



2 May 2019

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Manager,

MACQUARIE CONFERENCE BRIEFING PRESENTATION

Following is a presentation that is to be given at the Macquarie Australia Conference in Sydney today, Thursday, 2 May 2019.

Yours faithfully,

A handwritten signature in black ink, appearing to be "L J Kenyon".

L J KENYON
COMPANY SECRETARY








Wesfarmers update – Macquarie conference briefing presentation

Thursday 2 May 2019



Group overview



	Bunnings	Kmart Group	Industrials	Officeworks	Other
					
	<ul style="list-style-type: none"> • Leading retailer of home improvement, outdoor living & lifestyle products • Iconic brand with strong community engagement • Pipeline of new stores, expanding commercial offer, growing addressable market & developing digital offer 	<ul style="list-style-type: none"> • Kmart: a leading product development & deep discount retailer in apparel & general merchandise. Its sourcing model underpins its lowest price position in the market • Target: offers quality & fashion across apparel, homewares & general merchandise 	<ul style="list-style-type: none"> • Diversified portfolio of industrial businesses • Strong operational expertise in industrial chemicals • Leveraging technology to enhance service & grow markets • Platform for the pursuit of inorganic growth opportunities 	<ul style="list-style-type: none"> • Leading retailer & supplier of office products & solutions • World-class omni-channel offer • Driving growth through range extension & merchandise investments 	<ul style="list-style-type: none"> • 15% ownership interest in Coles • 50% interest in flybuys, one of Australia's most popular & well recognised loyalty programs, with ~8m active members • Data & digital capabilities • Other businesses¹
EBIT ² CAGR	9.6%	3.3% ³	7.8% ⁴	10.2%	n.a.
ROC ²	50.2%	33.9% ³	17.9% ⁴	17.2%	n.a.

1. Includes BWP Trust, Gresham & Wespine.

2. EBIT CAGR is for the period FY2009 to 31 December 2018 (R12). ROC is for the 12 months to 31 December 2018 (R12).

3. Excludes Kmart Tyre & Auto, which was divested during 1H19.

4. Excludes Resources & Quadrant.

n.a. = not applicable

Wesfarmers' primary objective is to provide a satisfactory return to shareholders

We believe it is only possible to achieve this 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

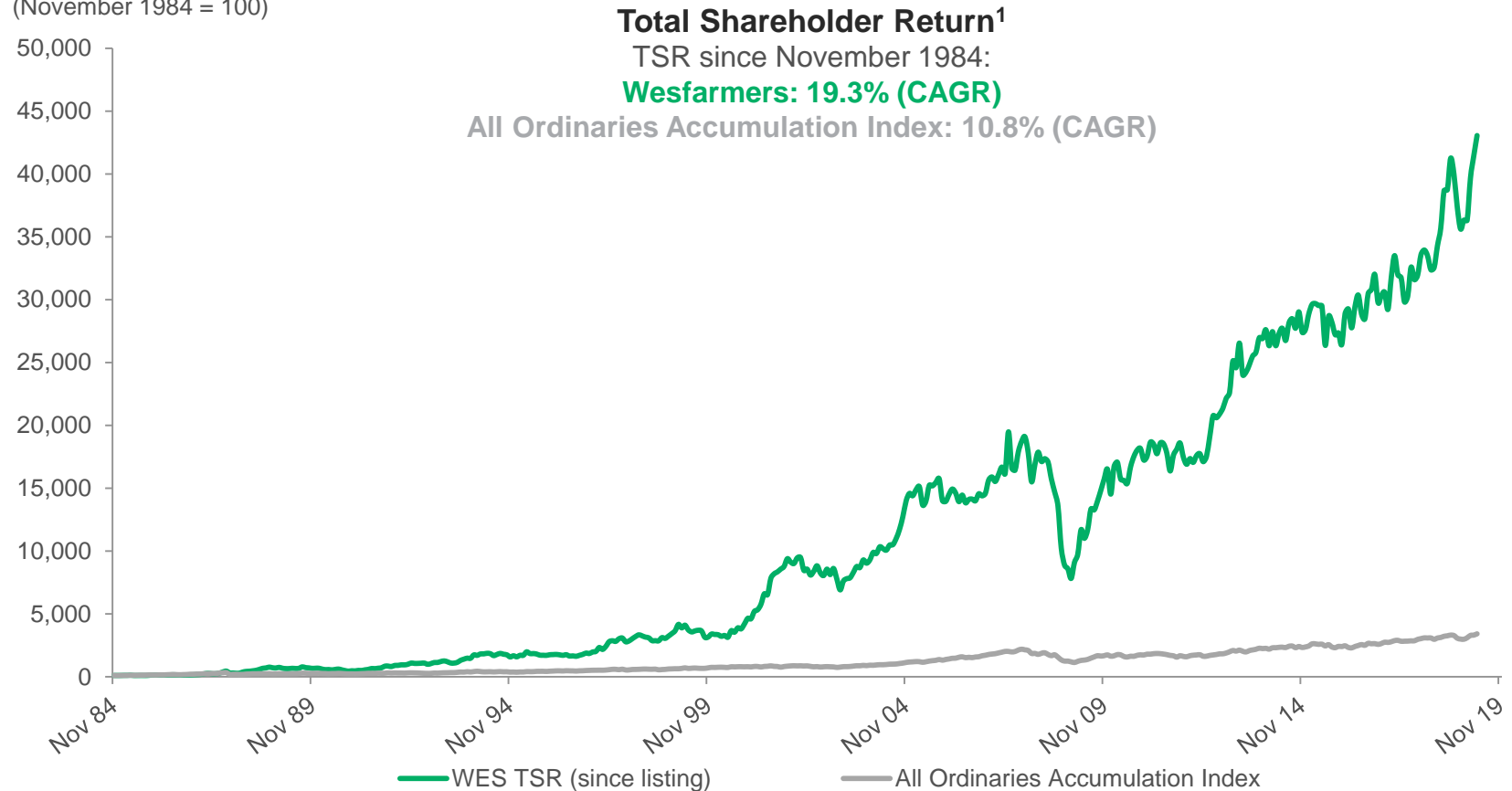


Acting with integrity & honesty in all of our dealings

Superior long-term financial performance

Wesfarmers has a track record of delivering superior long term performance

TSR Index
(November 1984 = 100)



1. Assumes 100% dividend reinvestment on the ex-dividend date & full participation in capital management initiatives; as at 30 April 2019.

Source: Annual report & IRESS.

Strong progress over last year

Short-term priorities (2018)



Address areas of underperformance



Reposition the portfolio



Drive opportunities for growth



Deliverables

- BUKI exit
- Sale of Bengalla, KTAS & Quadrant Energy
- Coles demerger
- Formation of flybuys JV
- Establishment of Advanced Analytics Centre
- Leadership renewal in Corporate, Kmart Group & Officeworks
- Further strengthened balance sheet
- 10.4% growth in NPAT¹ in 1H19
- \$3.6b paid in dividends in last 12 months

1. From continuing operations. 2018 discontinued operations include Coles, Kmart Tyre & Auto (KTAS), Bengalla & Quadrant Energy. 2017 discontinued operations include Curragh & Bunnings UK & Ireland (BUKI).





Approach to capital allocation

Opportunities to deliver superior returns by investing for the long term

1. Portfolio of existing businesses with attractive returns on capital	2. Adjacent opportunities	3. Value-accretive transactions
<ul style="list-style-type: none">– Opportunities to invest & drive continued growth in existing businesses with leading positions in growing markets– Long-term approach to reinforce customer value proposition with through-the-cycle investment– Capital & resources available to support strategy formation & execution	<ul style="list-style-type: none">– Investment opportunities to assist in expanding addressable markets by developing new channels, capabilities, products or services– Framework & incentives to encourage entrepreneurial initiative, leveraging existing assets & competencies	<ul style="list-style-type: none">– Disciplined investment in opportunities that deliver long term value by leveraging Wesfarmers' unique capabilities– Strong & expanded capabilities in evaluation & execution of opportunities

Strict criteria & rigorous financial discipline applied to all investment decisions

Portfolio of businesses with attractive returns on capital







Rolling 12 months to 31 December 2018	EBIT (\$m)	Cap Emp (\$m)	RoC (%)	Share of EBIT (%)
Bunnings Australia & New Zealand	1,572	3,133	50.2	
Kmart Group ^{1,2} (continuing operations)	612	1,806	33.9	
Officeworks	164	951	17.2	
Industrials ³ (continuing operations)	492	2,750	17.9	

1. Excludes KTAS.

2. The increase in ROC also reflects lower capital employed as a result of non-cash impairments in Target in June 2016.

3. Excludes Quadrant Energy.

Divisional update

Bunnings	Kmart Group		Industrials		Officeworks
					
<ul style="list-style-type: none"> – Accelerating investment in digital offer – Expanding addressable market – Increased focus on commercial customers 	<ul style="list-style-type: none"> – Reinforcing customer value in a competitive market – Continued investment to improve back-end processes & systems to address volume challenges 	<ul style="list-style-type: none"> – Disciplined management of store network – Investment in digital capability including click-and-collect 	<ul style="list-style-type: none"> – Focused on operational efficiencies & meeting strong demand for key products – Evaluating opportunities to leverage chemical processing capabilities 	<ul style="list-style-type: none"> – Business turnaround is a work in progress – Ongoing investment to improve ERP system, merchandising & supply chain processes 	<ul style="list-style-type: none"> – Continue to extend leading digital offer – Format innovation & range expansion to support customer offer

We remain focused on managing our businesses for **long-term success**

Continuing to invest for the future

Accelerating our digital offer & capabilities

Reinforcing the customer value proposition in our retail businesses

Investment in data & digital capabilities

Continued investment in our data & digital capability over the long term

① Continued investment by our businesses to strengthen digital offer & improve customer experience

- Online content development
- Customer choice & convenience
- Business processes & systems
- New innovative products & services




② Ongoing partnership with Coles on flybuys, one of Australia’s most recognized loyalty programs



+6m active households	+8m active members	+20 leading partners
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-> Generated 34% growth in online sales in 1H19 vs pcp across all divisions

③ The Advanced Analytics Centre is supporting our divisions to become data driven organizations

AREAS OF FOCUS		Financially driven	Utilise data analytics capability to deliver divisional EBIT & ROC benefits.	KEY ENABLERS		Talent development	Build our capability to develop data solutions & foster a culture of adoption in business operations.
		Data security & governance	Ensure our collection, storage & use of data is consistent with customer & community expectations.			Platform development	Technology platform to allow cost effective implementation of data solutions into business processes.

Approach to value-accretive transactions

Supports our primary objective of providing a satisfactory return to shareholders



Disciplined focus on value-accretive transactions

Returns must exceed risk-adjusted cost of capital

Financial returns assessed over the long term

Wesfarmers advantages

Leverage existing assets, capabilities & competencies

Builder of businesses over the long term

Commercial excellence & robust governance

Remain opportunistic to sector, structure & geography

Supported by

Strong & flexible balance sheet

Entrepreneurial spirit

World-class talent

Leading data & digital capability

Deep, bottom-up analysis & assessment of opportunities

Kidman Resources transaction

Transaction Overview

- This morning Wesfarmers announced that it has entered into a Process & Exclusivity Deed with Kidman Resources in relation to a proposal to acquire 100 per cent of the company for \$1.90 cash per share.
- The proposal is supported by the Kidman Board, a number of the company's major shareholders & joint venture partner, Sociedad Quimica y Minera de Chile S.A. (SQM).
- Transaction is subject to completion of confirmatory due diligence, entry into scheme implementation agreement & agreement with SQM, final Board & shareholder approvals.

Transaction Rationale

- ▶ Global uptake of electric vehicles presents an attractive opportunity
- ▶ Investment in a globally significant, high-grade lithium project
- ▶ Opportunity to leverage Wesfarmers' expertise & capabilities in chemical processing
- ▶ Partnership with an industry leader

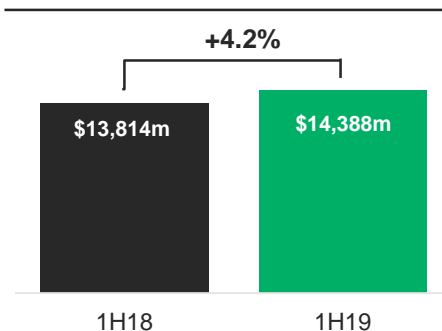
Group performance update



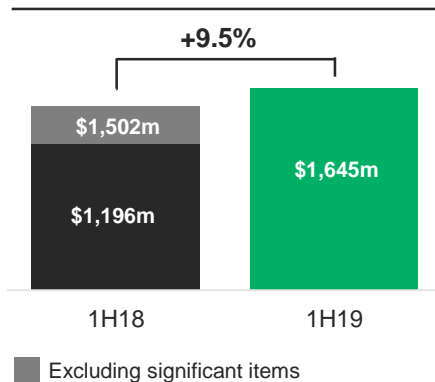
1H19 financial performance from continuing operations¹

Results reflect a period of significant change following successful completion of actions taken to reposition Group's portfolio

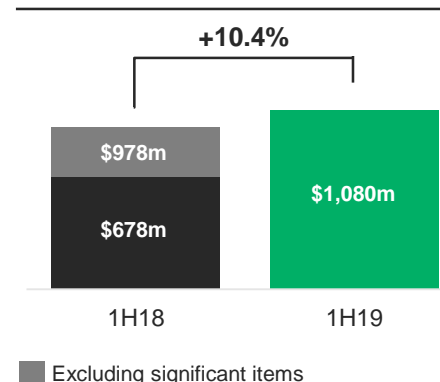
Revenue



EBIT



NPAT



Earnings per share

Excluding significant items

Up **10.5%** to
95.5 cps

Dividends per share

\$1.00 ordinary
interim
dividend

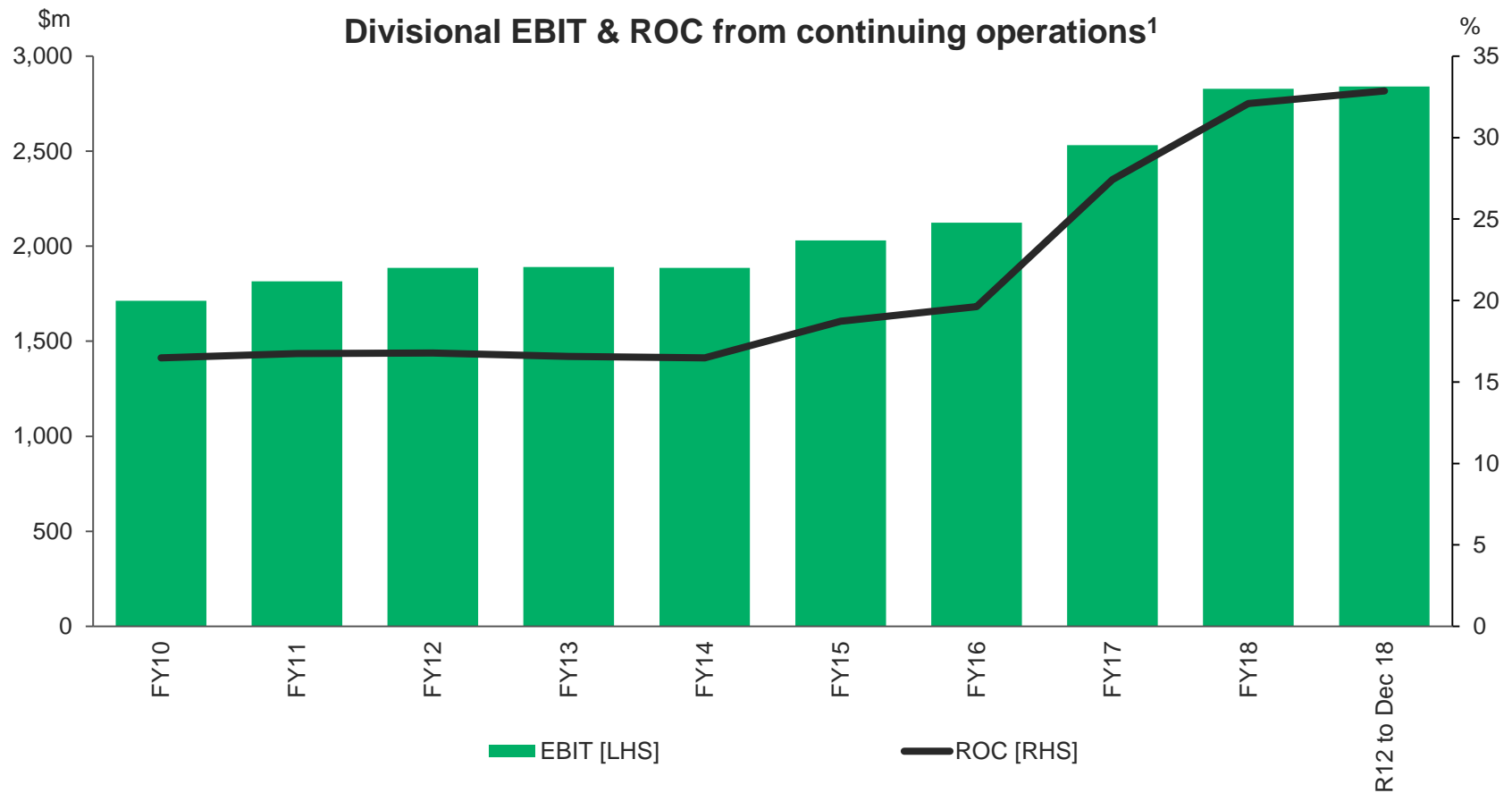
Capital management

\$1.00 special
dividend
per share

1. 2018 discontinued operations include Coles, Kmart Tyre & Auto (KTAS), Bengalla & Quadrant Energy. 2017 discontinued operations include Curragh & Bunnings UK & Ireland (BUKI).

Returns-focused growth

Disciplined capital investment & focus on generating sustainable earnings growth in Wesfarmers' continuing businesses has delivered strong return on capital over the long term

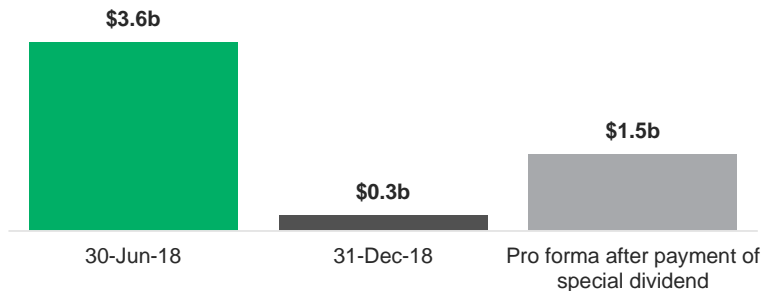


1. Includes contribution from Kmart Tyre & Auto and Quadrant Energy.

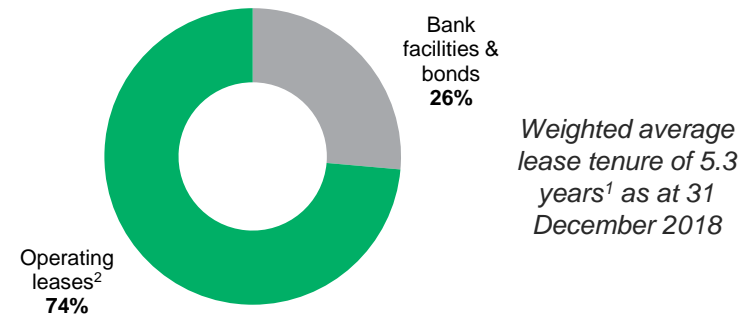
Balance sheet & cash flows

Strong balance sheet & highly cash generative portfolio supports investment & shareholder distributions

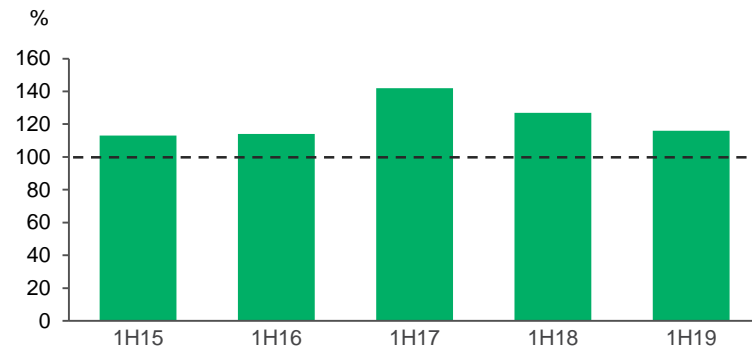
Strong balance sheet & low net financial debt



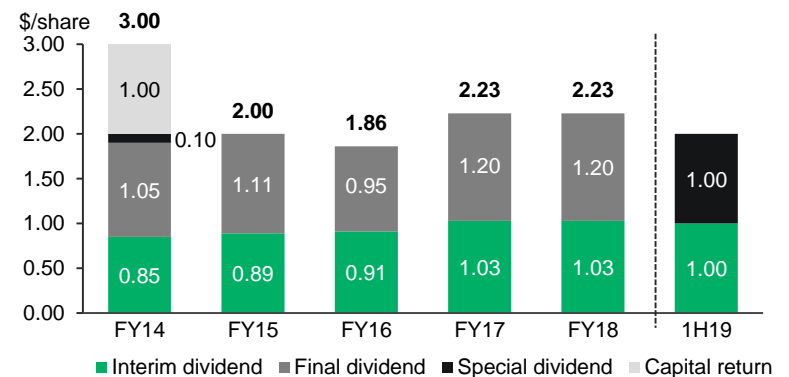
Fixed financial obligations well managed



Strong divisional cash generation³



History of returns to shareholders



1. Weighted average lease tenure calculated as weighted average of dollar commitments by year. Excludes discontinued operations.

2. Represents future undiscounted minimum rentals payable under non-cancellable operating leases.

3. Divisional operating cash flows before tax after net capital expenditure divided by divisional EBIT. Includes contribution from KTAS & Quadrant but excludes other discontinued operations.

Summary



Summary

- Delivering a satisfactory return to shareholders over the long term remains our primary objective
- Our divisions remain focused on delivering greater value to customers & on managing the businesses for long term success & value creation
- Further investment in developing the digital offer to meet the changing needs of customers & to create a platform for expanding addressable markets while improving operating efficiencies
- After a year of change, portfolio is well positioned to drive long term growth & deliver superior returns to shareholders
- Continue to build value for all stakeholders & reinforce strong corporate reputation

Questions



Wesfarmers