

2018 First Quarter Retail Sales Results

25 October 2017

First Quarter Sales (\$m)	2018	2017	Variance %
Food & Liquor ^{1,2}	7,968	7,850	1.5
Convenience ^{1,3}	1,402	1,549	(9.5)
Total Coles	9,370	9,399	(0.3)
Bunnings Australia & New Zealand^{4,5}	2,964	2,659	11.5
Bunnings United Kingdom & Ireland⁴	457	554	(17.5)
Kmart ¹	1,361	1,249	9.0
Target ⁶	602	643	(6.4)
Department Stores	1,963	1,892	3.8
Officeworks⁴	497	461	7.8

Refer to Appendix Three for footnotes.

Wesfarmers Limited today announced its retail sales results for the first quarter of the 2018 financial year.

Managing Director Richard Goyder said that the sales performance of the Group's retail businesses was generally pleasing, in particular the continued strong performances of Bunnings Australia and New Zealand, Kmart and Officeworks.

"Coles' headline food and liquor sales increased by 1.5 per cent for the quarter as the business continued to invest proactively across all elements of the customer offer," Mr Goyder said. "Sales growth was achieved despite significant fresh produce deflation during the period, and the business continued to see improvements in key metrics such as transaction growth, unit growth, fresh participation and customer satisfaction.

"Bunnings Australia and New Zealand (BANZ) achieved total sales growth of 11.5 per cent during the quarter, with strong execution against BANZ's strategic agenda continuing to deliver growth across all market segments.

"Bunnings United Kingdom and Ireland (BUKI) total sales decreased 17.5 per cent (13.8 per cent in local currency terms) as difficult trading conditions persisted for Homebase. The rollout of the Bunnings Warehouse pilot stores continued, with eight pilot stores trading during the quarter, delivering early encouraging results.

"Kmart's total sales growth of 9.0 per cent built on the very strong performance achieved in the prior corresponding period, with customers responding positively to further investments in price and product ranges made during the quarter. Target's total sales decreased 6.4 per cent as the business continued to reset its product, price and range.

"Officeworks' total sales increased 7.8 per cent as the business continued to execute strongly against its 'every channel' strategy, with positive sales growth achieved in stores and online."

Coles

Food and Liquor

Headline food and liquor sales for the first quarter¹ were \$7,968 million, up 1.5 per cent on the prior corresponding period.

Comparable food and liquor sales increased 0.4 per cent and comparable food sales increased 0.3 per cent for the quarter.

Food and liquor price deflation was 2.3 per cent during the quarter¹, reflecting an acceleration in supply-driven fresh produce deflation during the period, particularly in soft vegetables, to the highest level since 2016. Excluding fresh produce, deflation for the quarter¹ was 1.3 per cent, broadly in line with fourth quarter deflation of 1.2 per cent, excluding fresh produce.

Coles Managing Director John Durkan said excluding the impact of the significant fresh produce deflation, food and liquor comparable sales in the first quarter were broadly in line with the trend achieved in the 2017 financial year.

“As we outlined at our full year update in August, we continue to proactively invest in value, quality, availability and service for our customers. This underpinned continued improvements in transaction growth, unit growth and customer satisfaction in the quarter¹. We believe our focus on a customer-led strategy will ensure Coles maintains its strong market position in a highly competitive market, and will deliver sustainable long-term growth,” Mr Durkan said.

“There are still many opportunities for growth in the business,” Mr Durkan said. “We continue to focus on increasing our penetration in Fresh, improving our store network, investing in new routes to market, and simplifying our business in terms of range and our cost of doing business.”

“The liquor business continued to build on its positive sales momentum, largely led by Liquorland,” Mr Durkan said. “The transformation to date has seen a focus on improving price competitiveness, range and the quality of the store network. Further opportunities remain as we continue to enhance our offering to customers through product innovation, exclusive brands, new channels and improved service.”

Coles continued to improve and optimise its store network, opening one supermarket and closing four during the quarter, resulting in a total of 798 supermarkets at the end of the period. During the quarter, 16 supermarket renewals were completed.

Liquor added to its store network, opening 11 new stores and closing six stores during the quarter. One hotel was also closed. At the end of the period, Coles had a total of 888 liquor stores and 88 hotels.

Convenience

Total Coles Express sales, including fuel, for the quarter¹ were \$1,402 million, a decrease of 9.5 per cent on the prior corresponding period, largely driven by lower fuel volumes.

Headline convenience store sales increased 2.7 per cent for the quarter¹ and 0.2 per cent on a comparable store basis. Growth in convenience store sales continued to be driven by improvements to the overall food-to-go offering and convenience range.

For the quarter¹, headline fuel volumes decreased 20.2 per cent and comparable fuel volumes decreased 21.0 per cent. Coles Express continues to work with its Alliance partner to provide a competitive and sustainable fuel offer. Average weekly fuel volumes achieved during the period were broadly in line with the fourth quarter. Coles' strategy is to manage the business for an appropriate return and to focus on growing the convenience offering.

Coles Express continued to expand its network during the quarter, opening five new sites and closing one site, bringing the total network to 706 sites.

Refer to Appendix Three for footnotes.

Home Improvement

Bunnings Australia and New Zealand (BANZ)

Total sales for the quarter⁴ were \$2,964 million, 11.5 per cent above the prior corresponding period. Total store sales for the quarter increased 11.7 per cent, while store-on-store growth was 10.8 per cent.

Good sales growth was achieved during the period in both consumer and commercial markets, within all trading regions and across all merchandising categories. The results built on total sales growth of 7.4 per cent in the prior corresponding period, which included adverse impacts from wet weather and the stock liquidation activities of the Masters business.

Bunnings Group Managing Director Michael Schneider said the results were pleasing and continued to be supported by a strategic agenda focused on driving growth, creating better experiences for both customers and the community, and strengthening the core of the business.

“Continuing to deliver on this strategic agenda will support ongoing growth for the BANZ business,” Mr Schneider said.

During the quarter, two replacement warehouses were opened at the former Masters sites in Dandenong (Victoria) and Mt Gambier (South Australia). The Compton Road warehouse (Queensland) was closed for redevelopment.

On 12 October 2017, Home Consortium confirmed the completion of its acquisition of 100 per cent of the shares in Hydrox Holdings, satisfying the remaining condition with Bunnings on agreements for lease on six former Masters locations. It is anticipated that these stores will be converted and opened as Bunnings stores by May 2018.

A further 16 sites were under construction at the end of September 2017.

Bunnings United Kingdom and Ireland (BUKI)

Total sales for the quarter⁴ were £276 million (\$457 million), a decrease of 13.8 per cent on the prior corresponding period. Store-on-store sales decreased 11.9 per cent.

The early trading performance of the first eight Bunnings Warehouse pilots is encouraging, with solid sales uplifts achieved across the pilot group. The coming months will test performance in different seasonal conditions and BUKI will continue to patiently trial a range of formats, locations, and competitive environments to achieve proof of concept.

Bunnings Group Managing Director Michael Schneider said that, while still early days, the engagement of customers, suppliers, team members, and local communities with the Bunnings stores remains pleasing.

Despite steady sales in core home improvement and garden categories, Homebase’s trading performance relative to the previous comparable period was adversely affected by the significant clearance of discontinued ranges last year.

“While the performance of Homebase is disappointing, we continue to be encouraged by the performance of the Bunnings pilots. The BUKI team remains focused on stabilising the performance of the Homebase stores as well as delivering proof of concept for the Bunnings format,” Mr Schneider said.

There were 244 Homebase stores and eight Bunnings stores as at 30 September 2017. A total of 15 to 20 pilot stores are expected to be either trading or nearing completion by 31 December 2017, subject to relevant approvals.

Refer to Appendix Three for footnotes.

Department Stores

Kmart

Total sales for the quarter¹ were \$1,361 million, an increase of 9.0 per cent on the prior corresponding period, with comparable store sales increasing 4.9 per cent.

Kmart Managing Director Ian Bailey said the sales performance achieved in the first quarter was driven by strong unit and transaction growth as customers responded positively to the combination of further price investment and improvement in the product offering. Core ranges in Home and Kids performed particularly well, with positive results across all categories building on the very strong growth achieved in the prior corresponding period.

“Maintaining price leadership in a market that is becoming increasingly competitive remains core to Kmart’s strategy and is expected to support the continued growth of the business,” Mr Bailey said.

During the quarter, Kmart completed 11 store refurbishments, opened two new stores and closed one store.

Kmart Tyre and Auto opened one centre and closed one centre during the quarter.

Target

Total sales for the quarter⁶ were \$602 million, a decrease of 6.4 per cent on the prior corresponding period, with comparable store sales decreasing 6.4 per cent.

Department Stores Chief Executive Officer Guy Russo said Target’s sales performance for the period reflected the continued reset of product, price and range, particularly across womenswear, toys and general merchandise.

“During the quarter, the significant transition to deliver quality and fashion at low prices continued,” Mr Russo said. “Merchandise disciplines were further progressed, delivering SKU reductions, lower levels of inventory and increased levels of direct sourcing.”

During the quarter, Target opened two new stores and closed one store.

Refer to Appendix Three for footnotes.

Officeworks

Total sales for the quarter⁴ were \$497 million, up 7.8 per cent on the prior corresponding period.

Officeworks Managing Director Mark Ward said the result was pleasing and reflected positively on Officeworks' 'every channel' strategy, with sales growth achieved in stores and online.

"Officeworks remains focused on providing a compelling offer to customers, which is centred around being a one-stop shop for micro, small and medium-sized businesses, students and households," Mr Ward said.

"Officeworks continues to invest in both its store network and online offer, both as stand-alone channels and as part of an every channel proposition. Officeworks remains committed to providing our customers with compelling value and great service across every channel."

During the quarter, one new Officeworks store was opened.

Refer to Appendix Three for footnotes.

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APPENDIX ONE

2018 FIRST QUARTER RETAIL SALES RESULTS – KEY METRICS

Key Metrics (%)	First Quarter 2018	Fourth Quarter 2017	Third Quarter 2017	Second Quarter 2017	First Quarter 2017
COLES					
Food & Liquor²					
Comparable store sales growth (Food) ⁹	0.3	1.0	0.4	1.0	1.7
Comparable store sales growth (Food & Liquor) ⁹	0.4	1.2	0.3	0.9	1.8
Price inflation/(deflation)	(2.3)	(0.8)	(0.5)	(0.8)	(1.0)
Convenience					
Total fuel volume growth	(20.2)	(15.4)	(20.7)	(12.5)	(7.0)
Comparable fuel volume growth	(21.0)	(16.6)	(22.0)	(15.6)	(10.7)
Total convenience store sales growth (excl. fuel sales)	2.7	4.7	0.9	5.5	7.4
Comparable convenience store sales growth (excl. fuel sales)	0.2	2.4	(0.8)	1.8	3.2
HOME IMPROVEMENT⁵					
Bunnings Australia and New Zealand					
Total store sales growth ⁷	11.7	11.7	7.4	9.2	7.3
Store-on-store sales growth	10.8	10.4	6.0	7.3	5.5
Bunnings United Kingdom and Ireland					
Total store sales growth (£)	(13.8)	(6.8)	n.a.	n.a.	n.a.
Store-on-store sales growth (£)	(11.9)	(4.3)	n.a.	n.a.	n.a.
DEPARTMENT STORES					
Kmart					
Comparable store sales growth ^{8,10}	4.9	4.7	(0.3)	4.1	8.2
Target					
Comparable store sales growth ^{8,10}	(6.4)	(3.2)	(17.9)	(15.6)	(21.9)
OFFICEWORKS					
Total sales growth	7.8	3.5	9.0	4.3	7.5

n.a. - not applicable

Refer to Appendix Three for footnotes.

APPENDIX TWO

WESFARMERS RETAIL OPERATIONS - STORE NETWORK

FINANCIAL YEAR 2018, YEAR TO DATE

	Open at 1 Jul 2017	Opened	Closed	Re-branded	Open at 30 Sep 2017
COLES					
Supermarkets					
Coles	800	1	(3)	-	798
Bi-Lo	1	-	(1)	-	-
Total Supermarkets	801	1	(4)	-	798
Liquor					
1st Choice	99	-	-	-	99
Vintage Cellars	82	-	-	-	82
Liquorland	702	11	(6)	-	707
Hotels	89	-	(1)	-	88
Total Liquor	972	11	(7)	-	976
Convenience	702	5	(1)	-	706
Selling Area (m²)					
Supermarkets	1,835,743	n.a.	n.a.	n.a.	1,828,950
Liquor (excluding hotels)	211,373	n.a.	n.a.	n.a.	211,897
HOME IMPROVEMENT					
Bunnings Warehouse	249	2	(3)	-	248
Bunnings smaller formats	77	-	(1)	-	76
Bunnings Trade Centres	33	-	-	-	33
Bunnings UK & Ireland ¹¹	255	4	(7)	-	252
DEPARTMENT STORES					
Kmart					
Kmart	220	2	(1)	-	221
Kmart Tyre & Auto	251	1	(1)	-	251
Target					
Large	184	2	-	-	186
Small	119	-	(1)	-	118
OFFICEWORKS					
Officeworks	164	1	-	-	165

n.a. - not applicable

Refer to Appendix Three for footnotes.

APPENDIX THREE

FOOTNOTES

1. Financial Year 2018 for the 13 week period 26 June 2017 to 24 September 2017 and Financial Year 2017 for the 13 week period 27 June 2016 to 25 September 2016.
2. Includes hotels, excludes gaming revenue and property income.
3. Includes fuel sales.
4. Financial Year 2018 and Financial Year 2017 for the three month period 1 July to 30 September.
5. Includes cash and trade sales, excludes property income.
6. Financial Year 2018 for the 13 week period 25 June 2017 to 23 September 2017 and Financial Year 2017 for the 13 week period 26 June 2016 to 24 September 2016.
7. Excludes sales related to Trade Centres and Frame & Truss.
8. Comparable store sales include lay-by sales. Lay-by sales are excluded from total sales under Australian Accounting Standards.
9. After adjusting for the earlier 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 fourth quarter 2017 increased 0.7 per cent and 0.6 per cent respectively.

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.
10. After adjusting for the effect of the earlier timing of Easter in the 2017 financial year compared to the previous year, comparable store sales for the fourth quarter 2017 at Kmart increased 3.0 per cent and at Target decreased 4.6 per cent.

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.
11. Includes eight Bunnings pilot stores. In addition there were two Homebase stores undergoing conversion as at 30 September 2017.