



7 May 2020

The Manager  
Market Announcements Office  
Australian Securities Exchange

Dear Manager,

**MACQUARIE CONFERENCE BRIEFING PRESENTATION**

Please find attached a copy of the presentation that is to be given at the Macquarie Australia Conference today, Thursday, 7 May 2020.

The presentation outlines Wesfarmers' priorities and response to current market conditions. It also includes an update on the Group's trading performance in line with Wesfarmers' announcement on 28 April 2020 and an update on the Group's balance sheet position.

Yours faithfully,

A handwritten signature in blue ink that reads "V. Robinson".

**Vicki Robinson**  
Executive General Manager  
Company Secretariat

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

# Macquarie Conference 2020

Thursday 7 May 2020



**Wesfarmers**



# 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:



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Anticipating the needs of our customers & delivering competitive goods & services



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Looking after our team members & providing a safe, fulfilling work environment



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Engaging fairly with our suppliers & sourcing ethically & sustainably



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Supporting the communities in which we operate



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Taking care of the environment



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Acting with integrity & honesty in all of our dealings

# Demonstrating our approach

Wesfarmers' approach to recent events & challenges is aligned with our core objective & values



## Anticipating the needs of our customers & delivering competitive goods & services

- Rapid rollout of Drive & Collect & expansion of online capacity
- Provision of large volumes of respirators during bushfire crisis
- Adjusting in-store processes to support customer demand & availability



## Looking after our team members & providing a safe, fulfilling work environment

- Extensive measures to protect team members
- Support payments to team members affected by COVID-19



## Engaging fairly with our suppliers & sourcing ethically & sustainably

- Maintained business continuity & payment terms to provide certainty
- In cases of hardship, supporting suppliers through accelerated payment



## Supporting the communities in which we operate

- Continued support for community partners (including arts partners)
- Contributed \$4m through donations & fundraising to bushfire relief



## Taking care of the environment

- Continued investment in projects to reduce emissions footprint in line with our published targets



## Acting with integrity & honesty in all of our dealings

- All actions & decisions continue to be guided by our purpose & long term objective

# Starting from a position of strength

Following actions to reposition the portfolio, Wesfarmers is responding to the uncertainties of COVID-19 from a position of strength

Portfolio of cash-generative businesses focused on long-term value creation

## Relentless focus on customers

- Price leadership
- Strong investment in data & digital assets
- Reliable & high-quality supply through operational excellence

## Investing for the long term

- Product innovation
- Improving systems & processes
- Disciplined pursuit of value-accretive opportunities to add capabilities, channels or new technology

## Building on unique capabilities & platforms

- Leading market positions
- Scalable platforms
- Expanding addressable markets
- People with extensive operating experience & knowledge

Unique operating model

Balance sheet flexibility & capacity

# Our priorities through COVID-19

**Wesfarmers is focused on prioritising the health & safety of the community, adapting to rapidly changing operating environments & maintaining balance sheet strength**

## Key priorities

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### Health & safety

- Health & safety of team members, customers & the community
- Supporting government & community efforts to limit the spread of COVID-19

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### Innovating & adapting

- Responding to changing consumer behaviour, trends & demand
- Anticipating the needs of customers by focusing on availability of high demand items

③

### Balance sheet flexibility & capacity

- Continued focus on balance sheet strength & liquidity
  - Maintaining capacity to respond to a range of economic scenarios while supporting the Group's businesses, shareholder distributions & disciplined investments
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# Prioritising the health & safety of the community

Wesfarmers is focused on protecting the health & safety of our team members & customers, & supports government measures to limit the spread of COVID-19



# Innovating & adapting in a rapidly changing environment

Divisional autonomy has allowed our businesses to quickly respond to changing consumer behaviour, supported by our digital capabilities

- Following significant investment in recent years, our businesses are well-positioned to respond to the consumer shift to online
  - Leveraging the digital expertise of Catch, acquired in August 2019
  - Acceleration of planned digital roll-out & innovation
  - Drive & Collect by Bunnings & Officeworks
  - Conversion of three Kmart stores to 'dark' stores to support growing online business
- Focus on fast tracking supply for high demand categories





# Maintaining balance sheet flexibility & financial discipline

Recent actions have ensured balance sheet capacity to respond to a range of economic scenarios while supporting the Group's businesses & pursuit of investment opportunities

- Partial sale of Wesfarmers 15% interest<sup>1</sup> in Coles Group via two separate transactions:
  - Sale of 4.9% interest on 18 February for pre-tax proceeds of approximately \$1,050m
  - Sale of 5.2% interest on 31 March for pre-tax proceeds of approximately \$1,060m
  - Both transactions have crystallised strong returns
- Net financial debt of \$0.7b as at 30 April 2020, including issued bonds and drawn bank debt
- Extension of available committed bank debt facilities by approximately \$2.0b to approximately \$5.3b
  - Total undrawn committed bank debt capacity of approximately \$5.0b, with cash at bank of approximately \$1.6b as at 30 April 2020
  - Extension of debt facilities secured at acceptable terms, with pricing well below the Group's current overall cost of debt

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1. Wesfarmers held a 15% interest in Coles Group as at 31 December 2019, following the demerger in November 2018.

# COVID-19 trading update

## Strong sales momentum in Bunnings, Officeworks & Catch, recent decline in shopping centre footfall impacting Kmart & Target



- Strong sales growth as customers & their families spend more time at home
- Uncertain whether higher level of sales growth will continue for remainder of the financial year



- Third quarter sales growth broadly in line with 1H20, supported by strong growth in online sales
- Over the past month, in-store sales momentum has moderated due to decline in customer footfall
- Margins impacted by higher levels of clearance activity & increased cost of online fulfilment



- Third quarter sales momentum in line with 1H20, supported by strong growth in online sales
- Over the last month, in-store sales have fallen significantly due to decline in customer footfall & ongoing weakness in discretionary categories, particularly apparel
- Profitability has decreased significantly



- Pleasing progress since acquisition continues with active customers increasing 38% over last twelve months
- Strong growth in gross transaction value in both the marketplace & in-stock offering



- Strong sales growth due to significant demand for home office equipment, technology & education supplies
- Uncertain whether higher level of sales growth will continue for remainder of the financial year



- Chemicals & Fertilisers business performing in line with expectations
- Continued decline in the Saudi CP from the first half has impacted realised prices in the energy segment



- Experienced strong demand for critical products including essential protective clothing, cleaning & hygiene products in Blackwoods, offset by some weakness due to disruption to customers' normal operations including in Workwear Group & Greencap

# Managing our businesses for long-term success

**Our businesses will continue to invest for the future, expand digital offerings & capabilities & reinforce the customer value proposition**



- Accelerating investment in digital offer
- Expanding addressable market
- Increased focus on commercial customers



- Reinforcing customer value in a competitive market where consumers are increasingly value-focused
- Investment in online offer & leveraging the digital expertise of Catch



- Strategic review underway with outcomes to be provided by 30 June 2020



- Continued investment in digital capability & customer offer to leverage growing consumer shift to online



- Continue to extend leading digital offer
- Format innovation & range expansion to support customer offer



- Focused on operational efficiencies & meeting strong demand for key products
- Continue to develop capital projects including Mt Holland lithium project with the final investment decision due in 2021



- Business turnaround remains a work in progress
- Implementing new regional sales structure at Blackwoods
- Continued investment in data, digital & the ERP system

# Approach to capital allocation remains unchanged

## Opportunities to deliver superior returns by investing for the long term

1. Portfolio of existing businesses	2. Adjacent opportunities	3. Value-accretive transactions
<ul style="list-style-type: none"><li>– Opportunities to invest &amp; drive continued growth in existing businesses with leading positions in growing markets</li><li>– Long-term approach to reinforce customer value proposition with through-the-cycle investment</li><li>– Capital &amp; resources available to support strategy formation &amp; execution</li></ul>	<ul style="list-style-type: none"><li>– Investment opportunities to assist in expanding addressable markets by developing new channels, capabilities, products or services</li><li>– Framework &amp; incentives to encourage entrepreneurial initiative, leveraging existing assets &amp; competencies</li></ul>	<ul style="list-style-type: none"><li>– Disciplined investment in opportunities that deliver long term value by leveraging Wesfarmers' unique capabilities</li><li>– Strong &amp; expanded capabilities in evaluation &amp; execution of opportunities</li></ul>

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***Strict criteria & rigorous financial discipline applied to all investment decisions at all times***

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# Questions

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**Wesfarmers**