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%)
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
<table>
<thead>
<tr>
<th></th>
<th>BBC Conventional Hardware Approach</th>
<th>Bunnings Unconventional Hardware Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$17.5m</td>
<td>$27.5 m</td>
</tr>
<tr>
<td>EBIT/Sales ratio</td>
<td>6% - 10%</td>
<td>6% - 10%</td>
</tr>
<tr>
<td>Capital Employed (excluding Property)</td>
<td>$6.0m</td>
<td>$7.0m - $7.5m</td>
</tr>
<tr>
<td>ROC</td>
<td>15% - 30%</td>
<td>25% - 40%</td>
</tr>
<tr>
<td>Stock levels</td>
<td>Normal</td>
<td>Higher</td>
</tr>
<tr>
<td>Staff levels</td>
<td>Normal</td>
<td>Higher</td>
</tr>
<tr>
<td>Margins</td>
<td>Higher</td>
<td>Lower</td>
</tr>
<tr>
<td>Store traffic/car parking</td>
<td>Normal</td>
<td>Higher</td>
</tr>
</tbody>
</table>
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 retail sales drops from 85% to 75%
- Good geographic spread
## STORE NUMBERS

<table>
<thead>
<tr>
<th>Location</th>
<th>June 01</th>
<th>Openings</th>
<th>Closures</th>
<th>June 02</th>
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<tbody>
<tr>
<td>Warehouse</td>
<td>107</td>
<td>7</td>
<td>3</td>
<td>111</td>
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<tr>
<td>Traditional</td>
<td>164</td>
<td>27</td>
<td>137</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>271</td>
<td>7</td>
<td>30</td>
<td>248</td>
</tr>
</tbody>
</table>
STORE NUMBERS - 2002

* Internal estimate for 30 June 2002
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)

<table>
<thead>
<tr>
<th>Sales</th>
<th>Raw Results 1/7/01-31/3/02</th>
<th>Actual Reported Results</th>
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</thead>
<tbody>
<tr>
<td>To budget</td>
<td>2.4 bn</td>
<td>2.3 bn</td>
</tr>
<tr>
<td>To last year</td>
<td>+ 1%</td>
<td>+ 1%</td>
</tr>
<tr>
<td></td>
<td>+ 16%</td>
<td>+ 121%</td>
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<tr>
<td>Strong retail sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong trade sales</td>
<td>+ 19%</td>
<td></td>
</tr>
<tr>
<td>Good store on store growth</td>
<td>+ 7%</td>
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</tbody>
</table>
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 ?