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News Release

Wesfarmers

20 March 2020

Wesfarmers trading update and response to COVID-19

Wesfarmers today provided an update on the impact of the COVID-19 virus on its businesses, along with the measures it is taking to actively manage risks to team members, customers and its businesses and to continue to provide critical products to the community, essential services and businesses.

Reducing risks for team members and customers

Wesfarmers Managing Director Rob Scott said the Group is committed to supporting government and community efforts to limit the spread of the virus, and the health and safety of team members and customers remains the top priority.

"All of the Group's businesses have implemented a series of actions to protect the health and safety of our teams, including restricting travel and meetings, adopting flexible working arrangements and implementing additional health and safety protocols in stores, support offices and other workplaces," Mr Scott said. "These measures also include actions to protect the safety of our customers, with more intensive cleaning of stores and an increased focus on cashless transactions."

"We are also focused on supporting our team members, suppliers and community partners through the significant challenges posed by COVID-19. The recent announcements by our businesses to extend paid leave to casuals for shifts missed during periods of self-isolation, and Bunnings' donations to community partners due to the cancellation of sausage sizzles over the next month, are examples of our support."

Business performance and supply chain

Since the start of the calendar year, overall momentum in the Group's retail sales has continued in line with the first half of the financial year. Strong sales growth has continued in Bunnings, Kmart and Officeworks, supported by strong growth in online sales. In recent weeks, Bunnings and Officeworks, in particular, have played an important role providing retail and commercial customers with critical products as they respond to and prepare for COVID-19. This has seen significant demand for essential cleaning and hygiene products, home office equipment and technology, and education supplies. The diversity and essential nature of many products and services provided by Bunnings, Officeworks and Kmart remain important to customers in a range of economic scenarios.

Performance to date in the Group's industrial businesses has also generally continued in line with management expectations, other than a further decline in the Saudi CP price which has impacted realised prices in the energy segment of Wesfarmers Chemicals, Energy and Fertilisers. The Industrial and Safety businesses are experiencing strong demand for critical products including essential protective clothing, cleaning and hygiene products and medical gases, offset by some weakness due to disruption to customers' normal operations.

Since January 2020, the Group's businesses have been working closely with suppliers and logistics providers to support supply chain operations. Across the Group, more than 90 per cent of supplier factories are now operational and returning to full capacity. International freight operations are also now generally performing as usual. While there is low availability in certain product categories, due to very high demand, the Group does not currently expect supply chain constraints to have a material impact on retail trading performance.

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Outlook and balance sheet position

Despite the continuation of sales growth to date across most operating divisions and moderated supply chain risks, there has in recent days been weakness in sales of discretionary products such as apparel, particularly in Target. This shift in customer behaviour is expected to continue and represents a risk to the outlook for retail sales across the Group as Australian and other governments take action to contain the impact of COVID-19.

The Group also expects additional operating costs due to activities to prepare and respond to COVID-19 and, while offset in the short term by foreign exchange hedges, increases in the cost of goods sold as a result of the lower Australian dollar. Given the significant level of uncertainty, the Group is not able to provide an estimate of the impact of COVID-19 on Wesfarmers' full-year financial results.

The Group's balance sheet remains very strong and was further strengthened by the sale last month of 4.9 per cent of the Group's interest in Coles for approximately $1,050 million, providing significant flexibility and support to the Group's operating businesses.

Further updates on the impact of COVID-19 on the Group's operations will be provided as appropriate.

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This announcement was authorised to be given to the ASX by the Wesfarmers Disclosure Committee.