

# **BUNNINGS** **warehouse**

**LOWEST PRICES**  
**WIDEST RANGE**  
**BEST SERVICE**

**BUNNINGS**  
**warehouse**



**LOWEST PRICES  
ARE JUST THE  
BEGINNING . . .**

**ANALYST'S  
PRESENTATION**

Pacific International Hotel

May 14, 2003

# AGENDA

- INDUSTRY & MARKET OVERVIEW
- BUSINESS OVERVIEW
- BBC/HWH INTEGRATION
- STORE NETWORK DEVELOPMENTS
- RESULTS REVIEW
- OUTLOOK & PRIORITIES

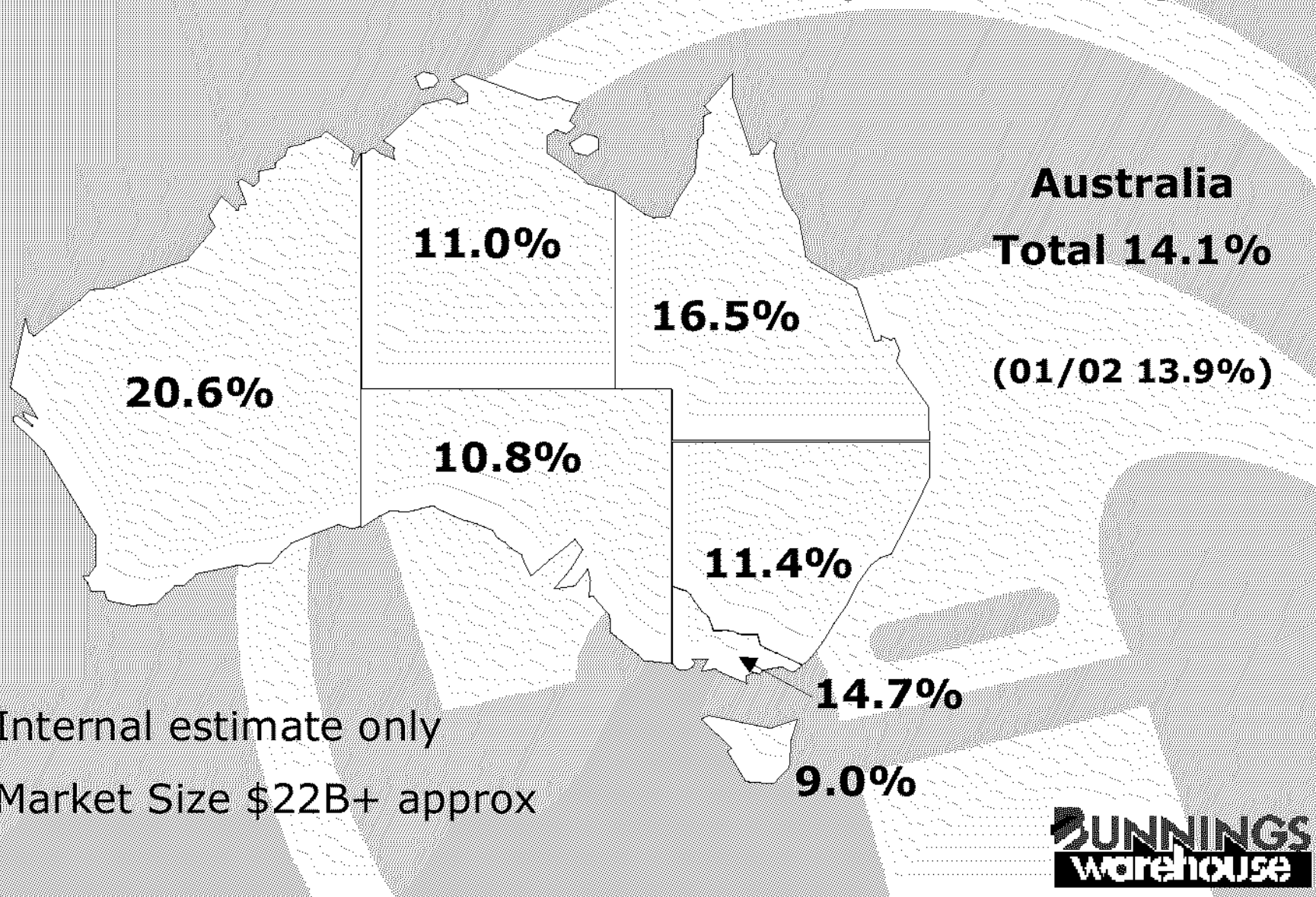
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# INDUSTRY ANALYSIS

- Australian market size \$22B+ approx.
- Growth slowing
- Competitors:
  - Big W
  - K-Mart
  - The Warehouse
  - Specialists
  - Hardware (M10 and Danks)

# MARKET SHARE – 2003 (estimated)



- Internal estimate only
- Market Size \$22B+ approx

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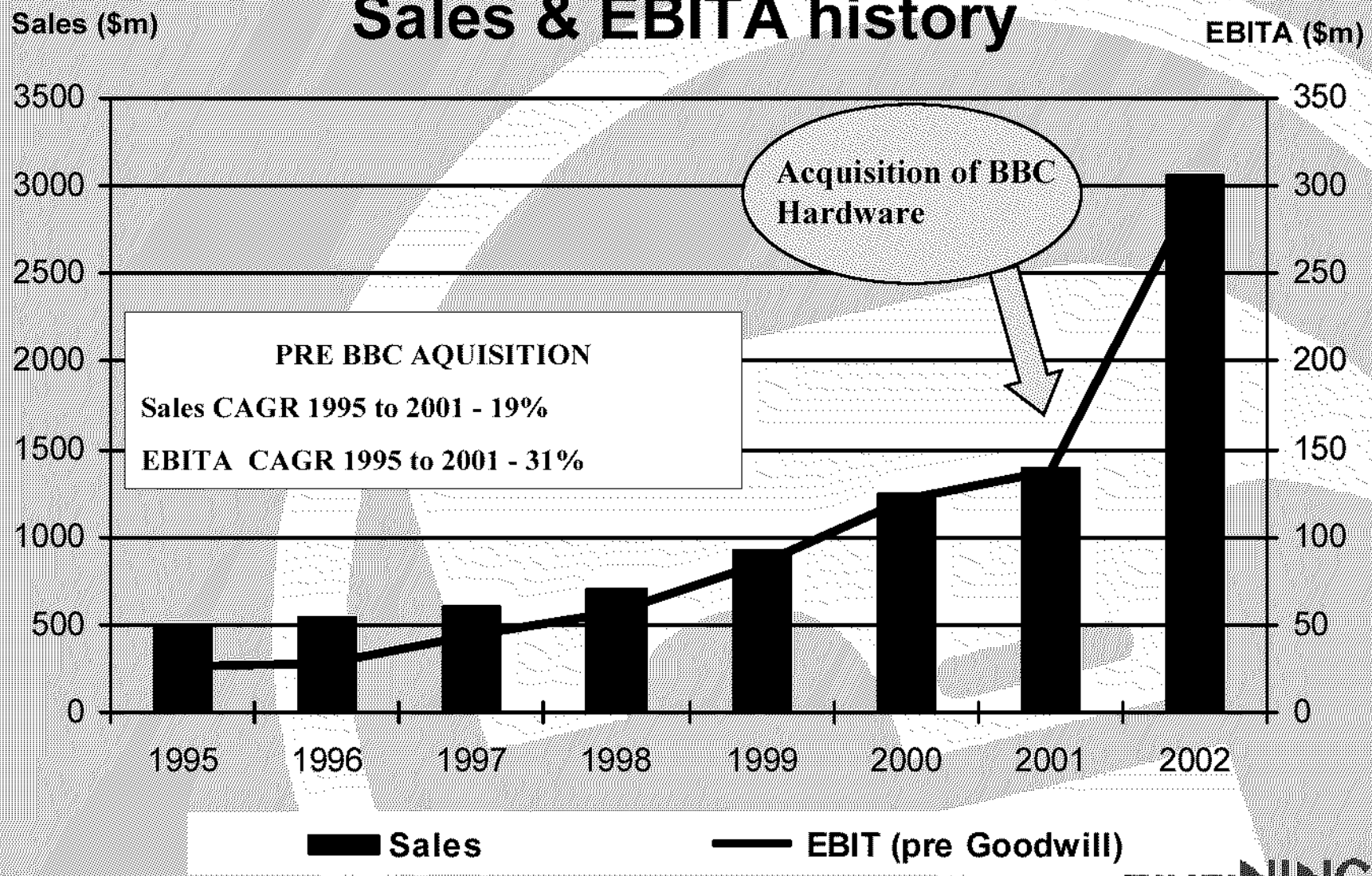
# BUSINESS OVERVIEW

## Significant Milestones – 10 years

- 1993 purchased McEwans
- 1994 acquired by Wesfarmers
- 1994 commenced Warehouses (50+ openings)
- 2001 purchased Hardwarehouse/BBC

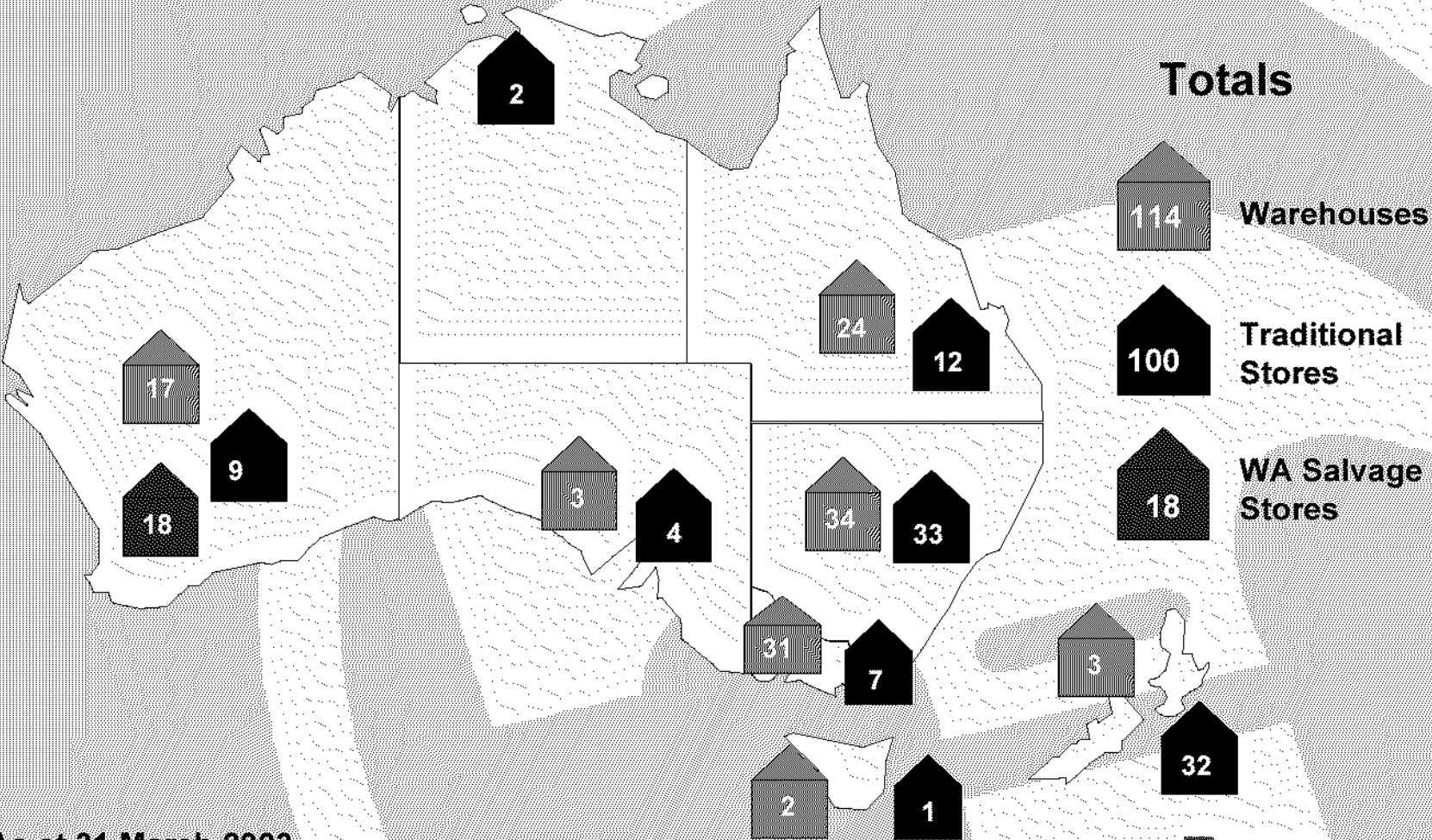
# BUSINESS OVERVIEW

## Sales & EBITA history



# BUSINESS OVERVIEW

## Store Network



- As at 31 March 2003  
 - Figures excludes DCs, F&T, MLM and State Offices



# BUSINESS OVERVIEW

- Store Network
- Brand & Market Position
- Strong Performance Team Culture
- Warehouse Formula
- Strong Merchandising Marketing Skills

# BUSINESS OVERVIEW

- Property, Store Layout & Development Capabilities
- Effective Recruitment & Training Programs
- Employee Turnover
- Strong track record of growth in sales & profits

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# BBC/HWH INTEGRATION UPDATE (18 mths)

- Network Rebranding & Stage 1 Merchandising
- Induction 12,000 Team Members
- Re-structure “all” Management Teams
- Head Office Rationalisation
- 17,000m<sup>2</sup> Distribution Centre Smithfield

# BBC/HWH INTEGRATION UPDATE (18 mths)

- BPOS Conversion in Australia
- Admin Processes Procedures Policies
- Low Volume Accounts Closure 42,000
- Synergy Benefits Exceeded Targets
- 59 Closures & 11 Openings

# BBC/HWH INTEGRATION ISSUES (ongoing)

- Range reviews
- Inventory management
- Culture
- Team member development (NSW)
- Operational and Merchandising improvements

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# STORE NETWORK DEVELOPMENTS

- Store network - move toward warehouse

## Mix

- Dedicated trade outlets
- Traditional store network “conversions”
- Continue warehouse openings

# STORE NETWORK DEVELOPMENTS

## Warehouse Store Openings

Under Construction - 8

Committed opening program 8-12 per year  
continued network restructure i.e. closings as  
appropriate

(Closure to date – 59)

# STORE NETWORK DEVELOPMENTS

	<u>7000 series</u>	<u>9000 series</u>
No. of Bays	970	1136 (+17%)

## Significant additional range

- |                          |     |
|--------------------------|-----|
| - Garden & Leisure       | 20% |
| - Decorator              | 43% |
| - Heavy bench tools      | -   |
| - Flooring               | 91% |
| - Plumbing               | 27% |
| - Promotional & Seasonal | 20% |
- Average sale

# STORE NETWORK DEVELOPMENTS

A significant opportunity exists within current network through upgrade

- BWH & former HWH upgrades
- Traditional store upgrades & conversions

# STORE NETWORK DEVELOPMENTS

## Major Works Program 02/03 - 03/04

Refit – former HWH

Garden	23 locations	cost	\$16.1m
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Electrical	37 locations	cost	\$10.3m
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# B2 Electrical Department Before



# B2 Electrical Department After



# STORE NETWORK DEVELOPMENTS

## Warehouse Store Upgrades

- 7-14 per annum
- Continuous improvement & learning
- Merchandise range
- Tool Shop/Paint/Garden/Services

# STORE NETWORK DEVELOPMENTS

## Traditional Store Conversions “Carlingford”

- 03/04 – 12 planned
- 30-40% lift in sales
- 8-12,500 additional sku's

# Carlingford (before)



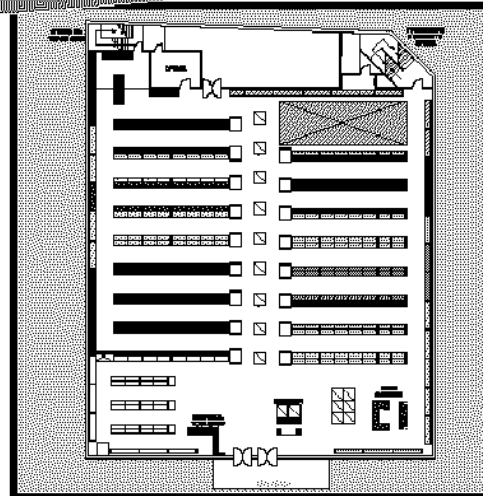
# Carlingford (after)















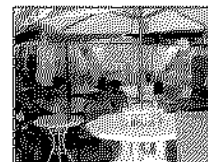
# YOUR LOCAL BUNNINGS STORE IS GOING TO BE BIGGER & BETTER

## NEW STORE LAYOUT

We're refurbishing your store to bring you an even better shopping experience. New racking and a new layout means we can offer you an even bigger home improvement range at the lowest prices every day!



-  ELECTRICAL
-  POWER GARDENING
-  BATHROOM
-  PLUMBING
-  BUILDERS HARDWARE
-  TOOL SHOP
-  LEISURE
-  GARDENING
-  HOMEWARES
-  STORAGE
-  DRAPERY
-  PAINT



# BUNNINGS



LOWEST PRICES EVERY DAY...

# BUNNINGS warehouse

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# THIRD QUARTER RESULT

MARCH QTR (\$m)	2003	2002	Inc (Dec)
Revenue	868.5	781.1	11.2%
EBITA	78.2	76.3	2.5%
Amortisation	12.5	13.1	(4.5%)
EBIT	65.7	63.2	3.9%
EBITA/Sales Ratio	9.0%	9.8%	(0.8%)

# THIRD QUARTER YTD RESULT

MARCH YTD (\$m)	2003	2002	Inc (Dec)
Revenue	2,650.1	2,323.6	14.1%
EBITA	273.9	222.1	23.3%
Amortisation	37.2	35.5	4.9%
EBIT	236.7	186.6	26.8%
EBITA/Sales Ratio	10.4%	9.6%	0.8%

# THIRD QUARTER RESULTS

- Store on store growth ~9%
  - mixed results region cash & credit
- Cash store on store growth +10%
  - Market has softened
  - Results okay in difficult trading environment

# THIRD QUARTER RESULTS

- Trade sales disappointing
  - Low volume account closure
  - Non strategic poor return businesses rationalised
    - MLM/Cairns Roof/F&T/Plaster/  
Kitchens & Appliances
  - Sales transfer – isolated locations
  - Easter Shutdown – 11 days

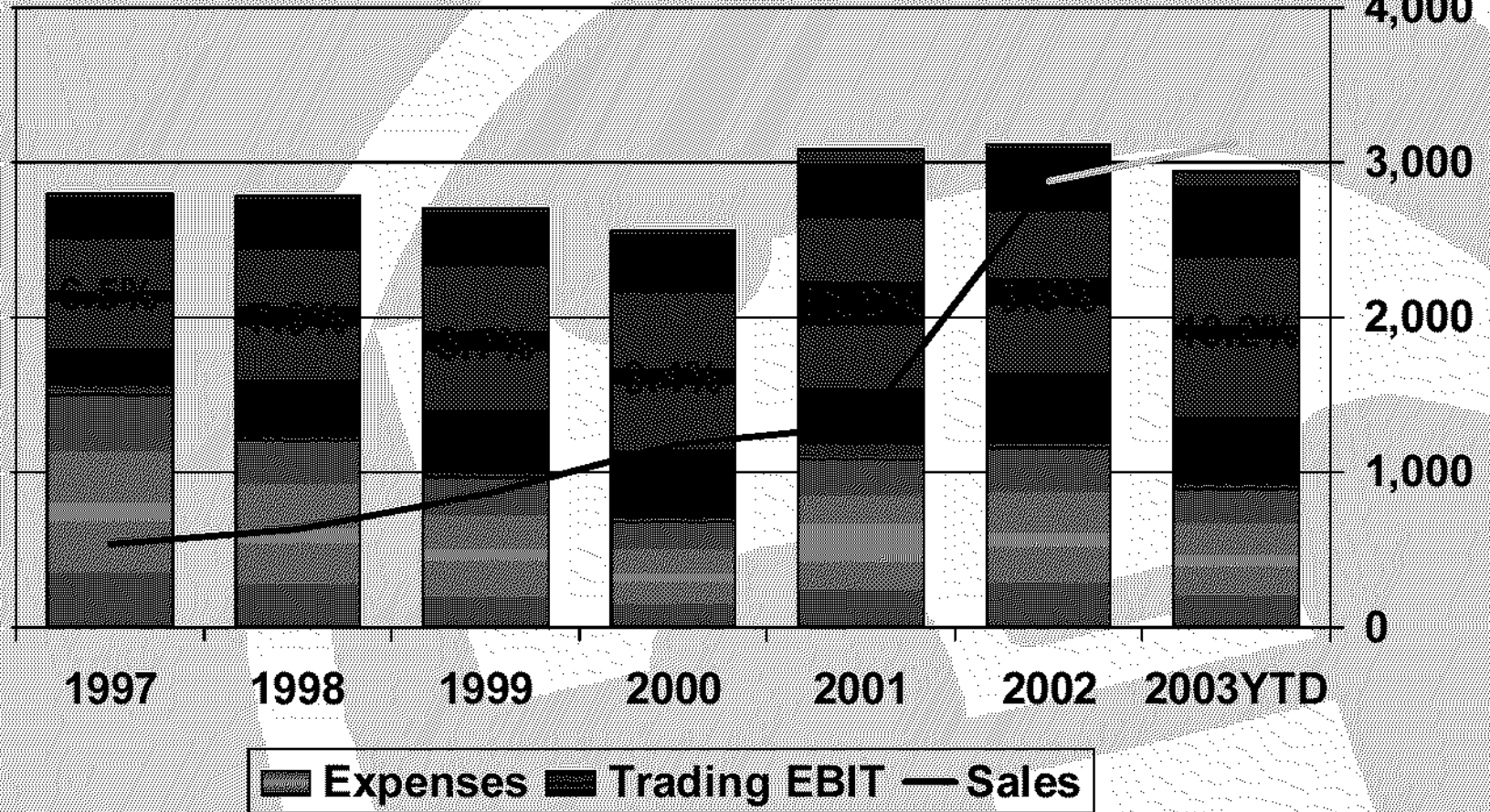
# THIRD QUARTER RESULTS

- Clearance activity in March
- Inventory write-downs

# PRODUCTIVITY MAP – BUNNINGS AUSTRALIA

Exp & EBIT %

Sales \$M



Bunnings Australia exc Property



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# OUTLOOK & PRIORITIES

- Slower growth in domestic building trade sector whilst DIY and renovation market growing

# STRATEGIES

- Consistency of offer (range, service, price)
- Store network development
- Reducing costs and better use of working capital
- Attracting developing retaining the right people
- Safety
- Systems improvements

# OUTLOOK & PRIORITIES (FUTURE)

## Summary

- Demanding integration
- Greater focus on continuous improvement
- Greater focus on development of store network
  - openings & re-merchandising
- Greater focus on costs



**QUESTIONS?**

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**THANK YOU**

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