

13 June 2019

Trading update – Kmart Group

Wesfarmers Limited today provided a trading update for the Kmart Group for the second half of the financial year. As reported in the Group's results for the half-year ended 31 December 2018, sales growth in the Kmart Group moderated from the significant sales growth achieved in the prior corresponding period. This lower level of sales growth has continued into the second half of the 2019 financial year with sales in Target also impacted by the continued optimisation of the store network.

Summary of Kmart Group sales performance

Period ¹	1H19 (reported) (27 weeks)	Jan-May 2019 (22 weeks)	2019 YTD (49 weeks)
Kmart (excluding KTAS)			
Total sales growth	1.0	1.8	1.3
Comparable sales growth	(0.6)	0.2	(0.2)
Target			
Total sales growth	0.3	(3.6)	(1.3)
Comparable sales growth	0.5	(2.3)	(0.7)

¹ See note on following page for relevant retail calendars

During the second half to date, market conditions for Kmart and Target remained very competitive with increased price investment and higher levels of promotional activity. These pricing levels, along with cautious consumer sentiment, are placing pressure on many industry participants.

In Kmart, trading momentum remained in line with the first half of the year, with total sales in the second half to date increasing by 1.8 per cent and comparable sales increasing by 0.2 per cent. During the financial year, Kmart will also annualise the exit of the DVD category.

Following several years of strong volume growth, during the current financial year Kmart implemented a number of initiatives to optimise product flow and store processes to support future growth. Some of these changes resulted in a temporary reduction in on-shelf availability. Good progress has been made to address this issue and it is expected to be largely resolved by the end of the financial year.

In Target, total sales in the second half to date decreased by 3.6 per cent following the ongoing optimisation of the store network. Comparable sales decreased by 2.3 per cent highlighting that Target's current offer requires ongoing repositioning.

In addition to the moderation in sales momentum, increased price competition has impacted margins in Kmart and Target. Earnings before interest and tax from continuing operations for Kmart Group for the 2019 financial year are now expected to be between \$515 million and \$565 million¹.

¹ Excludes Kmart Tyre and Auto (KTAS) earnings during the period of Wesfarmers ownership and the gain on its disposal. Earnings before interest and tax for the Kmart Group (excluding KTAS) in the 2018 financial year were \$631 million.

Wesfarmers Managing Director Rob Scott said while the trading performance of the Kmart Group is below expectations, Kmart and Target remain focussed on delivering even greater value, quality and convenience for customers, including through increased investment in online and other digital initiatives.

“Kmart will continue to invest in its customer offer and price leadership strategy that has delivered strong returns over the long term,” Mr Scott said.

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2019 RETAIL CALENDARS

Kmart	First half	Second half to date
FY 2019	25 Jun 2018 to 30 Dec 2018 (27 weeks)	31 Dec 2018 to 2 Jun 2019 (22 weeks)
FY 2018	26 Jun 2017 to 31 Dec 2017 (27 weeks)	1 Jan 2018 to 3 Jun 2018 (22 weeks)
Target	First half	Second half to date
FY 2019	24 Jun 2018 to 29 Dec 2018 (27 weeks)	30 Dec 2018 to 1 Jun 2019 (22 weeks)
FY 2018	25 Jun 2017 to 30 Dec 2017 (27 weeks)	31 Dec 2017 to 2 Jun 2018 (22 weeks)

Note: The 2019 financial year will be a 53 week retail year, with 26 weeks in the second half.