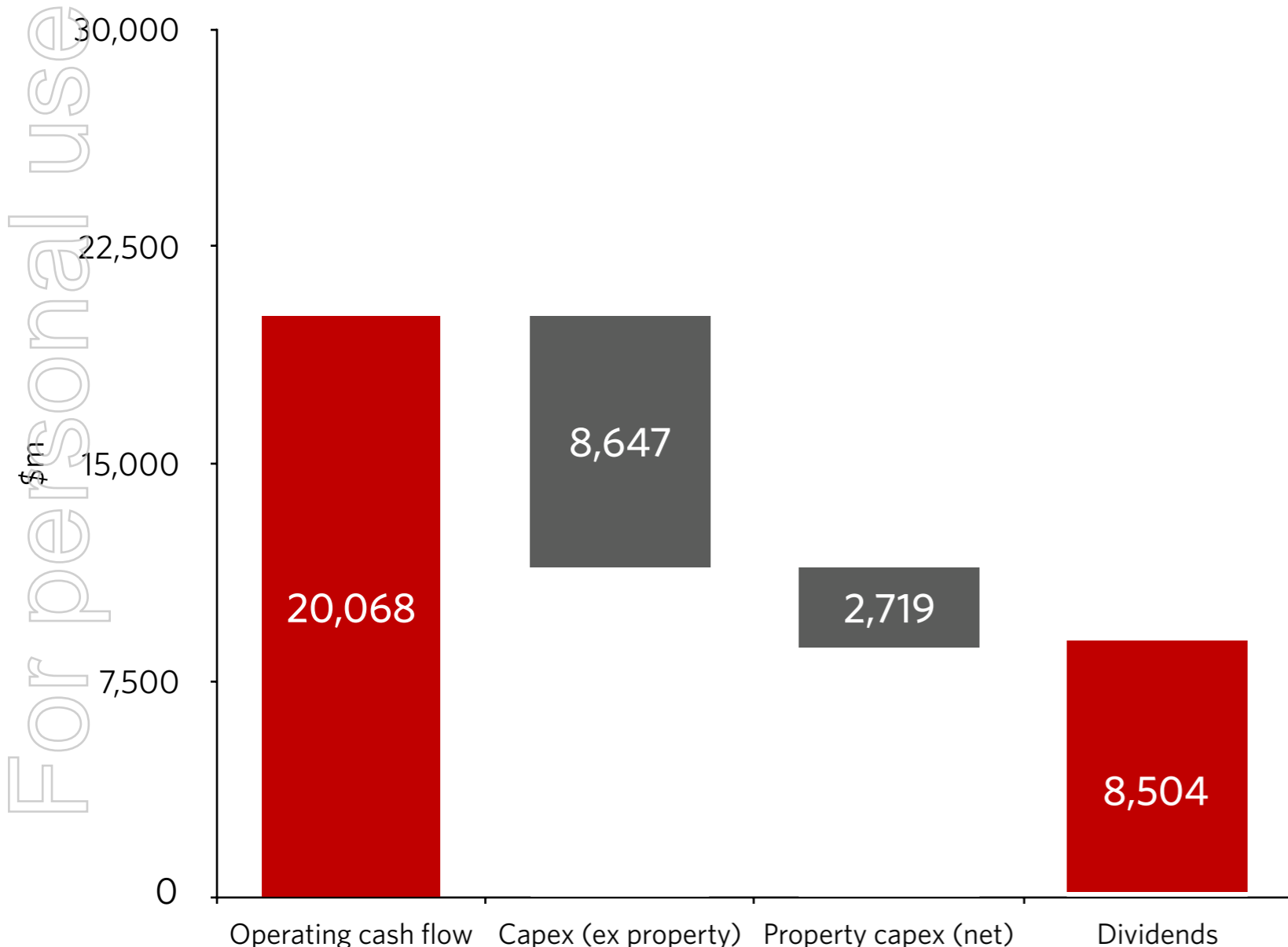
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## Strong free cash flow despite net property investment of \$2.7 billion from FY08

### Cumulative Free Cash Flow: FY08-FY14<sup>1</sup>

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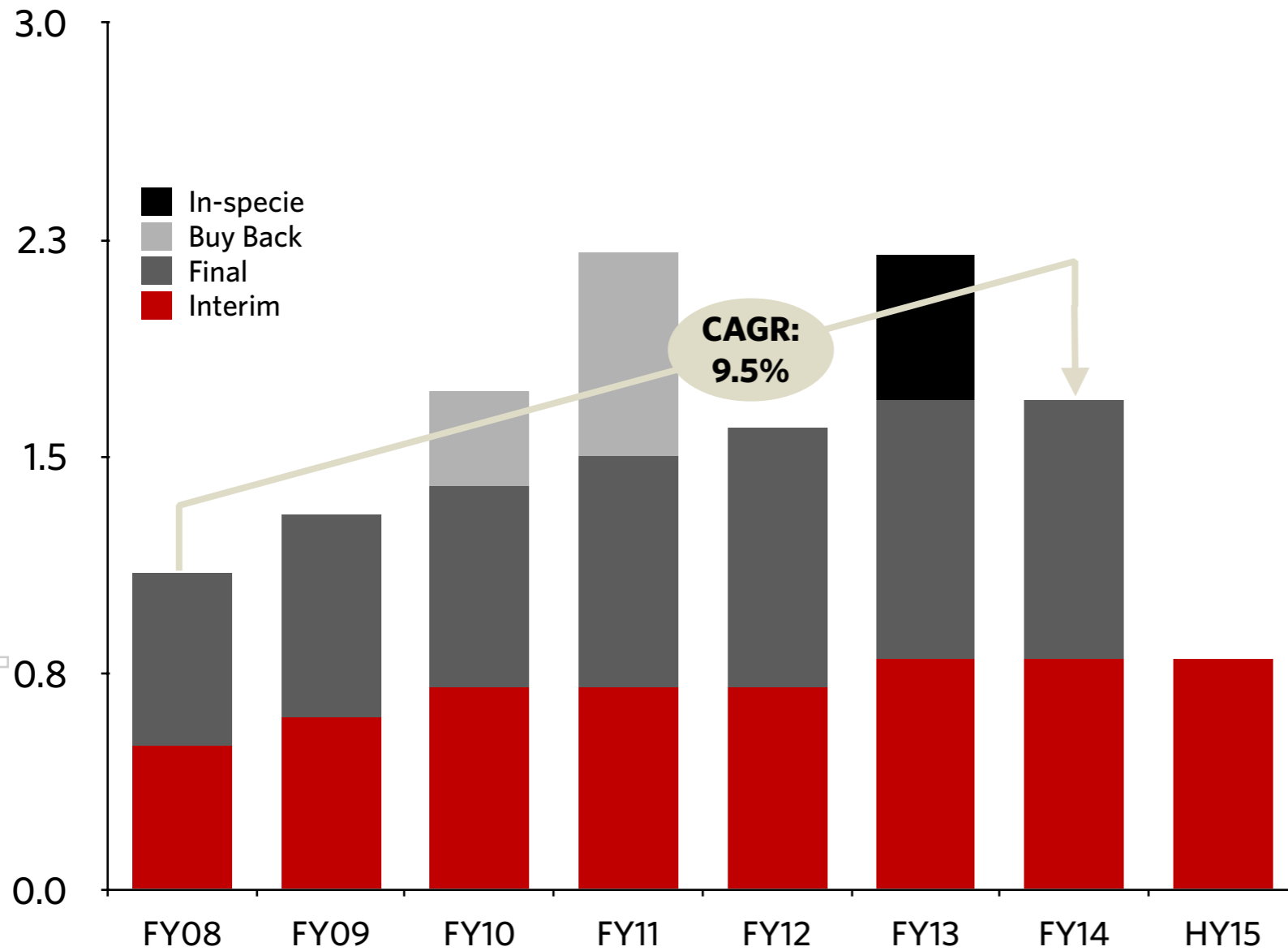


- Group has generated \$20bn of operating cash flow from beginning of FY08
- Operating cash flow has funded all capital expenditure requirements including property development as well as cumulative dividends of \$8.5bn
- Excluding net property investment, free cash flow would have been \$2.9bn



## Strong dividend growth with 70% payout balancing funding for growth and shareholder returns

### Dividend History



- Consistent dividend growth underpinned by solid earnings growth and dividend payout ratio of c.70%
- Share buybacks and in-specie distribution of \$1.5bn in the last five years

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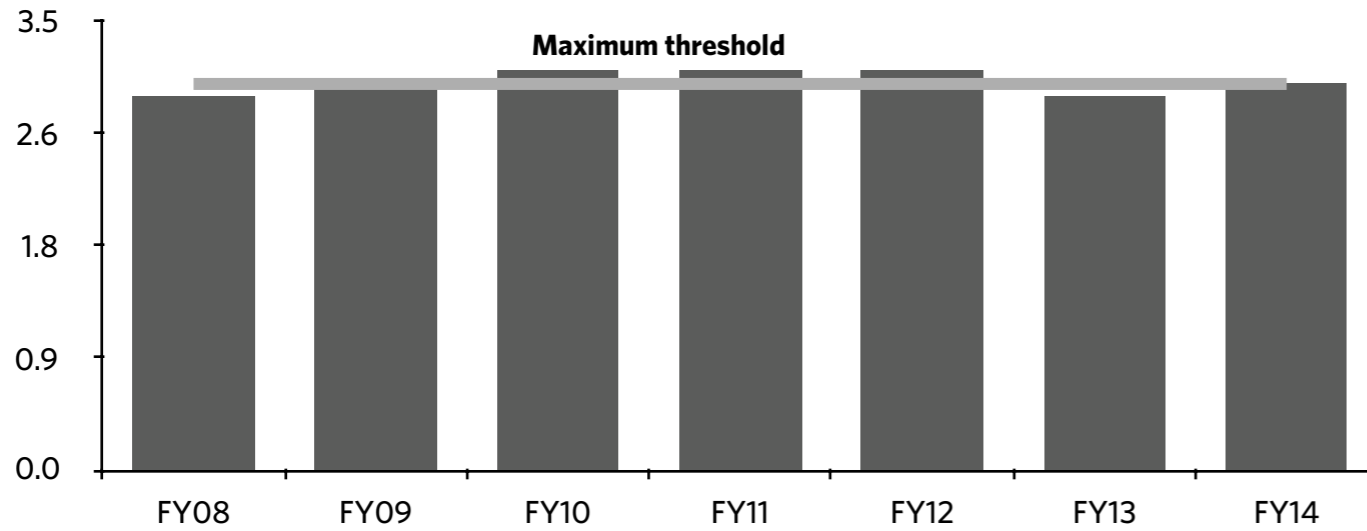




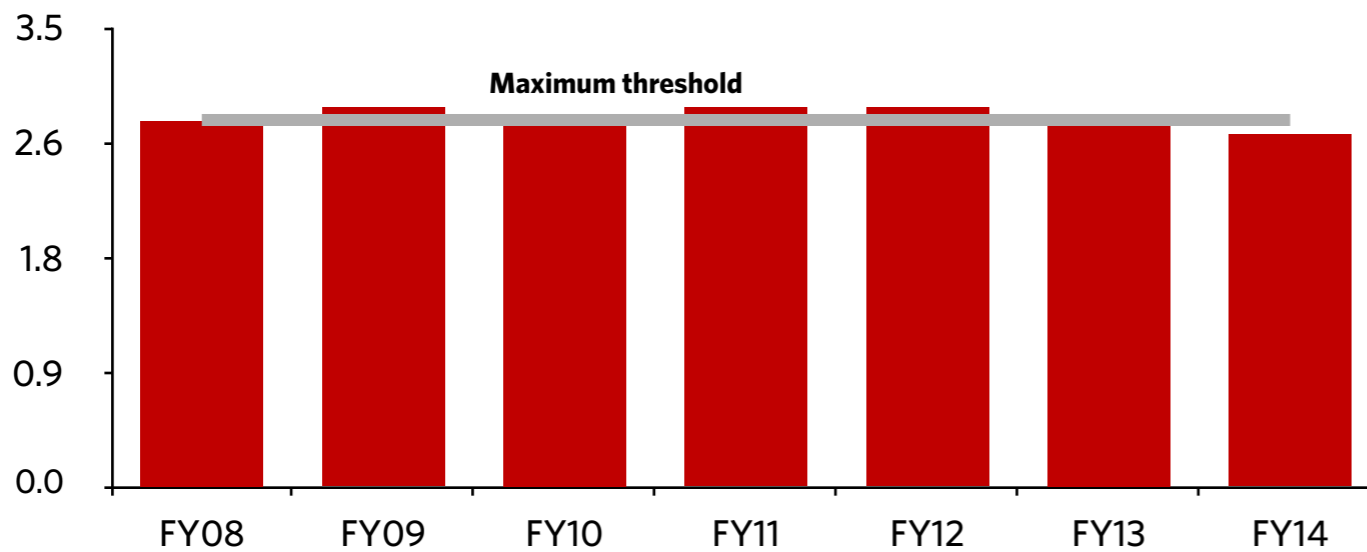
## Balance sheet remains strong but little headroom under current credit ratings

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### Fixed Charges Cover (S&P)



### Debt/ EBITDA (S&P)

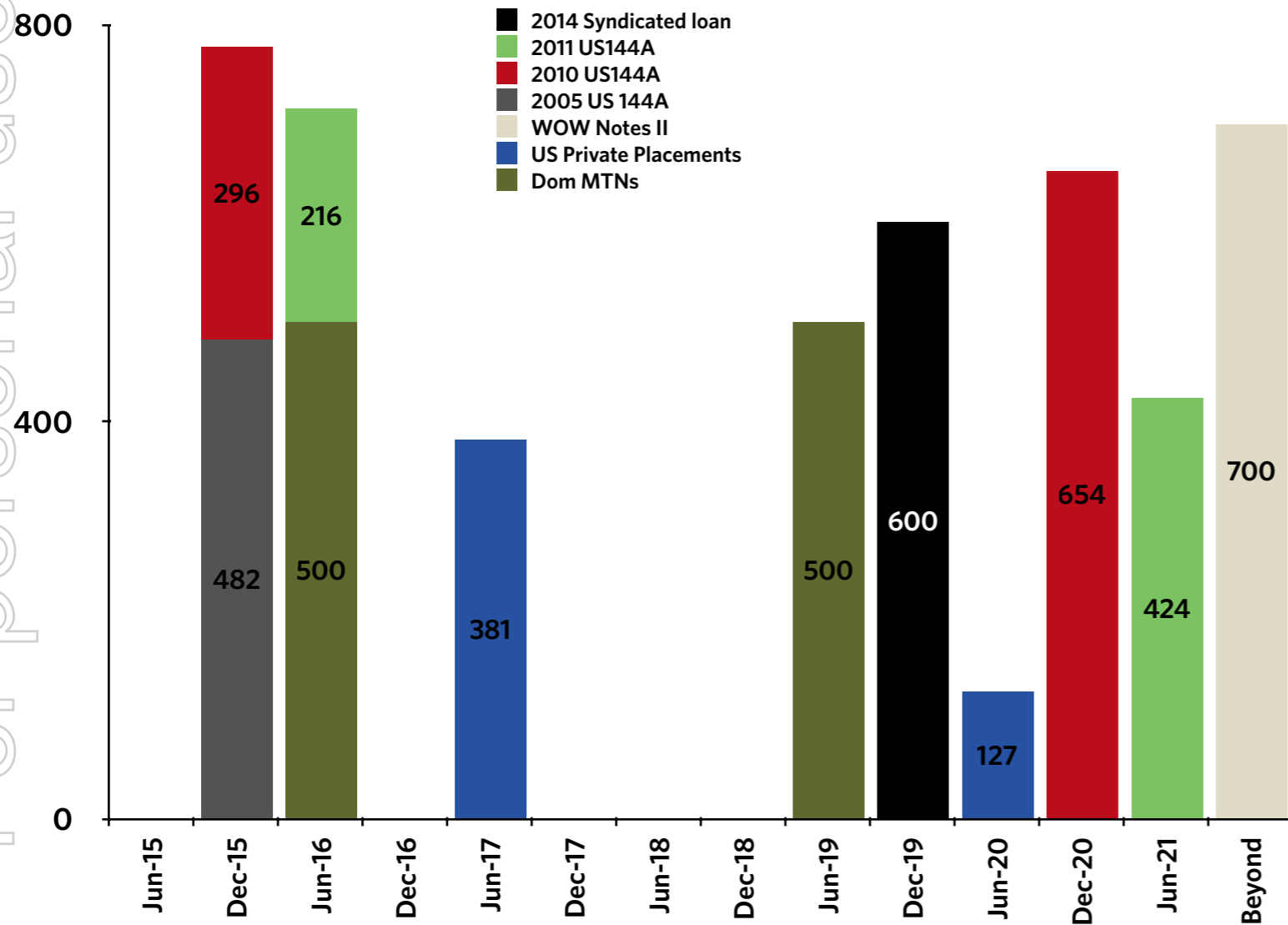


- A- (S&P) and A3 (Moody's) in place since 2001 and 2005 respectively
- We have a strong track record of capital management where there is capacity under credit rating but have had limited headroom in recent years
- Balancing shareholder returns whilst maintaining a strong balance sheet remains a priority



## Debt profile is carefully managed with a staggered maturity profile

### Debt Maturity Profile - Six Month Intervals



- Our hard maturity debt is well diversified by source and tenor
- Recently refinanced syndicated loan at very competitive rates
- Funds currently on deposit to settle calendar 2015 maturities
- All foreign denominated debt is hedged resulting in no currency risk over the life of the borrowings
- Current undrawn borrowing facilities of \$2.1bn

## Overview

- Strong financial position providing flexibility to address current performance challenges
- Strong cash generation with \$20bn of operating cash flow to fund new businesses, capex, dividends and property development since the beginning of FY08
- Disciplined capital allocation that will underpin growth plans
- Working capital remains an opportunity
- Capital management remains a priority

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# Questions

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