

# COMPANY PROFILE

## BELL POTTER

Woolworths Group Limited

GICS - Consumer Staples Distribution & Retail

ASX Code: WOW Price: \$29.89 12 Mth Target Price: \$31.75 Rating: Hold

### Business Summary

Woolworths (WOW) is a retail operator in Australia and New Zealand, with 3,357 stores and approximately 215,000 employees. Its business division comprises of Australian Food, New Zealand Food and Big W.

**Australian Food:** This division is involved in procurement of food and related products for resale and provision of services to customers in Australia. This division is divided in three sections woolworth supermarkets, Everyday reward, and Financial services and insurance. This section includes Supermarket chain operating 995 stores across Australia, Woolworths Rewards loyalty program and financial products tailored to Woolworths customers.

**New Zealand Food:** This division is involved in procurement of food and drinks for resale to customers in New Zealand. This division own 181 Countdown stores and has over 18,000 team members and more than 20,000 product lines.

**Big W:** Big W brand is involved in procurement of discount general merchandise products for resale to customers in Australia. As of now they have network of 183 stores nationally. BIG W is partnered with Good360 to help deliver brand new items to families in need.

**Restructuring:** On 2 February 2020, Woolworths Drinks business was restructured to create Endeavour Group. On 4 February 2020 Endeavour Group merged with ALH Group. Woolworths Group owns 85.4% of Endeavour Group.

### Latest Research

A year of consolidation

Woolworths (WOW) was established in 1924 in Sydney Australia and today through its 1,693 points of presence in Australia and NZ, is a leading supplier of food and everyday needs with complementary investments in Foodservice and Digital marketing. Since FY20 WOW has generated CAGR earnings growth of +7.9% p.a. while paying out 80% of cumulative profits in ordinary dividends lifting to 87% with

inclusion of special (vs. a target of 70-75%). Looking forward we anticipate FY25e to be a year of consolidation, with headwinds in discretionary categories (Big W and B2B Australia) mitigated by a continued shift in Australian food consumption to in-home

channels. Beyond FY25e, we would anticipate a resumption of growth as discretionary sectors recover and WOW cycles off commissioning costs related to investments in automated distribution and customer fulfilment facilities (ADC/CFC). We initiate

coverage with a Hold rating and \$31.75ps target price.

For more information see research 13 Nov 2024.

### Snapshot

Date	24 November 2024
Market Cap.	\$36,513m
Shares on issue	1,221.6m
12 Month High	\$37.59
12 Month Low	\$29.19

### Rating

Rating	Hold
12 Mth Target Price	\$31.75
Capital Gain	6.3%
Gross Yield	NA%
Implied Total Return	6.3%

### Investment Fundamentals

FYE 30 Jun		2024A	2025F	2026F	2027F
Profit	\$m	1,711.0	1,571.9	0.0	0.0
Profit (norm)*	\$m	1,711.0	1,571.9	0.0	0.0
EPS*	¢	140.4	128.8	0.0	0.0
EPS Growth	%	-0.3	-8.2	0.0	0.0
P/E*	x	21.3	23.2	0.0	0.0
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	144.0	95.0	0.0	0.0
Yield	%	4.8	3.2	0.0	0.0
Franking	%	100.0	100.0	0.0	0.0

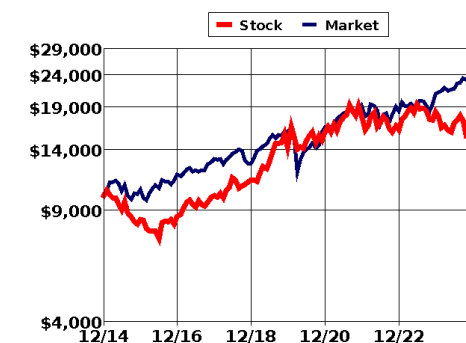
\* Adjusted for goodwill and unusual items

Source: Based on Bell Potter estimates

### Share Price Chart



### Total Return on \$10,000 Investment



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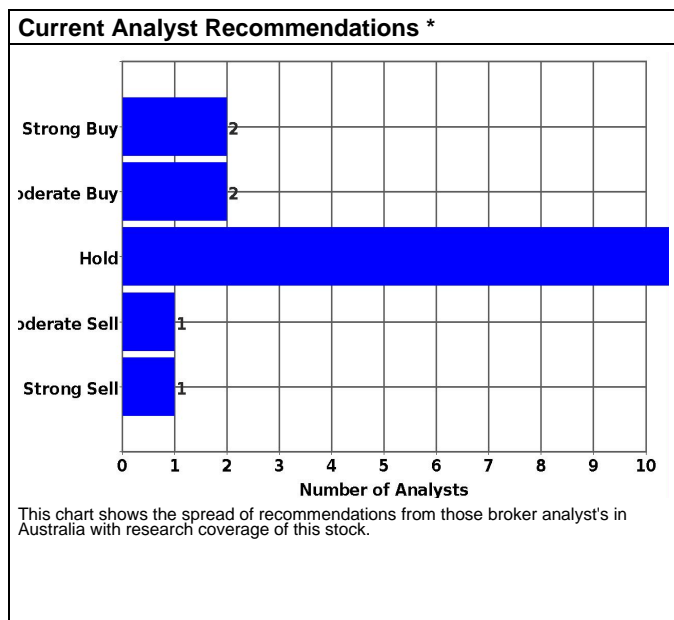
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Profit & Loss (\$M)					
	2020A	2021A	2022A	2023A	2024A
<b>Sales Revenue</b>	<b>63,675</b>	<b>55,694</b>	<b>60,849</b>	<b>64,294</b>	<b>67,922</b>
Total Revenue ex. Int.	63,850	55,811	61,078	64,515	68,211
<b>EBITDA</b>	<b>5,677</b>	<b>5,372</b>	<b>5,215</b>	<b>5,384</b>	<b>5,782</b>
Depreciation & Amort.	-2,458	-2,608	-2,361	-2,309	-2,452
Goodwill Amortisation	--	--	--	--	--
EBIT	3,219	2,764	2,854	3,075	3,330
Net Interest	-843	-613	-600	-677	-740
Profit Before Tax	2,376	2,151	2,254	2,398	2,590
Income Tax	-730	-647	-566	-735	-763
Outside Equity Int.	-44	-65	-10	-11	-9
<b>Profit after Tax</b>	<b>1,602</b>	<b>1,972</b>	<b>8,065</b>	<b>1,652</b>	<b>1,818</b>
Significant Items after Tax	-437	102	-131	-34	-1,710
<b>Reported Profit after Tax</b>	<b>1,165</b>	<b>2,074</b>	<b>7,934</b>	<b>1,618</b>	<b>108</b>
Preferred Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2020A	2021A	2022A	2023A	2024A
Receipts from Customers	68,898	72,688	64,538	68,275	72,155
Funds from Operations	6,067	6,162	4,817	6,016	5,863
<b>Net Operating Cashflow</b>	<b>4,561</b>	<b>4,624</b>	<b>3,378</b>	<b>4,754</b>	<b>4,359</b>
Capex	-2,149	-2,389	-2,416	-2,519	-2,548
Acquisitions & Investments	-91	-244	-457	-403	-573
Sale of Invest. & Subsid.	34	19	53	659	466
<b>Net Investing Cashflow</b>	<b>-1,945</b>	<b>-2,200</b>	<b>-2,457</b>	<b>-1,844</b>	<b>-2,277</b>
Proceeds from Issues	--	--	--	--	--
Dividends Paid	-1,199	-1,154	-1,449	-1,031	-1,188
<b>Net Financing Cashflow</b>	<b>-1,612</b>	<b>-3,043</b>	<b>-1,337</b>	<b>-2,809</b>	<b>-1,919</b>
Net Increase Cash	1,004	-619	-416	101	163
Cash at Beginning	1,066	2,068	1,446	1,032	1,135
Exchange Rate Adjust.	-2	-3	2	2	--
<b>Cash at End</b>	<b>2,068</b>	<b>1,446</b>	<b>1,032</b>	<b>1,135</b>	<b>1,298</b>

Ratios and Substantial Shareholders						
	2020A	2021A	2022A	2023A	2024A	
<b>Profitability Ratios</b>						
EBITDA Margin	%	8.92	9.65	8.57	8.37	8.51
EBIT Margin	%	5.06	4.96	4.69	4.78	4.90
Net Profit Margin	%	2.52	2.58	2.76	2.57	2.68
Return on Equity	%	18.33	104.35	28.06	25.71	33.62
Return on Assets	%	5.74	4.81	6.33	6.39	6.98
<b>Debt/Safety Ratios</b>						
Net Debt/Equity	%	183.69	798.10	257.72	222.39	276.91
Interest Cover	x	3.82	4.51	4.76	4.54	4.50
<b>Top 5 Substantial Shareholders</b>						
State Street Corporation and subsidiaries					7.1%	
BlackRock Group					6.4%	
Australiansuper Pty Ltd					6.0%	
The Vanguard Group, Inc					5.0%	

Balance Sheet (\$M)					
	2020A	2021A	2022A	2023A	2024A
Cash & Equivalent	2,068	1,009	1,032	1,135	1,298
Receivables	548	480	856	1,016	1,106
Inventories	4,434	3,132	3,593	3,698	4,187
Other Current Assets	742	206	342	301	200
<b>Current Assets</b>	<b>8,125</b>	<b>15,786</b>	<b>6,110</b>	<b>6,375</b>	<b>6,991</b>
Prop. Plant & Equipment	20,804	17,030	18,226	18,348	19,282
Intangibles	7,717	4,671	5,278	5,693	4,873
Other Non-Current Assets	911	342	501	443	654
<b>Non-Current Assets</b>	<b>30,347</b>	<b>23,450</b>	<b>27,163</b>	<b>27,273</b>	<b>26,945</b>
Total Assets	38,472	39,236	33,273	33,648	33,936
Interest Bearing Debt	18,659	14,888	16,763	15,735	16,722
Other Liabilities	10,781	22,609	10,406	11,348	11,644
<b>Total Liabilities</b>	<b>29,440</b>	<b>37,497</b>	<b>27,169</b>	<b>27,083</b>	<b>28,366</b>
Net Assets	9,032	1,739	6,104	6,565	5,570
Share Capital	6,022	5,253	5,207	5,406	5,604
Reserves	391	-6,989	-7,400	-7,567	-7,609
Retained Earnings	2,329	3,115	8,173	8,586	7,413
Outside Equity Int.	290	360	124	140	162
<b>Total Shareholders Equity</b>	<b>9,032</b>	<b>1,739</b>	<b>6,104</b>	<b>6,565</b>	<b>5,570</b>



Principals & Directors	
<b>Principals</b>	
Company Secretary	Ms Michelle Hall Mr Dominic Millgate
<b>Directors</b>	
	Mr Philip Wayne Chronican(Non-Executive Director)
	Mr Scott Perkins(Non-Executive Director)
	Ms Maxine Nicole Brenner(Non-Executive Director)
	Ms Tracey Fellows(Non-Executive Director)
	Ms Holly Suzanna Kramer(Non-Executive Director)
	Ms Kathryn (Kathee) Tesija(Non-Executive Director)
	Ms Jennifer Carr-Smith(Non-Executive Director)
	Mr Warwick Bray(Non-Executive Director)
	Ms Amanda Bardwell(Chief Executive Officer, Managing Director)

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