

WOOLWORTHS GROUP



2 May 2019

ASX Market Announcements Office
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THIRD QUARTER SALES RESULTS

Attached for release to the market are the Third Quarter Sales Results for the 13 week period to 31 March 2019.

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2 May 2019

THIRD QUARTER SALES RESULTS – FINANCIAL YEAR 2019 13 WEEKS TO 31 MARCH 2019

Improved sales momentum across the Group

THIRD QUARTER SALES

\$ MILLION	2019 (13 WEEKS)	2018 (13 WEEKS)	CHANGE	EASTER-ADJ CHANGE	COMPARABLE GROWTH	EASTER-ADJ COMP
Australian Food	10,017	9,624	4.1%	4.7%	3.6%	4.2%
Endeavour Drinks	2,072	1,999	3.7%	6.4%	3.0%	5.9%
New Zealand Food	1,616	1,518	6.5%	6.2%		
New Zealand Food (NZD)	1,693	1,642	3.2%	2.9%	4.1%	3.8%
BIG W	791	770	2.6%	5.6%	4.4%	7.4%
Hotels	402	390	3.2%	2.7%	3.2%	2.7%
Total third quarter sales from continuing operations	14,898	14,301	4.2%	5.1%		
Discontinued operation – Petrol	1,117	1,215	(8.1)%	(8.2)%	(8.7)%	(8.8)%

PROGRESS AGAINST OUR KEY PRIORITIES

- **Australian Food's** sales momentum improved in the third quarter with Easter-adjusted sales growth of 4.7% (Easter-adjusted comparable sales: 4.2%) benefitting from lower deflation and more settled weather
- Customer scores remain high but were impacted by flood and drought effects on Fruit & Vegetables prices, quality and availability
- **Endeavour Drinks'** Easter-adjusted sales increased by 6.4% with positive comparable growth from BWS and Dan Murphy's assisted by the timing of New Year's Eve and weather
- **New Zealand Food** Easter-adjusted sales growth of 2.9% with online growth remaining a highlight
- **BIG W's** Easter-adjusted sales increased by 5.6% driven by Everyday, Leisure and Home
- Improved sales growth from **Hotels** driven by Bars and Food with Easter-adjusted growth of 2.7%
- Group **Online** sales growth of 35.1%
- Successful completion of **Woolworths Petrol** sale to EG Group; proceeds of \$1.7 billion being returned to shareholders

Woolworths Group CEO, Brad Banducci said: "We are pleased with the improvement in sales momentum across the Group in Q3 with Australian Food comparable sales growth of 4.2% (Easter-adjusted) a particular highlight, after a challenging first half. While we had positive transaction and item growth, sales also benefitted from lower deflation than recent periods and settled weather. Customer scores remained high but were marginally lower than the prior year with plans in place to address areas of underperformance. Our 'Simpler for Stores' productivity program continues to build momentum and there are a number of initiatives underway to address higher than forecast stockloss.

"After slower sales growth in H19, Endeavour Drinks' sales momentum improved in Q3 with Easter-adjusted comparable growth of 5.9%. At H19 we noted that the unsettled weather had negatively impacted sales across all of our businesses which was most pronounced in Endeavour Drinks. More settled weather across key trading states and the timing of New Year's Eve supported sales in Q3. We still expect Endeavour Drinks' EBIT for F19 to be below the prior year as we invest in improving our range, service and convenience for our customers.

"As foreshadowed on 1 April, BIG W sales growth has been strong with Easter-adjusted comparable sales growth of 7.4%. The challenge for BIG W remains converting strong sales growth into improved profit and we continue to expect a loss before interest and tax of \$80-\$100 million in F19. New Zealand Food delivered solid Easter-adjusted comparable growth of 3.8% and Hotels also improved on Q2'19 growing by 2.7%.

"We are progressing our key strategic priorities with our focus now moving to plans for F20 to deliver for our customers, team members and shareholders. Our F19 results announcement is currently scheduled for 29 August 2019 and F19 will be a 53-week year."

AUSTRALIAN FOOD

OPERATING METRICS

YEAR ON YEAR (%)	Q3'19 (13 WEEKS)	Q3'18 (13 WEEKS)
Customer metrics		
VOC NPS (Store and Online)	47	48
Store-controllable VOC*	80%	82%
Sales productivity metrics		
Total sales	Easter-adjusted 4.7%	Easter-adjusted 4.3%
Comparable sales	4.2%	4.1%
Volume productivity metrics		
Comparable transaction growth	Easter-adjusted 1.9%	Easter-adjusted 4.1%
Comparable items per basket	2.6%	0.0%
Comparable item growth	4.5%	4.1%
Change in average prices		
Total	0.0%	(1.3)%
Total excluding Tobacco	(1.4)%	(2.8)%

Australian Food's customer metrics remained strong with VOC NPS of 47 and Store-controllable VOC of 80%; however, both metrics were below the prior year and quarter. The decline was as a result of lower scores for Fruit & Vegetables due to higher prices and supply issues following recent extreme weather conditions impacting Availability. Ease of Pick up also declined largely due to the high demand from a successful online Freezer sale in March. Action plans have been implemented to address areas of underperformance with an improvement for both VOC NPS and Store-controllable VOC evident in April.

Total sales for the quarter increased by 4.1% (Easter-adjusted: 4.7%) with comparable sales increasing by 3.6%. Easter-adjusted comparable sales increased by 4.2%. Comparable sales were driven by a combination of transaction and item growth and lower deflation. Excluding sales of reusable bags, Easter-adjusted comparable items per basket increased by 0.6%. Transaction growth was driven by more settled weather as well as strong trading around key events such as Australia Day, Lunar New Year and Valentine's Day and a successful Disney Words continuity program.

Average prices were flat compared to the same quarter last year. Excluding Fruit & Vegetables and Tobacco, average prices declined by 1.7%. Grocery deflation eased over the quarter as cost price increases were reflected in retail prices. This was offset somewhat by investment in categories such as Health Foods, International Foods and Health, Beauty & Baby. Fruit & Vegetables returned to modest inflation in the quarter following a number of quarters of deflation. This was due to extreme heat in January across key growing regions impacting crop quality and flooding in Townsville impacting banana supply and green crop yields. Meat prices continue to be impacted by higher livestock costs.

During the quarter, four new stores were opened, of which one was a Metro, and two stores were closed. At the end of the quarter, there were 1,020 Woolworths Supermarkets and Metros including 36 Metro branded stores. Metro stores continued to perform well in the quarter with double-digit sales increases. Three Renewals were completed in the quarter with 46 Renewals in the year to date. Five Upgrades were completed in the quarter taking the total number of Upgrades to 62 in the year to date.

As part of Woolworths' ambition to do better for communities, Woolworths two and three litre branded milk was increased to \$1.10 per litre nationally in February with all funds raised going back to Australian dairy farmers, totalling \$10 million to date.

* In F19, the weights of the seven store-controllable VOC metrics have been changed with a higher weighting given to Fruit & Vegetables, Availability, Queue Wait Times and Team Attitude. Prior year restated figures are included in appendix 2

WOOLIESX*

OPERATING METRICS

YEAR ON YEAR (%)	Q3'19 (13 WEEKS)	Q3'18 (13 WEEKS)
Customer metrics		
Online VOC NPS	48	56
Sales productivity metrics†		
Total sales (\$ million)	368	273
Online sales growth	34.7%	31.6%
Online penetration	3.7%	2.8%
Loyalty		
Woolworths Rewards members (million)	11.5	10.7

WooliesX customer metrics were volatile with Online VOC NPS at 48 compared to 56 last year. It was also below Q2'19 due to lower availability impacted by the online Freezer sale. Online VOC NPS has improved in April.

Online sales increased by 34.7% in Q3'19 to \$368 million equivalent to 3.7% of sales. The strongest growth continued to be from Pick up driven by customer take-up, increased capacity and a strong customer response to the online Freezer sale in March.

In the quarter, WooliesX made further progress in driving ultra-convenient, effortless and connected customer experiences with a number of new initiatives being trialled or rolled out over the quarter. Same day delivery was expanded to 56 stores, improvements were made to personalised search capability and a new gift cards portal was launched.

Woolworths Rewards members continued to increase with 11.5 million members at the end of the quarter. Rewards delivered strong incremental sales growth with a consistent improvement in member engagement.

* WooliesX sales numbers are reported as part of Australian Food total and comparable sales
 † Comparative amounts have been re-presented to conform to the current period's presentation

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ENDEAVOUR DRINKS

OPERATING METRICS

YEAR ON YEAR (%)	Q3'19 (13 WEEKS)	Q3'18 (13 WEEKS)
Sales productivity metrics	Easter-adjusted	Easter-adjusted
Total sales	6.4%	4.4%
Comparable sales	5.9%	3.3%
Online penetration	5.2%	4.9%

Endeavour Drinks' Easter-adjusted sales increased by 6.4% with comparable sales increasing by 5.9%. Sales momentum improved materially on Q2'19 assisted by the timing of New Year's Eve and more settled weather. Excluding the benefit of New Year's Eve in Q3'19, Easter-adjusted comparable sales would have increased by 4.3%.

In-store and online VOC metrics improved across both BWS and Dan Murphy's in the quarter. Both businesses also delivered positive comparable sales growth with Endeavour Drinks outperforming the market in all key categories. BWS's comparable sales were also supported by Customer 1st Ranging, the amplification of convenience offerings and the success of its Renewal program.

Despite the strong sales growth, category mix remains a challenge, particularly for Dan Murphy's. The overall Wine category in Australia contracted marginally in the quarter with Beer and Spirits category growth of approximately 2% and 4% respectively. Beer sales were boosted by the introduction of the Container Deposit Scheme in Queensland in November.

Online sales remained strong with growth of 10.5%. For BWS, delivery sales continue to grow strongly with 559 BWS stores offering On Demand delivery with an average delivery time of just under an hour. Dan Murphy's On Demand sales also continue to perform strongly following the rollout across 79 stores by the end of Q3'19.

During the quarter, seven BWS stores were opened and one was closed taking the total fleet size to 1,338. No new Dan Murphy's were opened during the quarter with 227 stores at the end of the period.

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NEW ZEALAND FOOD*

OPERATING METRICS

YEAR ON YEAR (%)	Q3'19 (13 WEEKS)	Q3'18 (13 WEEKS)
Customer metrics		
Store-controllable VOC	80%	78%
Online VOC NPS	67	63
Sales productivity metrics		
Total sales	Easter-adjusted 2.9%	Easter-adjusted 3.3%
Comparable sales	3.8%	2.9%
Online penetration	6.6%	4.8%
Volume productivity metrics		
Comparable transaction growth	Easter-adjusted 1.8%	Easter-adjusted 4.3%
Comparable items per basket	3.9%	(1.8)%
Comparable item growth	5.8%	2.5%
Change in average prices		
Total	(0.6)%	(1.1)%
Total excluding Tobacco	(0.9)%	(1.2)%

New Zealand Food's customer metrics improved on the prior year with Store-controllable VOC up two points to 80% and one point below the December seasonal peak of 81%. The biggest driver of the improvement was Fruit & Vegetables with an eight point improvement compared to Q3'18, due to the ongoing focus on quality through the direct grower program and store training.

Easter-adjusted sales increased by 2.9% with Easter-adjusted comparable sales increasing by 3.8% driven by strong sales in Fruit & Vegetables and Perishables. Total sales were impacted by store closures in prior periods. During the quarter, Countdown launched its Grower Fresh campaign to highlight partnerships with local growers with approximately 85% of fruit and vegetables now sourced directly from farmers.

Average prices declined by 0.6% with lower prices in Grocery and Fruit & Vegetables somewhat offset by higher Meat prices. Excluding Tobacco, average prices declined by 0.9%.

Online sales growth remained strong with growth of 42.8% in the quarter with record online penetration of 6.6% and Pick up growth continuing to be a highlight. Improved in-store processes were rolled out to all stores during the quarter, supporting a simpler team experience and faster order preparation. In addition to strong sales growth, Online VOC NPS further increased to 67.

In response to the tragic events of Christchurch, counselling services were provided to team members and their families as well as relief management support. Countdown worked closely with food rescue partners to provide immediate food support to the community and donated \$150,000 to the 'Our People, Our City fund - The Christchurch Foundation'.

No new stores were opened during the quarter with a current fleet size of 180 Countdown stores.

* Growth for New Zealand Food is quoted in New Zealand dollars

PORTFOLIO BUSINESSES - BIG W

OPERATING METRICS

YEAR ON YEAR (%)	Q3'19 (13 WEEKS)	Q3'18 (13 WEEKS)
Customer metrics		
Store-controllable VOC	80%	NA
Sales productivity metrics		
Total sales	Easter-adjusted 5.6%	Easter-adjusted (1.3)%
Comparable sales	7.4%	(1.2)%
Online penetration	4.1%	1.8%
Volume productivity metrics		
Comparable transaction growth	Easter-adjusted 5.8%	Easter-adjusted (0.1)%
Comparable items per basket	4.9%	4.1%
Comparable item growth	11.0%	4.0%

BIG W's customer metrics have continued to improve with Store-controllable VOC increasing to 80% in March, the highest level since the launch of the current survey in May 2018, as customers continue to notice the improvements in store. Brand metrics also continue to improve with price perception a highlight.

Easter-adjusted sales increased by 5.6% with Easter-adjusted comparable sales increasing by 7.4%. Sales growth was driven by strong transaction growth and items per basket driving double-digit comparable item growth. Item growth benefitted from an increase in the sale of reusable bags. Excluding reusable bags, comparable items increased by 7.8%. Everyday, Leisure and Home were the best performing customer Universes with apparel sales improving over the quarter with stronger Winter sales in late March.

Online sales increased by 167% with Pick up remaining the strongest contributor to growth. Online penetration more than doubled compared to the prior year and now represents 4.1% of sales.

During the quarter, one BIG W was opened and one store was closed with 183 stores at the end of the quarter.

As indicated on 1 April, despite the strong sales growth, the profit improvement is slower than planned due to a slower recovery of higher margin categories such as apparel, and stockloss challenges. BIG W is expected to report a loss before interest and tax of \$80-\$100 million in F19.

PORTFOLIO BUSINESSES - HOTELS

OPERATING METRICS

YEAR ON YEAR (%)	Q3'19 (13 WEEKS)	Q3'18 (13 WEEKS)
Sales productivity metrics		
Total sales	Easter-adjusted 2.7%	Easter-adjusted 4.0%
Comparable sales	2.7%	3.9%

Easter-adjusted total sales increased by 2.7% with Easter-adjusted comparable sales also increasing by 2.7%. Sales growth in Q3'19 was driven by strong growth in Bars and Food and benefitted from the timing of New Year's Eve.

Bars delivered strong growth through televised sporting events and successful promotions. Food sales were strong as a result of successful promotional activity focusing on traditionally quieter times of the year and the performance of recently refurbished venues.

Three Hotels were acquired in Q3'19 with 327 venues at the end of the quarter.



DISCONTINUED OPERATION

PETROL

Woolworths Group successfully completed the sale of its Petrol business to EG Group on 1 April.

Petrol sales for Q3'19 decreased by 8.2% on an Easter-adjusted basis with Easter-adjusted comparable volumes declining by 7.0%. Average fuel prices in Q3'19 were 128.3 cpl compared to 134.9 cpl in Q3'18.

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APPENDIX ONE: NEW STORES AND RENEWALS/ REFURBISHMENTS

THIRD QUARTER	GROSS NEW STORES (INCL. ACQUISITIONS)	NET NEW STORES (INCL. ACQUISITIONS)	RENEWALS/ REFURBISHMENTS
Continuing operations			
Australian Food (including Metro)	4	2	3
Endeavour Drinks (including attached)	7	6	6
New Zealand Food	-	-	-
BIG W	1	-	-
Hotels	3	3	5
Total continuing operations	15	11	14

APPENDIX TWO: RESTATED AUSTRALIAN FOOD VOC NPS AND STORE-CONTROLLABLE VOC

	Q1'18	Q2'18	Q3'18	Q4'18
Australian Food				
VOC NPS (Store and Online)	41	50	48	48
Store-controllable VOC	81%	82%	82%	82%

ENDNOTES:

In the current period, other operating revenue has been included in total sales to better align reporting with how the business is managed. Comparative amounts have been re-presented to conform to the current period's presentation. There is no impact on profit or loss.

[Click here to view the shareholder communication for these results.](#)

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GLOSSARY

Comparable sales	Measure of sales which excludes stores that have been opened or closed in the last 12 months and demonstrable impact on existing stores from store disruption as a result of store refurbishment or new store openings or closures
Customer 1 st Ranging	Developing a clearly defined range to provide an easier shopping experience for the customer
Net Promoter Score (NPS)	A loyalty measure based on a single question where a customer rates a business on a scale of 0-10. The score is the net result of the percentage of promoters (score of 9 or 10) less the percentage of detractors (score of 6 or below)
On Demand	An express or scheduled delivery service providing online orders at the customer's convenience
Pick up	A service which enables collection of online shopping orders in-store or at select locations
Renewals	A total store transformation focused on the overall store environment, team, range and process efficiency (including digital)
Simpler for Stores	Simplification of end-to-end processes for store teams, improving customer experience and productivity
Upgrades	An enhancement to only a particular part of the store such as a front or centre-of-store or Fruit & Vegetables upgrade
Voice of Customer (VOC)	Externally facilitated survey of a sample of Woolworths Group customers where customers rate Woolworths Group businesses on a number of criteria. Expressed as the percentage of customers providing a rating of six or seven on a seven point scale
VOC NPS	VOC NPS is based on feedback from Woolworths Rewards members. VOC NPS is the number of promoters (score of 9 or 10) less the number of detractors (score of 6 or below)

Other non-IFRS measures used in describing the business performance include:

- Trading area
- Change in average prices
- Easter-adjusted metrics
- Volume productivity metrics including transaction growth, items per basket and item growth

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