

# **WOOLWORTHS LIMITED ANNUAL GENERAL MEETING**

**26 November 2004**

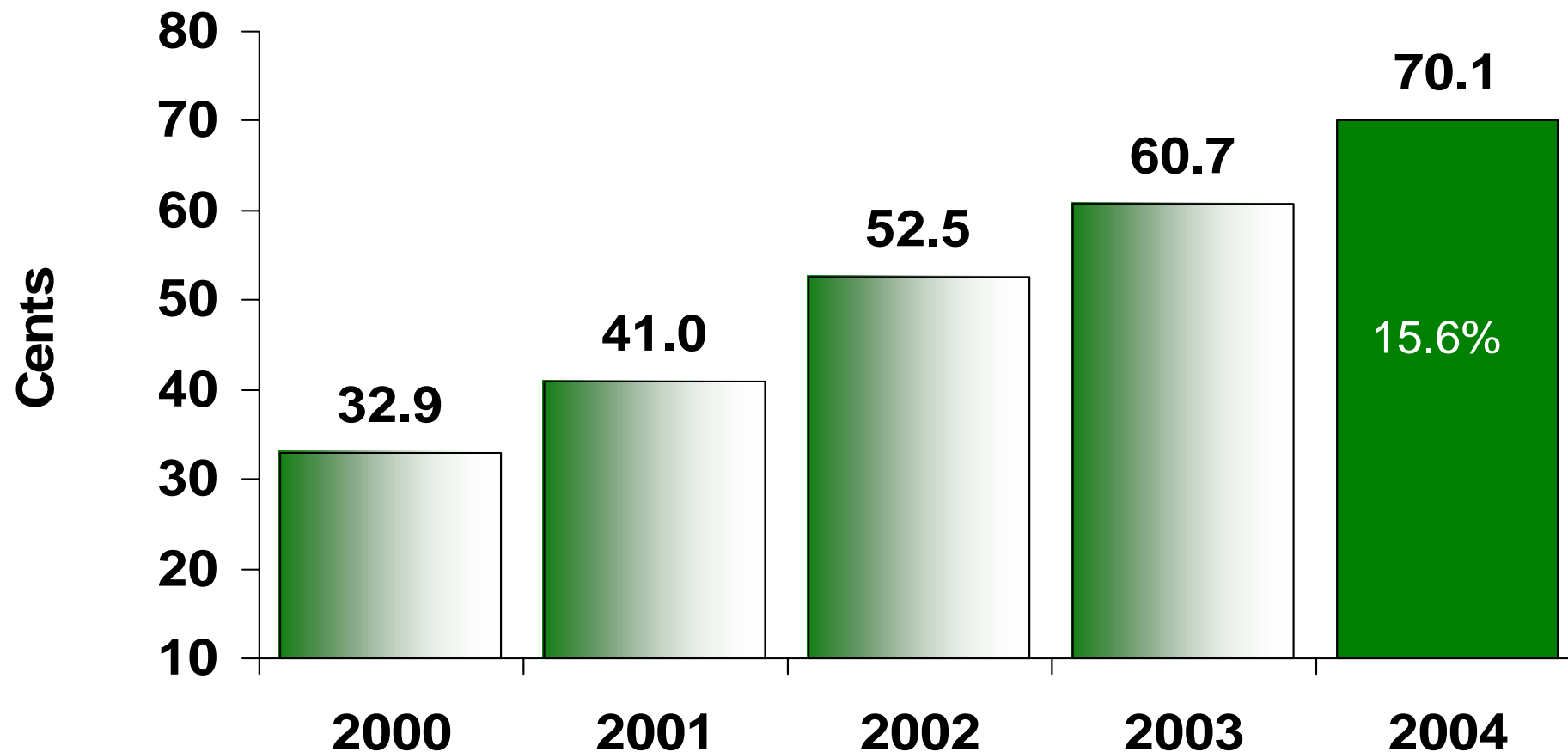
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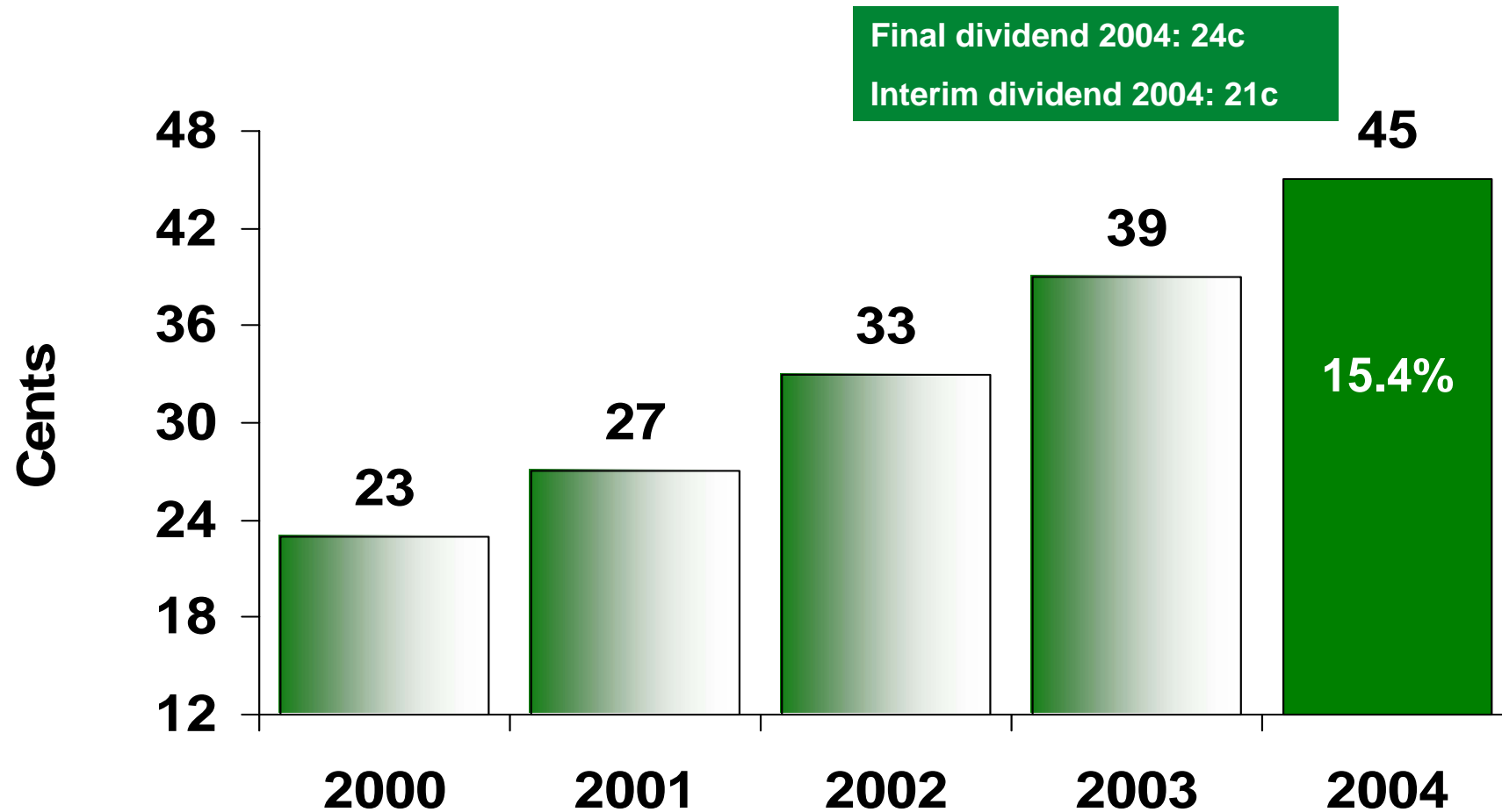
**26 November 2004**

# EARNINGS PER SHARE BEFORE GOODWILL



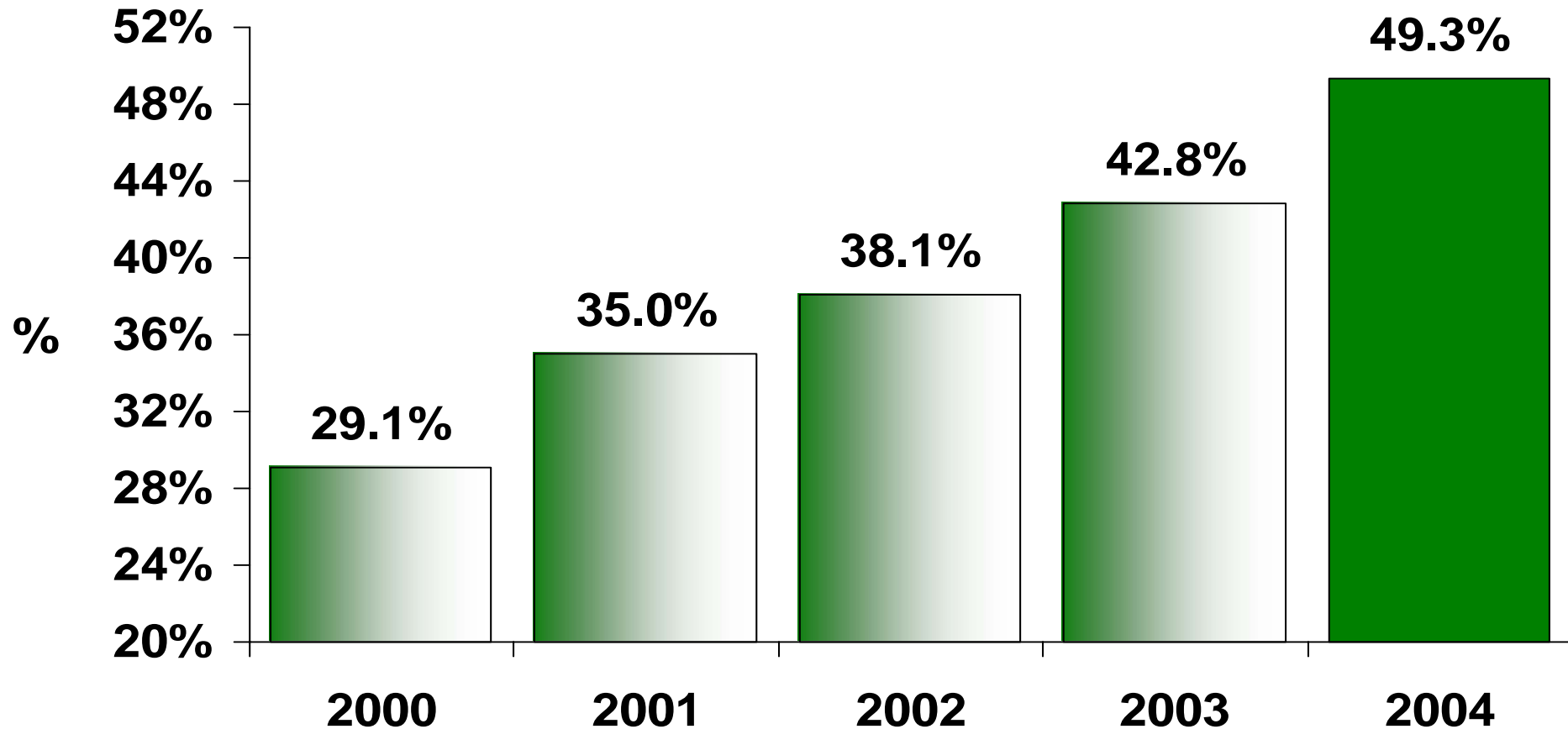
EBIT GROWS FASTER THAN SALES - ASSISTED BY COST REDUCTIONS  
EPS GROWS FASTER THAN EBIT - ASSISTED BY WORKING CAPITAL AND CAPITAL MANAGEMENT

# DIVIDENDS PER SHARE



DIVIDEND PAY-OUT RATIO OF 66.8% CONSISTENT WITH THE PREVIOUS 4 YEARS

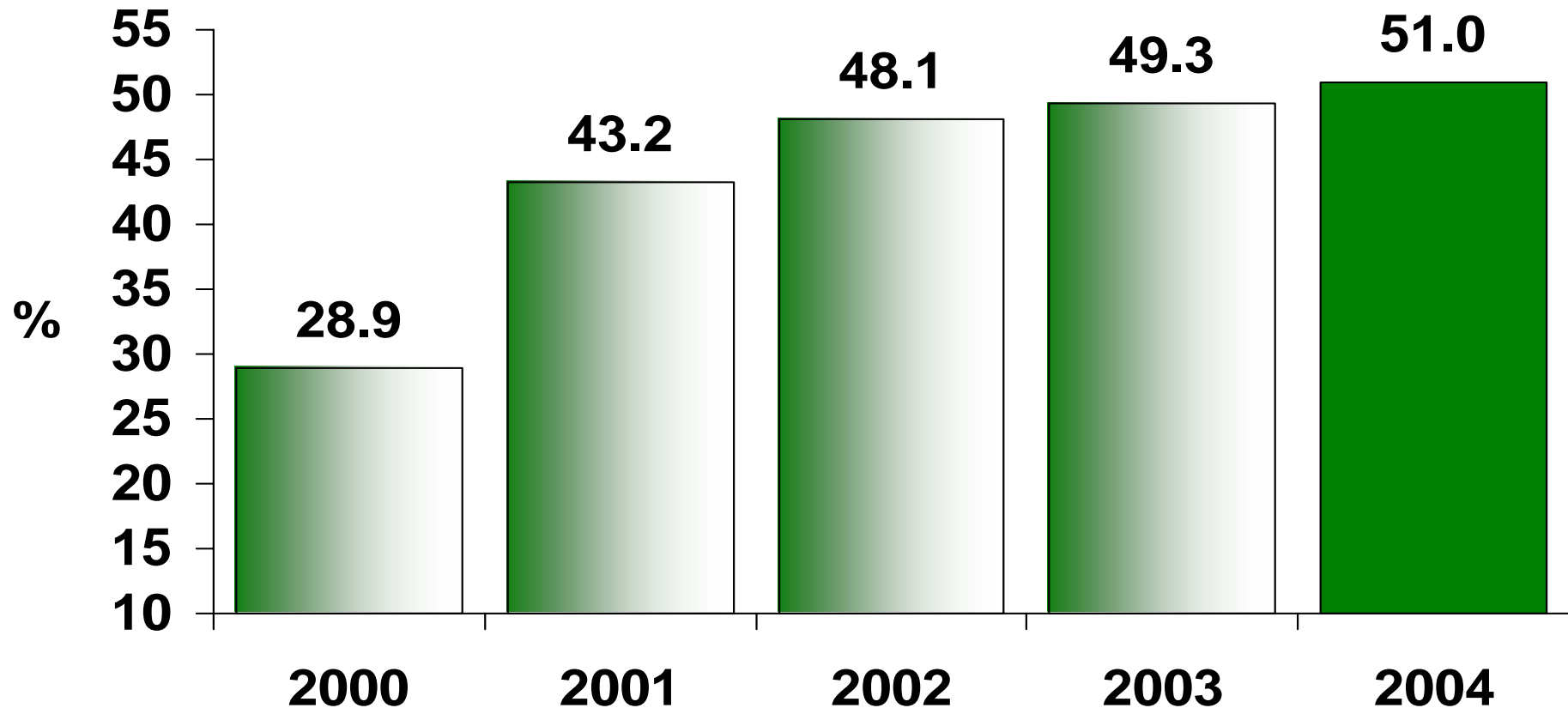
# RETURN ON FUNDS EMPLOYED<sup>(1)</sup>



**ROFE INCREASED FROM 42.8% LAST YEAR TO 49.3% DUE MAINLY TO STRONG EBIT GROWTH UP 12.6% ON LAST YEAR**

(1) Based on average of opening and closing funds employed

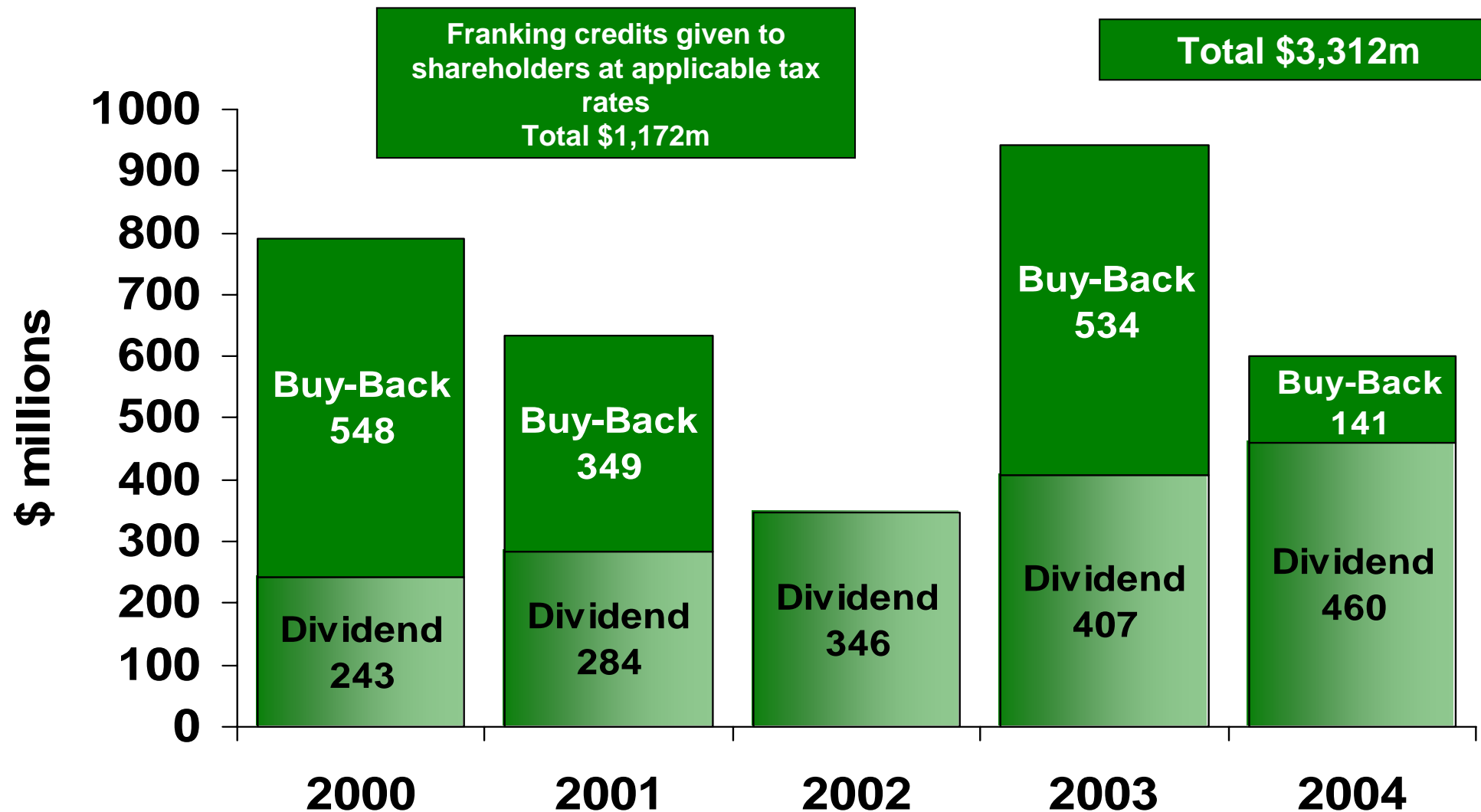
# RETURN ON EQUITY<sup>(1)</sup>



**AVERAGE ROE HAS INCREASED 1.7%PTS DUE TO THE SHARE BUY BACK AND GROWTH IN EARNINGS**

(1) Based on average of opening and closing Shareholders funds

# SHAREHOLDER PAYOUTS



PROFIT GROWTH, COUPLED WITH BALANCE SHEET MANAGEMENT, DELIVERED \$3,312M PAYOUT TO SHAREHOLDERS OVER 5 YEARS



# **WOOLWORTHS LIMITED ANNUAL GENERAL MEETING**

**26 November 2004**

# WOOLWORTHS LIMITED

## Annual General Meeting

26 November 2004



**Roger Corbett**  
Chief Executive Officer

*'The Fresh Food People'*  
WOOLWORTHS

*'The Fresh Food People'*  
SAFEWAY

**BIG W**  
WE SELL FOR LESS

 **Dan Murphy's**  
LOWEST LIQUOR PRICES GUARANTEED

**DICK SMITH**  
ELECTRONICS  
*That's where you go!*

The Cheaper Liquor Co.  
**BWS**  
BEER WINE SPIRITS

  
**POWER HOUSE**

**Tandy**

WOOLWORTHS  
**HomeShop**  
[www.homeshop.com.au](http://www.homeshop.com.au)

WOOLWORTHS  
**liquor**

WOOLWORTHS  
**Petrol**

# Strong and Consistent Track Record

## Five Year Report Card

	Five Year Annual Average
Sales	+9.8%
Gross Profit % (ex wholesale)	-52bps
Cost % (ex wholesale)	-65bps equals \$2.5bn
Customer share of savings	81%
EBIT Margin %	15 pts
EBIT \$	+15%
Net Profit \$	+17%
EPS (pre Goodwill)	+21%
Dividend	+20%
Days Inventory	-2.5 days
Funds Employed	-1.0%
Free Cash Flow % to Net Profit After Tax	119%

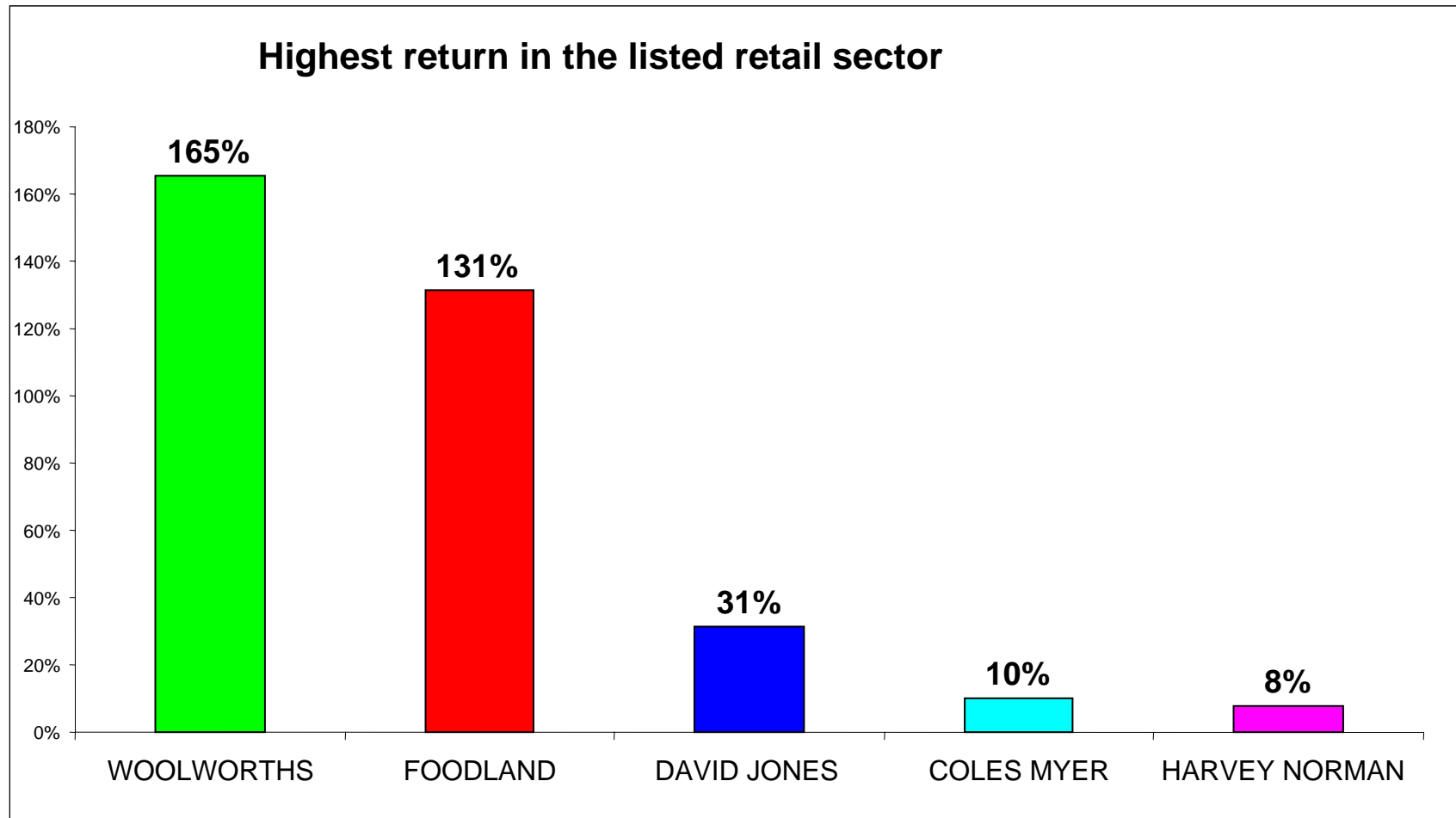
# TSR – Total Shareholder Return

**Woolworths has provided the best TSR of all ASX 100 companies (excluding financial institutions and property trusts) over the five years to 30 June 2004**

**1. Woolworths 165%**

2. Westfarmers	144%	16. Aristocrat Leis	62%	30. Qantas Airways	-1%
3. QBE Insurance	133%	17. Australian Gas	58%	31. News Corp	-2%
4. Foodland Ass	131%	18. Tabcorp	56%	32. Telecom Corp	-6
5. National Foods	97%	19. WA News	46%	33. Fairfax (John)	-10%
6. Orica	96%	20. Seven Network	41%	34. Futuris Corp	-10%
7. Lion Nathan	93%	21. Australian Foun	39%	35. Mayne Nickless	-22%
8. ASX	86%	22. GWA Int.	34%	36. Village Roads	-24%
9. Leighton Holds	85%	23. Pub & Broad	33%	37. Telstra Corp	-31%
10. CSL Limited	77%	24. David Jones	31%	38. Southcorp Ltd	-33%
11. TAB Limited	75%	25. Fosters	27%	39. CSR Limited	-33%
12. Hardie Inds.	68%	26. Coca-Cola	26%	40. Smorgon Steel	-40%
13. Ten Network	66%	27. Coles Myer	10%	41. Lend Lease	-41%
14. Westfield	66%	28. Harvey Norman	8%	42. PMP Comms	-42%
15. Argo Invests	66%	29. Amcor	5 %	43. Brambles Inds	-79%
				44. Computershare	-81%

# TSR – Total Shareholder Return



# SUPERMARKETS (INCLUDES PETROL)

	<b>FY03</b>	<b>FY04</b>	<b>Change</b>
Sales (\$ mil)	22,749.5	24,192.5	+6.3%
Gross Margin (%)	24.39	24.11	-0.28%pts
Cost of Doing Business (%)	20.63	20.14	-0.49%pts
EBIT to Sales (%)	3.76	3.97	+0.21%pts
EBIT before goodwill (\$ mil)	878.1	984.2	+12.1%
EBIT after goodwill (\$ mil)	855.0	960.3	+12.3%
Funds Employed (\$ mil)	1,457.0	1,387.2	-4.8%
Average ROFE (%)	57.9	67.5	+9.6%pts



# LIQUOR

- Total liquor sales exceeded \$2.1 billion for the year
- Currently trading at a rate of approx \$2.5 billion pa. – achievement of target
- 648 bottle shops in total, including those attached to supermarkets plus freestanding sites
- 7 new Dan Murphy's stores opened last year





# ALH - A Significant Strategic Opportunity

- Acquisition Price \$1.4bn (including ALH debt)
- Revenue FY05 \$1bn <sup>(1)</sup>
- Unique asset
- EPS and Value accretive



<sup>(1)</sup> Source ALH Target's Statement 12 August 2004

# ALH - A Significant Strategic Opportunity

- Utilise expertise of Mathieson Group (pubs) and Woolworths (retail liquor) to improve on current offer:
  - Growth rates of MGW gaming significantly higher than for ALH Queensland pubs
  - Growth rates for Woolworths liquor business significantly higher than ALH
- Excellent base to expand both retail liquor and pub business
  - Total pubs and clubs of combined group now 200
  - 924 liquor stores (including Woolworths)
  - Pub industry is fragmented – potential for ongoing industry rationalisation
- Property opportunities:
  - Up to 30 new Dan Murphy sites
  - Potential for other Woolworths' formats
  - Other property development opportunities

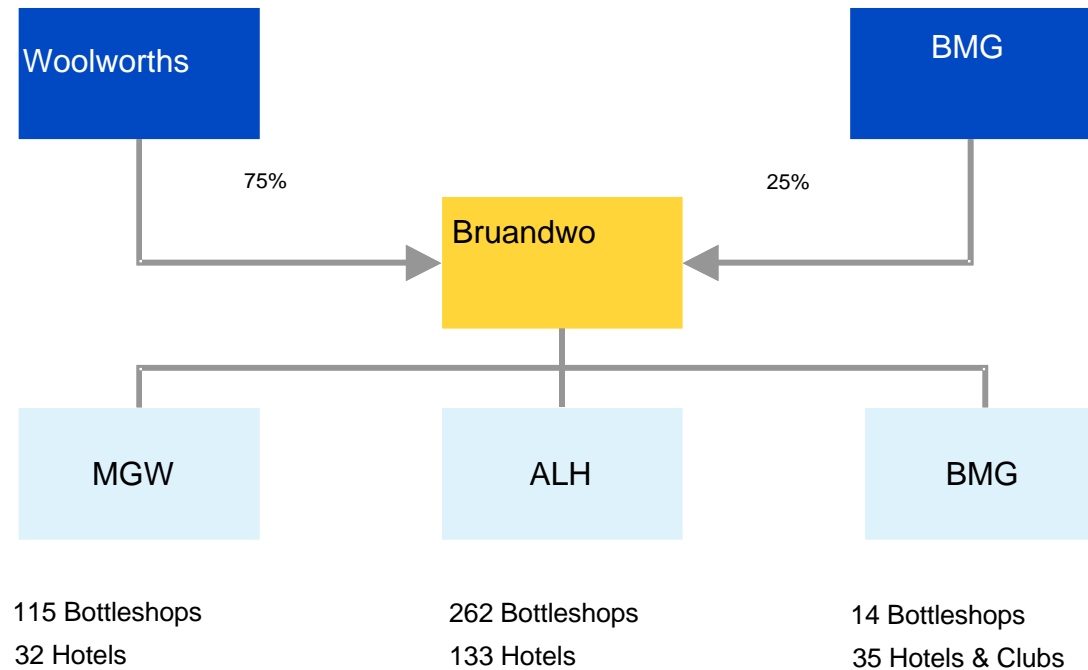
# ALH - A Significant Strategic Opportunity

- Expect gaming growth rates to remain strong particularly in QLD
  - Smoking bans will have a one-off impact which was built into our acquisition economics
- Anticipated synergies will be achieved and probably bettered
  - Gross margin improvements:
    - Liquor and food buying benefits
  - Cost savings:
    - Removal of duplicated functions
    - Significant overhead reductions
    - Procurement savings

# Capital Structure Strategy

- Maintain strength of balance sheet:
  - Funding program of \$1.8bn comprising acquisition cost of ALH and debt within ALH, MGW and BMG
  - Preserve our credit rating to retain flexibility to pursue future growth opportunities, including further acquisitions
  - Continue low cost of debt funding
  - Maximise access to debt capital markets – strong interest from debt investors both domestically and internationally
- Plan to underwrite dividend reinvestment for next 4 dividends
  - Remove cap on dividend reinvestment plan to allow all shareholders to participate in future share price upside
  - DRP discount of 2.5% will be retained
- Board will re-examine opportunities for capital management once integration of ALH is completed

# Bruandwo – an exciting joint venture



**Bruandwo joint venture operating 391 bottleshops (in addition to Woolworths' 533 bottleshops) and 200 hotels and clubs**

# PETROL

- Sales of \$2.2. billion up 28.3%
- Highly attractive customer offer
- 68 million litres per week
- 422 petrol sites including 100 from Woolworths/Caltex alliance
- On track for 434 sites by end of first half – overall target is 470



# BIG W

	<b>FY03</b>	<b>FY04</b>	<b>Change</b>
Sales (\$ mil)	2,500.3	2,717.9	+8.7%
Gross Margin (%)	30.88	30.25	-0.63%pts
Cost of Doing Business (%)	26.73	25.98	-0.75%pts
EBIT to Sales (%)	4.15	4.28	+0.13%pts
EBIT* (\$ mil)	103.7	116.2	+12.1%
Funds Employed (\$ mil)	269.5	325.7	+20.9%
Average ROFE (%)	36.5	39.0	+2.5%pts

\* No purchased goodwill in BIG W

# CONSUMER ELECTRONICS

	FY03	FY04	Change
Sales (\$ mil)	791.2	886.3	+12.0%
Gross Margin (%)	33.59	31.59	-2.0%pts
Cost of Doing Business (%)	28.91	26.61	-2.3%pts
EBIT to Sales (%)	4.68	4.98	+0.3%pts
EBIT before goodwill (\$ mil)	41.2	48.2	+17.0%
EBIT after goodwill (\$ mil)	37.0	44.1	+19.2%
Funds Employed (\$ mil)	245.1	220.4	-10.1%
Average ROFE (%)	14.9	18.9	+4.0%pts



# FUTURE GROWTH CONTINUED BALANCED FOCUS

## *Focus Areas*

### **Continuing Growth**

High single digit sales growth  
Improved customer offer  
Lower prices  
Bolt-on acquisitions

### **Cost Reductions (The Enabler)**

Project Refresh I continues  
Project Refresh II deliveries

### **Capital & Balance Sheet Management**

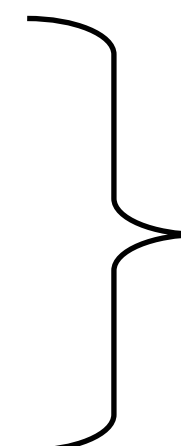
Efficient Balance Sheet  
Continue to reduce inventory

## *Result*

**Upper  
Single  
Digit Sales  
Growth**



**Low  
Double  
Digit EPS  
Growth**



# GROWTH

## Considerable opportunities for ongoing growth in both revenues and earnings

### Continuing opportunity to grow market share

- Woolworths' market share of Food, Liquor & Grocery (FLG) remains below 30% and still low by world standards
- Independent grocers and specialty food stores hold just under 50%

### Defined plans to continue space roll out

- Adding 15 - 25 new supermarkets each year and expanding existing stores (3% to 5% space rollout)
- Adding 6 -10 BIG W stores each year (6% to 8% space rollout)
- Adding 6 - 12 Dan Murphy stores each year
- Continued rollout of Powerhouse stores

**Supported by detailed plans for the next two to three years identifying specific sites with minimal cannibalisation**

### Expansion of existing categories

- Developing ALH opportunity
- Under-represented in fresh food including meat, fruit and vegetables. Majority of bread, meat, fruit and vegetables sold through independents
- Project 60 (400 stores completed to date)
- Expand Homebrand – value for money
- Introduce Woolworths own brand – equal to or better in quality than the category leader

# GROWTH

## Considerable opportunities for ongoing growth in both revenues and earnings

### New range and formats

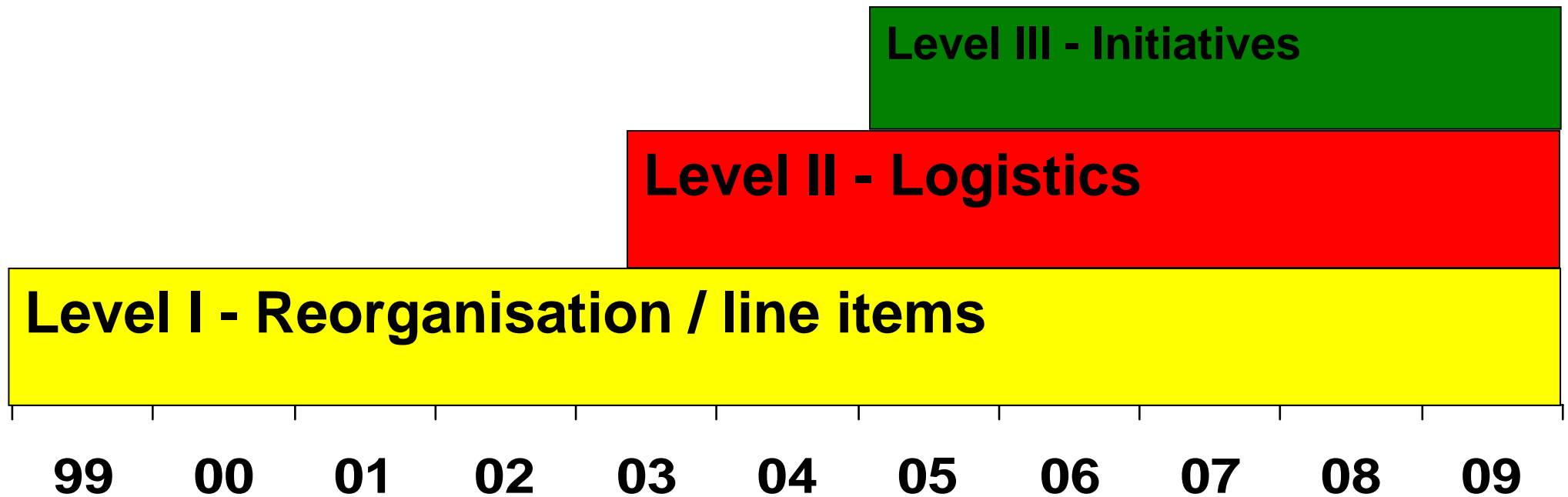
- New format rollouts (eg. smaller BIG Ws to country towns, urban metro supermarkets such as Potts Point)
- New categories across supermarkets and general merchandise

### Continued focus on improved in-store execution and service

### Acquisitions

- Bolt-on acquisitions sought both proactively and reactively
- Alert to larger acquisition opportunities provided they are a strategic fit and incremental to shareholder value

# PROJECT REFRESH

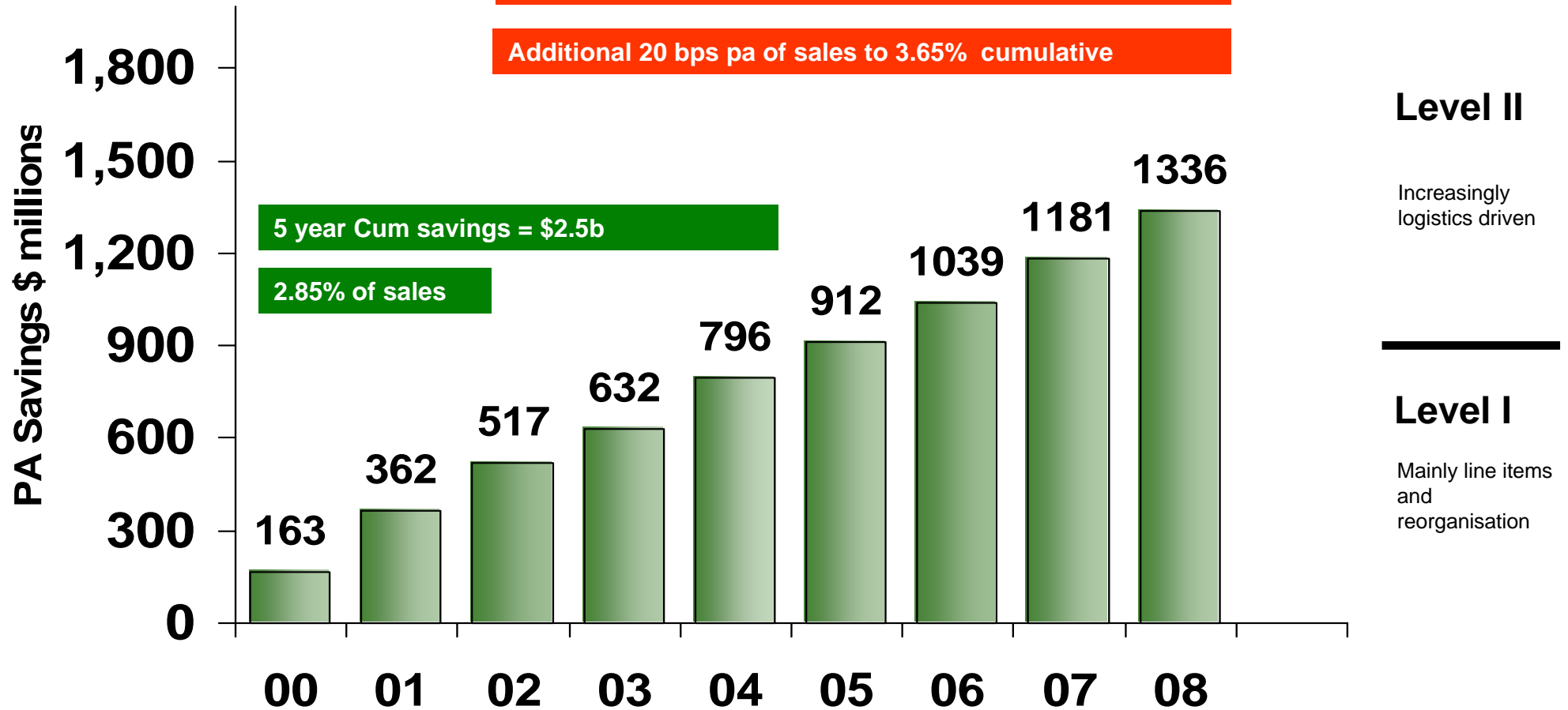


# PROJECT REFRESH

9 year cum savings = \$6.9b

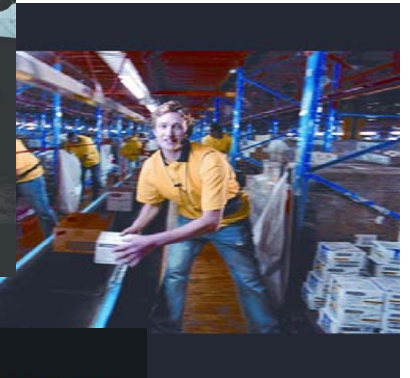
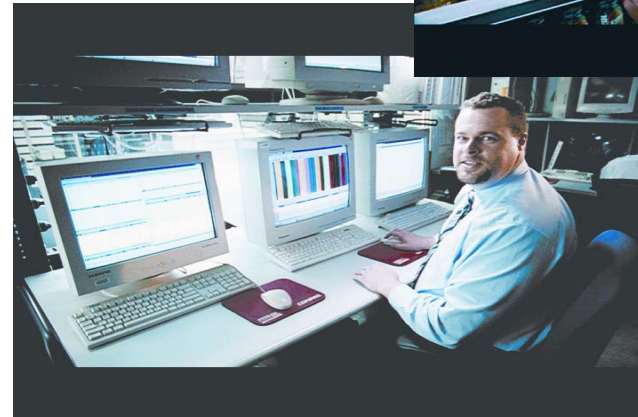
Savings in years F05 to F08 = \$4.4b

Additional 20 bps pa of sales to 3.65% cumulative



# PROJECT REFRESH

- Implementation of Stocksmart and AutostockR within budget and ahead of schedule
- Perth RDC now operational
- Transport Management System built and now being trialled with selected vendors
- Roll cages fully operational in WA
- Importance of ongoing vendor communication



# GUIDANCE F05

## **Sales**

- For FY05 our expectation is that sales will continue to grow in the upper single digits

## **Current Trading**

- 2<sup>nd</sup> quarter dependent on six weeks pre-Xmas. Anticipate strong X-mas
- Supermarkets comparable with 1<sup>st</sup> quarter. Victorian sales remain strong and above comparable for rest of Australia
- Petrol, consumer electronics and liquor – strong trading continues
- Big W – significantly dependant on Xmas trading. Currently trading is strong in softgoods, entertainment and electronics

## **Earnings**

- For FY05, we anticipate that Net Profit after Tax (NPAT) will increase in the range of 10% to 15% (excluding ALH)
- Revisit capital management strategies after the successful integration of ALH

## **Other**

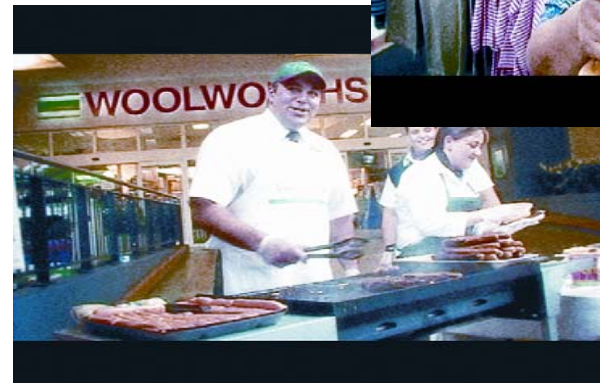
- Trading area expected to grow between 3% and 5% over the foreseeable future
- Inventory is expected to reduce between 1 and 2 days per annum
- Funds employed is expected to increase less than sales

**Guidance subject to current trading patterns and present business, competitive and economic climate continuing**



# WOOLIES IN THE COMMUNITY

- Charity work primarily driven by compassion of our employees
- Significant supporter of:
  - Children's Hospitals
  - Australia Day
  - Harmony Day
- Woolworths Community Stores Program/Fred Hollows Foundation helping indigenous communities develop sustainable local stores
- Environmental focus – plastic bag reduction by 36%
- Approximately \$10 million raised per year because of Woolworths





# WOOLWORTHS FOUNDATION

- Harmonise and give focus to our charitable work across all division
- Encourage, support and recognise staff achievements
- Considerable potential for future development





Thank You

# **WOOLWORTHS LIMITED ANNUAL GENERAL MEETING**

**26 November 2004**

To receive the  
Accounts & Reports

# **WOOLWORTHS LIMITED ANNUAL GENERAL MEETING**

**26 November 2004**

**Re-election as Director**

**ADRIENNE  
ELIZABETH  
CLARKE**



**Re-election as Director**

**DIANE  
JENNIFER  
GRADY**



**Re-election as Director**

**JOHN  
FREDERICK  
ASTBURY**





# **WOOLWORTHS LIMITED ANNUAL GENERAL MEETING**

**26 November 2004**

# Woolworths Long Term Incentive Plan

# Group Managing Director's Options

# **WOOLWORTHS LIMITED ANNUAL GENERAL MEETING**

**26 November 2004**

# PROXY RESULTS

## RESOLUTION 1      ORDINARY BUSINESS

### Financial Statements and Reports

For (Millions)	Against (Millions)	Open (Millions)	For (%)	Against (%)
359.7	0.5	35.5	98.87	0.12

# PROXY RESULTS

Resolution 2 (a)

ORDINARY BUSINESS

Election of Director –  
Adrienne Elizabeth Clarke

For (Millions)	Against (Millions)	Open (Millions)	For (%)	Against (%)
387.7	5.0	35.4	97.88	1.17

# PROXY RESULTS

Resolution 2 (b)

ORDINARY BUSINESS

Election of Director –  
Diane Jennifer Grady

For (Millions)	Against (Millions)	Open (Millions)	For (%)	Against (%)
389.4	2.9	35.4	98.38	0.67

# PROXY RESULTS

Resolution 2 (c)

ORDINARY BUSINESS

Election of Director-  
John Frederick Astbury

For (Millions)	Against (Millions)	Open (Millions)	For (%)	Against (%)
387.7	3.9	35.9	98.12	0.93



# PROXY RESULTS

## Resolution 3

## SPECIAL BUSINESS

To approve the Woolworths Long Term Incentive Plan

For (Millions)	Against (Millions)	Open (Millions)	For (%)	Against (%)
367.4	22.9	20.7	93.5	5.52

# PROXY RESULTS

## Resolution 4

## SPECIAL BUSINESS

To approve the Group Managing Director's  
Options

For (Millions)	Against (Millions)	Open (Millions)	For (%)	Against (%)
315.9	62.9	20.7	83.41	15.58

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