



Woolworths Investor Strategy Day

May 2015

WOOLWORTHS LIMITED



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Grant O'Brien

Managing Director and Chief Executive Officer

Q3'15 Sales

Third Quarter Sales (\$ million)	2015 (13 weeks)	2014 (13 weeks)	Increase	Easter Adjusted Increase (%)
Australian Food and Liquor	10,621	10,382	2.3%	1.7%
Petrol (dollars)	1,181	1,822	(35.2)%	(34.8)%
<i>Petrol (litres)</i>	977	1,234	(20.8)%	(20.2)%
Australian Food, Liquor and Petrol	11,802	12,204	(3.3)%	(3.7)%
New Zealand Supermarkets (AUD)	1,433	1,331	7.7%	7.7%
<i>New Zealand Supermarkets (NZD)</i>	1,500	1,429	5.0%	5.0%
General Merchandise	907	926	(2.1)%	(5.7)%
Hotels	359	357	0.6%	1.1%
Masters	217	179	21.2%	19.2%
Home Timber and Hardware	238	195	22.1%	24.0%
Home Improvement	455	374	21.7%	21.7%
Total Third Quarter Sales	14,956	15,192	(1.6)%	(2.1)%
<i>Total Third Quarter Sales (excluding Petrol)</i>	13,775	13,370	3.0%	2.3%

Q3 Sales Commentary

- We were disappointed with Australian Food and Liquor sales in December and January. February and March have shown improvement as we commenced the actions announced in February, however April has been more subdued
- Liquor continues to perform strongly
- Petrol sales continue to be impacted by our decision to change our agreement with Caltex and lower average fuel sell prices
- New Zealand Supermarkets' result is pleasing and shows customers are responding to our strong promotional activities and commitment to value
- General Merchandise results continue to be impacted by the BIG W transformation. We have made solid early progress with inventory clearance activity
- Hotels show positive sales momentum particularly in Victoria and Queensland

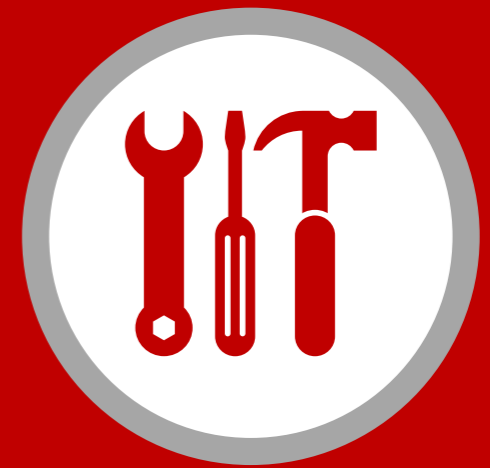
Key messages



**Woolworths is
a strong
business with
lots of potential**



**We are
absolutely aware
of the challenges
to realising that
potential**



**We are taking
the steps
required**

Our retail portfolio model brings competitive advantage

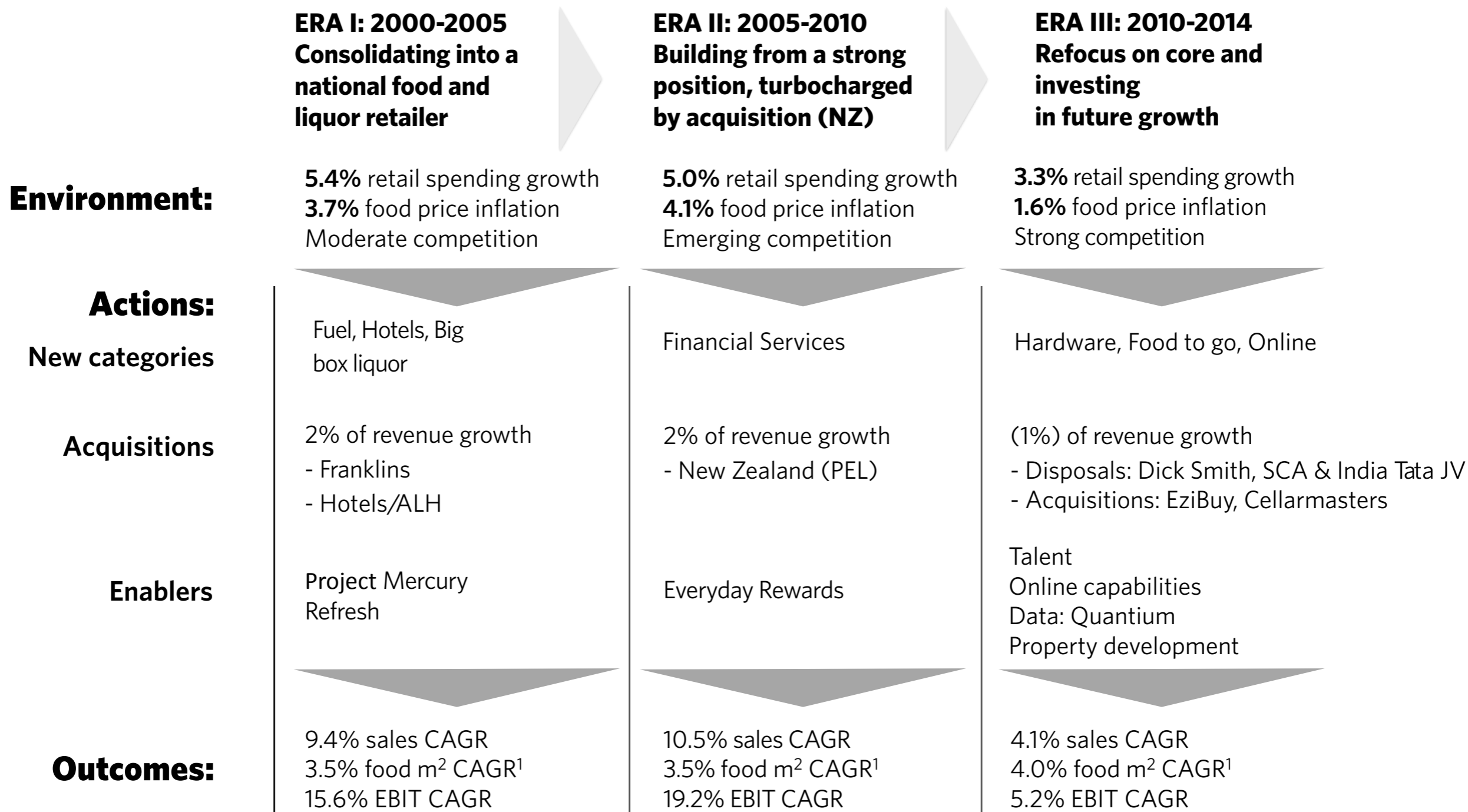
- 1 Seamless customer experience**
 - Across channels,
 - Across occasions & missions
- 2 Active portfolio management**
 - Build businesses to leading positions in offer, access & value
 - Fix and transform underperformers
 - Exit where no longer the most value adding owner
- 3 Tightly defined centre**
 - Leveraging scale benefits
 - Capturing scope advantages
 - Building platforms
 - Incubating and innovating



We have strong market positions, affording many opportunities for further growth

	Position	Further Growth Opportunities
Food - Australia	Australia's largest supermarket operator 14.6m customers on average per week 20% greater share than nearest competitor	Share gains in a fragmented food sector Share of wallet gains Food market expansion New occasions
Food - New Zealand	NZ's #1 supermarket brand	New categories Online expansion
Liquor	Australia's #1 liquor business #1 in convenience, #1 in destination, #1 online	Online growth Premiumisation
Home Improvement	54 big box stores Leading trade building specialist position	DIY big box white space Market consolidation Online growth and expansion
General Merchandise	#2 Market share Largest online apparel in Australia and New Zealand	New and expanded categories Online share and growth
Hotels	330 venues 3½ x larger than nearest competitor	New technologies Accommodation and food
Online	Australia and New Zealand's largest online retailer Over 50% share of food and liquor Over 2m online customers	Click & Collect network Marketplaces

We are a growth business, regardless of the environment



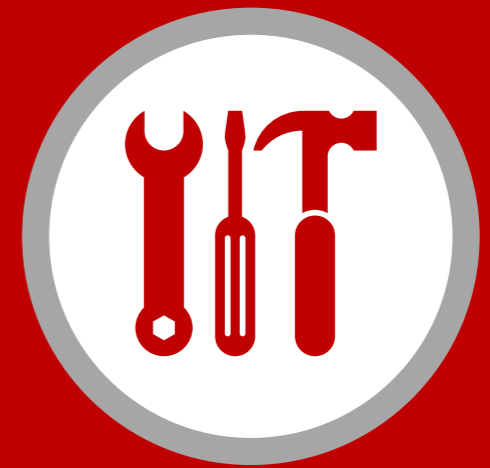
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A new era brings new retail challenges



Woolworths' Lean Retail Model

	Era I, II	Era III & beyond
Cost	<ul style="list-style-type: none"> Advantage built on scaling up fixed cost base, relying on fractionalisation in a high inflation environment 	<ul style="list-style-type: none"> Lower inflation requires real-dollar cost out across both COGS & CODB Scalable platforms needed to win in digital environment
Customer offer	<ul style="list-style-type: none"> Mainstream dominant, rewarding a well executed standard one-size-fits-all offer 	<ul style="list-style-type: none"> Disappearing middle Consumers demanding more choice, tailoring, value and convenience
Growth	<ul style="list-style-type: none"> High retail growth Comp sales from gaining share in fragmented markets, bolstered by M&A 	<ul style="list-style-type: none"> Modest retail growth Disruptive competitor models Overseas competition

Six challenges to realising our potential

- | | | |
|-----------------|--|---|
| <p>1</p> | <p>Regaining momentum in Australian Supermarkets</p> | <ul style="list-style-type: none"> ➔ Building customer trust ➔ Maintaining focus and consistency in execution ➔ Extending market leadership |
| <p>2</p> | <p>Continuing to outperform in Liquor</p> | <ul style="list-style-type: none"> ➔ Dealing with a low growth market environment ➔ Staying at the forefront of digital innovation |
| <p>3</p> | <p>Making clear progress on Masters' path to profitability</p> | <ul style="list-style-type: none"> ➔ Landing new range and store format ➔ Educating the customer about our unique offer ➔ Maximising market consolidation opportunity |
| <p>4</p> | <p>Accelerating the reset of BIG W</p> | <ul style="list-style-type: none"> ➔ Converting our new capabilities into results ➔ Maintaining test-and-learn pace ➔ Aligning our inventory to our new customer offer |
| <p>5</p> | <p>Accelerating our lean retail model to compete in a new environment</p> | <ul style="list-style-type: none"> ➔ Turbocharging our cost-out program ➔ Empowering strong businesses while keeping portfolio synergies |
| <p>6</p> | <p>Maintaining disciplined portfolio management and capital allocation</p> | <ul style="list-style-type: none"> ➔ Driving focus on long-term shareholder value |

Key messages



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In 2014 we kicked off a structured Group-wide transformation to turbocharge a 'lean retail' model

Fuel For Growth Program

A continuation of our historical approach of driving growth via seeking efficiencies and investing them in our customers ... but with emphasis on the need to take 'real dollar' costs out in a low inflation environment, without impacting customers

		Already scoped and in flight
Mercury 2 (end to end)	Implement lean processes, leveraging technology	\$0.1b+
Support	Reduce complexity then simplify organisation Operate with a lean centre	\$0.1b+
Non-trade procurement and capex	Leveraging scale across businesses, managing demand and improving controls	\$0.1b+
Supermarkets	Process efficiencies, COGS improvements, reduced shrinkage	\$0.3b+
		\$0.5b+

Woolworths' Lean Retail Model



A confirmed pipeline of "cost out" that will fund our planned investments

We are exercising capital discipline

- Skewing capital allocation to Supermarkets
- Reduce Masters investment until the model is proven
- BIG W capex being curtailed until transformation complete
- Further efficiency in Stay in Business capex and heightened review and accountability of all capex growth
- Continuing to invest to sustain long term competitive advantage (e.g. Mercury 2)

Each business leader has been given the mandate to realise the full potential of their businesses

Food



Liquor



Home Improvement



General Merchandise



Hotels



Key messages



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Agenda for today

Time	Topic	Session Led By
9.30 – 10.15	Q3 Sales & Introduction	Grant O'Brien
10.15 – 11.45	Food	Brad Banducci, Dave Chambers
11.45 – 12.15	Liquor	Martin Smith
12.15 – 1.00	Lunch	
1.00 – 2.00	General Merchandise	Alistair McGeorge
2.00 – 3.00	Home Improvement	Matt Tyson
3.00 – 4.00	Enablers of Competitive Advantage	Grant O'Brien, Penny Winn, Emma Gray & Matthew Stanton
4.00 – 4.20	Afternoon tea	
4.20 – 4.50	Group Financial Overview	David Marr
4.50 – 5.30	Questions & Close	Grant O'Brien
5.30pm	Drinks	



Woolworths Food Group

Brad Banducci

Managing Director

Woolworths Food Group

Dave Chambers

Director

Woolworths Supermarkets

Observations 10 weeks in

- A strong franchise - with good people, assets and capabilities
- A clear strategic plan with significant potential
- However, we have lost focus on our customers and this needs to be addressed with some urgency
- What needs to be done is clear but it will take time to build customer trust and regain sales momentum
- The key to success is in our hands – it will require focus, consistency and changing our ways of working

Woolworths is a strong business franchise

Customer engagement

- ✓ We have frequent interaction with our customers
 - 14.6m customers shopping with us 1.3 times per week¹
 - 500,000+ unique online customer visits per week
- ✓ We know how our customers shop at a local level via our 8.5m Everyday Rewards customers

Touch points

- ✓ We have the biggest store network: 952 stores at Q3
- ✓ We are the leading online food store with over 50% share
- ✓ We have a small but growing urban small store business

Brand

- ✓ We are the “Fresh Food People”

Operations and scale

- ✓ We have economies of scale = 1.2 times store base versus our biggest competitor

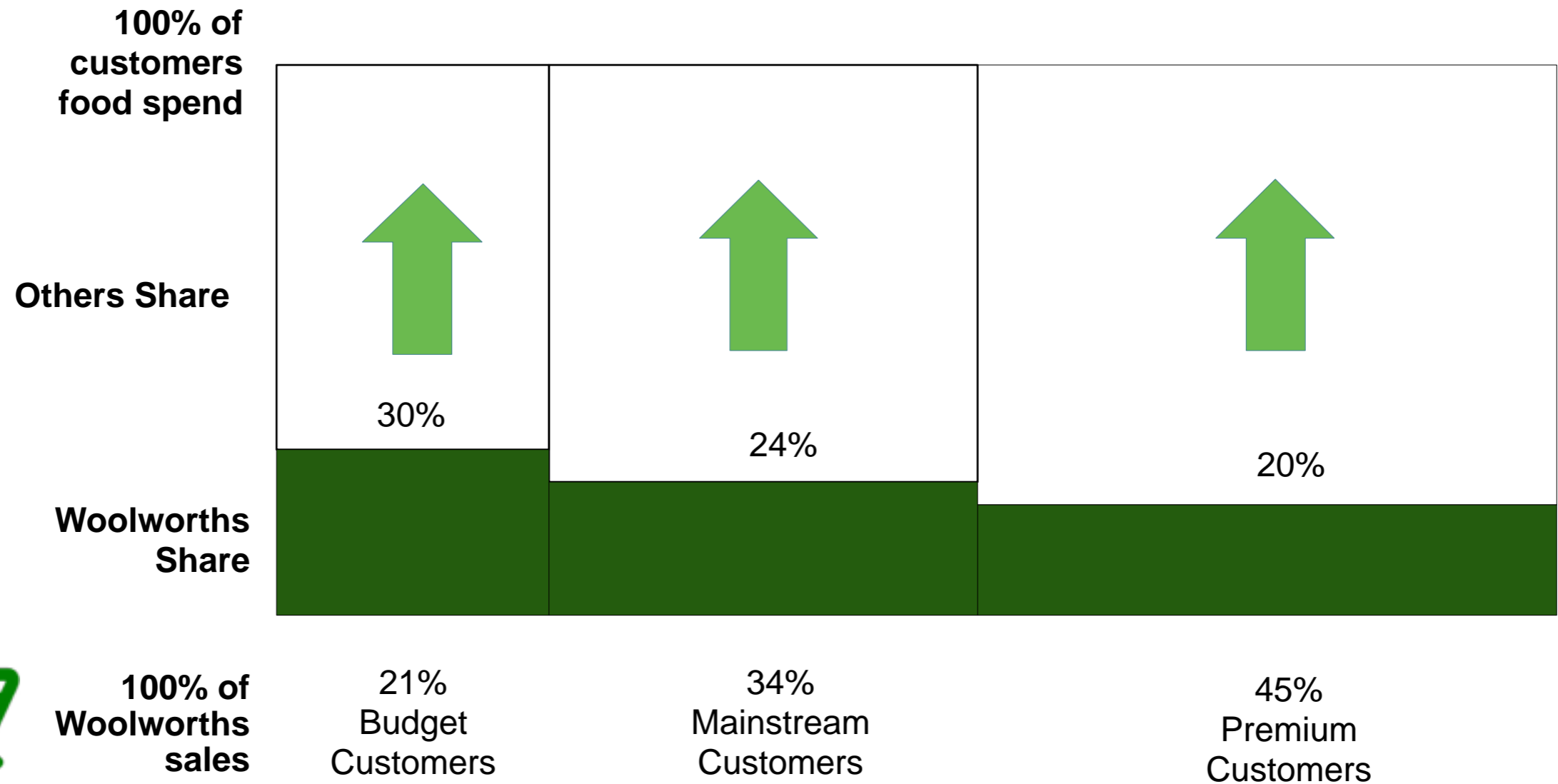
Team

- ✓ We have a very strong team culture

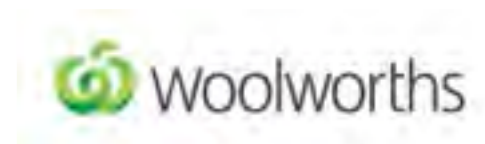
(1) Quantum Checkout data, 16 weeks to end of January 2015

We have a lot of white-space to grow

Australian Food Spend by Customer Segment



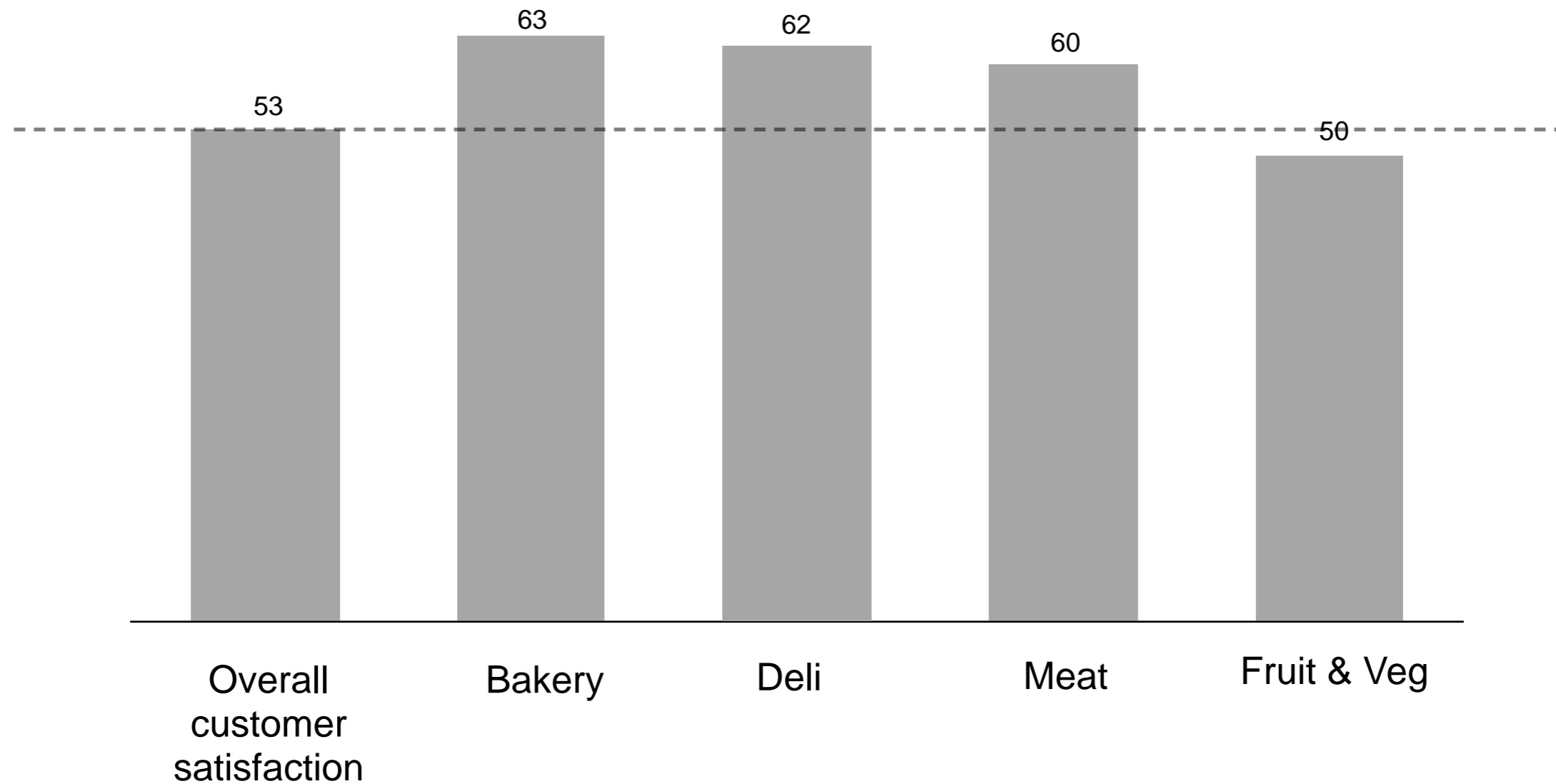
SOURCE: Nielsen, ABS, Everyday Rewards



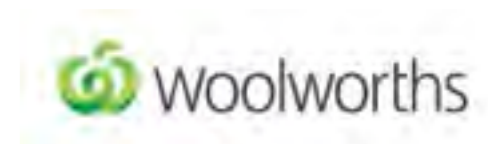
However, our customers are not particularly satisfied with us

Woolworths Customer Satisfaction Overall and by Fresh Department: February 2015

(%)

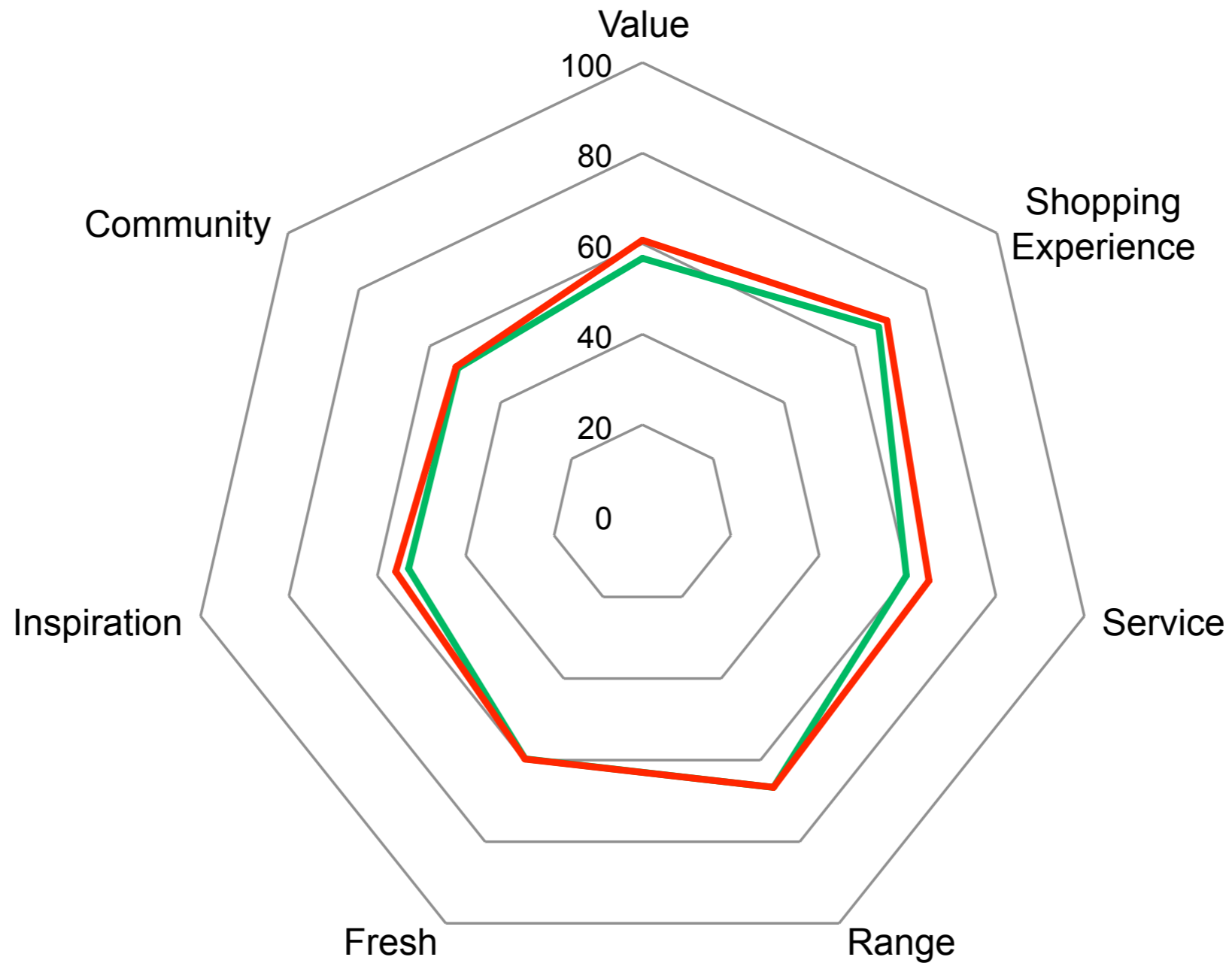


SOURCE: Voice of the customer, February 2015



We do not have any clear points of difference with our major competitor

Woolworths vs. Coles: F15 Q3 Brand Perception¹



SOURCE: Woolworths Brand Tracker

(1) Percent of customers rating a 5,6 or 7 out of 7 on brand attributes

Our plan of action is to get our customers to put us 1st



How do we get customers to put us 1st?

Customer Supermarket Shopping Decision Criteria (% relative importance)

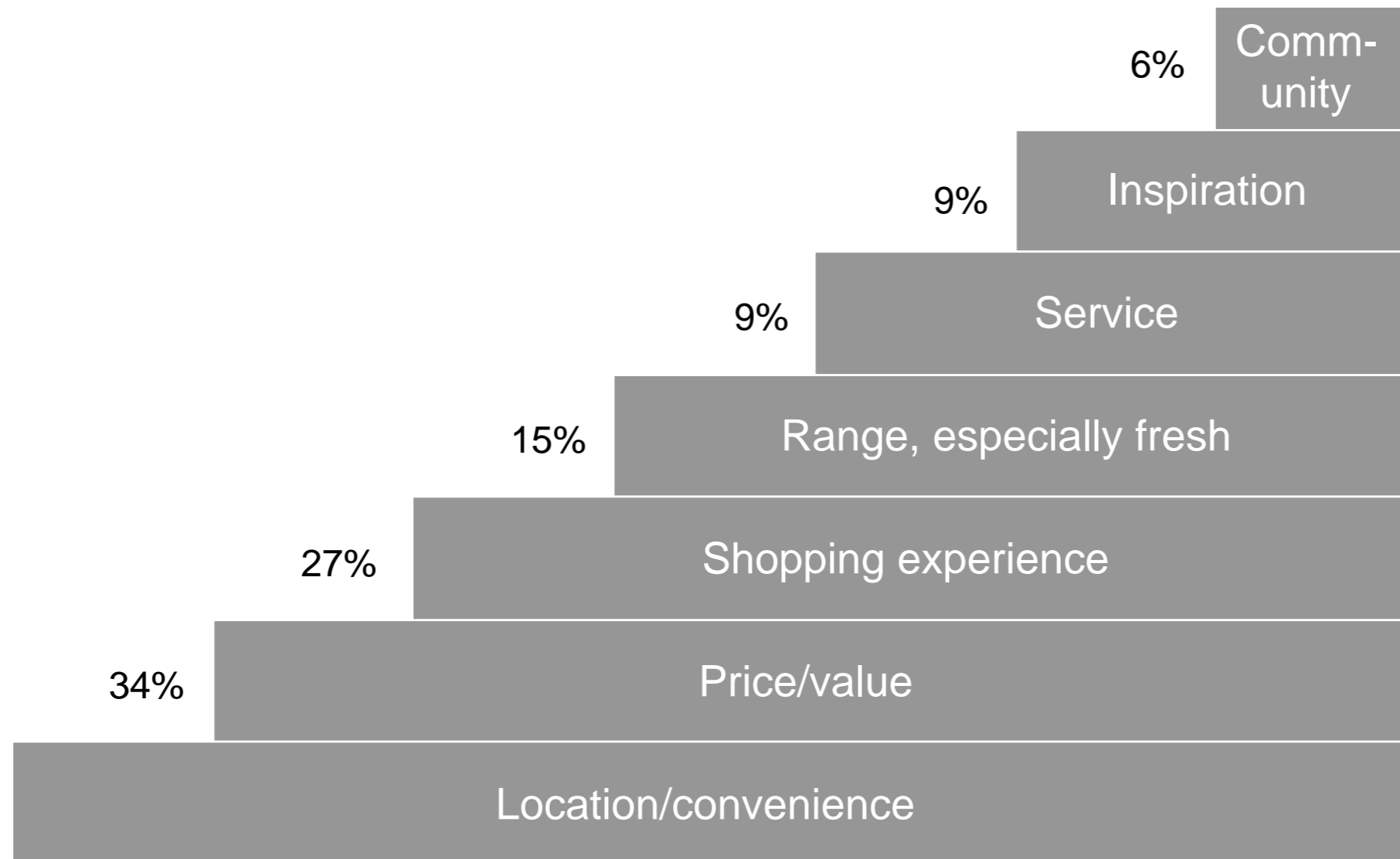
Our Strategy

Differentiate

Deliver

Lead

Primary driver



Relative importance of customer shopping decision

SOURCE: Woolworths Brand Tracker 2014

Our customer proposition

Customer 1st

Customers know they get good prices across their shopping basket

Customers have a consistently great shopping experience across all touch points – supermarkets, small stores and online

Customers perceive Woolworths to have the best quality and range, especially in fresh food

Customers talk about us as “Woolworths the Fresh Food People”



We have already started to take action in the second half

Good Prices

- Invested \$125m in lower prices
- Lowered online prices to match store pricing

Great Shopping Experience

- Invested 58,000 team member hours per week focussed on priority areas
- Added extra ½ day of stock in the short term to improve product availability

Best quality and range

- Improved fruit and vegetable display and range, emphasising seasonal abundance and value
- End-to-end initiatives to improve freshness, starting with strawberries

Meeting more customers' needs

- Launched online Delivery Saver
- Re-launching our website at present with greatly improved user experience
- Piloting our fresh convenience food plant

Culture, business model and brand

- Upweighted customer metrics on store scorecards
- Re-organised how we work

Improving our core offer is a critical precondition to everything else



Customers need to be confident they get good prices at Woolworths

What our customers told us

- Woolworths needs more competitive prices
- Aldi delivers on value and quality
- Everyday Rewards does not deliver enough value
- Why doesn't online have the same pricing as supermarkets?

Actions since January

- Invested \$125m in lower prices
- Removing 'price irritants' to ensure consistency in pricing across range
- Starting to close gaps in our entry level ranging
- Reduced online pricing to match store pricing

Priorities

- Neutralise Coles and contain Aldi on pricing
 - Further targeted investment
 - Ensuring our reward program delivers more value
 - Own and exclusive brands that offer great quality/value
 - Enhance our pricing capabilities

We are delivering our most competitive prices to our customers since early 2014

Improved pricing will grow items per basket and shopping occasions

Share of customer wallet

Price per item

Items per basket

Shopping occasions

Our performance in year to February



Rising by more than competition



Declining by more than competition



Marginal growth but significantly below competitors

Priorities



Improve relative pricing



Be rewarded by customers as they put more items in their baskets



Be rewarded by customers moving shopping occasions to us



Relatively fast response



Will take longer to earn back trust

Our customers should expect a great shopping experience

What our customers told us

- Woolworths service needs to improve
- They are not satisfied with product availability
- Our shopping experience varies significantly by store
- Some stores feel very old and tired

Actions since January

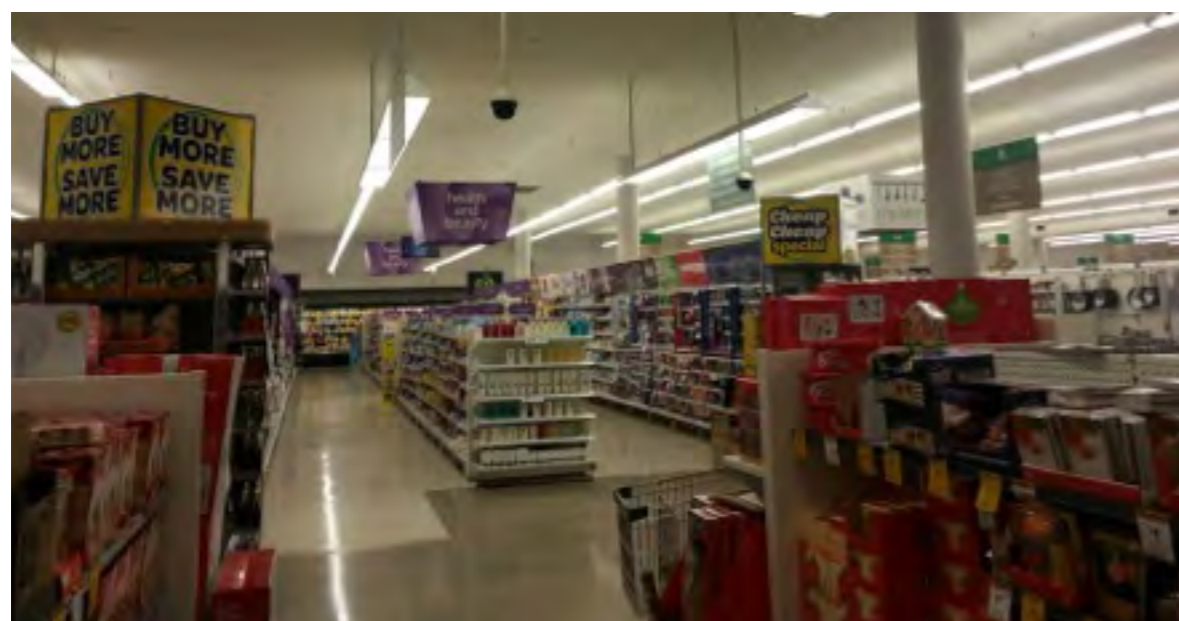
- Put 58,000 hours back in stores at times when stores busiest - focused on fruit and vegetables and service
- Cross-functional availability team
- Actions underway to improve Self Check-out

Priorities

- Invest a further 63,000 hours in stores next year
- Dramatically improve on-shelf availability, starting with promotional SKUs and meat
- Rapidly address customer experience basics – trolleys, signage, gates, lighting, etc.
- Rebalance store openings with refurbishments

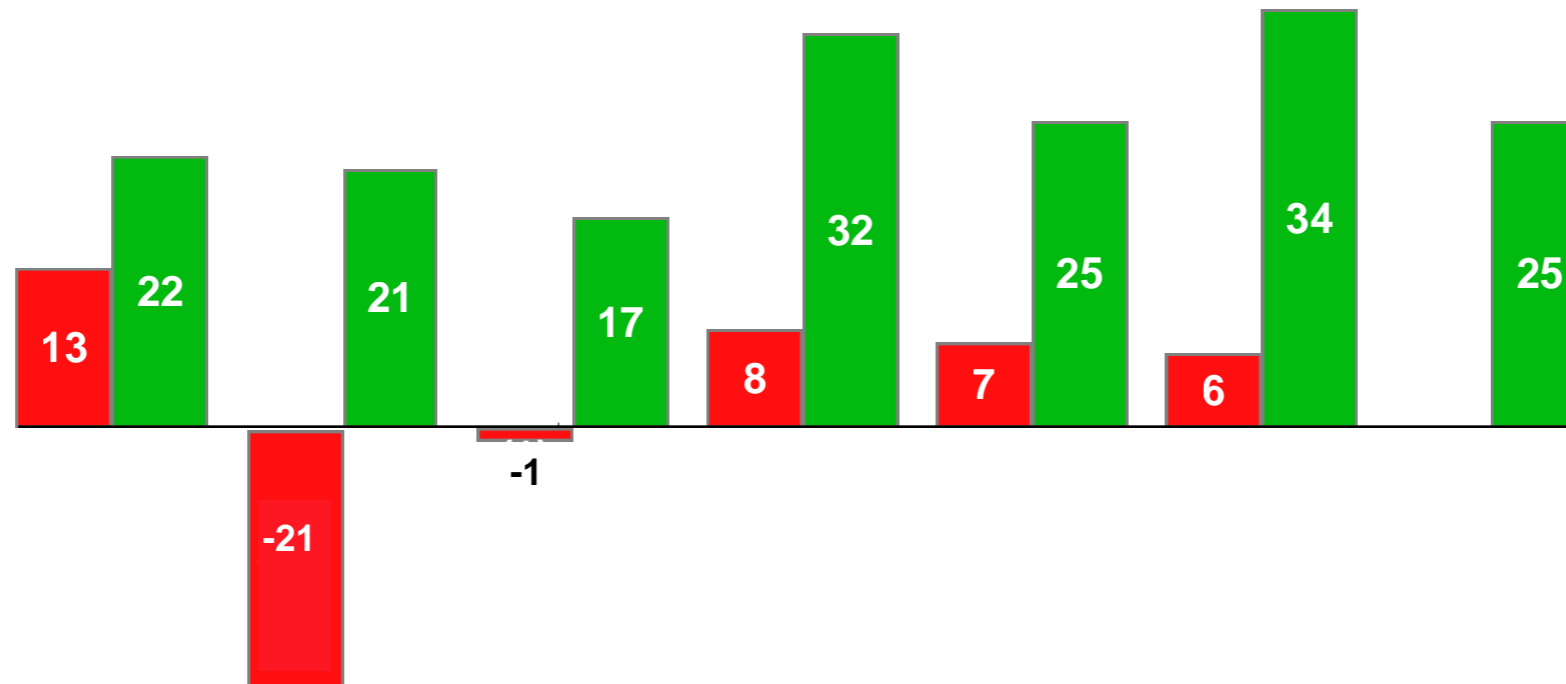
Our service perception scores have stabilised in the second half

We are investing in our stores – quick wins



We are rebalancing our investment in new versus refurbished stores

Net new store openings

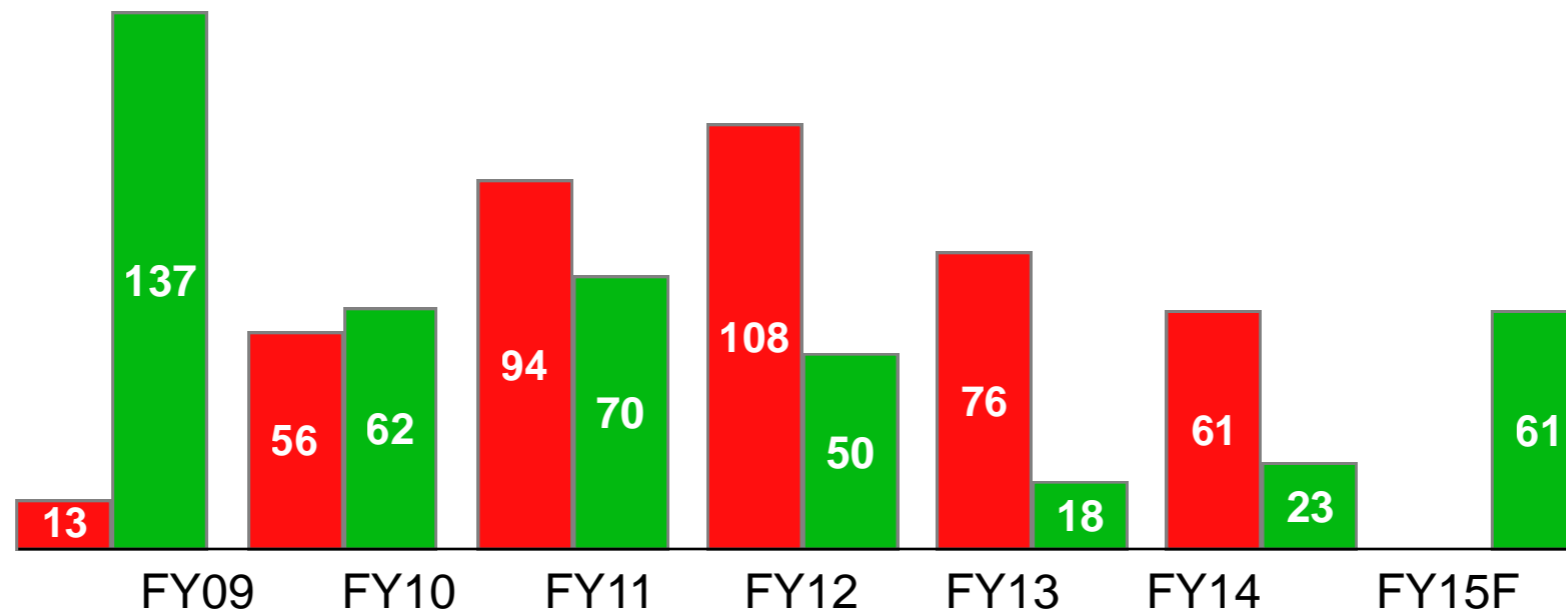


Our Strategy

Continue to open 20 – 30 supermarkets per annum in line with population growth and network gaps

Number of Refurbishments

Major competitor
Woolworths



Increase refurbis to 80+ per annum prioritised by customer feedback and store condition

SOURCE: Woolworths finance; Wesfarmers website. FY15 data not available for Wesfarmers.

Our customers have high expectations from us in terms of range

What our customers told us

- Have high expectations of us to deliver the best Fresh and we need to do better
- We can do a better job of ranging products in their store to match their needs
- Aldi brands seen to be on par or better than Woolworths Select and better than Homebrand

Actions since January

- Fruit and vegetables actions
 - Layout, pricing, ranging, service and supply chain
- Launched targeted customer ranging pilots in key categories
- Review of own brand strategy

Priorities

- Consistently deliver the freshest fruit and vegetables, starting with priority products
- Continue to rollout tailored customer ranging
- Reposition our own and exclusive brands as part of the Woolworths FoodCo plan

We lead on range but can do better

We have taken a number of actions in fruit and vegetables already

We won't be beaten on price

- Reinvested COGS savings in better prices
- Launch \$1 specials
- Launch of Odd Bunch

Great products across total range

- In-conversion Organics launch
- Exclusive varieties & new products

Best quality from paddock to plate

- Minchinbury DC moving toward pick to zero
- Specialist Agronomist team extended

Merchandised with passion & knowledge

- “We Love Fruit & Veg” relaunched nationally
- Included new merchandising standards and additional training for Produce Specialists

Supporting our growers & community

- “Odd Bunch” supporting ‘More of Crop’
- Platinum member of PMA (Produce Ass’n)
- Woolworths Agricultural Scholarships program

Customer satisfaction is up 8% in pilot stores

We are taking actions to improve the products that customers value most

Customer Research: Fruit and Vegetable Quality and Freshness Priorities



SOURCE: Woolworths team analysis

Tailored customer ranging pilots are showing promising results: Long-Life milk example

Non-Dairy Cluster (e.g. Double Bay store)

Increased range and space for non-dairy products – 92 SKUs



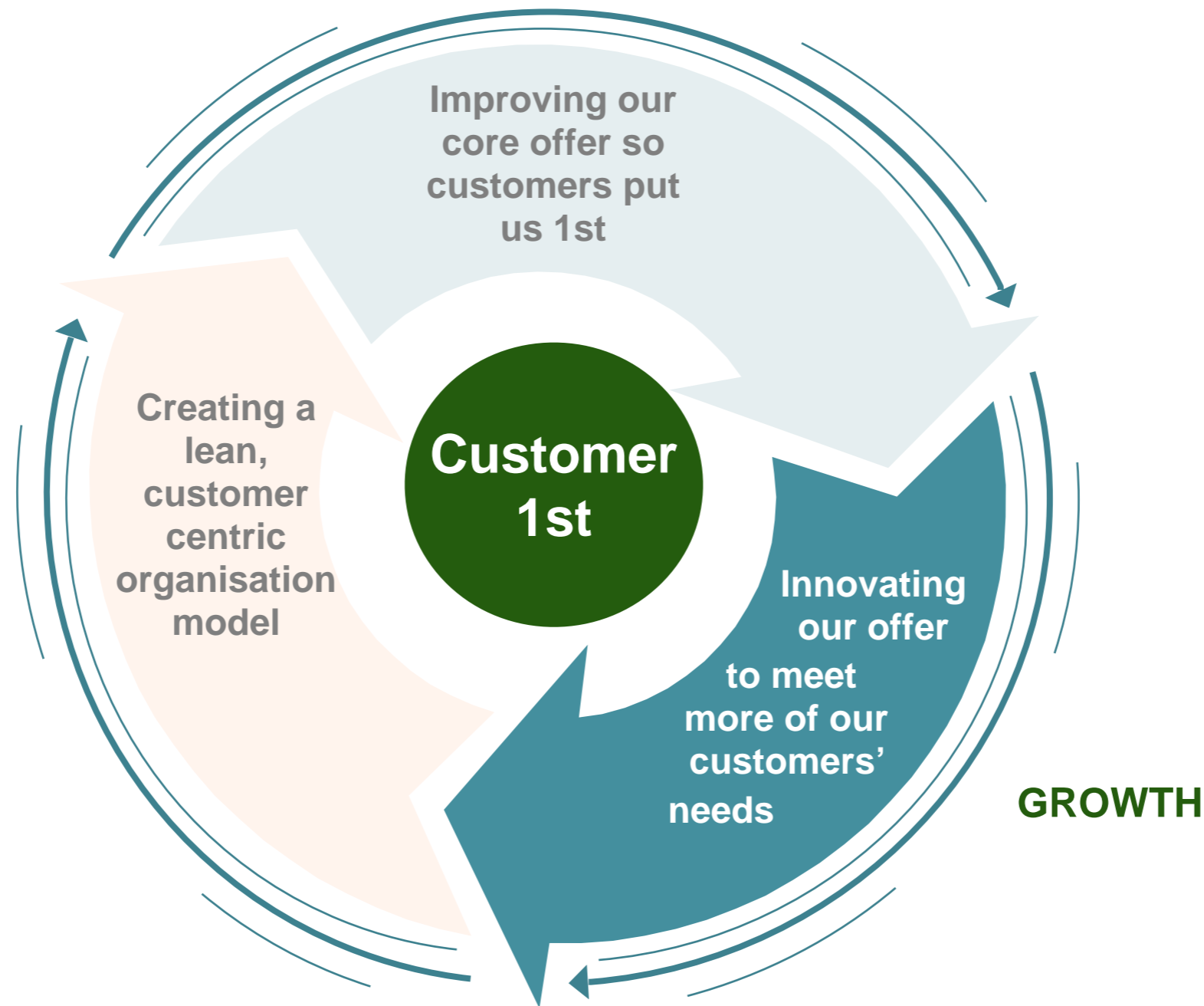
Powder Metro Cluster (e.g. Eight Mile Plains store)

Increased space for powdered milks – 81 SKUs



Promising results with 3.9% sales uplift in Long-Life milk

Customer needs and shopping habits are changing, we are innovating our offer



Innovating our offer to better meet our customers' needs is an important longer term priority

What our customers told us

- They are increasingly time poor and our online offer meets a key need
- They shop elsewhere for food-for-now/later and often for top-up
- Some confusion about our current convenience offer

Actions since January

- Continued online innovation – Delivery Saver, Website user experience (UX) and now the Apple Watch
- Working with local suppliers to develop a scalable food for-now/later supply base
- Review convenience store strategy including branding and pricing

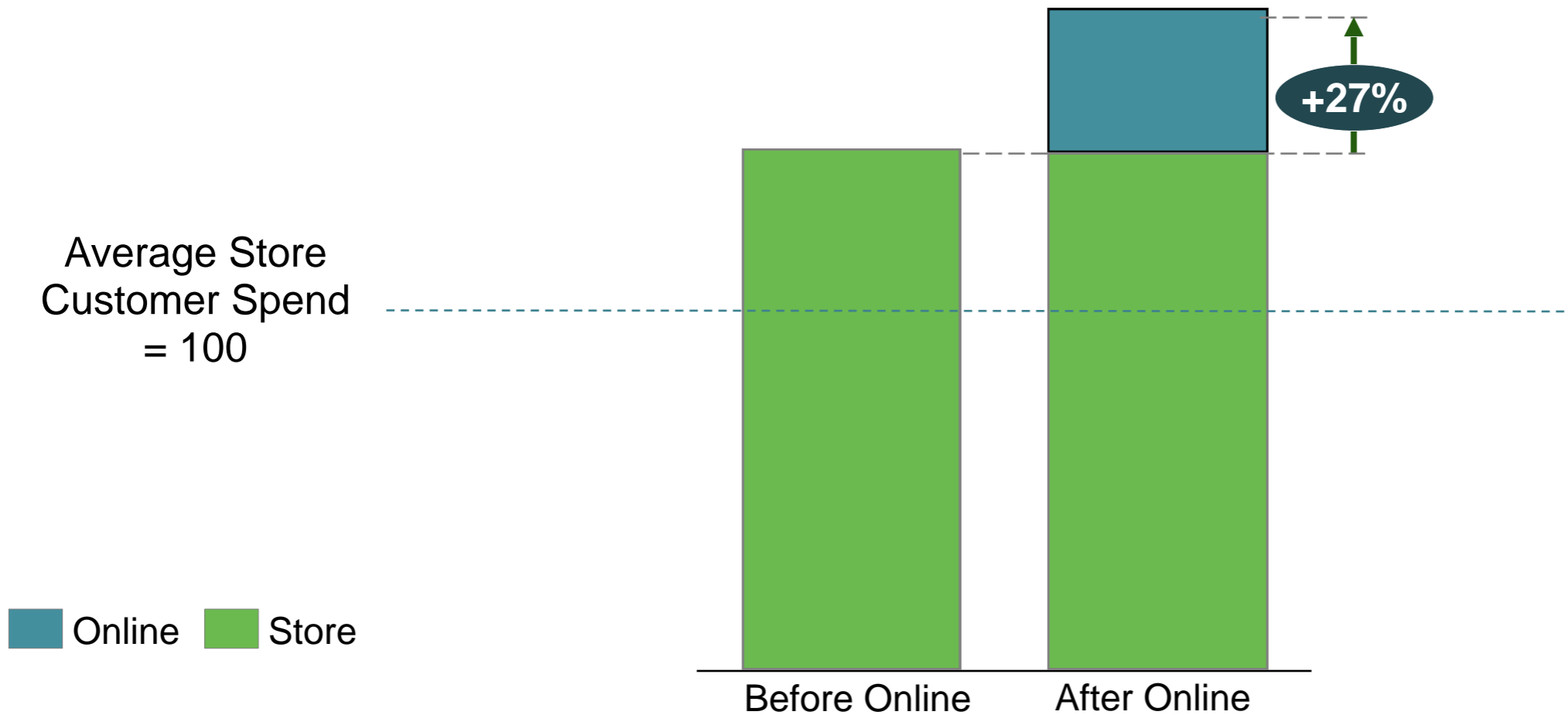
Priorities

- Continue to improve our online experience, including extending range and pickup collection points
- Scale up our food-for-now/later business
- Grow our 'Woolworths Urban Small Food Stores' to better serve food for now/later and top up shopping missions

We have lots of growth potential as we innovate our offer

Online customers reward us with more of their basket

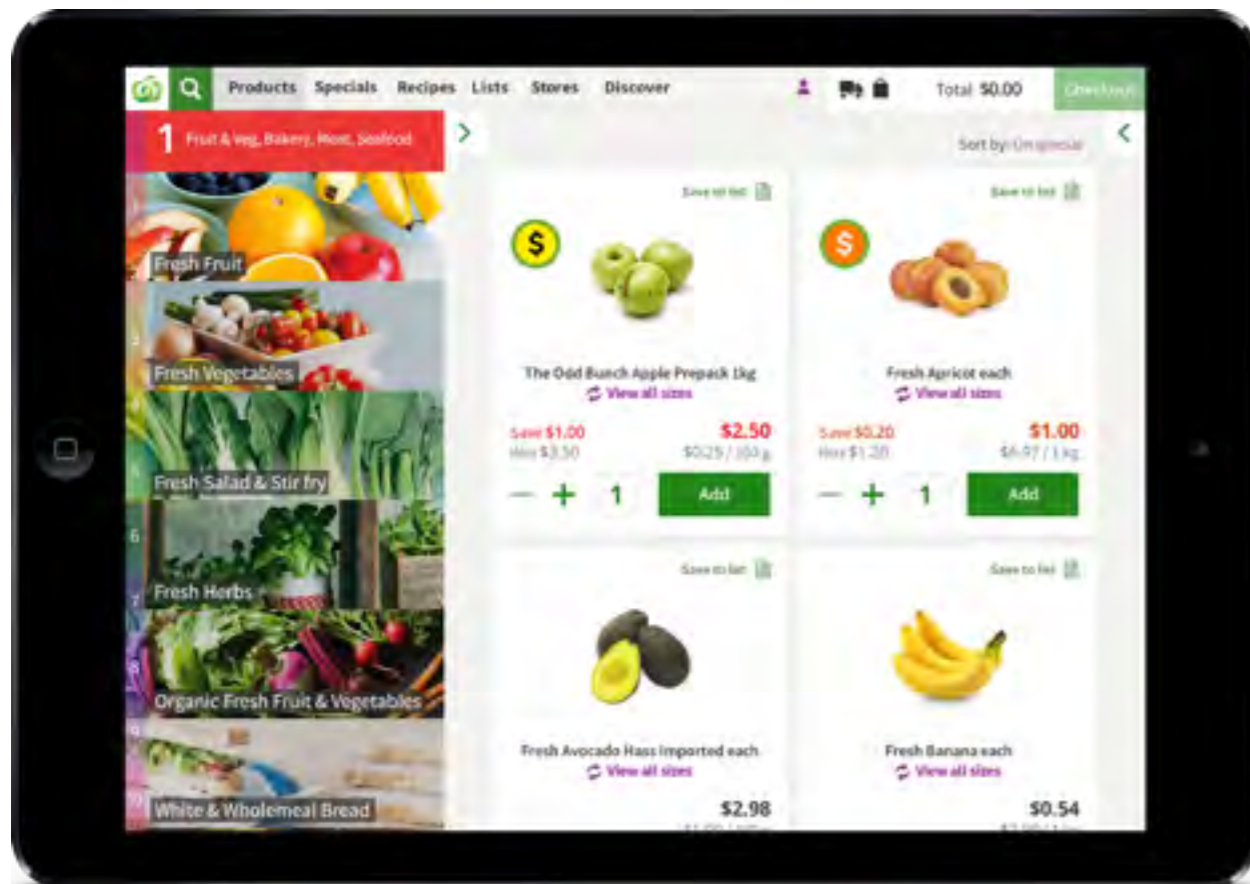
Woolworths Online Customers' Annual Spend



SOURCE: Quantum 2014; Woolworths Brand Tracker

We are creating a world-class online and mobile experience

Website¹



Apple Watch app



Lists



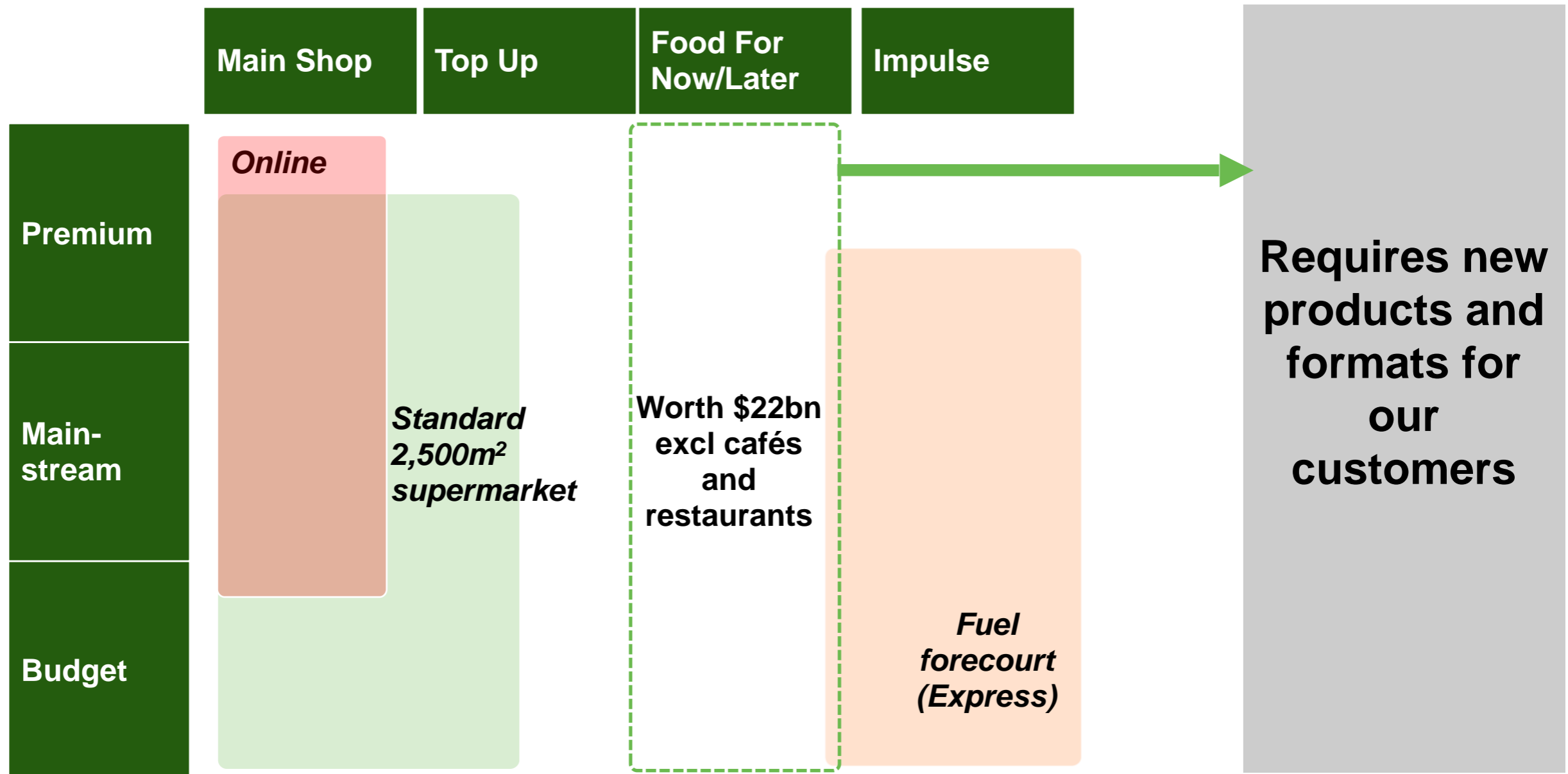
Product View



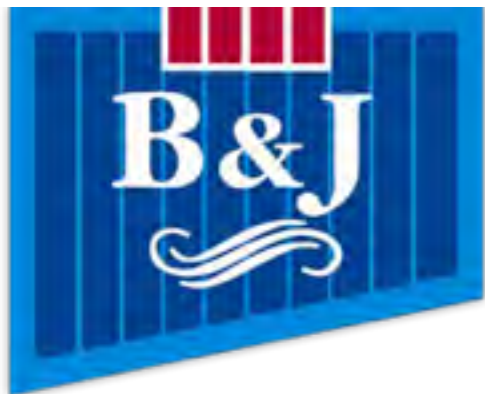
Store info

(1) TAS launched 28/04; WA, QLD, SA, NT to launch on 04/05, and NSW, VIC, ACT to launch on 11/05

There is significant 'white space' for us in Food if we can better serve more of our customers' food shopping missions



Woolworths is partnering with local producers to dramatically improve the quality and taste of fresh convenience foods



Example: Beak & Johnston Partnership

- B&J's "City Kitchen" production facility in Western Sydney opens May 2015
- Will employ 250+ people
- Facility will make fresh and post pack pasteurised (PPP) meals and components, both ready to cook and ready to heat
- *Also working with other local producers on salads, pizza, sandwiches and meal solutions*



Fresh Pie Bakes



Chef Endorsed Scratch Kits



New Recipe & Rebranded PPP Meals

Small urban food stores represent an exciting incremental growth opportunity

Central Station Convenience Store



Coogee Small Supermarket



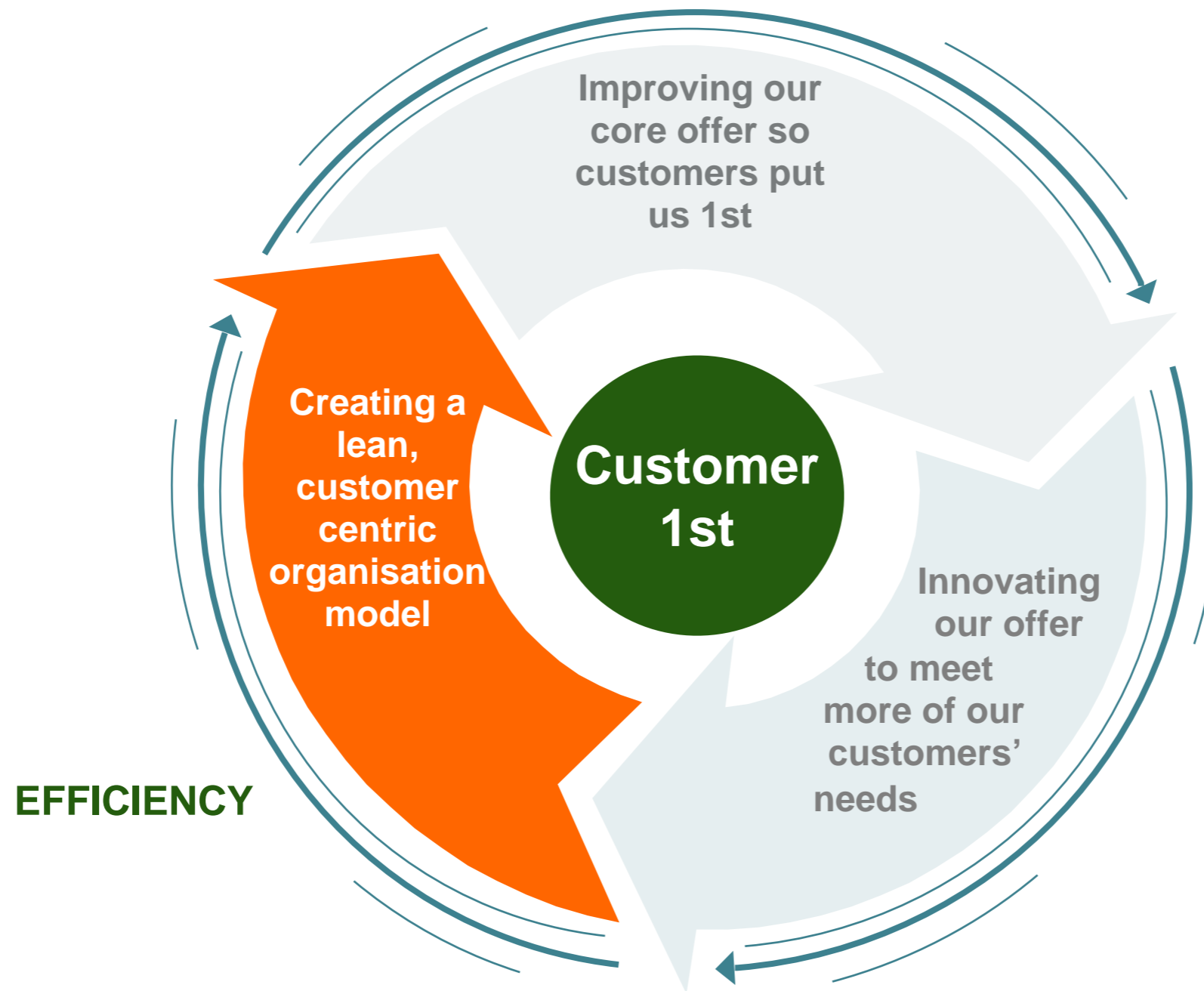
Thomas Dux



Rose Bay Convenience Store



What is different this time? We will organise ourselves for success



We are organising our business around delivering value to our customers

What our team/suppliers told us

- Customer is not a key performance measure
- Silo based organisation - Merch-Ops-Marketing
- Disconnects in our marketing and brand program
- Opportunities to improve underlying processes
- Hard to do business with

Actions since January

- New customer focused store scorecard is being rolled-out
- New organisation structure in place
- Brand and marketing review completed
- Wave based improvement program underway
- Engaging with suppliers

Priorities

- Bed down the organisation and customer priorities
- Evolve our brand and marketing
- Focus on improving core retailing capabilities
- Relentless, systematic focus on lean retailing
- Supplier joint business planning/ process improvement

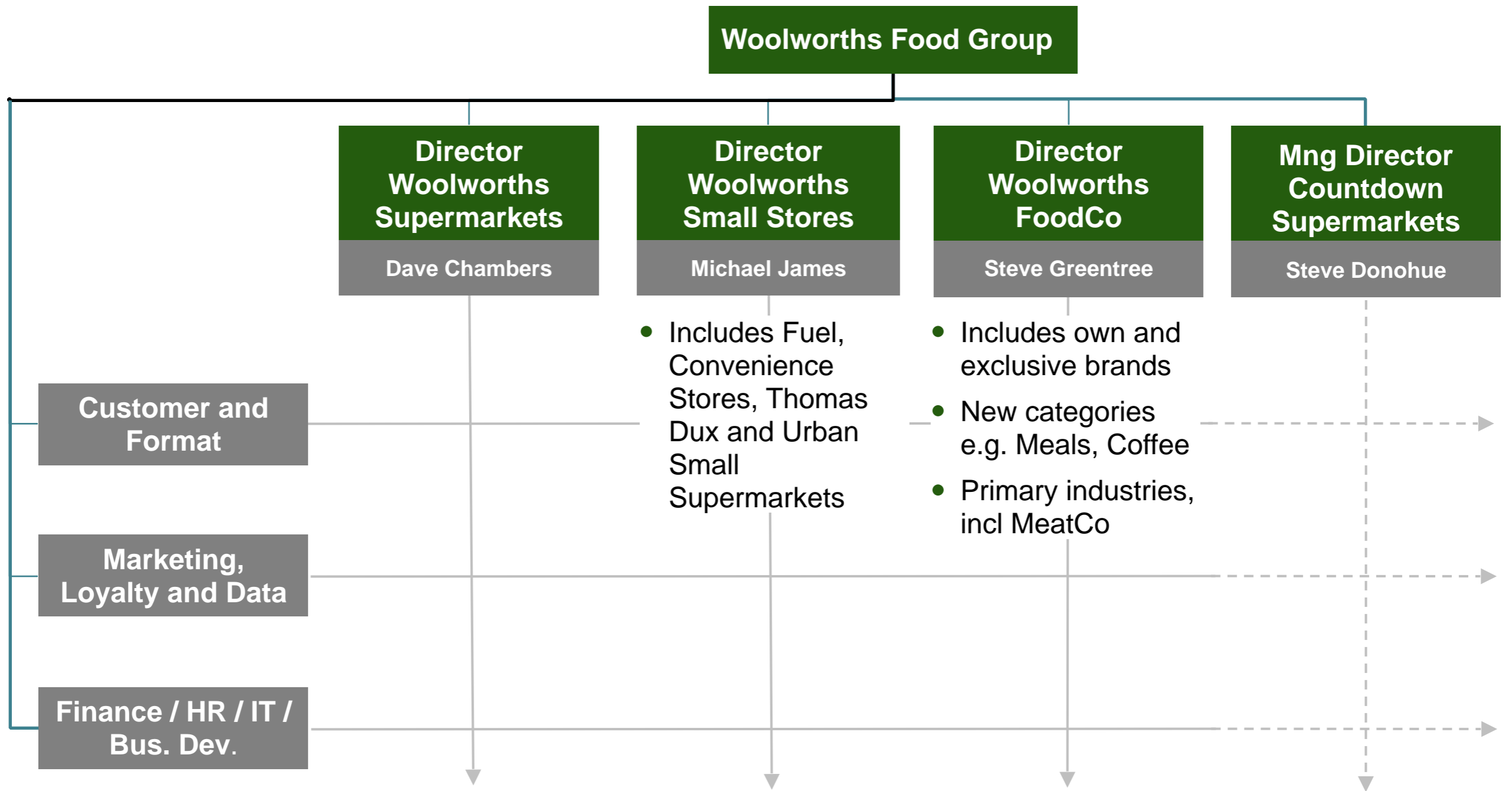
We are changing the way we work

Our store metrics and incentives now reflect the importance of customer

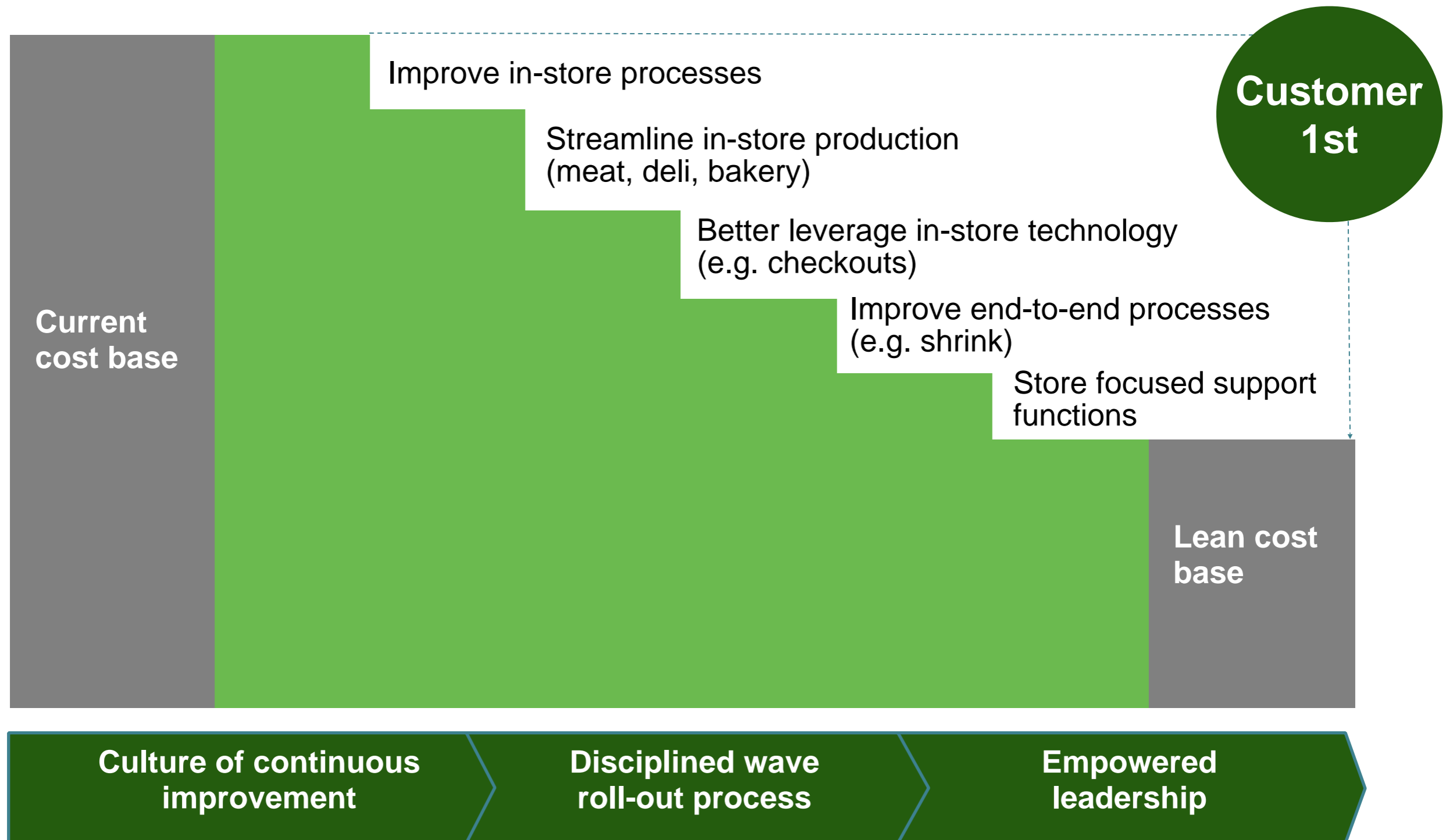
Store Team Member Scorecard Metrics	
Customer (33%)	Voice of Customer ----- On-shelf availability -----
Operations & People (33%)	Team Engagement Score ----- Safety ----- Shrinkage -----
Financial (33%)	Sales ----- Total Controllable Expenses ----- Branch Controllable Profit

Simplified down from 20 previous metrics

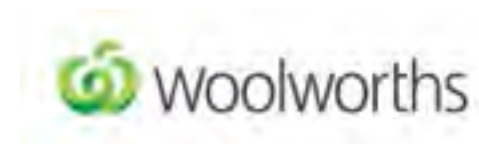
An organisation structure that improves accountabilities



We have opportunities to become more lean



We are on a 3 year journey to get our customers to put us 1st



Outlook for the Woolworths Food Group

- We need to earn our customers' trust and are focused on doing so
- We will make further investment in price, service and availability in FY16 and continue to remove waste from our operating model
- Our investments will be carefully targeted – to what our customers value
- We won't win on price alone – we will neutralise on price but get customers to put us 1st through experience, freshness and range
- Lots of growth remains as our competitive set widens – share of food consumption



Questions

Brad Banducci
Managing Director
Woolworths Food Group

Dave Chambers
Director
Woolworths Supermarkets



**WOOLWORTHS
LIQUOR
GROUP**



Woolworths Liquor Group

Martin Smith

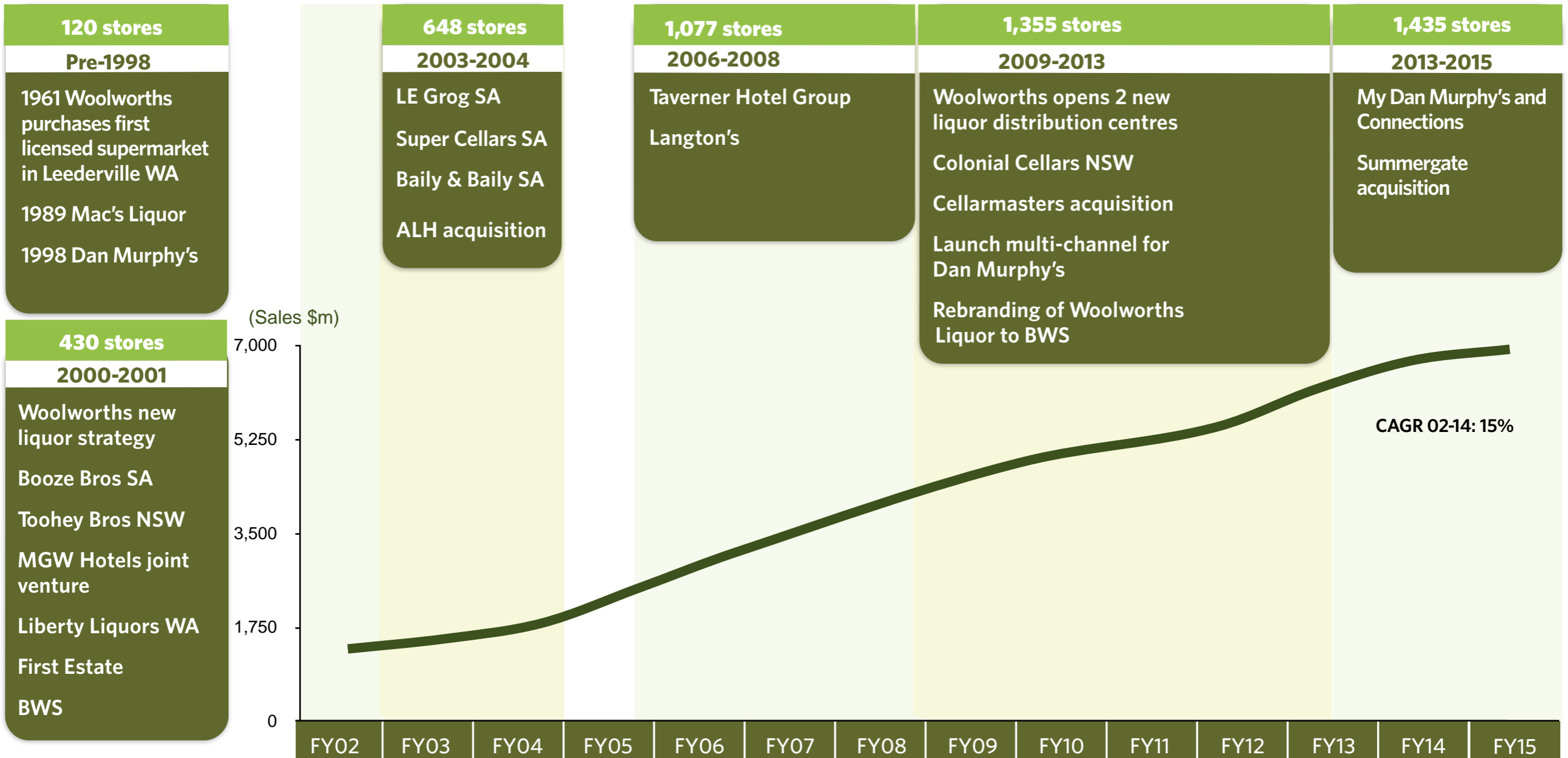
Managing Director

Overview

- Woolworths Liquor Group is a strong business with a track record of 17 years growth that has resulted in a \$7 billion business and more than 1,400 retail stores
- We are determined to extend our market leadership despite a low growth market through:
 - Meeting and anticipating customer needs
 - Building more stores
 - Online innovation
 - Expanding ranges
- We have a seamless customer offer across a range of formats and channels to capture every customer occasion

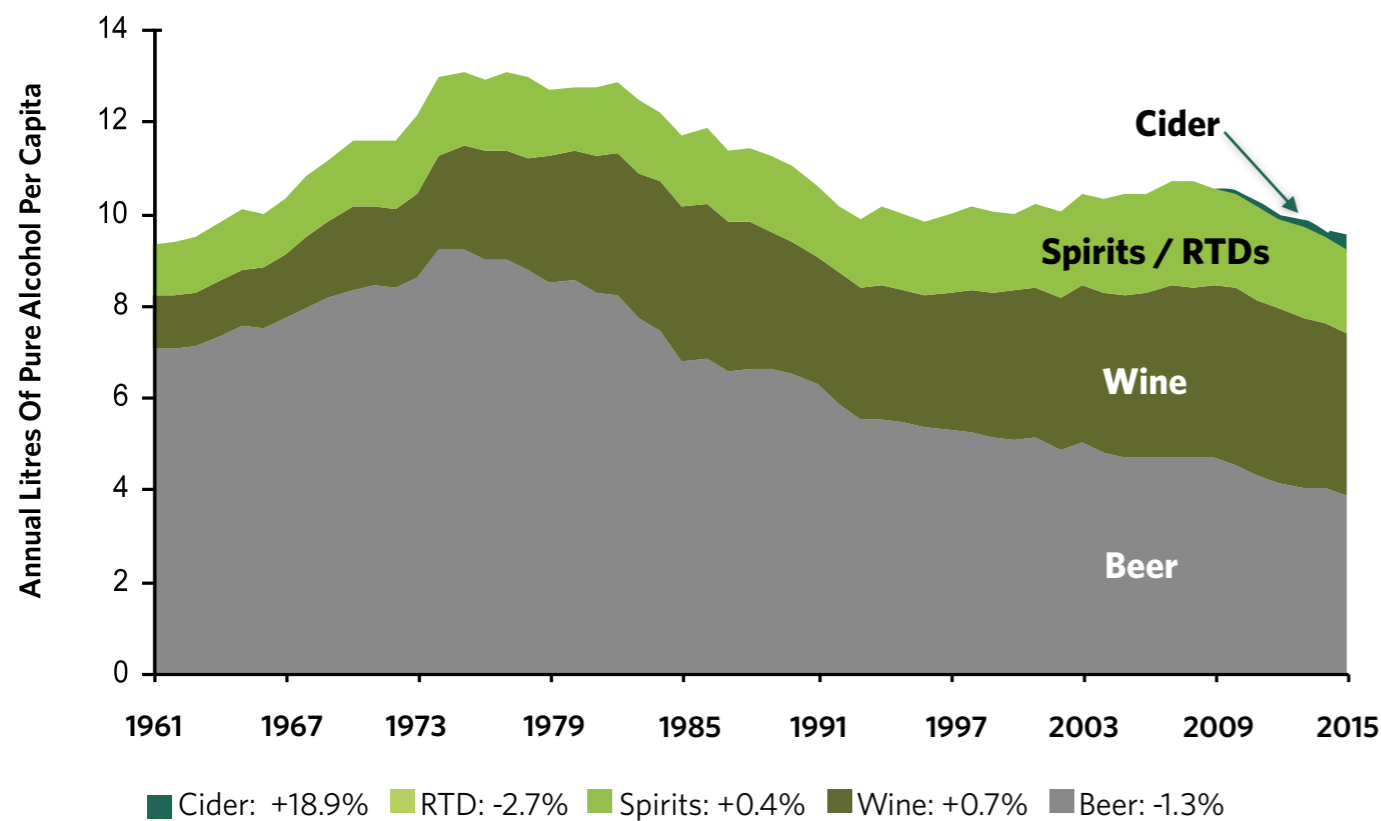
Woolworths Liquor Group is a 17-year Australian success story

WLG Sales FY02-FY14

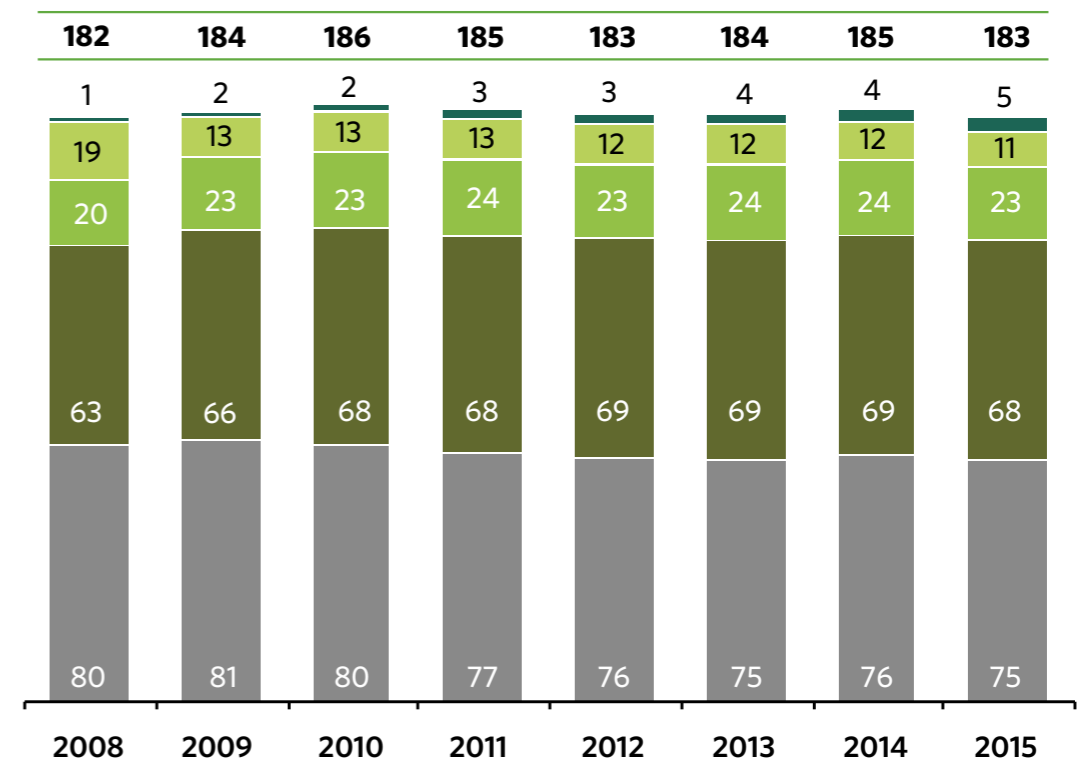


We are operating in a low growth market where declining consumption is being offset by population growth...

Per Capita Alcohol Consumption In Australia (Litres Of Pure Alcohol; Adult)



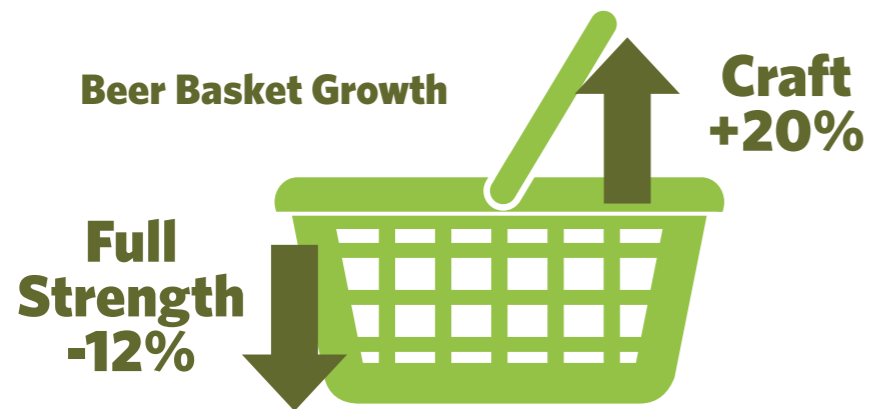
Absolute Consumption Of Alcohol In Australia (Million Litres Of Pure Alcohol; Adult)



...by catering to the increasing sophistication of Australian drinkers

Beer

Beer shoppers switching their baskets from more traditional segments to craft beer



1.7x price per litre premium vs full-strength beer

Wine

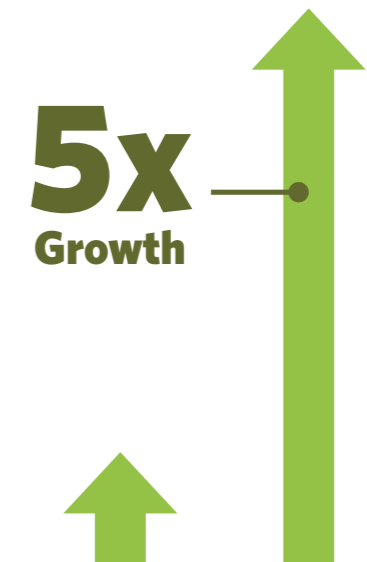
Three of every 10 bottles of sparkling wines sold are Champagne - driving overall growth of sparkling wines



5x price per bottle premium vs other sparkling wines

Spirits

Whisky over \$50 growing five times faster than under \$50 whisky and representing one in every five bottles of whisky sold



< \$50 **> \$50**

We have built a seamless relationship with our customers by...



Addressing all our customers' occasions

Understanding the different circumstances in which our customers buy drinks, and matching our proposition to those circumstances



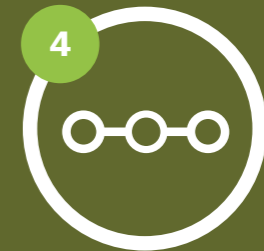
Building a powerful online proposition

Creating a set of capabilities and brands to deliver the offer and innovations that multichannel customers demand



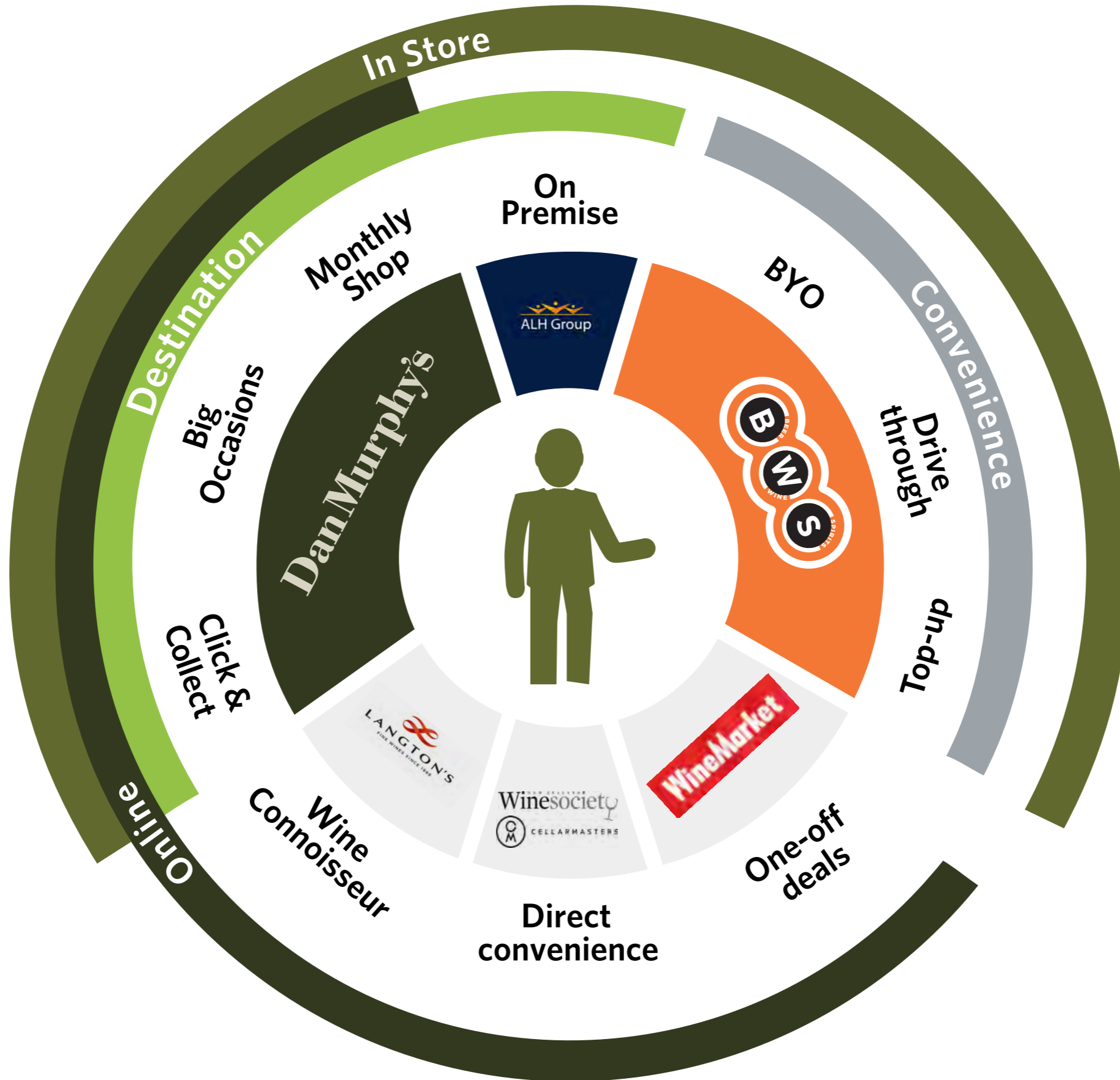
Tailoring our range

Building a sophisticated logistics network and capability that enables us to tailor ranges to each store's circumstances

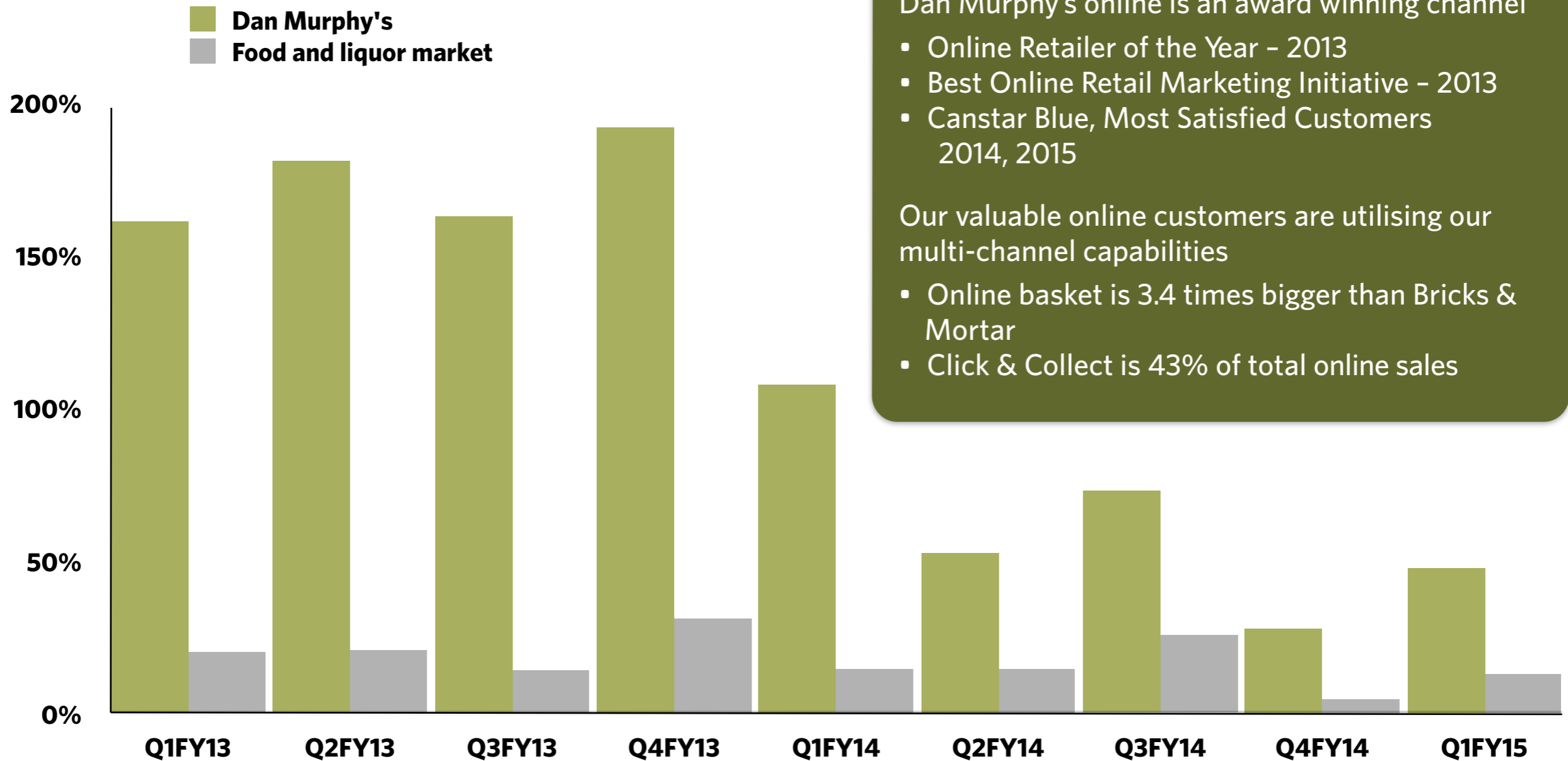


Participating along the value chain

Identifying that we can deliver a better offer to our customers by selectively participating further up the value chain



Online sales growth



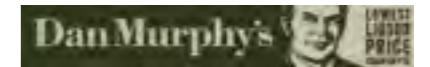
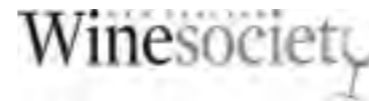
Dan Murphy's online is an award winning channel

- Online Retailer of the Year - 2013
- Best Online Retail Marketing Initiative - 2013
- Canstar Blue, Most Satisfied Customers 2014, 2015

Our valuable online customers are utilising our multi-channel capabilities

- Online basket is 3.4 times bigger than Bricks & Mortar
- Click & Collect is 43% of total online sales

Significant capabilities and platforms underpin our online proposition



Brand

Australia's leading fine wine and spirits retailer

Australia's largest direct wine seller

New Zealand's largest direct wine seller

Big brands, boutique & small parcels of wine at ridiculously low prices

Australia's largest liquor website

Fulfilment



...Australia's Wine Home Delivery Specialist



Capabilities

Direct Marketing

Personalised offers based on customer segmentation

In-house creative production services

Customer Management

Focus on trends and insights

Automated marketing on-site

Customer life-cycle management

Technology Development

In-house team of developers as well as utilising third party agencies

Agile engineering culture to ensure speed to market

Customer data warehouse

Tailoring ranges store by store to suit customers

Understanding customer demographics and shopping missions to tailor our range by store...

...which is delivering uplift in sales growth and margins for BWS stores



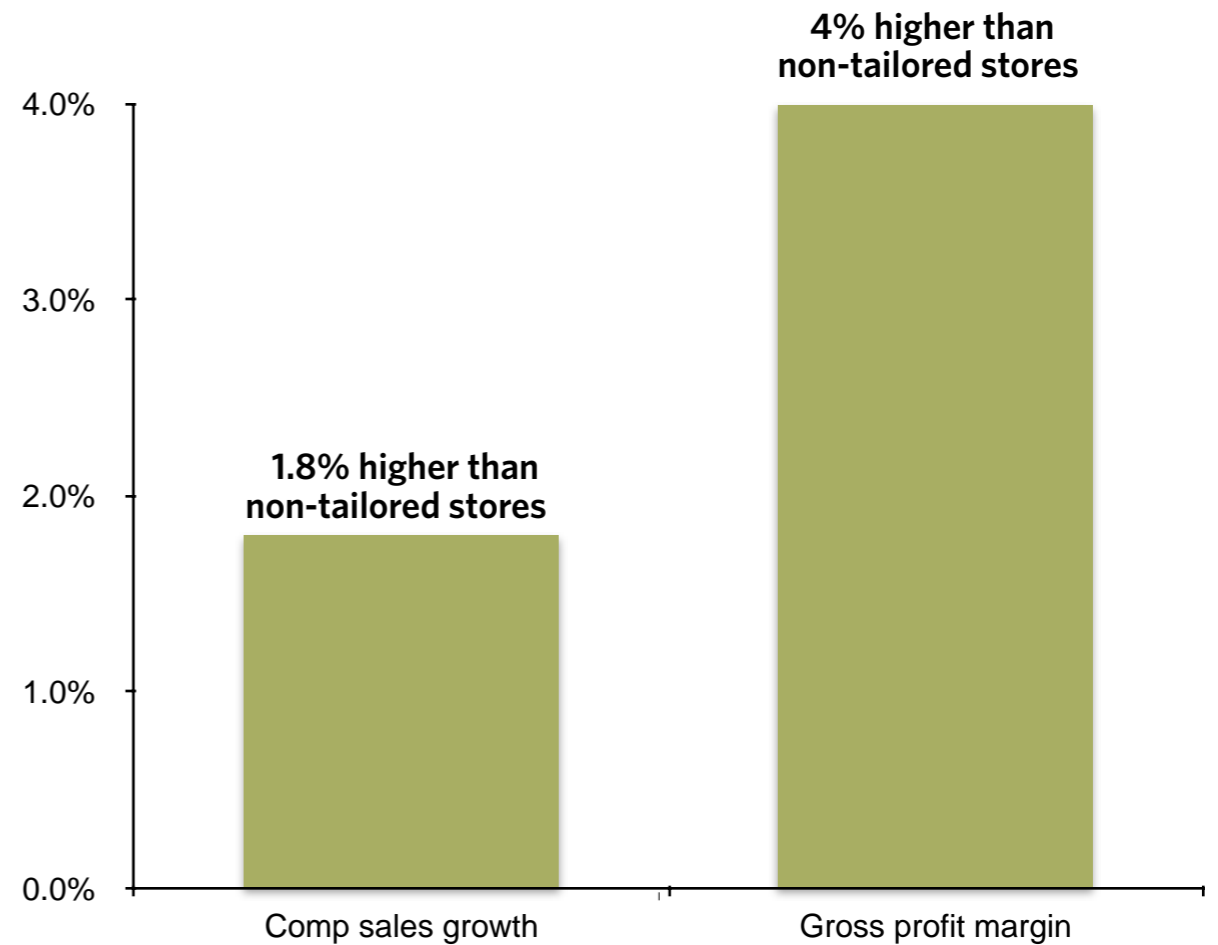
BWS can access Dan Murphy's broader product range to tailor offering for premium store shoppers in BWS Drive-Thrus



Catering to the Local Community and supporting Local Producers - an example in Dan Murphy's Orange



Simplifying wine choice for convenience shoppers in BWS Drive-Thrus



Uplift in tailored compared with non-tailored BWS stores

Pinnacle is the vehicle we use to deliver exclusive brands to our customers

Exclusive Distribution in Australia



We have worked hard to get exclusive rights to some of the world's best brands

or

Exclusive IP



We own the brand and make it

We own the brand and someone else makes it

With Pinnacle, we are able to selectively participate right back along the value chain



**13,500 tonne winery
(Barossa)**

Dorrien Estate

One of Australia's
largest wine
producers

Five star James
Halliday rated
winery

Manages 40 million litres
of wine per annum

14 winemakers - located in
the heart of Barossa Valley



**25% share in
a brewery**

Gage Roads Brewery

Located in Fremantle,
WA - publicly listed
company

Capacity - 3 million cases
per annum

Award winning range and
producer of Pinnacle IP
brands



**10.5m case
bottling plant**

Vinpac International

Australia's leading
provider
of bottling services

Capacity - 10.5 million
9 litre cases per year

Full range of finishing
services - including full
laboratory

Still and sparkling
winemaking



**Marlborough
Winery and Vineyards**

Isabel Estate

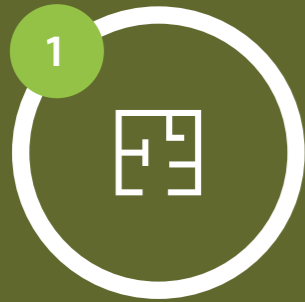
Estate grown and estate bottled
Marlborough NZ winery and
brand

45ha vineyard -
35ha currently
planted

Winery with capacity
of 1000 tonnes -
opportunity
to move to 3000t

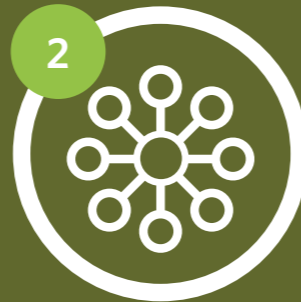
On-site bottling line

We have many more opportunities to grow



New stores

Significant and evolving pipeline of new stores planned for both Dan Murphy's and BWS



Multi-channel

Digital remains fastest growing part of the market, and we can grow our share by offering more choices to customers



Premiumisation & lifestyle

Social trends are creating opportunities for trading up and new categories



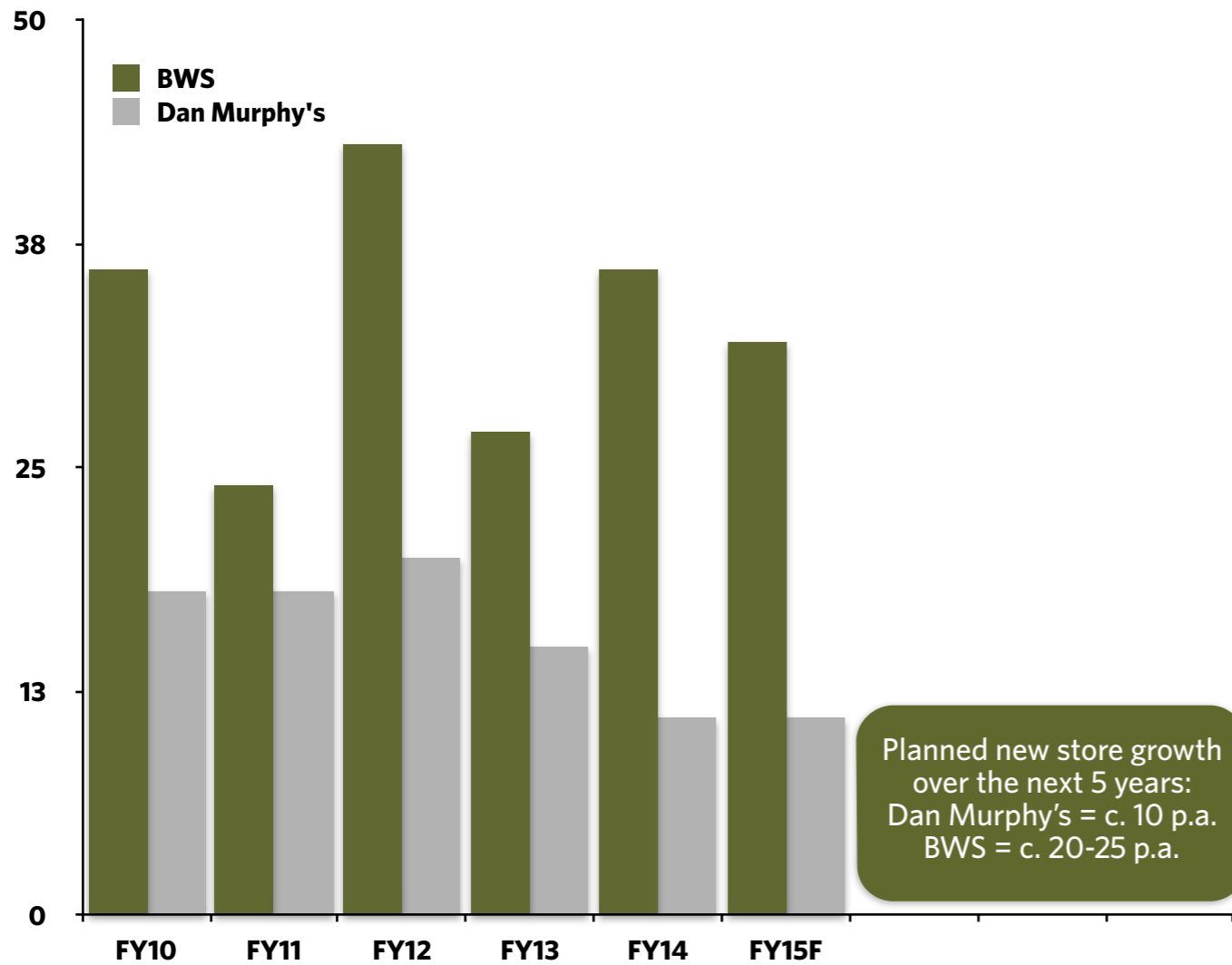
New markets

Summergate a strategic investment that complements Langton's and Pinnacle

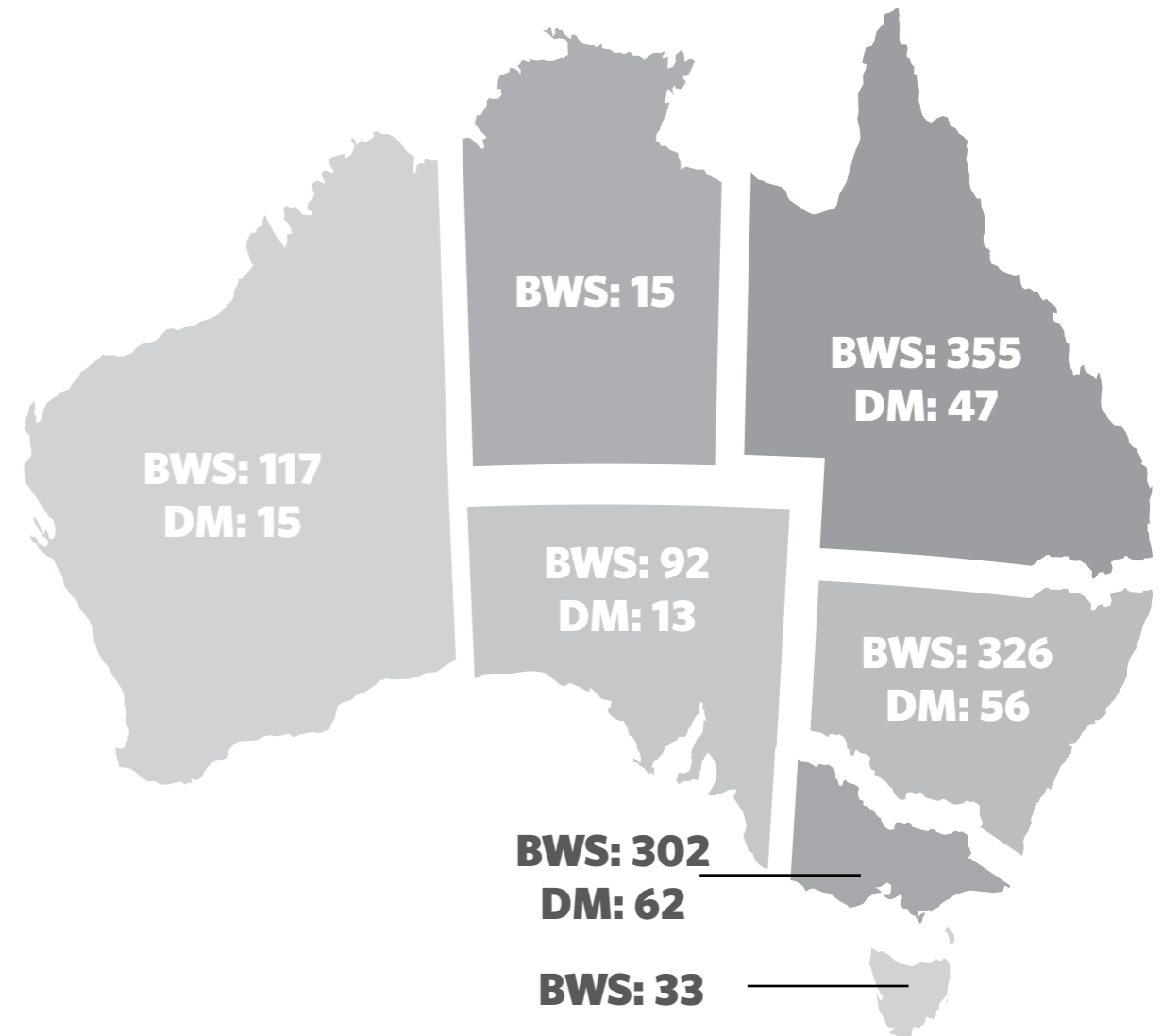
Pinnacle entering NZ market via Countdown

Continuing pipeline of new stores planned for both Dan Murphy's and BWS

Woolworths Liquor Group store growth (net)

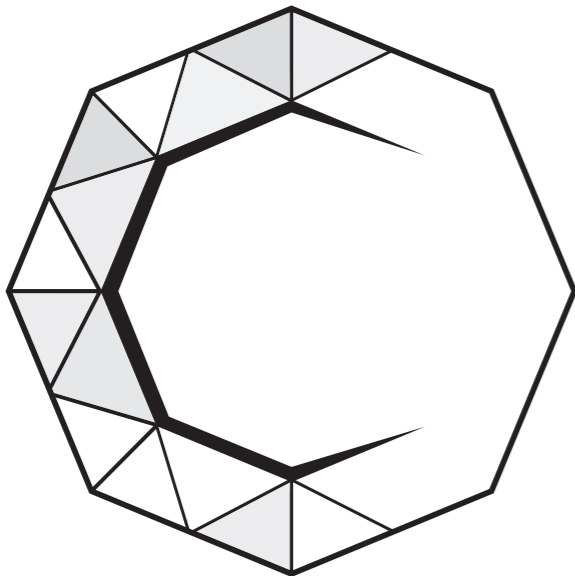


Current store network



We will capture multi-channel growth through providing more choice for our customers

More range



CONNECTIONS

Better Delivery



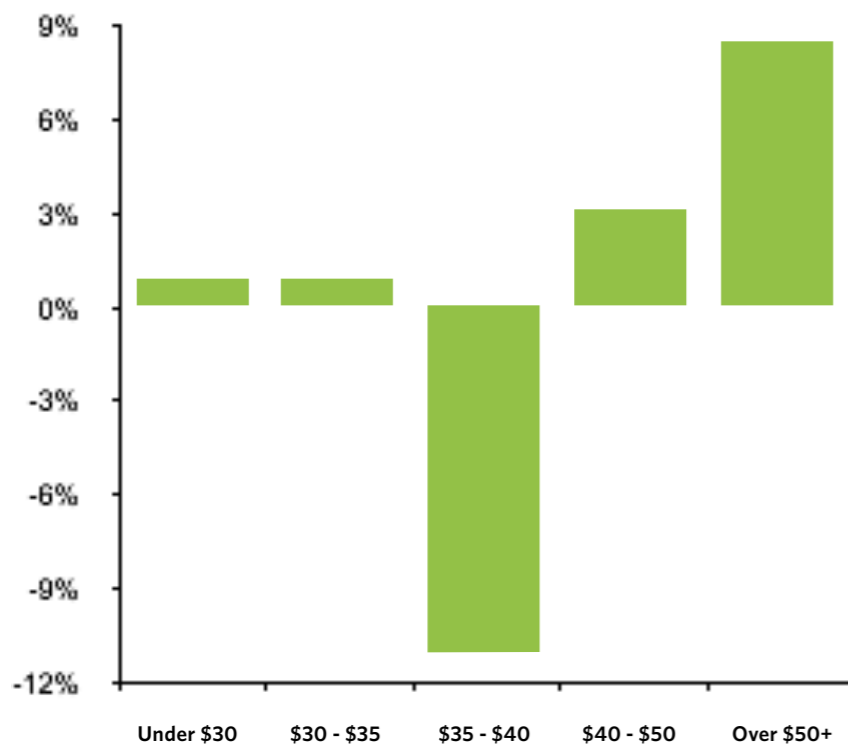
- Same Day
- Next Business Day
- Pick a Day
- Standard 2 - 4 days
- ShipSmart

- 2 hours
- 7 days (back order)
- Pick a day

We continue to grow our range and provide fulfilment options to meet our customer needs. Flexibility and choice in today's retail environment is now the norm.

Premium and lifestyle offer further growth opportunity

Growth in Glass Spirits at premium price points demonstrates the propensity of shoppers to trade up, especially during key events



2014 AVG Basket Size increases:

- Christmas** +35%
- NYE/NYD** +26%
- Easter** +10%

Low Carb and Mid Strength Beer are growing in popularity and gaining share of the Beer category

Australian Beer category mix % by volume 2010 vs. 2014

	2010	2014	
Low Carb + Mid Strength	27%	32%	↑
Full Strength	45%	37%	↓

Overview

- Woolworths Liquor Group is a strong business with a track record of 17 years growth that has resulted in a \$7 billion business and more than 1,400 retail stores
- We are determined to extend our market leadership despite a low growth market through:
 - Meeting and anticipating customer needs
 - Building more stores
 - Online innovation
 - Expanding ranges
- We have a seamless customer offer across a range of formats and channels to capture every customer occasion



Questions

Martin Smith

Managing Director



General Merchandise

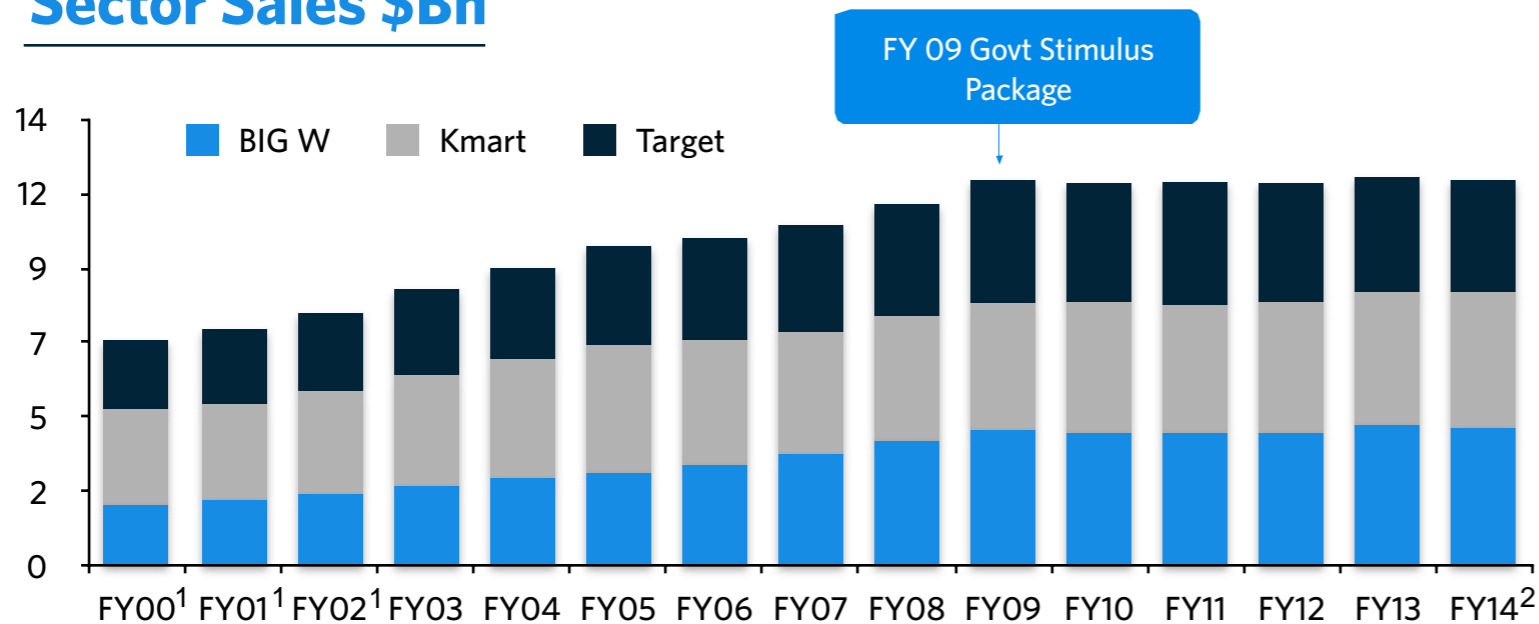
Alistair McGeorge
Managing Director

Overview

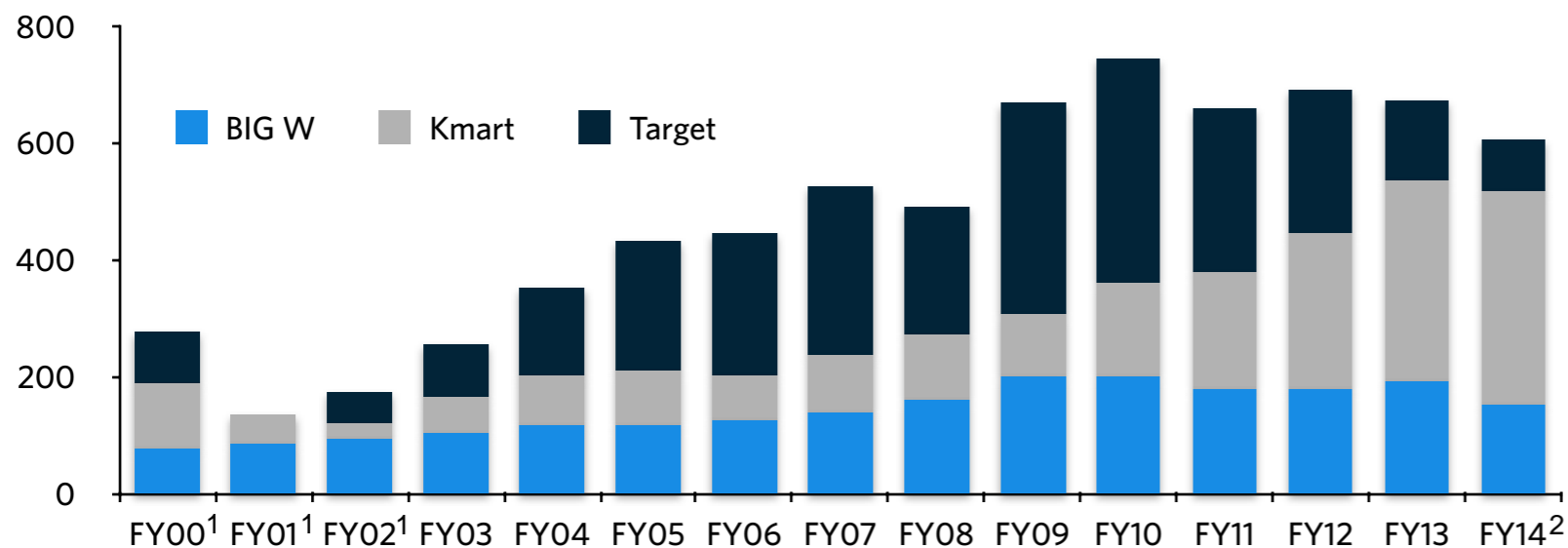
- The Discount Department Store (DDS) sector has been resilient but needs to evolve
- We have approached this business with an aggressive re-set posture
- We are clear on how to build the new BIG W customer proposition and why we can win
- We understand and are addressing the key challenges
- We are targeting a return to profit growth in FY16

The DDS sector is resilient, but needs to change

Sector Sales \$Bn



Sector EBIT \$M



- The DDS sector will always have a role as long as it evolves to meet customer needs
- The sector thrived in the 2000s driving categories that were relevant to customers
- After cycling the boost provided by the Government stimulus it was clear that the DDS competitors would need to update their offers to drive growth moving forward
- New specialist entrants are providing higher levels of competition to the traditional DDS players
- We signalled the need to change in FY12 and began in FY14

We have approached BIG W with an aggressive re-set posture



People



Cash



**Trading
capability**



Test and learn



The level of capability in BIG W has been significantly improved



A team with world class experience

- Renewed Executive team with 4 of 5 new to BIG W
- Increased capability and bench-strength in Commercial and Store Operations through 8 new appointments
- New people bring local and global experience from Rebel Sport, Dick Smith, Walmart, Marks & Spencer, Tesco, Debenhams, New Look, Matalan, Next, Asda, C&A, Adidas & Aldi



The right capability

- Recruited people with re-set experience
- Invested in leadership capability across top 70 senior leaders. Rolling out to store based teams from June'15
- Started ongoing investment in visual merchandise training for all store managers and department leaders



The right structure

- Immediately reviewed support functions and removed 35 roles
- Restructured store teams around key competencies
- Currently reviewing merchandise and replenishment structures



Focus on cashflow



Stock

- Reducing stock holding by over \$100m through:
 - Creating Drop Zone space in all stores to clear non productive stock
 - 46% of non-productive stock units cleared in first 8 weeks
 - On track to complete by October'15
- Benefits should start to flow from Spring/Summer'15



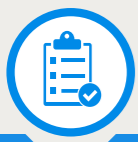
Costs

- Minimising costs through
 - Lowering headcount
 - Focussing on essential spend only



Capital

- No new stores unless already committed
- Other capital limited to staying in business and proving the future



Improving our ability to plan, buy, allocate and replenish in a more effective manner



Merchandise Capability

- Five month intensive merchandise analytics capability build completed in December'14
- Investment has:
 - Enabled better ranging of depth and width
 - Improved stock allocation and replenishment based on sales, not just space
- Benefits will start to flow from Spring/Summer'15



Systems

- New merchandise system, Galaxy, implemented in March'15 which provides better planning and stock level monitoring in a more integrated way



Supply Chain

- Increase in Group direct sourcing by 17% in FY16
- Reduced stock delivery lead time to WA from 7 to 4 days
- Future focus will be on significantly reducing product lead times



We've already tested and proven a number of changes which we're now rolling out across the business



Space Changes

- Reduced space across Motoring, Hardware, Outdoor Furniture, Pet & Audio Visual for growth categories
- Increasing space for Emerson brand by up to 20% across Womens & Mens
- Kids apparel space increased by up to 20% in new store format
- Toys space increased by 12% across 89 stores through removal of TV canyons & consolidation of Photolab & Technology desks



Back of House

- Redesigned processes to improve stockflow efficiencies and better stock management



New Categories

- Preparing to seize share of significantly growing and profitable category in Party



Online

- New online platform and customer experience launched 2nd May'15



The new BIG W and how we will bring it to life

Ambition:

To be the number one choice for Australian families in general merchandise

We'll win by bringing back excitement and discovery to shopping



**Broadest range
of choice**



**Best offer of
national brands**



**Great customer
experience**



**Newness
& innovation**



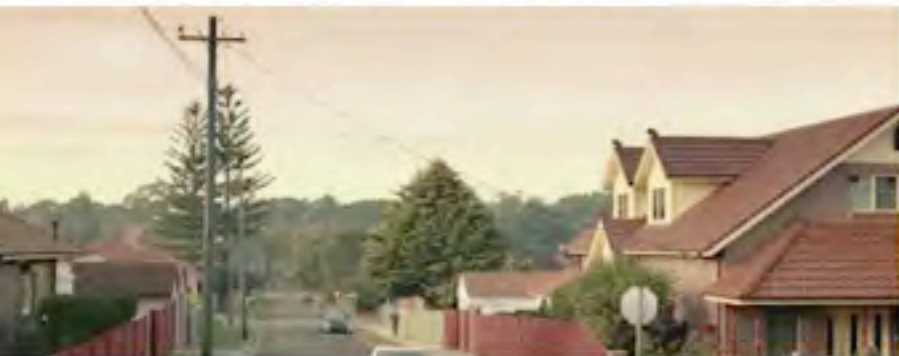
**Surprisingly
helpful service**



Our price guarantee:

Unbeatable value for money

Video





Nine destination categories will provide the broadest range of choice for core family customers



Apparel



Childrenswear



Intimates



Party



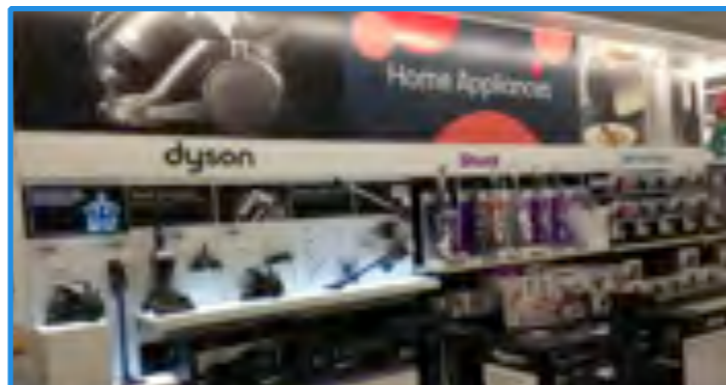
Toys



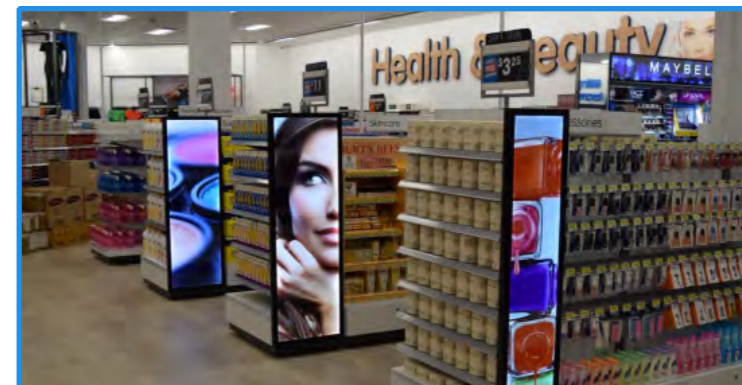
Books



Home



Small Appliances



Beauty



Creating true destinations in Fashion

Apparel



- Emerson becoming proven brand
- Lee Cooper launched February'14, sales \$39M YTD
- Introduced Lyla & Co October'14
- Womens activewear sales \$19M YTD

Childrenswear



- Expanded Lee Cooper into Kids range July'14, sales \$11M YTD
- Launched Peter Morrissey Kids range in July'14, Sales \$10M YTD
- Rationalised brands and launched Emerson brand into kids
- Expanded licensed products, sales \$25M YTD
- Launching Kardashian Kids Clothing Collection in Q1/FY16

Women's Intimates



- Expanded Emerson Intimates range August'14 sales \$60M YTD
- Launched Emerson Intimates Collection April'15
- Launching new national brand 'Va Voom' in Q4/FY15, new brand exclusive to BIG W from Bendon



Hardgoods destination categories we can own with authority

Party



- 23 party stores in network with 63 to be rolled out by June'15 and an additional 100 in FY16
- Utilising excess space from shrinking categories is already delivering sales uplift of c. 25%

Toys



- Market leading share
- Lego exclusives
- Home of Frozen with key events
- Launching ranges for Minions (June'15) and Star Wars (Sept'15)

Books



- Australia's No. 1 book seller
- Launching Australia's top 100 favourites July'15
- Key book signings e.g. Julia Gillard, Donna Hay, Julie Goodwin, Matthew Reilly. Upcoming in FY16: Chris Judd, Mark Webber, Michael Clarke, Tim Cahill, Peter Garrett



Further developing categories where we already have strength

Home



- Launched Peter Morrissey Home February'14, sales \$6M YTD
- Become strong baking destination through introduction of Cake Boss and Wilton
- Lead market with Flavourstone cookware innovation

Small Appliances



- Contempo own brand launched September'14, sales \$13M YTD
- Expanded Dyson further across store network, sales \$8M YTD
- Introduction of DeLonghi Kettles and Toasters (best) in January'14

Beauty



- Launched BOE private label (good) in FY14 leading to launch of BOE Professional (better) in FY15
- Burt's Bees (Lipcare) launched FY15
- Baylis and Harding gift packs launched and range extended



All ranges will have elements of good, better, best product

Best

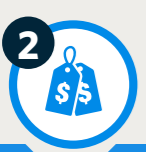


Better



Good





Best offer of national brands



A wide portfolio of national brands, complemented with our own power brands

National Brands

More recently added

dyson

nude
by nature

Wilton

b beats. by dr.dre
BURT'S BEES

Fisher-Price

SAMSUNG



Cadbury

Disney

TONTINE

LEGO

BONDS

KAMBROOK

Oral-B

Colgate

Johnson & Johnson

Coca-Cola

Breville
Thought for food

MATTEL

Hasbro

RIMMEL

BIG W Own Brands

peter manissey

boe
PROFESSIONAL

be.
be entertained

tinkers

dymples
best best friend

mb
michelle bridges

Lee Cooper

MAKERS
-CHOCOLATE-

EMERSON

contempo™

HOUSE OF HOME
YOURS TO LOVE

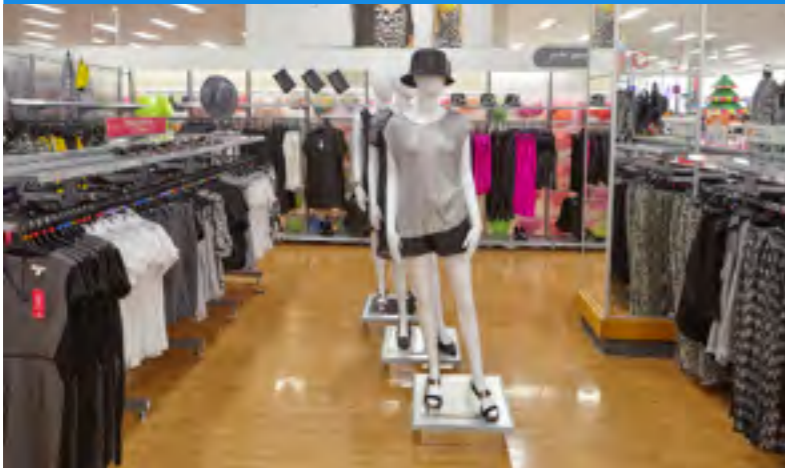


Our price guarantee:

Unbeatable value for money

Bringing discovery and inspiration back to shopping through better visual merchandising

Womenswear



Childrenswear



Women's Intimates



We are creating a step change in customer experience by:

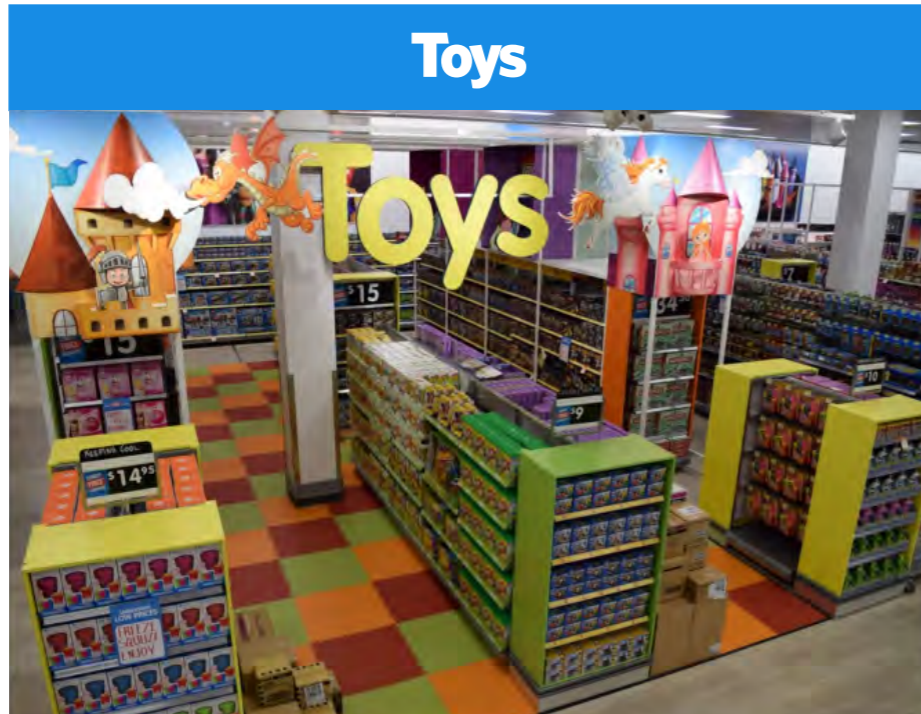
- Improving visual merchandise standards
- Giving space back to the customer
- Creating shop in shop layout by lifestyle

The first three softgoods categories we have trialled are showing strong results:

- Customer experience (NPS) up 6%; Sales up 3%
- Being rolled out to 40 stores by June'15 with further 100 planned for FY16
- Cost per store only \$70k through using existing equipment



Now rolling out visual merchandise changes across hardgood categories



Toys

- New layout with clear differentiation between age groups, signage and branded pop-outs
- Delivering 4% uplift in sales
- 100 executions planned for FY16

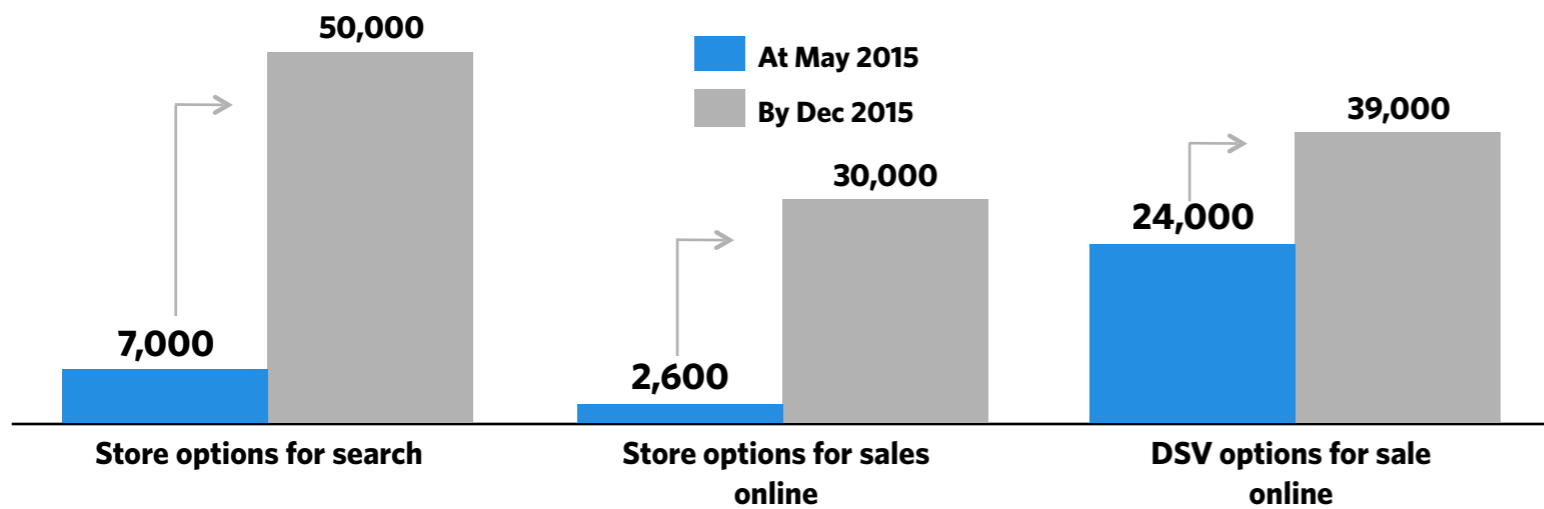


Small Appliances

- Bringing brands and range alive through better signage and fixturing height
- Will aggressively roll out in FY16 when proven
- Currently concluding trial at BIG W Macquarie with sales responding positively

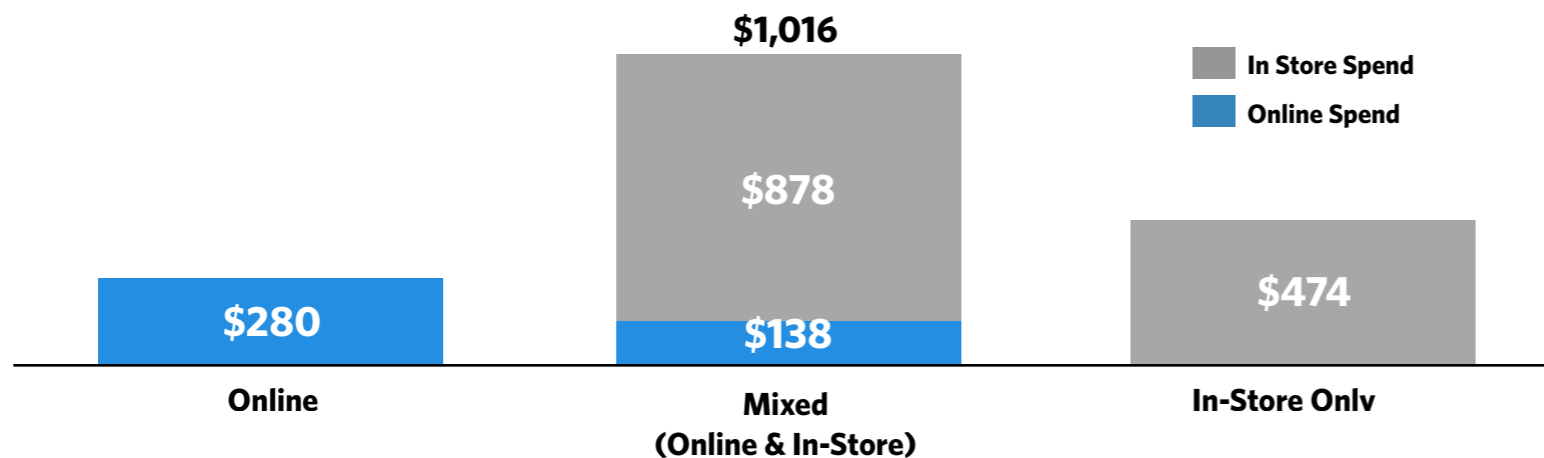
The new online offer will provide a seamless customer experience across all channels

BIG W Online Range



- The customer experience will improve through:
 - increased level of product
 - Drop Ship Vendor (DSV) capability
 - 231 Simply Collect kiosks available with plans to grow to 282 in H1/FY16
- Pick from store capability expected in FY16
- Will drive more store traffic and increase share of wallet

BIG W Average annual spend per customer per channel





A step change in events from September '15

STAR
WARS

NEW
Coca-Cola
life.

MARVEL
THE AVENGERS

Disney
FROZEN

- Events represents an unutilised opportunity in Australia. We plan to make BIG W the home of seasonal and special events
- Creating shop in shop look and feel to make events come alive
- Collaborating with vendors and licensors

Rolling out a second dedicated events space across all stores by September'15

Investing in service to make it easier for customers to buy



Clearing stock, better stock management and staff training will release more hours per store per week to reinvest in customer engagement in FY16

This will enable us to:

- Re-energise our staff and customer experience
- Provide service to categories where customers value advice
- Improve check-out experience
- Uplift presentation standards

More than 100 hours per store per week will be reinvested in the customer



Lowest price at all price points on the BIG W ladder



Our price guarantee:

Unbeatable value for money

While we understand what we need to do to win, we recognise there will be short term challenges

BIGW

Brand

- The BIG W brand is currently being refreshed and will be rolled out in FY16



People

- While we have improved capability through recent recruitment there is more to do and it will take time for them to make a difference



Product

- We are accelerating clearing unproductive inventory which is key to enabling new ranges to be bought



Capital

- We have the appropriate level of capital to roll out the changes we have proven
- When the new store concept has been proven, a low cost version will be developed and rolled out across the store network

Our short term performance will remain volatile, however we are targeting a return to profit growth in FY16

Overview

- The DDS sector has been resilient but needs to evolve
- We have approached this business with an aggressive re-set posture
- We are clear on how to build the new BIG W customer proposition and why we can win
- We understand and are addressing the key challenges
- We are targeting a return to profit growth in FY16



Questions

Alistair McGeorge
Managing Director



Home Improvement

Matt Tyson

Managing Director

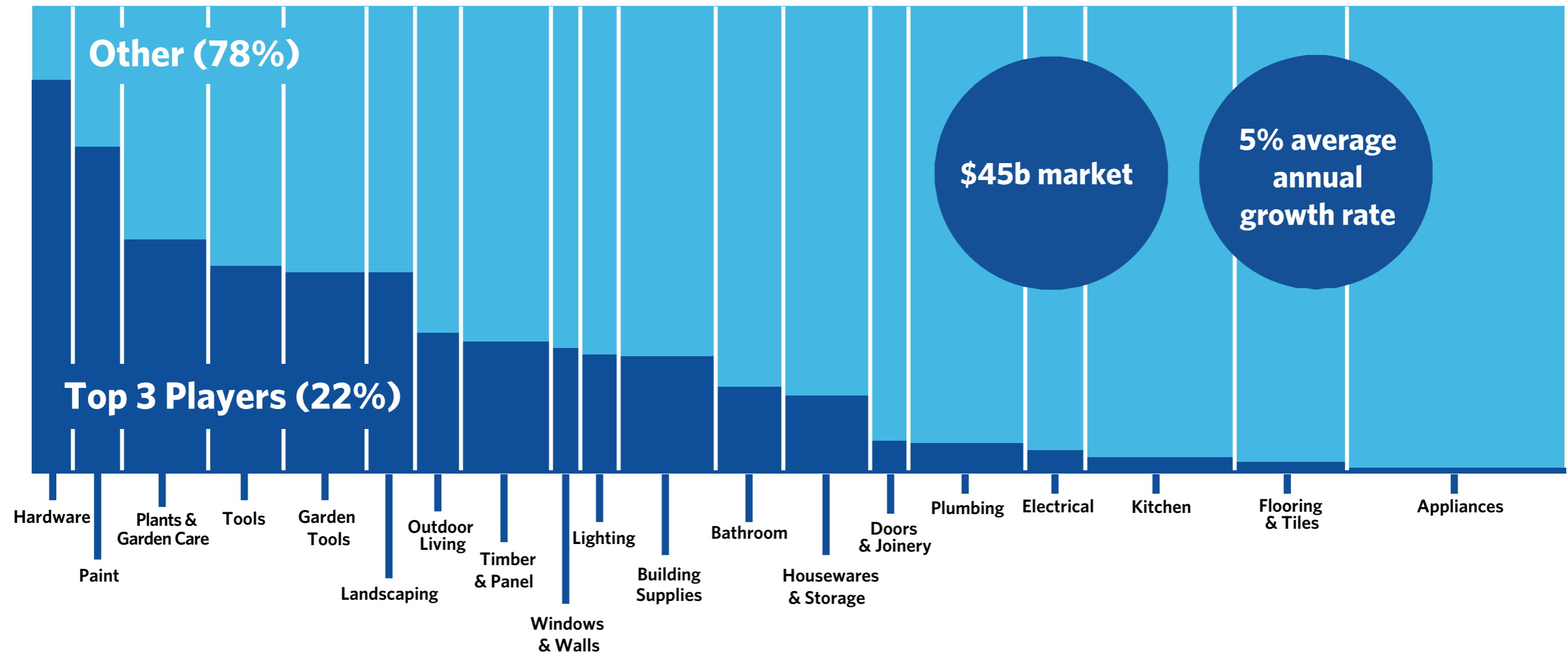
Overview

- The rationale for entering the \$45 billion market remains compelling
- We have learnt a great deal and have adapted our model
- We are making good progress on the activities outlined last August including:
 - Ranging
 - Value perception
 - Format evolution
 - Store network
- We are realistic about the time it will take to prove our offer, but encouraged by the customer response to these changes
- Masters will be a long term profit contributor to the Woolworths Group

The Home Improvement market in Australia remains a highly attractive opportunity because of its size, growth and level of fragmentation

A large and growing fragmented market...

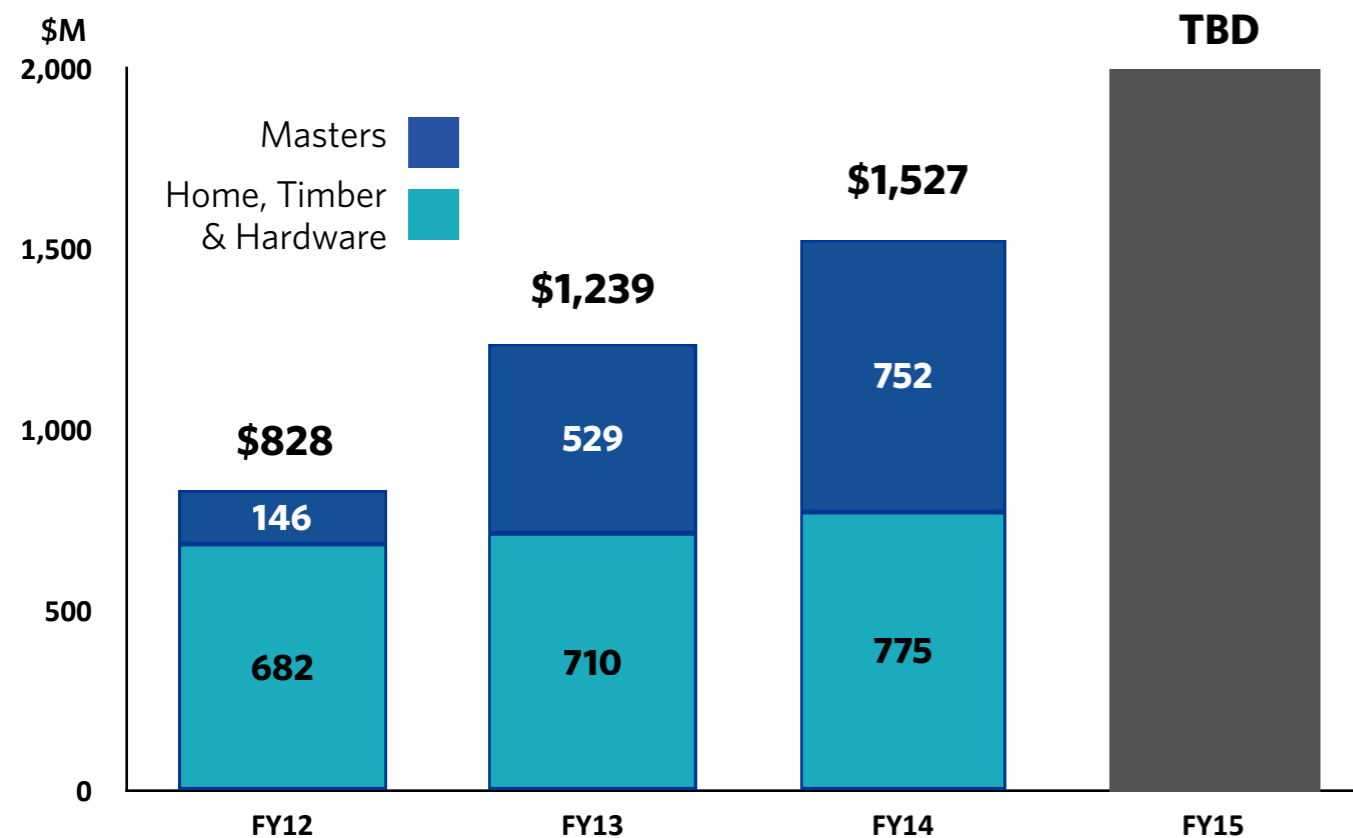
Size of market and market share of players by category (FY13)



The combination of Masters & Home Timber & Hardware (HTH) brings scale and coverage to compete in the Home Improvement market

We are quickly building a sizeable operation ...

... covering all key segments of the HI market



Recent acquisition of Hudson, FAW and Belmont has reinforced Home Timber and Hardware in the Trade market

			Trends
DIY	✓	✓	<ul style="list-style-type: none"> Fast growth Big Box consolidation
Light Trade	✓	✓	<ul style="list-style-type: none"> Fast growth (follows construction trend)
Heavy Trade		✓	<ul style="list-style-type: none"> Consolidation of regional players Big Box growth

- ✓ Core customer basis
- ✓ Significant presence

We have identified four areas to significantly enhance the start-up Masters Model



Mix & Store Flow



Range Authority



Value Perception



Store Roll-out

Challenges

Initial store layout too **project - focused**
Opportunity to expand **space for high visitation/high margin categories**

Some **range gaps** in critical categories...
...limiting Masters ability to further **expand customer loyalty**

Low customer value perception: Actual price competitiveness insufficiently perceived

Quick initial roll-out to **establish presence** Higher levels of cannibalisation due to **denser initial store network in VIC**



Initiative

Masters 2.0 Format
Additional space for high visitation/high margin categories. Enhanced **flows & adjacencies**

Range Refresh
Structured **redesign of key categories' ranges** with addition of new **brands**

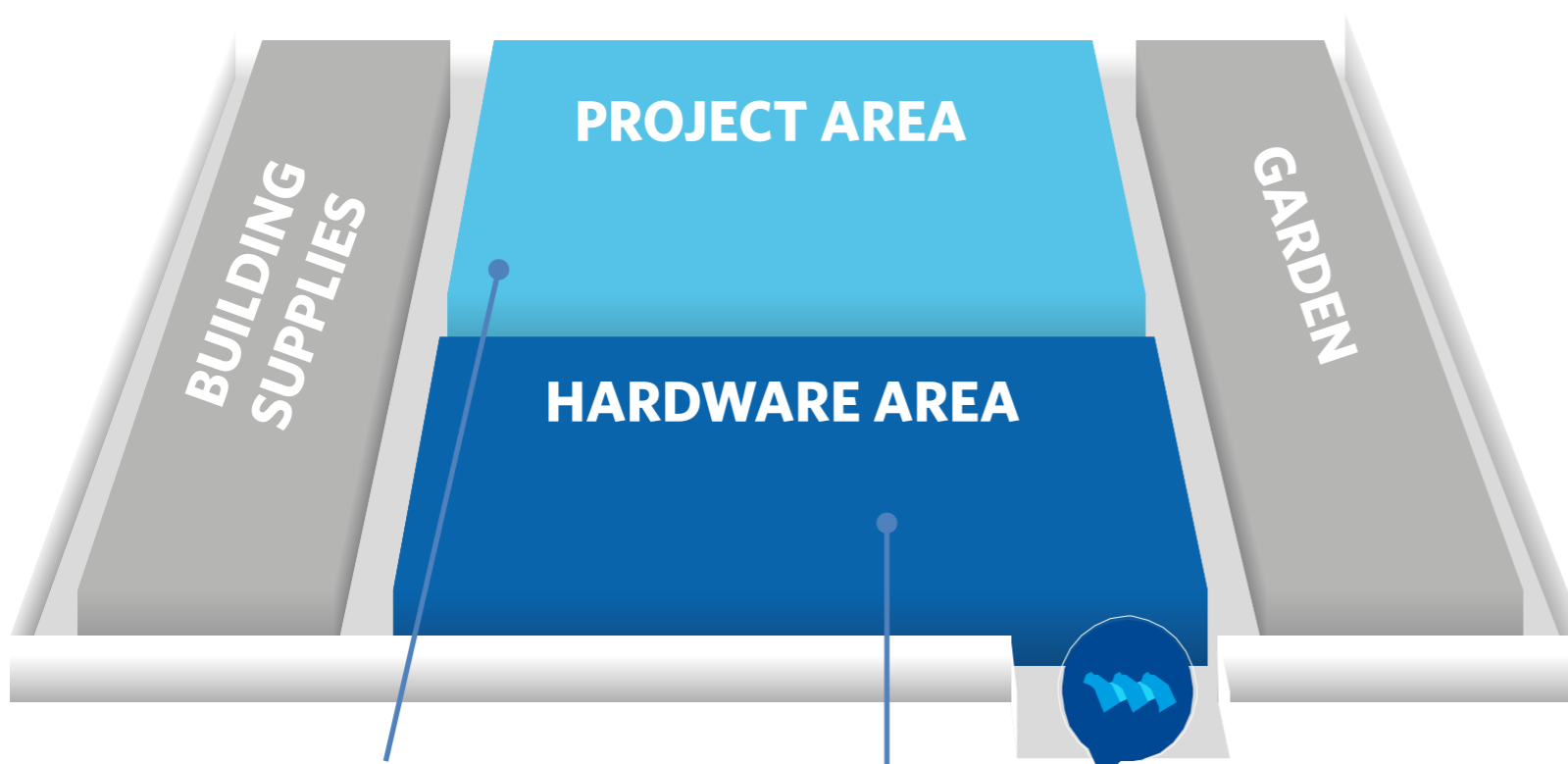
Shout About Value
National campaigns to drive **value perception & traffic**

Store Roll-out
Detailed **assessment of future store locations** **Slowing.** of original roll-out plan to provide greater focus on **Metro, particularly in NSW**

The new format has improved store performance by re-allocating space and enhancing flows and adjacencies for key categories

New store layout principles

- Re-allocated space and improved store category mix
- Enhanced store flows and adjacencies



COVER CUSTOMER PROJECT NEEDS
(fragmented market)

'Soft' and inspirational project categories
(e.g. Flooring, Kitchens, Bathrooms)

Store entrance

DRIVE TRAFFIC AND MARGIN MIX
(high visitation & margin)
'Hard' and realisation categories
(e.g. Tools, Paint, Hardware)

Examples of key categories

Type	Categories ¹	Space ¹ Increase
Traffic/ Margin Drivers	Garden Care	+70%
	Hardware	+40%
	Powertools	+30%
	Paint	+15%
Projects	Flooring & Tiles	+40%
	Bathroom	+25%
	Kitchen	+15%

The layout of key categories has drastically changed in the new format stores

Former Store Format

2.0 Format

Impact

Tool shop



Paint



Flooring



Strong sales and traffic improvement

Strong margin improvement driven by mix

Perception c. +20%

A comprehensive review of our range is well under way - new range will be progressively rolled-out in new and existing stores

Enhanced Range

Key Categories Reviewed

Hardware
Paint
Power Tools
Flooring
Bathroom
Windows & Walls
Lighting

Comprehensive Review

Customer-centric
Price hierarchy
Brand architecture
Range gaps

Additional Iconic Brands



Comprehensive Roll-out

c. 5,300 new lines
(net increase of c. 2,500)

- **5 New Stores** to open with new range in FY15
- **3 Existing Stores** to be retro-fitted in FY15
- Key categories to be back-integrated progressively in all stores

Successful 1st back-integration of Hardware category

Masters recently launched national campaigns with positive impact on traffic, sales and value perception

Campaigns

Paint campaign
(one-off, Oct 2014)



Impact on Traffic & Sales ¹

- **+90% weekly sales** in interior paint in first 3 weeks
- **Average interior paint sales** per store then stabilised **over +20%** vs previous year
- **Minimal margin impact** across paint category

Price jolts campaign
(weekly, since Oct 2014)



- **Positive sales impact** on both price jolt and attachments
- **Attracts new customers**

Multiple customer metrics improved over 12 months

Masters will have 59 stores open by the end of FY15, including 22% new format stores



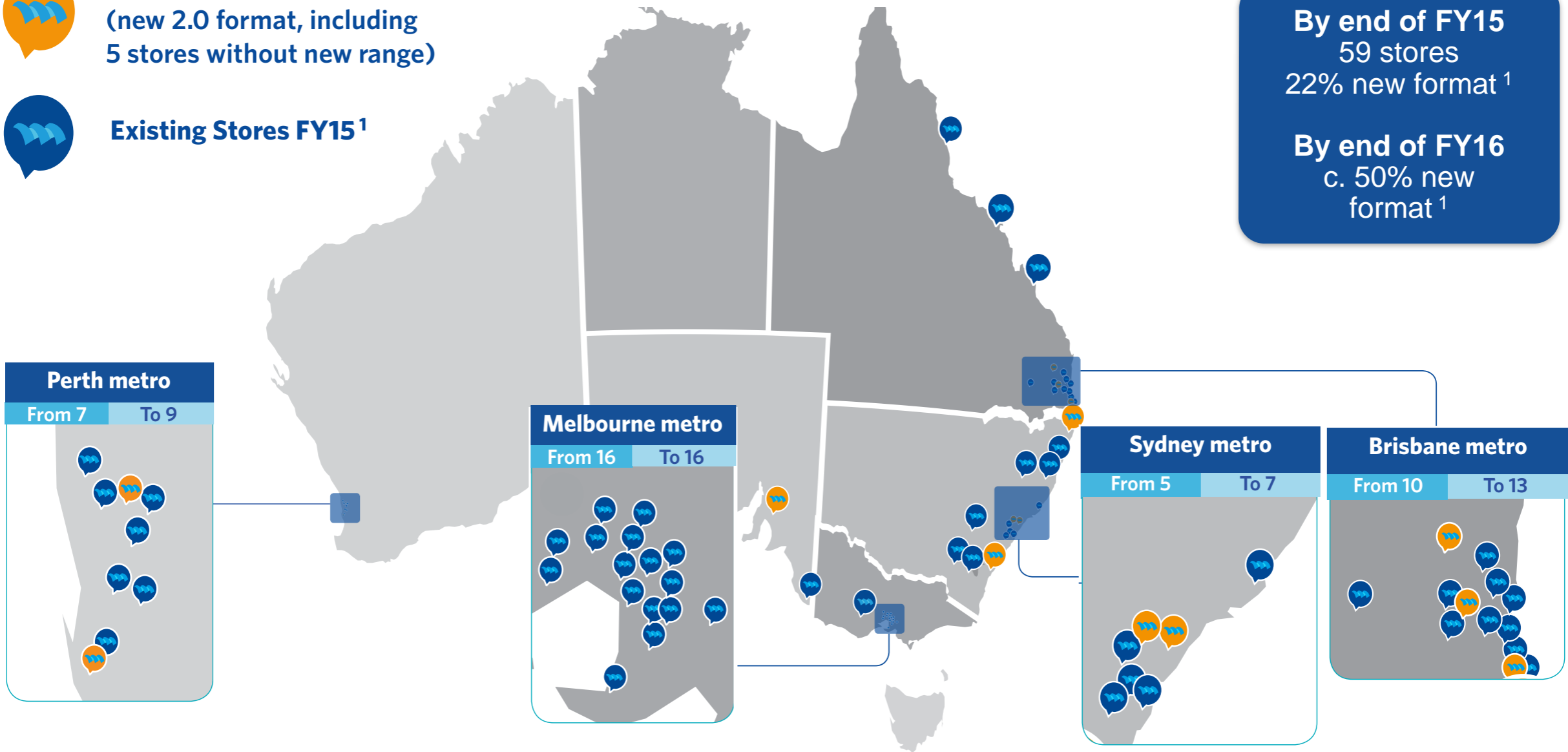
New Stores FY15
(new 2.0 format, including 5 stores without new range)



Existing Stores FY15¹

By end of FY15
59 stores
22% new format¹

By end of FY16
c. 50% new format¹



Heavy cannibalisation impact in Victorian stores is unwinding

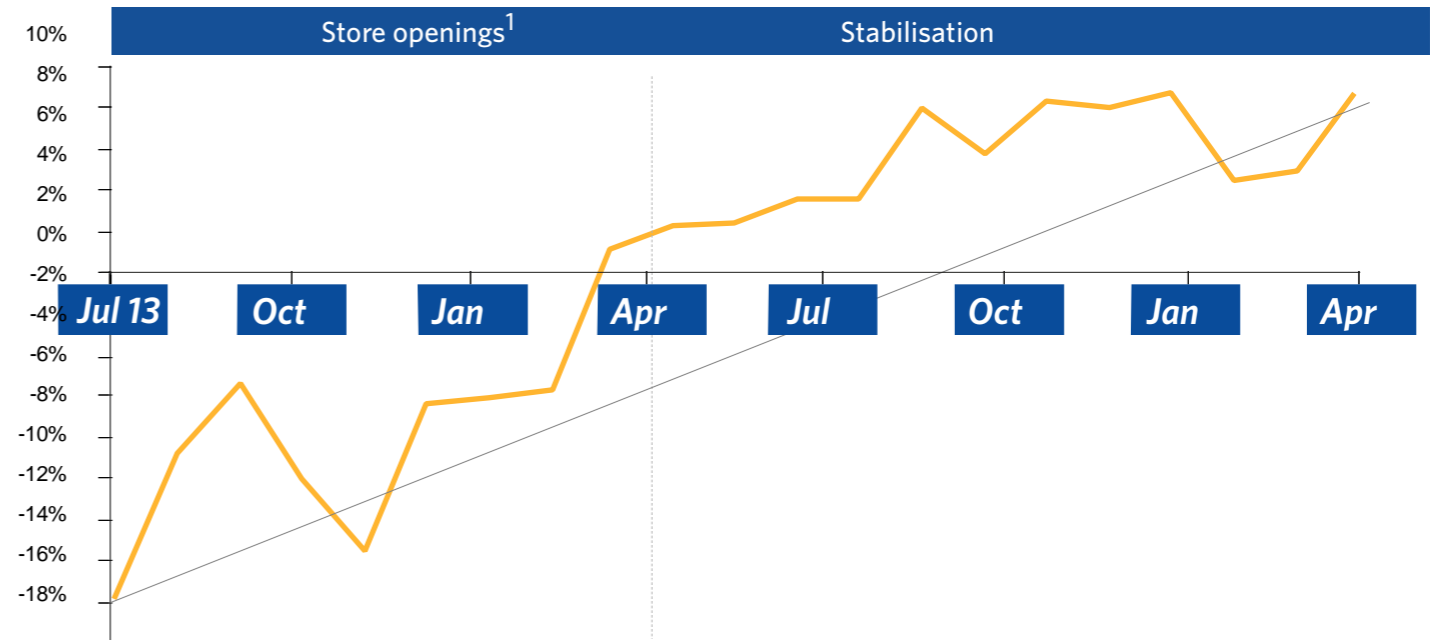
Masters stores in Melbourne

In the first three years, Masters stores in Melbourne grew from 1 to 17. This market will now have time to settle



Year on year compared average sales growth (VIC vs Others)

Store openings¹: high cannibalisation impact causing lower sales growth relative to network
Stabilisation: growth catch-up phase



We have scaled down our roll-out plan in the coming years to focus primarily on high potential locations

Rationale

- Masters now has a good understanding of future location potential (sufficient sales history and robust tools to assess targeted sites)
- We will use the balance of this calendar year to test the new models' performance

Decision

- Decision to re-focus roll-out plan until the success of the revised value proposition is clearly demonstrated
- Roll-out re-focused on:
 - Strategic/high potential locations
 - Already-committed stores (construction commenced or committed leaseholds)

Impact

- Number of stores opened reduced by 4-10/year
- Capital spend reduced by \$600m
- Plan for existing network secured:
 - Retrofit stores
 - Back-integration of new range within initial format



We have attracted new talent and developed our people to grow our capabilities

Talent Acquisition



Matt Tyson
Managing Director



David Walker
GM Finance



Dion Workman
GM Marketing



Gillian Davie
GM HR



Dean McMillan
Head of Format Development

- c. 30 new managers also attracted from local competitors, international Home Improvement leaders, Lowe's and Woolworths Group
- New expert sales force initiatives on key categories

Engagement & Capability Development

- Change management culture: internal strategy updates, training, office moves, etc.
- Recognition & Reward programs (HQ and stores)
- Masters Business Awareness (MBA) program
- Store Management Talent program

Increased Home Improvement capability

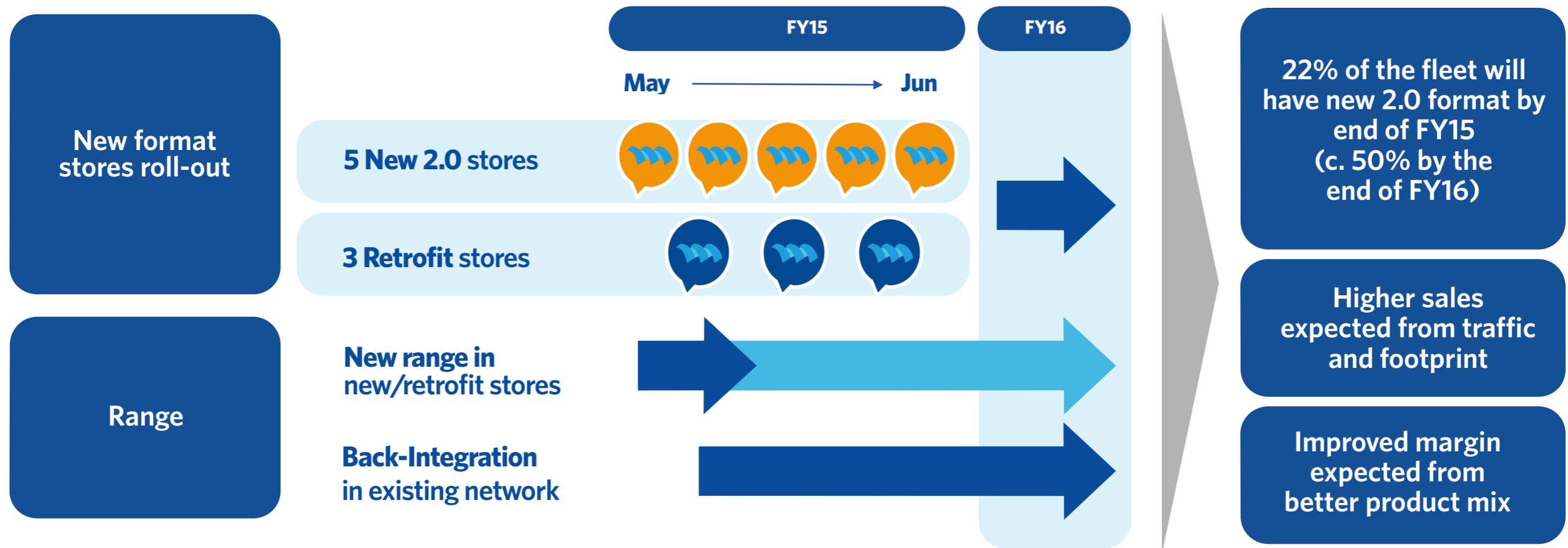
Cultural shift

Strategic alignment at all levels

Engaged workforce

Diverse backgrounds & innovative environment

We are implementing a large number of changes and will be able to demonstrate improvement from the new model in FY16



Overview

- The rationale for entering the \$45 billion market remains compelling
- We have learnt a great deal and have adapted our model
- We are making good progress on the activities outlined last August including:
 - Ranging
 - Value perception
 - Format evolution
 - Store network
- We are realistic about the time it will take to prove our offer, but encouraged by the customer response to these changes
- Masters will be a long term profit contributor to the Woolworths Group



Questions

Matt Tyson

Managing Director



WOOLWORTHS LIMITED



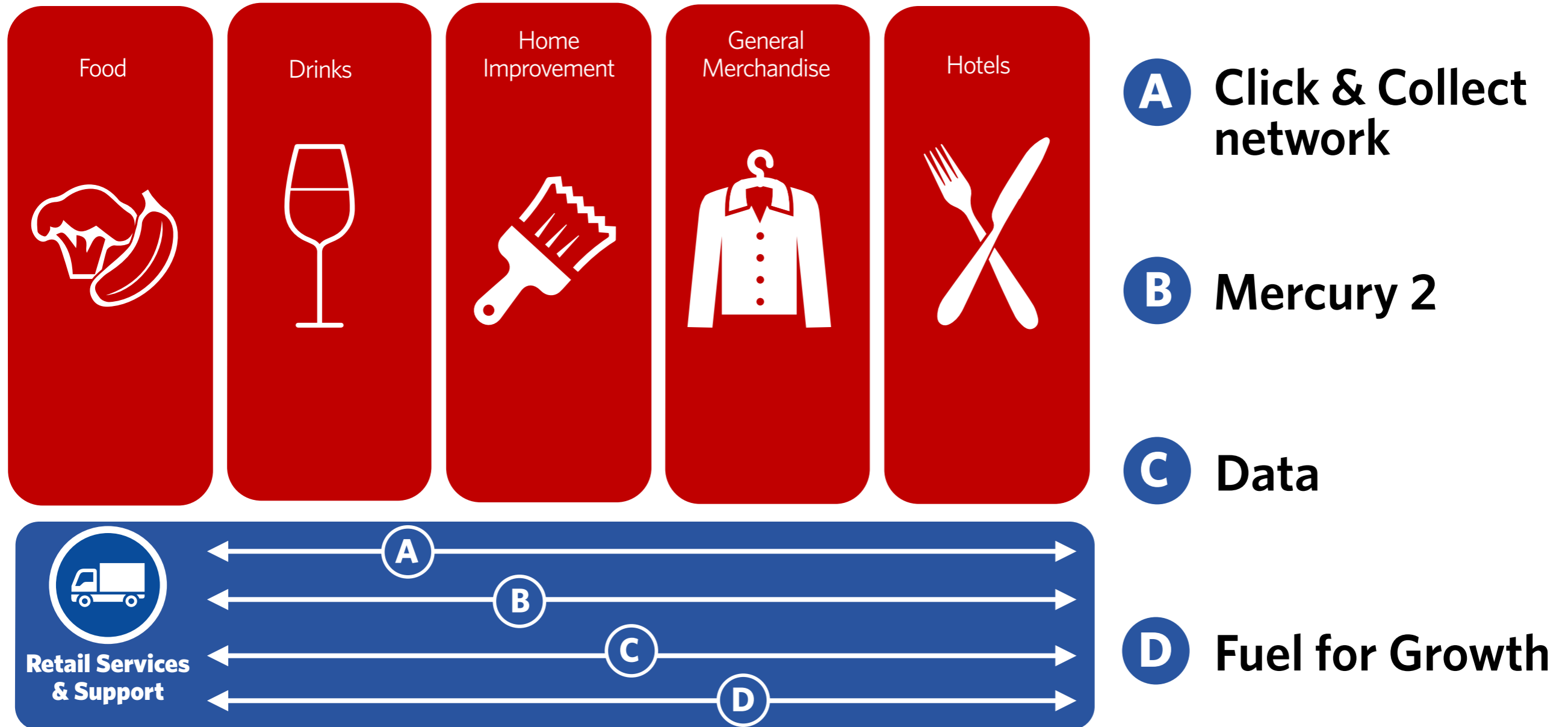
Enablers of Competitive Advantage

Grant O'Brien, Penny Winn,
Emma Gray & Matthew Stanton

Overview

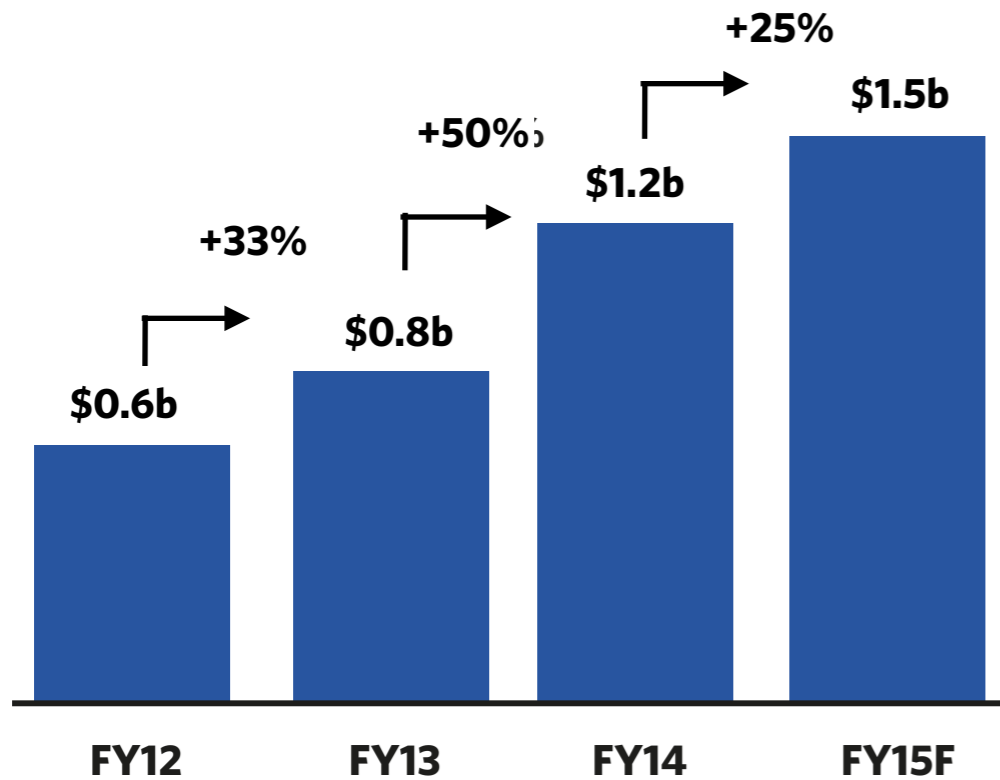
- The scope of Woolworths' retail portfolio allows us to secure productivity and growth opportunities that are not available to our competitors. It also provides the basis for superior economic returns
- Our model allows us to create opportunities through
 - Leveraging scale benefits
 - Capturing scope advantages
 - Building platforms
 - Incubating and innovating
- We are refining and changing our operating model as we learn what works in an environment of rapid and fundamental change

An exciting set of initiatives underway to deliver the next step-change in productivity and growth

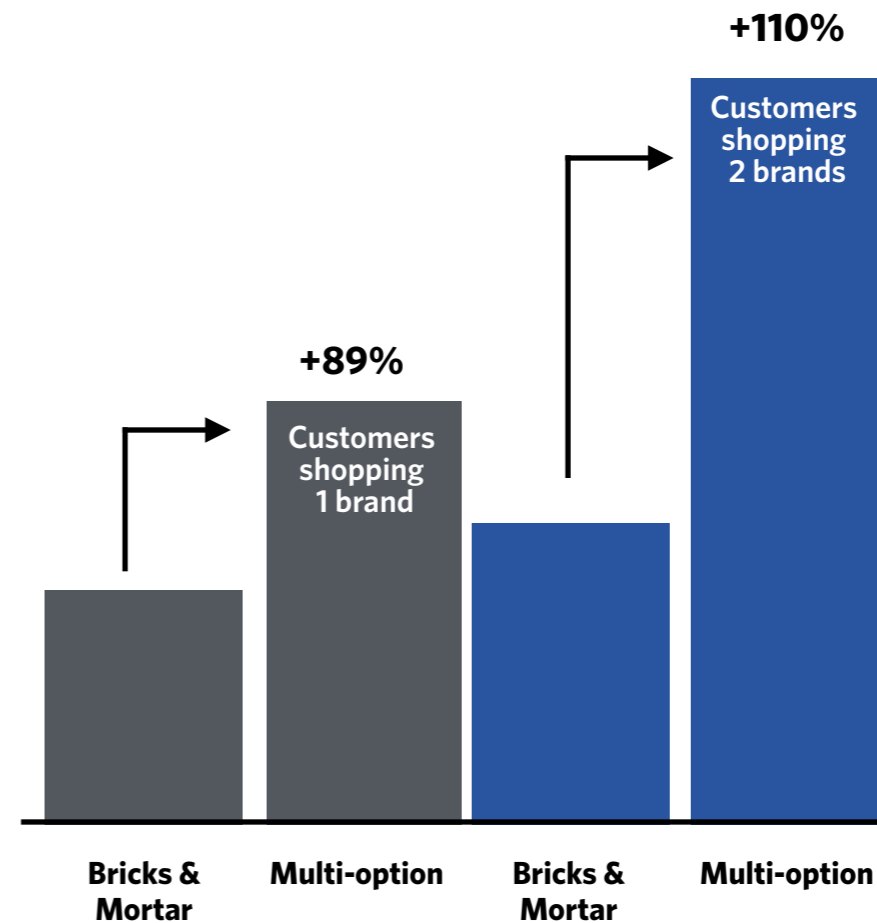


We have built the largest domestic online retail business in Australia

Online sales



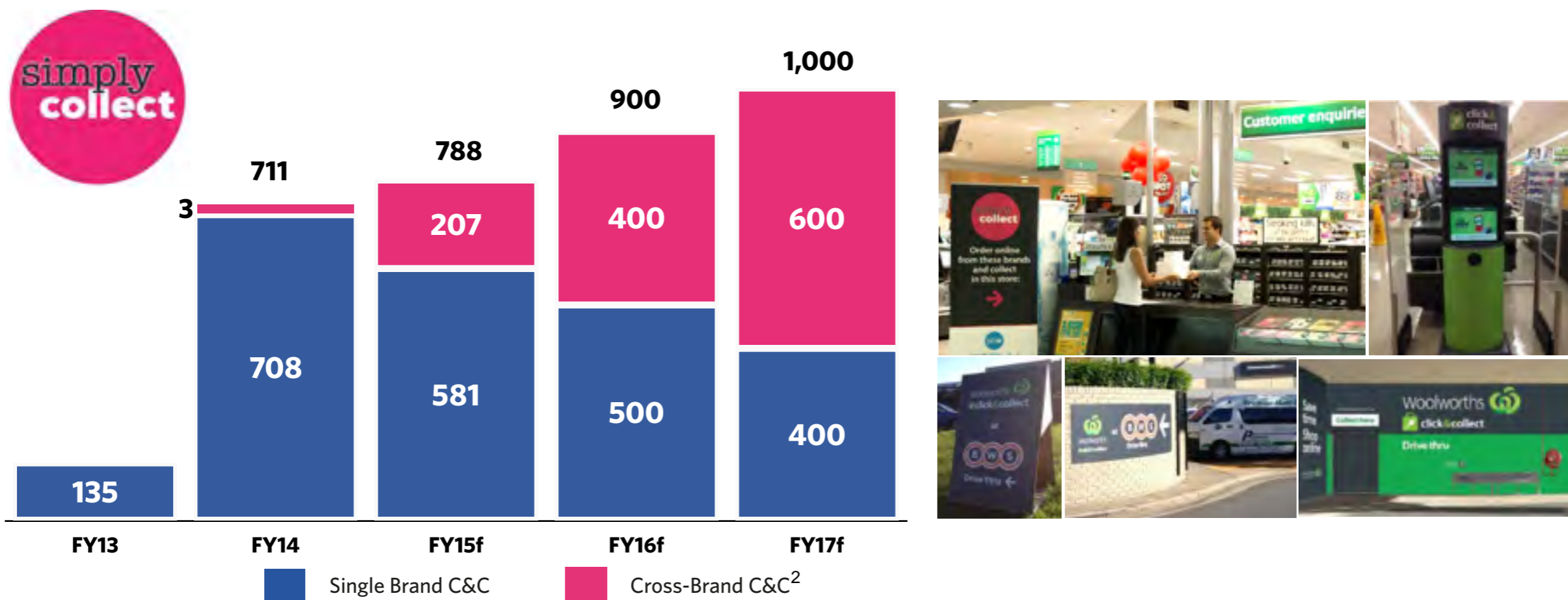
Spend per customer cross-brand and cross-channel



- We have done this by leveraging the scale and scope of our multi-brand retail portfolio
- ... and by combining leading old and new world assets to offer the convenient collection and unparalleled delivery options our customers demand

We have built a unique cross-banner Click & Collect network as a platform for further growth

Click & Collect Locations¹



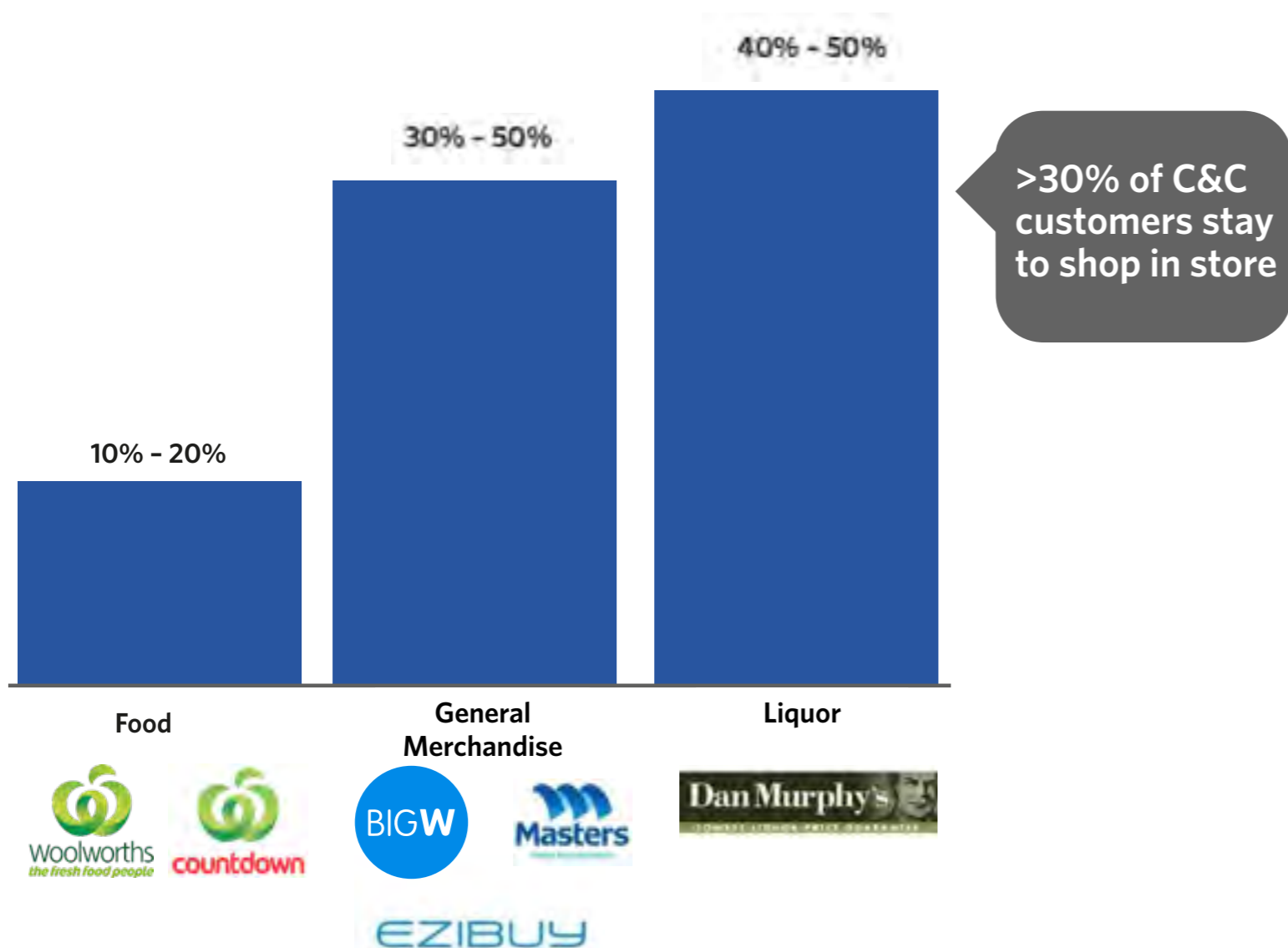
Having built leading edge Click & Collect (C&C) capabilities within our businesses, we have now also built a cross-group Click & Collect platform for the next wave of growth

Note: 1. C&C rollout plan for FY16 and FY17 subject to change

2. Includes Grocery, Australian and NZ Simply Collect "cross-brand" locations

More than one third of people stay to shop in-store

% Online Sales as Click & Collect (FY15)



C&C Customer Measures



C&C Net Promoter Score +36



C&C Net Promoter Score +51



More than 450,000 items delivered through the Simply collect network to date

We are open to new ways of working to satisfy our customers' changing needs



Our partnership with eBay allows us to

- Accelerate the scale-up of our Simply Collect platform
- Attract new customers into our stores
- Jointly learn and partner with other leading edge online players
- Offer our customers convenient collection in categories we do not currently participate in

We are leveraging our existing resources and logistics to deliver this service

How is it performing?

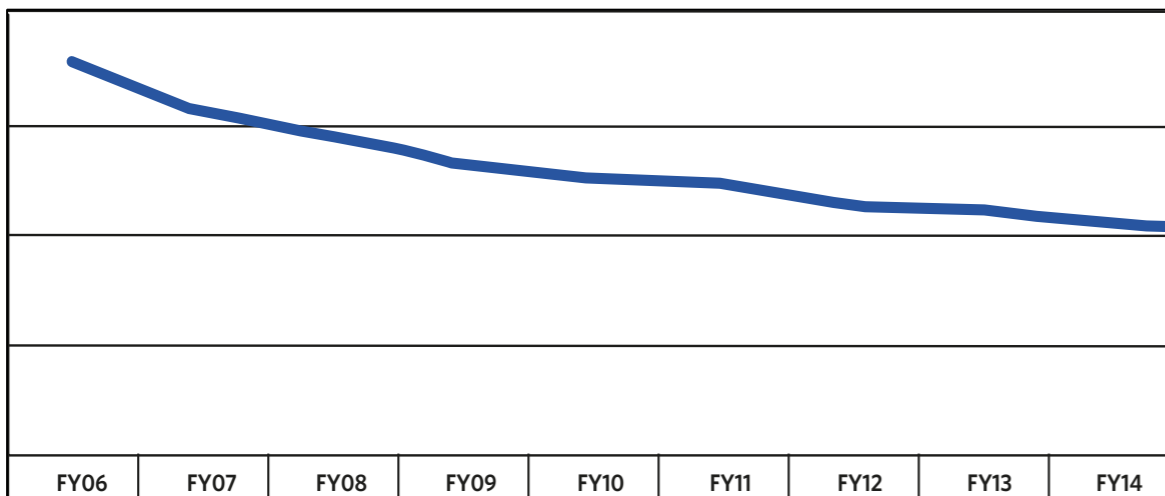
- 948 eBay sellers offering over 300,000 items for sale through Simply Collect
- Great customer feedback
- Exceeding KPI's

Supply chain excellence

Outcomes from Mercury 1



Logistics Cost % Sales
Australian Food and Liquor



The original Mercury program provided a significant competitive advantage for Supermarkets over the last eight years

With Galaxy embedded and new technologies available, the next wave of advantage is now available across the group

Mercury 2 is now moving into execution phase

Mercury 2 will be global best practice

Cross-brand



End to End

Growers



Vendor collaboration
International flow
Shelf ready devices

Network



International consolidation/
processing
Transport optimisation
Agnostic flow
Fastest fresh

Stores



Unit load devices
Targeted customer ranging
Small stores and convenience

Customers



Multi-option
Click & Collect
Home delivery

Strategic principles

Fastest fresh



Step change in vendor capability



Enabling range growth



Less manual activities



Global supply chain



Customer forecast driven



Market leading availability



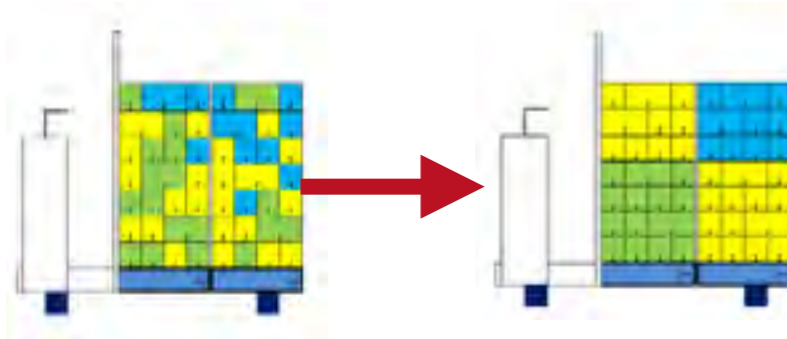
Optimal flow at lowest cost



Mercury 2 will drive network productivity and market leading availability

Wave 1 Optimising today (FY15-16)

- Family Grouping
- Accelerated Direct Store Delivery Conversion*
- Improvements to fresh flow
- Optimal flow paths*
- Leverage group volumes



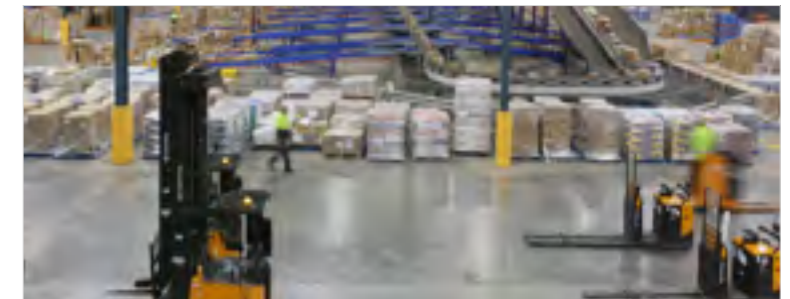
Wave 2 Build new capabilities (FY16-FY18)

- Online & international supply chain
- New levels of availability through best forecast and replenishment*
- Enable targeted ranging at lowest supply chain cost
- Joint improvements in vendor networks



Wave 3 New infrastructure and systems (FY18+)

- Customer insights and data driven demand
- Network infrastructure to enable volume and range growth*
- Technology enabling improved efficiencies

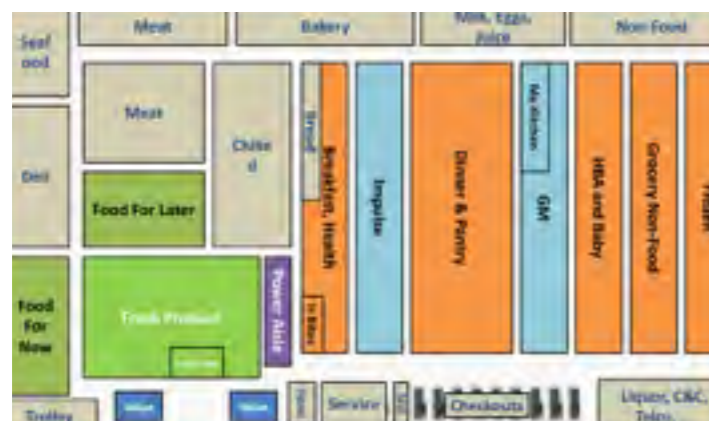


← Enabled through leveraging Galaxy capabilities →

Tailored customer ranging will step change store productivity and customer offer

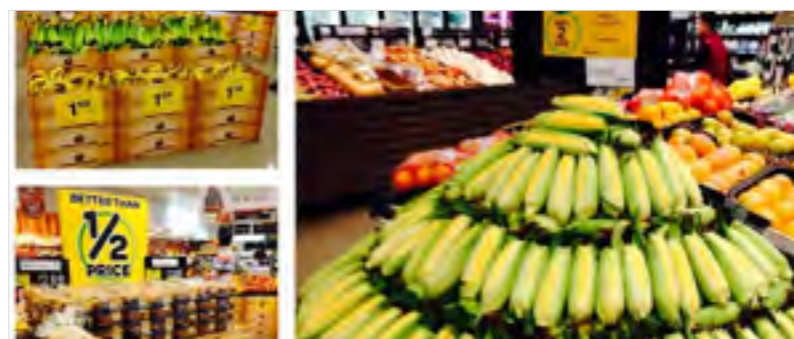
Tactical Optimising today (FY15-16)

- Customer and category data used to tailor individual store ranges to meet customer needs
- New ways of working
- Currently in food and liquor



New Technology Build new capabilities (FY16-FY18)

- New technology to ensure right range, at the right time, in the right store that suits our customers' needs at all times
- Further enabling a low cost operating model

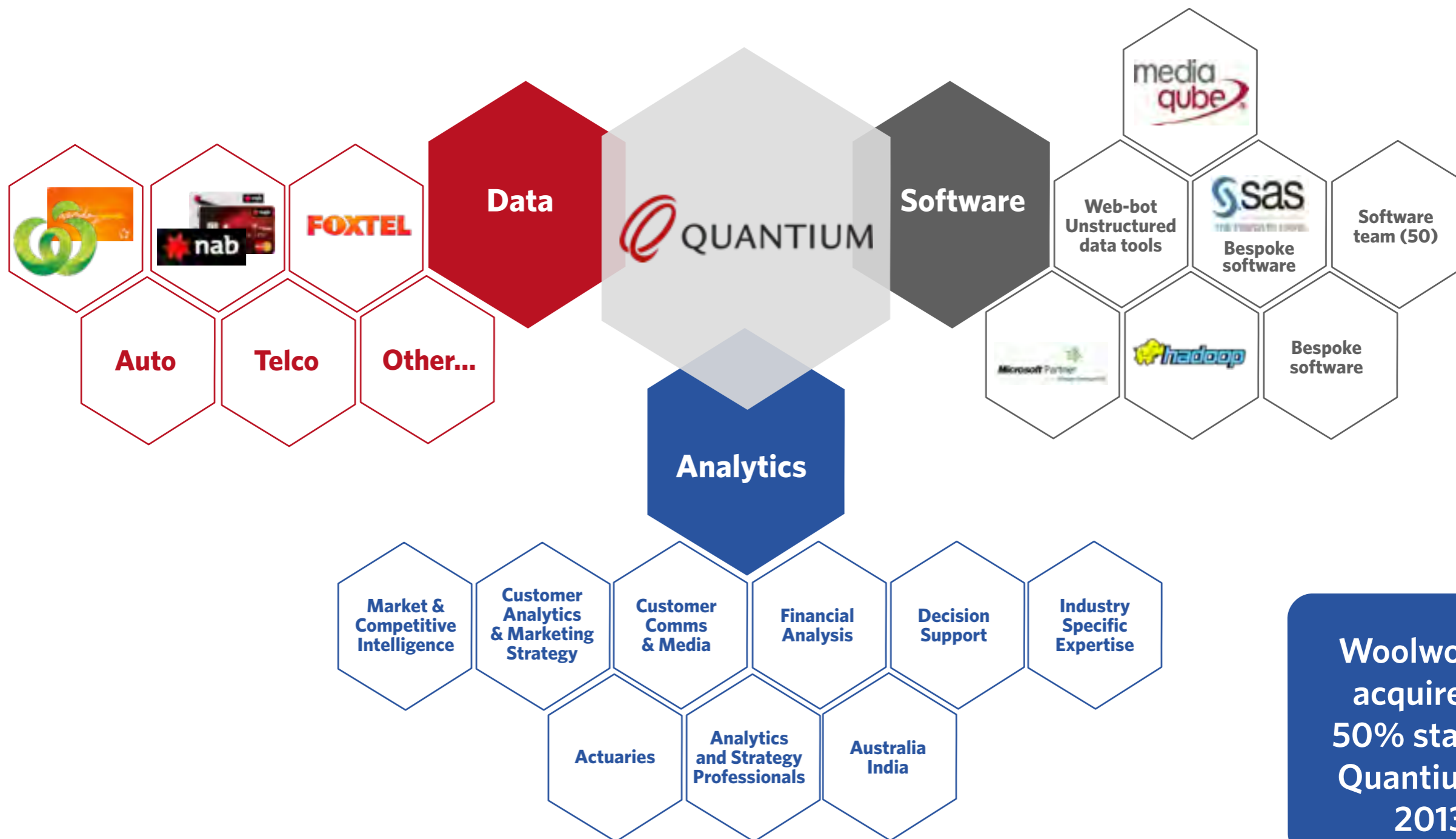


New Network New infrastructure and systems (FY18+)

- Leveraging the new network to ensure we have capacity to expand range
- Reporting and analytics capability to enable more accurate decisions for space and range



Quantium contributes a deep analytical backbone to decision making



Woolworths acquired a 50% stake in Quantium in 2013

Our insights allow us to respond to and predict customer needs more effectively



**Actual
behaviour**

vs. Claimed behaviour



50%
of Woolworths
transactions (baskets)
captured by EDR cards



67%
of Woolworths
sales (\$) captured
by EDR cards



8.5 million
registered Everyday
Rewards (EDR)
cardholders



**Credit card
linkage**
captures transactions
when cards are not
swiped

Better insight helps us shift internal capability and culture to serve customers better...



... and make more informed decisions



With Quantum we have also developed tools to co-create with our suppliers



- User-friendly, intuitive and interactive
- Suppliers have full visibility of categories for the first time
 - product level, store level, and online
- Access to the dataset of 8.5m Everyday Rewards cardholders
- Common language with WOW
 - the same data and reports used by WOW

PLATINUM PARTNERSHIP

15 signed

QUANTUM
CheckOut

41 subscription packages signed



Matt Kelly

Unilever Customer Marketing Director for Woolworths

Our approach to cost, which we established in July'14, aligns to the new market context

Context

- The retail landscape is evolving as consumers' preferences change:
 - Offers focused on value and distinctive, tailored experiences are growing share
- In a low inflation environment we need to focus on taking 'Real \$' costs out

Our approach

- We are building a low-cost foundation to give us options to serve all customer segments
- We have set up a central cost-out program to identify opportunities, realise initiatives and deliver benefits
- Benefits will be reinvested in value and distinctive, tailored customer experiences to grow sales

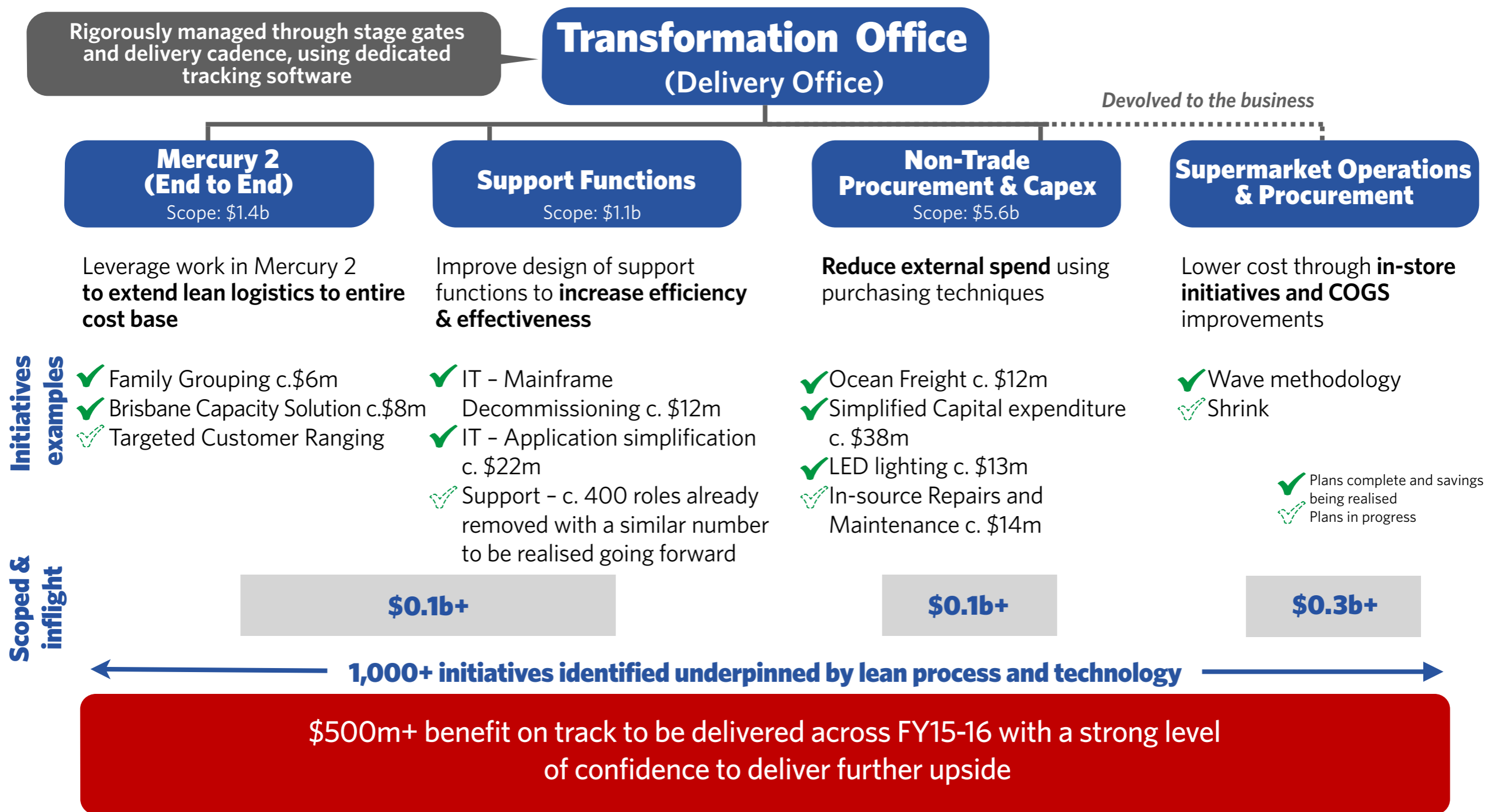
Four guiding principles

- No adverse impact on our customers
- Implement lean processes leveraging technology
- Reduce complexity then simplify organisation
- Operate with a lean centre

Woolworths' Lean Retail Model



This focussed program is driving cost reduction across the business with plans now in place to deliver in excess of \$500m benefit



Overview

- The scope of Woolworths' retail portfolio allows us to secure productivity and growth opportunities that are not available to our competitors. It also provides the basis for superior economic returns
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Questions

**Grant O'Brien, Penny Winn,
Emma Gray & Matthew Stanton**



WOOLWORTHS LIMITED



Group Financial Overview

David Marr

Chief Financial Officer

Overview

- Strong financial position providing flexibility to address current performance challenges
- Strong cash generation with \$20bn of operating cash flow to fund new businesses, capex, dividends and property development since the beginning of FY08
- Disciplined capital allocation that will underpin growth plans
- Working capital remains an opportunity
- Capital management remains a priority

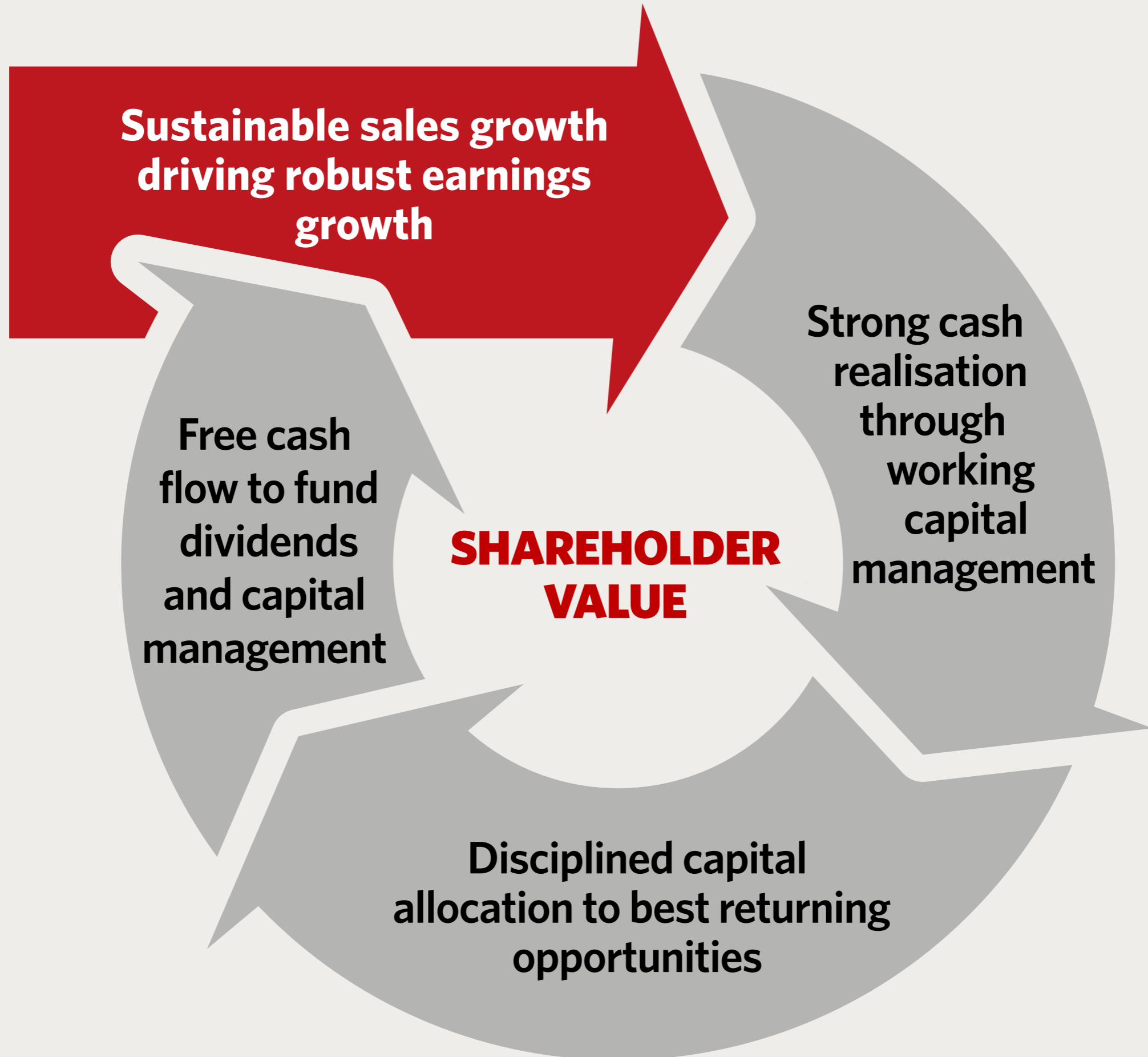
Attractive financial profile and balance sheet strength despite investment for future growth

Key Financial Metrics

	FY08	FY14	CAGR ¹
Sales (\$m)	47,035	60,773	5.2%
EBIT (\$m)	2,529	3,775	8.7%
NPAT (\$m)	1,627	2,452	9.6%
Dividends per share ¢	92.0	137.0	9.2%
Fixed charges cover (x)	2.9	3.0	
ROFE (%) reported	31.4	27.0	
ROFE (%) lease adjusted	19.2	18.4	

- Solid growth profile with leading market positions
- Strong cash generation
- Scale and scope benefits as Australia's largest retailer
- Robust balance sheet with strong credit rating and diversified sources of funding
- Strong returns with ambition to grow ROFE further

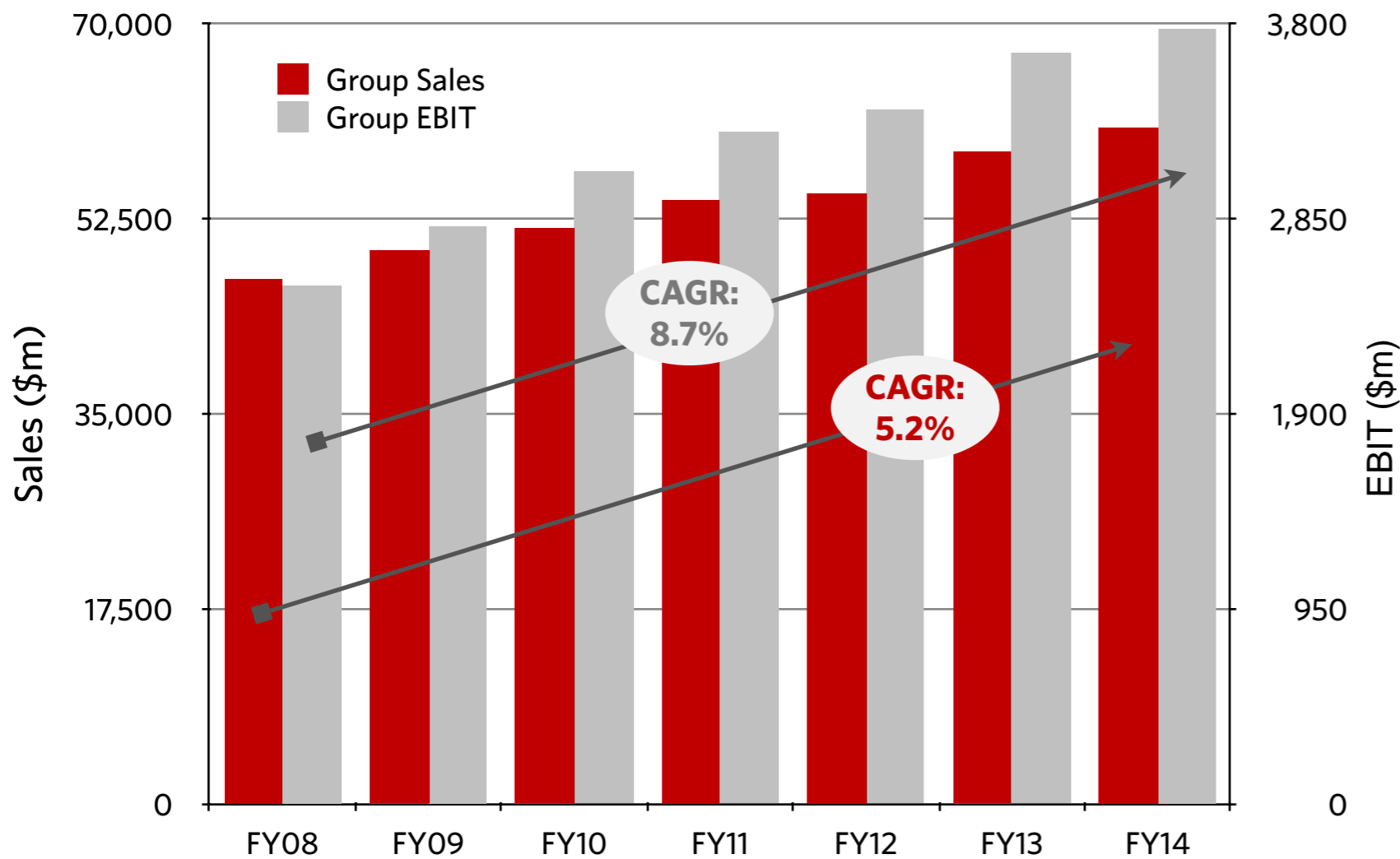
Delivering sustainable returns to shareholders





Sustainable sales growth driving robust earnings growth

Group Sales and EBIT (before significant items)

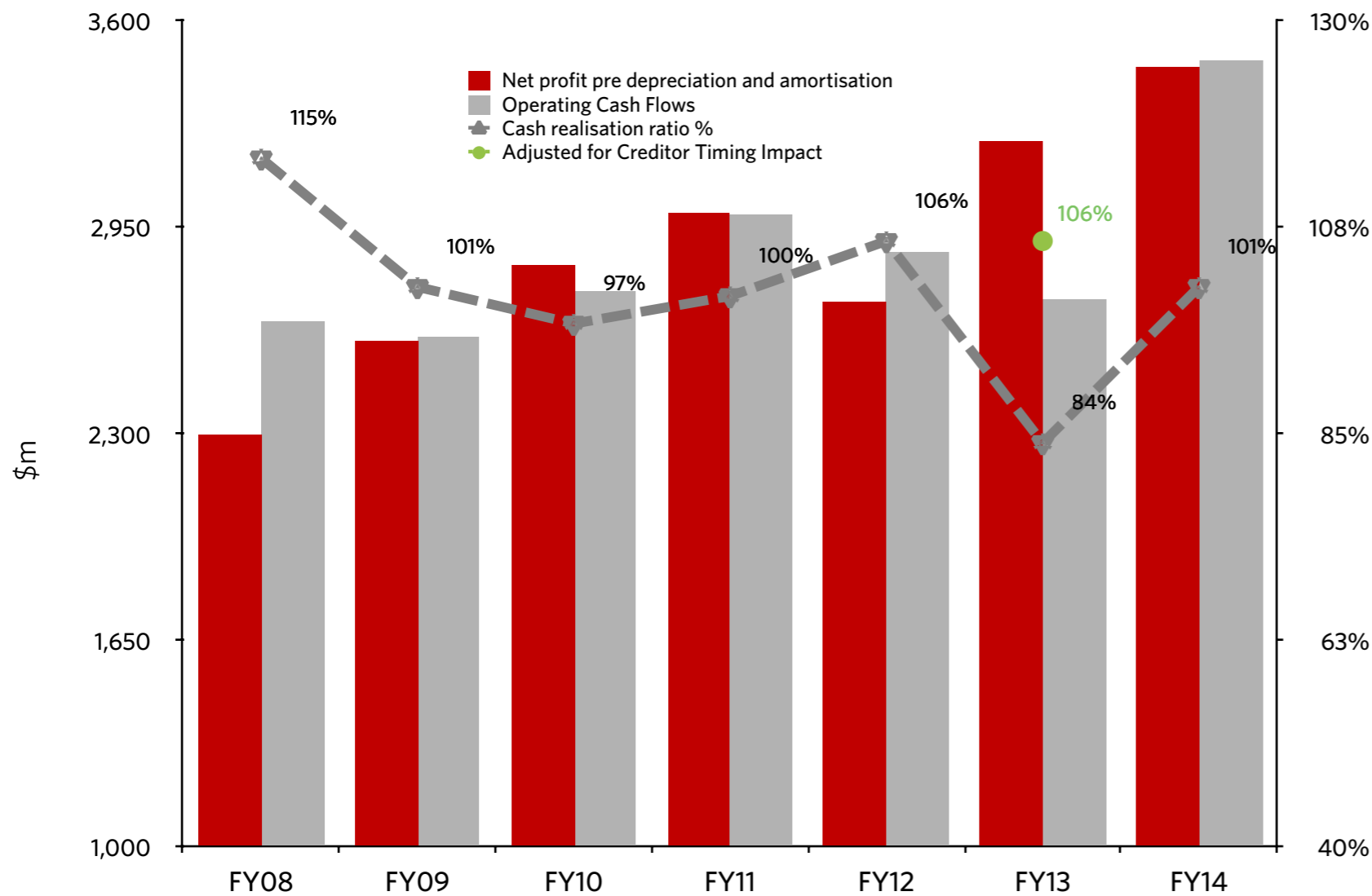


- Long-term track record of strong sales growth driving EBIT growth
- EBIT growth has averaged 6% from FY10 despite more difficult trading environment and investment in Home Improvement
- Group EBIT growth of 4% achieved in 1H15 despite a sales performance below our expectations



Earnings converted into operating cash flow, we see further opportunity in Net Investment in Inventory over medium term

Cash Realisation

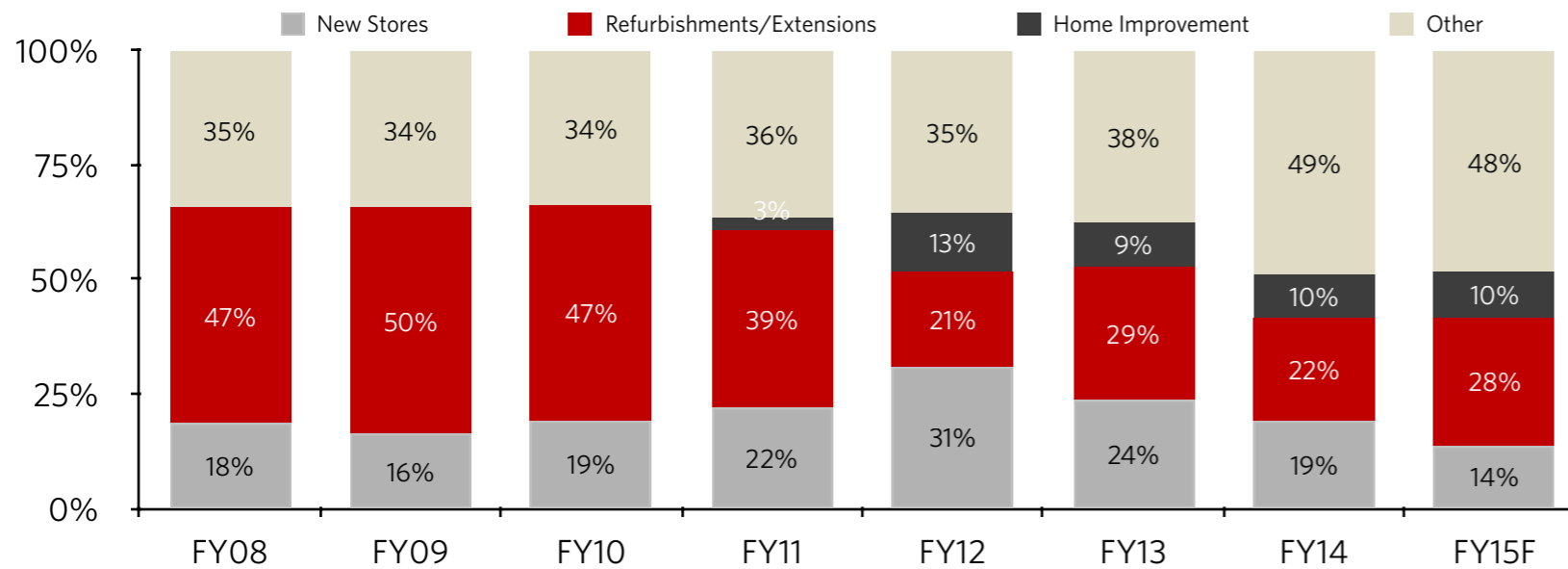


- Cash realisation has remained around 100% when adjusted for creditor payment timing despite investment in Home Improvement and tougher trading conditions in General Merchandise
- We are targeting a further reduction in Net Investment in Inventory of over \$500m over the medium-term
- We intend to aggressively focus on cash generation in BIG W

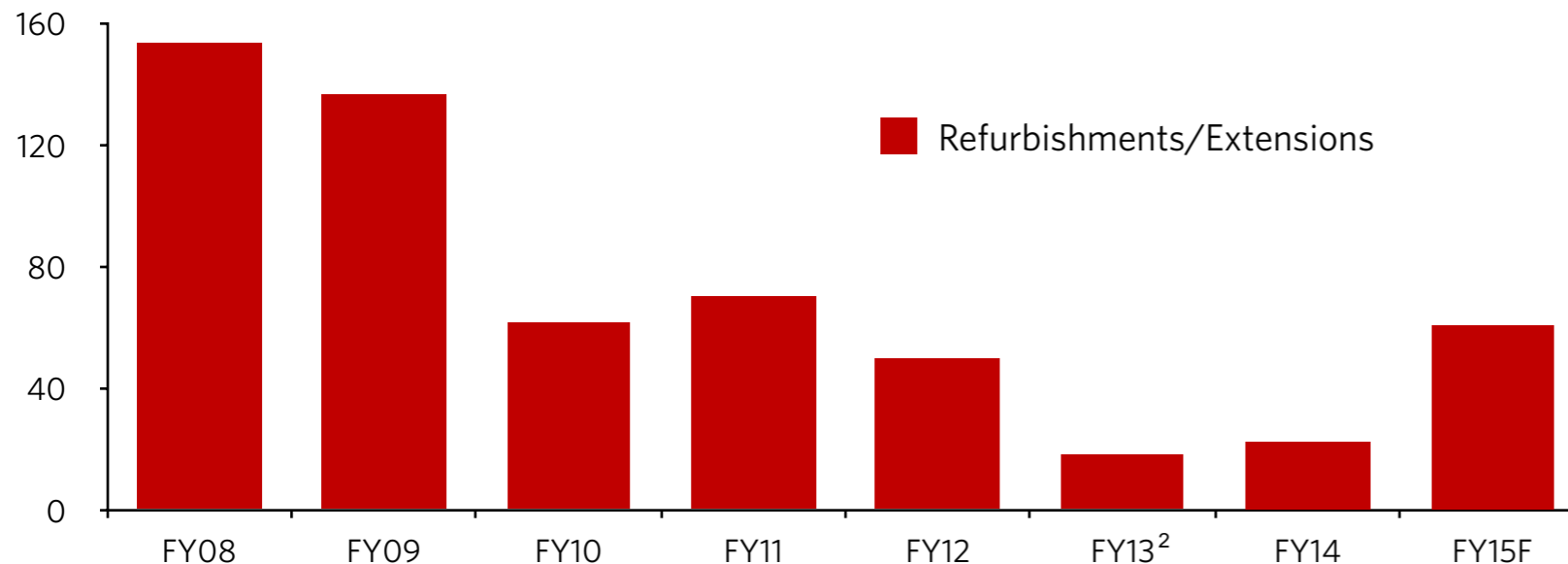


Capital investment reflected evolving property network strategy with recent focus on new stores

Capex Breakdown FY08 - FY15F¹



Australian Supermarket Refurbishments: FY08-FY15F



- Intentional recent focus on new store growth while industry space growth was low
- Refurbishment spend deliberately reduced in recent years following significant investment in FY08-FY10
- Growth in "Other" capex in recent years due to SAP implementation

1: Excluding Property Development and Acquisitions 2: Excludes minor refurbishments
 Note: Other category includes Stay in Business, Store Replacements and other elective capex, IT & Logistics



Disciplined capital allocation process in place

Capex Principles

Enhancements Implemented or Underway

Medium-term Implications

Alignment to strategy

- Closely align capex to best strategic opportunities
- Appropriate investment in new businesses to underpin long-term growth
- Carefully balance capex for short-term vs. long-term returns
- Restrict spend in low growth businesses until proven

Financial returns

- Critically focus all capex spend on returns
- Appropriate hurdle rates
- Post-Implementation rigour vs business case
- Increase efficiency of existing asset base

Capacity to spend

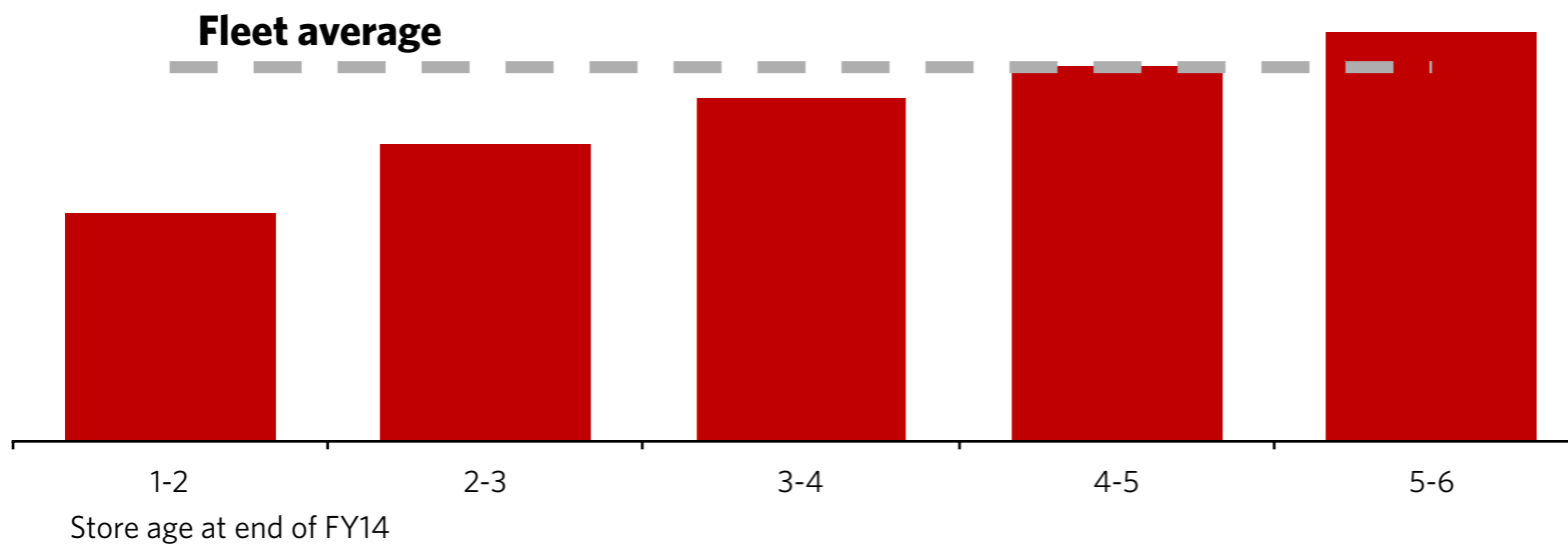
- Ensure appropriate resource and process
- Capex forecasting rigour and compliance

- Skew to Australian Food & Liquor (from 52% of capex¹ in FY14 to 64% in FY16)
- New store numbers to be driven by population growth and network gaps
- Higher Australian Supermarkets refurbishments
- Masters and BIG W investment curtailed until the model proven
- Further efficiency in Stay in Business capex
- FY16 total capex below FY15 with operational capex (ex property) broadly in line with FY15 inclusive of incremental \$200m Mercury 2 spend



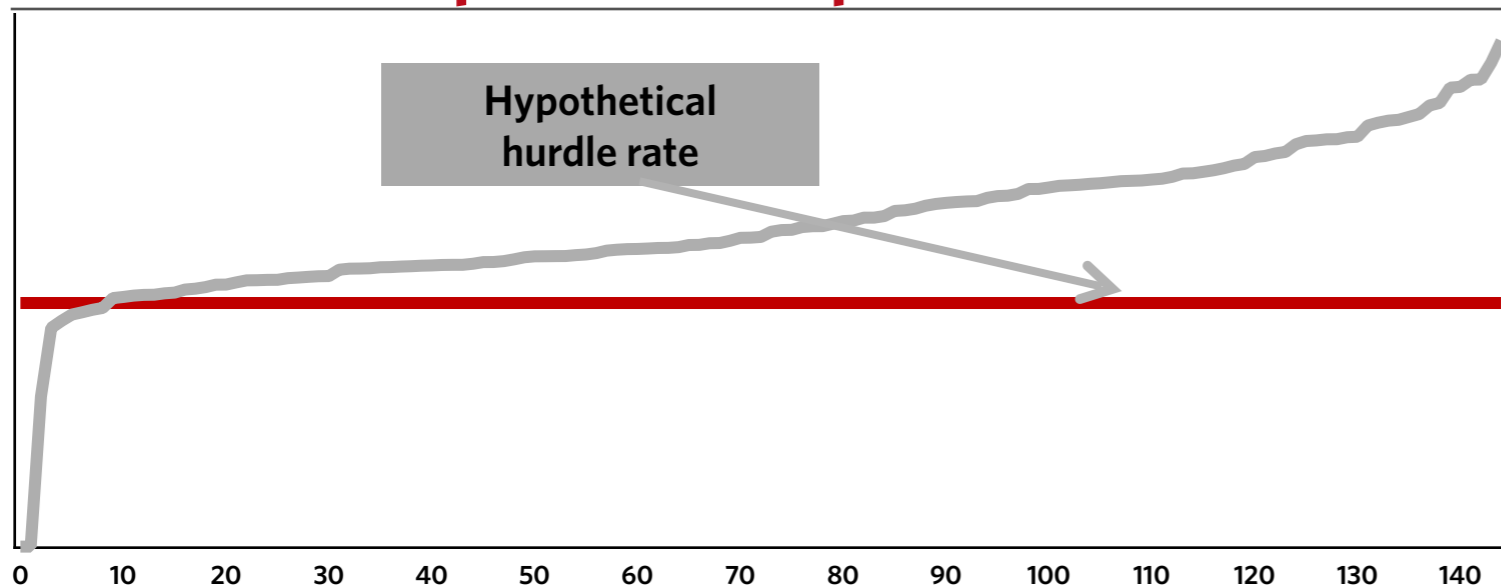
New stores continue to provide strong returns on capital

Australian Supermarkets' Sales Per Sqm - New Stores Vs. Established Stores



- Sales per square metre has been impacted by:
 - Higher relative number of immature new stores (12% in FY14 vs 10% in FY10)
 - Lower refurb levels (152 in FY12-15 vs 423 in FY 08-11)
- However, returns on new stores remain well above hurdle rates including adjusting for cannibalisation
- Discipline around new store capex remains very strong with new stores reviewed 1, 3 & 5 years after opening

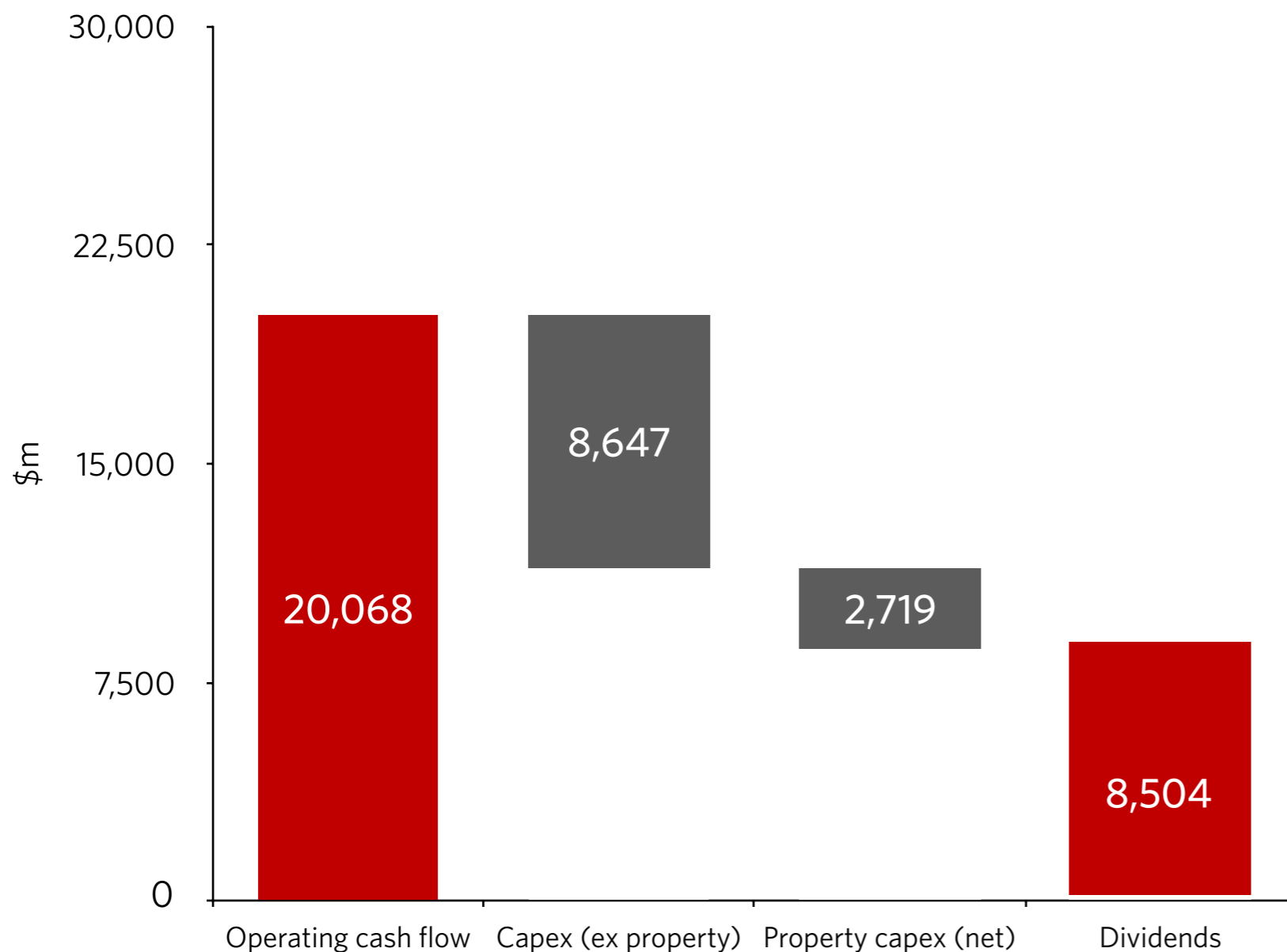
IRR¹ For New Supermarkets Opened 2010-2013





Strong free cash flow despite net property investment of \$2.7 billion from FY08

Cumulative Free Cash Flow: FY08-FY14¹

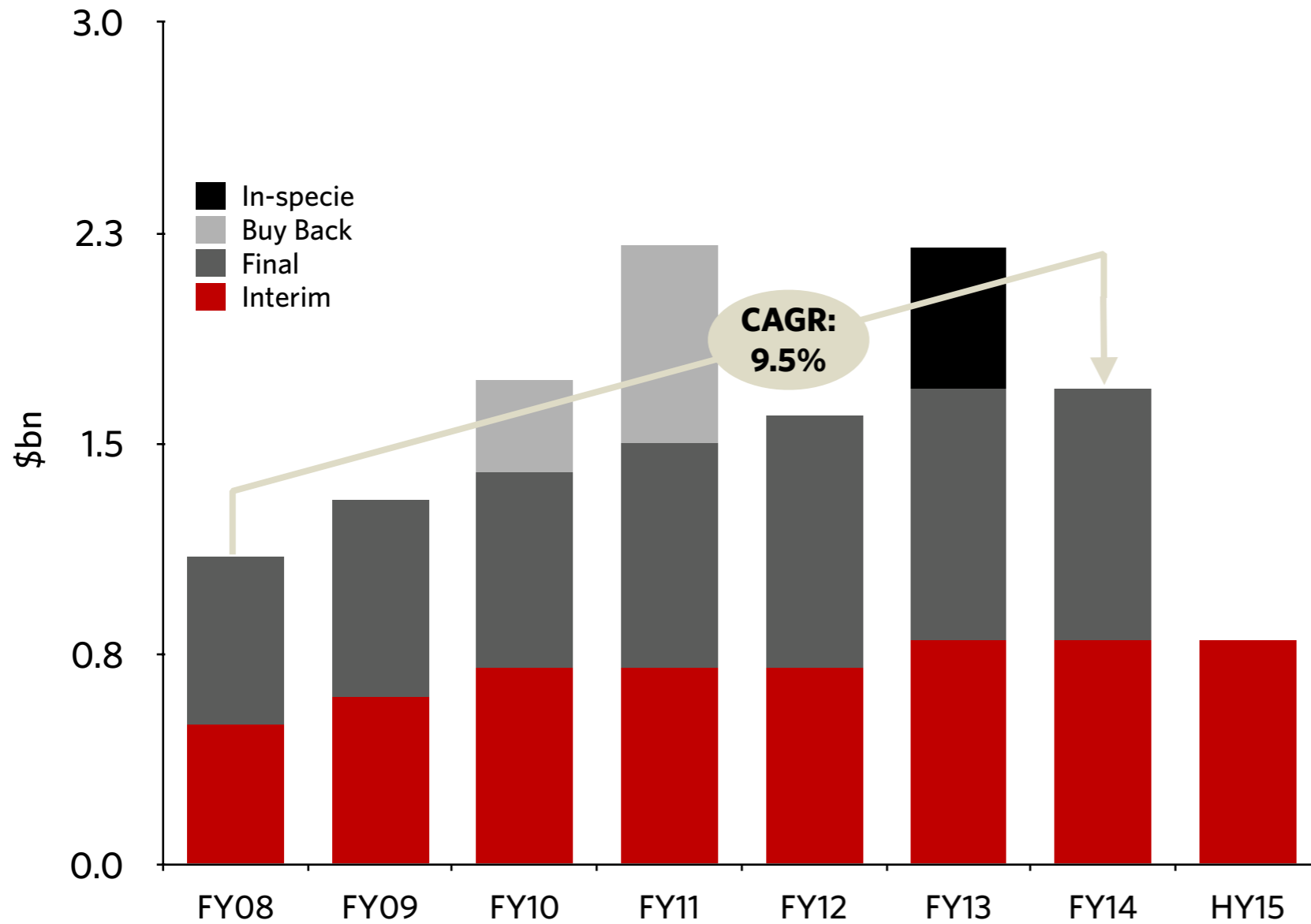


- Group has generated \$20bn of operating cash flow from beginning of FY08
- Operating cash flow has funded all capital expenditure requirements including property development as well as cumulative dividends of \$8.5bn
- Excluding net property investment, free cash flow would have been \$2.9bn



Strong dividend growth with 70% payout balancing funding for growth and shareholder returns

Dividend History

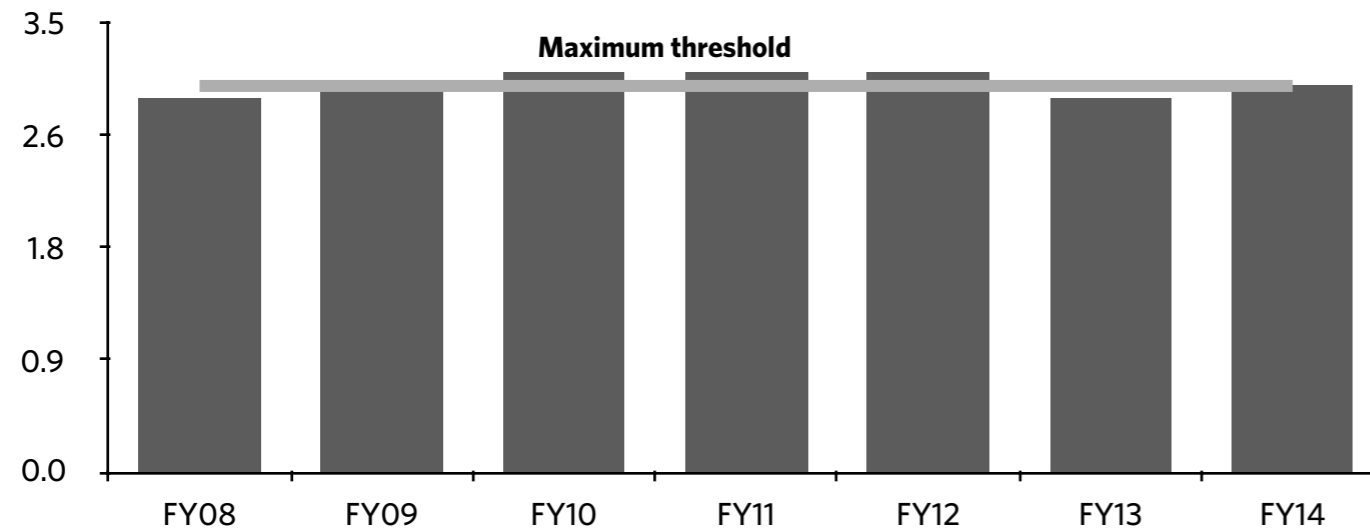


- Consistent dividend growth underpinned by solid earnings growth and dividend payout ratio of c.70%
- Share buybacks and in-specie distribution of \$1.5bn in the last five years

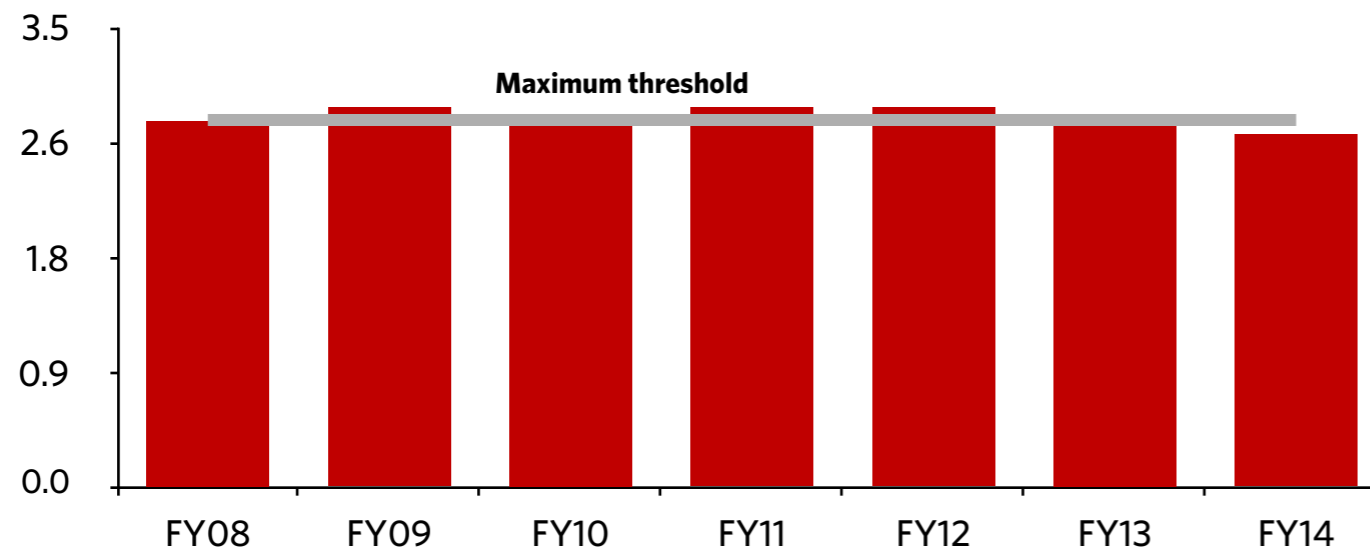


Balance sheet remains strong but little headroom under current credit ratings

Fixed Charges Cover (S&P)



Debt/ EBITDA (S&P)

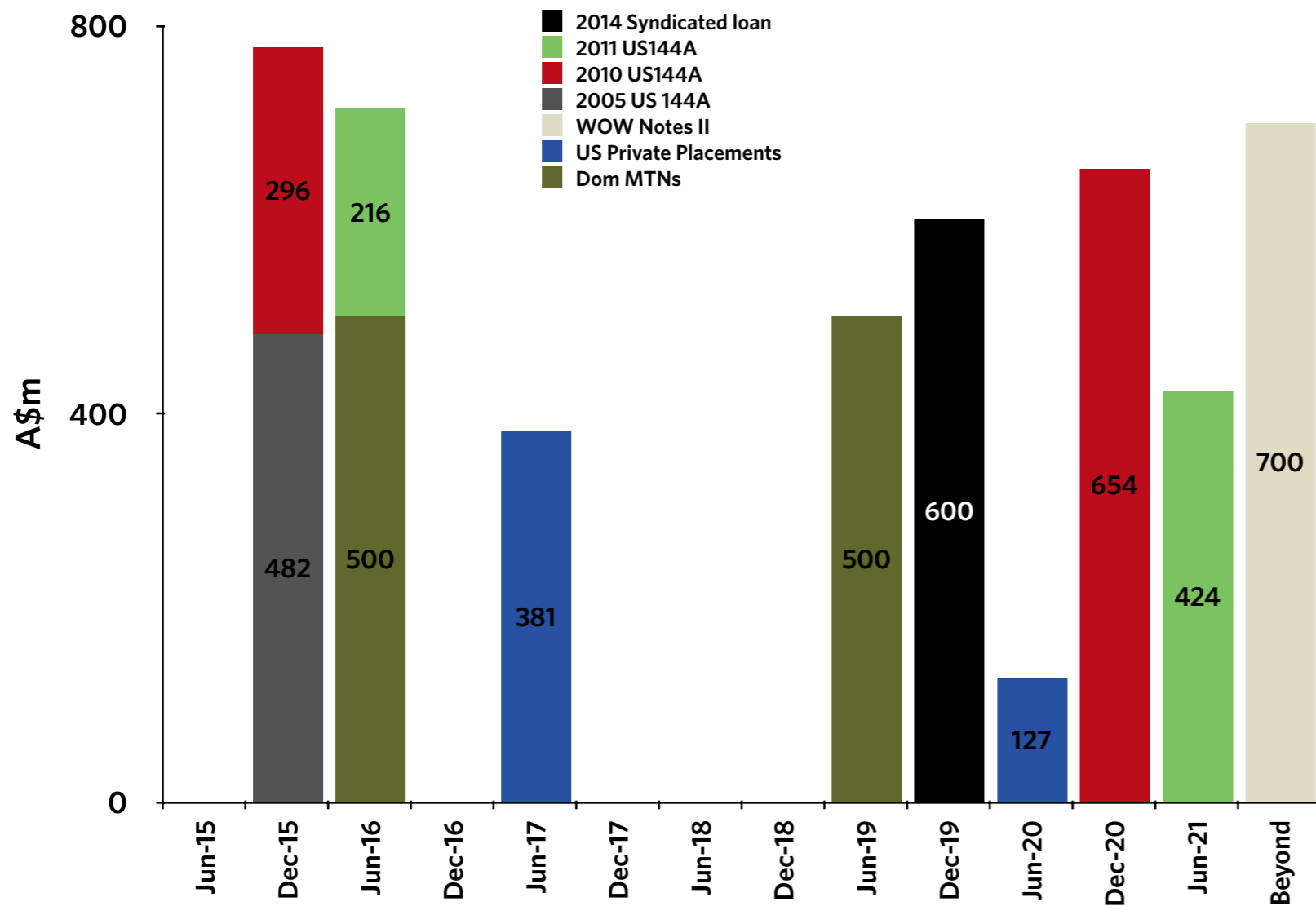


- A- (S&P) and A3 (Moody's) in place since 2001 and 2005 respectively
- We have a strong track record of capital management where there is capacity under credit rating but have had limited headroom in recent years
- Balancing shareholder returns whilst maintaining a strong balance sheet remains a priority



Debt profile is carefully managed with a staggered maturity profile

Debt Maturity Profile - Six Month Intervals



- Our hard maturity debt is well diversified by source and tenor
- Recently refinanced syndicated loan at very competitive rates
- Funds currently on deposit to settle calendar 2015 maturities
- All foreign denominated debt is hedged resulting in no currency risk over the life of the borrowings
- Current undrawn borrowing facilities of \$2.1bn

Overview

- Strong financial position providing flexibility to address current performance challenges
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Questions

David Marr
Chief Financial Officer

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