

News Release



12 November 2020

Trading update

Wesfarmers has provided an update on trading performance for the financial year to date ending 31 October 2020 ahead of its Annual General Meeting, to be held at 1:00pm AWST today.

Wesfarmers Managing Director Rob Scott said that the trading performance across the Group had been pleasing, with the businesses responding well to a period of significant uncertainty and disruption.

"Despite the challenging operating environment, the results across the Group's retail businesses reflect their continued focus on meeting the changing needs of customers and delivering greater value, quality and convenience while providing safe and trusted environments for customers to shop.

"Team member and customer safety remains the key priority for our businesses, and I acknowledge the extraordinary efforts across the Group to support COVID-safe operations. The Group has continued to incur costs associated with providing a COVID-safe environment, and these totalled around \$23 million for the period ending 31 October 2020. We expect to incur costs of approximately \$15 million per quarter while the threat of COVID persists," Mr Scott said. "There have also been some costs associated with paid pandemic leave and the commitment to pay our Victorian teams through the lockdown."

Significant demand growth has continued in Bunnings, Officeworks and Catch following the strong results reported in the second half of the 2020 financial year.

"The trading restrictions in Melbourne were difficult for team members and customers, and it is encouraging to see progress with the reopening of stores over recent weeks. As a result of significant pent-up demand, the trading performance across stores in Melbourne has been very strong since they re-opened to retail customers on 28 October 2020," Mr Scott said.

Summary of year-to-date sales performance (to October 2020)

	FY2021 YTD ¹		
	Total sales growth (%)	Comparable sales growth (%) ²	Online penetration (%)
Bunnings	25.2	30.9	3.8
Kmart	3.7	9.4	10.2
Target	(2.2)	9.9	18.0
Catch (Gross transaction value)	114.4	Not meaningful	100.0
Officeworks	23.4	Not reported	39.3

¹ Sales performance and online penetration is calculated for the year to date to the end of October 2020. See note on final page for relevant retail calendars.

² Comparable sales growth excludes stores impacted by government-mandated temporary closures in Melbourne and Auckland. Comparable sales growth represents store-on-store sales growth for Bunnings.

In the year to date, the Group's retail businesses delivered total online sales growth of 166 per cent, excluding Catch. Excluding online sales in metropolitan Melbourne, which were significantly elevated due to government-mandated trading restrictions, online sales growth was 98 per cent. Including Catch, total online sales across the Group increased to \$1.3 billion in the year to date.

In Bunnings, strong sales growth has continued in both consumer and commercial segments. Consumer sales remained particularly strong as customers spent more time undertaking projects around the home. Excluding metropolitan Melbourne stores, total sales growth of 29.3 per cent was recorded for the year to date. Good progress has been made on Bunnings' digital agenda, with online sales penetration excluding metropolitan Melbourne of 1.5 per cent during the year to date, and digital engagement with both consumer and trade customers continuing to increase.

In Kmart and Target, continued growth in home, active and kids categories was partially offset by lower customer demand for apparel products. The government-mandated temporary closure of 38 Kmart stores and 32 Target stores in Melbourne impacted sales, partially offset by very strong online growth. Excluding metropolitan Melbourne stores, total sales growth of 12.1 per cent and 6.7 per cent was recorded for Kmart and Target respectively for the year to date. Digital capabilities within Kmart Group continue to expand and online penetration, excluding metropolitan Melbourne, of 7.8 per cent and 13.2 per cent was recorded for Kmart and Target respectively for the year to date.

While stock availability in some home products impacted Kmart's sales growth in July and August 2020, progress has been made to improve availability in recent months, despite long order lead times and recent industrial action at port terminals creating some challenges. The business has significantly increased stock weights in preparation for the Christmas trading period.

Work has progressed on the actions announced to address the performance of Target, with nine large format stores converted to Kmart stores and six Target Country stores converted to K Hub stores during the year to date. Early customer feedback and growth in transaction volumes and sales has been very encouraging, with initial trading results from converted stores exceeding expectations.

Earlier this month, Target announced that Marina Joanou decided to step back from her role as Managing Director of Target to take a period of leave before determining her next opportunity within the Group. Ms Joanou's leadership has helped steer Target through considerable change over the course of this year and she has played a significant role in resetting the Target strategy. Richard Pearson, who joined the Kmart Group in September 2020, has been appointed Managing Director of Target. Mr Pearson brings over 20 years of experience as a retail and consumer goods executive, including time at ASDA, Coles and Mecca.

Pleasing progress continues in Catch, with strong growth in both its in-stock and marketplace segments. Catch had 2.7 million active customers at the end of October 2020, compared to 2.3 million active customers at the end of the 2020 financial year. Catch is continuing to invest significantly in technology, marketing and enhancements to its customer offer to further accelerate growth in gross transaction value.

In Officeworks, sales growth has been supported by strong demand for technology and home office furniture products. Margin has continued to be impacted by changes in sales mix, particularly across Melbourne stores where higher margin categories, such as office supplies and print, copy & create, were disproportionately impacted. Excluding metropolitan Melbourne stores, total sales growth of 27.3 per cent was recorded for the year to date. Customers continue to respond favourably to Officeworks' every-channel offer and online sales penetration, excluding metropolitan Melbourne, was 30.8 per cent in the year to date.

The Group's industrial divisions have made a pleasing start to the year. In Chemicals, Energy and Fertilisers demand for ammonium nitrate remains resilient but, as always, the outlook for the division is dependent on commodity prices and seasonal conditions.

Within Industrial and Safety, Blackwoods has benefited from growth in sales to major customers and strong demand for safety and hygiene products while the demand from oil and gas, and general manufacturing customers has been weaker.

For more information:**Media**

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

RETAIL CALENDARS**Bunnings, Officeworks and Catch****Financial year 2021 to date**

Current period	1 Jul 2020 to 31 Oct 2020
Prior period	1 Jul 2019 to 31 Oct 2019

Kmart**Financial year 2021 to date**

Current period	29 Jun 2020 to 1 Nov 2020 (18 weeks)
Prior period	1 Jul 2019 to 3 Nov 2019 (18 weeks)

Target**Financial year 2021 to date**

Current period	28 Jun 2020 to 31 Oct 2020 (18 weeks)
Prior period	30 Jun 2019 to 2 Nov 2019 (18 weeks)

RETAIL OPERATIONS – Store network

	Open at 1 Jul 2020	Opened	Closed	Re-branded	Open at 31 Oct 2020
BUNNINGS					
Bunnings Warehouse	274	4	(3)	-	275
Bunnings smaller formats	68	-	-	-	68
Bunnings Trade Centres	30	-	-	-	30
Adelaide Tools	6	-	-	-	6
Total Bunnings	378	4	(3)	-	379
KMART GROUP¹					
Kmart	239	2	(4)	9	246
K Hub	-	-	-	6	6
Total Kmart	239	2	(4)	15	252
Target Large	182	-	(4)	(12)	166
Target Small	101	-	(2)	(7)	92
Total Target	283	-	(6)	(19)	258
OFFICEWORKS					
Officeworks	167	-	-	-	167

¹ Differences in re-branding movements between Kmart and Target reflect those Target stores closed during the period that had not yet opened as Kmart or K Hub stores by 31 October 2020.