Wesfarmers

31 October 2024

The Manager
Market Announcements Office
Australian Securities Exchange

Dear Manager

CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS TO WESFARMERS ANNUAL GENERAL MEETING
THURSDAY 31 OCTOBER 2024, 1:00PM PERTH TIME

In accordance with Listing Rule 3.13.3, attached is a copy of the Chairman's Address and Managing Director's Address to be delivered today at the 2024 Annual General Meeting.

Yours faithfully

Sheldon Renkema
Executive General Manager
Company Secretariat

This announcement was authorised to be given to the ASX by the Wesfarmers Company Secretary.

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WESFARMERS 2024 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS

CHAIRMAN'S ADDRESS

As you would be aware from the Notice of Meeting, there are five items of business to be discussed when we move into the formal proceedings; but before that, I'll make some general observations about the last 12 months and the business environment and then our Managing Director Rob Scott will provide us with some reflections on current trading and on the outlook for the Group.

I'm pleased to report that, despite some external challenges in the economy – higher interest rates and inflation for example – your company produced an increase in profit and the directors declared higher dividends in the year ended 30 June 2024.

This financial performance demonstrated, I think, the benefit of being a conglomerate, where a downturn or levelling off in one part of the Group was compensated for by increased earnings in another.

Details of the financial results for the 2024 financial year are in our Annual Report and I do not propose to repeat all of that here but, in summary, the Group's net profit from continuing operations was a record $2.6 billion, up 3.7 per cent on the prior year.

Our fully-franked ordinary dividends also rose 3.7 per cent to $1.98 per share.

Kmart Group was the standout performer over the year, recording a 25 per cent increase in profit.

Increases were also recorded by the Bunnings, Officeworks, Health and Industrial and Safety businesses; while earnings from Chemicals, Energy & Fertilisers fell, largely as a result of reduced international ammonia prices.

Your company continues to be in sound financial health, with a strong balance sheet and businesses that generate solid cash flows.

In spite of the challenges and uncertainties that face all companies doing business in Australia, we continue to maintain a focus on future growth and on generating superior long-term returns to our half a million shareholders.

Next month marks the fortieth anniversary of Wesfarmers' listing on the Australian Securities Exchange and in terms of long-term returns, we have a lot to celebrate.

Many shareholders here today will remember that day, 15 November 1984, when a small farmers' co-operative with a value of $28 million spun-off its businesses into a listed company in which it retained a 60 per cent shareholding. Over time, all the original co-operative shares were converted to Wesfarmers shares and the company grew and grew.

That growth has been beyond the wildest dreams of everyone involved at the time, with your company now having a value almost 3,000 times higher than that $28 million, at $80 billion.

Expressing it another way, if you bought $1,000 worth of Wesfarmers shares on the day of listing, and reinvested the dividends, you'd now have an investment of about $1.1 million, and if you held that amount in the original co-operative stock, it'd be worth over $2 million.

It is instructive to reflect on the benefits that have flowed to the Australian community over that time, not just through dividends and capital gains for shareholders, but through job creation, taxes paid, the support of suppliers, customers and many, many community causes.

There is, I believe, too little appreciation of the huge contribution large businesses like Wesfarmers make to the Australian economy; and it is worth pointing out just how significant that contribution is, using Wesfarmers as an example.

In the year just completed, Wesfarmers generated revenue of just over $44 billion.

Almost all of this was the revenue we received – proudly, I must say, by providing everyday low prices and great value for our customers. Well, where did that revenue go?

- $29 billion (or 65 per cent) went to our suppliers, whom our businesses rely on for raw materials, inventory and services; and in turn, our more than 27,000 suppliers rely on our custom for their growth and prosperity;

- $6.3 billion (or 14 per cent) went to our 120,000 team members in wages, salaries and benefits – and of course, some of that went on to the Commonwealth as personal income tax;

- $4.4 billion (or 10 per cent) went on rent, freight and other services - again supporting numerous large and small businesses as well as individuals;

- approximately half a billion went to governments in payroll taxes and other charges;

- $200 million went to our lenders; and

- about $0.7 billion was depreciation and amortisation expenses and other.

That left about $3.6 billion of profit before tax, or about 8 per cent of the original revenue.

Now for some external parties, profit seems to be a dirty word, but it is important to understand how profitable businesses are essential to our economy and future prosperity.

For one thing, companies have to be profitable in order to continue to operate - to do everything I just listed, like employing people, sourcing products and services from suppliers, providing customers what they need and supporting their communities.

But where do our profits go?

The first billion dollars of Wesfarmers' profit before tax in 2024, or 29 per cent, went to the federal government as income tax, to support all the services government provides.

The next 61 per cent, or $2.2 billion, went to our 490,000 shareholders – including individuals and superannuation funds. Where the individuals are concerned, much of it was no doubt spent on consumption, in other words, supporting other organisations, individuals and government.

The last 10 per cent of the profit (about one per cent of the original revenue) went to retained earnings.

So, in other words, almost all of the profit ended up outside the company, supporting the economy and community in different ways.

It would be good to hear political leaders of all persuasions acknowledge their understanding of these facts – that large companies like ours constitute a vital part of the economy, generate enormous benefits to the community and make a huge contribution to society. Companies, large and small, deserve their support.

Such an understanding would, I believe, lessen the chance of governments enacting laws that, as we pointed out in the Annual Report, work against the national productivity improvements that Australia so urgently needs.

I'm referring here to the many changes we've seen to employment laws, payroll taxes, and to some proposed environmental laws. It is only through a prosperous, vibrant, growing private sector that Australia is going to be able to provide the sort of support to our children and grandchildren that we have, in the past, taken for granted.

In the context of this external environment, we continue to focus on what we can control – running our businesses well.

And, as I said earlier, notwithstanding the challenges we face, we believe the company is well positioned to continue its history of success.

At a board level, we are well served, with an appropriate mix of experience and skills.

Today we farewell two directors and welcome two new faces.

Vanessa Wallace leaves us after 14 years, during which time she has provided invaluable guidance on strategic issues. Anil Sabharwal has been a wealth of knowledge on all matters digital. We thank them both.

We welcome Kate Munnings, who amongst other experiences has been Chief Operating Officer and CEO of a number of companies; and Tom von Oertzen whose background includes senior consulting roles in technology, loyalty program design and new ventures.

At the 2025 AGM in October next year, Jennifer Westacott will retire from the board after having served for 12 years and we will have an opportunity to thank her for her great service at that time. We are very pleased to announce today that Jennifer's replacement will be Ms Julie Coates, who will join the board on 1 May next year. Julie was most recently Chief Executive Officer and Managing Director of CSR Limited. She was previously Managing Director, Australia and New Zealand of Goodman Fielder and also had senior roles in Woolworths. While at Woolworths, Julie was Managing Director of Big W and she will bring valuable retail and senior management experience to the Board.

In closing I acknowledge the great contribution made by our 120,000 team members, lead so ably by CEO Rob Scott, whom I now invite to address you.

MANAGING DIRECTOR'S ADDRESS

Thank you, Chairman, and thank you Dr Walley for your welcome to Country.

As the Chairman has outlined, this year saw our businesses operate in a more challenging trading environment. Despite this, they adapted well and maintained their focus, implementing growth strategies and benefiting from proactive efficiency initiatives.

These measures helped our retail businesses keep prices low for consumers and business customers. In turn, this supported growth in sales, profits and dividends for the year.

Our Chairman has already spoken to the Group's performance, and the significant contribution that Wesfarmers provides to the community and to our many stakeholders, by being a profitable company.

We are steadfast in our commitment to our corporate objective – that is, to deliver a satisfactory return to shareholders, over the long term.

A business that isn't profitable, isn't sustainable.

And in the forty years since Wesfarmers listed on ASX, we've seen many companies fail – unable to adapt to changing environments, with disruption in technology, consumer behaviour and regulatory landscapes.

Today we are seeing an acceleration of the disruptive changes that impact business, particularly through new technologies, global competition, geopolitics and regulation.

The Wesfarmers model of active portfolio management and divisional autonomy, combined with strong commercial and financial discipline, provides an excellent platform to adapt and prosper in the new world.

In discussing the Group's performance this year, I'll outline how our approach to portfolio management and key divisional strategies deliver satisfactory returns to shareholders while also helping to address some of the big issues facing our nation, at this time.

I'll conclude with an update on recent trading.

To start, our retail divisions are helping to address cost of living and cost of doing business pressures.

Inflationary pressures and higher interest rates are placing significant stress on many households and businesses.

Businesses big and small are facing cost pressures with rising wages, skills shortages, higher costs of energy, insurance and rents and increasing regulation. Together, these put further pressure on prices.

As you know, Bunnings, Kmart and Officeworks have long focused on everyday low prices.

Bunnings' commitment to lowest prices is supported by an ecosystem of regular price monitoring to maintain the lowest prices positioning and a "price beat guarantee" that delivers an additional 10 per cent saving in the unlikely case a competitor has a lower price on a similar item.

The ability of Bunnings, Kmart and Officeworks to offer low prices is due to their relentless focus on managing their costs, and always looking for ways to be more efficient and productive.

In the past year, there have been many examples of this.

Kmart Group has started to realise the benefits from its implementation of RFID technologies and robots, to monitor apparel inventory. This has freed our team to focus on customers and made their job easier, improved stock management and availability and delivered higher sales.

Kmart's direct sourcing capabilities provide unique products through the Anko brand, at low prices, and sourced in an ethical and sustainable manner. Kmart has focused on digitising many of its product design, sourcing and inventory processes, which further reduces costs.

Bunnings has also made significant improvements in areas of range expansion, rostering and development of digital tools instore and online. This allows it to deliver upon its three strategic pillars of lowest prices, widest range and best service.

As Bunnings has expanded its offer into areas such as consumables, auto accessories and commercial tools, it has brought more value, competition and choice to the market.

And Officeworks last year commissioned its second automated fulfilment centre, this one here in Perth, delivering lower cost and faster delivery speed for e-commerce.

Importantly, we have the capacity to make these kinds of investments – delivering benefits to customers and other stakeholders – because our businesses are profitable, as our Chairman has noted.

While I have highlighted ways we are taking the initiative to improve productivity, many people running a business in Australia will tell you that it’s getting harder and more expensive to do so.

It takes longer to get approvals for projects and the volume and complexity of regulation is increasing in all aspects of business.

There are shortages in key skills, especially in certain trades that are essential for many residential and commercial developments.

And in this environment, it is riskier than ever to invest. This is most obvious for anyone trying to renovate or build a house.

But it also holds for businesses like ours, looking to invest and evolve, to meet the changing context I spoke about and to realise opportunities.

With a federal election next year, there’s a need for constructive debate and commitment to action, to find ways to ease the regulatory burden on Australian businesses, if we are to build prosperity and improve living standards in the future.

Our industrial businesses are supporting some of Australia’s key export industries.

Australia’s prosperity relies on the strength and competitiveness of key export industries. As the world demands new sources of critical minerals to support global decarbonisation and development goals, Australia has a unique opportunity.

Wesfarmers continues to pursue opportunities that support decarbonisation, reporting a further 5.4 per cent reduction in operational Scope 1 and 2 market-based emissions.

I’m pleased that our Bunnings, Kmart Group and Officeworks retail businesses are on track to use 100 per cent renewable electricity by the middle of next year.

And WesCEF is continuing to make good progress towards its interim target to reduce emissions by 30 per cent by 2030, relative to its 2020 baseline.

In WesCEF, we’re evaluating expansions of sodium cyanide and ammonium nitrate production, and moving into production of lithium hydroxide. These kinds of investments will be critical for Australia if we are to expand and diversify our exports in the decades ahead.

Alongside our joint venture partner, we have commenced the commissioning phase of our lithium hydroxide refinery in Kwinana, and are working towards achieving first product in the middle of calendar year 2025.

We know that many other countries have similar aspirations, and our ability to be internationally competitive will be impacted by the speed at which we can gain approvals, undertake developments, access critical skills and offer cost competitive and sustainable products.

Turning to making healthcare more accessible and affordable.

The aging population and growing care economy is placing significant pressure on government budgets, and we need to think differently if we are to maintain, and hopefully improve, the quality of our healthcare system. Wesfarmers Health has the ambition to make Australians' healthcare, beauty and wellness experiences simpler, more affordable, and accessible, and to build a trusted consumer healthcare business that delivers satisfactory returns to our shareholders.

Wesfarmers Health recently published a detailed report on Australia's cardiometabolic health, drawing on over 3 million free de-identified health checks at SiSU machines across Priceline pharmacies and other locations around the country. You may have seen a SiSU station outside, at the Wesfarmers Health booth.

This important report highlights significant opportunities to build awareness of risk factors and make healthcare more accessible and affordable, for patients and the community.

It highlights the important, expanding role in community health for pharmacists and pharmacies, alongside our businesses such as Priceline, InstantScripts and SiSU, as we invest in technology for health monitoring and clinical care, within strong clinical governance standards.

Let me now comment on our most important asset, our team.

We cannot hope to build sustainable and profitable businesses without harnessing the talents, ingenuity and passion of our 120,000 team members.

Across Wesfarmers, there are thousands of stories of people developing skills and building rewarding careers.

Alongside our mature, highly experienced team members, we also employ tens of thousands of younger team members, many doing casual work, often a first job, learning valuable skills to set them up for the future.

A job should be more than a paycheck, and it has been fantastic to see many of our younger team, including Indigenous team members, develop their careers and progress to management roles.

One example is a young chemical engineer who joined CSBP in 1983 – his name is Ian Hansen.

Over the next 40 years, Ian built a remarkable career, culminating in his role as Managing Director of WesCEF.

As we announced in May, Ian retires next month and will be succeeded by Aaron Hood.

This is Ian's last AGM as an executive, and on your behalf, I'd like to thank him for his immense contribution to Wesfarmers, over four decades.

I'd now like to provide some comments on recent trading.

Elevated inflation and interest rates continue to place pressure on household and business demand.

In this environment, the everyday low price position of our retail businesses is resonating with customers who are seeking better value, and supports growth in customer numbers and transactions.

In Bunnings, year-to-date sales growth remains resilient with positive sales growth in both consumer and commercial segments, albeit the weakness in residential construction is weighing on commercial sales. Growth in the consumer segment has been pleasing, and Bunnings has seen a continued increase in transactions driven by ongoing demand for repairs and maintenance. Bulk pack quantities, own-brand and entry level ranges continue to perform well.

Kmart Group is benefiting from the strong value credentials and uniqueness of its Anko products. The strength of the Kmart Group offer is evident through ongoing growth in units sold, transaction volumes and customer numbers. However, customers are increasingly seeking value and items per basket and average sell price have both experienced minor decreases.

Kmart and Target continue to improve and innovate their offer, and are well positioned to deliver even greater value and choice to shoppers in the important Christmas trading period.

Officeworks' sales growth continues to be supported by higher technology sales, now representing approximately 59 per cent of its sales, but demand from business customers, particularly small and medium sized businesses, has been impacted by challenging business conditions.

In the Health division, the transformation program is gaining pace with pleasing sales growth in Priceline following recent improvements to pricing on key value lines and an expansion of the health and beauty product offer.

E-commerce growth in the retail and health divisions has been strong and is benefiting from recent investments in omnichannel capabilities. This has been supported by the ongoing growth and engagement of OnePass members, which is translating to incremental sales.

Catch's gross transaction value continues to be impacted by weaker discretionary demand and increasing competitive intensity. Plans are underway to increase the utilisation of Catch's e-commerce distribution centres to support growth and improve the efficiency of Kmart and Target home deliveries. Opportunities to leverage Catch's marketplace capabilities across other retail division online channels are also under evaluation.

In WesCEF, strong plant operating performance has continued. Losses associated with depressed global lithium prices on spodumene sales, pursued before the product is used by the hydroxide plant, will impact earnings.

In the Industrial and Safety division, trading conditions in Blackwoods and Workwear Group have become more challenging, with customer demand impacted by a softer market environment. The businesses are focussed on delivering cost reduction and efficiency initiatives to offset slower sales growth. Coregas continues to perform well and win market share.

In closing, Wesfarmers is well positioned for the future.

While the outlook for the economy remains uncertain with ongoing challenges, Wesfarmers is well positioned with resilient businesses, a strong balance sheet and various platforms for future growth.

I want to thank our team members across the Group and a special thanks to our Group Leadership team for the commitment they show to our corporate objective.

And thank you to our Board, for their continued advice and support.

I now hand back to you, Chairman.

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