



ASX Announcement

28 October 2016

Woolworths Limited – First Quarter Sales Results

Please find following the First Quarter Sales Results for the fourteen week period ended 2 October 2016.

For and on behalf of
WOOLWORTHS LIMITED

A handwritten signature in black ink, appearing to be 'R Dammary'.

RICHARD DAMMERY
Chief Legal Officer and Company Secretary

28 October 2016

FIRST QUARTER SALES RESULTS – FINANCIAL YEAR 2017 14 WEEKS TO 2 OCTOBER 2016

Continued momentum in Australian Food

	2017 (14 weeks)	2016 (14 weeks)	Change
<u>First Quarter Sales (\$ million)</u>			
Australian Food	9,321	9,164	1.7%
Petrol (dollars)	1,184	1,331	(11.0)%
Petrol (litres)	1,025	1,035	(1.0)%
Australian Food & Petrol	10,505	10,495	0.1%
Endeavour Drinks Group	1,972	1,900	3.8%
New Zealand Food (AUD)	1,513	1,399	8.1%
New Zealand Food (NZD)	1,588	1,559	1.9%
BIG W	880	931	(5.5)%
Hotels	424	412	2.9%
Unallocated (EziBuy)	39	43	(9.3)%
Total First Quarter Sales from Continuing Operations	15,333	15,180	1.0%
Total First Quarter Sales from Continuing Operations (excluding Petrol)	14,149	13,849	2.2%

PROGRESS ON OUR FIVE KEY PRIORITIES

- Strong Voice of the Customer scores, improving Voice of the Team scores and Voice of the Supplier recently introduced
- Australian Food trading performance continues to improve driven by growth in customers (transactions) resulting in positive comparable sales growth for the quarter of 0.7%
- Relaunch of Woolworths Rewards is showing a material improvement in customer satisfaction
- Endeavour Drinks Group continues to gain share with sales growth of 3.8% in the quarter with attached BWS stores benefitting from improved supermarket foot traffic
- Multi-year turnaround of BIG W underway

Woolworths Group Chief Executive Officer, Brad Banducci, said: "We made good progress during the quarter on our five key priorities and are seeing far more consistency in our trading performance in Australian Food.

"Customers continue to respond to the improvements we are making, with Australian Food delivering its first positive comparable sales growth since Q2'15, despite ongoing material price deflation. While we are pleased with our progress, there remains much more to do. Our trading performance over the key Christmas trading period is crucial to the financial performance of the Woolworths Group in FY17."

BUSINESS RESULTS

AUSTRALIAN FOOD

OPERATING METRICS

	Q1'17 (14 weeks)	Q1'16 (14 weeks)
Year on year (%)		
Sales Productivity Metrics		
Total Sales	1.7%	(0.5)%
Comparable Sales	0.7%	(1.6)%
Volume Productivity Metrics		
Comparable Transaction Growth (%)	2.5%	(1.2)%
Items Per Basket (%)	(2.3)%	(0.5)%
Comparable Item Growth (%)	0.5%	(1.0)%
Change in Average Prices		
Total including Liquor	(1.9)%	(1.8)%
Total excluding Tobacco	(2.8)%	(3.0)%
Customer Metrics (Voice of Customer)		
Overall Customer Satisfaction	76%	69%
Store Controllable Customer Satisfaction	79%	75%

Australian Food sales increased by 1.7% to \$9.3 billion for the 14 weeks of the first quarter of FY17 compared to the previous year. Comparable sales increased by 0.7%. Comparable sales growth was driven by continued improvement in comparable transactions (+2.5%) and comparable item growth of 0.5%.

Our Voice of the Customer (VOC) scores improved significantly over the same quarter in the prior year and have maintained the levels achieved in Q4'16. Overall customer satisfaction increased to 76% (Q4'16: 75%) in the quarter and store controllable VOC has increased to 79% (Q4'16: 77%). We have also recently introduced Voice of the Team and Voice of the Supplier measures.

Average prices declined by 1.9% driven by material price reductions in groceries and bakery compared to the same quarter last year. Excluding tobacco, our average prices were down 2.8%.

Fruit and Vegetables remained in deflation during the quarter despite moderating significantly compared to Q4'16. Within our meat business, we continued to absorb significant cost price inflation during the quarter.

Our focus on lower shelf prices has continued with more than 600 additional items on our 'Price Dropped' and 'Always' programs since year end taking the total to 2,230 items.

We opened two Supermarkets and closed three to end the quarter at 991 Supermarkets. We closed one Thomas Dux store to end the quarter with four.

PETROL

Petrol sales for the quarter of \$1.2 billion were 11% below the prior year, impacted by a 13.9% reduction in average fuel sell prices to 113.2 cpl (Q1'16: 131.5 cpl).

Comparable sales (dollars) decreased 13% and comparable volumes decreased 2.9%. Premium fuels and diesel continued to show growth, offset by lower grade fuels and LPG. Comparable volumes have been impacted by the number of competitor canopy openings despite a competitive fuel price.

Merchandise sales grew by 5.4% in the quarter with 2.3% comparable sales growth.

We opened one petrol canopy and closed one during the quarter, with the total unchanged at 530.

ENDEAVOUR DRINKS GROUP

OPERATING METRICS

	Q1'17 (14 weeks)	Q1'16 (14 weeks)
Sales Productivity Metrics		
Total Sales	3.8%	5.4%
Comparable Sales	1.8%	2.4%

Endeavour Drinks Group sales increased by 3.8% to \$2.0 billion in Q1'17 compared to the prior year with comparable sales increasing by 1.8%. Our retail businesses, BWS and Dan Murphy's, delivered positive comparable growth in the quarter driven by strong Father's Day promotional campaigns, AFL & NRL Finals promotional activity and generally favourable weather in July and August. Adverse weather, especially in South Australia, impacted trading in September.

The liquor market remained competitive with strong activity around key sporting events with continued investment in price and promotional activity to sustain market share growth. We experienced positive growth across both retail formats with Dan Murphy's growth in Beer and Spirits the highlight.

We opened three Dan Murphy's stores during the quarter including our new Dan Murphy's Wine Cellar in Prahran, Melbourne, bringing the total fleet size to 210. We opened nine BWS and closed five ending the quarter with 1,283 stores.

NEW ZEALAND FOOD

OPERATING METRICS

	Q1'17 (14 weeks)	Q1'16 (14 weeks)
Sales Productivity Metrics		
Total Sales ¹	1.9%	3.9%
Comparable Sales ¹	(0.7)%	2.5%
Countdown Supermarkets Food Price Index	(0.5)%	0.5%

New Zealand Food sales for the quarter were NZ\$1.6 billion, an increase of 1.9%¹ on the previous year. In AUD, sales increased by 8.1% due to the strengthening of the NZD against the AUD.

Comparable sales declined (0.7)%¹ for the quarter (Q1'16: 2.5%¹) with deflation of (0.5)% and as we cycled the impact of last year's bulk gift card sales and successful Dominoes promotional campaign. Our focus on low prices continues to drive positive customer growth.

We opened one Countdown supermarket and closed two ending the quarter with 183 Countdown stores. Franchise stores remained unchanged at 64.

PORTFOLIO BUSINESSES

BIG W

OPERATING METRICS

	Q1'17 (14 weeks)	Q1'16 (14 weeks)
Sales Productivity Metrics		
Total Sales	(5.5)%	(8.0)%
Comparable Sales	(5.7)%	(8.0)%
BIG W Price Inflation	(3.7)%	(3.1)%

BIG W sales of \$880 million for the quarter decreased 5.5% on the previous year with comparable sales decreasing by 5.7%. Comparable sales were impacted by significant SKU reduction and clearance activities in deleted lines as well as a reduction in the number of unprofitable promotions. Toys, Books and Audio Visual outperformed despite changed timing of the toy sale compared to last year. Apparel was markedly softer than expected, compounded by the cold start to spring.

Deflation increased to 3.7% in the quarter compared to Q1'16 driven by lower prices across most categories but was below Q4'16 deflation of 6.2%.

Looking forward, we expect modest improvement in apparel sales in the second half as we transition to directly sourced and designed product. However, this is unlikely to offset the deflation and strategic clearance activity that will continue throughout FY17, impacting sales momentum and margins. As a result, we do not currently anticipate an improvement in FY17 EBIT compared to FY16.

Whilst it is still early in our multi-year turnaround we have made solid progress in driving our strategic plan. This includes launching our own online site in the quarter, clearing excess inventory and reducing the complexity of our offer. We remain committed to our clear value positioning which we believe remains a long term competitive advantage.

At the end of the quarter we had 186 BIG W stores, unchanged from year end.

HOTELS

Hotel sales for the quarter were \$424 million, an increase of 2.9% on the previous year. Comparable sales increased by 2.1%.

All key categories delivered positive comparable growth with Bar sales the highlight assisted by the strong performance of recently refurbished venues. Food sales benefited from strong promotions and Accommodation reported growth in occupancy and average room rates.

We closed two venues to end the quarter at 329 Hotels.

DISCONTINUED OPERATIONS

HOME IMPROVEMENT

As previously stated, Woolworths no longer reports sales from the Home Improvement business.

The sale of Home Timber and Hardware was completed on Sunday 2 October 2016. The sale of Masters' inventory is proceeding well, assisted by GA Australia and KordaMentha.

Steps to implement the transaction with Home Consortium are also progressing.



OUTLOOK

Higher customer satisfaction scores are translating into improved sales momentum in Australian Food, despite continued deflation. Our focus for the remainder of FY17 is to build on this momentum and continue to execute against our five key group priorities.

The financial performance for H1'17 will be significantly determined by our sales performance over the key Christmas period and the impact of previously announced price and team hour investments in Australian Food and higher performance-based bonus accruals.

– Ends –

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Appendix One: New Stores and Renewals/ Refurbishments

<u>First Quarter</u>	Gross New Stores	Net New Stores	Refurbishments
Continuing Operations			
Australian Supermarkets	2	(1)	6
Thomas Dux	-	(1)	-
Endeavour Drinks Group (including attached liquor stores)	12	7	9
New Zealand Supermarkets	1	(1)	-
Petrol	1	-	-
BIG W	-	-	-
Hotels	-	(2)	7
Unallocated (EziBuy)	-	-	-
Total Continuing Operations	16	2	22

Appendix Two: Australian Food, Petrol & Endeavour Drinks Group split (before significant items)

FY16

\$ million	Australian Food and Petrol			Endeavour Drinks Group			Australian Food, Petrol & Endeavour Drinks Group		
	H1	H2	Total	H1	H2	Total	H1	H2	Total
Sales	20,714	18,696	39,410	4,152	3,437	7,589	24,866	22,133	46,999
Gross Profit	5,220.5	4,778.0	9,998.5	972.7	803.9	1,776.6	6,193.2	5,581.9	11,775.1
EBIT	1,001.4	758.4	1,759.8	293.3	190.5	483.8	1,294.7	948.9	2,243.6

FY15

\$ million	Australian Food and Petrol			Endeavour Drinks Group			Australian Food, Petrol & Endeavour Drinks Group		
	H1	H2	Total	H1	H2	Total	H1	H2	Total
Sales	21,559	18,954	40,513	3,947	3,304	7,251	25,506	22,258	47,764
Gross Profit	5,595.2	5,016.1	10,611.3	900.1	766.2	1,666.3	6,495.3	5,782.3	12,277.6
EBIT	1,626.9	1,343.3	2,970.2	268.7	200.9	469.6	1,895.6	1,544.2	3,439.8

Appendix Three: Notes

¹ Growth for New Zealand Food is quoted in New Zealand Dollars