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News Release

Wesfarmers

2018 Third Quarter Retail Sales Results

26 April 2018

Third Quarter Sales ($m)	2018	2017	Variance %
Bunnings Australia & New Zealand[1,2]	**3,042**	**2,793**	***8.9***
Bunnings United Kingdom & Ireland[1,3]	**374**	**400**	***(6.5)***
Food & Liquor[4,5]	7,754	7,610	*1.9*
Convenience[4,6]	1,292	1,405	*(8.0)*
Total Coles	**9,046**	**9,015**	***0.3***
Kmart[4]	1,248	1,133	*10.2*
Target[7]	544	555	*(2.0)*
Department Stores	**1,792**	**1,688**	***6.2***
Officeworks[1]	**598**	**558**	***7.2***

Refer to Appendix Three for footnotes.

Year to Date Sales ($m)	2018	2017	Variance %
Bunnings Australia & New Zealand[8,2]	**9,589**	**8,747**	***9.6***
Bunnings United Kingdom & Ireland[8,3]	**1,245**	**1,429**	***(12.9)***
Food & Liquor[9,5]	25,099	24,630	*1.9*
Convenience[9,6]	4,288	4,662	*(8.0)*
Total Coles	**29,387**	**29,292**	***0.3***
Kmart[9]	4,565	4,188	*9.0*
Target[10]	2,099	2,213	*(5.2)*
Department Stores	**6,664**	**6,401**	***4.1***
Officeworks[8]	**1,615**	**1,484**	***8.8***

Refer to Appendix Three for footnotes.

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Wesfarmers Limited today announced its retail sales results for the third quarter of the 2018 financial year.

Managing Director Rob Scott said the sales performance of the Group's retail divisions was pleasing, with most businesses demonstrating improved sales momentum in the quarter.

"Bunnings Australia and New Zealand (BANZ) delivered another strong quarter, with total sales growth of 8.9 per cent, through continued focus on delivering increased value and better experiences to customers.

"For Bunnings United Kingdom and Ireland (BUKI), better execution and improved trading results in the early part of the quarter were offset by unusually poor weather in March 2018, resulting in a decline in total sales of 6.5 per cent (13.5 per cent in local currency terms) for the quarter.

"Sales momentum in Coles continued to improve during the quarter, with headline food and liquor sales growth of 1.9 per cent, as the business remained focused on providing customers with the best possible value, service and quality.

"Kmart's total sales growth accelerated to 10.2 per cent reflecting strong growth in customer transactions and units sold as a result of continued focus on price leadership. Target continued its reset of product, price and range, resulting in a decline in total sales of 2.0 per cent during the quarter.

"Officeworks delivered total sales growth of 7.2 per cent as its 'every channel' strategy continued to deliver strong sales growth across stores and online."

Bunnings Australia and New Zealand (BANZ)

Total sales for the quarter[1] were $3.0 billion, up 8.9 per cent on the prior corresponding period. Total store sales for the quarter[1] increased 9.1 per cent, while store-on-store growth was 7.7 per cent. Growth was achieved in all trading regions and across all product categories.

For the financial year to date[8], total sales increased 9.6 per cent to $9.6 billion. Total store sales grew 9.8 per cent for the year to date[8], while store-on-store growth was 8.6 per cent.

Bunnings Group Managing Director Michael Schneider said that the results for BANZ were pleasing, reflecting good progress against the strategic agenda as well as favourable seasonal conditions in a number of markets. In particular, strong growth was achieved in the plants, garden care and outdoor living categories.

"We remain focused on delivering on all parts of our strategic agenda, with particular focus on providing greater value and better experiences to customers," Mr Schneider said.

During the quarter, five warehouses, one smaller format store and one trade centre were opened. A further 17 sites were under construction at the end of March 2018, including conversions of six former Masters stores that are scheduled to open in the fourth quarter.

Bunnings United Kingdom and Ireland (BUKI)

Total sales for the quarter[1] were £211 million, a decrease of 13.5 per cent on the prior corresponding period (a decrease of 6.5 per cent to $374 million). Store-on-store sales decreased 15.4 per cent. For the financial year to date[8], total sales decreased 14.7 per cent to £726 million (decreased 12.9 per cent to $1,245 million), while store-on-store sales decreased 13.9 per cent.

Improved trading results in the early part of the quarter[1] were offset by severe weather in March that significantly affected trading, particularly in the seasonal gardening and outdoor living categories.

Bunnings Group Managing Director Michael Schneider said satisfactory progress has been made in regards to the focused streams of work to improve performance in Homebase stores as well as in continuing to refine performance in the Bunnings stores. This has included greater focus on store standards, inventory controls, range management and improved promotional and digital initiatives.

"Retail execution standards lifted in Homebase in preparation for spring and stores are well-positioned for the arrival of the season," Mr Schneider said. "Refinement of the Bunnings format is ongoing with recent conversions reflecting updated range plans."

During the quarter, eight pilot stores were opened and seven stores closed (four for conversion, three permanently). There were 227 Homebase stores and 23 Bunnings stores as at 31 March 2018.

Refer to Appendix Three for footnotes.

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Coles

Food and Liquor

Headline food and liquor sales for the third quarter[4] were $7.8 billion, up 1.9 per cent on the prior corresponding period. Food and liquor sales for the financial year to date[9] increased 1.9 per cent to $25.1 billion.

Comparable food and liquor sales increased 0.9 per cent for the quarter[4] and comparable food sales increased 0.9 per cent. After adjusting for the impact of the timing of New Year's Day and Easter in the current quarter[4] compared to the prior corresponding period, comparable food and liquor sales and comparable food sales increased 1.3 per cent, an increase from the second quarter of the 2018 financial year which recorded comparable food sales growth on an adjusted basis of 1.0 per cent.

For the financial year to date[9], comparable food and liquor sales increased 0.9 per cent and comparable food sales increased 0.9 per cent.

Food and liquor price deflation was 0.7 per cent during the quarter[4], resulting in food and liquor price deflation of 1.3 per cent for the financial year to date[9]. The reduction in price deflation from 0.9 per cent in the second quarter primarily reflected lower supply-driven deflation across produce and meat, and increased supply-driven inflation across dairy categories.

Coles Managing Director John Durkan said that sales momentum in the business continued to steadily build as Coles remained focused on providing customers with the best value, quality, and service possible.

"Continued improvement in customer satisfaction levels was a highlight for the quarter, particularly in the areas of customer service, range and availability, which supported continued growth in customer transactions," Mr Durkan said.

"Online sales growth accelerated in the quarter as we continued to focus on meeting the changing needs of our customers.

"During the quarter we launched our new brand positioning "Good things are happening at Coles" and our exciting new Sports for Schools program, initiatives which will continue to build trust with our customers and position us well for long term growth.

"The Liquor business continued to deliver growth in sales, with significant opportunity remaining to improve the product range and provide greater convenience for our customers."

Coles continued to improve and optimise its store network, opening four supermarkets and closing three during the quarter, resulting in a total of 807 supermarkets at the end of the quarter. During the quarter, 12 supermarket renewals were completed, bringing the total to 47 for the financial year to date.

Liquor continued to expand and improve its store network, opening four new stores and closing one store during the quarter. At the end of the period, Coles had a total of 897 liquor stores and 88 hotels.

Convenience

Total Coles Express sales, including fuel, for the quarter[4] were $1.3 billion, a decrease of 8.0 per cent on the prior corresponding period, driven by lower fuel volumes. Total sales for the financial year to date[9] decreased 8.0 per cent to $4.3 billion.

For the quarter[4], headline fuel volumes decreased 14.6 per cent and comparable fuel volumes decreased 15.9 per cent. For the financial year to date[9] headline fuel volumes decreased 17.5 per cent and comparable fuel volumes decreased 18.4 per cent. The result for the quarter reflects a stabilising trend in fuel volumes.

Headline convenience store sales increased 0.9 per cent for the quarter[4] and 1.3 per cent on a comparable store basis. For the financial year to date[9], convenience store sales increased 0.9 per cent and 0.7 per cent on a comparable store basis. Convenience store sales growth continues to be driven by strong growth in the food-to-go category and a compelling Every Day value offering for customers.

Coles Express continued to expand its network during the quarter, opening five new sites and closing three, bringing the total network to 714 sites.

Refer to Appendix Three for footnotes.

Department Stores

Kmart

Total sales for the quarter[4] were $1.2 billion, an increase of 10.2 per cent on the prior corresponding period, with comparable store sales increasing 7.7 per cent. Adjusting for the earlier timing of Easter in the 2018 financial year, comparable store sales increased 6.8 per cent for the quarter[4].

For the financial year to date[9], total sales increased 9.0 per cent to $4.6 billion, while comparable store sales increased 6.0 per cent.

Kmart Managing Director Ian Bailey said the business delivered another solid quarter achieving growth across all categories compared to the prior corresponding period. Home and kids general merchandise ranges performed particularly well, supported by Easter-related categories.

“Sales performance throughout the third quarter was driven by an increase in customer transactions with all categories, except family entertainment, achieving double digit unit growth. This was the result of Kmart’s continued focus on maintaining price leadership as well as an improved product offering,” Mr Bailey said. “Core everyday ranges continued to perform well, as customers responded to price investments made throughout the year.”

During the quarter, Kmart completed four store refurbishments and opened three new stores, including one rebranded from Target.

Kmart Tyre and Auto opened one centre during the quarter.

Target

Total sales for the quarter[7] were $544 million, a decrease of 2.0 per cent on the prior corresponding period, with comparable store sales decreasing 2.6 per cent. Adjusting for the earlier timing of Easter in the 2018 financial year, comparable store sales decreased 3.2 per cent for the quarter[4].

For the financial year to date[10], total sales decreased 5.2 per cent to $2.1 billion, while comparable store sales decreased 5.5 per cent.

Department Stores Chief Executive Officer Guy Russo said the results for the period reflected the ongoing reset of product, price and range.

“During the quarter the business continued to focus on improving fashionability and the quality of sales,” Mr Russo said. “While online sales increased and contributions across womenswear, menswear and homewares also improved, these were more than offset by declines in toys and general merchandise as ranges were further reset.”

During the quarter, Target closed one store, which was rebranded to Kmart.

Refer to Appendix Three for footnotes.

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Officeworks

Total sales for the quarter[1] were $598 million, up 7.2 per cent on the prior corresponding period. Sales for the quarter were unfavourably impacted by the earlier timing of Easter in the 2018 financial year.

For the financial year to date[8], total sales increased 8.8 per cent to $1.6 billion.

Officeworks Managing Director Mark Ward said the continuation of strong sales growth across stores and online, in a competitive market, was very pleasing.

"The ongoing work within Officeworks to strengthen and expand the customer offer continues to produce strong results," Mr Ward said. "The business remains focused on driving its 'every channel' strategy, making it easier and more convenient for customers to shop whenever, wherever and however they choose. The critical back-to-school trading period also delivered a strong start to the second half of the financial year."

During the quarter, Officeworks opened two new stores and closed one store.

Refer to Appendix Three for footnotes.

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APPENDIX ONE

2018 THIRD QUARTER RETAIL SALES RESULTS – KEY METRICS

Key Metrics (%)	Third Quarter 2018	Second Quarter 2018	First Quarter 2018	Fourth Quarter 2017	Third Quarter 2017
Bunnings Australia and New Zealand[2,11]					
Total store sales growth	9.1	8.8	11.7	11.7	7.4
Store-on-store sales growth	7.7	7.5	10.8	10.4	6.0
Bunnings United Kingdom and Ireland					
Total sales growth (£)	(13.5)	(16.7)	(13.8)	(6.8)	n.a.
Store-on-store sales growth (£)	(15.4)	(15.1)	(11.9)	(4.3)	n.a.
COLES					
Food & Liquor[5]					
Comparable store sales growth	0.9	1.4	0.4	1.2	0.3
Comparable store sales growth adjusted for Easter & New Year's Day timing	1.3	1.1	0.4	0.7	0.7
Price inflation/(deflation)	(0.7)	(0.9)	(2.3)	(0.8)	(0.5)
Convenience					
Total fuel volume growth	(14.6)	(17.0)	(20.2)	(15.4)	(20.7)
Comparable fuel volume growth	(15.9)	(17.7)	(21.0)	(16.6)	(22.0)
Total convenience store sales growth (excl. fuel sales)	0.9	(0.6)	2.7	4.7	0.9
Comparable convenience store sales growth (excl. fuel sales)	1.3	0.6	0.2	2.4	(0.8)
DEPARTMENT STORES					
Kmart					
Total sales growth	10.2	8.3	9.0	9.8	2.5
Comparable store sales growth[12]	7.7	5.8	4.9	4.7	(0.3)
Comparable store sales growth adjusted for timing of Easter[12]	6.8	5.8	4.9	3.0	1.6
Target					
Total sales growth	(2.0)	(6.1)	(6.4)	(3.3)	(18.1)
Comparable store sales growth[12]	(2.6)	(6.5)	(6.4)	(3.2)	(17.9)
Comparable store sales growth adjusted for timing of Easter[12]	(3.2)	(6.5)	(6.4)	(4.6)	(16.0)
OFFICEWORKS					
Total sales growth	7.2	11.8	7.8	3.5	9.0

n.a. - not applicable
Refer to Appendix Three for footnotes.

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APPENDIX TWO

WESFARMERS RETAIL OPERATIONS - STORE NETWORK

FINANCIAL YEAR 2018, YEAR TO DATE

	Open at 1 Jul 2017	Opened	Closed	Rebranded	Open at 31 Mar 2018
Bunnings ANZ					
Bunnings Warehouse	249	13	(7)	-	255
Bunnings smaller formats	77	3	(3)	-	77
Bunnings Trade Centres	33	2	(3)	-	32
Total Bunnings ANZ	359	18	(13)	-	364
Bunnings UK&I					
Homebase	251	-	(24)	-	227
Bunnings	4	19	-	-	23
Total Bunnings UK&I	255	19	(24)	-	250
COLES					
Supermarkets					
Coles	800	18	(11)	-	807
Bi-Lo	1	-	(1)	-	-
Total Supermarkets	801	18	(12)	-	807
Liquor					
1st Choice	99	-	(1)	-	98
Vintage Cellars	82	2	-	-	84
Liquorland	702	25	(12)	-	715
Hotels	89	-	(1)	-	88
Total Liquor	972	27	(14)	-	985
Convenience	702	17	(5)	-	714
Selling Area (m^2)					
Supermarkets	1,835,743	n.a.	n.a.	n.a.	1,860,750
Liquor (excluding hotels)	211,373	n.a.	n.a.	n.a.	213,423
DEPARTMENT STORES					
Kmart					
Kmart	220	7	(1)	1	227
Kmart Tyre & Auto	251	5	(1)	-	255
Total Kmart	471	12	(2)	1	482
Target					
Large	184	5	-	(1)	188
Small	119	1	(2)	-	118
Total Target	303	6	(2)	(1)	306
OFFICEWORKS					
Officeworks	164	5	(3)	-	166

n.a. - not applicable

APPENDIX THREE

FOOTNOTES

1. Financial Year 2018 and Financial Year 2017 for the three month period 1 January to 31 March.
2. Includes cash and trade sales, excludes property income.
3. £211 million for the three month period 1 January to 31 March 2018, and £245 million for the three month period 1 January to 31 March 2017. £726 million for the nine month period 1 July 2017 to 31 March 2018, and £851 million for the nine month period 1 July 2016 to 31 March 2017.
4. Financial Year 2018 for the 12 week period 1 January 2018 to 25 March 2018 and Financial Year 2017 for the 12 week period 2 January 2017 to 26 March 2017.
5. Includes hotels, excludes gaming revenue and property income.
6. Includes fuel sales.
7. Financial Year 2018 for the 12 week period 31 December 2017 to 24 March 2018 and Financial Year 2017 for the 12 week period 1 January 2017 to 25 March 2017.
8. Financial Year 2018 and Financial Year 2017 for the nine month period 1 July to 31 March.
9. Financial Year 2018 for the 39 week period 26 June 2017 to 25 March 2018 and Financial Year 2017 for the 39 week period 27 June 2016 to 26 March 2017.
10. Financial Year 2018 for the 39 week period 25 June 2017 to 24 March 2018 and Financial Year 2017 for the 39 week period 26 June 2016 to 25 March 2017.
11. Excludes sales related to Trade Centres and Frame & Truss.
12. Comparable store sales include lay-by sales. Lay-by sales are excluded from total sales under Australian Accounting Standards.

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