

WOOLWORTHS GROUP LIMITED (WOW) 20 AUGUST 2018

RESULTS	Full Year 2018	Full Year 2017	CHANGE
Sales continuing operations (\$m)	56,726	54,841	+3.4%
EBIT continuing operations (\$m)	2,548	2,326	+9.5%
EBIT consensus (\$m)	2,569		
Gross profit (%)	29.5	29.0	+41bps
NPAT (\$m)	1,724	1,534	+12.5%
NPAT consensus (\$m)	1,770		
Final Dividend (\$)	0.50	0.50	-

Woolworths (WOW) special dividend but watch out for more plastic bag pain.

- Aussie based retailer, Woolworths (WOW)** posted a strong result for the second half of 2018. Total revenue from continuing operations \$56.7 billion up 3.4%, helped by strong retail store sales and a lift in customer numbers, especially in its Australian foods sales division where customer growth increased by 5%, helping to offset price deflation. Earnings, EBIT increased by 9.5% despite reinvestment in initiatives that will deliver benefits in future years.
- Australian Food sales increased by 4.3% to \$37.4 billion over the year, even with a slight pull back in food sales in the last quarter to 3.1%. Earnings increased by 9.6% as gross margins lifted by 63 basis points to 29.1%. The cost of doing business did increase slightly as Woollies management continues to spend more on customer satisfaction and store refurbishments. WOW's eCom business increased by 30%, and the roll out of pick up in store is on track. New Zealand Food sales increased 3.4% but margins fell 1% as price competition still impacted returns and management continued to focus on tailoring food ranging to meet local needs. WOW will continue to invest in CountdownX, the online sales hub.
- Big W record modest comparable store sales growth for the first time in almost a decade and margins increased, but the cost of doing business still increased. Big W posted a loss of \$110 million, as management focused on cutting sales prices in store and improving stocks flow across the business. Endeavour Drinks, Woollies liquor division, reported sales growth of 4.5% and earnings up 2.8%, but price competition hit revenue, ALH Hotels posted 3.7% annual sales growth and earnings growth of 11.1%.
- For the first seven weeks of the new financial year WOW Australian food, comparable sales increased by 1.3% slower than expected. Wow management puts this down to customers adjusting to the phasing-out of single-use plastic bags, a competitor continuity program, meat and fruit and vegetable deflation.
- Woollies said it will pay a final dividend of \$0.50, plus a special dividend of \$0.10, reflecting improved trading performance, balance sheet strength and new Petrol alliance on Friday October 12, 2018. With management stating that further capital management will be considered following a successful exit from its Petrol unit.

Commonwealth Securities Limited ABN 60 067 254 399 AFSL 238814 ("CommSec") is a wholly owned, but non-guaranteed, subsidiary of the Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945 ("the Bank") and both entities are incorporated in Australia with limited liability. This information is directed and available to and for the benefit of Australian residents only and is not a recommendation or forecast. This information has been prepared without taking account of the objectives, needs, financial and taxation situation of any particular individual. For this reason, any individual should, before acting on the information on this site, consider the appropriateness of the information, having regards to their own objectives, needs, financial and taxation situation, and, if necessary, seek appropriate independent financial, foreign exchange and taxation advice. CommSec, and its related bodies corporate, do not accept any liability for any loss or damage arising out of the use of all or any part of this information. We believe that this information is correct as at the time of its compilation, but no warranty is made as to its accuracy, reliability or completeness.