2019 Full-year Results Briefing Presentation

To be held on Tuesday 27 August 2019

Wesfarmers

Presentation outline

Group Performance Overview

Rob Scott

Managing Director, Wesfarmers Limited

Wesfarmers

Progress on strategic agenda: FY19 highlights

Portfolio management

- Significant portfolio repositioning
- Successful demerger of Coles
- Divestments of Bengalla, Kmart Tyre & Auto (KTAS) & stake in Quadrant Energy

People

- Divisional leadership - Kmart Group, Officeworks, Target
- Corporate Office - Corporate Affairs, Company Secretariat, Advanced Analytics Centre
- Wesfarmers Board - director & strategic advisor appointments

Data & digital

- Investment in Advanced Analytics Centre accelerating divisional data capabilities
- Significant investments to step-change digital offer
- Strong growth (33%) in online sales with improved customer experience

Capital allocation & management

- Ongoing focus on organic & adjacent growth opportunities
- Acquisition of Catch Group completed, Kidman shareholder vote on 5 September 2019
- Special dividend in April 2019

Managing businesses for long-term success

Our divisions remain focused on managing their businesses for long-term success & value creation

A relentless focus on customers

- Maintaining price leadership
- Investing in digital to meet the evolving needs of customers
- Ensuring reliable & high quality supply through operational excellence
- Deeply engaged in the communities in which we operate

Investing for the long term

- Constant product innovation
- Improving back-end systems & processes
- Disciplined pursuit of value-accretive opportunities to add capabilities, channels or new technology

Building on unique capabilities & platforms

- Leading market positions
- Scalable platforms
- Expanding addressable markets by developing new channels, products or services
- People with extensive operating experience & knowledge

Financial overview

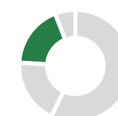
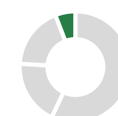
Year ended 30 June	Reported	Excluding sig. items[1]	Variance to pcp % (ex. sig. items[1])
Results from continuing operations[2,3]			
Earnings before interest & tax ($m)	2,974	2,974	*12.2*
Net profit after tax ($m)	1,940	1,940	*13.5*
Basic earnings per share (cps)	171.5	171.5	*13.5*
Results including discontinued operations[2]			
Earnings before interest & tax ($m)	6,818	3,561	*(17.0)*
Net profit after tax ($m)	5,510	2,339	*(15.6)*
Basic earnings per share (cps)	487.2	206.8	*(15.6)*
Dividend per share (cps)	178	178	*(20.2)*
Special dividend per share (cps)	100	100	*n.m.*

- Strong results & improved shareholder returns in a year of portfolio renewal
- Reported net profit after tax (NPAT) of $5,510m for the year, including post-tax significant items of $3,171m; NPAT from continuing operations increased 13.5% to $1,940m
- Final dividend of $0.78 per share; fully-franked full-year dividends of $2.78 per share, including fully-franked special dividend of $1.00 per share
- Reduction in net financial debt, payment of special dividend in April 2019 & continued balance sheet strength

n.m. = not meaningful

1. Summary of significant items set out on slide 12.
2. 2019 discontinued operations relate to Coles, Kmart Tyre & Auto (KTAS), Bengalla & Quadrant Energy. 2018 discontinued operations relate to Curragh and Bunnings UK & Ireland (BUKI).
3. Variance includes the benefit in 2019 of the $128 million contribution from the Group's 15 per cent investment in Coles.

Divisional earnings summary

EBIT ($m) Year ended 30 June	2019	2018	Var %	Var $m	% of divisional EBIT
Bunnings Australia & New Zealand	1,626	1,504	*8.1*	*122*	
Kmart Group (continuing operations)[1,2]	540	626	*(13.7)*	*(86)*	
Industrials (continuing operations)[3]	519	497	*4.4*	*22*	
WesCEF	*433*	*379*	*14.2*	*54*	
Industrial & Safety	*86*	*118*	*(27.1)*	*(32)*	
Officeworks	167	156	*7.1*	*11*	

1. Excludes KTAS.
2. 2018 excludes a pre-tax impairment of $306m relating to Target.
3. Excludes Quadrant Energy & Resources (Bengalla & Curragh).

Divisional return on capital

Rolling 12 months to 30 June	2019			2018	
	EBIT ($m)	Cap Emp ($m)	RoC (%)	RoC (%)	Var (ppt)
Bunnings Australia & New Zealand	1,626	3,220	50.5	49.4	*1.1*
Kmart Group (continuing operations)[1,2]	540	1,853	29.1	32.2	*(3.1)*
Industrials (continuing operations)[3]	519	2,801	18.5	18.3	*0.2*
WesCEF (continuing operations)[3]	*433*	*1,327*	*32.6*	*29.2*	*3.4*
Industrial & Safety	*86*	*1,475*	*5.8*	*8.4*	*(2.6)*
Officeworks	167	980	17.0	16.6	*0.4*

1. Excludes KTAS.
2. 2018 EBIT excludes a pre-tax impairment of $306m relating to Target.
3. Excludes Quadrant Energy.

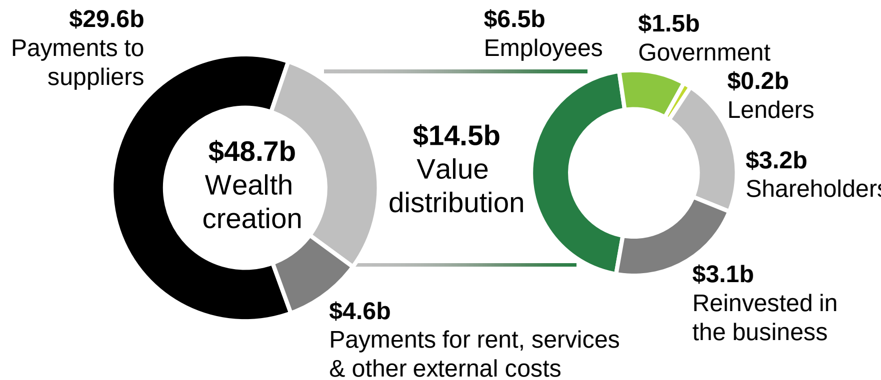
Long-term value creation

We are committed to delivering satisfactory returns to our shareholders

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

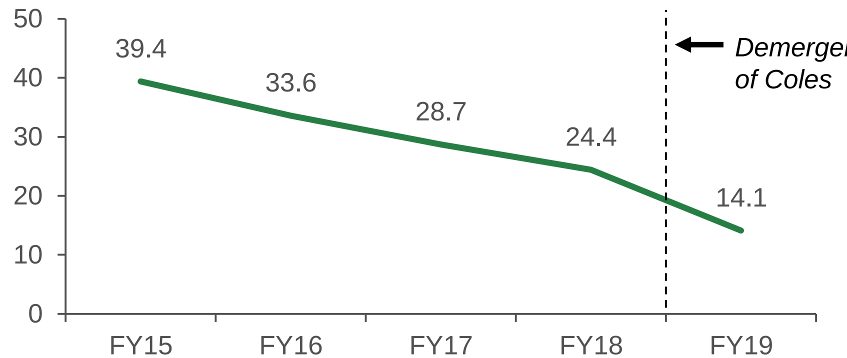
- anticipating the needs of our customers & delivering competitive goods & services
- looking after our team members & providing a safe, fulfilling work environment
- engaging fairly with our suppliers & sourcing ethically & sustainably
- supporting the communities in which we operate
- taking care of the environment
- acting with integrity & honesty in all of our dealings

Wealth creation & value distribution[1]



Safety performance

Total recordable injury frequency rate (TRIFR)[2]



1. Numbers may not add due to rounding.
2. TRIFR is the number of lost time injuries & medical treatment injuries per million hours worked. TRIFR excludes discontinued operations in FY19.

Group performance summary

Year ended 30 June ($m)	2019	2018	Var %
Results from continuing operations[1]			
EBIT	2,974	2,344	*26.9*
EBIT (excl. significant items)[2]	2,974	2,650	*12.2*
NPAT	1,940	1,409	*37.7*
NPAT (excl. significant items)[2]	1,940	1,709	*13.5*
Earnings per share (excl. significant items)[2] (cps)	171.5	151.1	*13.5*
Results including discontinued operations[1]			
EBIT	6,818	2,796	*n.m.*
EBIT (excl. significant items)[2]	3,561	4,288	*(17.0)*
NPAT	5,510	1,197	*n.m.*
NPAT (excl. significant items)[2]	2,339	2,772	*(15.6)*
Earnings per share (excl. significant items)[2] (cps)	206.8	245.1	*(15.6)*
Operating cash flow	2,718	4,080	*(33.4)*
Net capital expenditure	827	1,209	*(31.6)*
Free cash flow	2,963	3,422	*(13.4)*
Full-year ordinary dividend (cps)	178	223	*(20.2)*
Special dividend (cps)	100	-	*n.m.*
Net financial debt[3]	2,116	3,580	*(40.9)*

n.m. = not meaningful

1. Discontinued operations relate to Coles, KTAS, Bengalla & Quadrant Energy. 2018 discontinued operations relate to Curragh & BUKI which were disposed of during FY18.
2. Summary of significant items set out on slide 12.
3. Interest bearing liabilities less cash at bank, on deposit, net of cross-currency interest rate swaps & interest rate swap contracts.

Group Balance Sheet & Cash Flow

Anthony Gianotti

Chief Financial Officer, Wesfarmers Limited

Wesfarmers

Significant items summary

Year ended 30 June 2019 ($m)	Pre-tax	Tax impact	Post-tax
Gain on demerger of Coles	2,319	(55)	2,264
Gain on sale of Bengalla	679	(34)	645
Gain on sale of KTAS	267	(23)	244
Gain on sale of Quadrant Energy	138	(18)	120
Provision relating to supply chain modernisation in Coles	(146)	44	(102)
Total significant items	**3,257**	**(86)**	**3,171**

- During the year, the Group completed a number of actions to reposition the portfolio, resulting in gains on demerger of Coles & divestments of Bengalla, KTAS, Quadrant Energy
- Significant items of $3,257m pre-tax, $3,171m post-tax; all relate to discontinued operations in the first half of the 2019 financial year
  - Pre-tax significant items have increased by $7m from those announced at 1H19 results; post-tax significant items have increased by $112m following review of BUKI tax losses

Note: 2018 significant items include the pre-tax (post-tax) impairments of $1,237m ($1,323m) relating to BUKI & Target, as well as the $375m ($375m) loss on sale of BUKI & $120m ($123m) gain on sale of Curragh

Discontinued operations summary

Year ended 30 June ($m)	Effective date	2019	2018
Coles[1]	28 Nov 2018	478	1,500
Bengalla (40% interest)	3 Dec 2018	94	172
KTAS	1 Nov 2018	10	34
Quadrant Energy (13.2% indirect interest)	27 Nov 2018	5	11
Curragh & BUKI	During FY18	-	(79)
Total EBIT from discontinued operations		**587**	**1,638**

- Discontinued operations trading performance of $587m, all relating to 1H19
- Reflects the period of ownership until divestment or demerger at various dates during the first half of the financial year, compared to a full year in the prior corresponding period

1. Excludes $146m provision for supply chain modernisation, reported as a significant item. Excludes Wesfarmers' earnings from 15% stake in Coles.

Other businesses performance summary

Full-year ended 30 June ($m)	Holding %	2019	2018	Var %
Share of profit of associates				
Coles	*15*	128	-	*n.m.*
BWP Trust	*25*	42	45	*(6.7)*
Other associates[1,2]	*Various*	45	11	*n.m.*
Sub-total share of profit of associates		**215**	**56**	***n.m.***
Interest revenue[3]		27	12	*n.m.*
Other[2,4]		1	(66)	*n.m.*
Corporate overheads		(121)	(135)	*10.4*
Total Other		**122**	**(133)**	***n.m.***

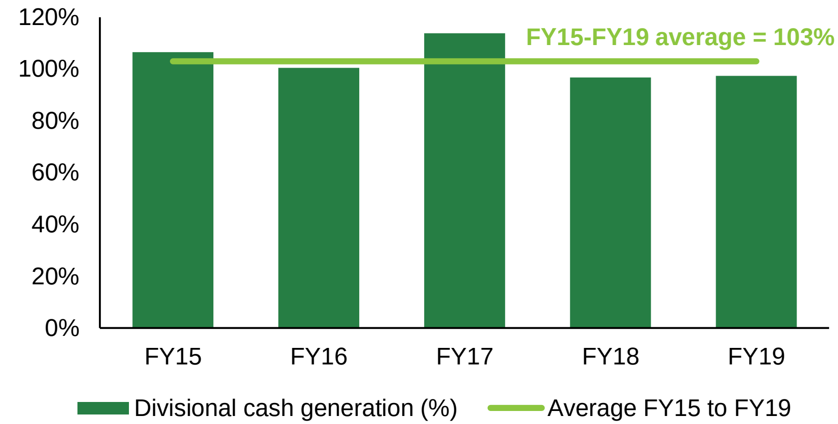
n.m. – not meaningful

1. Includes investments in Gresham, flybuys, Wespine & BPI.
2. 2019 includes $42m gain on the Group's investment in Barminco following its purchase by Ausdrill & the subsequent $19m revaluation of the Ausdrill shares received. $28m of the total $61m relates to the Group's indirect interest held in Other Associates. The remaining $33m is recognised in Other.
3. Excludes interest revenue from Quadrant Energy loan.
4. 2019 includes $34m from Curragh value sharing arrangement, agreed at time of disposal.

Operating & free cash flows

- Divisional cash generation[1] from continuing operations[2] remained strong at 97%
- Reported operating cash flows of $2,718m impacted by
  - Demerger of Coles resulting in removal of Coles earnings & the usual working capital unwind in December
  - Divestment of Bengalla, KTAS & Quadrant and removal of associated earnings & cash flows
- Reported group cash realisation ratio[3] of 86%, impacted by the timing of the demerger of Coles, non-cash gain on investment in Barminco, non-cash earnings in Group's interest in Coles & gains on property disposals in Bunnings
- Reduction in reported free cash flows to $2,963m primarily reflects the reduction in operating cash flows following portfolio activity

Divisional cash generation[1]
excluding discontinued operations[2]



1. Divisional operating cash flows before tax after net capital expenditure divided by divisional EBIT.
2. Includes contribution from KTAS & Quadrant.
3. Operating cash flows as a percentage of net profit after tax, before depreciation, amortisation & significant items. Includes discontinued operations,

Working capital management

- Group working capital movements including discontinued operations impacted by timing of the Coles demerger during seasonal inventory build & removal of the usual working capital unwind during December
- Small working capital outflow of $42m in continuing operations
- Higher inventory investment
  - Non-repeat of significant inventory reduction in Target in the prior year
  - Higher inventory levels in Kmart to support sales campaigns in key product lines over year-end
  - Inventory health remains in good shape
- Increased payables primarily reflect increased inventory purchases at year-end in Kmart
- Improved working capital performance in Industrial & Safety

Year ended 30 June ($m)	2019	2018
Working capital movements (incl. discontinued operations)[1]		
Cash movement inflow/(outflow)		
Receivables & prepayments	26	(225)
Inventory	(557)	(54)
Payables	473	279
Total	**(58)**	**-**
Working capital cash movement		
Retail	(81)	77
Industrials & Other	23	(77)
Total	**(58)**	**-**
Working capital movements (continuing operations)		
Cash movement inflow/(outflow)		
Receivables & prepayments	(14)	(131)
Inventory	(348)	(156)
Payables	320	146
Total	**(42)**	**(141)**
Working capital cash movement		
Retail	(90)	(38)
Industrials & Other	48	(103)
Total	**(42)**	**(141)**

1. Discontinued operations comprise Coles, KTAS, Bengalla & Quadrant Energy in 2019 & Curragh & BUKI in 2018.

Capital expenditure

Continuing operations

- Gross capital expenditure from continuing operations decreased $80m to $860m
  - Decrease in Kmart Group capital expenditure due to brand acquisition in FY18
  - Industrial & Safety increase primarily due to investment in Coregas healthcare

Group (including discontinued operations)

- Gross capital expenditure decreased $459m to $1,356m
- Proceeds from property disposals decreased $77m to $529m
  - Bunnings property disposals of $481m

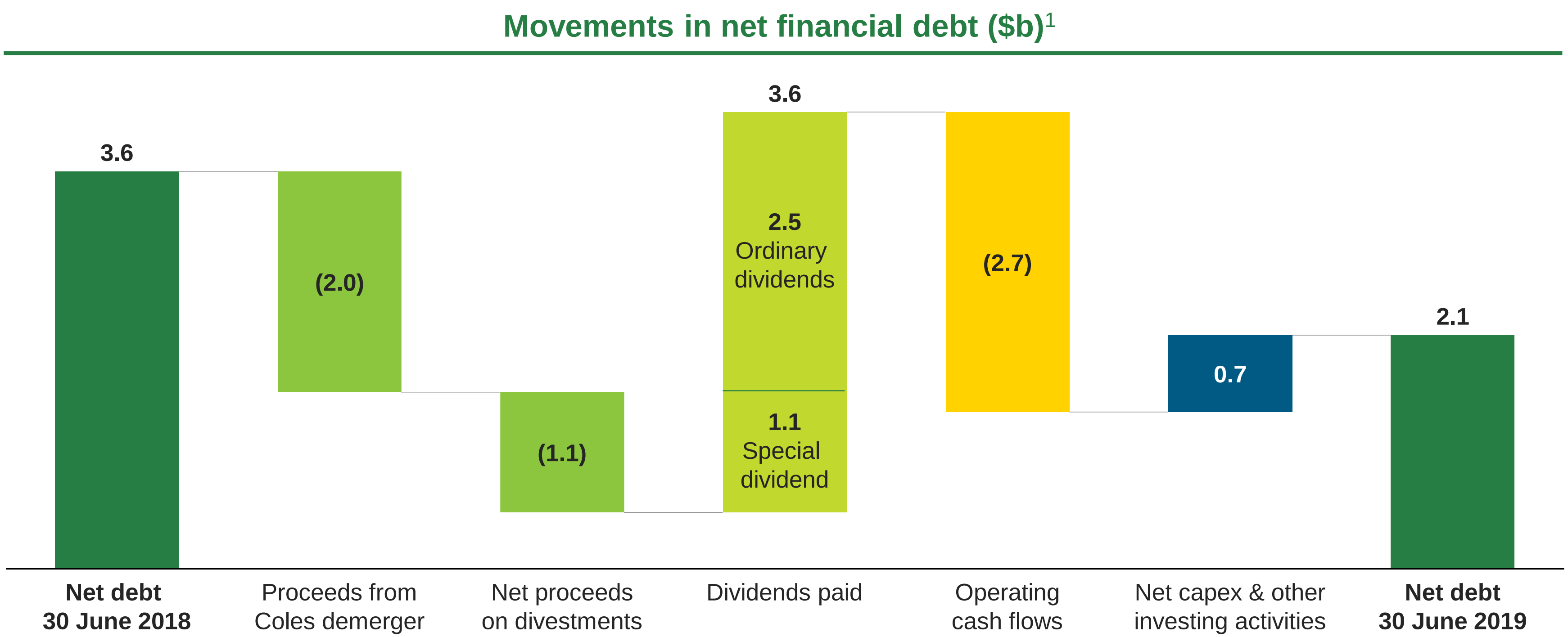
FY20 guidance

- Net capital expenditure of $550m to $750m expected[3], subject to net property investment & portfolio changes

Year ended 30 June ($m)[1]	2019	2018	Var %
Bunnings	470	497	*(5.4)*
Kmart Group	205	286	*(28.3)*
Officeworks	42	45	*(6.7)*
WesCEF	58	60	*(3.3)*
Industrial & Safety	83	50	*66.0*
Other	2	2	-
Gross capital expenditure	**860**	**940**	***(8.5)***
Sale of PP&E	(497)	(364)	*36.5*
Net capital expenditure	**363**	**576**	***(37.0)***
Net capital expenditure in discontinued operations[2]	464	633	*(26.7)*
Group (including discontinued)			
Gross capital expenditure	**1,356**	**1,815**	***(25.3)***
Sale of PP&E	(529)	(606)	*(12.7)*
Net capital expenditure	**827**	**1,209**	***(31.6)***

1. Capital investment provided on a cash basis.
2. Discontinued operations comprise Coles, KTAS, Bengalla & Quadrant Energy in 2019 & Curragh & BUKI in 2018.
3. Excludes Catch & Kidman.

Net financial debt

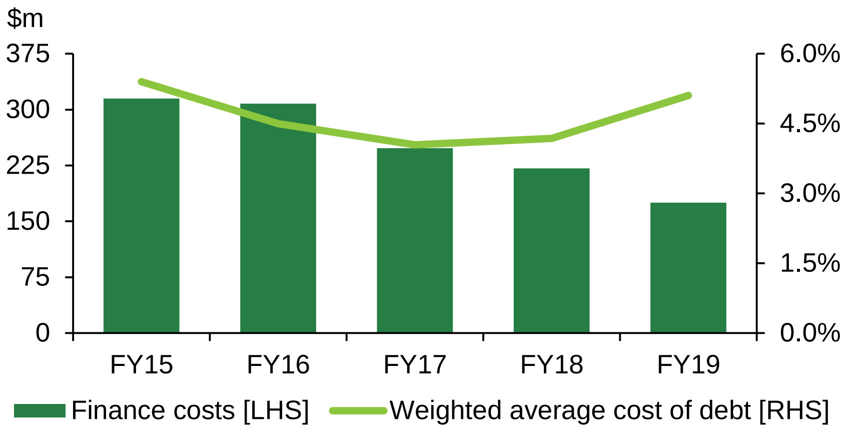


- Net financial debt decreased from $3.6b to $2.1b reflecting
  - Demerger of Coles & net proceeds from other divestments
  - Profits from asset disposals distributed through $1.1b special dividend in April 2019

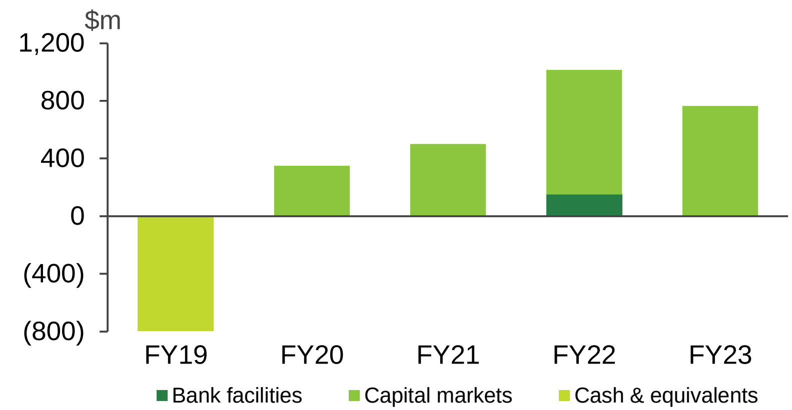
1. Interest bearing liabilities less cash at bank & on deposit, net of cross currency interest rate swaps & interest rate swap contracts.

Debt management

Finance costs & weighted average cost of debt



Debt maturity profile



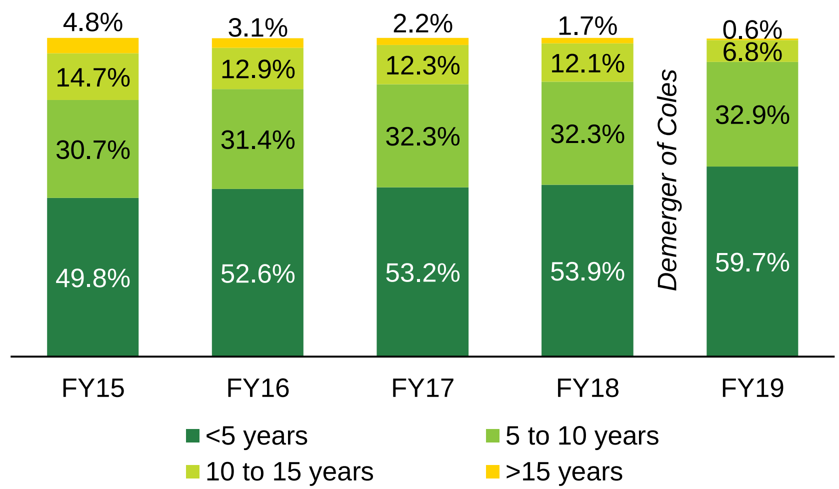
- Finance costs decreased to $175m (FY18: $221m) reflecting lower average debt levels, despite increased all-in effective borrowing cost of 5.10% (FY18: 4.18%) as lower cost bank debt was repaid
- Renegotiation of existing bank facilities during period provides flexibility & improved funding costs
- Incremental debt available at significantly lower cost than existing capital markets issuance
- Acquisition of Catch & proposed acquisition of Kidman have & will be funded from cash & existing debt facilities & are not expected to affect credit ratings
- Strong credit metrics
  - Cash interest cover at 30.6 times[1]
  - Fixed charges cover at 3.2 times[1]
- Strong & stable credit ratings
  - Moody's A3 (stable outlook)
  - Standard & Poor's A- (stable outlook)

1. Excludes significant items.

Management of lease portfolio

Fixed financial obligations

Weighted average lease terms[3]



- Undiscounted lease commitments totalled $8.5b & represent 76% of Group fixed financial obligations as at 30 June 2019
  - Undiscounted lease commitments reduced by more than $9b following the demerger of Coles
- Shorter average lease tenure of 5.1 years[2] (FY18: 5.8 years), complemented by extension options to maintain security of tenure
  - Reflects demerger of Coles & disciplined management of leases in retail businesses
- Continued focus on lease-adjusted return on capital as a key hurdle for divisions

1. Cash repayable.
2. Average lease tenure calculated as weighted average of dollar commitments by year. Excludes discontinued operations.
3. Represents future undiscounted minimum rentals payable under non-cancellable operating leases.

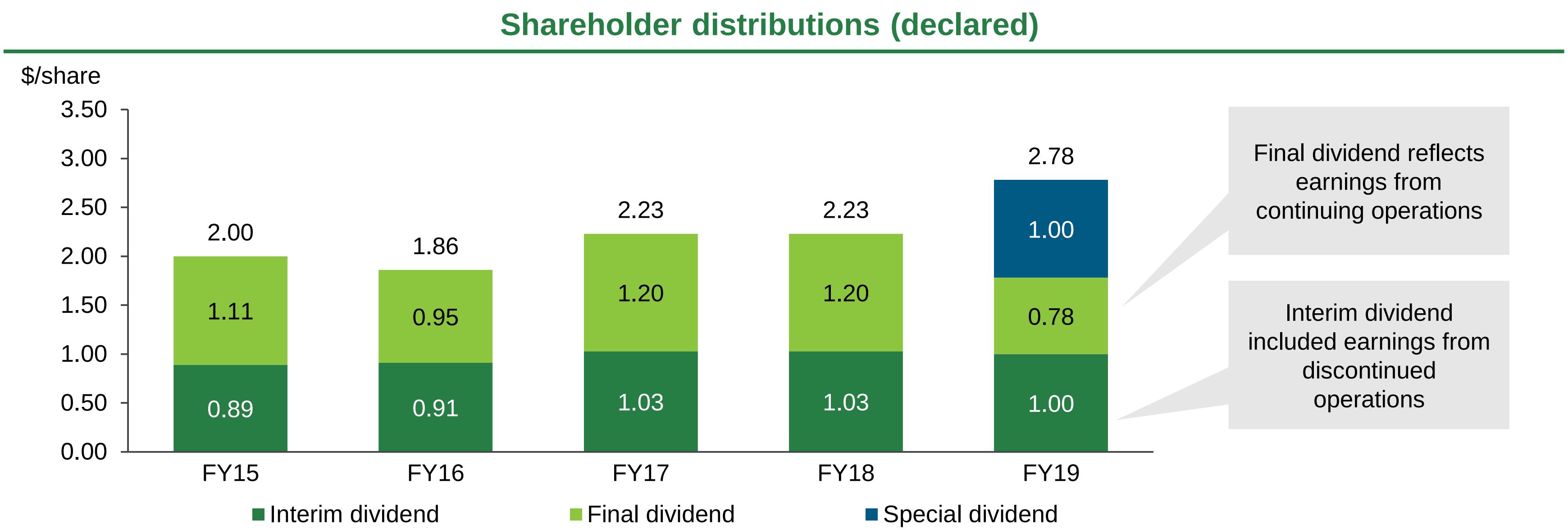
Updated estimate: impact of new lease accounting standard

- Wesfarmers will adopt the new lease accounting standard (AASB16) in FY20
- Preliminary impact of standard as at 1 July 2018 was provided in Wesfarmers' 1H19 results & at Strategy Briefing Day in June 2019
- Current estimate updated for
  - change in discount rates
  - roll forward to 1 July 2019
- Estimated pro forma impact on FY19 includes
  - positive impact on EBIT of $200m
  - positive impact on return on capital
  - no impact on cash flows
  - no impact on debt covenants or credit ratings

Estimated pro forma impact on FY19 financials (continuing operations)

Balance sheet (as at 1 July 2019)		
Assets (right-of-use)	↑	~$6.7b
Liabilities (leases)	↑	~$7.5b
Capital employed	↓	Net difference
Income statement (full-year 2019 impact)		
EBITDA	↑	~$1.2b
D&A	↑	~$1b
EBIT	↑	~$200m
Finance costs	↑	~$200m
NPAT	–	Broadly neutral

Dividends & capital management



- Fully franked final dividend of $0.78 per share declared
  - New Zealand franking credit of 10 cents per share, in addition to Australian franking credit
- Dividend record date 2 September 2019; dividend payable 9 October 2019
- Full-year ordinary dividend of $1.78 per share plus special dividend of $1.00 per share; total dividends declared during FY19 of $2.78 per share
  - Reflects Coles earnings up to demerger at 28 November 2018 as well as other discontinued operations
  - Takes into account available franking credits, strong balance sheet, robust credit metrics & cash flow generation

Bunnings Australia & New Zealand

Michael Schneider
Managing Director, Bunnings Group

Bunnings performance summary

Year ended 30 June ($m)	2019	2018	Var %
Revenue	**13,166**	**12,544**	***5.0***
EBITDA[1]	1,818	1,683	*8.0*
Depreciation & amortisation	(192)	(179)	*(7.3)*
EBIT[1]	**1,626**	**1,504**	***8.1***
EBIT margin[1] (%)	12.3	12.0	
EBIT margin excluding property (%)	11.7	11.7	
RoC (R12, %)	50.5	49.4	
Safety (R12, TRIFR)	11.2	14.3	
Total store sales growth[2] (%)	5.2	8.9	
Store-on-store sales growth[2] (%)	3.9	7.8	

1. Includes net property contribution for 2019 of $85m & 2018 of $33m.
2. 2019 growth reflects the 12 months to 30 June 2019 & the 12 months to 30 June 2018. 2018 growth reflects the 12 months to 30 June 2018 & the 12 months to 30 June 2017.

Bunnings sales overview

- Revenue growth of 5.0% to $13,166m
  - Total store sales growth 5.2%
  - Store-on-store growth of 3.9%
- Sales growth reflects diversity of customer base & resilience of product offering despite softening conditions in residential housing market
- Continued growth across the business
  - Sales growth in all major trading regions
  - Growth in both consumer & commercial markets
  - Growth across all product categories

Bunnings earnings overview

- Reported EBIT increased 8.1% to $1,626m
  - Includes higher than usual net property contribution of $85m
- EBIT excluding property contribution up 4.8%
  - Continued focus on cost control
  - Stable EBIT margin performance relative to previous corresponding period
- Operating costs include development of digital offer
  - c.$10m incurred in 2H19 with c.$20m expected in FY20
- RoC (R12) of 50.5%
  - 17 new stores opened, including 10 replacement stores
  - Property recycling program
  - Ongoing investment in network refresh
  - Continued focus on sales density

Bunnings progress on strategic agenda

Good progress on strategic agenda

- **Driving Stronger Growth**
  - 17 new trading locations opened
  - Wider commercial market penetration
  - Range expansion & innovation
  - Further investment in customer value
- **Better Experiences**
  - Click & collect rollout commenced
  - Expansion of assembly & installation offer
  - Expanded instore events & activities
- **Efficiency Through the Core**
  - Improved safety & increased support building on our diverse & inclusive workplace
  - Analytics used to optimise inventory & drive productivity

Bunnings outlook

- Moderated trading conditions are expected to continue
- Well positioned for continued growth
  - Further investment in customer value
  - Category expansion
  - Expanding service & installation offerings
- Ongoing development of broader digital capabilities
  - Significant investment in online transactional platform
  - Rollout of click & collect offer continues
  - Increased investment in & use of data analytics
- 13 new stores under construction

Kmart Group

Ian Bailey

Managing Director, Kmart Group

Kmart Group performance summary

Year ended 30 June[1] ($m)		2019	2018	Var %
Revenue[2]		**8,598**	**8,505**	***1.1***
EBITDA[3]		733	820	*(10.6)*
Depreciation & amortisation		(193)	(194)	*0.5*
EBIT[3]		**540**	**626**	***(13.7)***
EBIT (including KTAS)[4]		**550**	**660**	***(16.7)***
EBIT margin[3] (%)		6.3	7.4	
RoC[3,5] (R12, %)		29.1	32.2	
Safety (R12, TRIFR)		19.4	19.8	
Kmart (excluding KTAS):	Total sales growth[6] (%)	1.5	8.3	
	Comparable sales growth[6] (%)	0.0	5.6	
Target:	Total sales growth[7] (%)	(1.5)	(4.7)	
	Comparable sales growth[7] (%)	(0.8)	(5.1)	

1. Excludes KTAS unless otherwise stated.
2. 2019 revenue reflects changes in the new revenue recognition accounting standard (AASB15) & includes $31m previously attributed to 'other income'. 2018 has not been restated.
3. 2018 excludes a pre-tax non-cash impairment of $306m in Target.
4. 2019 includes KTAS trading performance until 1 November 2018 & excludes the gain on disposal of KTAS. 2018 excludes a pre-tax non-cash impairment of $306m in Target.
5. RoC includes impact of lower capital employed as a result of the non-cash impairment in Target in December 2017.
6. 2019 growth reflects the 53-week period 25 June 2018 to 30 June 2019 & the 53-week period 26 June 2017 to 1 July 2018. 2018 growth reflects the 52-week period 26 June 2017 to 24 June 2018 & the 52-week period 27 June 2016 to 25 June 2017.
7. 2019 growth reflects the 53-week period 24 June 2018 to 29 June 2019 & the 53-week period 25 June 2017 to 30 June 2018. 2018 growth reflects the period 25 June 2017 to 23 June 2018 & the period 26 June 2016 to 24 June 2017.

Kmart sales overview

- Total sales growth of 1.5%
- Flat comparable sales growth
  - lower growth in apparel & non-seasonal products
  - exit from DVD category
  - offset by modest growth in home & kids general merchandise
- Implemented initiatives to address stock flow & productivity issues to support future growth
  - Some changes resulted in temporary reduction in on-shelf availability
  - Implementation issues largely resolved by year-end
  - Improvement in sales momentum at the end of the period
- Strong sales growth in online
  - Extension of click & collect service

Target sales overview

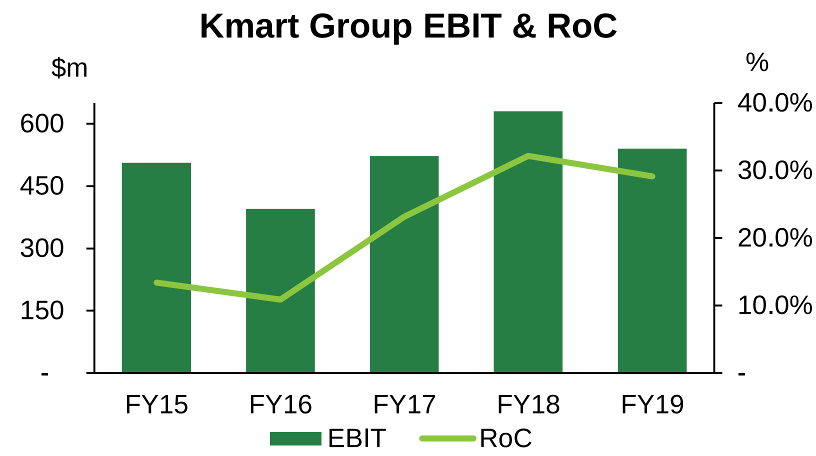
- Total sales declined 1.5%, reflecting ongoing rationalisation of the store network
- Comparable sales declined 0.8%
  - Trading momentum moderated in 2H19
  - Customer value proposition yet to resonate with customers in a sustainable way
  - Growth in 'Best' ranges, particularly in womenswear & soft home
- Trading results highlight that Target's current offer requires ongoing repositioning
- Online proposition continues to advance
  - Expanded ranges & improved customer experience
  - Higher website visits & customer conversion

Kmart Group overview

- Earnings decreased by 13.7% to $540m[1]
- Kmart earnings declined, impacted by:
  - Moderation in sales momentum
  - Implementation of a number of initiatives to optimise product flow & store processes
  - Increase in stock loss
- Target earnings decreased due to lower operating leverage from the decline in sales
  - Remained profitable with costs well controlled
- Return on capital performance reflects
  - Ongoing focus on inventory health
  - Disciplined & integrated management of the store network:

    Kmart - opened four new stores (including one replacement), closed one store & completed 23 store refurbishments

    Target - opened one new store & closed 15 stores



1. Excludes KTAS trading performance.

Kmart Group outlook

- The Kmart Group remains well positioned for the future
- **Kmart** ended the period with improved sales momentum & will continue to focus on
  - creating a great place to shop that is simple to run & delivers better products at even lower prices
  - maintaining lowest price leadership & continued improvements to the product offer
  - relentlessly pursuing lowest cost & increasing operational productivity
  - further optimising the cost base to offset delivery of higher team member wages & headwinds from foreign exchange movements
  - accelerating digital capability to drive sales & reduce costs
  - continuing to invest in the store network
- **Target** will accelerate the repositioning of its customer proposition by
  - elevating quality & style progressively re-weighted towards apparel, soft home & toys
  - enhancing & expanding the online offer
  - further rationalising the store network
  - driving better end to end customer experience irrespective of channel
  - simplifying business structure
- **Catch Group** acquisition completed on 12 August 2019; exciting adjacent opportunity to support development of digital & e-commerce capabilities

Industrials

David Baxby
Managing Director, Industrials

Wesfarmers Chemicals, Energy & Fertilisers

CSBP | Australian Vinyls | AGA | QNP | EVOL LNG | Kleenheat | MODWOOD

Wesfarmers Industrial and Safety

Blackwoods | NZ Safety Blackwoods | WORKWEAR GROUP | coregas | GREENCAP

Industrials performance summary

Year ended 30 June ($m)		2019	2018	Var %
Revenue	Chemicals, Energy & Fertilisers[1,2]	2,078	1,830	*13.6*
	Industrial & Safety	1,752	1,750	*0.1*
	Total	**3,830**	**3,580**	***7.0***
EBITDA	Chemicals, Energy & Fertilisers[1,2]	513	458	*12.0*
	Industrial & Safety	124	159	*(22.0)*
	Total	**637**	**617**	***3.2***
EBIT	Chemicals, Energy & Fertilisers[1,2]	433	379	*14.2*
	Industrial & Safety	86	118	*(27.1)*
	Total	**519**	**497**	***4.4***

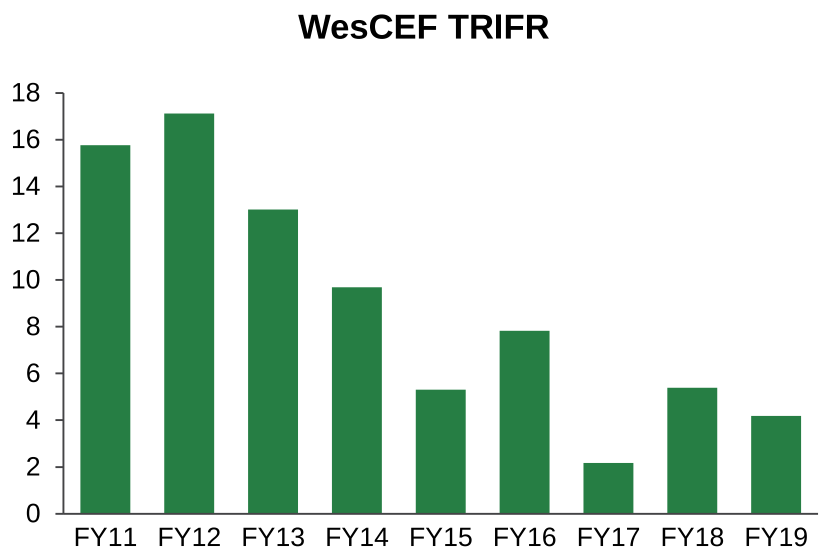
1. Excludes Quadrant Energy, which was divested in November 2018.
2. Excludes intra-division sales.

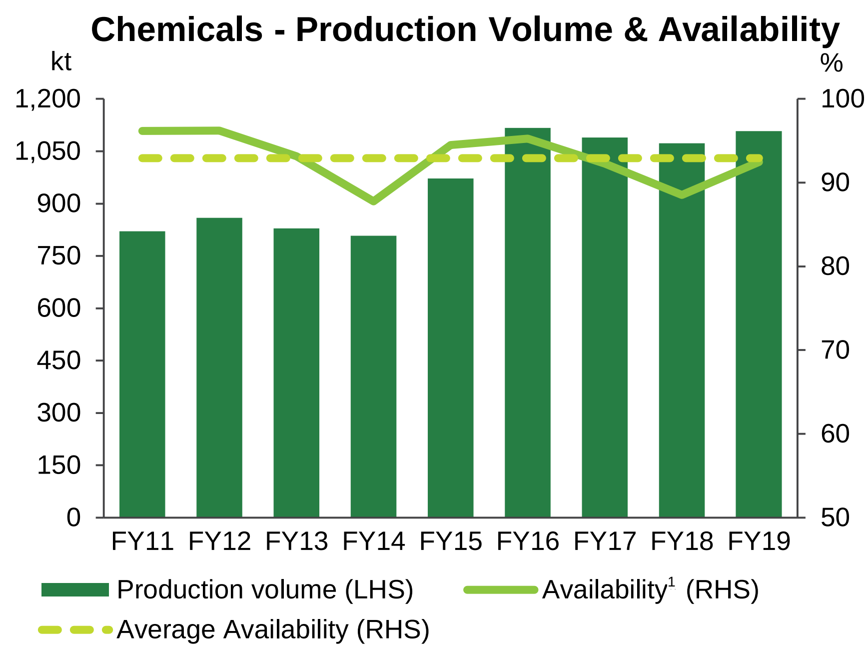
Chemicals, Energy & Fertilisers performance summary

Year ended 30 June[1] ($m)		2019	2018	Var %
Revenue[2]	Chemicals	1,000	932	*7.3*
	Energy	468	423	*10.6*
	Fertilisers	610	475	*28.4*
	Total	**2,078**	**1,830**	***13.6***
EBITDA[3]		**513**	**458**	***12.0***
Depreciation & amortisation		(80)	(79)	*(1.3)*
EBIT		**433**	**379**	***14.2***
EBIT (including Quadrant Energy)[3,4]		**438**	**390**	***12.3***
External sales volume[5] (‘000 tonnes)	Chemicals	1,098	1,056	*4.0*
	LPG	171	145	*17.9*
	Fertilisers	1,125	988	*13.9*
RoC[3] (R12, %)		32.6	29.2	
Safety (R12, TRIFR)		4.2	5.4	

1. Excludes Quadrant Energy unless otherwise stated.
2. Excludes intra-division sales.
3. 2019 includes $30m of insurance proceeds related to the five month ammonia plant production disruption that commenced in February 2018 & a $19m provision for removal of redundant equipment.
4. 2019 includes a five month contribution from Quadrant Energy, which was divested in November 2018.
5. External sales exclude AN volumes transferred between Chemicals & Fertilisers business segments.

WesCEF operational performance





- TRIFR trending down, with focus on positive safety culture & high potential incidents
- Step-up in production driven primarily by commissioning of AN3 in 2015 & incremental debottlenecking of sodium cyanide capacity
- Average availability of 93% across Chemicals facilities
- Third nitric acid train availability of 96%; scheduled for first major maintenance shutdown in 1H20

1. Availability is the simple average across the Chemicals production facilities.

Chemicals, Energy & Fertilisers overview

- Earnings of $433m, 14.2% increase on the prior year
  - FY19 earnings included one-off insurance proceeds of $30m, partially offset by a one-off provision of $19m; earnings up 11.3% excluding one offs
- Earnings growth across all business units with improved capital efficiency recording a 3.4 ppt increase in RoC
- Modest growth in Chemicals earnings
  - Despite strong WA EGAN[1] demand due to continued disruption at competing Burrup plant, AN[2] earnings declined due to the transition to lower margin contracts & higher operational costs
  - Higher ammonia earnings due to increased production & lower gas input costs (annualised impact of new gas supply contract which commenced mid FY18)
  - Higher earnings for sodium cyanide driven by record production & higher pricing and margins into export markets
- Growth in Energy earnings
  - Increased Kleenheat earnings benefited from favourable market environment including higher LPG production & sales, higher Saudi CP[3], higher LNG sales volumes, higher natural gas retail sales volumes & lower natural gas input costs
- Earnings increased in the Fertilisers business despite a late seasonal break, driven by growth in sales volumes following a strong 2018 harvest for WA growers

1. Explosive grade ammonium nitrate.
2. Ammonium nitrate.
3. Saudi Contract Price (the international benchmark indicator for LPG).

Industrial & Safety performance summary

Year ended 30 June ($m)	2019	2018	Var %
Revenue	**1,752**	**1,750**	***0.1***
EBITDA	124	159	*(22.0)*
Depreciation & amortisation	(38)	(41)	*7.3*
EBIT	**86**	**118**	***(27.1)***
EBIT margin (%)	4.9	6.7	
RoC (R12, %)	5.8	8.4	
Safety (R12, TRIFR)	6.9	6.6	

Industrial & Safety overview

- The performance of Industrial & Safety was impacted by a disappointing year in Blackwoods
- Revenue in line with the prior year
  - Blackwoods' revenue declined, with increased demand in mining, offset by lower sales in construction & SME segment
  - Workwear Group's revenue was broadly in line with the prior year, with higher uniform sales offset by retail store divestment
  - Coregas' revenue increased due to demand in bulk healthcare sales, which successfully launched in December 2018
- Earnings of $86 million, 27.1% down on the prior year
  - Blackwoods' earnings declined due to lower gross margin & impact of ongoing investment in customer service, supply chain, ERP[1] system & improving the digital offer
  - Workwear Group's earnings improved while Coregas' earnings were higher due to higher sales offset by margin pressure from higher input costs

1. Enterprise Resource Planning.

Chemical, Energy & Fertilisers outlook

- Production & demand for chemical products expected to remain robust
- AN to continue to benefit from ongoing disruption at competing Burrup plant; beyond this earnings are expected to be affected by an oversupply of EGAN in WA
- AN margin to be impacted in FY20 as some key contracts rollover to new pricing
- Continued focus on Kleenheat customer value proposition
- Market conditions for Kleenheat expected to be less favourable
- Fertiliser earnings remain dependent on seasonal weather conditions
- Earnings will continue to be impacted by international commodity prices (in particular ammonia & Saudi CP), exchange rates, competitive factors & seasonal outcomes
- Planned Kwinana investor tour to be held on 3 October 2019

Industrial & Safety outlook

- Australian market conditions & demand expected to remain relatively stable, but weakness in NZ market is expected to persist
- ERP, supply chain & digital investment will continue in Blackwoods & Workwear Group; these activities are now expected to continue for the next 12 to 18 months
- Successful implementation of the ERP, supply chain & digital investments is key for the Blackwoods business
- Blackwoods leadership changes expected to drive a more customer-centric focus through realignment of customer facing teams to a regional structure
- Coregas expected to benefit from growth & annualisation of healthcare offering, but earnings are expected to be impacted by ongoing margin pressure

Officeworks

Sarah Hunter
Managing Director, Officeworks

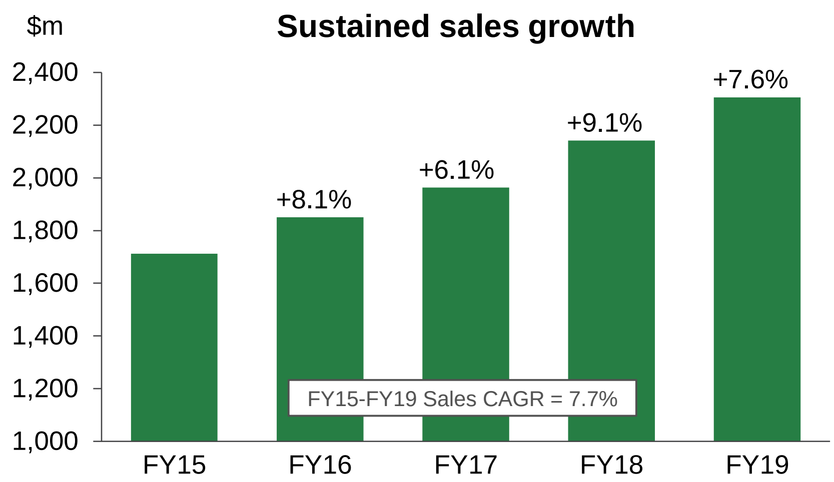
Officeworks performance summary

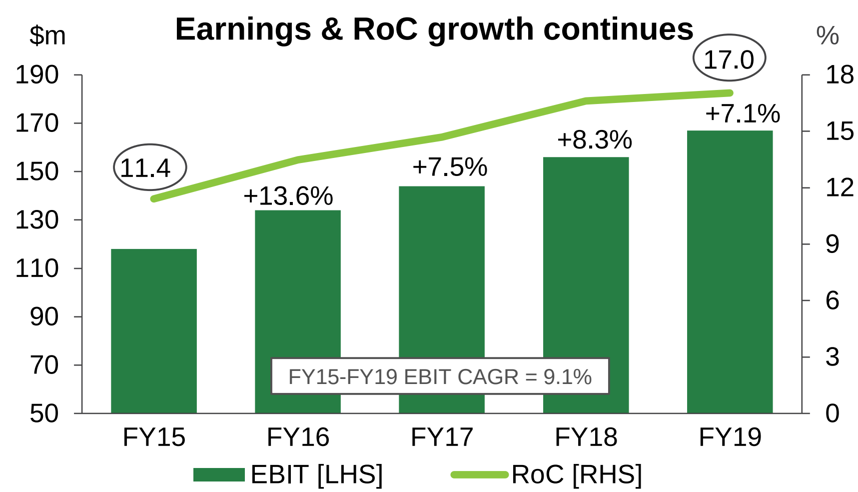
Year ended 30 June ($m)	2019	2018	Var %
Revenue[1]	**2,314**	**2,142**	***8.0***
EBITDA	195	181	*7.7*
Depreciation & amortisation	(28)	(25)	*(12.0)*
EBIT	**167**	**156**	***7.1***
EBIT margin (%)	7.2	7.3	
RoC (R12, %)	17.0	16.6	
Safety (R12, TRIFR)	8.5	10.2	
Sales growth[2]	7.6	9.1	

1. 2019 revenue reflects changes in the new revenue recognition accounting standard (AASB15) & includes $8m previously attributed to 'other income'. 2018 has not been restated.
2. 2019 growth reflects the 12 months to 30 June 2019 & the 12 months to 30 June 2018. 2018 growth reflects the 12 months to 30 June 2018 & the 12 months to 30 June 2017.

Officeworks overview

- Sales growth of 7.6%
  - Every channel approach delivering strong sales growth in both stores & online
  - Ongoing improvement in sales density
  - Online sales penetration in excess of 20%
  - Strong momentum maintained in B2B segment
- EBIT growth of 7.1%
  - Continued focus on CODB
  - Continued investment in price leadership impacted gross margin
- RoC (R12) up 0.4 ppts to 17.0%
  - Investment to support sales growth





Officeworks overview

Progress on strategic agenda

- Our team
  - Enterprise Agreement lodged with Fair Work Commission
- Customer experience
  - Trialled new store format (Mentone, Vic)
  - 45% increase in click & collect orders year-on-year
  - Improvement in customer satisfaction levels
- Connecting with our communities
  - 7% reduction in carbon emissions year-on-year
- Operational excellence
  - New consolidated distribution centre in WA
- Growing our business
  - 4 new stores opened
  - New & expanded product ranges
  - Acquisition of Geeks2U

Officeworks outlook

- Focus on helping make bigger things happen for customers, team, the community & stakeholders
- Execution of refreshed strategy to drive long-term earnings growth
  - Continued investment in digital, supply chain & new growth initiatives
  - Investment in data & analytics to better understand our customers
  - Building closer connections with the community
- Earnings growth will be impacted by investments in customer value & team member wages
  - Investment in maintaining price leadership
  - New Store Operations Enterprise Agreement will deliver higher team member wages
  - Productivity initiatives expected to partially offset these investments

Group Outlook

Rob Scott

Managing Director, Wesfarmers Limited

Wesfarmers

Outlook

- Portfolio actions taken during the year have enabled the delivery of improved shareholder returns & significantly strengthened the balance sheet
- Given the diversity & resilience of portfolio, the Group remains well placed for a range of economic conditions
- Businesses within the portfolio are well-positioned to continue to deliver long-term growth in shareholder value
- Our divisions remain focused on customers & on managing the businesses for long-term success & value creation
- Continued focus on developing a deeper & broader digital offer, developing great talent & teams, and driving entrepreneurial initiative
- The Group will continue to build on its unique capabilities & platforms to take advantage of growth opportunities within its existing businesses, recently acquired investments & to pursue transactions that create value for shareholders over the long term

Questions

Appendix:
Supplementary Information

Group management balance sheet – overview

Year ended 30 June ($m)[1]	2019	2018	Commentary
Inventories	4,246	6,011	Detailed working capital discussion provided on slide 54
Receivables & prepayments	1,203	1,939	
Trade & other payables	(3,620)	(6,552)	
Other	266	492	
Net working capital	**2,095**	**1,890**	
Property, plant & equipment	3,877	8,408	Decrease due to divestments of Bengalla, KTAS, Quadrant Energy & Coles
Intangibles	4,076	17,860	
Other assets	3,550	970	Increase due to recognition of 15% share in Coles
Provisions & other liabilities	(1,484)	(3,187)	Decrease due to divestments of Bengalla, KTAS, Quadrant Energy & Coles
Total capital employed	**12,114**	**25,941**	
Net debt exc. financial services debt[2]	(2,116)	(3,580)	Decrease due to net cash inflows, receipt of proceeds from disposals & demerger of Coles
Net tax balances	(27)	393	
Total net assets	**9,971**	**22,754**	

1. The above balances reflect the management balance sheet, which is based on different classification & groupings from the balance sheet in the Appendix 4E.
2. Interest bearing liabilities less cash at bank and on deposit, net of cross currency interest rate swaps and interest rate swap contracts.

Balance sheet – working capital

Year ended 30 June ($m)[1]	2019	2018	Commentary
Inventories	4,246	6,011	Decrease primarily reflects demerger of Coles & disposal of Bengalla, partially offset by investment in inventory to support year-end sales campaign in Kmart
Receivables & prepayments	1,203	1,939	Decrease primarily due to demerger of Coles
Trade & other payables	(3,620)	(6,552)	Decrease primarily due to demerger of Coles
Other	266	492	Decrease primarily due to demerger of Coles (cash in transit)
Net working capital	**2,095**	**1,890**	

1. The above table refers to balance sheet movements only. Working capital movements as shown on slide 16 exclude non-cash movements which are included in the table above.

Balance sheet – working capital from continuing operations

Year ended 30 June ($m)[1]	2019	2018	Commentary
Inventories	4,246	3,883	Increase reflects investments in Kmart to support year-end sales campaigns
Receivables & prepayments	1,203	1,169	
Trade & other payables	(3,620)	(3,178)	Increase reflects investments in Kmart to support year-end sales campaigns
Other	266	166	
Net working capital	**2,095**	**2,040**	

1. The above table refers to balance sheet movements only. Working capital movements as shown on slide 16 exclude non-cash movements which are included in the table above.

Retail store networks
As at 30 June 2019

More than 1,000 locations across Australia & New Zealand

Brand	NSW/ACT	VIC	QLD	SA	WA	TAS	NT	NZ	Total
Bunnings									
Warehouse	77	58	47	16	32	7	3	27	267
Smaller format	17	14	13	3	8	-	-	20	75
Trade	7	4	7	2	3	1	-	8	32
Total Bunnings	**101**	**76**	**67**	**21**	**43**	**8**	**3**	**55**	**374**
Kmart Group									
Kmart	57	54	48	15	27	5	3	22	231
Target – Large	57	46	35	17	21	5	2	-	183
Target – Small	35	24	27	8	10	1	1	-	106
Total Kmart Group[1]	**149**	**124**	**110**	**40**	**58**	**11**	**6**	**22**	**520**
Officeworks	**57**	**51**	**30**	**10**	**16**	**2**	**1**	**-**	**167**

1. Excludes 3 ANKO research & development stores in Seattle, USA.

Revenue reconciliation – Kmart Group

Year ended 30 June ($m)	2019	2018
Segment revenue (Gregorian)	**8,598**	**8,505**
Less: Non sales revenue[1]	**(56)**	**(5)**
Headline sales (Gregorian)	**8,542**	**8,500**
Less: Gregorian adjustment[2]	**127**	**126**
Headline sales revenue (Retail)[3]	**8,669**	**8,626**

1. 2019 revenue reflects changes in the new revenue recognition accounting standard (AASB15) & includes $31m previously attributed to ‘other income’. 2018 has not been restated.
2. Adjustment to headline sales revenue to reflect retail period end.
3. 2019 for Kmart reflects the 53-week period 25 June 2018 to 30 June 2019 & 2018 reflects the 53-week period 26 June 2017 to 1 July 2018. 2019 for Target reflects the 53-week period 24 June 2018 to 29 June 2019 & 2018 reflects the 53-week period 25 June 2017 to 30 June 2018.

Wesfarmers