

News Release



21 April 2016

2016 Third Quarter Retail Sales Results

Third Quarter Sales (\$m)	2016	2015	Variance %
Food & Liquor ^{1,2}	7,518	7,097	5.9
Convenience ^{1,3}	1,448	1,589	(8.9)
Total Coles	8,966	8,686	3.2
Home Improvement^{4,5}	2,594	2,337	11.0
Kmart ¹	1,105	937	17.9
Target ⁶	678	663	2.3
Total Department Stores	1,783	1,600	11.4
Office Supplies⁴	512	485	5.6

Year to Date Sales (\$m)	2016	2015	Variance %
Food & Liquor ^{7,2}	24,175	22,894	5.6
Convenience ^{7,3}	5,114	5,589	(8.5)
Total Coles	29,289	28,483	2.8
Home Improvement^{5,8}	8,090	7,293	10.9
Kmart ⁷	3,904	3,427	13.9
Target ⁹	2,686	2,640	1.7
Total Department Stores	6,590	6,067	8.6
Office Supplies⁸	1,387	1,287	7.8

Refer to Appendix Three for footnotes.

Wesfarmers Limited today announced its retail sales results for the third quarter of the 2016 financial year.

Managing Director Richard Goyder said that the sales performance of the Group's retail businesses during the quarter was generally pleasing, driven by strong growth in Coles, Bunnings, Kmart and Officeworks.

"Coles' headline food and liquor sales growth increased by 5.9 per cent during the quarter, including a record number of transactions over the Easter period," Mr Goyder said. "Coles' performance reflected further improvements in value, customer service and fresh quality.

"Bunnings achieved total sales growth of 11.0 per cent during the quarter through a solid execution of its strategic agenda, which included ongoing investment in value, service and brand reach.

"Department Stores' sales growth increased by 11.4 per cent during the quarter, with strong sales growth in Kmart more than offsetting difficult trading in Target. Kmart delivered another very good quarter with sales increasing by 17.9 per cent on last year, and growth recorded in all categories. While Target's sales increased by 2.3 per cent on last year, trading momentum weakened during the quarter, with margins significantly affected by high levels of clearance activity late in the period.

"Officeworks' sales growth of 5.6 per cent reflected a pleasing execution of its 'every channel' strategy, with positive sales growth achieved both in-store and online.

"Our retail businesses remain focused on implementing strategies aimed at providing customers with stronger value, great service and compelling products through enhanced physical store networks and digital platforms."

Coles

Food and Liquor

Headline food and liquor sales for the quarter¹ were \$7.5 billion, up 5.9 per cent on the previous corresponding period. Food and liquor sales for the financial year to date⁷ increased 5.6 per cent to \$24.2 billion.

Comparable food and liquor store sales increased 4.9 per cent and comparable food store sales increased 4.9 per cent for the quarter¹. For the financial year to date⁷, comparable food and liquor store sales increased 4.5 per cent and comparable food store sales increased 4.8 per cent.

Adjusting for the earlier timing of Easter in the 2016 financial year compared to last year, comparable food and liquor store sales and comparable food store sales for the quarter¹ increased 4.4 per cent and 4.5 per cent respectively.

Food and liquor price deflation was 2.0 per cent during the quarter¹, bringing food and liquor price deflation to 1.4 per cent for the financial year to date⁷. Every category recorded deflation throughout the quarter, with the exception of meat and tobacco where inflationary pressures continued.

Coles Managing Director John Durkan said the continued positive momentum in sales was reflective of an unwavering commitment to deliver trusted value to customers through lower prices, while providing market-leading customer service and an exceptional fresh food experience.

"Our customers are our principal focus," Mr Durkan said. "Our continued delivery on 'Every Day' value is highlighted by price drops on products important to the family basket, such as roast chicken, Colgate toothpaste and Kleenex tissues. This ongoing commitment to customers has delivered continued sales growth through the quarter and culminated in more customers shopping with us over the Easter period."

"The transformation of our liquor business continues to progress in line with expectations. Work done on price, range and in-store experience led to improved sales trends throughout the period," Mr Durkan said. "As we transition to the next phase of the turnaround, we see room for continued improvement in our customer offering."

Refer to Appendix Three for footnotes.

Coles continued to improve and optimise its store network during the quarter, opening four supermarkets and closing three, resulting in a total of 783 supermarkets at the end of the quarter. Through the quarter, four supermarkets were renewed, taking the number of renewals for the financial year to date to 26.

Liquor continued to reshape its store network, with five new liquor stores opened and seven closed during the period. At the end of the quarter, Coles had a total of 863 liquor stores and 89 hotels.

Convenience

Total Coles Express sales, including fuel, for the quarter¹ were \$1.4 billion, a decrease of 8.9 per cent on the prior corresponding period with lower fuel prices and volumes offsetting continued growth in convenience store sales. Total sales for the financial year to date⁷ decreased 8.5 per cent to \$5.1 billion.

For the quarter¹, headline fuel volumes decreased 6.3 per cent and comparable fuel volumes decreased 10.1 per cent. For the financial year to date⁷, headline fuel volumes decreased 2.4 per cent and comparable fuel volumes decreased 5.8 per cent. As evident in the first half, weighing on fuel volumes were headwinds from competitor site openings and disruption to the network, caused by regulatory and environmental compliance works. In addition, during the quarter, there was an increased focus by competitors on their fuel offer in order to drive footfall into stores.

Convenience store sales increased 12.9 per cent for the quarter¹ and 8.1 per cent on a comparable store basis. For the financial year to date⁷, convenience store sales were up 12.0 per cent and up 8.0 per cent on a comparable store basis.

Coles Express continued to expand its network during the quarter, opening six new sites to bring the total store network to 687 sites.

Home Improvement

Total sales for the quarter⁴ were \$2.6 billion, up 11.0 per cent on the previous corresponding period. Total store sales for the quarter⁴ increased 11.5 per cent, while store-on-store growth was 8.3 per cent.

For the financial year to date⁸ total sales increased 10.9 per cent to \$8.1 billion. Total store sales grew 11.1 per cent in the year to date⁸, while store-on-store growth was 8.0 per cent.

The underlying drivers of the sales growth achieved in the period were similar to the first half of this financial year, with growth in both consumer and commercial areas, within all major trading regions and across all merchandising categories.

Bunnings Group Chief Executive Officer John Gillam said that the Bunnings Australia and New Zealand business delivered pleasing sales growth, building on positive momentum and taking advantage of good trading conditions.

"We continue to make good progress across all our strategic initiatives, with increased brand reach in both physical and digital networks," Mr Gillam said. "Ongoing investments in service and value continue to generate favourable customer responses."

During the quarter, two smaller format stores were opened.

As previously announced, Wesfarmers' acquisition of the Homebase business in the UK and Ireland was completed on 27 February 2016. No trading data for Homebase has been included as there is no meaningful comparable information for the 33 days of ownership within the reporting period.

Refer to Appendix Three for footnotes.

Department Stores

Kmart

Total sales for the quarter¹ were \$1.1 billion, an increase of 17.9 per cent on the previous corresponding period, with comparable store sales¹⁰ increasing 15.2 per cent. Adjusting for the earlier timing of Easter¹², comparable store sales¹⁰ increased 12.3 per cent for the quarter.

For the financial year to date⁷, total sales increased 13.9 per cent to \$3.9 billion, while comparable store sales¹⁰ increased 10.8 per cent.

Kmart Managing Director Ian Bailey said Kmart delivered another strong quarter with all categories achieving growth on the prior year, which more than offset the margin impacts from a weaker Australian dollar. Core ranges of home and apparel performed particularly well, supported by growth in Easter-related categories with the event falling into the third quarter this year.

“Despite strong business momentum, sales growth over the remainder of the financial year will be affected by winter category performance which has started more slowly than last year. Regardless of the environment, Kmart’s relentless focus on delivering everyday items at the lowest prices will continue,” Mr Bailey said. “We will also look to further improve our ranges to provide even greater products to Australian and New Zealand families at irresistible prices.”

During the quarter, Kmart opened two new stores and completed eight store refurbishments.

Kmart Tyre and Auto closed one store during the quarter.

Target

Total sales for the quarter⁶ were \$678 million, an increase of 2.3 per cent on the previous corresponding period, with comparable store sales¹⁰ increasing 1.4 per cent. Adjusting for the earlier timing of Easter¹², comparable store sales¹⁰ decreased 0.8 per cent for the quarter⁶.

For the financial year to date⁹, total sales increased 1.7 per cent to \$2.7 billion, while comparable store sales¹⁰ increased 1.4 per cent.

Department Stores division Chief Executive Officer Guy Russo said trading weakened through the third quarter driven largely by lower sales in womenswear and underwear. Sales of homewares were also below the prior corresponding period, where price investment more than offset volume growth.

“Due to declining sales momentum, including poorer than expected sell-through of some summer lines, targeted clearance activity was undertaken late in the quarter, further affecting sales and margins,” Mr Russo said. “Higher clearance activity is also expected in the fourth quarter, with further risk in relation to winter categories.”

“Following the recent creation of the Department Stores division, a strategic review of the business by new management is presently underway. Ahead of this work being completed, Target’s results for the fourth quarter are expected to include the effects of a number of initiatives aimed at establishing a stronger platform for the longer term business turnaround”.

During the quarter, Target opened one new store and completed three store renewals.

Refer to Appendix Three for footnotes

Office Supplies

Total sales for the quarter⁴ were \$512 million, up 5.6 per cent on the previous corresponding period. The business recorded positive sales growth in stores and online.

For the financial year to date⁸, total sales have increased 7.8 per cent to \$1.4 billion.

Officeworks Managing Director Mark Ward said the result was pleasing and was underpinned by strong sales during the critical back-to-school trading period.

“The ongoing work within Officeworks to improve the customer offer continues to produce strong results,” Mr Ward said. “The business remains focused on driving its ‘every channel’ strategy, and providing customers with a compelling offer by delivering great customer service, providing best value and being a one-stop shop.”

During the quarter, one Officeworks store was relocated.

Refer to Appendix Three for footnotes

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APPENDIX ONE

2016 THIRD QUARTER RETAIL SALES RESULTS – KEY METRICS

Key Metrics (%)	Third Quarter 2016	Second Quarter 2016	First Quarter 2016	Fourth Quarter 2015	Third Quarter 2015
COLES¹					
Food & Liquor²					
Comparable store sales growth (Food) ¹¹	4.9	5.3	4.0	4.3	4.5
Comparable store sales growth (Food & Liquor) ¹¹	4.9	4.9	3.6	3.6	3.8
Price inflation/(deflation)	(2.0)	(1.0)	(1.3)	(1.0)	(1.0)
Convenience					
Total fuel volume growth	(6.3)	(2.4)	1.4	2.1	3.0
Comparable fuel volume growth	(10.1)	(5.7)	(1.8)	(0.4)	0.4
Total convenience store sales growth (excl. fuel sales)	12.9	10.6	12.9	8.6	7.7
Comparable convenience store sales growth (excl. fuel sales)	8.1	6.9	9.1	5.8	5.2
HOME IMPROVEMENT^{4,5}					
Total store sales growth	11.5	10.5	11.6	10.1	11.8
Store-on-store sales growth	8.3	7.6	8.2	7.7	9.4
DEPARTMENT STORES					
Kmart¹					
Comparable store sales growth ^{10,12}	15.2	9.5	8.6	8.0	6.3
Target⁶					
Comparable store sales growth ^{10,12}	1.4	0.2	3.2	(0.5)	(1.9)
OFFICE SUPPLIES⁴					
Total sales growth	5.6	11.8	6.5	10.4	9.0

Refer to Appendix Three for footnotes.

APPENDIX TWO

WESFARMERS RETAIL OPERATIONS - STORE NETWORK

FINANCIAL YEAR 2016, YEAR TO DATE

	Open at 1 Jul 2015	Opened	Closed	Re-branded	Open at 31 Mar 2016
COLES					
Supermarkets					
Coles	771	14	(4)	-	781
Bi-Lo	5	-	(3)	-	2
Total Supermarkets	776	14	(7)	-	783
Liquor					
1st Choice	100	1	(4)	-	97
Vintage Cellars	79	2	(1)	-	80
Liquorland	679	21	(14)	-	686
Hotels	90	-	(1)	-	89
Total Liquor	948	24	(20)	-	952
Convenience	662	26	(1)	-	687
Selling Area (m²)					
Supermarkets	1,749,840	n.a.	n.a.	n.a.	1,775,878
Liquor (excluding hotels)	209,490	n.a.	n.a.	n.a.	208,310
HOME IMPROVEMENT					
Bunnings Warehouse	236	7	(3)	-	240
Bunnings smaller formats	65	5	(1)	-	69
Bunnings Trade Centres	33	-	(1)	-	32
DEPARTMENT STORES					
Kmart					
Kmart	203	5	-	-	208
Kmart Tyre & Auto	246	4	(2)	-	248
Target					
Large	183	6	(3)	-	186
Small	122	-	(1)	-	121
Total Target	305	6	(4)	-	307
OFFICE SUPPLIES					
Officeworks	156	5	(3)	-	158

APPENDIX THREE

FOOTNOTES

1. Financial Year 2016 for the 12 week period 4 January 2016 to 27 March 2016 and Financial Year 2015 for the 12 week period 5 January 2015 to 29 March 2015.
2. Includes hotels, excludes gaming revenue and property income.
3. Includes fuel sales.
4. Financial Year 2016 and Financial Year 2015 for the three month period 1 January to 31 March.
5. Includes consumer and commercial sales, excludes property income.
6. Financial Year 2016 for the 12 week period 3 January 2016 to 26 March 2016 and Financial Year 2015 for the 12 week period 4 January 2015 to 28 March 2015.
7. Financial Year 2016 for the 39 week period 29 June 2015 to 27 March 2016 and Financial Year 2015 for the 39 week period 30 June 2014 to 29 March 2015.
8. Financial Year 2016 and Financial Year 2015 for the nine month period 1 July to 31 March.
9. Financial Year 2016 for the 39 week period 28 June 2015 to 26 March 2016 and Financial Year 2015 for the 39 week period 29 June 2014 to 28 March 2015.
10. Comparable store sales include lay-by sales. Lay-by sales are excluded from total sales under Australian Accounting Standards.
11. After adjusting for the earlier timing of Easter in the 2016 financial year compared to the previous year, comparable food and liquor store sales and comparable food store sales for the third quarter 2016 increased 4.4 per cent and 4.5 per cent respectively.

After adjusting for the earlier timing of Easter in the 2015 financial year compared to the previous year, comparable food and liquor store sales and comparable food store sales for the third quarter 2015 increased 3.4 per cent and 4.1 per cent respectively.
12. After adjusting for the effect of the earlier timing of Easter in the 2016 financial year compared to the previous year, comparable store sales for the third quarter 2016 at Kmart increased 12.3 per cent and at Target decreased 0.8 per cent.

After adjusting for the effect of the earlier timing of Easter in the 2015 financial year compared to the previous year, comparable store sales for the third quarter 2015 at Kmart increased 5.5 per cent and at Target decreased 3.2 per cent.