

# 2016 Full-year Results Briefing Presentation

Wednesday, 24 August 2016



**Wesfarmers**

## Presentation outline

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# Group Performance Overview

Richard Goyder  
Managing Director  
Wesfarmers Limited



## Financial overview

Full-year ended 30 June 2016	Reported	Excluding significant items <sup>1</sup>	Variance to pcp (exc. significant items)
Operating revenue	\$66.0b	\$66.0b	5.7%
Earnings before interest & tax	\$1,346m	\$3,607m	(4.0%)
Net profit after tax	\$407m	\$2,353m	(3.6%)
Earnings per share	36.2 cps	209.5 cps	(3.1%)
Dividend per share	186 cps	186 cps	(7.0%)
Return on equity (R12)	1.7%	9.6%	(0.2ppt)

<sup>1</sup> 2016 excludes the following pre-tax (post-tax) amounts: \$1,266m (\$1,249m) non-cash impairment of Target; \$850m (\$595m) non-cash impairment of Curragh; & \$145m (\$102m) of restructuring costs & provisions to reset Target.

- Solid performances across the Group's retail portfolio & WesCEF, offset by losses at Target & Resources
- Capital expenditure discipline maintained, with continued investment in enhancing retail store networks with strong returns on incremental capital
- Final dividend of \$0.95 (fully-franked); Full-year ordinary dividend of \$1.86 per share, in line with Group policy which considers earnings, cash flows, & franking credits

## Group performance summary

Full-year ended 30 June (\$m)	2016	2015	var %
Revenue	65,981	62,447	5.7
EBITDA	2,642	4,978	(46.9)
EBIT	1,346	3,759	(64.2)
EBIT (exc. significant items) <sup>1</sup>	3,607	3,759	(4.0)
<b>Net profit after tax</b>	<b>407</b>	<b>2,440</b>	<b>(83.3)</b>
<b>Net profit after tax (exc. significant items)<sup>1</sup></b>	<b>2,353</b>	<b>2,440</b>	<b>(3.6)</b>
Operating cash flow	3,365	3,791	(11.2)
Net capital expenditure	1,336	1,552	(13.9)
Free cash flow	1,233	1,893	(34.9)
Earnings per share (cps)	36.2	216.1	(83.2)
Earnings per share (exc. significant items) <sup>1</sup> (cps)	209.5	216.1	(3.1)
Operating cash flow per share (wanos, incl. res shares) (cps)	299.2	335.1	(10.7)
Full-year ordinary dividend (cps)	186	200	(7.0)
Net financial debt <sup>2</sup>	6,537	5,515	18.5
Return on equity (exc. significant items) (R12 %) <sup>1</sup>	9.6	9.8	(0.2ppt)

<sup>1</sup> 2016 excludes the following pre-tax (post-tax) amounts: \$1,266m (\$1,249m) non-cash impairment of Target; \$850m (\$595m) non-cash impairment of Curragh; & \$145m (\$102m) of restructuring costs & provisions to reset Target.

<sup>2</sup> Interest bearing liabilities less cash at bank & on deposit, net of cross currency interest rate swaps & interest rate swap contracts.

## Divisional earnings

EBIT (\$m) year ended 30 June	2016	2015	var %	var \$
<b>Coles</b>	<b>1,860</b>	<b>1,783</b>	<b>4.3</b>	<b>77</b>
<b>Home Improvement</b>	<b>1,214</b>	<b>1,088</b>	<b>11.6</b>	<b>126</b>
Bunnings Australia & NZ	1,213	1,088	11.5	125
Bunnings UK & Ireland <sup>1</sup>	1	-	-	-
<b>Department Stores</b>	<b>275</b>	<b>522</b>	<b>(47.3)</b>	<b>(247)</b>
Kmart	470	432	8.8	38
Target <sup>2</sup>	(195)	90	<i>n.m.</i>	(285)
<b>Officeworks</b>	<b>134</b>	<b>118</b>	<b>13.6</b>	<b>16</b>
<b>Industrials</b>	<b>47</b>	<b>353</b>	<b>(86.7)</b>	<b>(306)</b>
WesCEF <sup>3</sup>	294	233	26.2	61
Industrial & Safety <sup>4</sup>	63	70	(10.0)	(7)
Resources	(310)	50	<i>n.m.</i>	(360)

<sup>1</sup> Represents trading from the Homebase acquisition from 28 February 2016.

<sup>2</sup> 2016 includes \$145m in restructuring costs & provisions to reset Target.

<sup>3</sup> 2016 includes \$32m in costs relating to ceasing PVC manufacturing. 2015 includes net \$10m gain from one-off restructuring, comprising a gain on sale of Kleenheat's east coast LPG distribution business and asset writedowns, as well as insurance proceeds.

<sup>4</sup> 2016 includes \$35m in restructuring costs. 2015 includes \$20m in restructuring costs.

## Divisional return on capital (RoC)

Rolling 12 months to 30 June	2016			2015	
	EBIT (\$m)	Cap Emp (\$m)	RoC (%)	RoC (%)	Variance (ppt)
<b>Coles</b>	<b>1,860</b>	<b>16,541</b>	<b>11.2</b>	<b>11.0</b>	<b>0.2</b>
<b>Home Improvement<sup>1</sup></b>	<b>1,214</b>	<b>3,599</b>	<b>33.7</b>	<b>33.5</b>	<b>0.2</b>
Bunnings Australia & New Zealand	1,213	3,312	36.6	33.5	3.1
<b>Department Stores</b>	<b>275</b>	<b>3,629</b>	<b>7.6</b>	<b>13.8</b>	<b>(6.2)</b>
Kmart	470	1,246	37.7	32.9	4.8
Target <sup>2</sup>	(195)	2,383	(8.2)	3.6	(11.8)
<b>Officeworks</b>	<b>134</b>	<b>994</b>	<b>13.5</b>	<b>11.4</b>	<b>2.1</b>
<b>Industrials</b>	<b>47</b>	<b>4,244</b>	<b>1.1</b>	<b>8.3</b>	<b>(7.2)</b>
WesCEF <sup>3</sup>	294	1,554	18.9	15.2	3.7
Industrial & Safety <sup>4</sup>	63	1,339	4.7	5.5	(0.8)
Resources	(310)	1,351	(22.9)	3.4	(26.3)

<sup>1</sup> 2016 includes the Homebase acquisition from 28 February 2016.

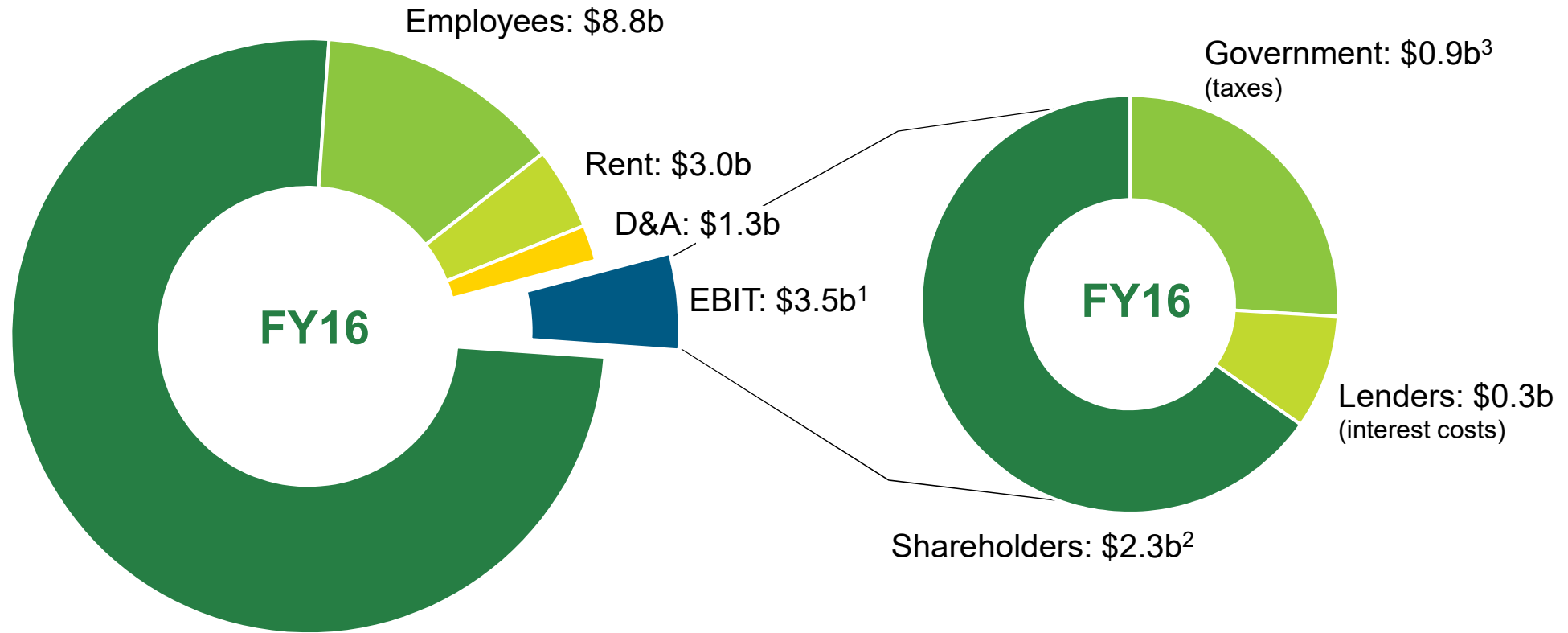
<sup>2</sup> 2016 includes \$145m in restructuring costs & provisions.

<sup>3</sup> 2016 includes \$32m in costs relating to ceasing PVC manufacturing. 2015 includes net \$10m gain from one-off restructuring, comprising a gain on sale of Kleenheat's east coast LPG distribution business and asset writedowns, as well as insurance proceeds.

<sup>4</sup> 2016 includes \$35m in restructuring costs. 2015 includes \$20m in restructuring costs.

# Strong value creation for all stakeholders

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Suppliers & Services: \$49.7b

- Significant direct employer **220,000**
- Significant indirect employer (supplier payments) **\$49.7b**
- Strong business reinvestment (capital expenditure) **\$1.9b**
- Direct & indirect community contributions **\$111m**
- Australian shareholders **80%**

<sup>1</sup> Excludes pre-tax non-cash impairments of \$2,116m related to Target & Curragh.

<sup>2</sup> Total dividends paid in FY16.

<sup>3</sup> Excludes the tax expense effect of the Target & Curragh impairment charges.



# Sustainability



## Safety

- Total Recordable Injury Frequency Rate reduced 15% to 33.4



## Ethical Sourcing

- Improved transparency of our supply chain (3,211 factories audited)



## Diversity

- 3,300 Indigenous employees
- Increased representation of women in management roles



## Community contributions

- \$111m in direct & indirect contributions



## Climate change resilience

- Decreased emissions by more than 20% over the last 5 years



## Supplier relationship

- \$45.5b paid to over 15,000 suppliers<sup>1</sup>

<sup>1</sup> Represents raw materials & inventory expense.

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# Group Balance Sheet & Cash Flow

Terry Bowen

Finance Director  
Wesfarmers Limited



## Other business performance summary

Year ended 30 June (\$m)	Holding %	2016	2015	var %
<b>Share of profit of associates</b>				
BWP Trust	25	77	52	48.1
Other	Various	5	13	(61.5)
<b>Sub-total share of profit of associates</b>		<b>82</b>	<b>65</b>	<b>26.2</b>
Interest revenue <sup>1</sup>		5	27	(81.5)
Other		(31)	(73)	57.5
Corporate overheads		(124)	(124)	-
<b>Total Other (excluding NTIs)</b>		<b>(68)</b>	<b>(105)</b>	<b>35.2</b>
Non-trading items (NTIs) <sup>2</sup>		(2,116)	-	<i>n.m.</i>
<b>Total Other</b>		<b>(2,184)</b>	<b>(105)</b>	<i>n.m.</i>

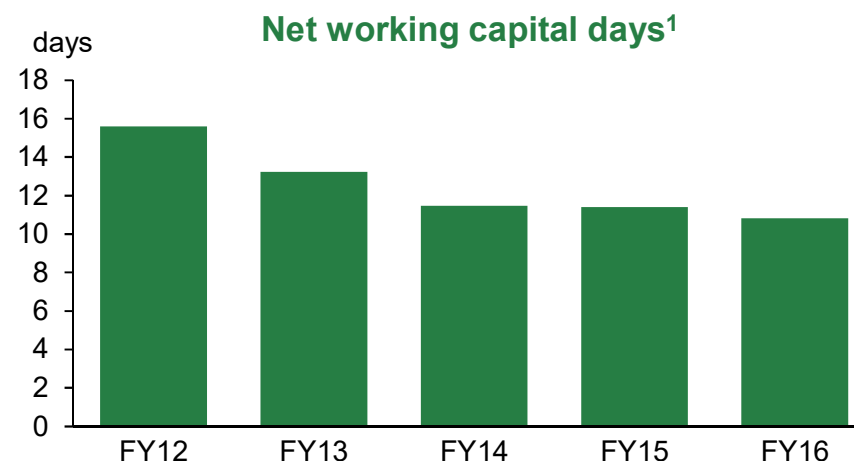
<sup>1</sup> Excludes interest revenue from Coles Financial Services & Quadrant Energy loan.

<sup>2</sup> Includes pre-tax non-cash impairments relating to Target (\$1,266m) & Curragh (\$850m).

## Working capital management

- Working capital outflows in the retail portfolio were partially offset by working capital inflows in the Industrials division
- Retail movement driven by
  - Investments to improve stock availability in Homebase
  - Investments to support sales growth across the retail businesses
  - Depreciation of the AUD
- Industrials movement driven by
  - Lower coal production in Resources
  - Timing of fertiliser & ammonia shipments
  - The conversion to a PVC import model in WesCEF
- Net working capital days declined from 15.6 days in FY12 to 10.8 days in FY16

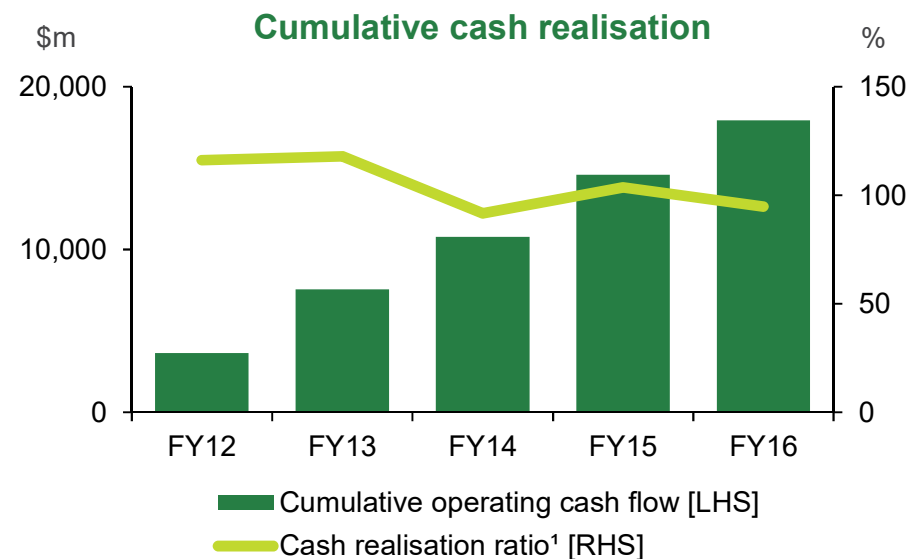
Year ended 30 June (\$m)	2016	2015
<b>Cash movement inflow/(outflow)</b>		
Receivables & prepayments	(51)	47
Inventory	(444)	(128)
Payables	259	219
<b>Total</b>	<b>(236)</b>	<b>138</b>
<b>Working capital cash movement</b>		
Retail	(390)	255
Industrials & Other	154	(117)
<b>Total</b>	<b>(236)</b>	<b>138</b>



<sup>1</sup> Calculated as average net working capital balance divided by R12 revenue multiplied by 365.

## Cash flow generation

- FY16 operating cash flows declined 11.2% to \$3,365m due to higher working capital investment
- Cash realisation<sup>1</sup> of 94.9%
  - Decrease driven by higher working capital
  - Cash realisation excluding the investments made to improve stock availability in Homebase was 99.7%

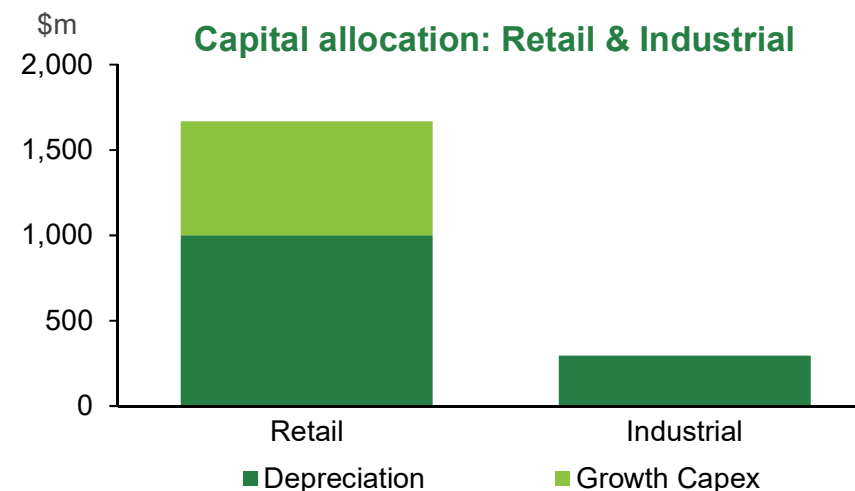


<sup>1</sup> Adjusted for significant one-offs, discontinued operations & non-trading items. 2016 excludes non-cash impairments of Target & Curragh.

# Capital expenditure

- Capital deployed to high return opportunities
  - Coles & Home Improvement comprised 70% of capital expenditure
  - Coles FY16 RoC<sup>2</sup> of 30.0% (excluding goodwill)
  - Home Improvement FY16 RoC<sup>2</sup> of 48.6% (excluding goodwill)
  - Kmart FY16 RoC<sup>2</sup> of 96.5% (excluding goodwill)
- Free cash flows of \$1,233m, 34.9% lower than prior year due to \$665m acquisition of Homebase
- FY17 net capital expenditure of \$1.3b to \$1.6b expected, subject to net property investment

Year ended 30 June (\$m) <sup>1</sup>	2016	2015	var %
Coles	797	941	(15.3)
Home Improvement	538	711	(24.3)
Kmart	163	169	(3.6)
Target	129	127	1.6
Officeworks	40	39	2.6
WesCEF	60	56	7.1
Industrial & Safety	52	57	(8.8)
Resources	116	137	(15.3)
Other	4	2	100.0
<b>Total capital expenditure</b>	<b>1,899</b>	<b>2,239</b>	<b>(15.2)</b>
Sale of PP&E	(563)	(687)	(18.0)
<b>Net capital expenditure</b>	<b>1,336</b>	<b>1,552</b>	<b>(13.9)</b>



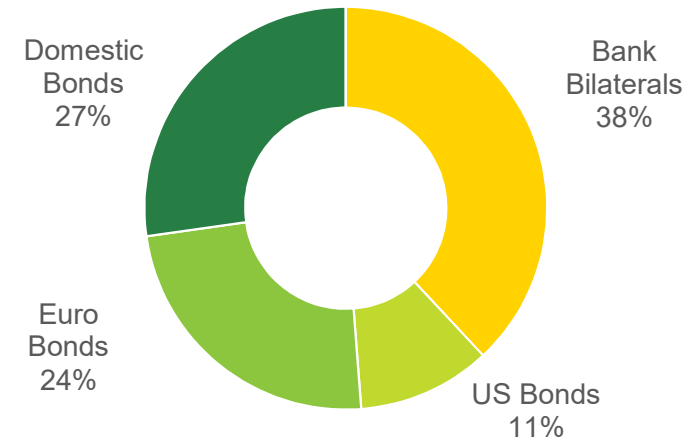
<sup>1</sup> Capital investment provided on a cash basis.

<sup>2</sup> Rolling 12 months.

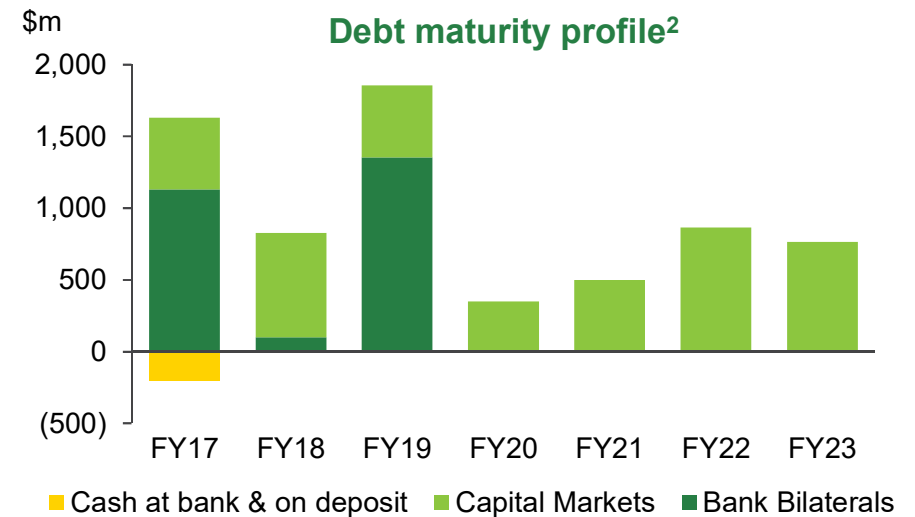
# Debt management

- Continued to implement debt strategy by maintaining diversity of sourcing, pre-funding debt maturities, maintaining access to diverse debt capital markets & ensuring an appropriate maturity spread profile
- Net financial debt<sup>1</sup> increased \$1,022m to \$6,537m<sup>2</sup> largely driven by the acquisition of Homebase & working capital investments in the retail portfolio
- FY16 debt activity
  - Repayment of €500m medium term note (\$756m<sup>3</sup>)
  - Repayment of US\$650m US 144A bond (\$604m<sup>4</sup>)
  - Established \$500m bank bilateral facilities
  - Established £630m (\$1,135m<sup>5</sup>) three-year & one-year bank facilities to fund the Homebase acquisition & provide working capital
  - Extended \$925m existing bank facilities to FY19

Debt sources<sup>2</sup>



Debt maturity profile<sup>2</sup>



<sup>1</sup> Interest bearing liabilities less cash at bank & on deposit, net of cross currency interest rate swaps & interest rate swap contracts.

<sup>2</sup> As at 30 June 2016.

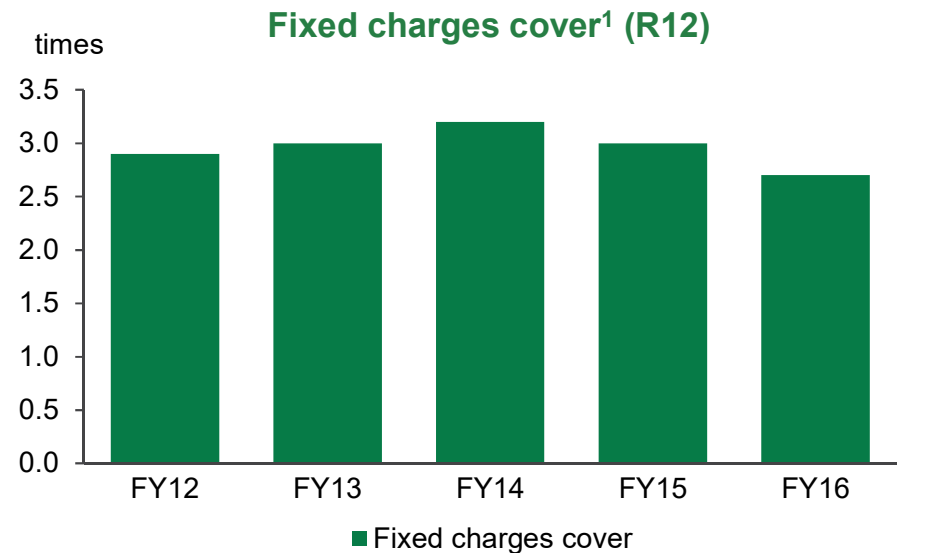
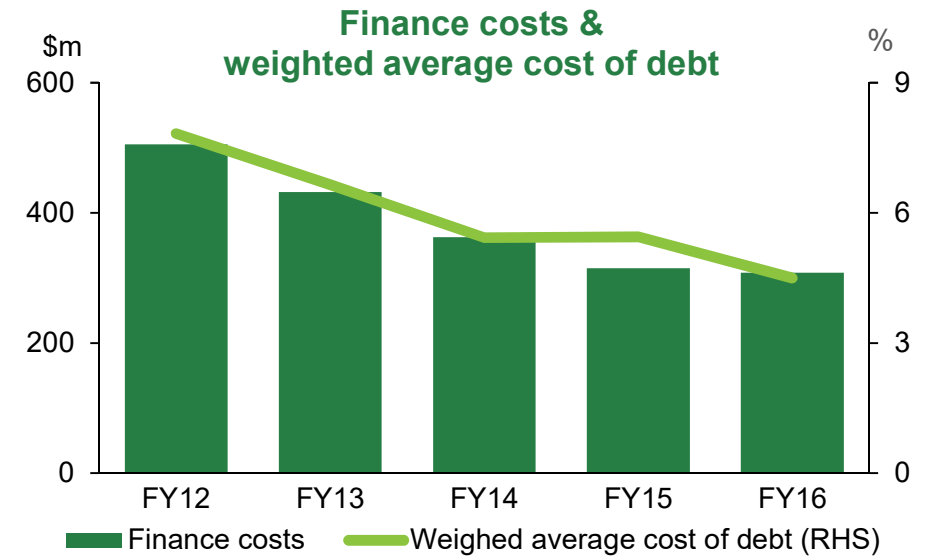
<sup>3</sup> €:A\$ of 0.66 Term note issued March 2010.

<sup>4</sup> US\$:A\$ of 1.08 Term note issued May 2011.

<sup>5</sup> £:A\$ of 0.55 as at 30 June 2016 (Reserve Bank of Australia).

## Funding costs & credit metrics

- 'All-in' effective borrowing cost further reduced to 4.50%
  - Reflects active management of debt sources & the benefit of a lower BBSW rate
- Solid credit metrics
  - Cash interest cover<sup>1</sup> (R12) at 16.8 times
  - Fixed charges cover<sup>1</sup> (R12) at 2.7 times
- Strong credit ratings
  - Moody's A3 (stable outlook)
  - Standard & Poor's A- (negative outlook)

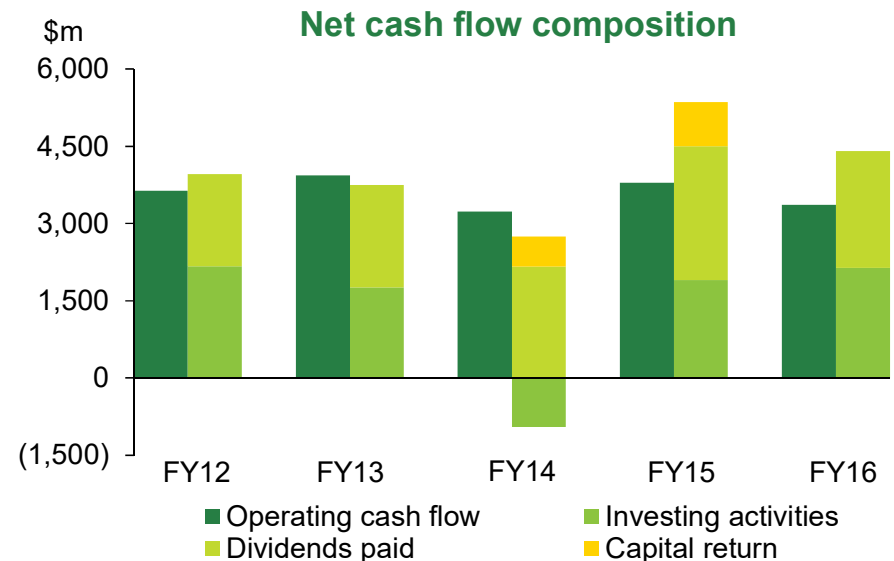
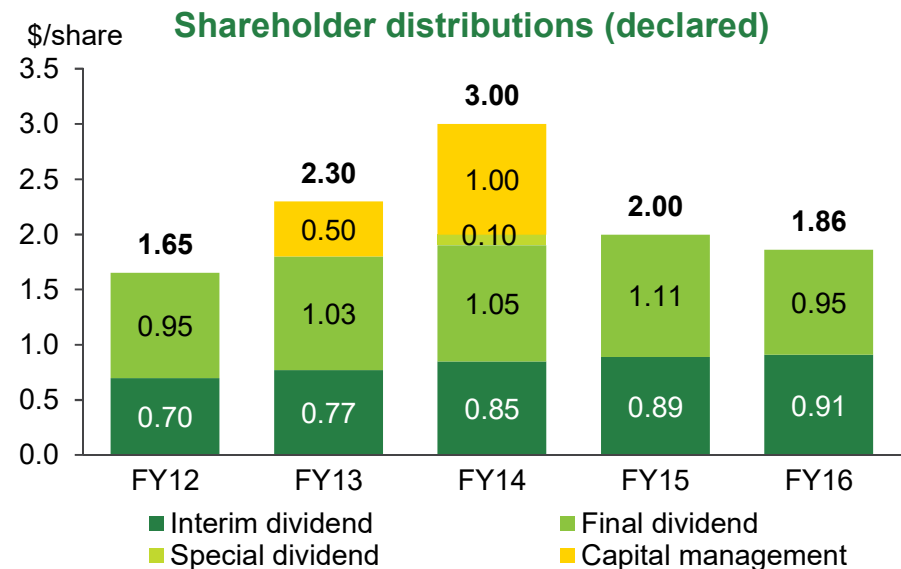


<sup>1</sup> 2016 excludes non-cash impairments of Target & Curragh.



# Dividends

- Delivering returns over the long-term by balancing shareholder distributions with disciplined capital investment
- Full-year dividend of \$1.86 per share, fully franked
  - Final dividend of \$0.95 per share declared
  - Dividend record date 30 August 2016 with final dividend payable 5 October 2016
  - Dividend investment plan; last day for application 31 August 2016



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# Coles

**John Durkan**  
Managing Director  
Coles



coles

coles.com.au

coles  
express

VINTAGE CELLARS

first CHOICE liquor

BI-LO

LIQUORLAND

spirit  
HOTELS

coles Financial Services

## Coles performance summary

Year ended 30 June (\$m)		2016	2015	var %
<b>Coles Division</b>	<b>Revenue<sup>1</sup></b>	<b>39,242</b>	<b>38,201</b>	<b>2.7</b>
	EBITDA <sup>2</sup>	2,475	2,347	5.5
	Depreciation & amortisation	(615)	(564)	(9.0)
	<b>EBIT<sup>2</sup></b>	<b>1,860</b>	<b>1,783</b>	<b>4.3</b>
	EBIT margin <sup>2</sup> (%)	4.7	4.7	
	RoC (R12%)	11.2	11.0	
	Safety (R12 LTIFR)	8.4	8.0	
<b>Food &amp; Liquor</b>	<b>Revenue<sup>1</sup></b>	<b>32,564</b>	<b>30,784</b>	<b>5.8</b>
	Headline sales growth <sup>3,4</sup> (%)	5.1	5.3	
	Comparable sales growth <sup>3,4</sup> (%)	4.1	3.9	
	Inflation/(deflation)	(1.7)	(0.8)	
<b>Convenience</b>	<b>Revenue</b>	<b>6,678</b>	<b>7,417</b>	<b>(10.0)</b>
	Total store sales growth <sup>4</sup> (%)	11.1	9.8	
	Comp. fuel volume growth <sup>4</sup> (%)	(7.9)	(3.7)	

<sup>1</sup> Includes property revenue for 2016 of \$25m & 2015 of \$29m.

<sup>2</sup> Includes property EBIT for 2016 of \$17m & 2015 of \$14m.

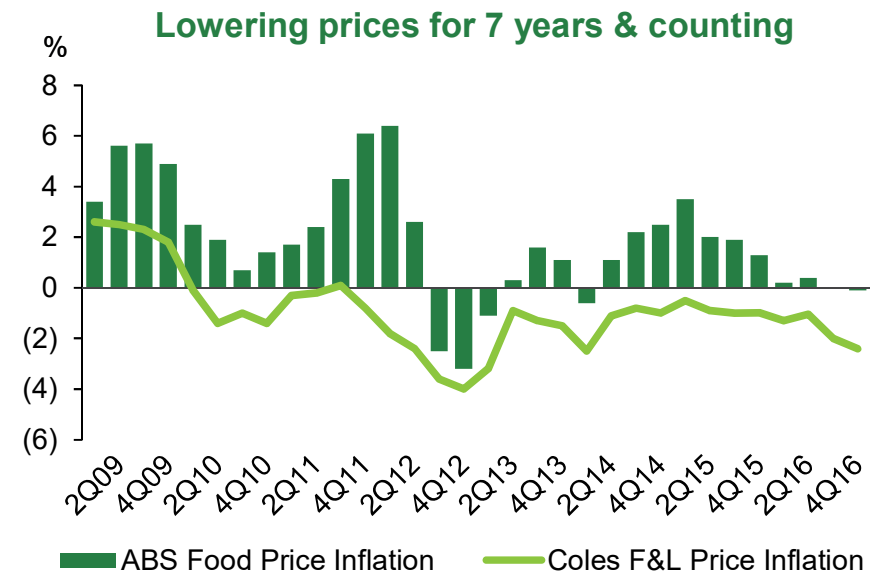
<sup>3</sup> Includes hotels, excludes gaming revenue & property.

<sup>4</sup> 2016 growth reflects the period 29 June 2015 to 26 June 2016 & the period 30 June 2014 to 28 June 2015. 2015 growth reflects the period 30 June 2014 to 28 June 2015 & the period 1 July 2013 to 29 June 2014.

# Food & Liquor highlights

## Creating trusted value with customers

- Lowering the cost of the weekly shop for customers
  - 7.5% cumulative deflation from FY09
  - More than 3,100 products at Every Day prices as at 30 June
  - Largest Coles brand activation to date, with nearly 1,000 products added to Every Day pricing through June & July
- Fresh offering continues to drive growth
  - Growth in key metrics of items per basket, basket size & transactions per week
  - More fresh heroes on Every Day including whole chickens & chicken schnitzel in 4Q FY16
  - Continued investment to improve quality & availability for customers
- Continued investment in service
  - Investing in our team members to improve our offering with over 8,000 store team members trained in a craft skill in FY16
  - Over 450,000 hours of incremental service invested through 2H FY16



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# Food & Liquor highlights

## Driving greater simplicity

- Building long-term supplier partnerships
  - More long-term strategic partnerships with Australian growers to improve quality & availability
  - Longer term end-to-end planning from supplier to shelf, reducing volatility & improving availability
  - Coles Nurture Fund products launched in stores
- More efficient supply chain
  - Reduced cost & improved availability throughout the network
  - Smarter systems to improve forecasting, flow of stock & reduce handling through the network
- Simpler & smarter stores
  - One Team roll-out to accelerate in FY17 to improve team member rostering
  - Continuous improvement of in-store processes to step change peak time availability
  - Customer-led range reduction making stores easier to shop



# Food & Liquor highlights

## Boldly extending into new services & channels

- Extending convenience with Coles Online
  - First standalone online supermarket launched in Victoria in April 2016
  - FY16 transaction growth & sales growth of ~25%
  - Delivering a world class customer experience with a new website in early FY17
- Leveraging flybuys to deliver better value
  - Continued growth in the key metrics of active households & average basket size
  - Double-digit growth in points redeemed, reflecting efforts to provide personalised offers to customers
  - Introduced flybuys travel to further broaden the appeal of the program to customers
- More value through Coles Financial Services
  - Over 1 million customer accounts & growing
  - Winner of Money Magazine's Credit Card Issuer of the Year 2016



Find deals. Get points.



coles Credit Cards  
**Credit Card Issuer of the Year.**  
Awarded for a range of everyday, great value credit cards.

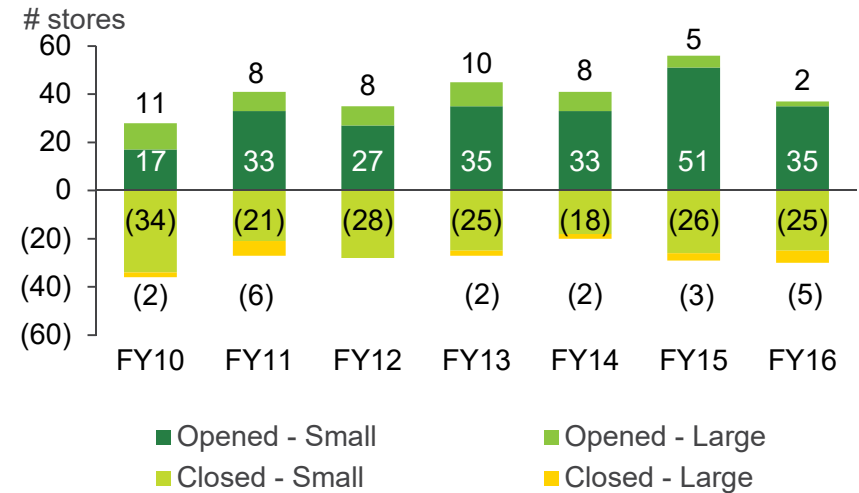


# Food & Liquor highlights

## Progressing the Liquor transformation

- Positive comparable sales growth achieved through 2H FY16
- Continued optimisation of the network in FY16
  - 30 underperforming stores closed
  - 37 new stores opened
- Accelerating the Liquorland renewals
  - More than 180 since transformation began
  - 200 planned for FY17
- Next phase to focus on
  - Continued value investment & range simplification
  - Continued trial of new First Choice offer
  - Penetration of exclusive brands
  - Growth of Liquor Direct
  - Simplification of processes

### Reshaping the liquor network



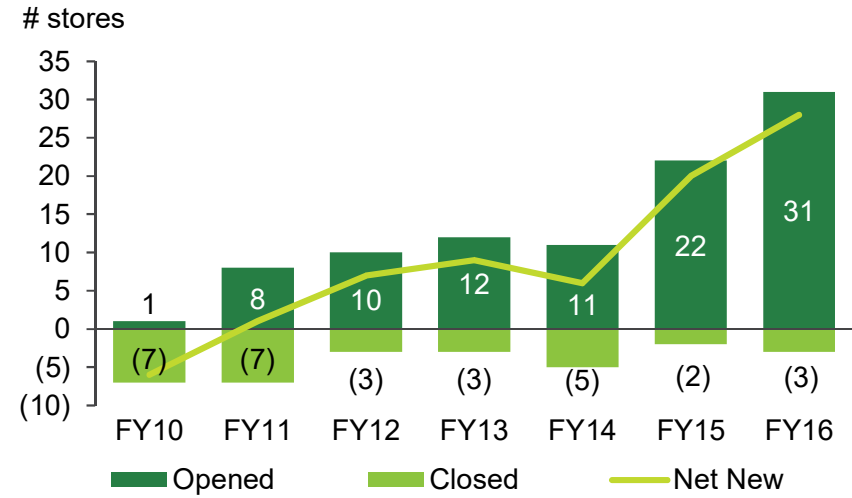
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# Convenience highlights

## Convenience shop sales growing strongly

- Convenience shop sales growth remains strong
  - 11.1% headline sales growth driven by record transaction growth
  - Strong growth in food-to-go underpinned by new sandwich & bakery ranges
  - Compelling value through Every Day & Coles Brand drove seventh consecutive quarter of price deflation (excluding Tobacco)
- Continuing to improve the site network
  - 31 new sites opened in FY16
  - A further 28 upgraded with bold branding
  - Currently trialling a new format in three locations
- Fuel volumes declined
  - FY16 headline volumes down 4.4%, comparable volumes down 7.9%

### Expanding the convenience network





# Coles outlook

- Competition is robust & Coles will continue to be customer-led in everything that we do
- Continued investment in value, service & fresh to drive sales growth
- Investment funded by a focus on simplifying the business
- Maintain a focus on transforming liquor as improving profitability remains an opportunity
- Invest in new growth opportunities for the long term
- Continue to remain disciplined & returns-focused in capital management



★ Inspire ★  
Customers

**BOLD**

Simplify  
always

One  
TEAM

Care  
Passionately

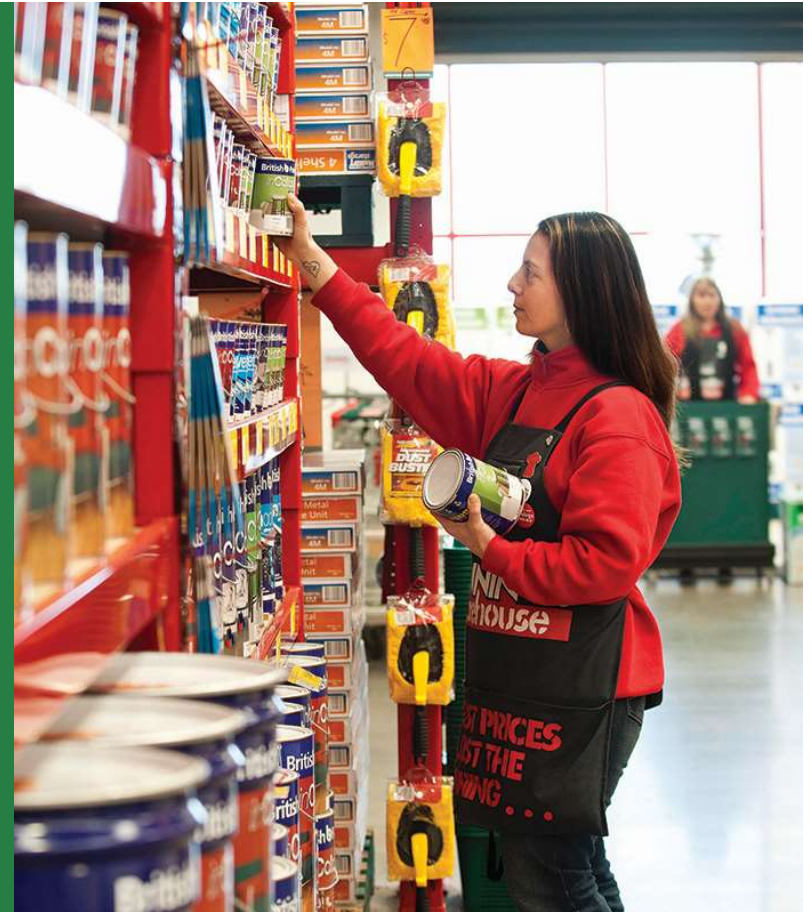
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# Home Improvement

**John Gillam**  
Chief Executive Officer  
Bunnings Group



## Home Improvement performance summary

Year ended 30 June (\$m)	2016	2015	var %
<b>Revenue<sup>1</sup></b>	<b>11,571</b>	<b>9,534</b>	<b>21.4</b>
EBITDA <sup>1,2</sup>	1,383	1,228	12.6
Depreciation & amortisation <sup>1</sup>	(169)	(140)	(20.7)
<b>EBIT<sup>1,2</sup></b>	<b>1,214</b>	<b>1,088</b>	<b>11.6</b>
EBIT margin <sup>1,2</sup> (%)	10.5	11.4	
RoC <sup>1</sup> (R12%)	33.7	33.5	
Bunnings Australia & New Zealand			
- RoC (R12%)	36.6	33.5	
- Safety (R12 AIFR)	22.2	25.0	
- Store-on-store sales growth <sup>3</sup> (%)	8.1	8.8	

<sup>1</sup> Includes trading from the Homebase acquisition from 28 February 2016.

<sup>2</sup> Includes net property contribution for FY16 of \$46m & FY15 of \$40m.

<sup>3</sup> 2016 growth reflects the period 1 July 2015 to 30 June 2016 & the period 1 July 2014 to 30 June 2015. 2015 growth reflects the period 1 July 2014 to 30 June 2015 & the period 1 July 2013 to 30 June 2014.

## Home Improvement performance summary (continued)

Year ended 30 June (\$m)	2016	2015	var %
<b>Revenue<sup>1</sup></b>	<b>11,571</b>	<b>9,534</b>	<b>21.4</b>
Bunnings Aust & NZ	10,575	9,534	10.9
Bunnings UK & Ireland <sup>1</sup> (\$)	996	n.a.	
Bunnings UK & Ireland <sup>1</sup> (£)	517	n.a.	
<b>EBIT<sup>1,2</sup></b>	<b>1,214</b>	<b>1,088</b>	<b>11.6</b>
Bunnings Aust & NZ	1,213	1,088	11.5
Bunnings UK & Ireland <sup>1</sup> (\$)	1	n.a.	
Bunnings UK & Ireland <sup>1</sup> (£)	0.5	n.a.	

<sup>1</sup> Includes trading from the Homebase acquisition from 28 February 2016.

<sup>2</sup> Includes net property contribution for FY16 of \$46m & FY15 of \$40m.

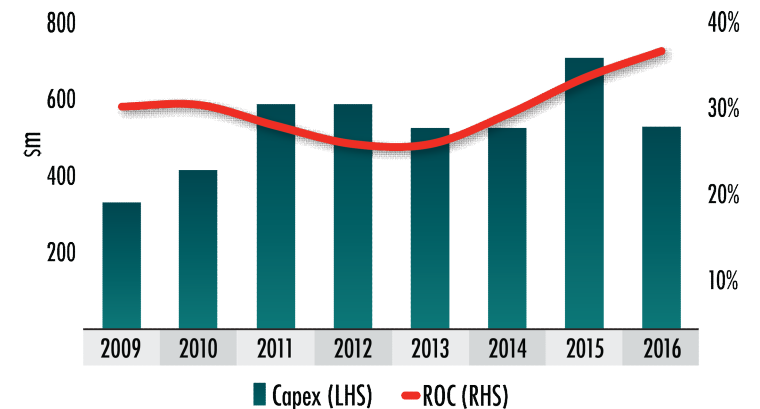
# Home Improvement highlights

## Bunnings Australia and New Zealand

- Strong sales growth
  - Total store sales growth of 11.1%
    - » Store-on-store growth of 8.1%
  - Positive across Australia (all regions) & New Zealand
  - Good momentum in consumer & commercial
  - Solid growth across all categories
- Good increase in EBIT
  - Gains from all parts of growth agenda
  - Productivity initiative benefits
  - Absorbing value creation & development impacts
- Pleasing RoC levels given the strength of reinvestment



**BANZ – Strong capex investment for future growth**

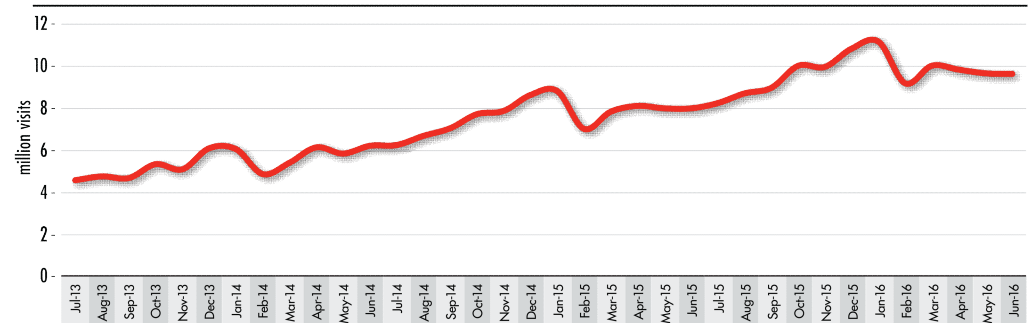


# Home Improvement highlights (continued)

## Bunnings Australia and New Zealand (cont.)

- Wider brand reach
  - Deeper engagement in digital eco-system
  - 22 new trading locations opened
- Continued team investment
  - More training investment (product, project)
  - Improved safety & enhanced diversity
- Better for customers
  - Improved stock availability & service intensity
  - More value funded by process efficiencies
- Continued commercial expansion
  - Broader market engagement
- Smooth transition to new leadership structure
  - Talent depth supporting Homebase related changes

Australia – Web Visits



# Home Improvement highlights (continued)

## Bunnings United Kingdom and Ireland (Homebase)

- Repositioning of Homebase well underway
  - New trading strategies implemented
    - » Merchandising, pricing, marketing & operations
    - » Reshaped with home improvement & garden market focus
  - Wider product choices & deeper stock holdings supported by ~£60 million (\$115 million) inventory investment
  - Pleasing team engagement; development investments
- Steady trading across initial four months of ownership
  - Disruption from change agenda well managed
  - Encouraging increase in underlying participation
    - » 7.5% increase in store transactions (like-for-like)
- FY16 EBIT result includes restructuring & one-off repositioning costs



## Home Improvement highlights (continued)

### Bunnings United Kingdom and Ireland (cont.)

- New leadership team well established
- Special purpose Advisory Board in place
- Transition, integration & separation activity well advanced
  - Many transitional services already terminated
- Preparation commenced for Bunnings Warehouse pilots
  - Expect to open 4 to 6 pilot stores in FY17
  - Successful pilots a pre-cursor to further investment
- Acquisition accounting largely complete
  - Goodwill in line with forecast

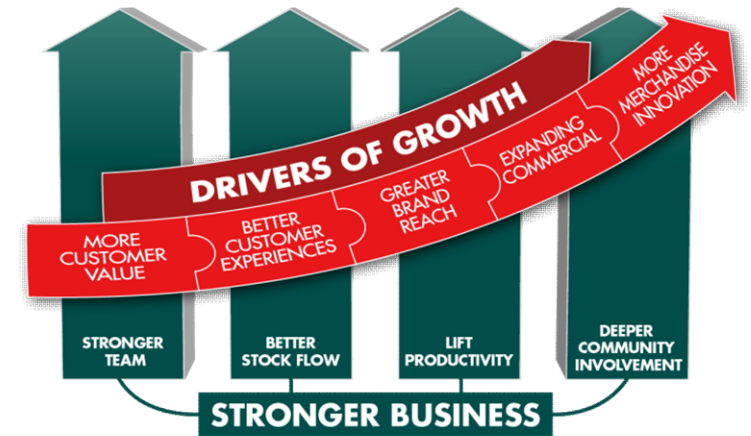




# Home Improvement outlook

## Australia and New Zealand

- Significant long-term opportunities
- Increase traction from strategic agenda
  - Creating better experiences
  - Strengthening the core
  - Driving stronger growth



## UK and Ireland

- Focused on Phase 1 of Acquisition Plans
  - Establish strong foundations
- Drive stronger operating performance in Homebase
- Implement pilot Bunnings Warehouse stores



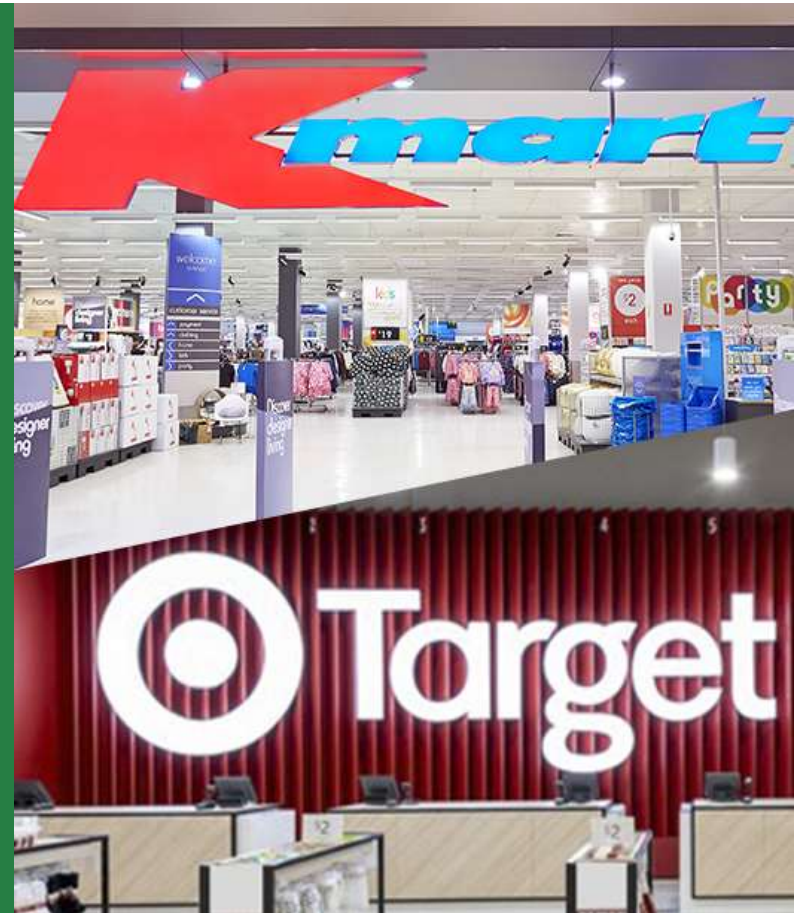
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# Department Stores

**Guy Russo**

Chief Executive Officer  
Department Stores

Managing Director  
Target



## Department Stores performance summary

Year ended 30 June (\$m)		2016	2015	var %
<b>Revenue</b>	Kmart	5,190	4,553	14.0
	Target	3,456	3,438	0.5
	<b>Total</b>	<b>8,646</b>	<b>7,991</b>	<b>8.2</b>
<b>EBITDA</b>	Kmart	571	521	9.6
	Target <sup>1</sup>	(105)	176	<i>n.m.</i>
	<b>Total</b>	<b>466</b>	<b>697</b>	<b>(33.1)</b>
<b>EBIT</b>	Kmart	470	432	8.8
	Target <sup>1</sup>	(195)	90	<i>n.m.</i>
	<b>Total</b>	<b>275</b>	<b>522</b>	<b>(47.3)</b>

<sup>1</sup> 2016 excludes pre-tax non-cash impairment of \$1,266m & includes \$145m of restructuring costs & provisions.

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# Target

**Guy Russo**

Managing Director  
Target



## Target performance summary

Year ended 30 June (\$m)	2016	2015	var %
<b>Revenue</b>	<b>3,456</b>	<b>3,438</b>	<b>0.5</b>
EBITDA <sup>1</sup>	(105)	176	<i>n.m.</i>
Depreciation & amortisation	(90)	(86)	(4.7)
<b>EBIT<sup>1</sup></b>	<b>(195)</b>	<b>90</b>	<b><i>n.m.</i></b>
<b>EBIT excluding significant items<sup>1,2</sup></b>	<b>(50)</b>	<b>90</b>	<b><i>n.m.</i></b>
EBIT margin excluding significant items <sup>1,2</sup> (%)	(1.4)	2.6	
RoC (R12 %)	(8.2)	3.6	
Safety (R12 LTIFR)	4.3	4.7	
Total sales growth <sup>3</sup> (%)	0.2	(1.8)	
Comparable store sales growth <sup>3</sup> (%)	(0.4)	(1.0)	

<sup>1</sup> 2016 excludes pre-tax non-cash impairment of \$1,266m.

<sup>2</sup> 2016 excludes \$145m of restructuring costs & provisions.

<sup>3</sup> 2016 growth reflects the period 28 June 2015 to 25 June 2016 & the period 29 June 2014 to 27 June 2015. 2015 growth reflects the period 29 June 2014 to 27 June 2015 & the period 30 June 2013 to 28 June 2014.

# Target highlights

- Progress since creation of Department Stores division in February 2016
  - Renewed vision, values & strategy
  - Cost base reduction & business reset
    - » Right-sized store support centre & advanced office relocation
    - » Accelerated supply chain streamlining, with further eight off-sites exited
    - » Rationalised ranges & exited slow moving & deleted products
  - Inventory levels reduced to ~15 weeks from ~20 weeks in March 2016
  - Advanced store network & renewal program review
- 2H FY16 earnings adversely affected by restructuring costs of \$145m, high levels of seasonal clearance & a lower Australian dollar
- Pre-tax non-cash impairment of \$1,266m reflecting short-term outlook & changes in the strategic plan
- Continued improvements in safety performance
  - 9% reduction in LTIFR; 18% reduction in new claims



# Target outlook

- FY17 reflects a transitional year
  - Embed the revised strategy
  - Accelerate the conversion to EDLP
    - » Exit unprofitable sales
    - » Exit Toy Sale
    - » Prioritise volume / 365 lines
  - Reduce inventory levels & improve range quality
  - Moderate capital expenditure, including renewal review & reset
  - Working capital focus to support increased cash flow generation



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# Kmart

Ian Bailey

Managing Director  
Kmart





## Kmart performance summary

Year ended 30 June (\$m)	2016	2015	var %
<b>Revenue</b>	<b>5,190</b>	<b>4,553</b>	<b>14.0</b>
EBITDA	571	521	9.6
Depreciation & amortisation	(101)	(89)	(13.5)
<b>EBIT</b>	<b>470</b>	<b>432</b>	<b>8.8</b>
EBIT margin (%)	9.1	9.5	
RoC (R12 %)	37.7	32.9	
Safety (R12 LTIFR)	6.7	7.0	
Total sales growth <sup>1</sup> (%)	13.5	8.2	
Comparable store sales growth <sup>1</sup> (%)	10.5	4.6	

<sup>1</sup> 2016 growth reflects the period 29 June 2015 to 26 June 2016 & the period 30 June 2014 to 28 June 2015. 2015 growth reflects the period 30 June 2014 to 28 June 2015 & the period 1 July 2013 to 29 June 2014.

# Kmart highlights

- Revenue growth across all categories, underpinned by increased customer transactions & units sold
- Strong growth in EBIT & RoC
  - Improvement in range architecture
  - Greater value across all price tiers
  - Improved efficiency in all operational areas
  - Strong working capital management
- Successfully managing exchange rate headwind
- Continued investment in the store network
  - Opened six new Kmart stores
  - Completed 37 major Kmart store refurbishments
  - Opened four new Kmart Tyre & Auto Service centres



## Kmart outlook

- Remain focused on growth strategies
  - Volume retailer
  - Operational excellence
  - Adaptable stores
  - High performance culture
- Relentless pursuit of lowest cost
- Better products at even lower prices
- Further understanding of customers to make better commercial decisions
- Develop & enhance the multi-channel offer
- Continue to expand & invest in the store network
- Safety, diversity & ethical sourcing remain high priorities



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# Officeworks

**Mark Ward**  
Managing Director  
Officeworks



## Officeworks performance summary

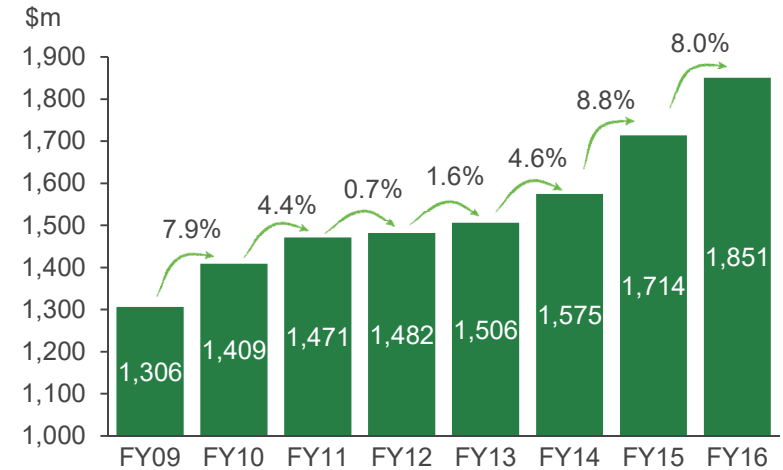
Year ended 30 June (\$m)	2016	2015	var %
<b>Revenue</b>	<b>1,851</b>	<b>1,714</b>	<b>8.0</b>
EBITDA	156	139	12.2
Depreciation & amortisation	(22)	(21)	(4.8)
<b>EBIT</b>	<b>134</b>	<b>118</b>	<b>13.6</b>
EBIT margin (%)	7.2	6.9	
RoC (R12 %)	13.5	11.4	
Safety (R12 AIFR)	15.9	19.2	
Total sales growth <sup>1</sup> (%)	8.1	8.8	

<sup>1</sup> 2016 growth reflects the period 1 July 2015 to 30 June 2016 & the period 1 July 2014 to 30 June 2015. 2015 growth reflects the period 1 July 2014 to 30 June 2015 & the period 1 July 2013 to 30 June 2014.

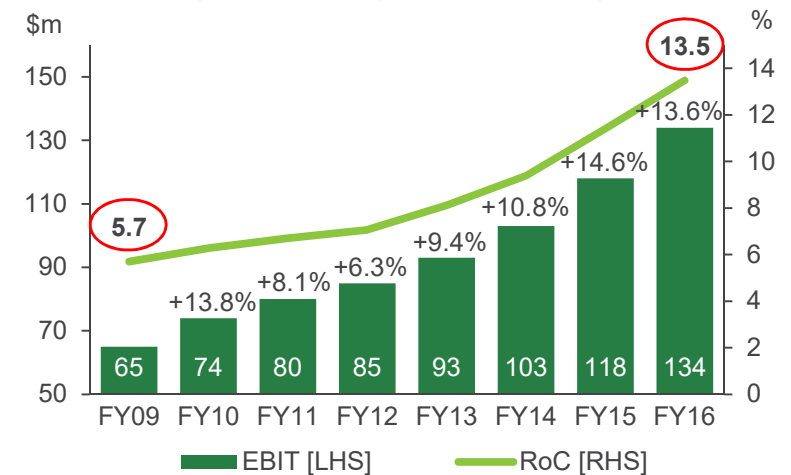
# Officeworks highlights

- Strong headline results
  - Revenue growth of 8.0%
  - EBIT growth of 13.6%, six year CAGR of 10.9%
  - RoC up 207 basis points to 13.5%
- Continued investment in 'every channel' strategy
  - Clicks & bricks working together
  - Six new stores
  - Store layout & design changes lifting sales & margin
  - Online offer (including mobile)
- Ongoing investment in the offer
  - New & expanded ranges, exclusive international brands
  - Price investments delivering more value
  - Engaged team providing great service
  - Strong momentum maintained in B2B segment

## Revenue growth momentum



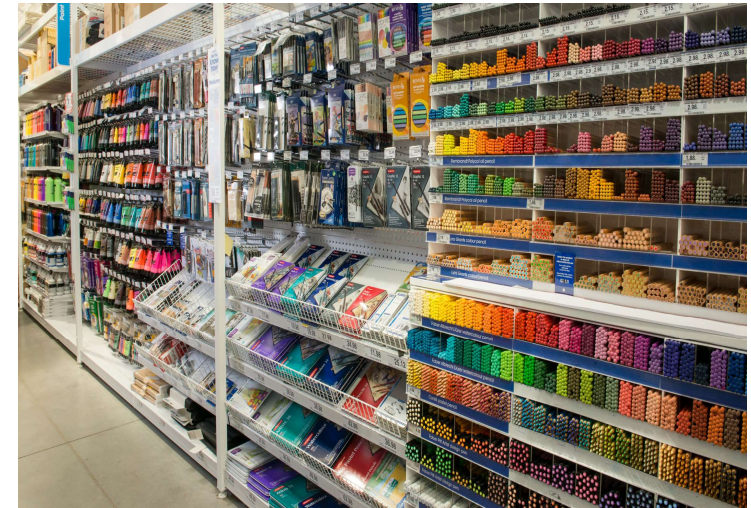
## Strong earnings & RoC growth



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# Officeworks outlook

- Disciplined execution of strategic agenda
  - Driving ‘every channel’ strategy – anywhere, anytime, anyhow
  - A compelling offer – ‘one stop shop’
  - Delivering great service through an engaged team
  - Increasing value for customers
  - Maintaining strong relationships with stakeholders – customers, suppliers, community
- Variable trading conditions to continue
  - Confidence expected to remain subdued
  - Competitive pressure expected to remain strong



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# Industrials

**Rob Scott**  
Managing Director





## Industrials performance summary

Year ended 30 June (\$m)		2016	2015	var %
<b>Revenue</b>	Chemicals, Energy & Fertilisers	1,820	1,839	(1.0)
	Industrial & Safety	1,844	1,772	4.1
	Resources	1,008	1,374	(26.6)
	<b>Total</b>	<b>4,672</b>	<b>4,985</b>	<b>(6.3)</b>
<b>EBITDA</b>	Chemicals, Energy & Fertilisers <sup>1</sup>	400	345	15.9
	Industrial & Safety <sup>2</sup>	105	108	(2.8)
	Resources <sup>3</sup>	(164)	215	<i>n.m.</i>
	<b>Total</b>	<b>341</b>	<b>668</b>	<b>(49.0)</b>
<b>EBIT</b>	Chemicals, Energy & Fertilisers <sup>1</sup>	294	233	26.2
	Industrial & Safety <sup>2</sup>	63	70	(10.0)
	Resources <sup>3</sup>	(310)	50	<i>n.m.</i>
	<b>Total</b>	<b>47</b>	<b>353</b>	<b>(86.7)</b>

<sup>1</sup> 2016 includes \$32m of one-off restructuring costs associated with the closure of PVC manufacturing. 2015 includes net \$10m gain from one-off restructuring, comprising a gain on sale of Kleenheat's east coast LPG distribution business and asset writedowns, as well as insurance proceeds.

<sup>2</sup> 2016 includes \$35m of restructuring costs associated with the 'Fit for Growth' transformation. 2015 includes \$20m of restructuring costs.

<sup>3</sup> 2016 excludes \$850m pre-tax non-cash impairment of Curragh assets.

## Chemicals, Energy & Fertilisers performance summary

Year ended 30 June (\$m)		2016	2015	var %
Revenue	Chemicals	910	840	8.3
	Energy <sup>1</sup>	325	435	(25.3)
	Fertilisers	585	564	3.7
	<b>Total</b>	<b>1,820</b>	<b>1,839</b>	<b>(1.0)</b>
EBITDA		400	345	15.9
Depreciation & amortisation		(106)	(112)	5.4
<b>EBIT</b>		<b>294</b>	<b>233</b>	<b>26.2</b>
<b>EBIT excluding restructuring costs<sup>2</sup></b>		<b>326</b>	<b>223</b>	<b>46.2</b>
External <sup>3</sup> sales volume ('000 tonnes)	Chemicals	1,021	912	12.0
	LPG	120	185	(35.1)
	Fertilisers	1,080	1,036	4.2
RoC (R12 %)		18.9	15.2	
Safety (R12 LTIFR)		2.6	1.6	

<sup>1</sup> Includes interest revenue from Quadrant Energy loan notes & excludes intra-division sales. 2015 includes revenue from Kleenheat east coast LPG prior to sale.

<sup>2</sup> 2016 excludes \$32m in costs relating to ceasing PVC manufacturing. 2015 excludes net \$10m gain from one-off restructuring, comprising a gain on sale of Kleenheat's east coast LPG distribution business and asset writedowns, as well as insurance proceeds.

<sup>3</sup> External sales exclude AN volumes transferred between chemicals & fertilisers business segments.

## Chemicals, Energy & Fertilisers highlights

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- Strong growth in earnings & RoC
  - Higher Chemicals earnings with plants operating at full capacity (excluding the planned major shutdown of the ammonia plant in 2H FY16)
  - Significant increase in Kleenheat earnings following improved terms for gas feedstock & growth in natural gas retailing
  - Strong Fertilisers earnings with above average 2015 WA harvest & positive start to the current season
- PVC manufacturing ceased in 2H FY16 (\$32m of closure costs incurred in the 1H FY16)
  - Commenced PVC import business
- Divisional result includes full-year earnings contribution from 13.7% interest in Quadrant Energy (acquired in June 2015)

## Industrial & Safety performance summary

Year ended 30 June (\$m)	2016	2015	var %
<b>Revenue</b>	<b>1,844</b>	<b>1,772</b>	<b>4.1</b>
EBITDA	105	108	(2.8)
Depreciation & amortisation	(42)	(38)	(10.5)
<b>EBIT</b>	<b>63</b>	<b>70</b>	<b>(10.0)</b>
<b>EBIT excluding restructuring costs<sup>1</sup></b>	<b>98</b>	<b>90</b>	<b>8.9</b>
EBIT margin excluding restructuring costs <sup>1</sup> (%)	5.3	5.1	
RoC (R12 %)	4.7	5.5	
Safety (R12 LTIFR)	1.5	2.2	

<sup>1</sup> 2016 excludes \$35m of restructuring costs associated with the 'Fit for Growth' transformation & 2015 excludes \$20m of restructuring costs.

## Industrial & Safety highlights

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- Revenue increase of 4.1% largely due to the full-year contribution of Workwear Group (acquired in December 2014)
  - Lower demand from mining & construction customers
  - Strong growth in Coregas driven through the Blackwoods platform & 'Trade n Go' rollout
  - Sales & margin pressure in Workwear Group's Industrial business, partially offset by growth in Corporate Wear
- Improvement in underlying earnings driven by 'Fit for Growth' cost savings & simplifications
- 'Fit for Growth' restructure largely complete
  - Completed 17 branch & 4 DC mergers in Australia & 7 branch mergers in NZ
  - Reduced FTEs by over 700
  - Sales & merchandising functions consolidated to create national capabilities
  - One-off restructuring costs of ~\$35m in FY16
  - ~\$35m annualised cost savings with ~\$20m achieved in FY16
  - Some cost savings to be reinvested in improving capabilities

## Resources performance summary

Year ended 30 June (\$m)	2016	2015	↑%
<b>Revenue</b>	<b>1,008</b>	<b>1,374</b>	<b>(26.6)</b>
Royalties <sup>1</sup>	(143)	(167)	14.4
Mining & other costs <sup>2</sup>	(1,029)	(992)	(3.7)
<b>EBITDA<sup>2</sup></b>	<b>(164)</b>	<b>215</b>	<b><i>n.m.</i></b>
Depreciation & amortisation	(146)	(165)	11.5
<b>EBIT<sup>2</sup></b>	<b>(310)</b>	<b>50</b>	<b><i>n.m.</i></b>
RoC (R12%)	(22.9)	3.4	
Coal production ('000 tonnes)	13,963	15,557	(10.2)
Safety (R12 LTIFR) <sup>3</sup>	0.0	0.3	

<sup>1</sup> Includes Stanwell export rebate for 2016 of \$65m & for 2015 of \$67m.

<sup>2</sup> 2016 excludes \$850m pre-tax non-cash impairment of Curragh assets.

<sup>3</sup> Resources excluding Bengalla.

## Resources highlights

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- Continued improvements in safety with no LTIs recorded in Curragh for the 21 months to 30 June 2016
- 26.6% decline in revenue
  - Seaborne metallurgical coal markets remain in oversupply, resulting in lower export prices
  - Unfavourable metallurgical coal sales mix, driven by customer demand & mine sequencing
  - Benefits of lower exchange rate more than offset by \$147m of hedge book losses
  - Sales volumes negatively affected by wet weather events in 2H FY16 (force majeure declared)
- Stanwell obligations reduced FY16 EBIT by \$148m
- FY16 Curragh unit mine cash costs ~30% below 1H FY12 peak & ~3% below FY15 despite Q3 wet weather events
  - An expert panel review was completed to identify further cost & productivity improvements
- Curragh recorded a pre-tax non-cash impairment charge of \$850m
- Mining leases granted over the MDL162 tenement, extending Curragh's mine life
  - State approvals received & Commonwealth approvals ongoing
- Bengalla management internalisation completed in March 2016

# Industrials outlook

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## Chemicals, Energy & Fertilisers

- Continue focus on strong operational performance
- International commodity prices, seasonal & competitive factors expected to impact FY17 earnings
  - Prevailing global ammonia & Saudi CP prices are lower (in AUD) than at this time last year
  - Cycling strong Fertilisers earnings in FY16
- Chemicals earnings largely supported by contracted volumes & pricing

## Industrial & Safety

- Market conditions in traditional customer segments expected to remain challenging in the near term
- 'Fit for Growth' cost savings & simplifications provide a platform for future growth
- Continue to execute performance improvement plans in Blackwoods & Workwear Group
  - Reinvest in sales, service, merchandising, supply chain & digital
- Further develop new distribution channels in Coregas



# Industrials outlook

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## Resources

- Earnings dependent upon export coal pricing & exchange rates, with export market conditions expected to remain challenging in the near-term
- Continue strong focus on operational productivity, cost control & capital discipline
  - Implementation of expert panel recommendations expected to deliver savings in 2H FY17
- Curragh's forecast metallurgical coal sales volume for FY17 to be in the range of 8.0m to 8.5m tonnes, subject to mine operating performance, weather & key infrastructure availability
  - Estimated FY17 sales mix: Hard 38%; Semi 26%; PCI 36%
- Locked in hedge losses of \$92m for FY17
- Curragh depreciation expected to be ~\$90m lower in FY17 due to impairment of assets in FY16
- Stanwell Corporation obligations expected to continue to adversely impact earnings
  - Stanwell export rebate \$45m to \$55m
- Reviewing strategic options to maximise shareholder value



# Outlook

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## Retail

- Well positioned to continue delivering growth in an increasingly competitive environment where consumers are expected to remain value-conscious
- Ongoing focus on delivering further value, better service & improved ranges supported by merchandise innovation & productivity improvements
- Continue to invest in digital engagement & growing & refurbishing store networks
- Establishing Bunnings UK & Ireland pilot stores & restructuring underlying business infrastructure to drive long-term earnings growth

## Industrials

- Outlook remains challenged in the short-term
  - Resources to seek further cost structure reductions, with revenue subject to commodity price & exchange rate volatility
  - Industrial & Safety has largely completed the 'Fit for Growth' transformation, with cost savings to be reinvested in capability & performance improvements to drive long-term earnings growth
- WesCEF performance subject to commodity prices, exchange rates, seasonal conditions & competitive factors

## Outlook (continued)

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### Group

- Maintain a strong balance sheet & cash flow generation
- Secure growth opportunities through entrepreneurial initiatives
- Ensure sustainability through responsible long-term management
- Leverage & build human resource capability

# Questions



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**Wesfarmers**