

# Annual General Meeting

27 November 2012

**Presentation by:**  
**Rick Wight**  
**Chief Executive Officer**



# Agenda

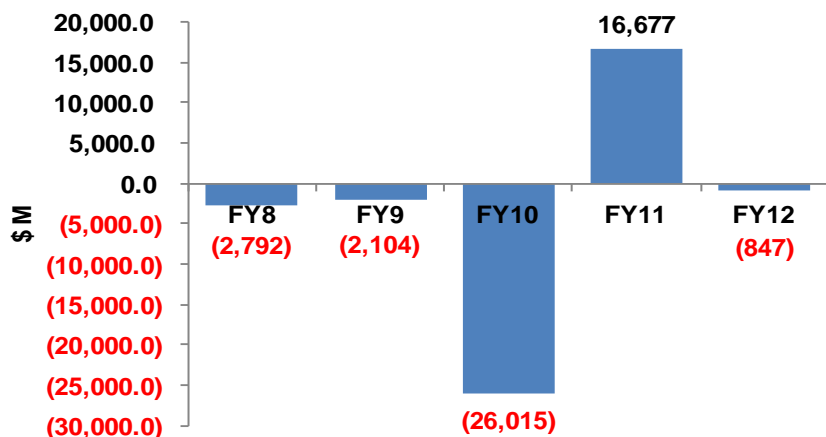
- Business Overview
- Financial Highlights
- FWR Divestment Update
- Trading Update & Key Priorities
- Guidance

# Overview

- Positive comparable store sales growth of +0.6% in a very competitive environment:
  - Value driven customers
  - Marketing war by the chains continues
  - Produce deflation
  - Impact of competitor openings
- Strong promotional program supported by case deals that are market competitive and the best in the independent industry
- 601 stores in our store network comprising of 421 stores branded as FoodWorks and 180 associate stores
- Disappointing financial result due to the finalisation of the divestment of the company owned stores taking longer than expected

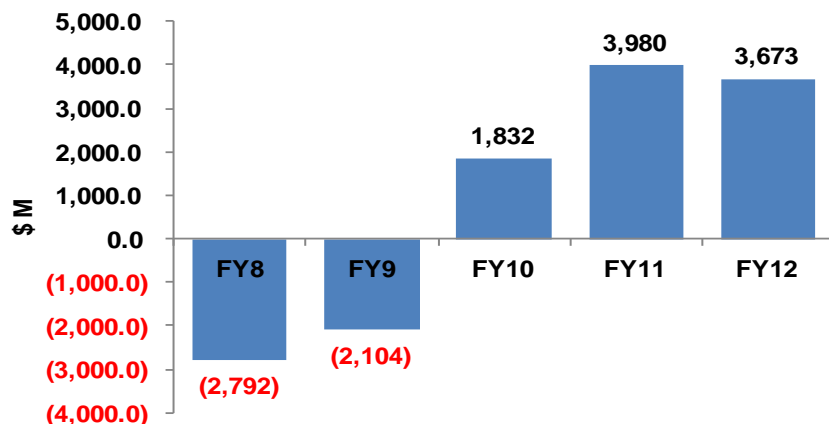
# Financial Highlights

## Operating Profit / (Loss) - Consolidated



- Consolidated operating loss of (\$0.8M) attributable to FWR divestment of \$4.5m
- Sustainable profit in core business

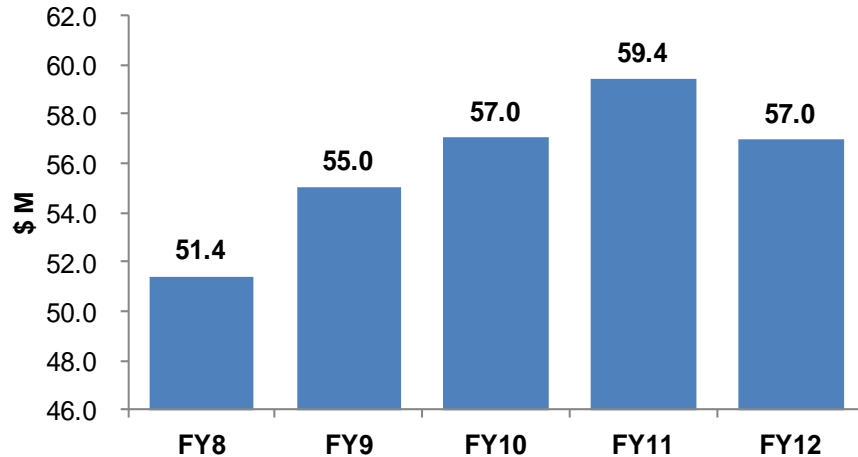
## Operating Profit / (Loss) – Continuing Operations



- Operating profit from continuing operations of \$3.7m (-7.7%)
- Same level of profitability if the benefit of the 53<sup>rd</sup> week excluded from prior year ~\$0.25m
- Profit after tax +6.4% of total income

# Continuing Operations Financial Highlights

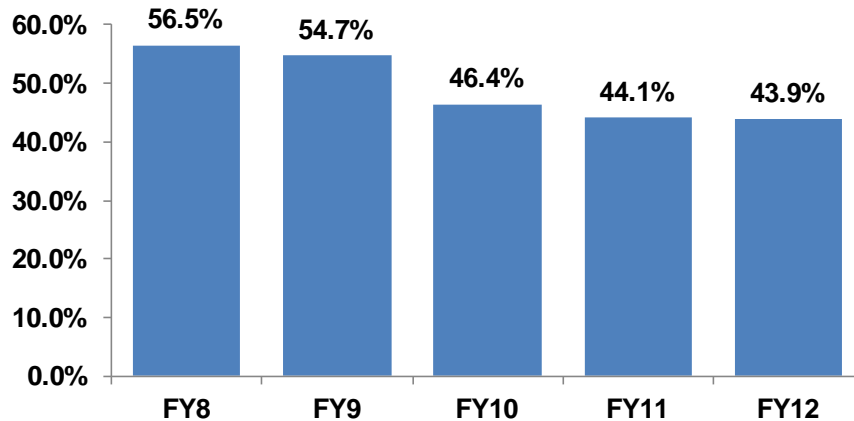
## Total Income



- Total income down -4.1%
  - Impact of 53<sup>rd</sup> week last year
  - Lower EWW volumes due to shift to 'direct buys' as cheaper
  - Higher purchases on promotion
  - Shift from scan deals to case deals ~\$1M
  - Changed tobacco trading terms with deals now 'off invoice'

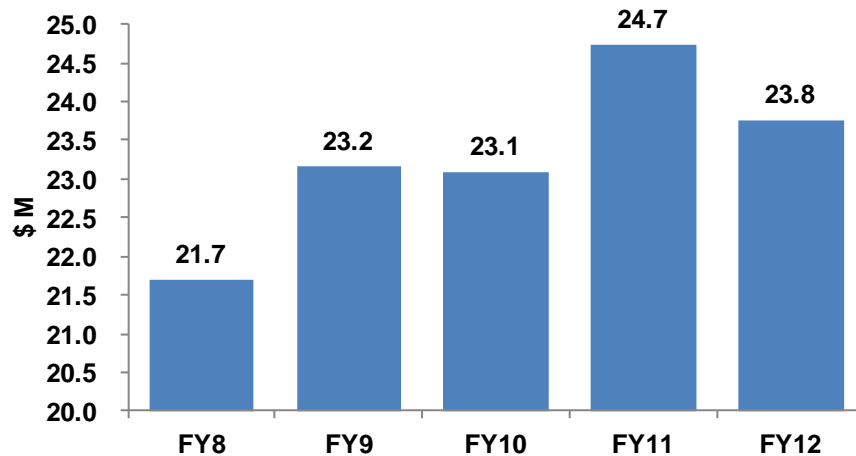
# Continuing Operations Financial Highlights

## Cost of Doing Business / Gross profit %



- CODB as % of Gross Profit decreased marginally from 44.1% to 43.9%
- Increased investment in:
  - Money into Price (Up 64% on LY)
  - Full Marketing (Up 30% on LY)
- Reduction in Governance costs

## Members Distribution



- Members distribution represents 41.7% of total income (down -3.9%)
- Total contract rebates paid equate to +4.24% of total EWW's
- Impact of 53<sup>rd</sup> week ~ 0.5M

# FWR Divestment Update

- We are in the final stages on completing the divestment program for FWR
- The last trading store (Coonabarabran) has been sold and settled on 24 September 2012
- We complete our final obligations in relation to Windsor Gardens in December 2012 and Belmont in May 2013
- We continue to incur costs on 2 further closed stores (Townsville & Maitland) as we try to finalise alternative use or sub-let strategies
- We have provided for the costs we expect to incur in order to divest of these stores. However the final timing of finding alternative use strategies is difficult to project

# Trading Update

- Trading performance so far this year has been in line with budget
- Comparable store sales through end of October has increased by +1.5%
- 259 stores have signed a new unity agreement early representing 60% of total stores and total volumes
- FWR closure costs will continue in the short term to put strain on the profits and cash flow position of the business

# Key Priorities

- Finalise the divestment of the corporate-owned store business
- Signing new Unity Agreements, in particular those with expiry dates prior to 30 June 2013 (86 stores remaining)
- Build home brands by increasing the penetration of Best Buy and obtaining access to No-Frills lines
- Enhance marketing tools to include online ordering & loyalty programs
- Develop new brand positioning that captures FoodWorks identity
- Implement growth initiatives to increase investment in stores

# Guidance

In view of the above, the Company expects that:

1. The consolidated operating profit after tax and including discontinued operations to improve from a loss of \$0.8m last year to a profit in the range of \$1.0 million to \$2.0 million for the year ended 30 June 2013
2. Until we have further certainty surrounding the completion of the divestment of the company owned stores in particular Townsville, the company is not in a position to predict when it will pay a dividend. The company remains committed to paying a dividend as soon as possible

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