

The logo for Woolworths Limited, featuring the company name in a serif font centered within a horizontal bar. The bar is divided into several colored segments: red, grey, green, olive, blue, dark blue, orange, and red.

WOOLWORTHS LIMITED

## **ASX RELEASE**

26 November 2015

### **Woolworths Limited Annual General Meeting 2015 Chief Executive Officer's Address - Listing Rule 3.13.3**

Please find following a copy of the Chief Executive Officer's Address to the 2015 Annual General Meeting.

For and on behalf of  
WOOLWORTHS LIMITED

A handwritten signature in black ink, appearing to read 'R Dammary', written in a cursive style.

RICHARD DAMMERY  
Chief Legal Officer and Company Secretary

# WOOLWORTHS LIMITED

26 November 2015

## AGM 2015 – CEO's Address

Thank you Chairman.

Thank you everyone for coming and for your support of Woolworths in the challenging times as well as the good times.

I would like to pick up where the Chairman finished his speech and give my support to his assessment of the potential of our Company.

There are opportunities available to us if we can meet and overcome the challenges, and I firmly believe we can.

Woolworths is a strong business and has the potential to be even stronger. Our scale, network, supply chain and proven ability to extract operating efficiencies provide a strong competitive advantage.

Whilst we have these significant attributes and currently hold market leading positions, we are in a period of immense change and transformation. This will be a multi-year task. However, we are meeting the challenges head on to ensure Woolworths' best days are ahead of it.

Today I want to give you an overview of our results in financial year 2015, as well as an insight into management's current priorities, and the outlook for 2016.

### 2015 Results

Looking back over 2015, we have been transparent about what went wrong and have been quick to put in place the strategies that will return us to a sustainable path to growth.

Australian Supermarkets had a difficult first half despite a strong start to the year. Units and transactions declined leading into Christmas culminating in significant underperformance in December and January.

The fact was the fundamentals of our offer, especially price and customer service, were not acceptable, and customers voted with their feet.

We acted immediately and decisively. We installed new leadership under Brad Banducci, who moved from Liquor to head up the Supermarkets team.

Simultaneously we commenced a program of significant investment in prices and service that will deliver stronger sales momentum and customer-leading outcomes going forward.

Announcement

In May, Brad outlined his plans to revitalise Australian Supermarkets to investors. Whilst he is well underway on executing these plans, I want to be clear that it will take at least three years for these to land.

A consequence of our decision to move quickly is that we are investing over and above the cost savings identified across the business. The impact of these investments will be felt in FY16, resulting in lower margins in Australian Supermarkets.

I'll now briefly touch on the results for our other divisions.

Liquor recorded another strong performance across all of our brands both in store and online with Martin Smith in charge following Brad's move into Supermarkets.

Our multi-channel approach to Liquor is a model for other businesses in the Group as it continues to go from strength to strength.

Countdown in New Zealand had an improved year of growth, and we believe there is more to come in FY16.

Hotels also had a strong year, however, their profit was impacted by Victorian tax changes and the sale of 54 hotels.

The General Merchandise result continued to be impacted by our BIG W transformation and the clearance of unproductive inventory.

It was also impacted by systems implementation issues arising from the transition to our new merchandising system in the second half of the year, which impacted stock availability. These issues are now largely resolved.

So while performance varied across divisions, at a Group level the lack of profit growth was disappointing and clearly not acceptable.

Whilst we maintained profit in line with FY14, and slightly increased our dividends, this did not meet expectations and we are not satisfied.

As CEO, ultimate accountability rests with me. I am confident that the actions we have taken to date and the plans we have put in place will result in a better and stronger Woolworths into the future.

#### Current priorities

Now let me turn to the current financial year.

As Gordon mentioned, the Management Team is focused on delivering clear outcomes and is hard at work on the plans outlined in May. I will outline the six priorities we are focused on.

Firstly, transforming Australian Supermarkets is clearly the top priority. It is the engine room of Woolworths generating 70 per cent of the Group's profit.

To that end, we are investing to build a new model that will benefit Woolworths and our customers into the future.

Work on executing Brad's plan outlined in May is well advanced and supported by the required investment.

Some progress to point to in recent months includes competitive prices and better customer service, and our customers have responded well. We have also launched our new marketing campaign, 'Low Price, ALWAYS' and re-launched Woolworths Rewards.

We are working to deliver on the Home Improvement opportunity. As the market continues to consolidate, there is clearly an opportunity for a second big box hardware retailer in Australia. We are working to improve the store format and range and, pleasingly, the stores that have the new format are trading significantly above old format stores.

Work to transform BIG W continues. As Gordon outlined, we have a clear line of sight towards improved returns to ensure we have options available to us.

We are embedding our lean retail model to ensure the work undertaken under our Fuel for Growth program becomes an ongoing low cost way of life across the Group.

As Gordon very vividly described in his address, we need cultural transformation. I wholeheartedly endorse his assessment of the need to shift from a 'knowing' culture to a 'listening' culture. This is very important to securing our ongoing success and will be embraced by the Woolworths team.

We are also focused on developing our people. I am particularly focused on rapid talent growth from within Woolworths as we develop our future retailers. We will also recruit world class talent externally when we can.

## Outlook

Turning to the outlook for FY16, it will be a transition and rebuilding year, not just financially but also culturally with the focus on becoming a much more customer-centric organisation.

As I have mentioned this morning, the largest impact on margins will be the result of significant investments, particularly in price and service in Australian Supermarkets. These investments will pre-empt the cost-out programs as we accelerate to the new model for our business.

A month ago we updated the market on the likely Net Profit After Tax for H1'16 of \$900 million to \$1 billion. We are tracking in line with our forecast.

This transformation will enable our brands to remain the leaders in their sectors and to provide real growth opportunities into the future. It will be a multi-year task and will require highly successful execution of the strategies.

I want to pay tribute to our staff, particularly the bulk of our teams that are serving our customers everyday and striving to provide a truly world class offer.

I will now hand back to the Chairman to continue the meeting.

ENDS