2023 Half-year results debt investor update

Wesfarmers

Group performance overview

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 and delivering competitive goods and services

Looking after our team members and providing a safe, fulfilling work environment

Engaging fairly with our suppliers, and sourcing ethically and sustainably

Supporting the communities in which we operate

Taking care of the environment

Acting with integrity and honesty in all of our dealings

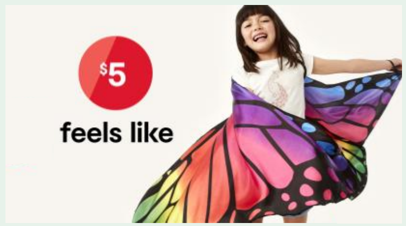
2023 Half-year highlights

Pleasing financial results for the half

Increase in profit and interim dividend	Largest divisions particularly strong	Responding well to market conditions
$22.6b revenue	+114.0% Kmart Group EBT	Value credentials
$1.4b NPAT, up 14.1%	+48.6% WesCEF EBT	Strong operating results
$0.88 interim dividend	+2.1% Bunnings[1] EBT	Omnichannel offer

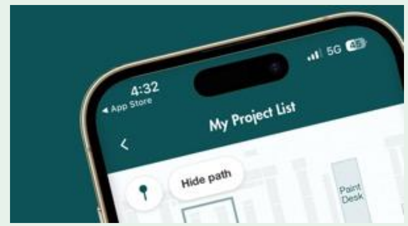
Portfolio is well positioned

Businesses with strong competitive advantages



New growth avenues in health and critical minerals

Significantly expanded digital capabilities



Maintained focus on long-term value, consistent with our objective

Well advanced with productivity and efficiency initiatives to manage inflation

Supporting teams and communities

Continued to build climate resilience and increased renewable electricity use

1. Excluding net property contribution.

Divisional highlights

Bunnings Group

- Performance highlights resilience of operating model
- Strong execution of strategic agenda
- Continued investment to improve stock coverage
- Strengthened consumer offer and continued to expand range
- Progress on 'whole of build' commercial strategy

Kmart Group

- Significant sales and earnings growth with strong execution
- Strong underlying growth in addition to impact of cycling lockdowns
- Customers responded positively to Kmart's lowest price positioning
- Cost pressures well managed
- Benefits from the conversion of Target stores into Kmart stores

WesCEF

- Record earnings for the half
- Strong operating performance and favourable commodity prices
- Progressed capacity expansion opportunities
- Continued development of the lithium business and mining of first ore

Officeworks

- Increased demand across key categories that were impacted by lockdowns in 1H22
- Flybuys participation enabling a more personalised offer
- Productivity improvements at the Victorian CFC[1]

WIS

- Continued improvement in performance
- ERP[2] deployment completed
- Investment in customer service and digital capabilities

Health

- Acceleration of transformation activities in supply chain, network and merchandising
- Integration activities largely completed during the half
- Increased investment in SiSU to support digital health strategy

OneDigital

- Ongoing improvement in digital engagement across the retail businesses
- Disappointing financial results in Catch and actions commenced to address performance
- Additional OnePass partners and positive trends in key indicators of member value

1. Customer fulfilment centre.
2. Enterprise Resource Planning system.

Focus on long-term value - consistent with our ESG objectives

Climate & environment

7.3%	increase in Scope 1 and 2 market-based emissions, due to increased ammonia production and addition of new Health division
15.3%	reduction in Scope 1 and 2 market-based emissions from retail divisions[1]
71%	of operational waste diverted from landfill[2]

People

11.4	total recordable injury frequency rate (TRIFR) and a continued focus on safety
3.4%	Indigenous employment, remaining above parity
48%	women in Board and leadership team positions

Communities

$36m	direct and indirect community contributions with resumption of programs disrupted by COVID-19
15,000	hours of facilitated and online cultural awareness training to 28,000 team members

1. Bunnings, Kmart Group and Officeworks.
2. Excludes Wesfarmers Health.

Group performance summary

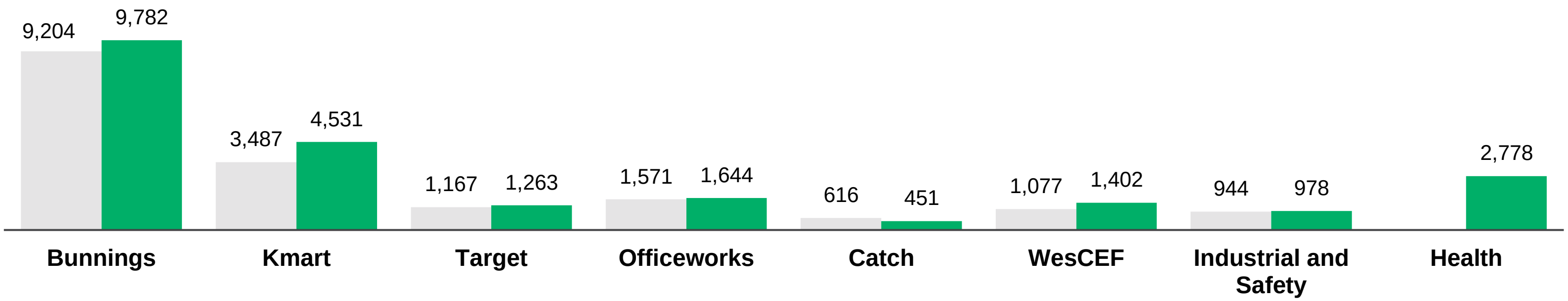
Half-year ended 31 December ($m)	**2022**	**2021**	***Var %***
Revenue	22,558	17,758	*27.0*
Revenue (excl. Health)	19,780	17,758	*11.4*
EBIT	2,160	1,905	*13.4*
EBIT (after interest on lease liabilities)	2,053	1,796	*14.3*
NPAT	1,384	1,213	*14.1*
Basic earnings per share (cps)	122.3	107.3	*14.0*
Return on equity (R12,%)	32.8	24.8	*8.0 ppt*
Operating cash flows	1,971	1,556	*26.7*
Net capital expenditure	578	405	*42.7*
Free cash flows	1,365	949	*43.8*
Cash realisation ratio[1] (%)	89	79	*10 ppt*
Interim ordinary dividend (fully-franked, cps)	88	80	*10.0*
Net financial debt[2]	4,716	2,615	*80.3*
Debt to EBITDA[3] (x)	2.1	2.0	*0.1 x*

1. Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation.
2. Interest-bearing liabilities less cash at bank and on deposit, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.
3. Total debt including lease liabilities, net of cash and cash equivalents, divided by R12 EBITDA.

Divisional sales performance

Sales performance ($m)
Half-year ended 31 December

	Bunnings	Kmart	Target	Officeworks	Catch	WesCEF	Industrial and Safety	Health
	Retail sales[1]				GTV	Revenue		
Total sales growth	+6.3%	K+T: +24.5%		+4.6%	(26.8%)	+30.2%	+3.6%	
Comp sales growth	+2.8%	+17.1%	+2.8%					



	Bunnings	Kmart / Target	Officeworks	Catch	WesCEF	Industrial and Safety	Health
3-year sales CAGR (pre-COVID[2])	+10.4%	K+T: +5.7% *Impacted by 63 Target store closures since 1H20*	+10.3%	+13.1%	+16.4%	+4.5%	

- Retail sales results reflect positive customer response to strong omnichannel business models and well-established value credentials
- Increase in foot traffic to stores as customer behaviour normalised, with associated decline in online demand particularly impacting results in Catch
- WesCEF revenue growth driven by increased production and higher commodity prices
- Health revenue supported by wholesale customer acquisition and demand for COVID-19 anti-viral products

1. Refer to slide 62 of the 2023 Half-year results briefing presentation for relevant retail calendars.
2. Three-year compound annual growth rate (CAGR) is calculated as growth between 1H20 and 1H23.

Divisional earnings performance

	Performance and earnings results reflect:	EBT[1] 1H23
Bunnings Group	• Strong commercial growth and continued consumer growth • Increased foot traffic to stores and shopping frequency as customer behaviour normalised • Continued focus on value, with price investment supported by productivity initiatives • Earnings increased 2.1% excluding the net contribution from property	**$1,278m** ↑ 1.5%
Kmart Group[2]	• Strong underlying trading performance, in addition to the impact of cycling lockdowns in pcp • Realising benefits from Target store conversions and closures • Earnings particularly pleasing in context of cost pressure in the half	**$475m** ↑ 114.0%
WesCEF	• Continued strong plant performances across Kwinana facilities • Higher ammonia production following scheduled plant shutdown in pcp • Favourable global commodity prices for LPG and ammonia-related products	**$324m** ↑ 48.6%
Officeworks	• Growth in key categories supported by focus on price, range and service across all channels • Earnings impacted by continued price investment and increased promotional activity, partially offset by change in sales mix	**$85m** ↑ 3.7%
Industrial and Safety	• Continued improvement in performance and profitability • Blackwoods' earnings were impacted by cost inflation and investment in customer service • Earnings increased in Workwear Group and Coregas	**$47m** ↑ 14.6%
Health	• Strong sales growth and continued progress on transformation activities • Transition to new Marsden Park distribution centre completed, with some ongoing transition costs	**$27m**
Catch	• GTV impacted by poor performance of the in-stock range and moderation of marketplace growth • Earnings reflect increased clearance activity as well as higher fulfilment and delivery costs • Includes $33m of restructuring costs relating to inventory provisions, redundancies and write offs	**($108m)**

1. Variance figures for 1H23 EBT are against 1H22.
2. Variance calculated excluding Catch in 1H22.

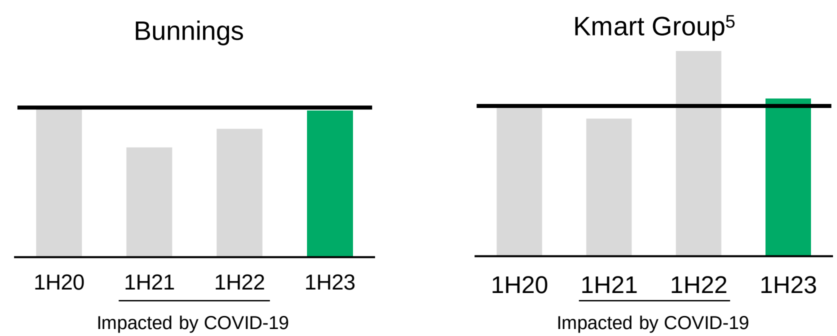
Working capital and cash flow

- Divisional operating cash flows increased 13.4%, with divisional cash generation of 97%[1]
  - Growth in divisional earnings
  - Strong cash generation in Kmart as supply chain conditions normalised and inventory buffer reduced
  - Addition of the Health division
  - Lower payables due to an earlier than normal stock build prior to the Christmas trading period
  - Continued normalisation of Bunnings stock cover
  - Timing impact of higher fertiliser prices in WesCEF
- Group operating cash flows increased 26.7% to $1,971m
  - Increase in divisional operating cash flow
  - Lower tax paid due to timing of payments
- Free cash flows increased 43.8% to $1,365m
  - Higher operating cash flow
  - Impact of cash consideration for 19.3% stake in API and acquisition of Beaumont Tiles in pcp
  - Partially offset by higher capex
- Group cash realisation ratio of 89%[3]

Net working capital cash movement

Half-year ended 31 December ($m)	2022	2021
Receivables and prepayments	74	189
Inventory	(531)	(1,071)
Payables	383	910
Total	**(74)**	**28**
Bunnings	(2)	231
Kmart Group[2]	220	(61)
WesCEF	(234)	(121)
Officeworks	(30)	(26)
WIS	(53)	13
Health	29	-
Other	(4)	(8)
Total	**(74)**	**28**

Inventory as % sales relative to pre-COVID[4]



1. Divisional operating cash flows before interest, tax, PPE and lease finance payments divided by divisional EBITDA. Includes Catch but excludes OnePass and supporting capabilities.
2. 2021 results have been restated to exclude Catch, which is included in other net working capital cash movements.
3. Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation.
4. Inventory balances as at 31 December relative to 1H sales. Pre-COVID defined as 1H20 levels.
5. Excludes Catch.

Capital expenditure

- Gross cash capital expenditure of $676m, up 16.0%
  - WesCEF includes $204m of development capex and $21m of capitalised interest relating to the Mt Holland lithium project
  - Increased investment in data and digital
  - Addition of the Health division
- Net capital expenditure of $578m, up 42.7%
  - Lower proceeds from sale of PP&E largely reflect timing of Bunnings property disposals
- Expect FY23 net capital expenditure of $1,000m to $1,200m, subject to net property investment
  - Inclusive of c. $400m of development capital expenditure and c. $40m of capitalised interest relating to the Mt Holland lithium project
- WesCEF's share of total capex for the Mt Holland lithium project is expected to be $1,200m to $1,300m in nominal terms, excluding capitalised interest
  - Increase of approximately 10 to 20% on prior guidance

Half-year ended 31 December[1] ($m)	**2022**	**2021**	**Var %**
Bunnings	226	196	*15.3*
Kmart Group[2]	62	62	-
WesCEF	272	238	*14.3*
Officeworks	26	28	*(7.1)*
Industrial and Safety	31	25	*24.0*
Health	20	-	*n.m.*
Catch	10	19	*(47.4)*
Other	29	15	*93.3*
Gross cash capital expenditure	**676**	**583**	***16.0***
Sale of PP&E	(98)	(178)	*44.9*
Net cash capital expenditure	**578**	**405**	***42.7***

n.m. = not meaningful

1. Capital investment provided on a cash basis.
2. 2021 results have been restated to exclude Catch.

Group outlook

- Remain focused on long-term value creation
- Strong balance sheet and portfolio of cash-generative businesses with market-leading positions provide the flexibility to respond to risks and opportunities under a range of economic scenarios
- Elevated inflation and higher interest rates are expected to impact demand in parts of the Australian economy and result in households continuing to become more value conscious
  - Retail businesses are well positioned with strong value credentials and low-cost operating models
- Retail trading results through the first five weeks of 2H23 have been broadly in line with growth reported for 1H23
- Continued cost of doing business pressures in Australia and New Zealand are expected in 2H23
  - Businesses are well progressed with key productivity and efficiency initiatives
- The Group maintains its long-term focus and continues to invest in strengthening its existing operations, renewing the portfolio and developing platforms for long-term growth
- Recent investments enable Wesfarmers to take advantage of growing consumer and industrial demand in the health and critical minerals sectors
- First earnings from the Mt Holland lithium project are expected in 1H CY24 when production of spodumene concentrate will ramp up ahead of first production of lithium hydroxide from the Kwinana refinery in 1H CY25
- Continue to manage businesses with carbon awareness and will make disciplined investments to increase climate resilience and responsibly support the energy transition

Balance sheet & debt management

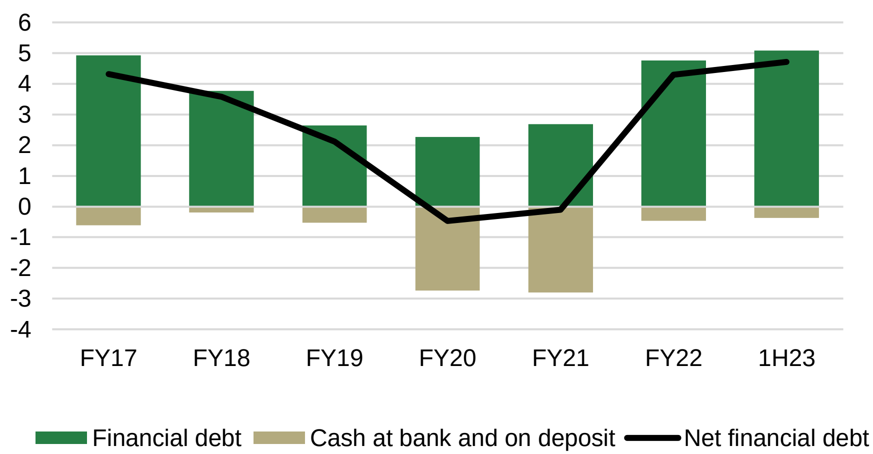
Wesfarmers

Strong balance sheet and credit ratings

Key principles

- Maintaining prudent capital structure and strong credit rating is important to Wesfarmers
- Strong credit ratings
  - Moody's A3 (stable outlook)
  - Standard and Poor's A- (stable outlook)

Net financial debt ($b)[1]



Half-year update

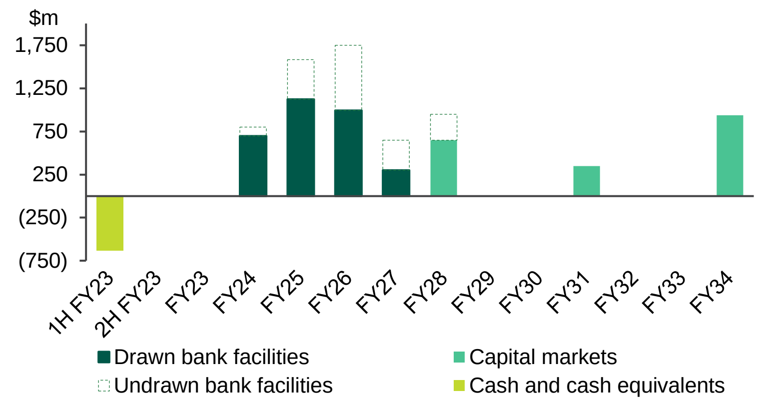
- Benefits of recent actions to reposition balance sheet and optimise cost of funds
  - Weighted average cost of debt[2] declined to 3.06% (1H22: 3.70%)
  - Weighted average debt term to maturity of 4.6 years (1H22 6.5 years)[3]
- Net financial debt[1] position of $4.7b as at 31 December 2022, compared to net financial debt[1] position of $4.3b as at 30 June 2022
  - Paid $1.1b of fully-franked dividends
  - Higher capital expenditure during 1H23
- Strong liquidity position, supported by unused bank facilities available of c. $2.0b

1. Interest bearing liabilities less cash at bank and on deposit, net of cross-currency interest rate swaps. Excludes lease liabilities.
2. Weighted average cost of debt based on total gross debt before hedging costs, undrawn facility fees and amortisation of debt establishment costs. Excludes interest on lease liabilities and the balance of lease liabilities.
3. Drawn debt only.

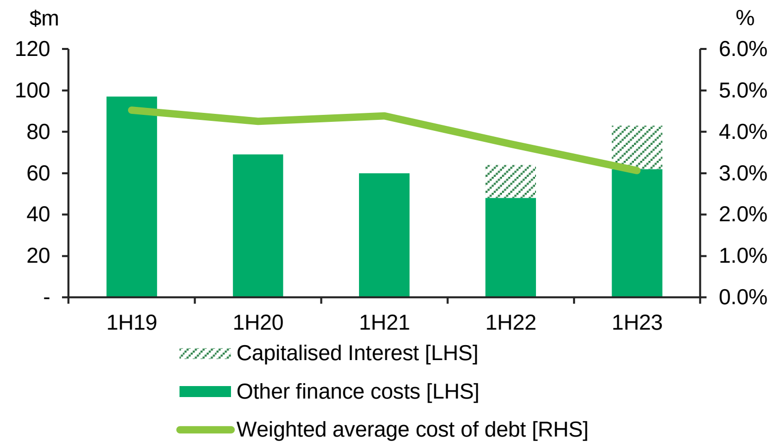
Pro-active debt management

- Continued focus on optimising debt maturity profile and maintaining liquidity headroom provided by bilateral bank facilities
  - Repaid €650m (A$764m) ten-year Euro bonds at 5.86%, which matured in August 2022
  - Ongoing extension of bank facilities in advance of maturities
- Actively managing the balance of exposure to fixed and floating interest rates
- Other finance costs increased 29.2% to $62m, reflecting higher net debt
  - On a combined basis, other finance costs including the component of interest that was capitalised increased 29.7% to $83m

Debt maturity profile[1]



Finance costs and weighted average cost of debt[2]

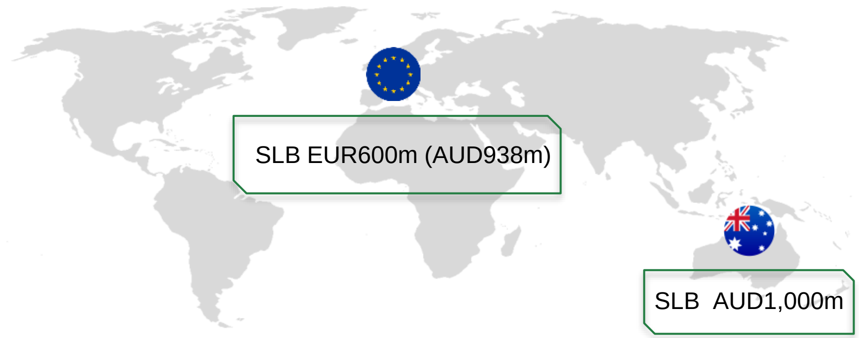


1. As at 31 December 2022. Capital market debt is net of cross-currency interest rate swaps.
2. Weighted average cost of debt before hedging costs, undrawn facility fees and other costs.

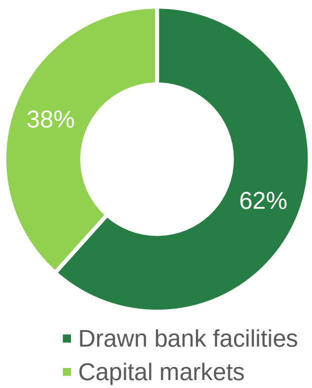
Debt capital markets diversity

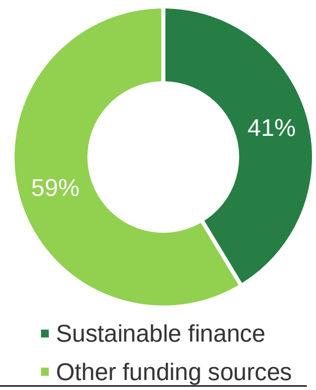
- Ongoing commitment to diversify funding sources, including the domestic and international debt capital markets
- Australian and European debt capital market programme documentation updated on an ongoing basis to ensure continued and ready access to markets
- Continue to monitor debt capital markets for favorable issuance opportunities subject to financing requirements
- Providing corporate update to Asian, UK and European debt investors from 27 February 2023

DCM geographical sources[1]



Debt by type[1]





1. As at 31 December 2022.

Sustainable finance update

March 2020 A$450m sustainability-linked loan	June 2021 A$1b sustainability-linked bond	October 2021 €600m sustainability-linked bond

- Achieving proportional representation for Aboriginal and Torres Strait Islander(ATSI) people in the Group's Australian work force
- Reducing the emissions intensity of the Group's chemicals business

- Increasing the use of renewable electricity in the Group's retail divisions
- Reducing the emissions intensity of ammonium nitrate production in the Group's chemicals business

KANGANEWS AWARDS 2021

- Australian Sustainability Issuer
- Australian Innovative Deal (A$650 & A$350m)
- Australian Sustainability Bond Deal (A$650m & A$350m)
- Australian Dollar Corporate Bond Deal (A$650m & A$350m)
- Australian-Origin Offshore Corporate Bond Deal (€600m)

- Finance Asia – Best Issuer - Sustainability

Update

- 3.4% indigenous employment, remaining above parity
- Continued focus on reduction of the emissions intensity of the Groups' chemicals business, including management of increased ammonia production

Update

- Continued progress against sustainability-linked bond targets
- Updated progress report for 31 December 2022 will be made available by 31 March 2023, on the Debt Investor Section of the Wesfarmers website
- 15.3% reduction in Scope 1 and 2 market-based emissions from retail divisions[1]

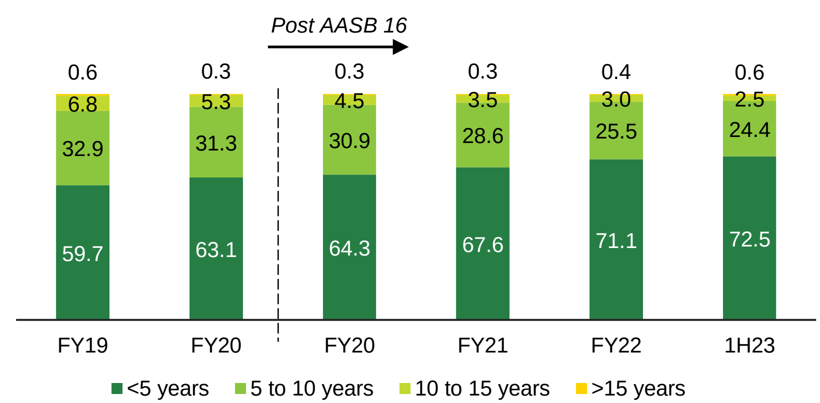
1. Bunnings, Kmart Group and Officeworks.

Management of lease portfolio

- Lease liabilities totalled $6.9b and represented 58% of Group fixed financial obligations as at 31 December 2022
- Average remaining committed lease term of 4.2[1] years (1H22: 4.5 years)[1]
  - Complemented by strategic extension options to maintain security of tenure
  - Reflects disciplined management of leases in retail businesses
- Continued to focus on lease-adjusted return on capital as a key hurdle for divisions

Lease liabilities ($m)	1H23	FY22	1H22
Bunnings	3,738	3,692	3,854
Kmart Group[2]	2,411	2,616	2,764
WesCEF	64	61	50
Officeworks	343	345	354
Industrial and Safety	143	157	155
Health	165	199	-
Catch	57	45	49
Other[3]	20	8	12
Total lease liabilities	**6,941**	**7,123**	**7,238**

Weighted average lease term[1] (%)



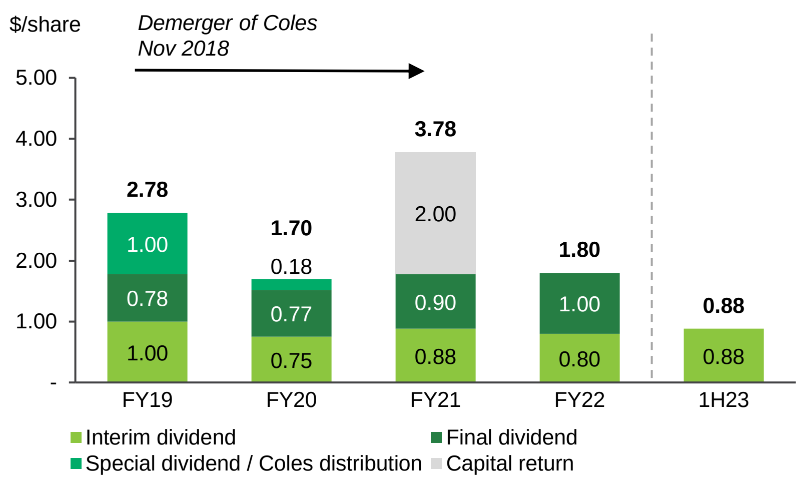
1. Post-AASB 16 lease tenure calculated as weighted average of undiscounted dollar commitments by year including non-property leases and reasonably certain extension options. Pre-AASB 16 lease tenure calculated as weighted average of undiscounted dollar commitments by year.
2. Kmart Group figures from FY22 and HY22 have been restated to exclude Catch.
3. Other includes OneDigital excluding Catch.

Dividends & capital management

Key principles

- Dividend distributions determined based on franking credit availability, earnings, credit metrics and cash flow
  - Maximising value of franking credits for shareholders
- Dividends are not progressive, and vary year-to-year with earnings

Shareholder distributions[1]



Half-year update

- Fully-franked ordinary interim dividend of $0.88 per share
- Dividend record date: 21 February 2023
- Dividend payment date: 28 March 2023
- Dividend investment plan: not underwritten; last day for application 22 February 2023
  - Dividend investment plan shares expected to be purchased on market

1. Represents distributions determined to be paid in each period.

Questions

Additional resources

- Wesfarmers debt investor website

  https://www.wesfarmers.com.au/investor-centre/debt-investors/debt-overview

- Wesfarmers sustainable finance website

  https://www.wesfarmers.com.au/investor-centre/debt-investors/sustainable-finance

- Group Treasury email address

  debt@wesfarmers.com.au

  Please let us know if you would like to be added to our email distribution list for debt updates

Wesfarmers