2023 Full-year results debt investor update

Wesfarmers

Group performance overview

Wesfarmers

Wesfarmers’ primary objective is to deliver 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 Full-year highlights

Group NPAT growth of 4.8% to $2.5b as businesses respond well to market conditions

$43.5b	$3.85b	$1.91
Revenue	**Divisional EBT**	**Full-year dividend**
+18.2% YoY (+7.4% excl. Wesfarmers Health)	+12.9% YoY (+10.8% excl. Wesfarmers Health)	+6.1% YoY Fully-franked

Well-positioned portfolio of quality businesses provides both resilience and growth

Strong value credentials and everyday products

Proactive approach to productivity and efficiency

First lithium earnings from concentrator in FY24

Maintained focus on responsible, long-term management

Executing on growth projects from new platforms

Pipeline of investment opportunities in operating businesses

Continued to build climate resilience and increased renewable electricity use

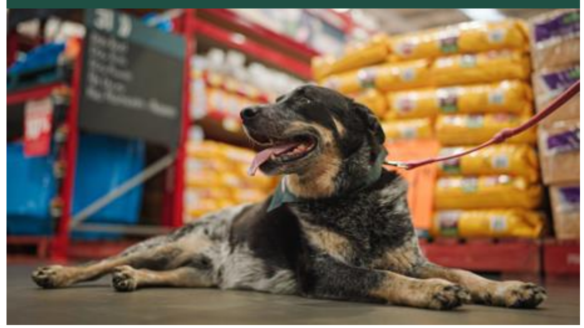
Results underpinned by strong divisional performance

Combined divisional earnings growth of 12.9% as the Group's operating businesses continue to respond well to trading and market conditions

Strong execution from well-positioned businesses

- Strong value credentials and omnichannel offer continue to resonate with customers
  - Good execution of range and pricing architecture
  - Effective inventory management
  - Supply of everyday and essential products at market-leading prices
- Strong operating performance in the industrial businesses

Continued investment to support incremental growth



- New product ranges and categories, including continued development of Bunnings' commercial offer
- Store upgrades and network expansions
- Continued progress on pipeline of expansion opportunities at WesCEF

Realised benefits from productivity and efficiency initiatives

- Modernisation of supply chain capabilities
- Digitisation, new technologies and improved systems in stores
  - More efficient and accurate inventory management
  - More team member time with customers
  - Better customer experience, enabled by technology

Divisional highlights

Bunnings

Sales	Earnings
$18.5b	$2,230m
↑ 4.4%	↑ 1.2%

- Performance highlights resilience of demand across the Bunnings offer
- Strong execution of strategic agenda
- Continued to expand range, including pets launch
- Strengthened customer experience across channels
- Advanced 'Whole of Build' commercial strategy

Kmart Group

Sales[1]	Earnings[1]
$10.5b	$769m
↑ 16.9%	↑ 52.3%

- Significant sales and earnings growth reflects strong underlying trading growth and strong execution
- Customers responded positively to Kmart's lowest price positioning
- Ongoing focus on productivity and cost control
- Benefits from conversion of some Target stores into Kmart stores

WesCEF

Revenue	Earnings
$3.3b	$669m
↑ 8.7%	↑ 23.9%

- Strong operating performance and favourable global ammonia price
- Earnings impacted by higher WA natural gas costs
- Progressed capacity expansion opportunities
- Completed construction of lithium concentrator, first earnings expected 1H CY24

Officeworks

Sales	Earnings
$3.3b	$200m
↑ 6.0%	↑ 10.5%

- Significant growth in B2B, and above-market growth in tech
- Improved back-to-school and increased demand for categories impacted by COVID
- Realised benefits from supply chain and store productivity investments

Wesfarmers Health

Revenue
$5.3b
Earnings[2]
$45m

- Strong sales growth in Pharmaceutical Wholesale, solid sales in Priceline
- Acceleration of transformation activities to improve performance
- Acquisition of InstantScripts in July 2023, proposal to acquire SILK Laser Australia

OneDigital

Catch	**GTV**
	↓(25.9%)
	Earnings[3]
	($163m)
One Digital	**Earnings[4]**
	($82m)

- Increasing digital engagement across the retail businesses
- Action taken to address performance issues in Catch
- Additional OnePass partners and benefits, and positive trends in key indicators of member value

WIS

Revenue	Earnings
$2.0b	$100m
↑ 3.5%	↑ 8.7%

- Sales growth across all businesses
- Continued investment in customer service and digital capabilities

1. Kmart Group sales and earnings growth exclude Catch.
2. Wesfarmers Health FY23 earnings include $13m of non-cash expenses relating to assets recognised as part of the acquisition of API (FY22: $11m).
3. Catch FY23 earnings include restructuring costs of $40m relating to inventory provisions, redundancies and asset write-offs, and amortisation expenses of $4m (FY22: $11m) relating to assets recognised as part of Wesfarmers' acquisition of Catch.
4. OneDigital earnings excluding Catch.

Executing on growth projects

Covalent Lithium project

- Attractive long-term demand outlook for battery electric vehicles
- Construction of mine completed and commissioning of the concentrator underway, ahead of first earnings from the project expected in 1H CY24
- Mine and concentrator expansion study in progress
- Consideration of refinery capacity expansion to be undertaken following completion of commissioning

Wesfarmers Health

- Transformation plan underway in core API businesses, driving a period of investment for the division
  - Focused on wholesale and retail proposition, operational excellence, and emerging digital health capabilities
- Opportunities for bolt-on acquisitions to support growth
  - Acquisition of InstantScripts in July 2023
  - Proposed acquisition of SILK Laser Australia

Strong and flexible balance sheet provides capacity to take advantage of value-accretive opportunities as they arise

Focus on long-term value, consistent with our objective

Climate and environment

2.4% reduction in Scope 1 and Scope 2 market-based emissions supported by reduced electricity use and increased renewable electricity use, offset by increased ammonia production

37MW 37+ megawatts of rooftop solar capacity across 165 locations with 43 installed during the year

72% of operational waste diverted from landfill

People

11.3 total recordable injury frequency rate (TRIFR) and a continued focus on safety

3.3% Indigenous employment[1], maintaining employment parity

48% women in Board and leadership team positions

Communities

$75m direct and indirect community contributions with resumption of programs disrupted by COVID-19

15.5% of Wesfarmers' Australian workforce has participated in online cultural awareness training

1. Percentage of Wesfarmers' Australian team members that identify as Aboriginal or Torres Strait Islander.

Group performance summary

Year ended 30 June ($m)[1]	2023	2022	Var %
Revenue	43,550	36,838	*18.2*
Revenue (excluding Wesfarmers Health)	38,238	35,598	*7.4*
EBIT	3,863	3,633	*6.3*
EBIT (after interest on lease liabilities)	3,644	3,416	*6.7*
NPAT	2,465	2,352	*4.8*
Basic earnings per share (cps)	217.8	207.8	*4.8*
Return on equity (R12,%)	31.4	29.4	*2.0 ppt*
Operating cash flows	4,179	2,301	*81.6*
Net capital expenditure	1,183	884	*33.8*
Free cash flows	3,627	1,110	*226.8*
Cash realisation ratio (%)	100	59	*41 ppt*
Full-year ordinary dividend (fully-franked, cps)	191	180	*6.1*
Net financial debt	3,984	4,296	*(7.3)*
Debt to EBITDA (x)	1.9	2.2	*(0.3x)*

1. Refer to slide 64 in the FY2023 Full-year results briefing presentation for relevant definitions.

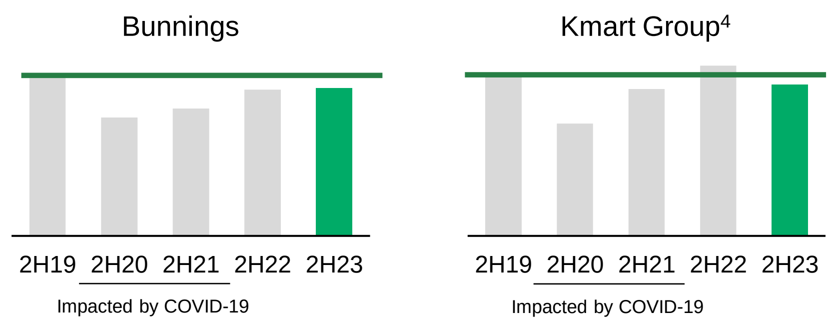
Working capital and cash flow

- Divisional operating cash flows increased 45.6%, with divisional cash generation of 101%[1]
  - Excluding Wesfarmers Health, divisional cash flow increased 40.7%, with cash generation of 102%[1]
  - Strong divisional earnings growth
  - Decrease in inventories due to reduction in buffer stock at Kmart and lower commodity pricing in WesCEF
- Group operating cash flows increased 81.6% to $4,179m
  - Increase in divisional operating cash flow
  - Lower tax paid due to timing of payments
- Free cash flows of $3,627m, an increase of $2,517m
  - Higher operating cash flow
  - Proceeds from the sale of 2.8% interest in Coles
  - Impact of cash consideration for acquisitions FY22
  - Partially offset by higher capital expenditure and lower proceeds on sale of property
- Group cash realisation ratio of 100%

Net working capital cash movement

Year end 30 June ($m)	2023	2022
Receivables and prepayments	41	(272)
Inventory	57	(1,183)
Payables	(48)	322
Total	**50**	**(1,133)**
Bunnings	(103)	(471)
Kmart Group[2]	218	(339)
WesCEF	30	(177)
Officeworks	(14)	(31)
WIS	(54)	(35)
Wesfarmers Health	(79)	(117)
Other[2]	52	37
Total	**50**	**(1,133)**

Inventory as % sales[3]



Note: Refer to slide 64 in the FY2023 Full-year results briefing presentation for relevant definitions.

1. Includes Catch but excludes OnePass and supporting capabilities.
2. Kmart Group 2022 results have been restated to exclude Catch, which is included in Other net working capital cash movements.
3. Inventory balances as at 30 June relative to 2H sales.
4. Excludes Catch.

Capital expenditure

- Gross capital expenditure of $1.3b, up 12.6%
  - WesCEF includes development capex of $394m and capitalised interest of $42m relating to the Mt Holland mine and concentrator and Kwinana refinery
  - Continued investment in data and digital
  - Addition of the Wesfarmers Health division
- Net capital expenditure of $1.2b, up 33.8%
  - Lower proceeds from the sale of PP&E largely reflect reduced Bunnings property activity
- Expected FY24 net capital expenditure of $1,100m to $1,400m, subject to net property investment and timing of major expansion projects in WesCEF
  - Inclusive of approximately $350m of development capex and $20m of capitalised interest relating to the Covalent lithium project
- WesCEF's share of total capex for the Covalent lithium project remains in line with prior guidance of $1,200m to $1,300m in nominal terms, excluding capitalised interest

Capital expenditure

Year ended 30 June[1] ($m)	2023	2022	Var %
Bunnings	405	349	*16.0*
Kmart Group[2]	127	105	*21.0*
WesCEF[3]	518	455	*13.8*
Officeworks	71	68	*4.4*
Industrial and Safety	73	64	*14.1*
Wesfarmers Health	41	3	*n.m.*
Catch	10	45	*(77.8)*
Other[4]	43	55	*(21.8)*
Gross capital expenditure	**1,288**	**1,144**	***12.6***
Sale of PP&E	(105)	(260)	*(59.6)*
Net capital expenditure	**1,183**	**884**	***33.8***

1. Capital expenditure provided on a cash basis.
2. 2022 results have been restated to exclude Catch.
3. 2022 includes capex associated with the Covalent lithium project of $304m and capitalised interest of $34m in 2022.
4. 2023 and 2022 includes capital expenditure for OneDigital excluding Catch.

Group outlook

- Wesfarmers remains focused on long-term value creation and continues to invest to strengthen its existing businesses and develop platforms for growth
- First earnings from Lithium are expected in 2H FY24 as production of spodumene concentrate ramps up
- WesCEF's earnings from its existing operating businesses are expected to decline significantly in FY24 primarily due to lower ammonia prices and higher input gas costs
- Retail divisions are well positioned with strong value credentials, everyday products and low-cost models
  - Many customers are becoming more value conscious and trading down to lower-priced retailers and products
  - Low unemployment and the recent acceleration in Australian population growth both support demand, and contribute to the ongoing need for construction of additional housing stock
  - For FY24 YTD, sales growth for Kmart Group has continued to benefit from strong trading results in Kmart, but growth has moderated from 2H FY23. Sales growth in Bunnings remained in line with 2H FY23, with growth in both consumer and commercial in FY24 YTD. Officeworks sales were in line with the prior year
- Cost pressures are expected to remain elevated in Australia and New Zealand
  - Wesfarmers' larger businesses are benefitting from their capacity to leverage their unique scale and sourcing capabilities
  - Together with benefits from proactive productivity and efficiency investment over recent years, this provides confidence in the Group's capacity to adjust costs in line with trading conditions
- Wesfarmers' strong balance sheet and portfolio of cash generative businesses with market-leading positions provide flexibility to respond to potential risks and opportunities under a range of economic scenarios
  - Expect net capital expenditure of between $1,100m and $1,400m for FY24

Balance sheet & debt management

Wesfarmers

Strong balance sheet and credit ratings

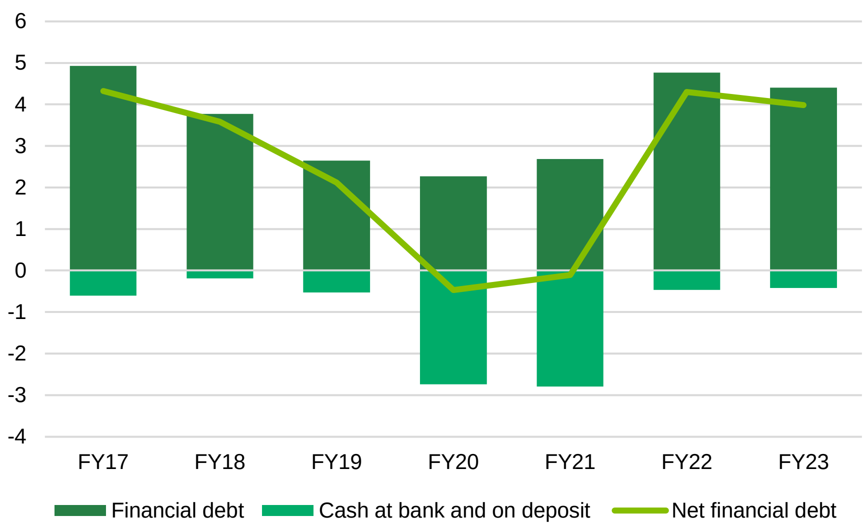
Key principles

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

Full-year update

- Continue to focus on balance sheet and cost of funds
  - Weighted average cost of debt for the year increased to 3.32% (FY22: 3.11%)[2]
  - Weighted average debt term to maturity of 4.4 years (FY22: 5.0 years)[3]
- Maintained significant flexibility and debt capacity
  - Committed unused bank facilities available of c.$2.6b
  - Significant headroom against key credit metrics
- Net financial debt position of $4.0b as at 30 June 2023[1], compared to net financial debt position of $4.3b as at 30 June 2022

Net financial debt ($b)[1]

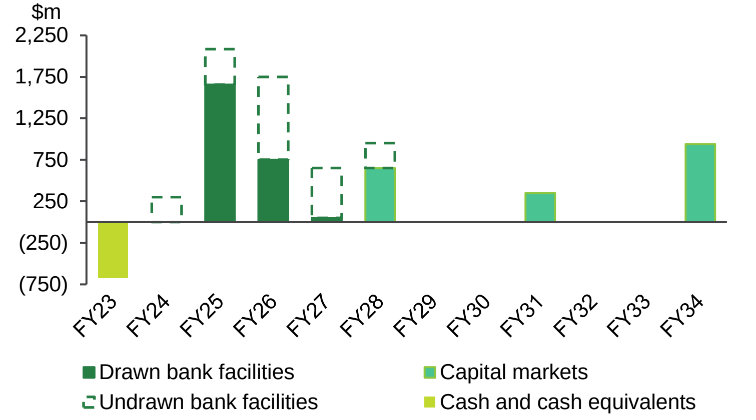


1. Interest bearing liabilities less cash at bank and on deposit and held in joint operation, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.
2. Weighted average cost of debt based on total gross debt before undrawn facility fees and amortization of debt establishment costs but includes the impact of hedging. Excludes interest on lease liabilities and the balance of lease liabilities.
3. Drawn debt only.

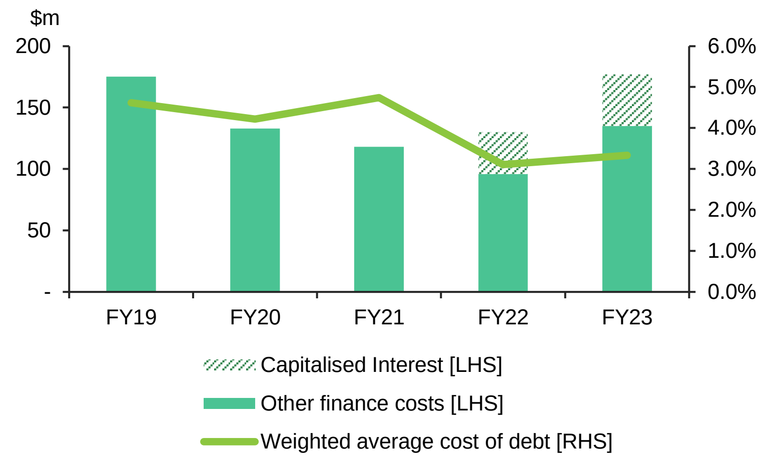
Pro-active debt management

- Continue to 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 monitor the Group's debt mix and manage exposure to variable rates
- Other finance costs increased 40.6% to $135m, reflecting higher average borrowings during the year
  - On a combined basis, other finance costs including capitalised interest increased 36.2% to $177m

Debt maturity profile[1]



Finance costs and weighted average cost of debt[2]

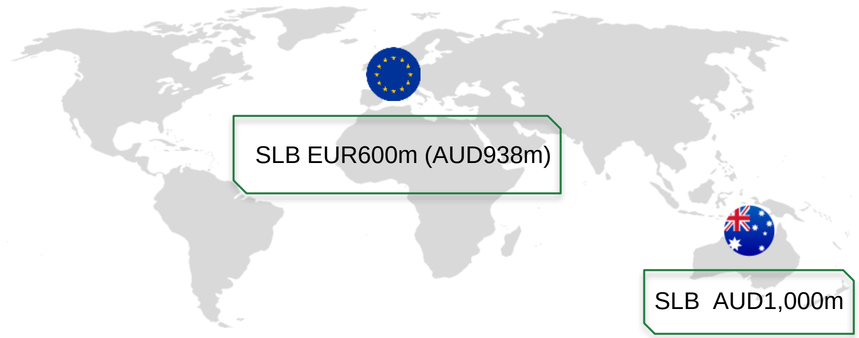


1. As at 30 June 2023. Capital markets debt is net of cross-currency interest rate swaps.
2. Weighted average cost of debt based on total gross debt before undrawn facility fees and amortization of debt establishment costs but includes the impact of hedging. Excludes interest on lease liabilities and the balance of lease liabilities.

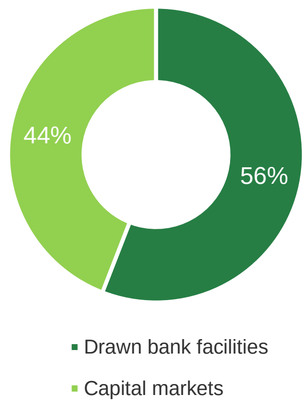
Debt capital markets diversity

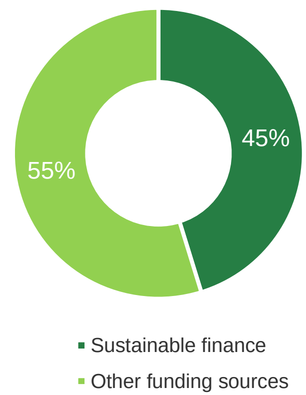
- Ongoing commitment to diversify funding sources, including the domestic and international debt capital markets
- Australian and European debt capital market programme documentation updated on an ongoing basis to ensure continued and ready access to markets
- Continue to monitor debt capital markets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

DCM geographical sources[1]



Debt by type[1]



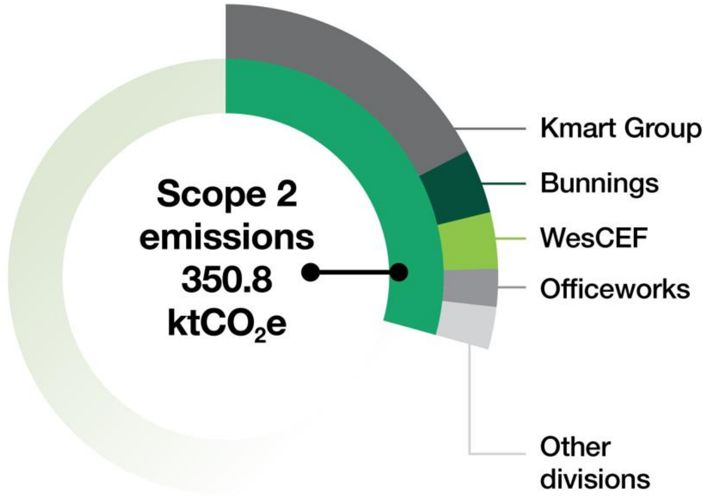


1. As at 30 June 2023.

Sustainability-linked bond update

- Since the sustainability-linked bonds were issued, WesCEF, Bunnings, Kmart Group and Officeworks have continued to make good progress on the sustainability-linked targets, as reported in March 2023[1]
- Among the retail businesses, Scope 2 emissions arising from electricity use account for the majority of operational emissions, and the focus of these businesses remains on becoming more energy efficient with on-site solutions and transitioning to off-site renewable electricity
- Since FY20, Bunnings, Kmart Group and Officeworks energy use has reduced from 3.07 petajoules to 2.94 petajoules in FY23
- Each business has progressed strategies to procure renewable electricity including through agreements to source renewable electricity covering almost 150 sites
  - Bunnings’ agreement is for 5 years from 1 July 2022, initially delivering 50% of needs for agreed sites and increasing to 100% from 1 January 2025
  - Kmart Group and Officeworks' agreements are for 7.5 years from 1 July 2023, delivering 100% of needs for agreed sites from 1 January 2025

Scope 2 market-based emissions by division



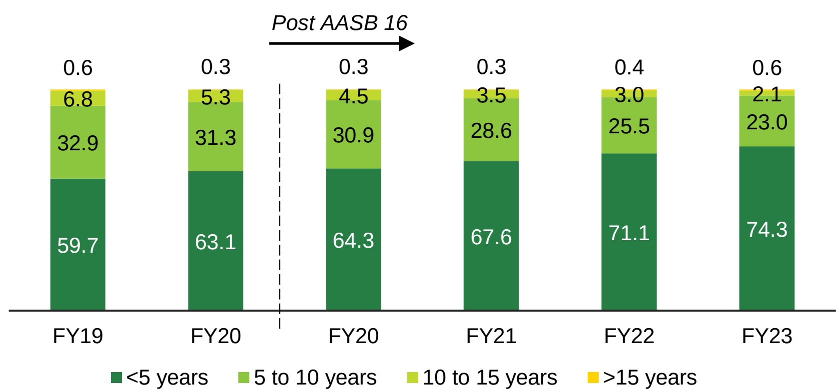
1. For further information on our progress on the sustainability-linked bond targets, see https://www.wesfarmers.com.au/docs/default-source/investors/debt-investors/1h-2023/230329-slb-progress-report-march-2023.pdf?sfvrsn=31f51ebb_2

Management of lease portfolio

- Lease liabilities totalled $6.7b and represented 60% of Group fixed financial obligations as at 30 June 2023
- Average remaining committed lease term of 4.1 years[3] (FY22: 4.4 years)
  - 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)	2023	2022
Bunnings	3,568	3,692
Kmart Group[1]	2,341	2,616
WesCEF	61	61
Officeworks	413	345
Industrial and Safety	130	157
Wesfarmers Health	156	199
Catch	53	45
Other[2]	17	8
Total lease liabilities	**6,739**	**7,123**

Weighted average lease term[3] (%)

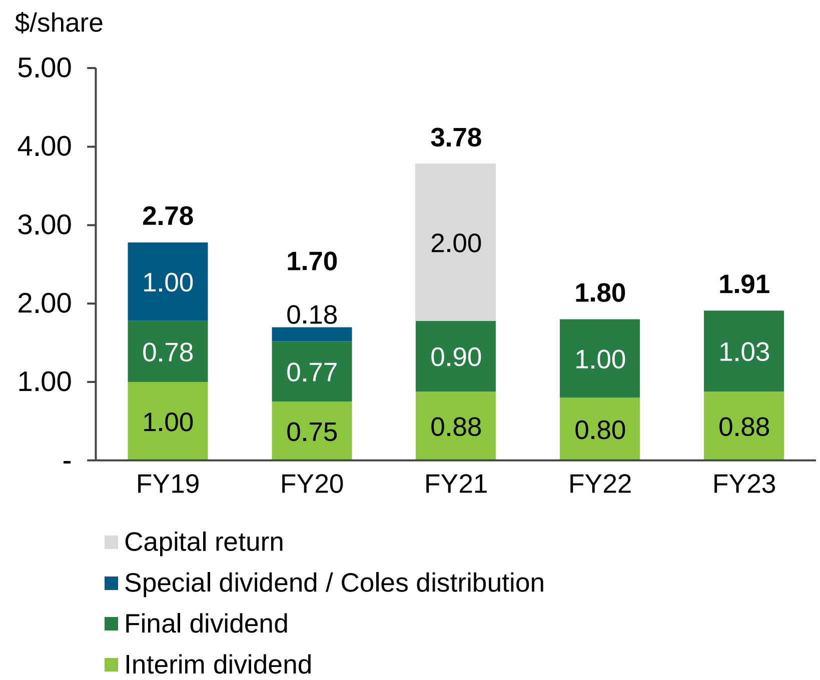


1. 2022 has been restated to exclude Catch.
2. Other includes OneDigital excluding Catch.
3. Post-AASB 16 lease tenure calculated as weighted average of undiscounted dollar commitments by year including non-property leases and reasonably certain extension options. Pre-AASB 16 lease tenure calculated as weighted average of undiscounted dollar commitments by year.

Shareholder distributions

- Fully-franked final ordinary dividend of $1.03 per share
  - Reflects strong operating performance
  - Takes full-year ordinary dividend to $1.91 per share
- Final dividend will also carry a New Zealand franking credit of 10 cents (NZD) per share
- Dividend record date 31 August 2023; dividend payable 5 October 2023
- Dividend investment plan: not underwritten; last day for application 1 September 2023
  - Dividend investment plan shares expected to be purchased on market
- Dividend distributions determined based on franking credit availability, current earnings, cash flows, future cash flow requirements and targeted credit metrics
  - Maintained focus on maximising value of franking credits for shareholders

Shareholder distributions[1]



1. Represents distributions determined to be paid for each period. Wesfarmers demerged Coles in November 2018.

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