News Release

28 April 2020

COVID-19 update

Wesfarmers today provided an update on the impact of COVID-19 on retail trading, and the continuing actions being taken across the Group to support team members and customers and further strengthen the Group's balance sheet.

Wesfarmers Managing Director Rob Scott said that the health and safety of team members and customers remain the top priority and the Group is committed to supporting government and community efforts to limit the spread of COVID-19.

"Each of the Group's businesses has implemented a number of changes to protect the health and safety of team members and customers, including store-based measures to support social distancing requirements, the roll-out of protective screens at registers and increased levels of personal protective equipment for team members. These changes have supported continuity of business operations and the associated benefits to customers, suppliers and jobs," Mr Scott said.

"In recent weeks, our retail businesses have also made significant progress in further enhancing their respective digital offers while responding to the substantial increase in online sales. This includes the implementation of Drive & Collect by Bunnings and Officeworks, enabling contactless carpark collection by customers, and the conversion of three Kmart locations to 'dark' stores to support its growing online business."

The implementation of these measures, while resulting in some additional operating costs, is in line with Government advice and requirements and has enabled the continued safe operation of the Group's retail stores. In New Zealand, Kmart and some Bunnings stores remain closed and subject to trading restrictions in line with New Zealand government measures. Similarly, in north-western Tasmania stores have been closed and subject to trading restrictions consistent with stricter State government measures to address the spread of COVID-19.

Retail trading update

Over the last two months, Bunnings and Officeworks have experienced significant demand growth as customers and their families spent more time working, learning and relaxing at home. As a result, sales growth in Bunnings and Officeworks for the third quarter of the financial year and the first three weeks of April has increased relative to levels achieved in the first half of the financial year. Given the disruption to usual customer shopping patterns and potential future changes to government measures, it is uncertain whether the higher levels of sales growth will continue for the remainder of the financial year.

In Kmart and Target, sales growth in the third quarter was broadly in line with the levels achieved in the first half of the financial year, supported by strong growth in online sales. Pleasing progress continues in Catch, with very strong growth in gross transaction value in both the marketplace and in-stock offering.

Wesfarmers Limited
ABN 28 008 984 049

Level 14, Brookfield Place Tower 2
123 St Georges Terrace
Perth WA 6000

T + 61 8 9327 4211
info@wesfarmers.com.au
www.wesfarmers.com.au

In recent weeks however, in-store sales momentum has moderated in Kmart and has declined significantly in Target, reflecting the broader decline in customer footfall in shopping centres and ongoing weakness in discretionary categories, particularly apparel. These trends are expected to persist while social distancing and isolation measures remain in place, and while many tenants and activities within major shopping centres are not operating.

Given the high degree of fixed occupancy costs, a sustained decline in sales momentum will have a material impact on the profitability of Kmart and Target. In recent weeks, margins have also been impacted by higher levels of clearance activity and the increased cost of online fulfillment. While Kmart remains profitable, Target earnings have decreased significantly.

Target review

As reported in the half year results in February 2020, and following the further deterioration in trading conditions, the Group has accelerated its plans to improve the unsatisfactory financial performance of Target. These plans include a review of a range of actions to improve shareholder returns and assessment of strategic options for a commercially viable Target. Further details will be provided prior to 30 June 2020 once the strategic review is completed.

Update on balance sheet and debt capacity

In recent weeks, Wesfarmers has taken various actions to further strengthen the Group’s balance sheet, including the sale on 31 March 2020 of a 5.2 per cent interest in Coles for pre-tax proceeds of approximately $1,060 million. This followed the sale on 18 February 2020 of a 4.9 per cent interest in Coles for pre-tax proceeds of $1,050 million.

In addition, Wesfarmers has also extended its available committed debt facilities by approximately $2.0 billion to approximately $5.3 billion. The extension of debt facilities was secured at acceptable terms, with pricing well below the Group’s current overall cost of debt.

Mr Scott said these actions meant the Group had maintained a strong balance sheet and the capacity to withstand and respond to a range of economic scenarios while supporting the Group’s operating businesses and the pursuit of investment opportunities.

“COVID-19 has had a profound impact on our way of life and business operations and the actions we are taking with our balance sheet and in our businesses are focused on sustaining performance in an uncertain future.

“We recognise that this is an uncertain and worrying time for many team members and customers. Across the Group, we remain focused on the health and safety of our team and our customers and the actions we can take to support our team, our customers, our suppliers and the community.”

For more information:

Media
Cathy Bolt
Media and External Affairs Manager
+61 8 9327 4423 or +61 417 813 804
cbolt@wesfarmers.com.au

Investors
Erik du Plessis
Manager, Investor Relations
+61 8 9327 4603 or +61 439 211 630
EduPlessis@wesfarmers.com.au

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