2022 Full-year results debt investor update

Wesfarmers

Group performance overview

Wesfarmers' primary objective is to provide 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

Solid financial result reflects strong second half

Solid full year financial results

$36.8b Revenue	$2.35b Net profit after tax	$4.2b cash distributions paid to shareholders	$2.0b acquisitions[2] and net capex
+8.5% YoY (+4.9% excl. Health)	- 2.9% YoY[1] (+13.1% second half)	$2.3b capital return $1.9b fully franked dividends	API, Beaumont Tiles, Mt Holland, supply chain, store network, data and digital

First half: significant COVID-19 impacts

- >34,000 store trading days impacted by trading restrictions or closures
- c. $80m COVID-related costs during the period
- Divisional EBT decline of 13.6% vs 1H21
- Group NPAT of $1,213m (14.2% decline[1])

Second half: improvement in trading as restrictions eased

- No government-mandated store closures
- Impact of Omicron variant on traffic to stores and team member availability in January and February
- Divisional EBT growth of 11.5% vs 2H21[3]
- Group NPAT of $1,139m (13.1% growth[1])

1. Excluding significant items. There were no significant items in 2022. Significant items in 2021 were $59m pre-tax ($41m post-tax), including $25m pre-tax ($17m post-tax) in the second half, relating to Target store closure and conversion costs as part of the restructuring actions in Kmart Group.
2. Includes acquired net debt from the acquisition of API.
3. Excluding Health division results.

Developing platforms to support long-term shareholder returns

Investing in our businesses

Strengthened e-commerce capabilities and omnichannel offer

1,500+ stores
100m+ online interactions per month[1]
$4.0b online sales, $3.0b excluding Catch

Enhanced supply chain capabilities

Modernisation of supply chain and investment in new distribution and fulfillment centres across the Group

Exploring capacity expansion and adjacent industry opportunities within WesCEF

Relating to ammonia and sodium cyanide plants, and clean energy projects

Continued optimisation of store networks, formats and expansion of product ranges

Including across Kmart Group and Bunnings

Renewing the portfolio

Development of Mt Holland lithium project

Construction activities underway

Established Health division

With API the foundation business

Established Wesfarmers OneDigital

Extended benefits of OnePass membership program to Kmart and Target

Continued development of Bunnings

Including acquisition of Beaumont Tiles and expansion of Tool Kit Depot

1. Average monthly website visits to retail sites over the 2022 financial year.

Divisional highlights

Bunnings Group

- Remarkable period of growth, FY19-FY22:
  - Sales +35%
  - Earnings +40% excl. prop[1]
- Managed complex conditions well, including COVID and supply chain disruptions
- Improved stock positions
- Stronger digital engagement
- Expanded commercial offer

Kmart Group

- Strong results in 2H22 following the significant impact of restrictions in 1H22
- Focus on price leadership supported by productivity gains
- New and expanded product ranges instore and online
- Benefits from conversions and simplification of Target
- New OnePass partnerships
- Catch marketplace growth was pleasing but earnings reflect continued investment

WesCEF

- Record earnings for the year
- Strong operating performance enabled benefits from favourable market conditions
- Progressed capacity expansion opportunities
- Launched net zero roadmap[2]
- Continued development of the lithium business

Officeworks

- Supported working and learning from home
- Higher costs due to COVID impacts and CFC[3] transition
- Modernisation of supply chain strengthened omnichannel offer

WIS

- Continued improvement in performance
- Invested in customer service and digital capabilities

Health

- Good progress on integration and transformation
- Initiated strategies to improve financial performance and competitive position

OneDigital

- Development of the OnePass membership program
- Development of capabilities in OneData to support single view of customer and operational efficiencies

1. Earnings growth excluding contributions from property activity.
2. See page 78 of the 2022 Annual Report for further detail on metrics and targets.
3. Customer fulfilment centre.

Focus on long-term value, consistent with our objective

Climate and Environment

6.4%
reduction in Scope 1 and Scope 2 emissions[1]

140GWh
new agreements for annual renewable electricity supply

70%
of operational waste diverted from landfill

Team

$49m
in team member COVID-related support

3.3%
Indigenous employment parity re-gained

48%
women in Board and Leadership team positions

2.5m+
hours of training and development for team members

Community

>140,000
vaccinations delivered at Bunnings sites

$54m
in direct and indirect community contributions

4,300+
supplier sites in ethical sourcing program

44,900+
hours modern slavery related training delivered to team and suppliers

1. Market-based emissions. Includes the impact of the scheduled ammonia plant shutdown and the Health division. Excluding the impact from the scheduled ammonia plant shutdown and the Health division, the Group's Scope 1 and Scope 2 emissions reduced approximately 5.0%.

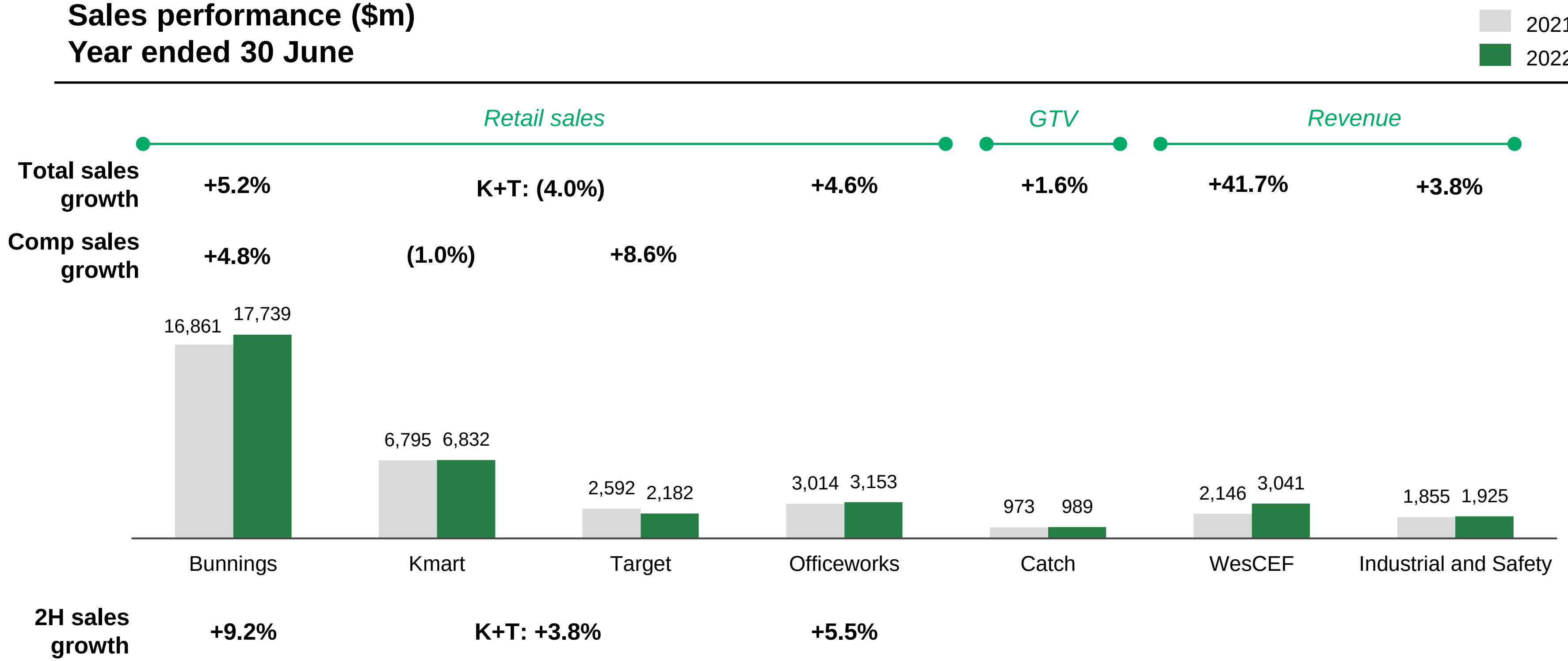
Group performance summary

Year ended 30 June ($m)	2022	2021	Var %
Revenue	36,838	33,941	*8.5*
Revenue (excluding Health)	35,598	33,941	*4.9*
EBIT	3,633	3,717	*(2.3)*
EBIT (after interest on lease liabilities)	3,416	3,491	*(2.1)*
EBIT (after interest on lease liabilities) (excl. significant items)[1]	3,416	3,550	*(3.8)*
NPAT	2,352	2,380	*(1.2)*
NPAT (excl. significant items)[1]	2,352	2,421	*(2.9)*
Basic earnings per share (excl. significant items)[1] (cps)	207.8	214.1	*(2.9)*
Return on equity (excl. significant items)[1] (R12,%)	29.4	26.1	*3.3 ppt*
Operating cash flows	2,301	3,383	*(32.0)*
Net capital expenditure	884	632	*39.9*
Free cash flows	1,110	2,741	*(59.5)*
Cash realisation ratio (excl. significant items)[1,2] (%)	59	86	*(27 ppt)*
Full-year ordinary dividend (fully-franked, cps)	180	178	*1.1*
Return of capital (cps)	-	200	*n.m.*
Net financial debt / (cash)[3]	4,296	(109)	*n.m.*
Debt to EBITDA (excl. significant items)[1,4] (x)	2.2	1.3	*0.9 x*

1. There were no significant items in 2022. Significant items in 2021 of $59m pre-tax ($41m post-tax) relate to Target store closure and conversion costs.
2. Operating cash flows as a percentage of net profit after tax, before depreciation and amortisation.
3. Interest-bearing liabilities less cash at bank and on deposit, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.
4. Total debt including lease liabilities, net of cash and cash equivalents, divided by EBITDA excluding significant items.

Divisional sales performance

Sales performance ($m)
Year ended 30 June



- Pleasing retail sales growth for the year, despite significant COVID-related disruptions during first half
  - Strong second half sales growth across all retail divisions
  - Significant online sales of $3.0b, or $4.0b including Catch, with strong digital engagement
- Strong WesCEF performance underpinned by higher commodity prices and strong operating performance

Divisional earnings performance

	Performance and earnings results reflect:		EBT[1] FY22	EBT[1] 2H22
Bunnings Group	• Resilience of operating model and strong execution of strategic agenda • Strong commercial growth and solid DIY activity • Investment in long-term growth initiatives		**$2,204m** ↑ 0.9%	$945m ↑ 3.7%
Kmart Group[2]	• COVID-related temporary store closures in 1H22 • Strong 2H22 growth as restrictions and disruptions eased • Benefits from Target store conversions and closures • Investment in Catch to strengthen technology, marketing & fulfilment capabilities	K + T	**$505m** ↓ 31.7%	$283m ↑ 19.4%
		Catch	**($88m)**	($44m)
WesCEF	• Record earnings for the year • Continued strong operating performance • Higher global commodity prices for LPG and ammonia-related products		**$540m** ↑ 40.6%	$322m ↑ 43.8%
Officeworks	• COVID-related restrictions in 1H, but with strong growth in technology products • Investment in data and digital capabilities, launch of new products and services • Higher fulfilment costs associated with lockdowns and transition to new CFC[3]		**$181m** ↓ 14.6%	$99m ↓ 11.6%
Industrial and Safety	• Continued improvement in performance and profitability • Supported by sales growth and additional operating efficiencies, as well as increased demand from Coregas' healthcare and industrial customers		**$92m** ↑ 31.4%	$51m ↑ 54.5%
Health[4]	• Progress on integration and transformation strategies • EBT of $11m, excluding $36m in one-off and acquisition-related expenses		**($25m)**	n/a
OneDigital	• Investment in shared data asset and scalable customer data architecture • Development of capabilities within OneData to support divisions and drive operational efficiencies • Launch of OnePass membership program and expansion of benefits across Kmart, Target and Catch			

1. Variance figures for FY22 EBT and 2H22 EBT are against FY21 EBT and 2H21 EBT, respectively.
2. Earnings growth for Kmart Group excludes pre-tax significant items in the 2021 financial year of $59m, including $25m in the second half.
3. Customer fulfilment centre.
4. Reflects ownership period of three months from 31 March 2022 to 30 June 2022.

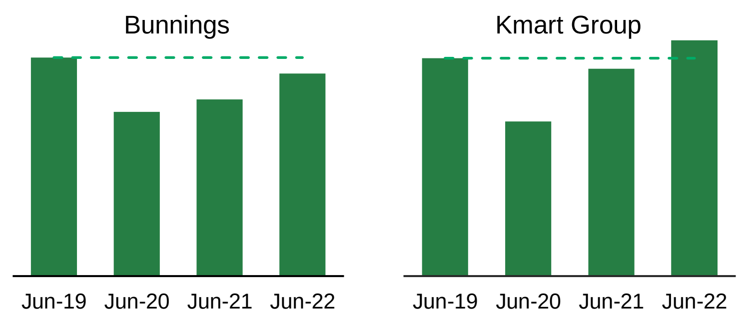
Divisional cash flow and working capital

- Divisional operating cash flows declined 14.2% to $4.1b, with divisional cash generation of 78%[1] due to:
  - Retail NWC[2] movements due to normalisation in inventory following temporarily low balances in FY20 and FY21 and timing of supplier payments
  - Significantly higher utilisation of leave provisions
- Increase in Group's inventory balance to $6.1b reflects:
  - Additional stock of c. $0.4b through the acquisitions of API and Beaumont Tiles
  - Ongoing normalisation of stock levels in Bunnings following extraordinary sales growth since FY19
  - Higher average unit costs of c. 5-10% for retail divisions
  - Continued strategy to hold additional non-seasonal products in Kmart to mitigate supply chain variability
  - Elevated commodity pricing in WesCEF
- Overall inventory health is good and retail NWC position relative to sales is returning to pre-COVID levels
  - Cash generation is expected to revert to a long-term average of around 100%

Divisional NWC cash movement

Year end 30 June ($m)	2022	2021
Receivables and prepayments	(272)	(244)
Inventory	(1,183)	(665)
Payables	322	214
Total	**(1,133)**	**(695)**
Bunnings	(471)	(413)
Kmart Group	(344)	(126)
WesCEF	(177)	(56)
Officeworks	(31)	(94)
WIS	(35)	(1)
Health	(117)	-
Corporate & Other	42	(5)
Total	**(1,133)**	**(695)**

Inventory as % sales relative to pre-COVID[3]

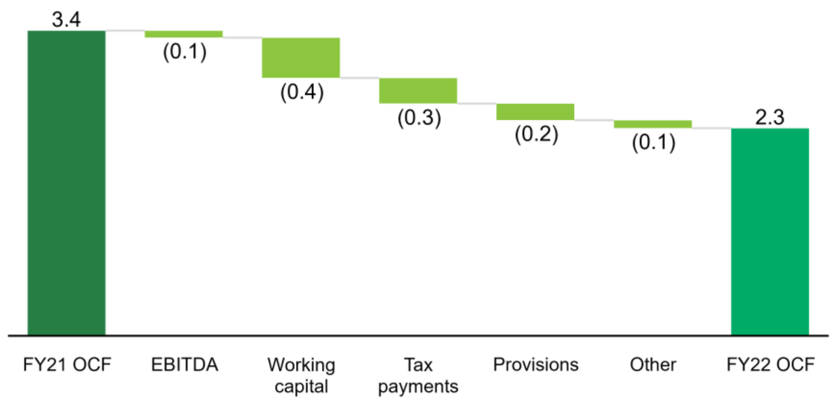


1. Excludes OneDigital and Health. Divisional cash generation calculated as divisional operating cash flows before interest, tax, PPE and lease finance payments divided by divisional EBITDA excluding significant items.
2. Net working capital, includes balances from inventory, receivables (inc. prepayments) and payables.
3. Inventory balances as at 30 June relative to 2H sales to remove distortion from lockdown impacts on sales in 1H22. Pre-COVID defined as FY19 levels.

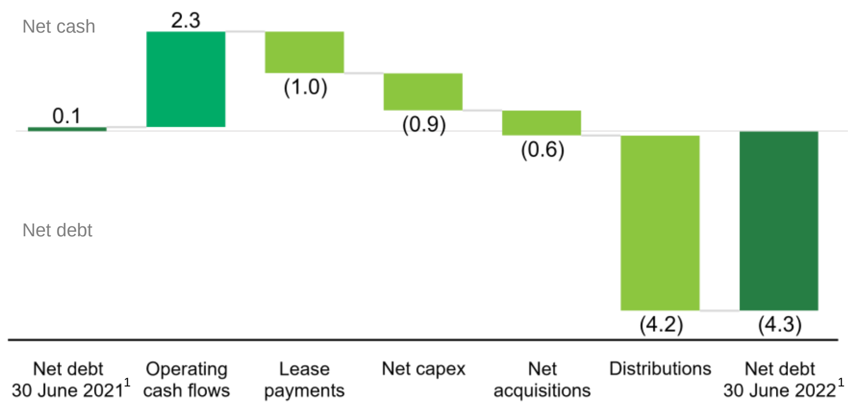
Group cash flow

- Group operating cash flows declined $1.1b or 32.0% to $2.3b, with cash realisation of 59%:
  - Lower divisional cash flows
  - Increased tax payments on higher instalment rates
- Principal component of lease payments of $1.0b
- Net capital expenditure of $0.9b, up 39.9%:
  - Largely relating to Mt Holland lithium project development capex of $304m and capitalised interest of $34m; as well as
  - Increased data and digital investment
- Net acquisitions and divestments of $0.6b:
  - Acquisition consideration of c. $1.1b, including acquired net debt
  - Offset by c. $0.5b from the sale of Coles shares
- Distributions to shareholders of $4.2b, including $2.3b capital return
- Net financial debt[1] of $4.3b 30 June 2022

Group operating cash flow ($b)



Group cash movements ($b)



1. Interest-bearing liabilities less cash at bank and on deposit, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.

Capital expenditure

- Gross capital expenditure of $1.1b, up 27.7% on prior year
  - Development capex of $304m and capitalised interest of $34m relating to the Mt Holland mine and concentrator, and at Kwinana refinery
  - Increased data and digital investment
  - Planned ammonia plant maintenance shutdown
  - Partially offset by lower new store spend at Bunnings and Kmart
- Net capital expenditure up 39.9% on prior year
  - Proceeds from sale of PPE of $260m in line with prior year, largely reflecting Bunnings property disposals of $258m (FY21: $262m)
- FY23 net capital expenditure of $1,000m to $1,250m expected, subject to net property investment
  - Inclusive of c. $450m of development capex and c. $50m of capitalised interest relating to the Mt Holland lithium project

Year ended 30 June[1] ($m)	**2022**	**2021**	**Var %**
Bunnings	349	445	*(21.6)*
Kmart Group	150	185	*(18.9)*
WesCEF[2]	455	137	*232.1*
Officeworks	68	65	*4.6*
Industrial and Safety	64	62	*3.2*
Other[3]	58	2	*n.m.*
Gross capital expenditure	**1,144**	**896**	***27.7***
Sale of PP&E	(260)	(264)	*(1.5)*
Net capital expenditure	**884**	**632**	***39.9***

1. Capital investment provided on a cash basis.
2. Includes capex associated with Mt Holland of $304m in 2022 and $52m in 2021, and capitalised interest of $34m in 2022.
3. 2022 includes capital expenditure for OneDigital and Health for the period 1 April 2022 to 30 June 2022.

Group outlook

- The Australian economy is starting from a strong base with low unemployment and high levels of household savings, but the effects of inflation and higher living costs are placing pressure on parts of the economy, including household budgets
- The Group continues to actively manage inflation, leveraging its scale and sourcing capabilities to mitigate the impact of cost increases
  - While general inflation remains elevated, prices for some inputs such as cotton, timber and plastic resins have moderated in recent months
- Wesfarmers' strong balance sheet and financial discipline provide the capacity to support ongoing investment and to take advantage of value-accretive opportunities that may arise
- The Group maintains its long-term focus and continues to invest in strengthening its existing operations, renewing the portfolio and developing platforms for long-term growth
  - Expect net capital expenditure of between $1,000m and $1,250m for FY23
- The Group continues to manage the businesses with deep carbon awareness, actively considering climate change risk when making key business decisions and managing the portfolio
- Strong balance sheet and portfolio of cash-generative businesses with market leading positions, together with targeted investment over recent years, make Wesfarmers well positioned to deliver satisfactory returns to shareholders over the long term

Balance sheet & debt management

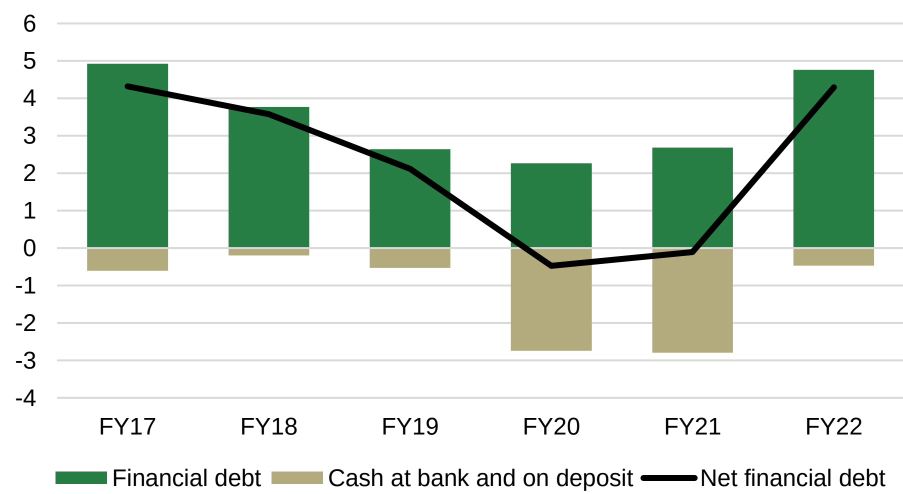
Wesfarmers

Strong balance sheet and credit ratings

Key principles

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

Net financial debt ($b)[1]



Full-year update

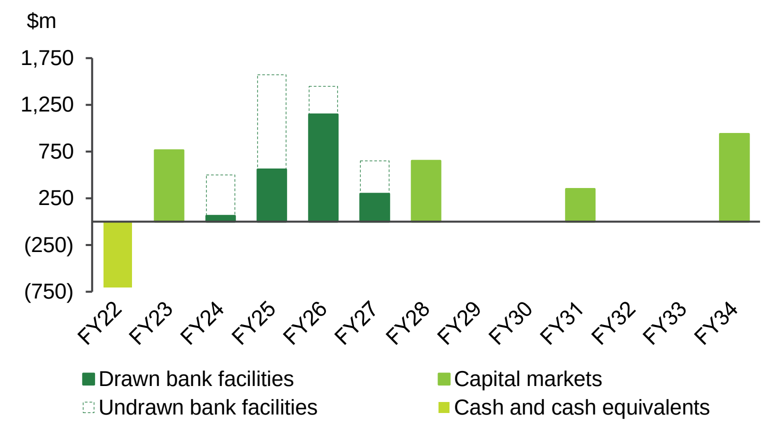
- Repositioned balance sheet to optimise cost of funds and debt maturity profile
  - Distributed $2.3b capital return in December 2021
  - Paid $1.9b in fully-franked dividends
  - Reduced average cost of funds[2] to 3.11% (FY21: 4.74%)
  - Extended weighted average debt term to maturity to 5.0 years (FY21: 3.5 years)[3]
- Net financial debt[1] of $4.3b as at 30 June 2022, compared to net cash of $0.1b at 30 June 2021
- Strong liquidity position, supported by $2.1b of undrawn bank facilities

1. Interest bearing liabilities less cash at bank and on deposit, 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 hedging costs, undrawn facility fees and amortisation of debt establishment costs. Excludes interest on lease liabilities and the balance of lease liabilities.
3. Drawn debt only.

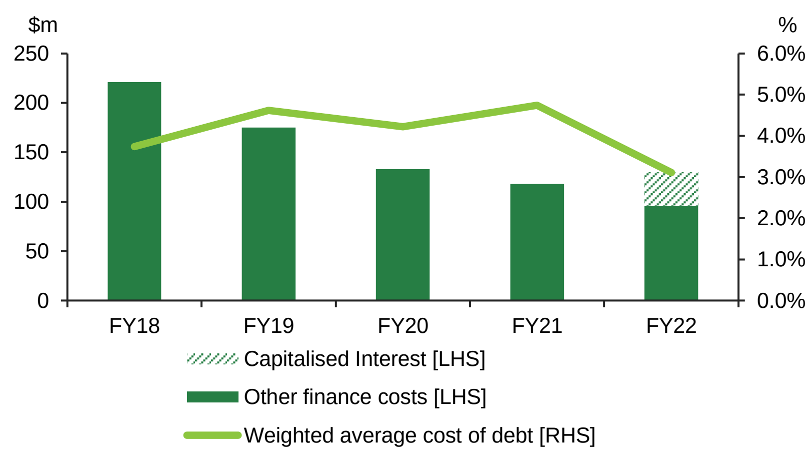
Pro-active debt management

- Continued focus on optimising debt maturity profile and maintaining liquidity headroom provided by bilateral bank facilities
  - Repaid €600m (A$866m) seven-year Euro bonds at 4.7%, which matured in October 2021
  - New €600m (A$938m) twelve-year Euro bonds at 3.0%
  - Ongoing extension of bank facilities in advance of maturities
- Actively managing the balance of exposure to fixed and floating interest rates
- Other finance costs decreased 18.6% to $96m due to higher capitalised interest and lower cost of debt
  - On a combined basis, other finance costs including the component of interest that was capitalised increased 10.2% to $130m

Debt maturity profile[1]



Finance costs and weighted average cost of debt[2]

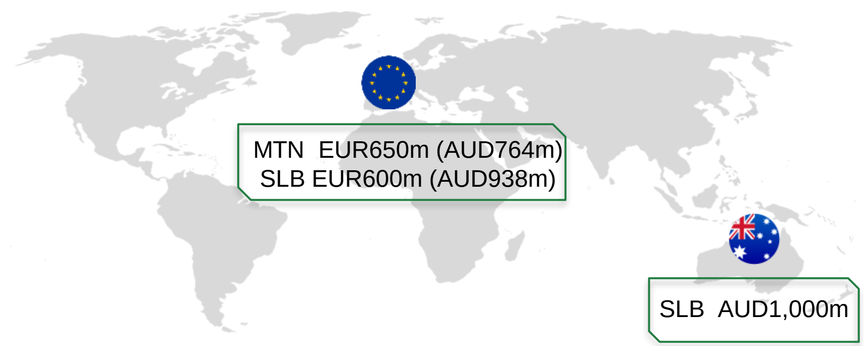


1. As at 30 June 2022. Capital market debt is net of cross-currency interest rate swaps.
2. Weighted average cost of debt before hedging, undrawn facilities and other costs.

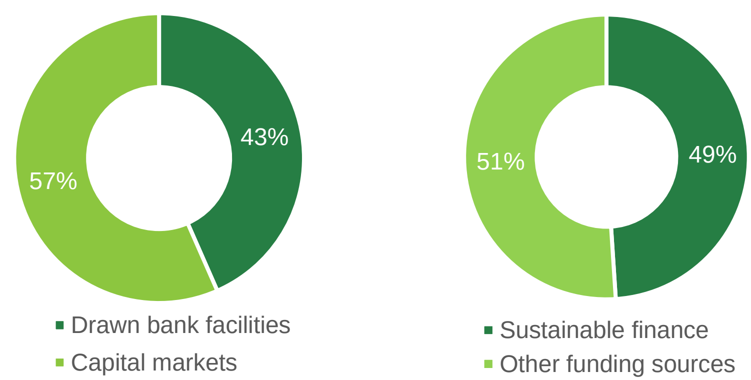
Debt capital markets diversity

- Issued €600m (A$938m) in sustainability-linked twelve-year Euro bonds in October 2021
  - The interest rate on the bonds is linked to progress against specific renewable energy[1] and emissions[2] performance targets (consistent with the domestic issuance in June 2021)
  - The bonds were swapped to Australian dollars at a fixed interest rate of 3.0%
- 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

DCM geographical sources[3]



Debt by type[3]



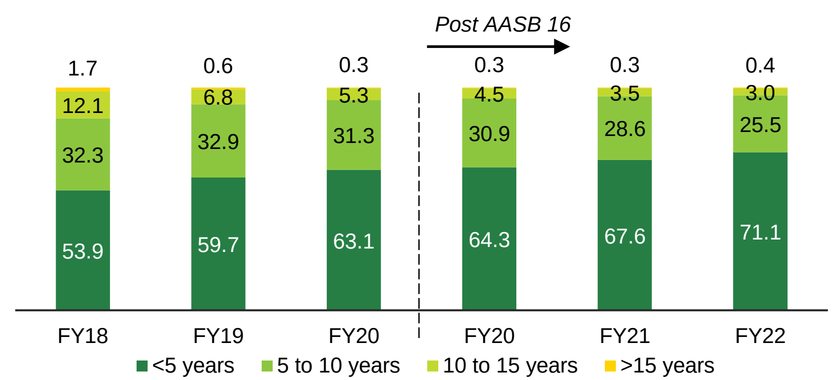
1. SPT1 Performance: For the calendar year to 31 December 2021 - 47% for Bunnings, 18% for Kmart Group, and 22% for Officeworks.
2. SPT2 Performance: Emissions intensity of 0.20 tonne CO_2e per tonne of ammonium nitrate produced based on the 24 months to 31 Decembers 2021.
3. As at 30 June 2022.

Management of lease portfolio

- Lease liabilities totalled $7.1b and represented 60% of Group fixed financial obligations as at 30 June 2022
- Average remaining committed lease term of 4.4[1] years (FY21: 4.5 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)	FY22	FY21
Bunnings	3,692	3,738
Kmart Group	2,642	2,817
Officeworks	345	334
WesCEF	61	23
Industrial and Safety	157	160
Health	199	-
Other	27	33
Total lease liabilities	**7,123**	**7,105**

Weighted average lease term (%)



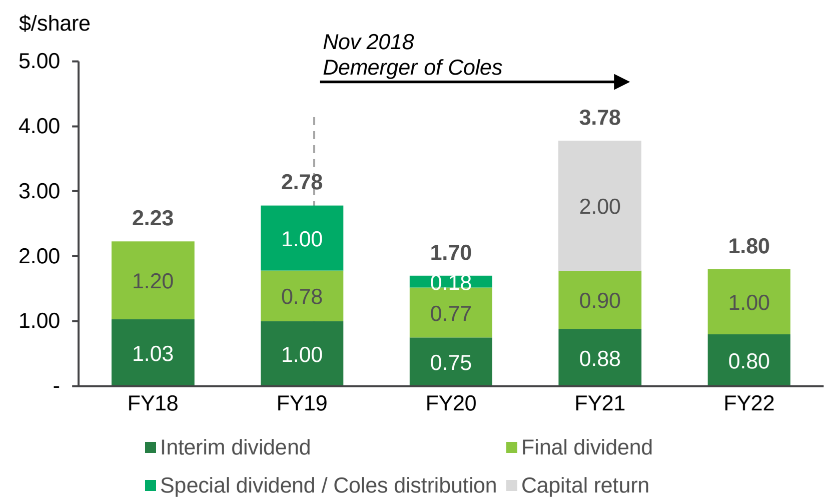
1. Post-AASB 16 lease tenure calculated as weighted average of undiscounted dollar commitments by year including non-property leases and reasonably certain extension options. Pre-AASB 16 lease tenure calculated as weighted average of undiscounted dollar commitments by year.

Dividends & capital management

Key principles

- Dividend distributions determined based on franking credit availability, current earnings and cash flows, future cash flow requirements and targeted credit metrics
- Dividends are not progressive, and vary year-to-year with earnings

Shareholder distributions[1]



Full-year update

- Fully-franked final ordinary dividend of $1.00 per share
  - Reflects strong 2H NPAT result
  - Takes full-year ordinary dividend to $1.80 per share
- Dividend record date: 1 September 2022
- Dividend payment date: 6 October 2022
- Dividend investment plan: not underwritten; last day for application 2 September 2022
  - Dividend investment plan shares expected to be purchased on market

1. Represents distributions determined to be paid in each period.

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