



**LOWEST PRICES
ARE JUST THE
BEGINNING...**

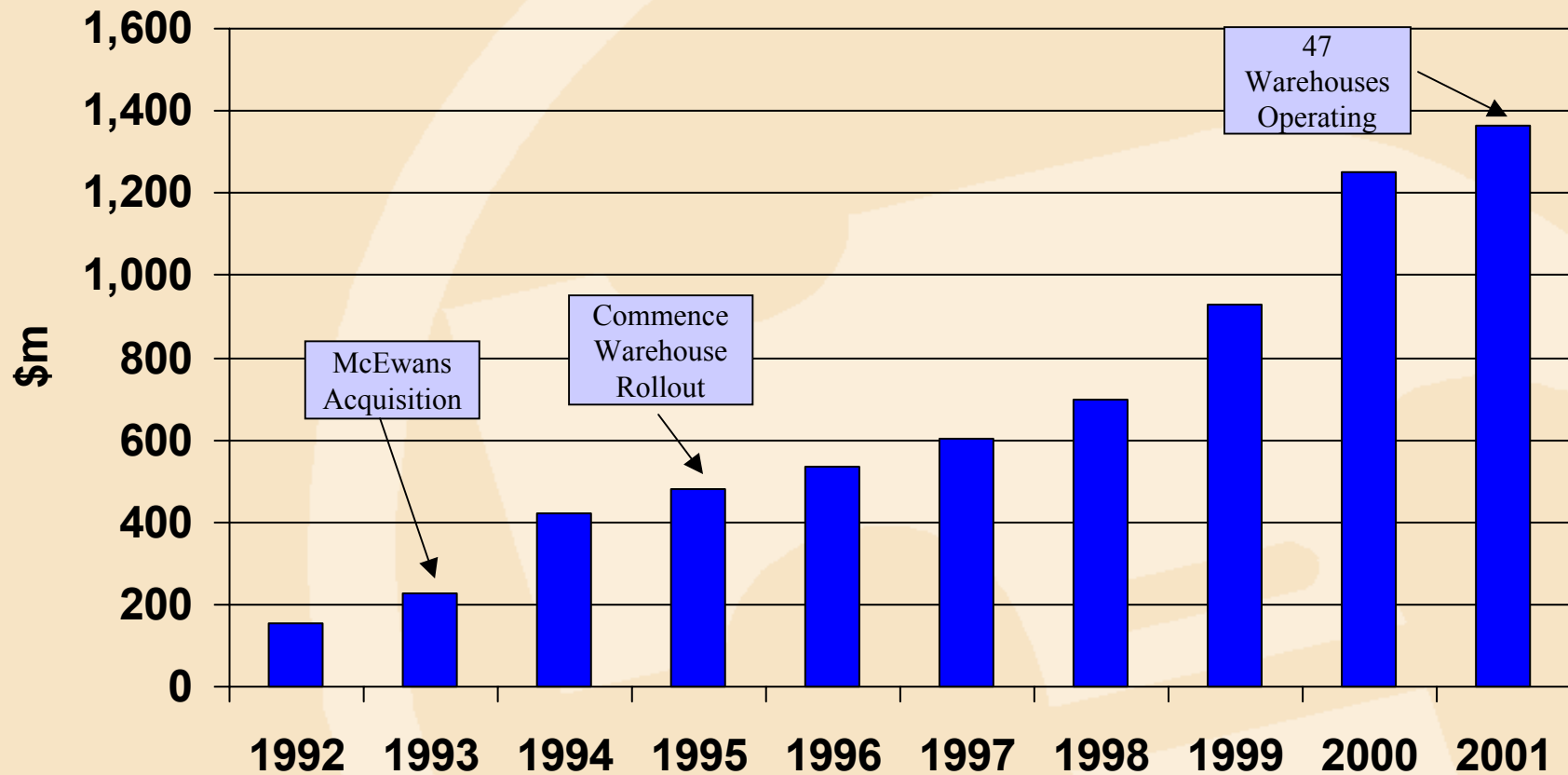
**STRATEGY
DEVELOPMENT
BUNNINGS
WAREHOUSE**

AGENDA

1. Historical performance
2. Warehouse retailing entry strategies
BBC - Bunnings
3. Integration of BBC
4. Future directions
5. Current trading results
6. Questions

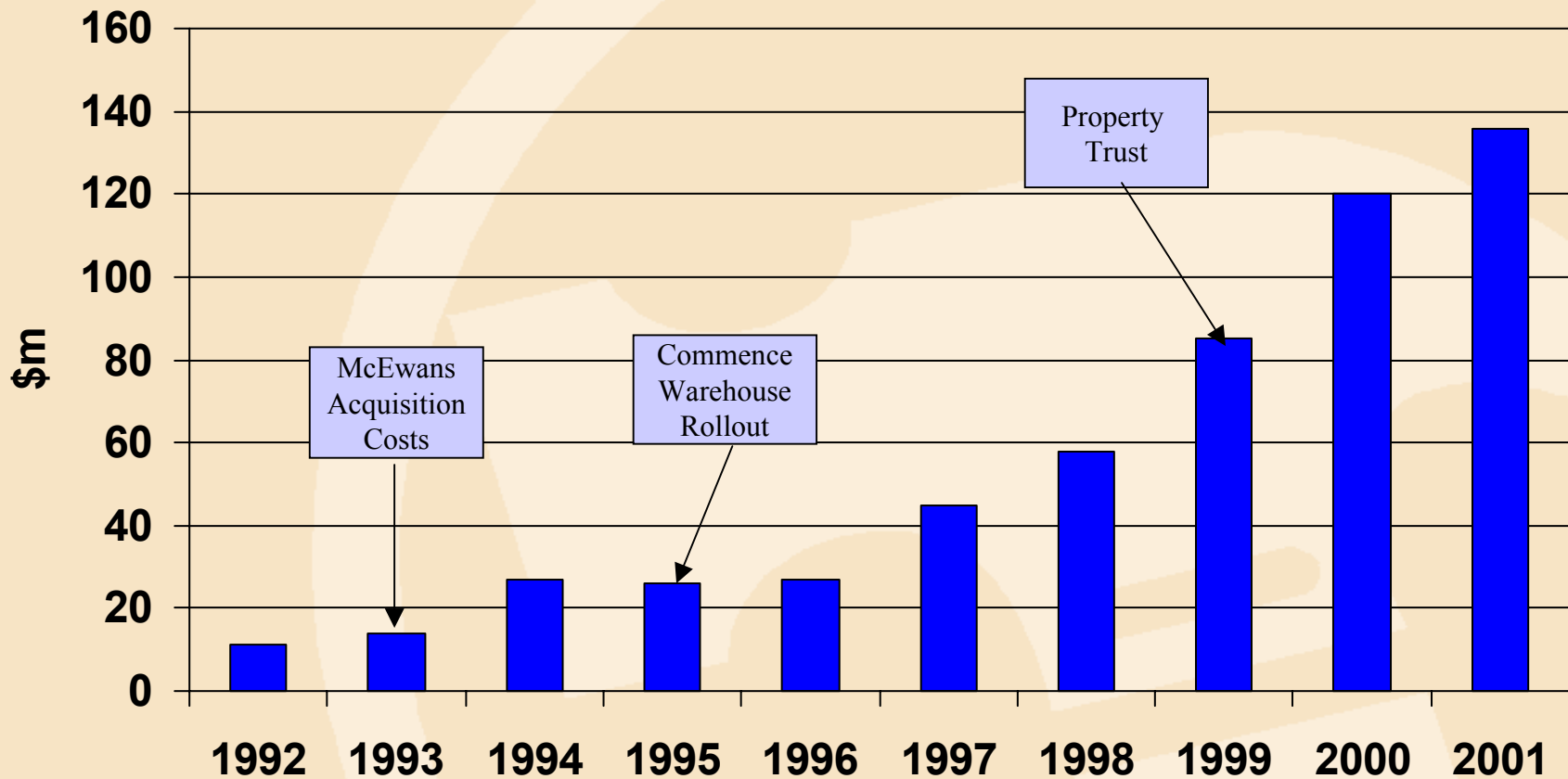
History 1992 - 2001

Sales (CAGR 27%)



History 1992 - 2001

EBIT (CAGR 32%)



EBIT on pre-goodwill basis



BURNS PHILP ENTRY STRATEGY

- Poor track record - low ROC 80's - 90's
- Group financial pressure to exit hardware
- > 80% reliance on housing industry
- Home Depot concept offered sale premium

BURNS PHILP ENTRY STRATEGY

- Numbers the priority - not standards
- 5 opened without time for proper research
- 1994 sold to Howard Smith - \$80m premium
- Still heavy trade influence in business
- Large conventional stores with Warehouse racking

BUNNINGS ENTRY STRATEGY

- Monitored US & UK development since inception
- Repositioned Bunnings in 91 to focus on DIY
- Pre 1990 similar issues to BBC - housing dependence
- Aware of consequences of Warehouse roll out
- A true paradigm shift if properly done

REPOSITIONING STRATEGY - 1991 ON

- A total co-ordinated package developed
- Logo - Colour - Adv style - Pricing - Product range
- Customer service standards lifted - feedback
- Performance culture
- Information systems upgraded
- Margin management systems introduced

REPOSITIONING STRATEGY - 1991 ON

- 1993 - Purchased McEwans
- Restructured to make profit
- Similar repositioning repeated
- Same dramatic increase in performance
- EBIT ROC > 50% on trading activities

BUNNINGS WAREHOUSE BRAND DEVELOPMENT

- 2 years intensive research
- Objective was to develop a national chain of warehouse stores which set the industry benchmark for profitability and return on investment
- The best - not the biggest
- A balanced package with the focus on DIY

BUNNINGS WAREHOUSE BRAND DEVELOPMENT

- Demographic study all markets - location planning
- Developed market positioning
 - Widest range - Depth in range
 - Lowest price position - EDLP
 - Better service levels - Unconventional
- Branding & advertising strategy - Lionel - Line

BUNNINGS WAREHOUSE BRAND DEVELOPMENT

- Store layout & fixture development - (3 sizes)
- Building specifications - no frills
- Technology & systems development - volume focus
- Regulations - OH & S - Hazardous chemical issues

BUNNINGS WAREHOUSE BRAND DEVELOPMENT

- Customer services - Points of difference
- Cultural development - Induction - Recruitment
- EBA negotiated prior to commencement
- Benchmarks established - standards high as possible

TYPICAL BENCHMARK FOR A WAREHOUSE STORE

	BBC Conventional Hardware Approach	Bunnings Unconventional Hardware Approach
Sales	\$17.5m	\$27.5 m
EBIT/Sales ratio	6% - 10%	6% - 10%
Capital Employed (excluding Property)	\$6.0m	\$7.0m - \$7.5m
ROC	15% - 30%	25% - 40%
Stock levels	Normal	Higher
Staff levels	Normal	Higher
Margins	Higher	Lower
Store traffic/car parking	Normal	Higher

WHY FOCUS ON DIY MARKET

- Successful overseas operators focussed on DIY
- Market share at expense of traditional and specialist stores
- Had strong expertise with DIY consumers
- Suits 7 day business - weekend demand
- Strong growth market past 20 years and continue
- Housing market volatile

WHY A SUCCESSFUL TRANSITION

- Prepared business for change
- Research done thoroughly
- Good cohesive strategy developed
- Execution capabilities built quickly
- Committed team that thrives on success

WHAT HAS BEEN ACHIEVED IN 8 YEARS

- A strong performance culture
- Best merchandising skills - supplier associations
- Well developed and proven warehousing formula
- Store layout and development capabilities
- Staff recruitment and training programs

WHAT HAS BEEN ACHIEVED IN 8 YEARS

- High team commitment - Low turnover
- Modern, flexible technology base
- A great business with potential to improve further
- Great results

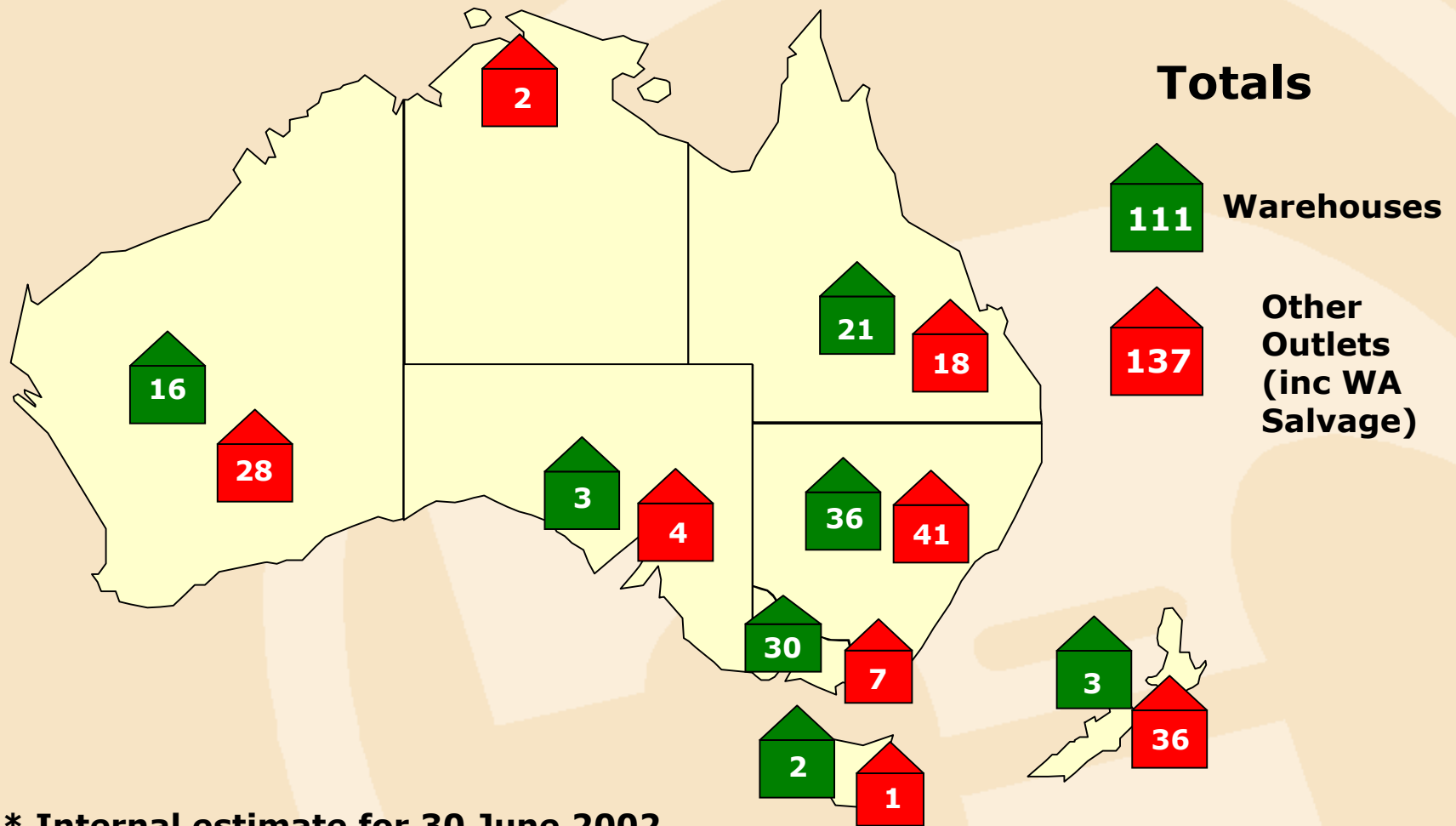
BBC ACQUISITION - AUG 2001

- Doubles turnover to > \$3b on full year basis
- Warehouse store numbers increase from 51 to 111
- Other outlet numbers increase from 37 to 175
- Proportion of retails sales drops from 85% to 75%
- Good geographic spread

STORE NUMBERS

	June 01	Openings	Closures	June 02
Warehouse	107	7	3	111
Traditional	164		27	137
TOTAL	271	7	30	248

STORE NUMBERS - 2002



* Internal estimate for 30 June 2002

BBC/HARDWAREHOUSE INTEGRATION

Outstanding Issues to Complete - February Report

- Trade business and support systems review
- Frame & Truss Plant operations
- Wholesaling operations (Timber and Panel)
- New Zealand integration
- Modifications to POS system
- Audit of synergy benefits

FUTURE DIRECTION

- Continued rationalisation of traditional stores
Upgrade/conversion to Bunnings
- Continued rollout of Warehouse network (10-12 p.a.)
- Technology Development
Trade Intranet Internet (BITS) Store Processes
- Management development for growth

TRADING RESULTS (9 mths to 31st March)

	Raw Results 1/7/01-31/3/02	Actual Reported Results
Sales	2.4 bn	2.3 bn
To budget	+ 1%	+ 1%
To last year	+ 16%	+ 121%
Strong retail sales	+ 19%	
Strong trade sales	+ 7%	
Good store on store growth		

TRADING RESULTS (9 mths to 31st March)

EBIT

Post Goodwill	187 m
To L/Year	+ 75%

Pre Goodwill	222 m
To L/Year	+ 100%

Overall - on target.

QUESTIONS ?

BUNNINGS
warehouse



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THANK YOU