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# News Release

Wesfarmers

17 January 2022

## 2022 Half-year results update

Wesfarmers today provided an update in relation to the Group's preliminary profit result for the half-year ended 31 December 2021, including details on the significant impact of COVID-related disruptions and costs on the performance of Kmart Group.

The Group also provided an update on recent retail trading conditions. Further details on the 2022 half-year results and current trading will be provided at Wesfarmers' results announcement on 17 February 2022.

**Wesfarmers preliminary half-year profit result[1]**

Wesfarmers expects to report net profit after tax (NPAT) of between $1,180 and $1,240 million, in line with current consensus expectations, for the half-year ended 31 December 2021.

The Group's performance for the half was supported by pleasing results in Bunnings and Wesfarmers Chemicals, Energy & Fertilisers, while results in Kmart Group and Officeworks were impacted by COVID-related disruptions and costs.

**Kmart Group half-year trading results**

| Half-year ended 31 December 2021[2] | Total sales growth[3] (%) | 2Y total sales growth[3] (%) | Online penetration (% sales) |
|---|---|---|---|
| Kmart and Target | (10.3) | (5.2) | **K:** 14.3 \| **T:** 26.9 |
| Catch (gross transaction value) | 1.0 | 97.5 | 100 |

Kmart and Target trading performance through the first half of the 2022 financial year was significantly impacted by COVID-19 restrictions, with almost 25 per cent of store trading days lost due to government-mandated store closures.

Trading conditions improved as restrictions eased during the second quarter of the 2022 financial year, but customer traffic to stores was impacted by rising community transmission of COVID-19 in some states, particularly during the Christmas trading period. Ongoing global supply chain disruptions were well managed during the period as a result of investments made to hold additional inventory domestically, but high levels of COVID-related absenteeism in New South Wales and Victorian distribution centres impacted the ability to deliver stock to stores in line with customer demand.

Combined Kmart and Target sales declined 10.3 per cent for the first half and declined 5.2 per cent on a two-year basis. In addition to the factors outlined above, the decline in sales also reflected the permanent closure of 14 Target stores and 48 Target Country stores as part of the planned network changes, largely executed during the 2021 financial year. The performance of converted stores, when adjusted to exclude the impact of lockdowns, has been pleasing and in line with the business case. Combined online sales for Kmart and Target were 44.2 per cent higher than the prior corresponding period.

Gross transaction value (GTV) growth for Catch was 1.0 per cent for the first half with elevated GTV growth during periods of lockdown offset by a decline in GTV, particularly within the in-stock business, as restrictions eased. Catch GTV growth on a two-year basis was 97.5 per cent for the half.

[1] All preliminary results are subject to review by the Group's auditor.
[2] See page 3 for relevant retail calendars.
[3] Total sales growth and two-year total sales growth is calculated as growth between the first half of the 2022 financial year and the corresponding periods in the 2021 and 2020 financial years respectively.

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**Kmart Group preliminary half-year earnings results**

Combined earnings before tax (EBT) for Kmart and Target is expected to be between $215 and $223 million for the half.

Higher costs during the half reflected commitments made to pay team members when no meaningful work was available during lockdowns, additional support to team members when required to isolate, rising international freight costs and costs associated with elevated domestic stock holdings. In addition, the rapid temporary shift to online channels during lockdowns, combined with reduced team member availability, also impacted productivity and profitability during the period.

An EBT loss for Catch of between $45 and $43 million is expected for the half, reflecting continued investment in team, technology, marketing, and capabilities to support long-term growth, as well as higher levels of inventory clearance compared to the prior corresponding period.

For Kmart Group, EBT is expected to be between $170 and $180 million for the half.

**Recent retail trading conditions**

As a result of increasing cases of the COVID-19 Omicron variant in some states, retail trading conditions weakened in the last two weeks of the 2021 calendar year, and customer traffic to stores has remained subdued during the first half of January.

Team member absenteeism associated with the COVID-19 Omicron variant has placed additional pressure on distribution centres and stores in some states, necessitating a reduction of trading hours in some stores and impacting supply chain productivity and stock availability. These issues are expected to persist while COVID-19 cases and the number of team members requiring to isolate remain elevated.

**For more information:**

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This announcement was authorised to be given to the ASX by the Wesfarmers Disclosure Committee.

## Retail calendars

| Business | Retail sales period |
|---|---|
| **Kmart** | |
| Half-year 2022 | 28 June 2021 to 2 January 2022 (27 weeks) |
| Half-year 2021 | 29 June 2020 to 3 January 2021 (27 weeks) |
| Half-year 2020 | 1 July 2019 to 5 January 2020 (27 weeks) |
| **Target** | |
| Half-year 2022 | 27 June 2021 to 1 January 2022 (27 weeks) |
| Half-year 2021 | 28 June 2020 to 2 January 2021 (27 weeks) |
| Half-year 2020 | 30 June 2019 to 4 January 2020 (27 weeks) |
| **Catch** | |
| Half-year 2022 | 1 July 2021 to 31 December 2021 (6 months) |
| Half-year 2021 | 1 July 2020 to 31 December 2020 (6 months) |
| Half-year 2020 | 1 July 2019 to 31 December 2019 (6 months) |

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