

1 November 2018

FIRST QUARTER SALES RESULTS – FINANCIAL YEAR 2019 14 WEEKS TO 30 SEPTEMBER 2018

Customer and brand metrics remain strong despite challenging quarter, reflecting underlying health of the business

FIRST QUARTER SALES

\$ MILLION	2019 (14 WEEKS)	2018 (14 WEEKS)	CHANGE	COMPARABLE GROWTH
Australian Food	9,870	9,684	1.9%	1.8%
Endeavour Drinks	2,101	2,039	3.0%	1.7%
New Zealand Food (AUD)	1,537	1,518	1.2%	
New Zealand Food (NZD)	1,679	1,637	2.6%	4.0%
BIG W	902	890	1.3%	2.2%
Hotels	443	441	0.5%	1.2%
Total first quarter sales from continuing operations	14,853	14,572	1.9%	
Discontinued operation – Petrol	1,326	1,226	8.2%	8.1%

PROGRESS AGAINST KEY PRIORITIES

- **Australian Food's** Voice of Customer (VOC) scores remained strong in Q1'19 despite a more challenging start to the quarter with VOC NPS of 49% and store-controllable VOC of 82% in September
- Australian Food sales growth of 1.9% (comparable sales: +1.8%) due to impact of removal of single-use plastic bags and a competitor continuity program; however, improved momentum in September and into October
- Group online growth of 28% and Woolworths Online awarded the Canstar Blue 2018 award for most satisfied customers
- **Endeavour Drinks** sales growth of 3%; comparable sales growth of 1.7% in a low growth market
- Sales growth in **New Zealand Food** of 2.6%; comparable growth of 4.0%
- Another positive quarter of **BIG W** sales growth of 1.3% (comparable growth: +2.2%) driven by strong Kids and Leisure despite a slow start to sales of summer lines
- Slower sales in **ALH Hotels** impacted by the cycling of key events
- Progress in sale or IPO of **Petrol**
- Progress on **environment and community** with over 600 million fewer single-use plastic bags, over \$7.5 million raised for drought relief, 280 payments to drought-affected dairy farmers and 500 Junior Landcare Grants

Woolworths Group CEO, Brad Banducci said: "While it was a more challenging quarter for sales, customer and brand metrics were strong across the Group, especially in Australian Food reflecting the underlying health of our business.

"In Australian Food, comparable sales momentum improved materially in September compared to August leading to growth of 1.8% for the quarter with market share by the end of the quarter broadly returning to Q4'18 levels.

"In WooliesX, online sales increased 26% with Pick up remaining a key driver; Woolworths Rewards members increased to 11.1 million. Online sales across the Group increased by 28% with New Zealand Food and BIG W particularly strong.

"Comparable sales growth for Endeavour Drinks and ALH Hotels was lower than recent trend due to a low growth drinks market and ALH Hotels cycling strong events in the prior year while BIG W's and New Zealand Food's comparable sales growth are both a result of ongoing investment.

"All businesses are now focused on delivering an exceptional Christmas experience for our customers. I would like to finish by thanking our customers for their support in helping us do the right thing for the environment."

AUSTRALIAN FOOD

OPERATING METRICS

YEAR ON YEAR (%)	Q1'19 (14 WEEKS)	Q1'18 (14 WEEKS)
Customer metrics		
VOC NPS [†] (Store and Online)	49%	41%
Store-controllable VOC [†]	82%	81%
Sales productivity metrics		
Total sales	1.9%	4.7%
Comparable sales	1.8%	4.9%
Volume productivity metrics		
Comparable transaction growth (%)	2.1%	4.6%
Comparable items per basket (%)	0.8%	1.4%
Comparable item growth (%)	2.9%	6.0%
Change in average prices		
Total	(1.0)%	(2.4)%
Total excluding Tobacco	(2.5)%	(4.0)%

Australian Food had a challenging start to the quarter with sales impacted by our customers' and team's adjustment to the removal of single-use plastic bags as well as the impact of a competitor continuity program and the change in timing of Earn and Learn. Despite the slow start to the quarter, customer and brand metrics remained strong, as the majority of customers responded well to our unwavering commitment to the environment and our investment in team hours to support the bag transition. Queue Wait Times improved steadily over the quarter and sales momentum improved in September and has remained solid in October.

As outlined at our full year result, customer feedback measures for F19 have been broadened to include Net Promoter Score (NPS) to better measure progress against our ambition to deliver 'consistently good' shopping experiences. VOC NPS (Store and Online) improved 8pts from the prior year quarter to 49%, driven by higher scores in Stores and a significant improvement in Online. Store-controllable VOC also improved, increasing by 1pt to 82% driven by improvements in Ease of Pick up.

Total sales for the quarter increased by 1.9% to \$9.9 billion with comparable sales increasing by 1.8%. Comparable transaction growth was below recent trends at 2.1% but remained robust. Comparable items per basket increased by 0.8%. Excluding reusable bags, comparable items per basket declined by 1.5% with sales of reusable bags slowing significantly through the quarter as customers became accustomed to bringing their own bags.

In support of the commitment to a circular economy, money made from the sale of the 'Bag for good' has been committed to Junior Landcare with the first round offering 500 grants to help young Australians become involved in gardening and recycling projects.

Average prices declined by 1.0% in the quarter largely driven by Groceries. Fruit and Vegetable prices were flat following deflation of approximately 10% in Q4'18. Excluding Tobacco and Fruit and Vegetables, average prices declined by 2.9%. The number of products on the Always and Dropped program continued to increase with approximately 260 new products added in Q1'19 taking the total to just below 5,200.

In collaboration with Rural Aid and our customers, more than \$7.5 million has been raised to date for drought relief efforts. This includes the 'Buy a Bale' campaign, monies raised from local store fundraising and the donation of all profits from fresh food sales across Supermarkets on Saturday 11 August. A 10 cents per litre increase was implemented on Woolworths three litre own brand milk to provide a means for customers to provide support to drought

* VOC NPS is based on feedback from Woolworths Rewards members. VOC NPS is the number of promoters (score of 9 or 10) less the number of detractors (score of 6 or below) expressed as a percentage of total responses

† In F19, the weights of the seven store-controllable VOC metrics have been changed with a higher weighting given to Fruit & Vegetables, Availability, Queue Wait Times and Team Attitude. Q1'18 has been restated accordingly with quarterly history provided in Appendix 2

affected dairy farmers. This was replaced with a limited edition two and three litre milk range launched in mid-October with the first monthly payment distributed to 280 dairy farmers on 15 October.

During the quarter, four Woolworths supermarkets were opened in the Renewal format and one was closed with a total fleet size of 1,011 at the end of the quarter. Of this, 33 stores were Metro branded. Progress in the Renewal program continued with 15 Renewals including a new flagship Woolworths supermarket in Ascot, Brisbane.

WOOLIESX*

	Q1'19 (14 WEEKS)	Q1'18 (14 WEEKS)
Customer metrics		
Online VOC	81%	77%
Sales productivity metrics		
Total sales (\$ million)	343	273
Sales growth	25.6%	NA
Online penetration	3.3%	2.7%
Loyalty		
Woolworths Rewards members (million)	11.1	10.2

Online sales in Australian Food remained strong, up 26% on last year, supported by the popularity of Pick up, continued improvement in the online experience and increasing customer engagement across all digital channels. Online penetration is now 3.3% of Australian Food sales. Woolworths Online was awarded the Canstar Blue 2018 award for most satisfied customers and rated first for online grocery delivery by Choice Recommended.

Woolworths Rewards continued to build momentum in the quarter, with an increase in members to 11.1 million. Rewards made a positive contribution to sales growth, through the evolution of its data and direct capability, which rewards customers with relevant and personalised offers. There was also a strong improvement in member engagement with continued growth in member scan rates.

During the quarter, WooliesX continued its focus on ultra-convenience for customers with an express delivery pilot in Sydney and Melbourne, the launch of a refreshed Woolworths App for shopping (both in-store and online) and the trial of Scan & Go at Double Bay.

* WooliesX sales numbers are reported as part of Australian Food total and comparable sales

ENDEAVOUR DRINKS

OPERATING METRICS

YEAR ON YEAR (%)	Q1'19 (14 WEEKS)	Q1'18 (14 WEEKS)
Sales productivity metrics		
Total sales	3.0%	3.8%
Comparable sales	1.7%	3.3%

Endeavour Drinks' sales increased 3.0% in the quarter to \$2.1 billion with comparable sales increasing 1.7%. BWS and Dan Murphy's delivered positive comparable growth with attached BWS stores the highlight despite an impact from the removal of single-use plastic bags on customer transactions in July. Comparable sales growth was below recent trends due to a slowing in market growth, particularly in wine, a category in which Dan Murphy's over indexes.

Online sales for both BWS and Dan Murphy's continued to grow strongly with double-digit growth on the prior year. During the quarter, BWS extended BWS On Demand to 472 stores with plans to reach over 500 by Christmas. Dan Murphy's online penetration is now approximately 7% of sales with an equal split between Pick up and Delivery.

During the quarter, eight BWS stores were opened and three were closed and one Dan Murphy's was opened and another closed bringing total store numbers to 1,321 and 227 respectively.

NEW ZEALAND FOOD

OPERATING METRICS

YEAR ON YEAR (%)	Q1'19 (14 WEEKS)	Q1'18 (14 WEEKS)
Customer metrics		
Store-controllable VOC [*]	80%	NA
Sales productivity metrics[†]		
Total sales	2.6%	3.2%
Comparable sales	4.0%	2.7%
Volume productivity metrics		
Comparable transaction growth (%)	3.2%	1.5%
Comparable items per basket (%)	1.7%	(1.0)%
Comparable item growth (%)	4.9%	0.5%
Change in average prices	(1.8)%	0.1%

New Zealand Food's store-controllable VOC was 80% in September, a 1pt improvement on June driven by a significant improvement in customer satisfaction with Fruit & Vegetables, following the investment in F18 and ongoing focus on quality. Sales increased by 2.6% to \$1.7 billion despite an increase in deflation in the quarter compared to the prior year. Sales were also impacted by the closure of three stores in H2'18 and one in Q1'19 due to store rationalisation.

Comparable sales growth of 4.0% was driven by comparable transaction growth and strong infant formula sales. Comparable items per basket increased by 1.7% but also includes higher sales of reusable shopping bags. Excluding bags, comparable items per basket increased by 0.8%.

Average prices declined by 1.8% in the quarter, in line with Q4'18, driven by lower prices in Fruit and Vegetables, and Grocery. There are now over 4,400 products on the Price Down program.

At the end of the quarter, 87 Countdown stores had removed single-use plastic bags with all remaining stores converted by mid-October, ahead of the original December deadline. The transition has gone well and has supported improving community perceptions.

* The calculation of store-controllable VOC was aligned to Australian Food in November 2017

† Growth for New Zealand Food is quoted in New Zealand dollars

Online sales remained strong in the quarter, up 40% on last year supported by strong growth in Pick up. The CountdownX team has moved to dedicated premises in Ponsonby, Auckland with capability continuing to build. All Countdown stores completed the rollout of 1Store in the quarter with the last of the stores going live in mid-August.

During the quarter, one Countdown store was closed with 180 Countdown stores at the end of the quarter.

BIG W

OPERATING METRICS

YEAR ON YEAR (%)	Q1'19 (14 WEEKS)	Q1'18 (14 WEEKS)
Customer metrics		
Store-controllable VOC	79%	NA
Sales productivity metrics		
Total sales	1.3%	2.5%
Comparable sales	2.2%	2.9%
Volume productivity metrics		
Comparable transaction growth (%)	1.8%	1.7%
Comparable items per basket (%)	4.1%	5.1%
Comparable item growth (%)	6.0%	6.8%

BIG W continues to make progress in its turnaround with improved customer metrics and comparable sales growth in the quarter. All the key customer metrics measured by BIG W improved or were stable in the quarter.

Total sales increased by 1.3% to \$902 million with comparable sales growth of 2.2%. Leisure and Kids were the best performing categories with both benefitting from strong growth in online (particularly Pick up) and a successful Toy Sale campaign. Sales of summer lines, including apparel, have been below expectations due to the slow start to the spring/summer selling period.

Sales growth was supported by item growth of 6.0% in the quarter driven by a 4.1% increase in items per basket. However, items per basket included the sale of reusable shopping bags. Excluding reusable bags, comparable items per basket increased by 0.5%.

Online sales grew by 177% in the quarter due to the popularity of Pick up. Online sales were also supported by an increase in the number products available online, as well as continuous improvements to the website to upgrade the search experience for customers.

The BIG W store network size remained unchanged at 183 in the quarter.

HOTELS

OPERATING METRICS

YEAR ON YEAR (%)	Q1'19 (14 WEEKS)	Q1'18 (14 WEEKS)
Sales productivity metrics		
Total sales	0.5%	4.1%
Comparable sales	1.2%	4.1%

Total sales for **Hotels** increased by 0.5% in the quarter to \$443 million with comparable sales increasing by 1.2%. Comparable sales growth for the quarter was lower than the same quarter last year as we cycled two major televised sporting events, which did not repeat this year.

By category, Accommodation delivered the strongest growth in the quarter with Bars the weakest in a challenging on-premise environment.

The number of Hotels remained unchanged at 323 during the quarter.

DISCONTINUED OPERATION

PETROL

Petrol sales grew by 8.2% to \$1.3 billion in the quarter with comparable sales growth of 8.1%. While sales benefitted from the higher petrol prices, volumes were impacted by lower tank fill sizes and competitor site openings. Average fuel prices increased by 20% to 145.4cpl (Q1'18: 121.1cpl). Comparable volumes declined by 10.0% in the quarter.

Merchandise sales decreased by 1.1% in the quarter.

We opened four new canopies to end the quarter with 538 sites.

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APPENDIX ONE: NEW STORES AND RENEWALS/ REFURBISHMENTS

FIRST QUARTER	GROSS NEW STORES (INCL. ACQUISITIONS)	NET NEW STORES (INCL. ACQUISITIONS)	RENEWALS/ REFURBISHMENTS
Continuing operations			
Australian Supermarkets (including Metro)	4	3	15
Endeavour Drinks (including attached)	9	5	17
New Zealand Food	-	(1)	4
BIG W	-	-	-
Hotels	-	-	14
Total continuing operations	13	7	50

APPENDIX TWO: RESTATED AUSTRALIAN FOOD VOC NPS AND STORE-CONTROLLABLE VOC

	Q1'18	Q2'18	Q3'18	Q4'18
Australian Food				
VOC NPS (Store and Online)	41%	50%	48%	48%
Store-controllable VOC	81%	82%	82%	82%

ENDNOTES:

In the current period, other operating revenue has been included in total sales to better align reporting with how the business is managed. Comparative amounts have been re-presented to conform to the current period's presentation. There is no impact on profit or loss.

[Click here to view the shareholder communication for these results.](#)