



COMPANY RESULTS

FULL YEAR 2017
23 August 2017

Woolworths Limited
ABN 88 000 014 675



WOOLWORTHS GROUP



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Key highlights

- Improved Customer, Team and Supplier Scores, especially in **Australian Food**
- Strong sales momentum in **Australian Food** with FY17 comparable sales growth of 3.6% and Easter adjusted comparable sales growth in Q4'17 of 6.4%
- **WooliesX** formed to accelerate growth in digital and national Pick up rollout well advanced
- **Endeavour Drinks** delivered sales and EBIT growth in a competitive market
- New **BIG W** turnaround plan and team in place with implementation underway
- Exit of **Home Improvement** substantially finalised and sold **EziBuy**
- Increase in final dividend of 17 cents, including the benefit from the **Home Improvement** exit, supported by strong increase in free cash flow and net debt reduction

Progress against our FIVE KEY PRIORITIES

1 Building a customer and store-led culture and team

- **Woolies** Welcome for >500 support office team members
- 1.4m+ Food and Drinks customers provided direct feedback; 27,000 call backs
- New incentives embedded and driving cultural change
- 20%+ improvement in TRIFR
- Key new internal and external appointments
- **WooliesX** created to better service our connected customers
- More to do on embedding our new **Woolworths** Ways-of-Working

2 Generating sustainable performance in Food

- VOC and VOS significantly improved on the prior year
- 72 Renewals and 85 Upgrades completed
- Significant progress in Customer 1st Ranging and own brand transition well underway
- Improved sales momentum in **New Zealand Food**
- More to do in improving customer experience, especially online

3 Evolving our Drinks business to provide even more value and convenience to customers

- Continued sales momentum from **Dan Murphy's** and **BWS**
- Click & Collect rolled out to 1,240 **BWS** stores
- **Langton's** integrated into **Dan Murphy's**
- Strong double digit growth from **Dan Murphy's** Online
- **My Dan Murphy's** now with 2.4 million members, **BWS** benefiting from **Woolworths Rewards** partnership

4 Empowering our portfolio businesses pursue strategies to deliver shareholder value

- Strong sales and EBIT growth from **ALH Hotels**
- Partnership with **BP** and sale of **Petrol** business announced
- Substantially finalised exit of **Home Improvement** and **EziBuy** sold
- New **BIG W** team and turnaround plan in place
- More to do on implementing **BIG W** plan and delivering sales momentum

5 Becoming a lean retailer through end-to-end process and systems excellence

- Customer-Led Rostering now live in all states for **Woolworths Supermarkets**
- Over 175,000 team members migrated to Success Factors Payroll
- Building a customer 1st culture in Supply Chain
- Significant improvement in inventory days and availability
- More work to do on transforming core end-to-end business processes

Woolworths Group FY18 priorities



We create **better** experiences **together**

Outlook

- FY18 focus will continue to be on our five key priorities
- Emphasis moving from fixing the basics to leveraging team work, digital and insights to improve customer and team experiences while sustainably reducing CODB
- In H1, we have a particular focus on improved team scheduling (right team member, right hours, right day), on-shelf availability and Store Pick up (for online orders)
- In Australian Food, we don't expect sales growth to continue at the same rate as achieved in Q4'17. Australian Food comp sales growth for the first eight weeks has been broadly in line with FY17 second half growth rate
- We don't expect an improvement in losses at BIG W in FY18. While we expect to see a positive customer response to lower prices, better product solutions and a better customer experience, it is still too soon to tell when this may translate into sales momentum and improved profitability

**Our Q1'18 sales release is currently
scheduled for 31 October 2017**

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Results – Full Year 2017

	Continuing Operations		Total Group	
Sales	\$55.5 bn	3.7%	\$61.1 bn*	1.5%
EBIT	\$2,326.0 m	(4.9)%	\$2,642.9 m*	n.m.
NPAT	\$1,422.1 m	(3.6)%	\$1,533.5 m	n.m.
Earnings per share	110.8¢	(5.1)%	119.4¢	n.m.
Dividend per share			84¢	9.1%
Return on average funds employed	22.3%	61 bps	25.0%	n.m.

Note: unless otherwise stated, all continuing operations results are compared to FY16 continuing operations before significant items

* Total Group sales and EBIT includes sales and EBIT from continuing and discontinued operations

n.m. not meaningful

Group EBIT

\$m	FY17	FY16 ¹	Change
Continuing operations			
Australian Food	1,603.1	1,642.0	(2.4)%
Endeavour Drinks Group	502.5	483.8	3.9%
New Zealand Food (AUD)	292.3	284.4	2.8%
<i>New Zealand Food (NZD)</i>	<i>309.4</i>	<i>313.9</i>	<i>(1.4)%</i>
BIG W	(150.5)	(14.9)	n.m.
Hotels	232.9	208.5	11.7%
Central overheads	(154.3)	(157.8)	(2.2)%
EBIT continuing operations	2,326.0	2,446.0	(4.9)%
Discontinued operations – Home Improvement	159.0	(218.8)	n.m.
Discontinued operations – Petrol	157.9	117.8	34.0%
Group EBIT	2,642.9	2,345.0*	12.7%

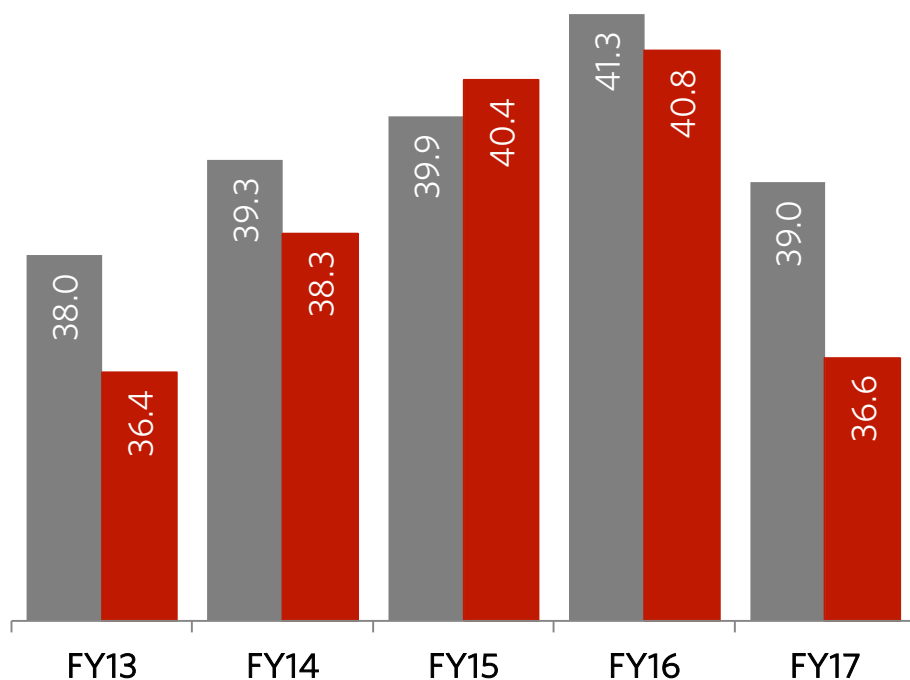
* before significant items

Key balance sheet metrics

Average inventory days

Days

— Group ex Home Improvement and Petrol
— Group

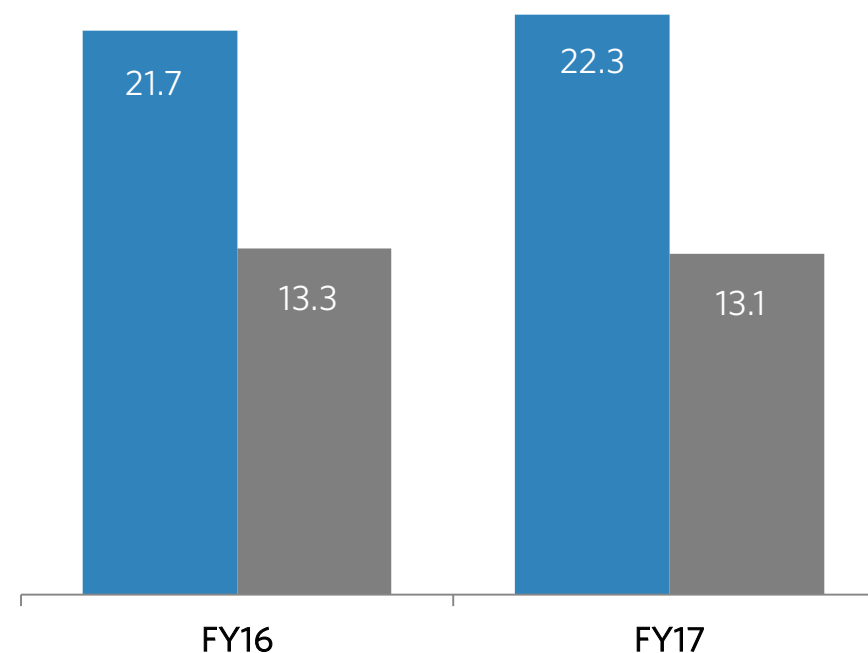


Average inventory days from continuing operations declined by 2.3 days during the year driven by Australian and NZ Food and Endeavour Drinks

ROFE

Percentage

— Group ex Home Improvement and Petrol
— Group ex Home Improvement and Petrol – lease adjusted



Improvement in ROFE driven by working capital improvement despite marginally lower EBIT. Lease-adjusted ROFE marginally down (16bps) due to EBIT decline

Note: all numbers exclude significant items in FY16

Strong improvement in free cash flow

Cash flow summary

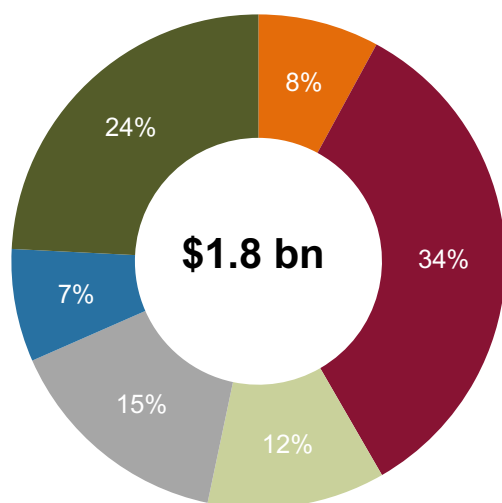
\$m	FY17	FY16	Change
Operating activities before interest and tax	4,024.1	3,495.3	15.1%
Interest and tax	(902.1)	(1,137.8)	(20.7)%
Operating activities	3,122.0	2,357.5	32.4%
Investing activities	(1,431.4)	(1,266.7)	13.0%
Financing activities	-	107.9	
Free cash flow before dividends and share issues	1,690.6	1,198.7	41.0%
Share issues/ other	55.5	-	
Dividends	(562.4)	(1,217.2)	(53.8)%
Free cash flow after dividends and share issues	1,183.7	(18.5)	n.m.

Significant free cash flow improvement in FY17 due to working capital and lower cash dividend payments

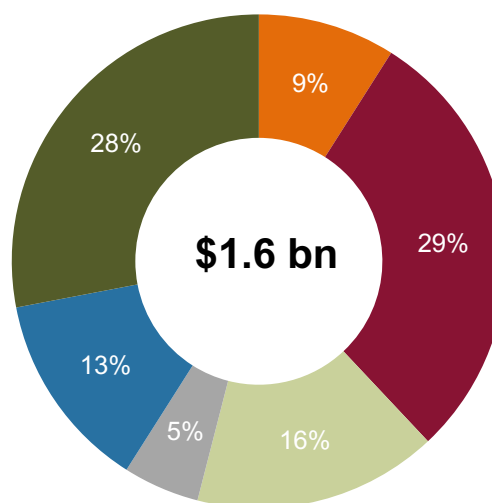
FY17 Capital expenditure in line with guidance

\$m	FY17	FY16
Continuing operations		
Operating capex	1,583	1,391
Property development	258	407
Gross capex	1,841	1,798
Property sales	(273)	(678)
Net capex	1,568	1,120
Discontinued operations – Home Improvement	23	108
Discontinued operations – Petrol	31	61
Group net capex	1,622	1,289

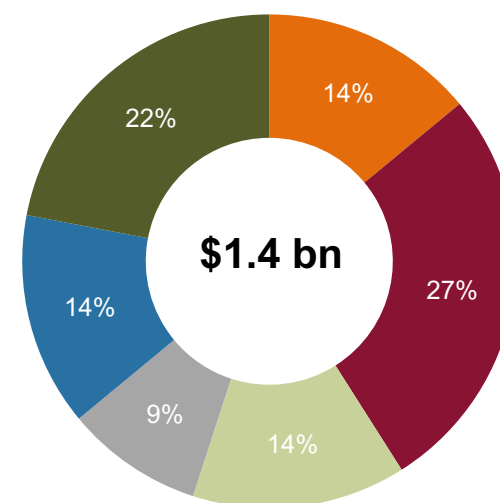
Operating capex – FY18E



Operating capex – FY17

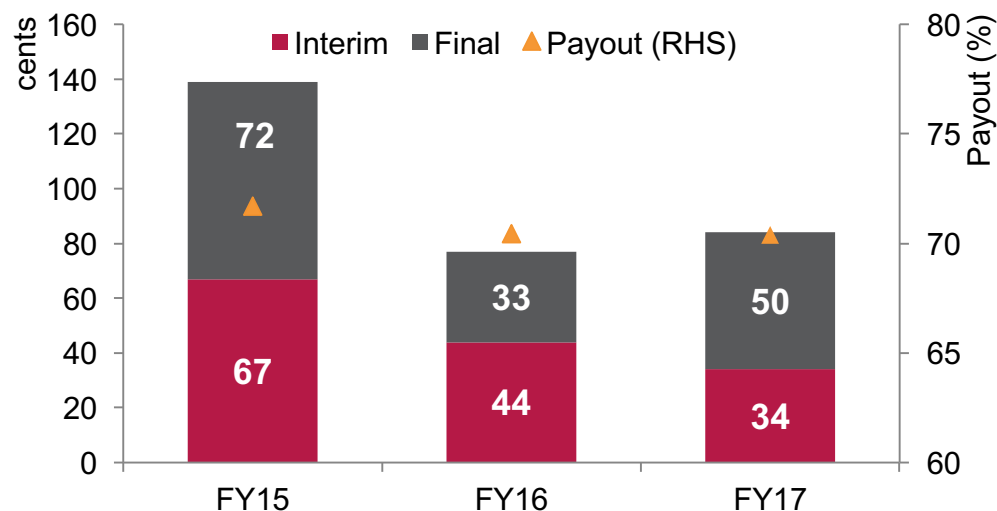


Operating capex – FY16



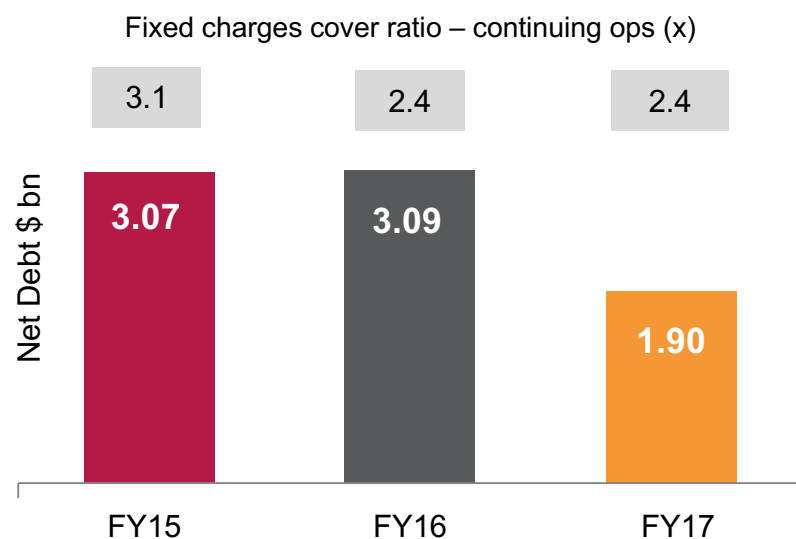
■ New stores
 ■ Renewals/Refurbs
 ■ SIB/Other
 ■ Growth
 ■ Supply Chain
 ■ IT

Capital management



Dividend and DRP

- Full year dividend of 84 cps - a payout of 70.7% of Group NPAT attributable to shareholders of Woolworths Limited
- H2'17 NPAT includes \$134m for Home Improvement which will not recur
- DRP discount of 1.5% retained for final dividend



Debt and credit rating

- Reduction of \$1.2bn in net repayable debt
- Discounted leasehold commitments unchanged at ~\$15bn
- FCCR for continuing operations unchanged at 2.4x
- Remain committed to solid investment grade credit rating

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Australian Food

	FY17	FY16 ¹	Change
Sales (\$m)	36,371	34,798	4.5%
EBITDA (\$m)	2,164.7	2,165.6	(0.0)%
EBIT (\$m)	1,603.1	1,642.0	(2.4)%
Gross margin (%)	28.07	27.37	70 bps
Cost of doing business (%)	23.66	22.65	101 bps
EBIT to sales (%)	4.41	4.72	(31) bps
Sales per square metre (\$)	16,213	16,000	1.3%
ROFE (%)	166.1	133.4	32.7 pts

Our FY17 strategy was focused on having customers put us 1st

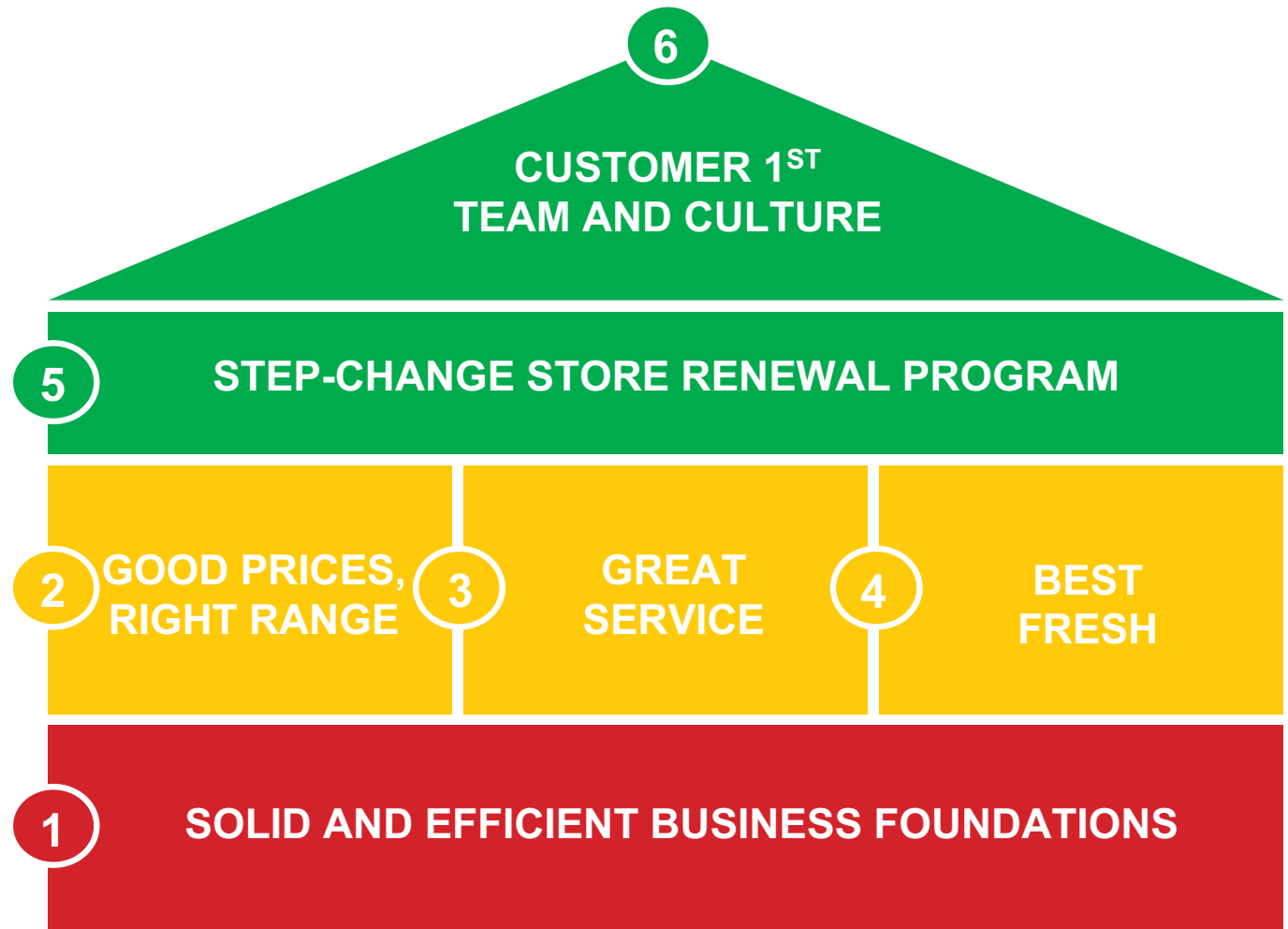
Create the future



Deliver on core customer offer



Fix the basics



Progress highlights

Create the future

- Our purpose 'We bring a little **good** to everyone, every day' embedded within our team
- Around 600 support office team members attended our 'Welcome to Woolies' store induction program
- Opened 19 new Australian Supermarkets, renewed 72 existing stores and completed 85 upgrades
- Record Voice of Customer of 81 in June. Team sustainable engagement score of 82
- Metro and online experiencing high strong double digit growth rates
- Creation of WooliesX bringing our loyalty and digital teams together to provide a connected customer experience
- Over 10 million Rewards members with dramatic improvements in program customer sentiment



Deliver on core customer offer

- 'That's why I pick Woolies' brand platform resonating with customers
- Strong progress on lowering shelf prices with over 3,500 SKU's on Dropped & Always program
- A third of the way through Customer 1st ranging with positive customer feedback
- 27,000 team members completed service training, focusing on fast and warm checkout service
- Rebranding of own brand products as Essentials and Woolworths with launch of 'Food, Glorious Food' campaign
- Over 2,000 of our own brand products now have a health star rating



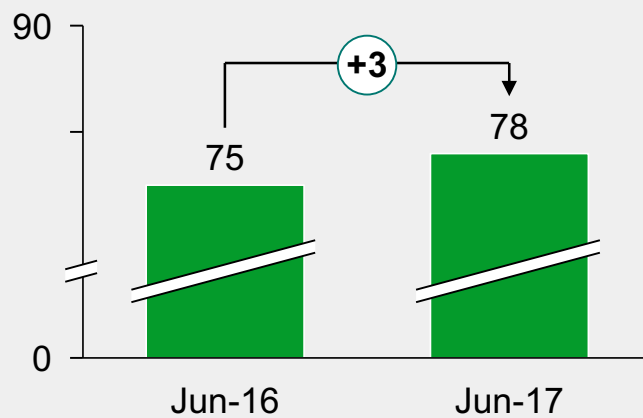
Fix the basics

- Substantial improvement in sustainable stockloss
- Improvements in availability resulting in 1 million fewer gaps per week compared to FY16 but more upside is possible
- Voice of Supplier metrics continuing to improve, with further opportunity
- Significant improvement in working capital days through better inventory management
- All 1,184 legacy v4 SCOs replaced

Our success in FY17 has been underpinned by improving our customer and team experiences

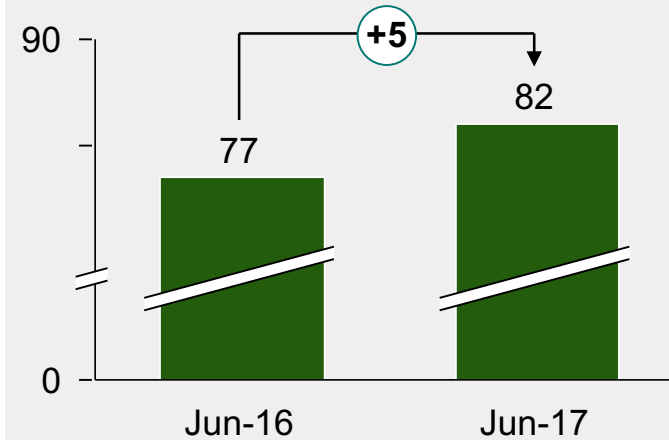
Overall Customer Satisfaction

% customers satisfied, 6 or 7 out of 7

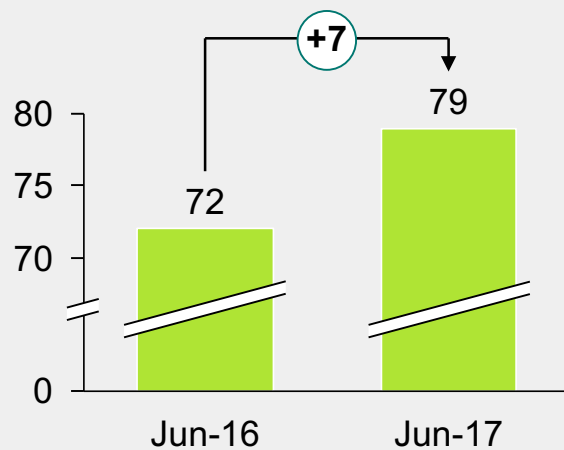


Voice of Team: sustainable engagement

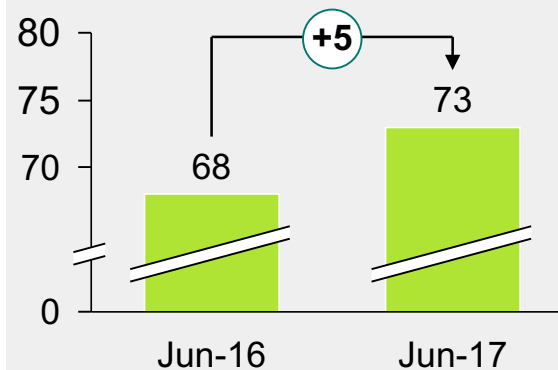
% favourable scores, 6 or 7 out of 7



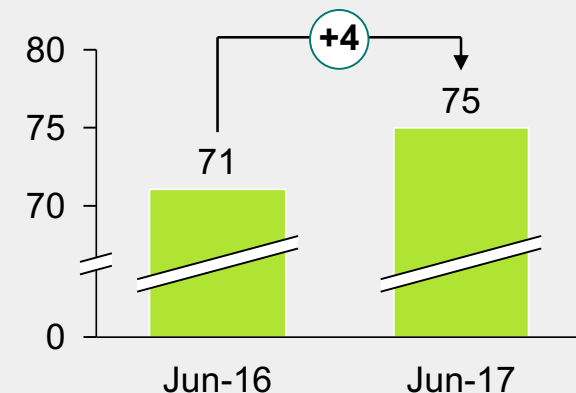
Queue wait times



Availability



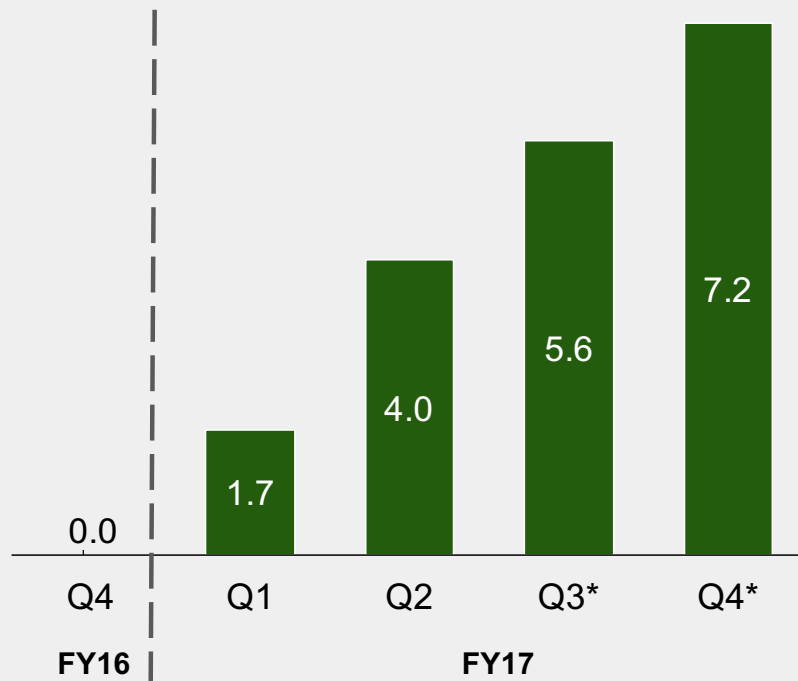
Range of products



Sales momentum continues, with growth in visits and more recently items per basket

Australian Food sales

(% year on year)

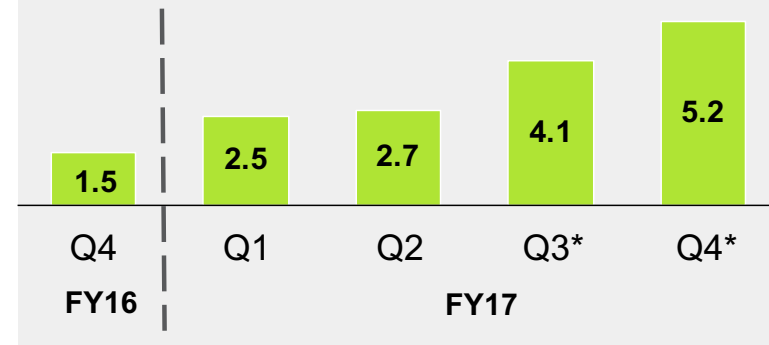


Comp
Sales
(%)

(1.1) 0.7 3.1 4.5 6.4

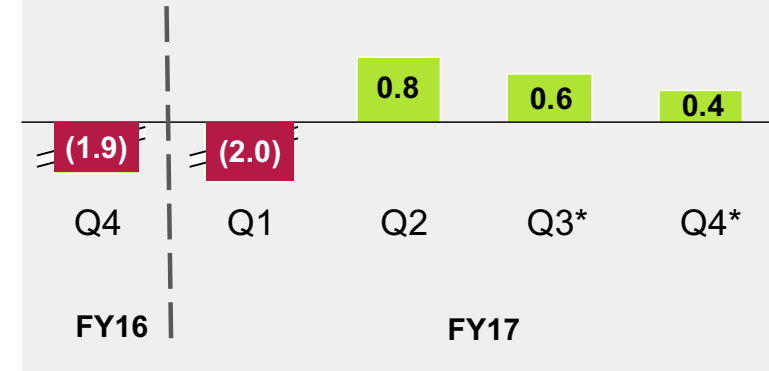
Comp transaction growth

(% year on year)



Comp items per basket growth

(% year on year)



* Adjusted for the timing of Easter which fell in Q4'17 (Q3'16 LY)

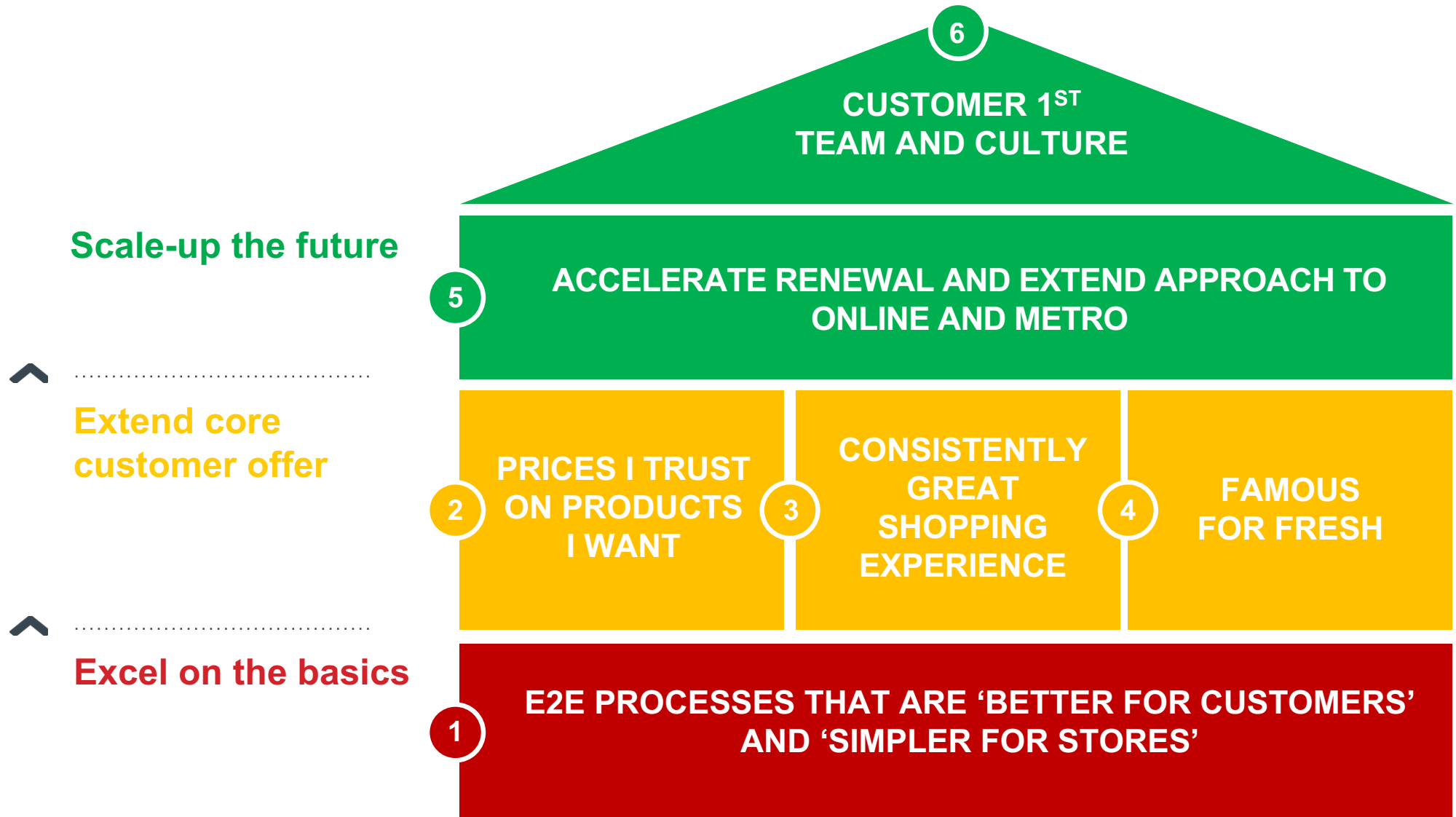


Brand platform

*That's why
I pick Woolies*

- An integrated brand platform launched in July 2017
- Resonating with customers
- Emotional and rational reasons to Pick Woolies
- Building recognition
- Constantly evolving in line with customers' needs

Our FY18 strategy: From turnaround to transformation



Our culture is key to our future





ENDEAVOUR
DRINKS GROUP

Endeavour Drinks



	FY17	FY16¹	Change
Sales (\$m)	7,913	7,589	4.3%
EBITDA (\$m)	578.2	558.6	3.5%
EBIT (\$m)	502.5	483.8	3.9%
Gross margin (%)	23.08	23.41	(33) bps
Cost of doing business (%)	16.73	17.03	(30) bps
EBIT to sales (%)	6.35	6.38	(3) bps
Sales per square metre (\$)	18,039	17,943	0.5%
ROFE (%)	16.9	16.3	62 bps

Dan Murphy's maintained its leadership through new stores and multi-channel innovations



FY17 highlights

12 net new stores opened, bringing total fleet to 219



My Dan Murphy's members now 2.4 million



Launch of talk show 'At the Cellar' with Angela Pulvirenti



Launch of high-end concept cellar at original Prahran site



Significant reduction in number of injuries



Successfully integrated Langton's into Dan Murphy's



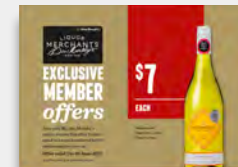
Record NPS and VOC scores

FY18 focus

Click & Collect integration



Next stage of My Dan Murphy's



Expand Dan Murphy's Connections



8 new store openings



40 refurbishments planned



BWS investment in value and customer service is resulting in strong convenience differentiation



FY17 highlights

Substantial improvement in sales growth and comp sales on FY16



Store network increased to 1,298 stores. Refurbished 173 stores (28 major, 145 minor)



Local craft beer range implemented in 550 stores



Click & Collect rolled out to 1,240 stores and local delivery trialed in 50 stores



Team engagement increased to an all time high

86

Trained all **7,500** team members on customer experience and product knowledge

Record VOC and NPS

FY18 focus

Customer-led Ranging



Partnering with Supermarkets and Woolworths Rewards



18 new store openings (gross)



Digital retail, including online delivery





countdown

New Zealand Food



NZD	FY17	FY16 ¹	Change
Sales (\$m)	6,232	6,101	2.1%
EBITDA (\$m)	426.8	429.9	(0.7)%
EBIT (\$m)	309.4	313.9	(1.4)%
Gross margin (%)	24.00	23.58	42 bps
Cost of doing business (%)	19.04	18.44	60 bps
EBIT to sales (%)	4.96	5.14	(18) bps
Sales per square metre (\$)	15,137	15,178	(0.3)%
ROFE (%)	10.5	10.3	21 bps

New Zealand Food FY17 highlights and FY18 focus



FY17 highlights

Achieved new highs for team engagement and customer satisfaction

Store team engagement **84%**

Net Promoter Score **Increased +8 pts**

Continued to deliver low prices every day



> 3,500 products at low prices every day

FY18 focus

Further enhance customer service experience



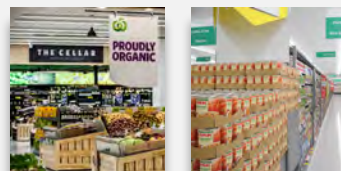
Continue focus on fresh food including team knowledge and best practice



Successfully launched new Onecard partnership with AA Smartfuel in October

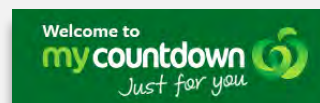


Rolled out tailored ranging to meet local needs



45 stores completed to date

Drive further online and digital growth



Continue Customer-led Ranging and focus capital on store renewal





	FY17	FY16¹	Change
Sales (\$m)	3,598	3,820	(5.8)%
(LBITDA)/ EBITDA (\$m)	(74.1)	68.2	n.m.
LBIT (\$m)	(150.5)	(14.9)	n.m.
Gross margin (%)	30.82	31.69	(87) bps
Cost of doing business (%)	35.00	32.08	292 bps
LBIT to sales (%)	(4.18)	(0.39)	(379) bps
Sales per square metre (\$)	3,396	3,602	(5.7)%
ROFE (%)	(31.6)	(2.3)	(29.4) pts

We have put our customers at the heart of our planning process

BIGW

Surveyed 5,000 customers and 10,000 team members on what customers want and how we can do things better

Developed a clear and simple customer value proposition (CVP)

Formulated a plan to bring our CVP to life for customers

Building the team with the experience and capability to deliver on customer needs

FY18 priorities: Building our team, regaining price trust



Win back trust for the future

Listen to customers to refine what we do and shape our future

Deliver what our customers want (CVP)

Give our customers more reasons to come back

Fix the basics

Get the spine for our business right – processes and training

CUSTOMERS AND TEAM COME FIRST

Our team and customers at the heart of everything we do

UNIVERSES ALIGNED TO CORE CUSTOMER NEEDS

Bring our universes to life in-store and revitalise our brand

TRUSTED PRICES

Lower prices across the store without compromising on quality

BETTER RANGE

Brilliant basics, right brands and quality product solutions for customers

EASY EXPERIENCE

Fresher stores, better availability, service with a smile

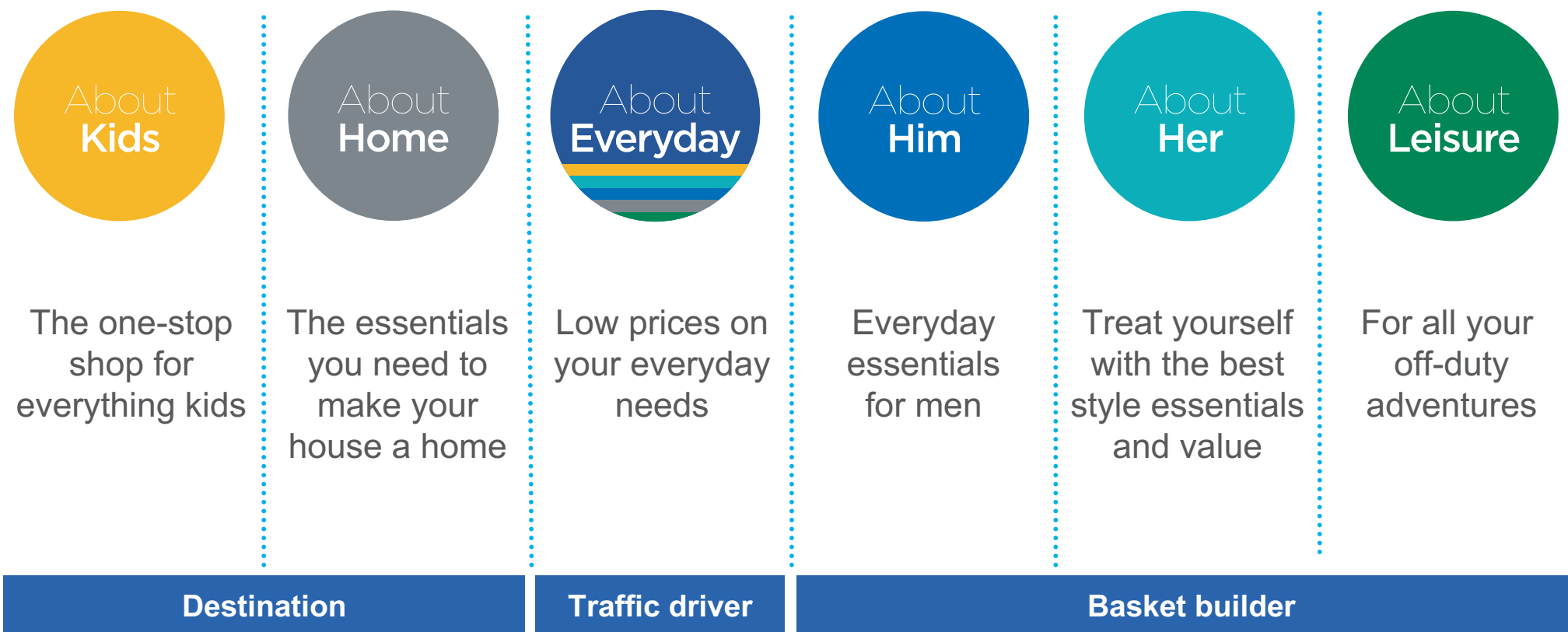
DISCIPLINED WAYS OF WORKING

Stock availability, marketing process, direct sourcing critical path, online improvement, labour rostering, streamline our reporting

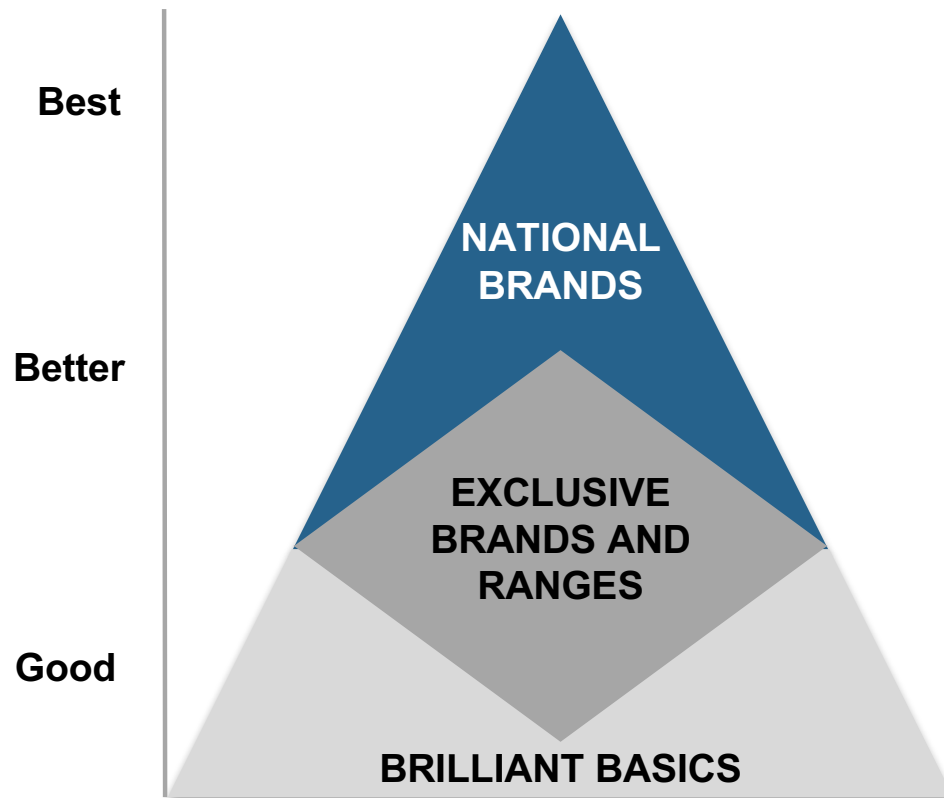
Activate universes: Six universes aligned to core customer needs

BIGW

Multi-category solutions built around shopping themes



Better Range: Revised brand strategy and range architecture



- Choice of brands and price points across all customer universes with good-better-best options where it matters most to customers
- National and exclusive brands/ranges to feature prominently in all universes
- Renewed focus on brilliant basics – quality products at low prices across our entire range
- Customer First Ranging process to ensure that brand strategy and range architecture for each universe is mapped to customer needs

We've started to make some changes...

What we have done so far

- ✓ New BIG W leadership team in place
- ✓ Clear and simple plan agreed and shared
- ✓ Prices taken down on more than 2,000 items
- ✓ Brand refresh started
- ✓ Value focused messages – in-store, catalogue
- ✓ Incremental changes in store



What we will do over the next 6 months

- Continue to reduce prices
- Improve our online experience – range, fulfilment
- New in-store look – signage, key department relay
- Continue with brand refresh

...But there is much more to do



Thank you

Notes

1. Significant items in FY16 represent costs of \$4,013.7m (before tax) or 2,627.8m (after tax and non controlling interests) resulting from the write down of the Home Improvement business and certain significant expenses incurred outside the ordinary course of our trading operations resulting from a Group wide review. There were no significant items in FY17.

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