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News Release

Wesfarmers

2017 First Quarter Retail Sales Results

26 October 2016

First Quarter Sales ($m)	2017	2016	Variance %
Food & Liquor[1,2]	7,850	7,631	*2.9*
Convenience[1,3]	1,549	1,795	*(13.7)*
Total Coles	**9,399**	**9,426**	***(0.3)***
Bunnings Australia & New Zealand	2,659	2,476	*7.4*
Bunnings UK & Ireland	554	n.a.	*n.a.*
Home Improvement[4,5]	**3,213**	**2,476**	***29.8***
Kmart[1]	1,249	1,123	*11.2*
Target[6]	643	776	*(17.1)*
Department Stores	**1,892**	**1,899**	***(0.4)***
Officeworks[4]	**461**	**429**	***7.5***

Refer to Appendix Three for footnotes.

Wesfarmers Limited today announced its retail sales results for the first quarter of the 2017 financial year.

Managing Director Richard Goyder said that the sales performance of the Group's retail businesses, with the exception of Target, built on the strong sales growth achieved in the prior corresponding period.

"Coles' headline food and liquor sales increased by 2.9 per cent for the quarter, building on the strong growth achieved in the previous corresponding period," Mr Goyder said. "Coles continues to invest in value, service and quality, supported by ongoing efficiency improvements across the business.

"Bunnings Australia and New Zealand achieved total sales growth of 7.4 per cent during the quarter, extending its very strong performance despite an impact from the stock liquidation activities of the Masters business. In the United Kingdom and Ireland, good progress continues to be made to reshape the business, with sales of £320 million ($554 million) for the quarter, in line with expectations.

"Kmart recorded strong sales growth of 11.2 per cent, with a continued focus on lowest prices and the customer experience delivering growth across all categories. Target experienced a challenging quarter, with the accelerated conversion to everyday low pricing and the decision to cease the Toy Sale contributing to a 17.1 per cent decline in sales.

"Officeworks' sales growth of 7.5 per cent reflected strong execution of its 'every channel' strategy, with positive sales growth achieved both in-store and online.

"The Group's retail businesses will continue to invest in customer value, service and store networks, as well as improve product ranges and digital capabilities to deliver sustainable growth over the long-term."

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Coles

Food and Liquor

Headline food and liquor sales for the first quarter[1] were $7.9 billion, up 2.9 per cent on the previous corresponding period.

Comparable food and liquor store sales increased 1.8 per cent and comparable food store sales increased 1.7 per cent for the quarter[1]. Food and liquor price deflation reduced to 1.0 per cent for the quarter[1] as the deflationary pressure from produce abated.

Coles Managing Director John Durkan said that the comparable sales growth achieved in the quarter[1] was satisfactory and current market conditions confirm the importance of Coles' customer-led strategy. "Coles now has approximately 4,000 items on Every Day value as we continue to lower the cost of the weekly shop, and fresh remains a key sales driver as fresh participation growth accelerated through the quarter relative to the prior year," Mr Durkan said.

"In our food business, we have seen a change in market conditions over the past year. Market growth has slowed, while at the same time there has been an increase in competitive intensity. Despite these changes in market conditions, our focus on the customer will not waver.

"Our ambition to be Australia's best food retailer means that we will continue to invest in improving our customer offer year-after-year to deliver sustainable long-term growth. Our strategy also allows flexibility to respond during periods of elevated competition to ensure that we retain the trust of our customers for offering compelling value, coupled with market leading service and quality.

"The liquor business achieved its fourth consecutive quarter of growth in comparable store sales, led by the continued improvement in Liquorland's performance," Mr Durkan said. "It is pleasing to see the business maintain the positive sales momentum that was established in the prior year as we continue to progress our transformation strategy."

Coles continued to improve and optimise its store network, opening four supermarkets and closing three during the quarter[1], resulting in a total of 788 supermarkets at the end of the quarter[1]. Nine supermarkets were renewed during the quarter, with over 50 renewals planned for the 2017 financial year.

Liquor continued to improve its store network, opening eight new stores and closing four stores during the quarter[1]. At the end of the quarter, Coles had a total of 869 liquor stores and 89 hotels.

Convenience

Total Coles Express sales, including fuel, for the quarter[1] were $1.5 billion, a decrease of 13.7 per cent on the previous corresponding period. The decrease in sales was driven by lower fuel volumes and lower fuel prices, offsetting the continued growth in convenience store sales.

Headline Convenience store sales increased 7.4 per cent for the quarter[1] and 3.2 per cent on a comparable store basis. Convenience store sales growth was driven by improvements in the food-to-go offer and the extension of Every Day value. The continuation of solid growth in store sales, despite declining fuel volumes, reflected the ongoing investment to improve the convenience shop offer.

For the quarter[1], headline fuel volumes decreased 7.0 per cent and comparable fuel volumes decreased 10.7 per cent. While these results reflected an improvement on the previous quarter, fuel volumes continued to be affected by competitor site upgrades and a lower number of site openings compared to competitors.

Coles Express continued to expand its network during the quarter[1], opening two new sites, bringing the total store network to 692 sites.

Refer to Appendix Three for footnotes.

Home Improvement

Bunnings Australia and New Zealand (BANZ)

Total sales for the quarter[4] were $2.7 billion, up 7.4 per cent on the previous corresponding period. Total store sales for the quarter[4] increased 7.3 per cent, while store-on-store growth was 5.5 per cent.

Sales growth was solid across both consumer and commercial customers. The results during the quarter built on the very strong performances achieved in the two prior corresponding periods in the 2016 and 2015 financial years, where total sales grew 11.6 per cent and 11.0 per cent respectively. A highlight was the pleasing growth experienced in New Zealand.

Across many parts of Australia, trading in the quarter[4] was tempered by wetter and cooler weather conditions relative to the prior corresponding period. As foreshadowed at the time of the full-year results release, the latter part of the quarter was also affected by the stock liquidation activities of the Masters business, with this disruption continuing in the second quarter.

John Gillam, Chief Executive Officer of the Home Improvement division, said the BANZ business remains focused on creating better experiences for customers, strengthening core activities to improve productivity and driving stronger growth.

“Creating more value for customers, enhancing brand reach and stronger commercial engagement are at the forefront of our plans. Pleasing progress within our strategic agenda has BANZ positioned to perform well,” Mr Gillam said.

Bunnings United Kingdom and Ireland (BUKI)

Sales for the first quarter[4] were in line with expectations at £320 million ($554 million).

The first quarter marked the fifth, sixth and seventh months of ownership of the Homebase business and trading continued to be steady. There is a strong focus within the business on continuing to transition core ranges across to home improvement and garden products. Pleasing progress is being made with this work.

Mr Gillam said the implementation of new pricing, marketing and operational strategies within Homebase is achieving results in line with plans. On a like-for-like trading basis across the first quarter, customer participation, as measured by transactions, increased by 8.4 per cent.

“Good progress is also being made across all elements of the acquisition agenda,” Mr Gillam said.

Refer to Appendix Three for footnotes.

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Department Stores

Kmart

Total sales for the quarter[1] were $1.2 billion, an increase of 11.2 per cent on the previous corresponding period, with comparable store sales increasing 8.2 per cent.

Kmart Managing Director Ian Bailey said strong sales momentum continued in the first quarter, supported by double-digit growth in units sold. Sales increased across all categories compared to the prior corresponding period, with Home and Kids performing particularly well.

"Our commitment to deliver the lowest prices on everyday items continued to resonate well with customers, delivering growth in both transactions and basket size on the prior corresponding period," Mr Bailey said. "We remain focused on improving the customer experience through further investment in the store network, with over half of all stores now in the renewed format."

During the quarter[1], Kmart completed nine store refurbishments and opened one new store.

Kmart Tyre and Auto opened one store during the quarter[1].

Target

Total sales for the quarter[6] were $643 million, a decrease of 17.1 per cent on the previous corresponding period, with comparable store sales, which included significant Toy Sale lay-bys in the prior corresponding period, decreasing 21.9 per cent.

During the quarter[6], sales were significantly affected by lower promotional activity, reduced in line with plans to accelerate the conversion to everyday low prices (EDLP), and a slow start to summer seasonal sales. In addition, the decision to cease the Toy Sale affected sales in Toys and adjacent categories by approximately $75 million. Positively, during the quarter good progress was made to reduce costs, which included improvements in supply chain and store productivity.

Department Stores Chief Executive Officer Guy Russo said that the slowing sales momentum experienced in the fourth quarter of the 2016 financial year continued into the first quarter of the 2017 financial year.

"While early in Target's transition, and despite some progress being made on pricing, inventory and range rationalisation, poor underlying trade momentum proved challenging in the quarter," Mr Russo said. "We are committed to converting Target to an EDLP business and, at this early stage of the transition, improvements to product and ranges have not been sufficient to offset reduced promotional activity and investments made in price."

"Target is making significant changes to its operating model which will take time to implement," Mr Russo said. "We will continue to action initiatives through this transitional 2017 financial year to improve, over time, the long-term performance of Target."

During the quarter[6], Target made no changes to its store network.

Refer to Appendix Three for footnotes.

Officeworks

Total sales for the quarter[4] were $461 million, up 7.5 per cent on the previous corresponding period. The business recorded positive sales growth in stores and online.

Officeworks Managing Director Mark Ward said the result was pleasing and continued to build on the strong results achieved in recent years.

“Customers continue to respond favourably to our ‘every channel’ strategy which seeks to provide a unique one-stop experience across every channel – anywhere, anyhow, anytime. Officeworks will continue to invest in both its store network and online experience, and remains committed to providing customers with a compelling offer and great customer service across every channel,” Mr Ward said.

During the quarter[4], one new Officeworks store was opened. Three new stores were under construction at the end of September 2016.

Refer to Appendix Three for footnotes.

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APPENDIX ONE

2017 FIRST QUARTER RETAIL SALES RESULTS – KEY METRICS

Key Metrics (%)	First Quarter 2017	Fourth Quarter 2016	Third Quarter 2016	Second Quarter 2016	First Quarter 2016
COLES					
Food & Liquor[2]					
Comparable store sales growth (Food)[7]	1.7	2.9	4.9	5.3	4.0
Comparable store sales growth (Food & Liquor)[7]	1.8	2.8	4.9	4.9	3.6
Price inflation/(deflation)	(1.0)	(2.4)	(2.0)	(1.0)	(1.3)
Convenience					
Total fuel volume growth	(7.0)	(10.3)	(6.3)	(2.4)	1.4
Comparable fuel volume growth	(10.7)	(14.2)	(10.1)	(5.7)	(1.8)
Total convenience store sales growth (excl. fuel sales)	7.4	8.5	12.9	10.6	12.9
Comparable convenience store sales growth (excl. fuel sales)	3.2	3.8	8.1	6.9	9.1
HOME IMPROVEMENT[5,8]					
Total store sales growth	7.3	11.2	11.5	10.5	11.6
Store-on-store sales growth	5.5	8.3	8.3	7.6	8.2
DEPARTMENT STORES					
Kmart					
Comparable store sales growth[9,10]	8.2	9.6	15.2	9.5	8.6
Target					
Comparable store sales growth[9,10]	(21.9)	(6.3)	1.4	0.2	3.2
OFFICEWORKS					
Total sales growth	7.5	8.9	5.6	11.8	6.5

Refer to Appendix Three for footnotes.

APPENDIX TWO

WESFARMERS RETAIL OPERATIONS - STORE NETWORK

	Open at 1 Jul 2016	Opened	Closed	Re-branded	Open at 30 Sep 2016
COLES					
Supermarkets					
Coles	786	3	(3)	1	787
Bi-Lo	1	-	-	-	1
Total Supermarkets	787	3	(3)	1	788
Liquor					
1st Choice	97	2	-	-	99
Vintage Cellars	81	-	-	-	81
Liquorland	687	6	(4)	-	689
Hotels	89	-	-	-	89
Total Liquor	954	8	(4)	-	958
Convenience	690	2	-	-	692
Selling Area (m^2)					
Supermarkets	1,789,290	n.a.	n.a.	n.a.	1,792,579
Liquor (excluding hotels)	208,233	n.a.	n.a.	n.a.	209,880
HOME IMPROVEMENT					
Bunnings Warehouse	244	2	(1)	-	245
Bunnings smaller formats	70	2	-	-	72
Bunnings Trade Centres	33	-	-	-	33
Bunnings UK & Ireland	260	-	(2)	-	258
DEPARTMENT STORES					
Kmart					
Kmart	209	1	-	-	210
Kmart Tyre & Auto	248	1	-	-	249
Target					
Large	186	-	-	-	186
Small	120	-	-	-	120
OFFICEWORKS					
Officeworks	159	1	-	-	160

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APPENDIX THREE

FOOTNOTES

1. Financial Year 2017 for the 13 week period 27 June 2016 to 25 September 2016 and Financial Year 2016 for the 13 week period 29 June 2015 to 27 September 2015.

2. Includes hotels, excludes gaming revenue and property income.

3. Includes fuel sales.

4. Financial Year 2017 and Financial Year 2016 for the three month period 1 July to 30 September.

5. Includes cash and trade sales, excludes property income.

6. Financial Year 2017 for the 13 week period 26 June 2016 to 24 September 2016 and Financial Year 2016 for the 13 week period 28 June 2015 to 26 September 2015.

7. After adjusting for the earlier timing of Easter in the 2016 financial year, comparable food and liquor store sales and comparable food store sales for the third quarter 2016 increased 4.4 per cent and 4.5 per cent respectively.

   After adjusting for the earlier timing of Easter in the 2016 financial year, comparable food and liquor store sales and comparable food store sales for the fourth quarter 2016 increased 3.3 per cent and 3.2 per cent respectively.

8. Bunnings Australia and New Zealand only.

9. Comparable store sales include lay-by sales. Lay-by sales are excluded from total sales under Australian Accounting Standards.

10. After adjusting for the earlier timing of Easter in the 2016 financial year, comparable store sales for the third quarter 2016 at Kmart increased 12.3 per cent and at Target decreased 0.8 per cent.

    After adjusting for the earlier timing of Easter in the 2016 financial year, comparable store sales for the fourth quarter 2016 at Kmart increased 11.8 per cent and at Target decreased 5.1 per cent.

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