

25 May 2018

Agreement to divest Homebase

Wesfarmers today announced it has agreed to divest the Homebase business in the United Kingdom and Ireland to a company associated with Hilco Capital.

Under the terms of the agreement, the buyer will acquire all Homebase assets, including the Homebase brand, its store network, freehold property, property leases and inventory for a nominal amount. The 24 Bunnings pilot stores will convert to the Homebase brand promptly following completion. Wesfarmers will participate in a value share mechanism whereby it would be entitled to 20 per cent of any equity distributions from the business. This obligation is not limited by time, allowing Wesfarmers to participate in any profitable divestment of the business in the long-term.

Wesfarmers Managing Director Rob Scott said the agreement follows a comprehensive review of the Bunnings United Kingdom and Ireland (BUKI) business which considered a range of options to improve shareholder returns.

“A divestment under the agreed terms is in the best interests of Wesfarmers’ shareholders and will support the ongoing reset and repositioning of the Homebase business,” Mr Scott said.

“While the review confirmed the business is capable of returning to profitability over time, further capital investment is necessary to support the turnaround. The materiality of the opportunity and risks associated with turnaround are not considered to justify the additional capital and management attention required from Bunnings and Wesfarmers.

“Homebase was acquired by Wesfarmers in 2016. The investment has been disappointing, with the problems arising from poor execution post-acquisition being compounded by a deterioration in the macro environment and retail sector in the UK. While it is important that we learn from this experience, this should not discourage our team from being bold and diligent in pursuing opportunities to create shareholder value.

“We acknowledge the past six months have been particularly challenging for the BUKI management and our team members in the UK and Ireland and we thank them sincerely for their hard work and commitment. The operating performance of the business has improved in recent months under the new management team led by Damian McGloughlin and he will continue to lead Homebase in delivering management’s turnaround plan.

“We wish Damian and the team well during the transition and as they take the business into its next chapter under a new owner with a track record of retail turnaround in the UK.”

With the conclusion of the review, Wesfarmers advises that it expects to record a loss on disposal of £200 million to £230 million in the Group's 2018 full-year financial results, subject to completion and review by Ernst & Young.

The divestment is expected to be completed by 30 June 2018.

For further information:

Media

Cathy Bolt
Media and External Affairs Manager
+61 8 9327 4423 or +61 417 813 804
cbolt@wesfarmers.com.au

Investors

Aleksandra Spaseska
General Manager, Investor Relations
+61 8 9327 4416 or +61 488 911 678
aspaseska@wesfarmers.com.au

About Hilco Capital

Hilco Capital was founded in 2000 in partnership with Hilco Global in the US. Located in the UK, it has offices in Ireland, Germany, Canada, Benelux and Australia, where it trades as Re. Capital, and currently manages about 20 investments, with a combined turnover in excess of £1 billion.

Hilco Capital provides restructuring and turnaround solutions and has been involved in many major successful retail restructuring projects in the UK and Europe. They include HMV, the UK arm of Staples and Habitat. For more information <http://www.hilcocapital.com>