

## 2017 Third Quarter Retail Sales Results

27 April 2017

| Third Quarter Sales (\$m)             | 2017         | 2016         | Variance %   |
|---------------------------------------|--------------|--------------|--------------|
| Food & Liquor <sup>1,2</sup>          | 7,610        | 7,518        | 1.2          |
| Convenience <sup>1,3</sup>            | 1,405        | 1,448        | (3.0)        |
| <b>Total Coles</b>                    | <b>9,015</b> | <b>8,966</b> | <b>0.5</b>   |
| Bunnings Australia & New Zealand      | 2,793        | 2,594        | 7.7          |
| Bunnings United Kingdom & Ireland     | 400          | n.a.         | n.a.         |
| <b>Home Improvement<sup>4,5</sup></b> | <b>3,193</b> | <b>2,594</b> | <b>23.1</b>  |
| Kmart <sup>1</sup>                    | 1,133        | 1,105        | 2.5          |
| Target <sup>6</sup>                   | 555          | 678          | (18.1)       |
| <b>Department Stores</b>              | <b>1,688</b> | <b>1,783</b> | <b>(5.3)</b> |
| <b>Officeworks<sup>4</sup></b>        | <b>558</b>   | <b>512</b>   | <b>9.0</b>   |

Refer to Appendix Three for footnotes.

| Year to Date Sales (\$m)              | 2017          | 2016          | Variance %   |
|---------------------------------------|---------------|---------------|--------------|
| Food & Liquor <sup>7,2</sup>          | 24,630        | 24,175        | 1.9          |
| Convenience <sup>7,3</sup>            | 4,662         | 5,114         | (8.8)        |
| <b>Total Coles</b>                    | <b>29,292</b> | <b>29,289</b> | <b>0.0</b>   |
| Bunnings Australia & New Zealand      | 8,747         | 8,090         | 8.1          |
| Bunnings United Kingdom & Ireland     | 1,429         | n.a.          | n.a.         |
| <b>Home Improvement<sup>5,8</sup></b> | <b>10,176</b> | <b>8,090</b>  | <b>25.8</b>  |
| Kmart <sup>7</sup>                    | 4,188         | 3,904         | 7.3          |
| Target <sup>9</sup>                   | 2,213         | 2,686         | (17.6)       |
| <b>Department Stores</b>              | <b>6,401</b>  | <b>6,590</b>  | <b>(2.9)</b> |
| <b>Officeworks<sup>8</sup></b>        | <b>1,484</b>  | <b>1,387</b>  | <b>7.0</b>   |

Refer to Appendix Three for footnotes.

Wesfarmers Limited today announced its retail sales results for the third quarter of the 2017 financial year.

Managing Director Richard Goyder said the sales performance of the Group's retail businesses was generally pleasing given the later timing of Easter in the 2017 financial year, with most businesses building on the strong growth achieved in the prior corresponding period.

"Coles' headline food and liquor sales increased by 1.2 per cent during the quarter, with the business investing more significantly in the customer offer.

"Bunnings Australia and New Zealand achieved total sales growth of 7.7 per cent during the quarter, building on the strong growth achieved in prior periods through the continued solid execution of its strategic agenda. In the United Kingdom and Ireland, further progress has been made on transition, separation and integration activities following the Homebase acquisition. Following the successful launch of the first Bunnings pilot store in February 2017, the second pilot store was opened in Hatfield Road, St Albans on 12 April 2017.

"Kmart's total sales increased 2.5 per cent, extending the very strong performance achieved in the prior corresponding period, with further price investments made during the period. Target continued to progress its transition to everyday low prices, recording a decline in total sales of 18.1 per cent during the quarter.

"Officeworks' strong sales growth of 9.0 per cent was driven by the sound execution of its 'every channel' strategy, with positive sales growth achieved in stores and online."

## Coles

### Food and Liquor

Headline food and liquor sales for the third quarter<sup>1</sup> were \$7.6 billion, up 1.2 per cent on the previous corresponding period. Food and liquor sales for the financial year to date<sup>7</sup> increased 1.9 per cent to \$24.6 billion.

Comparable food and liquor sales increased 0.3 per cent and comparable food sales increased 0.4 per cent for the quarter<sup>1</sup>. After adjusting for the later timing of Easter in the 2017 financial year, comparable food and liquor store sales and comparable food sales for the quarter increased 0.7 per cent and 0.8 per cent, respectively. For the financial year to date<sup>7</sup>, comparable food and liquor sales increased 1.0 per cent and comparable food sales also increased 1.0 per cent.

Food and liquor price deflation was 0.5 per cent during the quarter<sup>1</sup> and 0.8 per cent for the financial year to date<sup>7</sup>. Price deflation during the quarter was lower than recent periods due to the impact of supply-driven fresh produce inflation, which reached its highest level in over three years. Excluding fresh produce and tobacco, deflation for the quarter was 2.2 per cent. The business has now recorded 24 consecutive quarters of price deflation.

Coles Managing Director John Durkan said the sales growth achieved reflected Coles' strategy to continue to invest in the customer offer in a period of lower growth. "On an Easter adjusted basis, our sales growth in food was broadly in line with the second quarter trend while investment in the customer offer increased during the period," Mr Durkan said.

"It is necessary that we continue to proactively invest in the customer offer throughout this period of lower growth and increased competition to ensure we maintain our market leading customer offer," Mr Durkan said. "This was evident throughout the quarter, whether that was through the addition of family essentials like our 3 star mince and Coles brand cheeses to Every Day value, or by offering our award winning hot cross buns to customers at an incredible price. This enduring customer focus will ensure Coles is positioned well for the long term," Mr Durkan said.

"The Liquor business continued to execute on its turnaround strategy in line with expectations," Mr Durkan said. "Liquor continues to see growth in both headline sales and transactions, but there still remains much opportunity for improvement as we progress our customer-led strategy."

Coles continued to improve and optimise its store network, opening six supermarkets and closing one supermarket during the quarter, resulting in a total of 796 supermarkets at the end of the quarter. Two supermarkets were renewed during the quarter.

Liquor continued to improve its store network, opening nine new stores and closing two stores during the quarter. At the end of the period, Coles had a total of 879 liquor stores and 89 hotels.

## Convenience

Total Coles Express sales, including fuel, for the quarter<sup>1</sup> were \$1.4 billion, a decrease of 3.0 per cent on the previous corresponding period, with the impact of lower volumes offsetting continued growth in convenience store sales. Total sales for the financial year to date<sup>7</sup> decreased 8.8 per cent to \$4.7 billion.

For the quarter<sup>1</sup>, headline fuel volumes decreased 20.7 per cent and comparable fuel volumes decreased 22.0 per cent. For the financial year to date<sup>7</sup> headline fuel volumes decreased 13.1 per cent and comparable fuel volumes decreased 15.9 per cent. In addition to challenging market growth and the continuing impacts from competitor site openings, volumes remained in decline as Coles Express continued to respond to changes in the commercial terms of the Alliance which included an increase in Coles' wholesale fuel price during the quarter.

Headline convenience store sales increased 0.9 per cent for the quarter<sup>1</sup> and decreased 0.8 per cent on a comparable store basis. For the financial year to date<sup>7</sup>, convenience store sales increased 4.6 per cent and increased 1.4 per cent on a comparable store basis.

Coles Express continued to expand its network during the quarter, opening five new sites and closing two sites, bringing the total network to 698 sites.

Refer to Appendix Three for footnotes.

## Home Improvement

### Bunnings Australia and New Zealand (BANZ)

Total sales for the quarter<sup>4</sup> were \$2.8 billion, up 7.7 per cent on the previous corresponding period. Total store sales for the quarter<sup>4</sup> increased 7.4 per cent, while store-on-store growth was 6.0 per cent.

For the financial year to date<sup>8</sup>, total sales increased 8.1 per cent to \$8.7 billion. Total store sales grew 8.1 per cent in the year to date<sup>8</sup>, while store-on-store growth was 6.3 per cent.

The results for the quarter built on the very strong performances achieved in the two prior corresponding periods in the 2016 and 2015 financial years, where total store sales grew 11.5 per cent and 11.8 per cent, respectively.

BANZ Managing Director Michael Schneider said the sales growth achieved was pleasing, particularly given the varying market conditions during the quarter.

“An ongoing focus on delivering our strategic agenda continued to provide positive outcomes,” Mr Schneider said. “We continue to invest strongly to deliver a winning offer to customers”.

During the quarter, one replacement warehouse and one replacement trade centre were opened.

A further 17 sites were under construction at the end of March 2017.

### Bunnings United Kingdom and Ireland (BUKI)

Total sales for the quarter<sup>4</sup> were £245 million (\$400 million). On a like-for-like trading basis across the third quarter, customer participation, as measured by transactions, increased by 2.2 per cent. For the financial year to date<sup>8</sup>, total sales were £851 million (\$1,429 million). Customer participation for the financial year to date increased by 6.9 per cent.

BUKI Managing Director PJ Davis said trading during the quarter was negatively affected by the continued repositioning of the kitchen and bathroom offer, while the performance across other core home improvement and garden products was pleasing.

“Our first Bunnings Warehouse pilot stores have been well received by customers, team members, and the community. The team continues to progress the strategic plan and is focused on building strong foundations,” Mr Davis said.

During the quarter, the first Bunnings Warehouse pilot store was opened. A second pilot site was opened on 12 April 2017 at Hatfield Road, St Albans. There were 254 Homebase stores as at the end of March 2017.

Refer to Appendix Three for footnotes.

## Department Stores

### Kmart

Total sales for the quarter<sup>1</sup> were \$1.1 billion, an increase of 2.5 per cent on the previous corresponding period, with comparable store sales decreasing 0.3 per cent. Adjusting for the later timing of Easter in the 2017 financial year, total sales increased 5.5 per cent with comparable store sales increasing 1.6 per cent for the quarter<sup>1</sup>.

For the financial year to date<sup>7</sup>, total sales increased 7.3 per cent to \$4.2 billion, while comparable store sales increased 4.0 per cent.

Kmart Managing Director Ian Bailey said Kmart has delivered another solid quarter, with growth recorded across the core ranges of home and apparel.

“Sales were in line with expectations given the later timing of Easter and higher levels of clearance in the prior corresponding period, with more products sold at full price during the quarter. Kmart continues to offer the lowest prices for Australian and New Zealand families on everyday items with further investments in price made during the quarter. Inventory quality has remained strong and positions the business well for the remainder of the financial year,” Mr Bailey said.

During the quarter, Kmart completed nine store refurbishments and opened three new stores. This takes the total number of stores in the renewed Plan C format to 130.

Kmart Tyre and Auto opened one store during the quarter.

### Target

Total sales for the quarter<sup>6</sup> were \$555 million, a decrease of 18.1 per cent on the previous corresponding period, with comparable store sales decreasing 17.9 per cent. Adjusting for the later timing of Easter in the 2017 financial year, comparable store sales decreased 16.0 per cent for the quarter<sup>6</sup>.

For the financial year to date<sup>9</sup>, total sales decreased 17.6 per cent to \$2.2 billion, while comparable store sales decreased 18.1 per cent.

Department Stores Chief Executive Officer Guy Russo said the results for the period reflected the ongoing transition of the business.

“During the quarter, the reset of merchandise disciplines was further progressed and the transition to everyday low prices continued, with higher levels of full price sales and lower levels of clearance activity achieved relative to the prior corresponding period,” Mr Russo said.

“Trading momentum is expected to remain challenging in the fourth quarter, but reset merchandise disciplines are expected to support improvements in the quality of sales recorded.”

During the quarter, Target made no changes to its store network.

Refer to Appendix Three for footnotes.

## Officeworks

Total sales for the quarter<sup>4</sup> were \$558 million, up 9.0 per cent on the previous corresponding period. Sales for the quarter were favourably impacted by the later timing of Easter.

The business recorded positive sales growth in stores and online.

For the financial year to date<sup>8</sup>, total sales have increased 7.0 per cent to \$1.5 billion.

Officeworks Managing Director Mark Ward said the result was very pleasing, particularly the strong execution during the critical back-to-school trading period.

“Officeworks remains focused on driving its ‘every channel’ strategy, and providing customers with a compelling offer by delivering great customer service, best value and being a one-stop shop,” Mr Ward said.

During the quarter, no new Officeworks stores were opened.

Refer to Appendix Three for footnotes.

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## APPENDIX ONE

## 2017 THIRD QUARTER RETAIL SALES RESULTS – KEY METRICS

| Key Metrics (%)  | Third Quarter<br>2017 | Second Quarter<br>2017 | First Quarter<br>2017 | Fourth Quarter<br>2016 | Third Quarter<br>2016 |
|--|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| <b>COLES</b>   |                       |                        |                       |                        |                       |
| <b>Food &amp; Liquor<sup>2</sup></b>                         |                       |                        |                       |                        |                       |
| Comparable store sales growth (Food) <sup>10</sup>           | 0.4                   | 1.0                    | 1.7                   | 2.9                    | 4.9                   |
| Comparable store sales growth (Food & Liquor) <sup>10</sup>  | 0.3                   | 0.9                    | 1.8                   | 2.8                    | 4.9                   |
| Price inflation/(deflation)                                  | (0.5)                 | (0.8)                  | (1.0)                 | (2.4)                  | (2.0)                 |
| <b>Convenience</b>   |                       |                        |                       |                        |                       |
| Total fuel volume growth                                     | (20.7)                | (12.5)                 | (7.0)                 | (10.3)                 | (6.3)                 |
| Comparable fuel volume growth                                | (22.0)                | (15.6)                 | (10.7)                | (14.2)                 | (10.1)                |
| Total convenience store sales growth (excl. fuel sales)      | 0.9                   | 5.5                    | 7.4                   | 8.5                    | 12.9                  |
| Comparable convenience store sales growth (excl. fuel sales) | (0.8)                 | 1.8                    | 3.2                   | 3.8                    | 8.1                   |
| <b>HOME IMPROVEMENT<sup>5,11,12</sup></b>                    |                       |                        |                       |                        |                       |
| Total store sales growth                                     | 7.4                   | 9.2                    | 7.3                   | 11.2                   | 11.5                  |
| Store-on-store sales growth                                  | 6.0                   | 7.3                    | 5.5                   | 8.3                    | 8.3                   |
| <b>DEPARTMENT STORES</b>                                     |                       |                        |                       |                        |                       |
| <b>Kmart</b>   |                       |                        |                       |                        |                       |
| Comparable store sales growth <sup>13,14</sup>               | (0.3)                 | 4.1                    | 8.2                   | 9.6                    | 15.2                  |
| <b>Target</b>  |                       |                        |                       |                        |                       |
| Comparable store sales growth <sup>13,14</sup>               | (17.9)                | (15.6)                 | (21.9)                | (6.3)                  | 1.4                   |
| <b>OFFICEWORKS</b>   |                       |                        |                       |                        |                       |
| Total sales growth   | 9.0                   | 4.3                    | 7.5                   | 8.9                    | 5.6                   |

Refer to Appendix Three for footnotes.

## APPENDIX TWO

## WESFARMERS RETAIL OPERATIONS - STORE NETWORK

## FINANCIAL YEAR 2017, YEAR TO DATE

|                                     | Open at<br>1 Jul 2016 | Opened    | Closed     | Re-branded | Open at<br>31 Mar 2017 |
|-------------------------------------|-----------------------|-----------|------------|------------|------------------------|
| <b>COLES</b>                        |                       |           |            |            |                        |
| <b>Supermarkets</b>                 |                       |           |            |            |                        |
| Coles                               | 786                   | 14        | (6)        | 1          | 795                    |
| Bi-Lo                               | 1                     | -         | -          | -          | 1                      |
| <b>Total Supermarkets</b>           | <b>787</b>            | <b>14</b> | <b>(6)</b> | <b>1</b>   | <b>796</b>             |
| <b>Liquor</b>                       |                       |           |            |            |                        |
| 1st Choice                          | 97                    | 3         | -          | -          | 100                    |
| Vintage Cellars                     | 81                    | 1         | -          | -          | 82                     |
| Liquorland                          | 687                   | 18        | (8)        | -          | 697                    |
| Hotels                              | 89                    | -         | -          | -          | 89                     |
| <b>Total Liquor</b>                 | <b>954</b>            | <b>22</b> | <b>(8)</b> | <b>-</b>   | <b>968</b>             |
| <b>Convenience</b>                  | <b>690</b>            | <b>12</b> | <b>(4)</b> | <b>-</b>   | <b>698</b>             |
| <b>Selling Area (m<sup>2</sup>)</b> |                       |           |            |            |                        |
| Supermarkets                        | 1,789,290             | n.a.      | n.a.       | n.a.       | 1,818,893              |
| Liquor (excluding hotels)           | 208,233               | n.a.      | n.a.       | n.a.       | 211,269                |
| <b>HOME IMPROVEMENT</b>             |                       |           |            |            |                        |
| Bunnings Warehouse                  | 244                   | 6         | (2)        | -          | 248                    |
| Bunnings smaller formats            | 70                    | 4         | (1)        | -          | 73                     |
| Bunnings Trade Centres              | 33                    | 1         | (1)        | -          | 33                     |
| Bunnings UK & Ireland               | 260                   | 1         | (6)        | -          | 255                    |
| <b>DEPARTMENT STORES</b>            |                       |           |            |            |                        |
| <b>Kmart</b>                        |                       |           |            |            |                        |
| Kmart                               | 209                   | 6         | -          | 2          | 217                    |
| Kmart Tyre & Auto                   | 248                   | 6         | (3)        | -          | 251                    |
| <b>Target</b>                       |                       |           |            |            |                        |
| Large                               | 186                   | 1         | -          | (2)        | 185                    |
| Small                               | 120                   | -         | (1)        | -          | 119                    |
| <b>OFFICEWORKS</b>                  |                       |           |            |            |                        |
| Officeworks                         | 159                   | 4         | -          | -          | 163                    |

## APPENDIX THREE

### FOOTNOTES

1. Financial Year 2017 for the 12 week period 2 January 2017 to 26 March 2017 and Financial Year 2016 for the 12 week period 4 January 2016 to 27 March 2016.
2. Includes hotels, excludes gaming revenue and property income.
3. Includes fuel sales.
4. Financial Year 2017 and Financial Year 2016 for the three month period 1 January to 31 March.
5. Includes cash and trade sales, excludes property income.
6. Financial Year 2017 for the 12 week period 1 January 2017 to 25 March 2017 and Financial Year 2016 for the 12 week period 3 January 2016 to 26 March 2016.
7. Financial Year 2017 for the 39 week period 27 June 2016 to 26 March 2017 and Financial Year 2016 for the 39 week period 29 June 2015 to 27 March 2016.
8. Financial Year 2017 and Financial Year 2016 for the nine month period 1 July to 31 March.
9. Financial Year 2017 for the 39 week period 26 June 2016 to 25 March 2017 and Financial Year 2016 for the 39 week period 28 June 2015 to 26 March 2016.
10. After adjusting for the later timing of Easter in the 2017 financial year compared to the previous year, comparable food and liquor store sales and comparable food store sales for the third quarter 2017 increased 0.7 per cent and 0.8 per cent respectively.

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.

11. Bunnings Australia and New Zealand only.
12. Excludes sales related to Trade Centres and Frame & Truss.
13. Comparable store sales include lay-by sales. Lay-by sales are excluded from total sales under Australian Accounting Standards.
14. After adjusting for the later timing of Easter in the 2017 financial year compared to the previous year, comparable store sales for the third quarter 2017 at Kmart increased 1.6 per cent and at Target decreased 16.0 per cent.

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.