

# ASX CEO Connect Conference

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25 August 2020



**Wesfarmers**



# Wesfarmers portfolio



<p><b>Bunnings</b></p>		<ul style="list-style-type: none"> <li>• Leading retailer of home improvement and outdoor living products in Australia and New Zealand</li> <li>• Expanded digital offer and e-commerce capability</li> </ul>
<p><b>Kmart Group</b></p>		<ul style="list-style-type: none"> <li>• <b>Kmart</b> is a leading product development and deep discount retailer in apparel and general merchandise</li> <li>• <b>Target</b> offers quality and fashion across apparel, homewares and general merchandise</li> <li>• <b>Catch</b> is a leading Australian online marketplace</li> </ul>
<p><b>Officeworks</b></p>		<ul style="list-style-type: none"> <li>• Leading retailer and supplier of office products and solutions</li> <li>• World-class omni-channel offer</li> </ul>
<p><b>WesCEF</b></p>		<ul style="list-style-type: none"> <li>• Strong operational expertise in industrial chemicals, energy solutions and fertiliser manufacture and import</li> <li>• 50% owned joint venture (Covalent Lithium) to develop and operate Mt Holland lithium project</li> </ul>
<p><b>Industrial and Safety</b></p>		<ul style="list-style-type: none"> <li>• Leading supplier of industrial and safety products</li> <li>• Australia's largest provider of industrial and corporate workwear</li> <li>• Supplier of industrial specialty and medical gases</li> </ul>
<p><b>Other</b></p>		<p>Other associates and joint ventures including:</p> <ul style="list-style-type: none"> <li>• 4.9% ownership interest in Coles</li> <li>• 50% interest in flybuys, a popular Australian loyalty program</li> </ul>

# Wesfarmers' primary objective is to provide a satisfactory return to shareholders

We believe it is only possible to achieve this over the long term by:



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Anticipating the needs of our customers and delivering competitive goods and services



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Looking after our team members and providing a safe, fulfilling work environment



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Engaging fairly with our suppliers and sourcing ethically and sustainably



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Supporting the communities in which we operate



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Taking care of the environment



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Acting with integrity and honesty in all of our dealings

# Demonstrably performing, consistent with our values

During this challenging year, our businesses and team members played a critical role in supporting customers, partners and the communities in which our businesses operate



## Anticipating the needs of our customers and delivering competitive goods and services

- Adjusting in-store processes to support customer safety, demand and availability
- Adapting online channels to meet customer needs, supporting 60%<sup>1</sup> growth in online sales



## Supporting the communities in which we operate

- More than \$68m in direct and indirect community contributions
- Operating dedicated services for vulnerable customers needing assistance with online channels



## Looking after our team members and providing a safe, fulfilling work environment

- 23% reduction in Group TRIFR to 10.4
- Two weeks COVID-19 leave for team members required to self-isolate or care for others
- Commitment to pay team members during Victorian stage 4 restrictions<sup>2</sup>



## Taking care of the environment

- Good progress towards published emission targets and continued investment in projects to reduce carbon footprint
- 12% increase in recycling and 5% reduction in landfill



## Engaging fairly with our suppliers and sourcing ethically and sustainably

- Maintaining business continuity and payment terms to provide certainty
- Continuing to support suppliers through accelerated payment, in cases of hardship



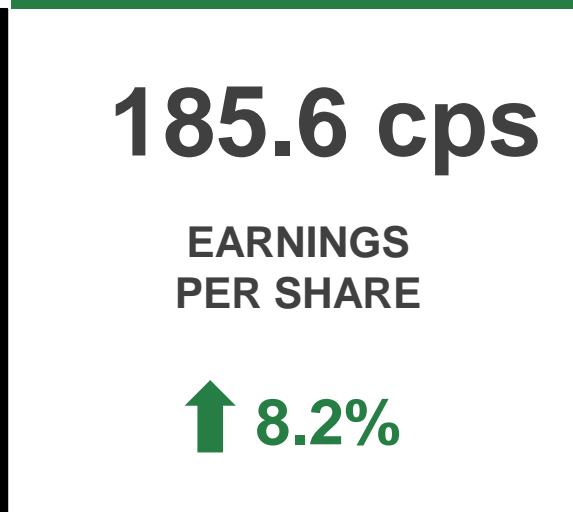
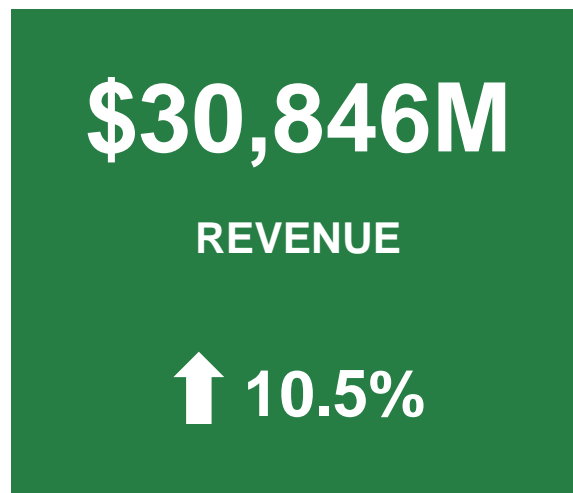
## Acting with integrity and honesty in all of our dealings

- All actions and decisions continue to be guided by our purpose and long-term objective
- Collaborating with state and federal governments to coordinate on COVID-19 response

1. Excludes Catch.

2. Subsequent to the end of FY20.

# Group performance overview



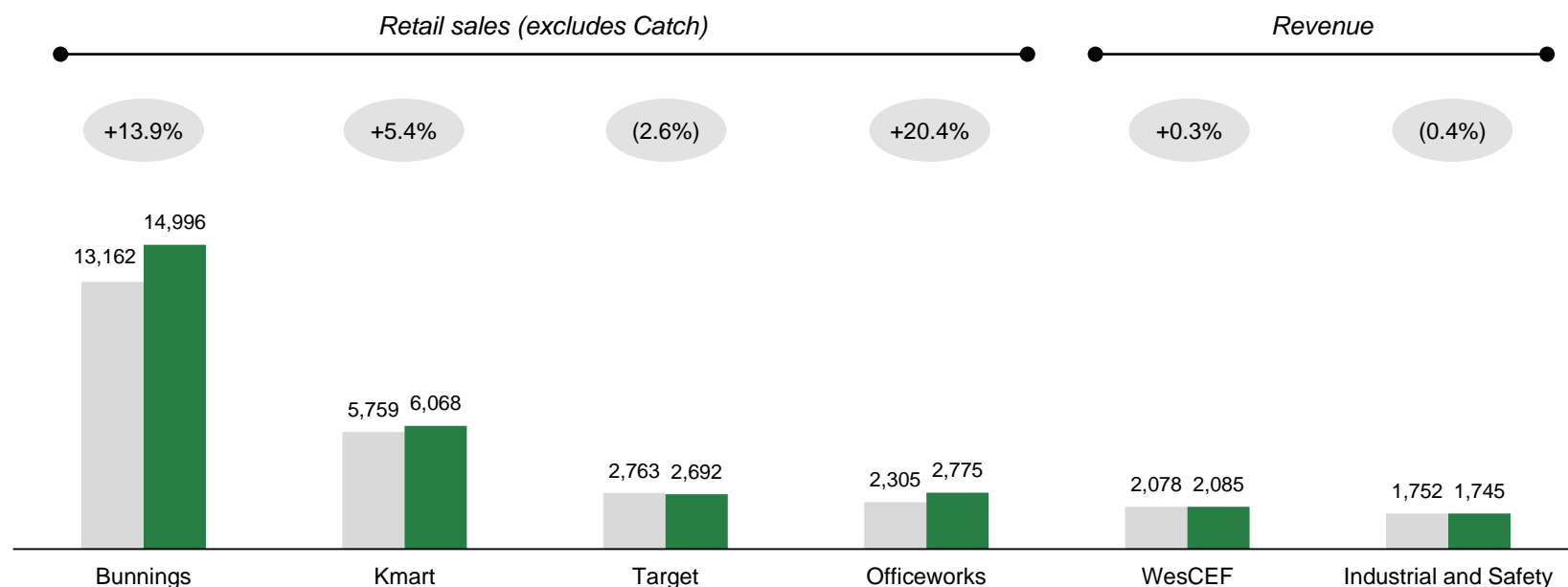
1. Excludes significant items and discontinued operations, pre AASB 16

2. Includes non-cash impairments in Kmart Group (-\$437m) and Industrial and Safety (-\$298m), restructuring costs and provisions in Kmart Group (-\$83m), gain on sale of 10.1% interest in Coles (+\$203m) and revaluation of retained investment in Coles (+\$154m).

# Divisional sales performance

## Sales performance (\$m) Year ended 30 June<sup>1</sup>

2019  
2020








- Strong sales growth in Bunnings and Officeworks due to increased demand for products as customers spent more time working, learning and doing projects at home
- Kmart delivered strong sales growth despite volatile trading conditions
- Strong growth in online sales of 60%<sup>4</sup> for the year to \$1.5b, or \$2.1b including Catch<sup>3</sup>, reflecting continued shifts in customer shopping preferences and enhanced digital offers

1. Continuing operations only.

2. Excludes Catch.

3. Includes Catch gross transaction value from 12 August 2019 to 30 June 2020.

# Divisional earnings performance

Earnings Before Tax (EBT) (\$m) Year ended 30 June <sup>1</sup>	2020 Post AASB 16	2020 Pre AASB 16	2019 Reported	Variance % <sup>2</sup>	% of divisional EBT
Bunnings	1,826	1,852	1,626	13.9	
Kmart Group <sup>3</sup>	410	413	540	(23.5)	
Officeworks	197	190	167	13.8	
WesCEF <sup>4</sup>	394	393	433	(9.2)	
Industrial and Safety <sup>5</sup>	39	40	86	(53.5)	

1. Continuing operations only. Divisional EBT does not include any allocation of Group finance costs.

2. Variance calculated on pre AASB 16 results.

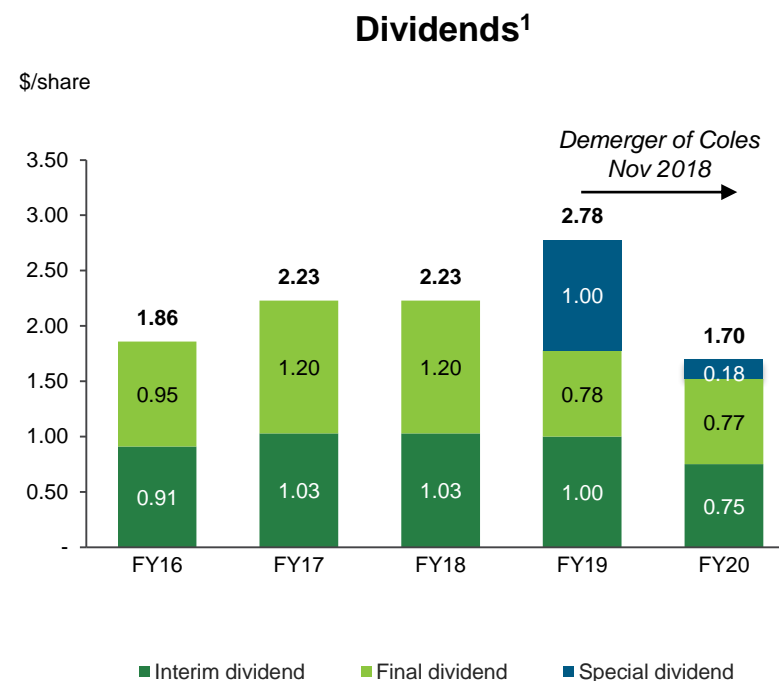
3. 2020 excludes a pre-tax non-cash impairment of \$525m in Target and \$110m of pre-tax restructuring costs and provisions. 2020 includes \$9m of payroll remediation costs relating to Target.

4. 2020 and 2019 include \$18m and \$30m of insurance proceeds respectively, relating to the five-month ammonia plant production disruption that commenced in February 2018. 2019 includes a \$19m provision for removal of redundant equipment.

5. 2020 excludes a pre-tax non-cash impairment of \$310m. 2020 includes \$15m of payroll remediation costs.

# Dividends

- Fully-franked final ordinary dividend of \$0.77 per share
  - Reflects strong underlying NPAT result
- Fully-franked special Coles sell-down dividend of \$0.18 per share
  - Distributes after-tax profits from sale of the 10.1% interest in Coles
- Dividend record date 26 August 2020 for both the final and special
  - Both are payable on 1 October 2020
- Dividend investment plan: not underwritten; last day for application 27 August 2020
  - Dividend investment plan shares expected to be purchased on market
- Dividend distributions determined based on franking credit availability, earnings, credit metrics and cash flow
  - Maximising value of franking credits for shareholders



1. Represents dividends resolved to pay in each year.

# Managing businesses for long-term success

While addressing the near-term requirements of COVID-19, the divisions remain focused on managing their businesses for long-term success and value creation

## A relentless focus on customers

- Maintaining price leadership
- Investing in data and digital to better meet the evolving needs of customers
- Ensuring reliable and high-quality supply through operational excellence
- Engaging deeply with the communities where we operate



## Investing for the long term

- Innovating across products and processes
- Improving back-end systems and processes
- Disciplined pursuit of value-accretive opportunities to add capabilities, channels and new technology



## Building on unique capabilities and platforms

- Leading market positions and scalable platforms
- Expanding addressable markets by developing new channels, products and services
- Developing talent in specialist and emerging areas



# Superior long-term financial performance

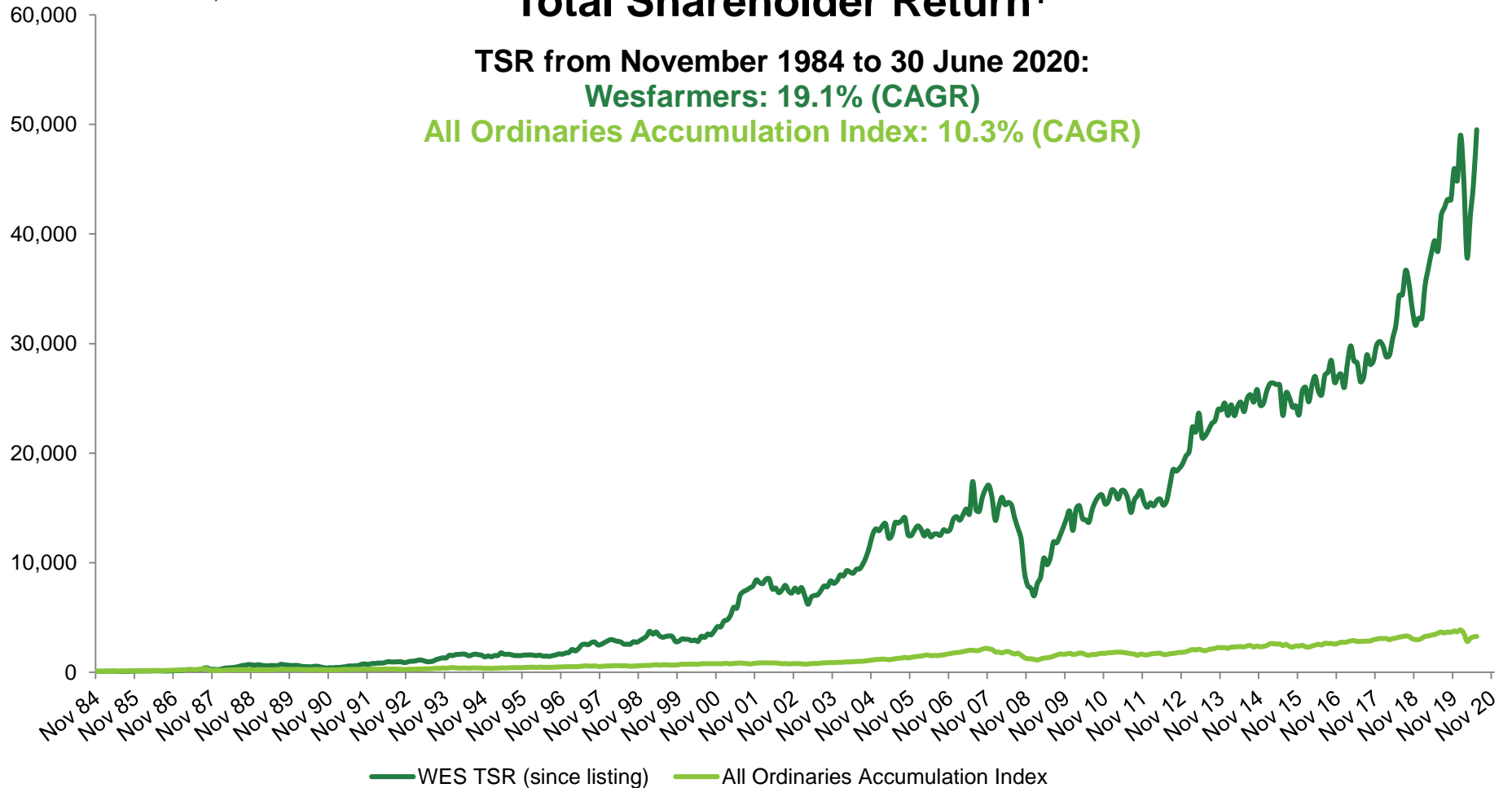
TSR Index  
(November 1984 = 100)

## Total Shareholder Return<sup>1</sup>

TSR from November 1984 to 30 June 2020:

**Wesfarmers: 19.1% (CAGR)**

**All Ordinaries Accumulation Index: 10.3% (CAGR)**



1. Assumes 100% dividend reinvestment on the ex-dividend date and full participation in capital management initiatives; as at 30 June 2020.

Source: Annual report and IRESS

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**Questions?**

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**Wesfarmers**

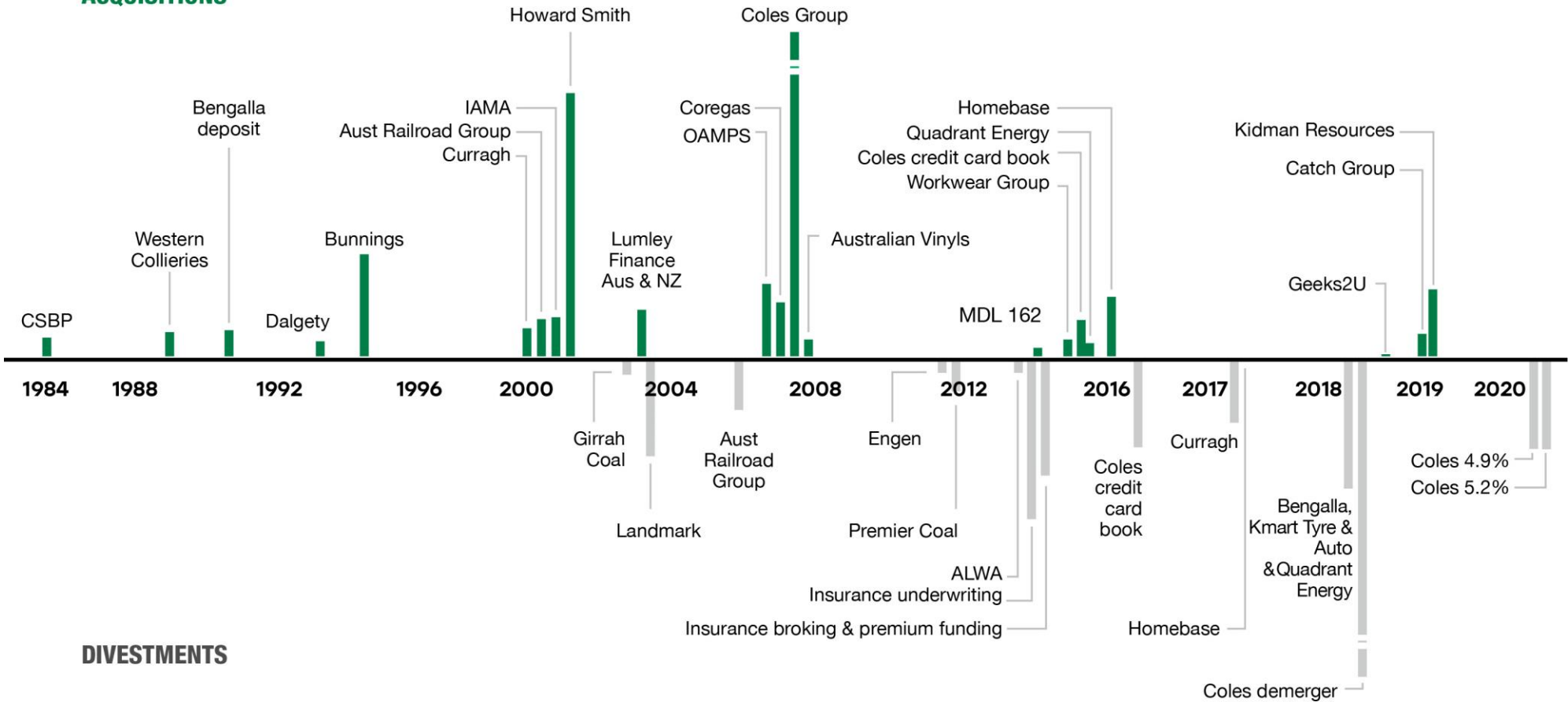
# Approach to capital allocation

The Wesfarmers model provides flexibility to effectively allocate capital to:

1. Portfolio of existing businesses	2. Adjacent opportunities	3. Value-accretive transactions
     	      	 <p>Divested August 2018</p>  <p>Divested November 2018</p>  <p>Demerged November 2018</p>  <p>Divested December 2018</p>  <p>Acquired September 2019</p>  <p>10.1% interest sold Throughout 2020</p>

# Transaction history

## ACQUISITIONS



## DIVESTMENTS