



WOOLWORTHS HOLDINGS LIMITED / DMTN LAUNCH SEPTEMBER 2017
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* To be read in conjunction with Equity Analyst packs

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01

**INTRODUCTION
& BACKGROUND**

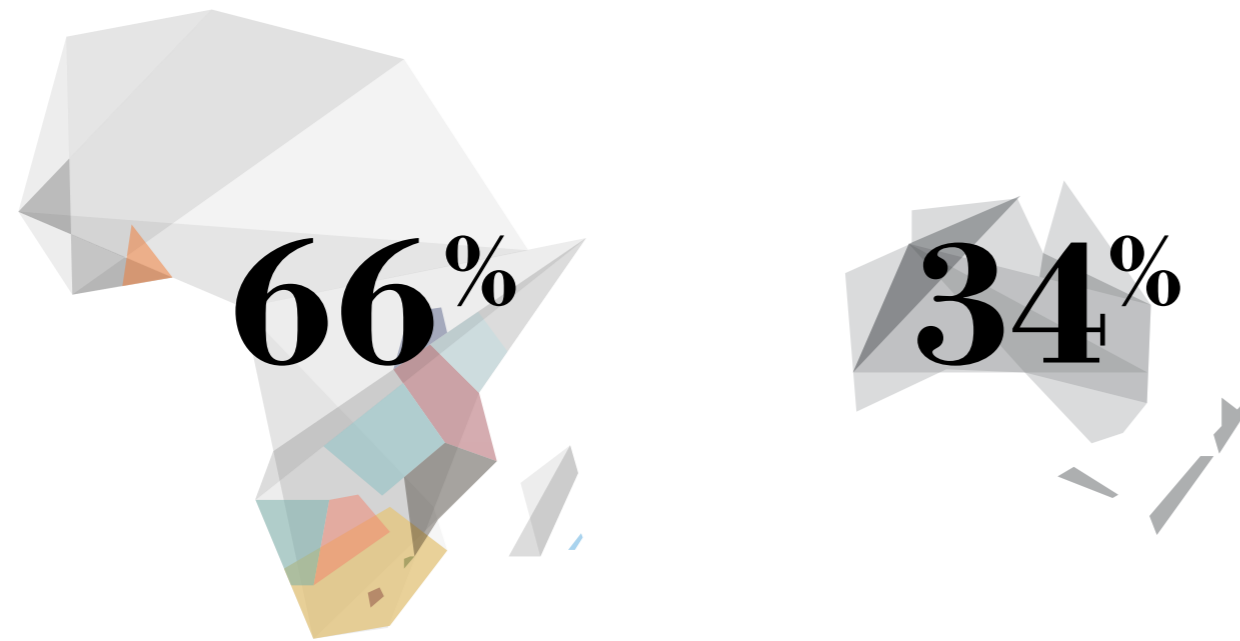


INTRODUCTION

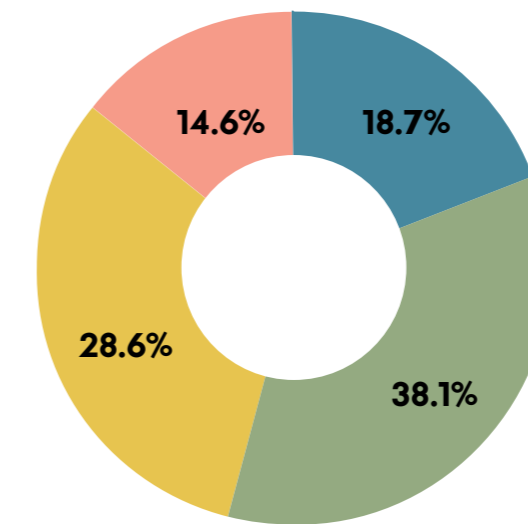
- David Jones and minority interest of Country Road were acquired in 2014
- Balance sheet was restructured at the time, including debt in South Africa and Australia
- Gearing has reduced since that time
- Debt is now being refinanced on an ongoing basis
- Listed programme increases the sources of funding

WHL AT A GLANCE – DIVERSIFIED EARNINGS BASE

Operating profit by geography



Turnover by segment

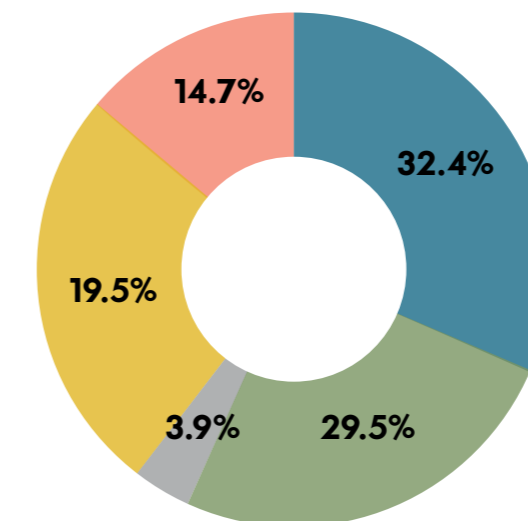


- Woolworths Clothing & GM
- Woolworths Food*
- David Jones*
- Country Road Group
- Woolworths Financial Services**

Operating profit by category

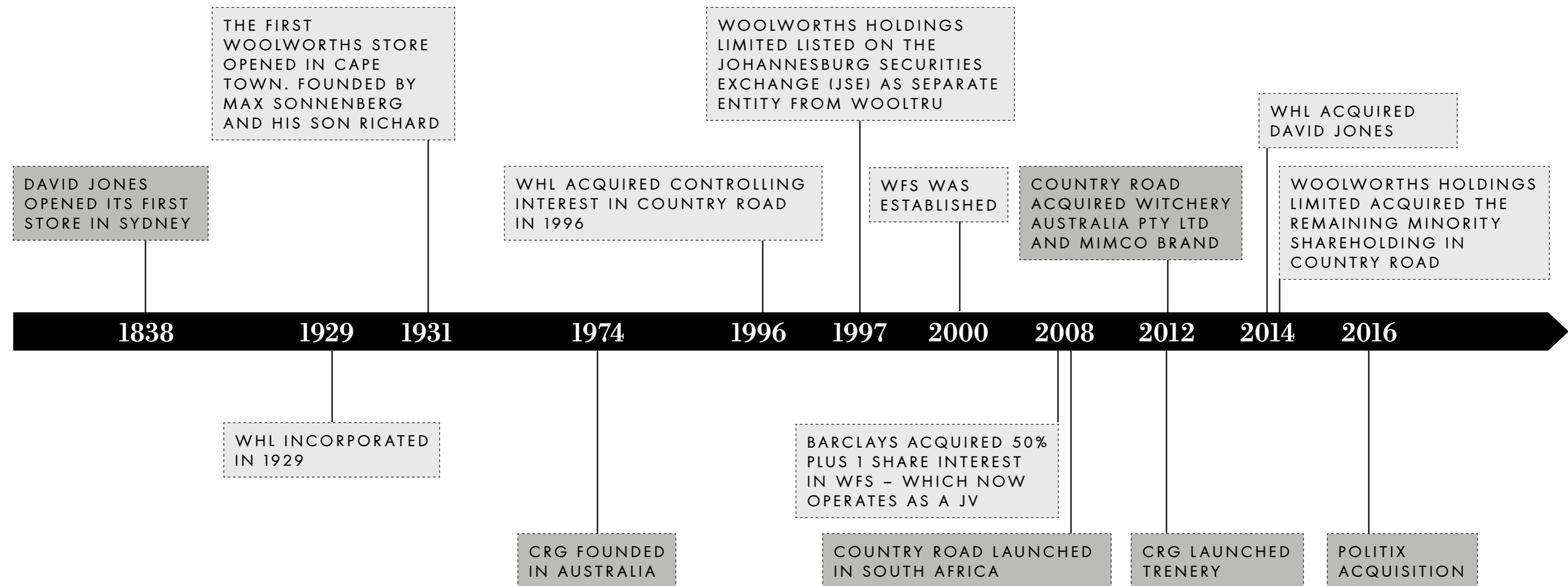


Operating profit by segment

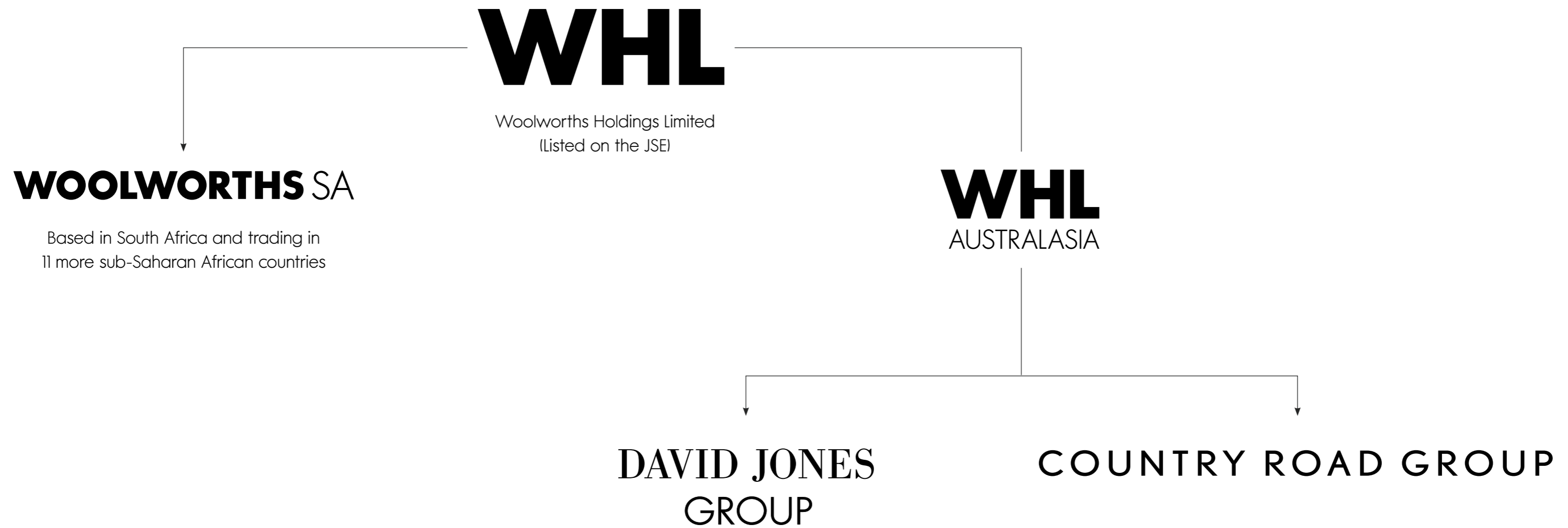


* Turnover and concession sales ** 50% of PAT

BACKGROUND – 86 YEAR LONG HISTORY IN SOUTH AFRICA



WHL AT A GLANCE – OPERATING BUSINESSES



02

**STRATEGIC
OVERVIEW**



STRATEGIC PILLARS

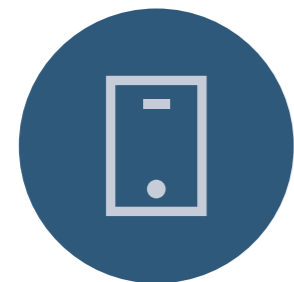
WE REMAIN FOCUSED ON EXECUTING OUR CLEARLY DEFINED STRATEGIES BASED ON SIX COMMON GROUP FOCUSES



build stronger
MORE PROFITABLE
CUSTOMER RELATIONSHIPS



become a
BIG FOOD BUSINESS
WITH A DIFFERENCE



towards
CONNECTED RETAIL



drive
SYNERGIES AND EFFICIENCIES
ACROSS THE GROUP



be a
LEADING FASHION
RETAILER IN THE
SOUTHERN HEMISPHERE



embed
THE GOOD BUSINESS JOURNEY
THROUGHOUT THE BUSINESS

03

**GOVERNANCE
& POLICY**



BOARD MEMBERS AND REPORTING STRUCTURE



BOARD MEMBER AND REPORTING STRUCTURE

WHL – EXECUTIVE COMMITTEE



IAN MOIR (58)
(Australian)

—
Executive Director and
Group Chief Executive Officer



REEZA ISAACS (48)

—
Executive Director and
Group Finance Director



ZYDA RYLANDS (52)

—
Executive Director and
Chief Executive Officer
– Woolworths South Africa



SAM NGUMENI (49)

—
Executive Director and
Group Chief Operating Officer



JOHN DIXON (49)
(British)

—
Executive Director and
Chief Executive Officer
– WHL Australia



RALPH BUDDLE (50)

—
Director: Strategy and
Business Development

BOARD MEMBER AND REPORTING STRUCTURE

WHL – BANKING EXPERIENCE



PATRICK ALLAWAY (56)
(Australian)
Independent Non-Executive
Director

- Member of the Audit, Remuneration, and Risk and Compliance Committees
- Expertise: Finance and banking
- Joined the Board in 2014



ZARINA BASSA (53)
(South African)
Independent Non-Executive
Director

- Chairman of the Risk and Compliance Committee
- Member of the Audit, Nominations and Remuneration Committees
- Expertise: Finance and banking
- Joined the Board in 2011



TOM BOARDMAN (67)
(South African)
Independent Non-Executive
Director
Lead Independent Director

- Lead Independent Director
- Chairman of the Remuneration and Nominations Committees
- Member of the Social and Ethics, and Sustainability Committees
- Expertise: Business leadership, banking and retail
- Joined the Board in 2011
- Ex Nedbank CEO



HUBERT BRODY (53)
(South African)
Independent Non-executive
Director

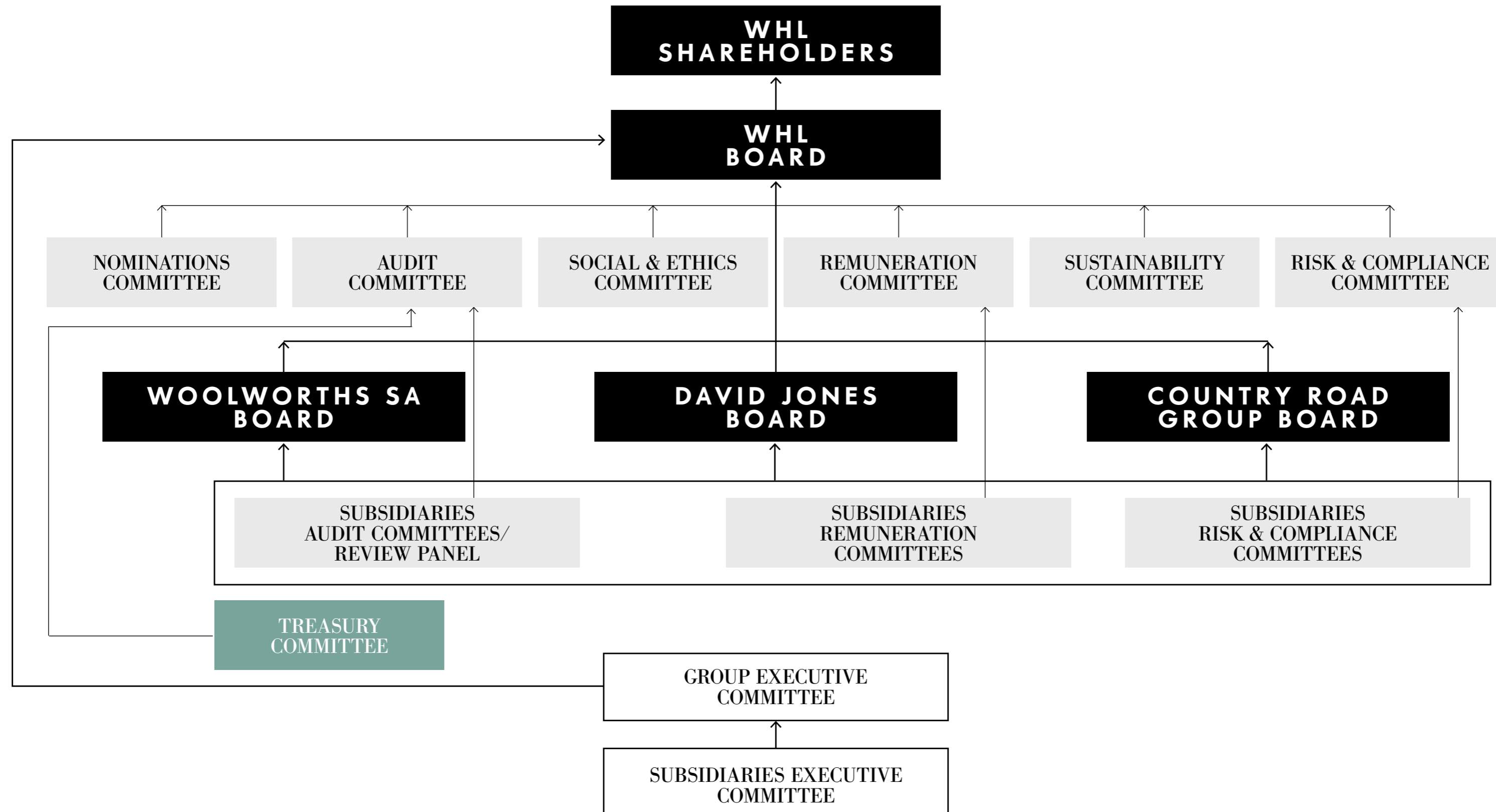
- Chairman of the Audit Committee
- Member of the Risk and Compliance Committee
- Expertise: Business leadership, finance and banking
- Joined the Board in 2014
- Ex Imperial CEO
- Independent non-executive Director – Nedbank
- Invited member of Treasury Committee



GAIL KELLY (61)
(Australian)
Independent Non-executive
Director

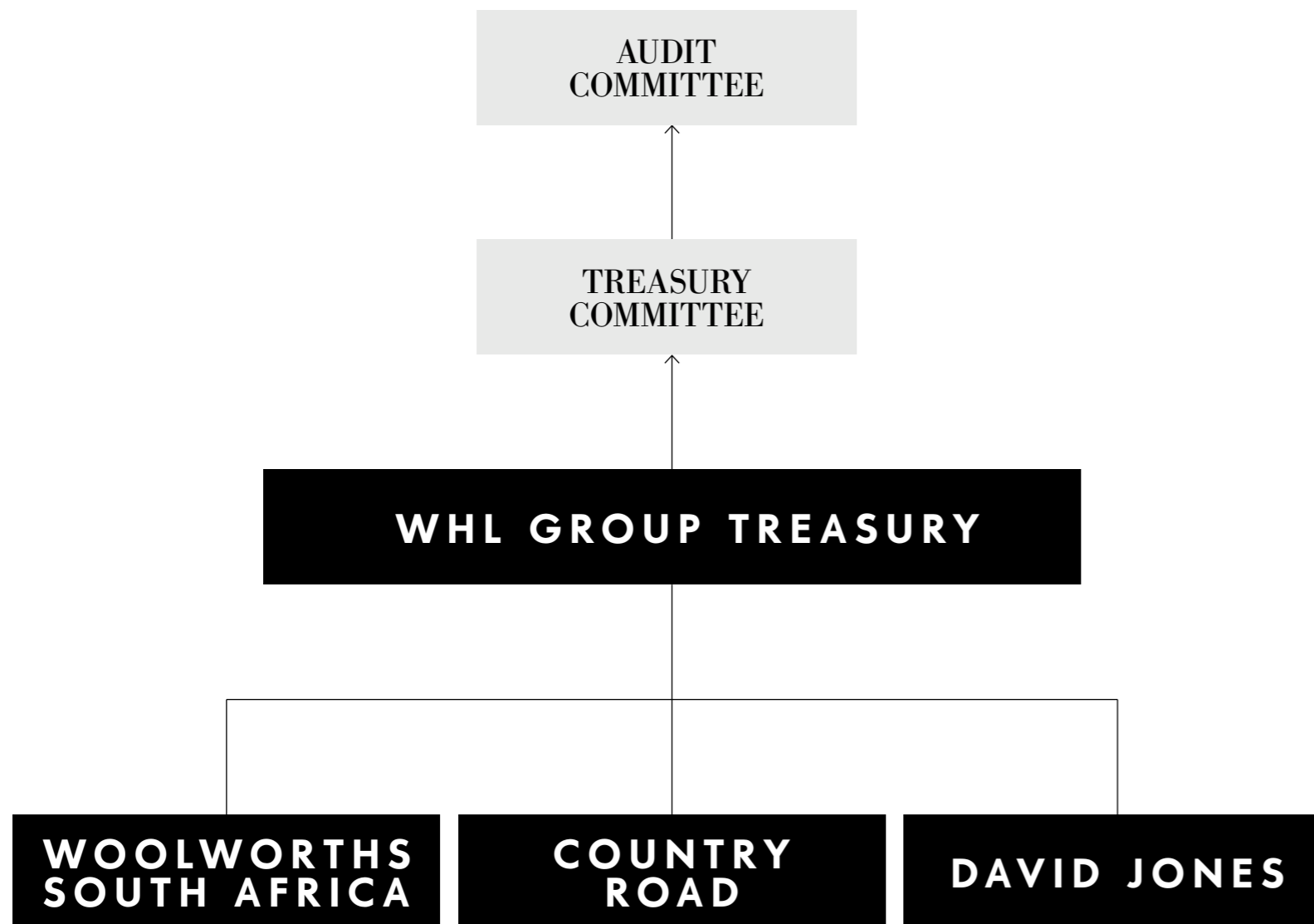
- Member of the Nominations, Remuneration, Risk and Compliance, and Sustainability Committees
- Expertise: Business leadership and banking
- Joined the Board in 2015
- Ex Westpac CEO

GOVERNANCE – GROUP GOVERNANCE FRAMEWORK



TREASURY STRUCTURE AND POLICY

TREASURY GOVERNANCE STRUCTURE



TREASURY POLICY AND OPERATIONS

Policies and procedures

Treasury policies and procedures as proposed by the Treasury Committee are reviewed and approved at the Audit Committee, which are in turn approved by the Board.

- The policies and procedures specify, among others:
 - Internal gearing targets and limit thresholds
 - Liquidity requirements and thresholds
 - Interest rate risk and hedging requirements
 - Forex risk inclusive of minimum and maximum levels of forward cover
 - Counterparty risk for deposits and swaps among others

Monitoring and evaluation of financial policy

Each geographical region has a treasury function reporting into the operating company CFOs and the Group Treasury. The Group Treasury reports to the Executive Treasury Committee (Group CEO, Group Finance Director, Group Treasurer, Head of the Audit Committee being Hubert Brody (NED)). In this forum, the Group treasury reports on all elements as defined in the policies noted above, in addition to stress testing and banking covenants per covenant group among others. This is reported to the Audit Committee and Board on a quarterly basis.

FINANCIAL POLICY

CLEAR FINANCIAL TARGETS AND COVENANT SETTING ATTEST TO WHL'S CONSERVATIVE FINANCIAL AND TREASURY POLICY

Leverage

- WHL has a prudent internal covenant policy that defines thresholds in terms of gearing levels. The thresholds define a target level, an internal stress level where action needs to be taken and a general bank covenant level
 - Net Debt to EBITDA: internal target / internal "stress" / external
 - Interest Cover Ratio: internal target / internal "stress" / external
 - Net Debt to Equity: internal target / internal "stress"
- Quarterly stress testing that is reported to the treasury committee is applied to the cash flows and covenant sets

Liquidity risk

- The Group is committed to maintaining sufficient liquidity at all times
 - Liquidity management through the use of long-term funding in addition to short-term bank funding
 - Includes maintaining sufficient cash and cash equivalents, the availability of funding from adequate banking facilities ranging from overnight to 364-day facilities to longer-term committed revolving facilities
 - Liquidity risk associated with borrowings is managed by staggering the timing of maturities of borrowings and maintaining appropriate short-term committed and uncommitted banking facilities

FINANCIAL POLICY

CLEAR FINANCIAL TARGETS AND COVENANT SETTING ATTEST TO WHL'S CONSERVATIVE FINANCIAL AND TREASURY POLICY

Interest rate risk

- Interest-bearing borrowings are hedged at a minimum of 25%. At June approximately 56% of interest rates on long-term debt is hedged in both South Africa and Australia (floating rates swapped for fixed rates)

Forex risk

- In country borrowing is supported by in country cash flows. Group does not hedge forex risk related to the Australian balance sheet or income statement
- It is the Group's policy to cover committed foreign currency exposures and certain forecast currency exposures arising from the acquisition of goods and services in country, with forward exchange contracts. These are subject to defined limits and are monitored continuously

Capital allocation

- Capital spend is sized based on expected FCF per business for the year ahead, having regard for working capital and dividend requirements. The capital commitment and spend is monitored monthly at the various investment and real estate committees among other forums. ROCE is included as a long-term incentive measure for senior staff
- A rigorous Investment Committee process exists in each of the three businesses and includes both regular capex and real estate based committees

FINANCIAL POLICY

CLEAR FINANCIAL TARGETS AND COVENANT SETTING ATTEST TO WHL'S CONSERVATIVE FINANCIAL AND TREASURY POLICY

Dividends

- Current dividend cover policy is 1.45 times and is incorporated in the capex sizing and projected gearing
- The dividend remains a large bi-annual cash flow and is a significant lever to utilise in the event of any excessive gearing

Investment and real estate committees

- Investment and real estate committees operate in all operating companies
- Investment proposals as well as post implementation reviews are performed for all capital and real estate projects
- New stores are analysed in detail considering proximity to existing stores and related transfer rates, competitor stores and regional demographics
- Measures include among others, absolute and risk adjusted IRR's, risk adjusted NPV's, cash flows and payback periods and cash flow return on investment (CROI), driven by the Group's WACC

04

**FINANCIAL
REVIEW**



FINANCIAL OVERVIEW

*Turnover and
concession sales*

+3.0%

to R74.3 billion

*Adjusted profit
before tax*

-8.3%

to R5.5 billion

EPS

+24.8%

to 566.7 cps

HEPS

-7.6%

to 420.9 cps

*HEPS –
Adjusted diluted*

-7.9%

to 417.7 cps

*Total dividend
maintained at*

313.0

cps

ROE

20.8%

from 25.6%

GROUP INCOME STATEMENT

	Jun 2017 Rm	Jun 2016 Rm	% change
Woolworths Clothing & GM	2 168	2 306	(6.0)
Woolworths Food	1 977	1 826	8.3
WFS (50% of PAT)	259	248	4.4
Woolworths	4 404	4 380	0.5
David Jones	1 305	1 839	(29.0)
Country Road Group	987	1 035	(4.6)
Profit before interest and tax	6 696	7 254	(7.7)
Net finance and other costs	(1 151)	(1 208)	(4.7)
Adjusted profit before tax	5 545	6 046	(8.3)
Adjustments	1 181	(13)	
Profit before tax	6 726	6 033	11.5
Tax	(1 278)	(1 680)	(23.9)
Profit after tax	5 448	4 353	25.2
Effective tax rate	19.0%	27.8%	

Cost Focus

There was a significant focus on costs across the Group, to reduce the impact of slowing sales and margin pressure; no incentives paid this year

Overall profitability maintained despite tougher macro environment and investment in price and space

Challenging trading environment with higher level of promotions and markdowns. Costs up from investment in strategic initiatives; some currency impact

Up 1.0% in constant currency; improved H2 performance (includes Politix)

Reduced due to Market Street sale proceeds

	Jun 2017 Rm	Jun 2016 Rm
Adjustments		
Profit on sale of Market Street, net of impairments	1 420	–
Acquisition, relocation, swap close-out costs	(226)	–
Impairments	(24)	–
Forex gain/(loss)	11	(13)
Total	1 181	(13)

NET FINANCE AND OTHER COSTS

	Capital	Rate*	Jun 2017 Rm	Jun 2016 Rm	
ZAR long-term debt	R9.9bn	9.29%	935	903	Higher due to increase in SA base rates
AUD long-term debt	A\$350m	3.78%	197	283	Lower due to proceeds on sale of Market Street; partially offset by Politix acquisition; some currency impact
Net finance costs			1 132	1 186	
Other costs			19	22	
Net finance and other costs			1 151	1 208	
Interest cover (times)			7.3	7.6	

* Partially hedged all-in rate including amortisation of upfront costs

GROUP BALANCE SHEET

	Jun 2017 Rm	Jun 2016 Rm	% change	
Assets				
Property, plant and equipment and investment properties	13 846	17 451	(20.7)	Sale of Market Street; new stores and transformation projects
Intangible assets	19 595	21 136	(7.3)	
Investments in JVs and associate	1 015	978	3.8	Impacted by space growth and inflation, and lower than expected sales in DJ and C&GM
Inventories	6 990	7 117	(1.8)	
Trade and other receivables and loans	1 368	1 606	(14.8)	
Tax and deferred tax assets	392	554	(29.2)	
Cash	1 787	1 525	17.2	
Total assets	44 993	50 367	(10.7)	
Equity and liabilities				
Shareholders' funds	19 066	19 853	(4.0)	
Borrowings – long-term	12 142	15 703	(22.7)	
– short-term	1 183	215	>100	
Other non-current liabilities	2 541	2 850	(10.8)	
Tax and deferred tax liabilities	684	1 376	(50.3)	
Trade and other payables and provisions	9 377	10 370	(9.6)	
Total equity and liabilities	44 993	50 367	(10.7)	
Net gearing	11 538	14 393	(19.8)	Market Street sale proceeds partly offset by Politix acquisition
Year-end exchange rate (R/A\$)	9.8	11.2		

NET GEARING

	WHL Rm	SA Rm	Australia A\$m
Interest bearing debt	(13 325)	(9 881)	(352)
Cash and cash equivalents	1 787	1 180	62
Net debt June 2017	(11 538)	(8 701)	(290)
Rate*		9.29%	3.78%
Net debt June 2016	(14 393)	(8 987)	(481)
Movement in net debt	2 855	286	191
Unutilised committed facilities	11 032	5 795	535
	2017	2016	
Net debt to equity (times)	0.6	0.7	
Net debt to EBITDA (times)	1.4	1.6	

SA funding sources wider than banks and beyond original syndication (30% non banks)

Australian debt all bank funded (expanded to non-Australian banks)

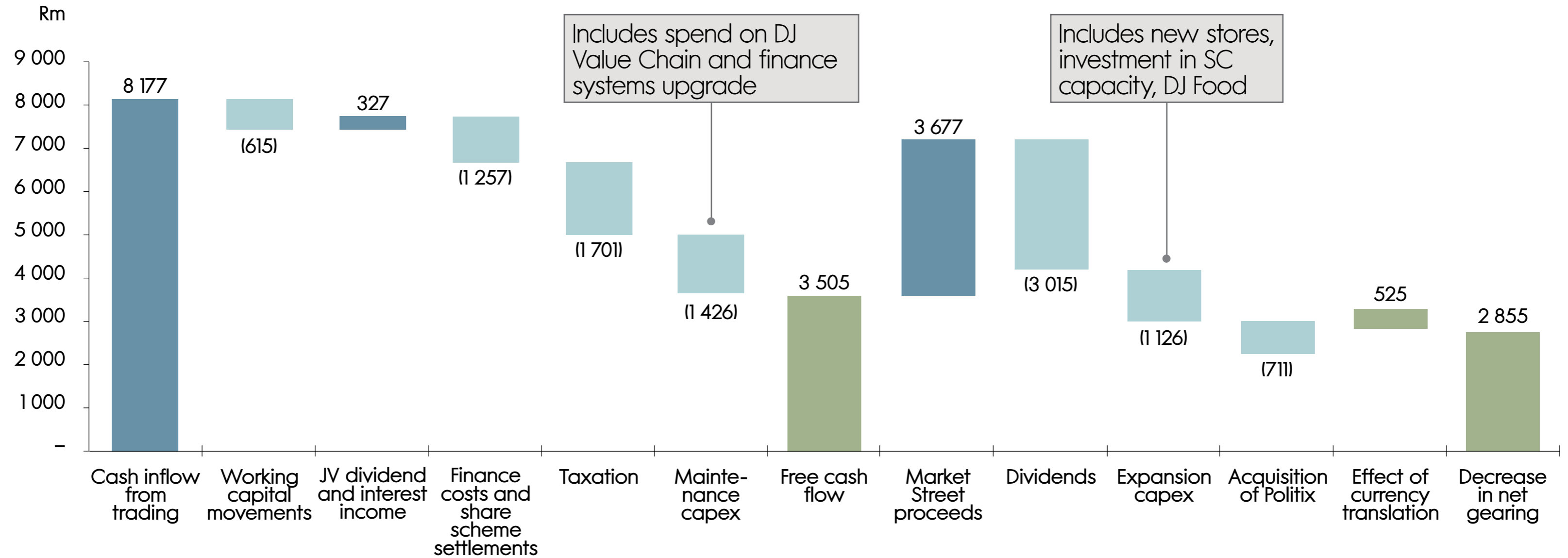
Liquidity remains strong with significant unutilised committed facilities

* Partially hedged all-in rate including amortisation of upfront costs

SUMMARISED GROUP STATEMENT OF CASH FLOWS

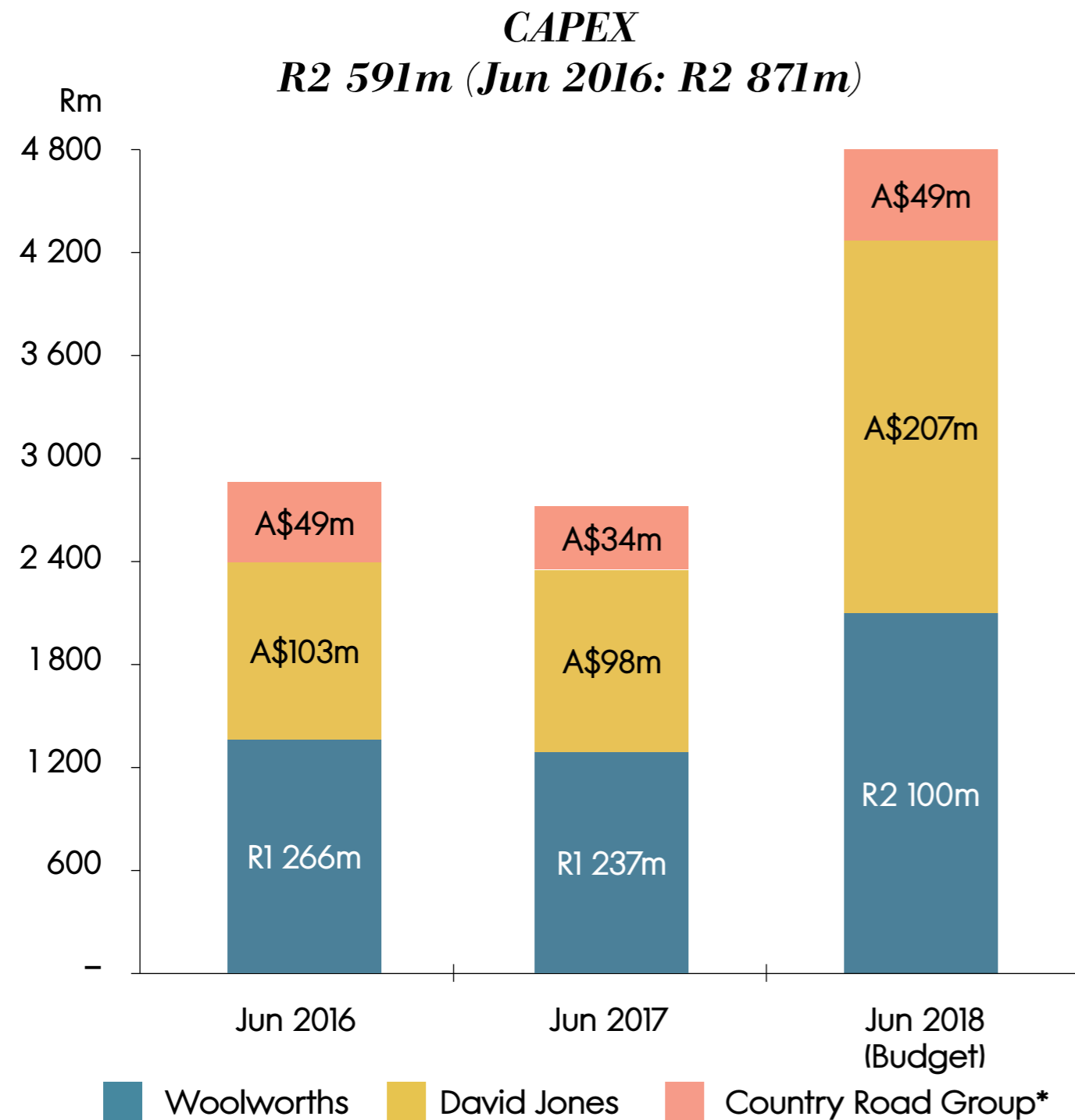
	52 weeks to 25 June 2017 Rm	52 weeks to 26 June 2016 Rm
Cash flow from operating activities		
Cash inflow from trading	8 177	8 940
Working capital movements	(615)	(311)
Cash generated by operating activities	7 562	8 629
Net finance cost	(1 120)	(1128)
Tax paid	(1 701)	(1 536)
Cash generated by operations	4 741	5 965
Dividends received from joint ventures/associates	223	169
Dividends to ordinary shareholders	(3 015)	(2 464)
Net cash inflow from operating activities	1 949	3 670
Cash flow from investing activities		
Investment in capital projects	(2 552)	(2 829)
Proceeds on disposal of property	3 677	20
Acquisition of subsidiary, net of cash acquired	(711)	–
Share scheme settlement and participation in export partnerships	8	20
Net cash inflow/(outflow) from investing activities	422	(2 809)
Cash flow from financing activities		
Settlement of share-based payments (including costs)	(41)	(35)
Acquisition of non-controlling interests in subsidiaries	–	(85)
Effect of currency translation	525	(907)
Decrease/(increase) in net gearing	2 855	(166)

CASH GENERATION FOR THE 52 WEEKS ENDED 25 JUNE 2017



CAPITAL EXPENDITURE

DEPRECIATION AND AMORTISATION



* Excludes Politix acquisition

	Jun 2017	Jun 2016	% change
Woolworths (Rm)	904	848	7
David Jones (A\$m)	63	61	3
Country Road Group (A\$m)	37	32	16
Total Group (Rm)	1 935	1 825	6

Higher FY2018 capex spend is due to timing of spend resulting in c. R750m rollover capex and investments in DJ

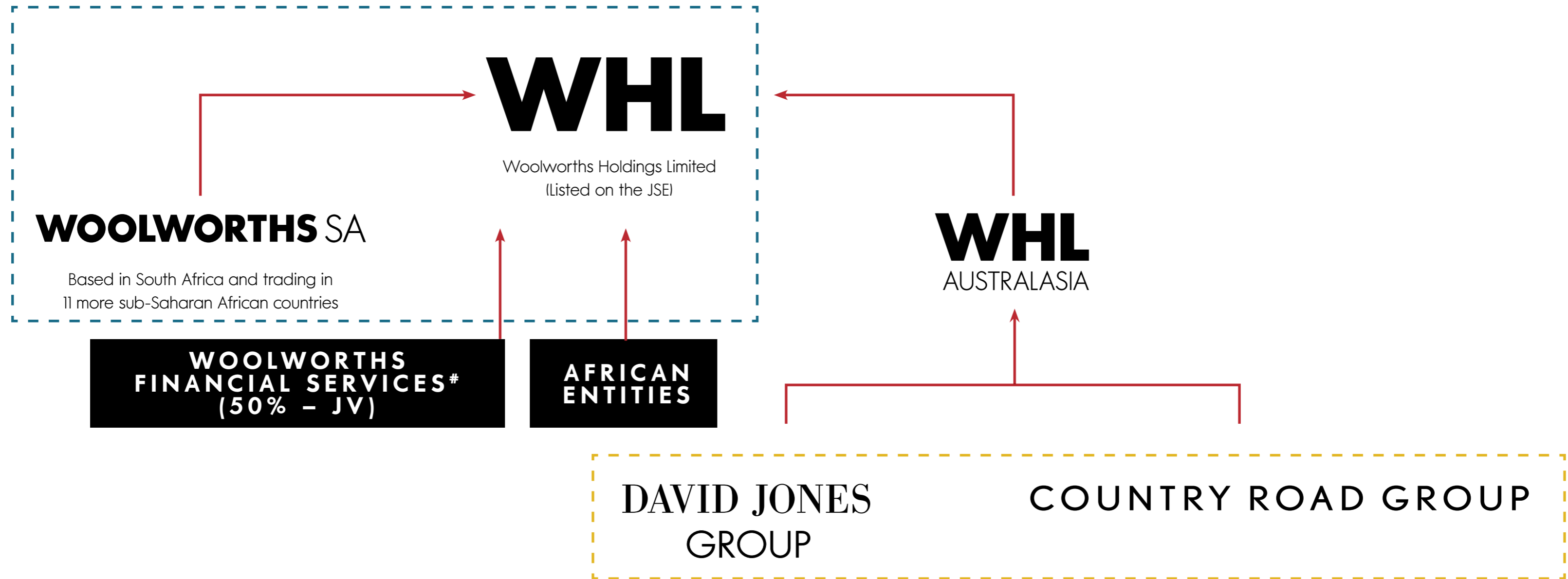
RETAIL OUTLOOK

- Retail is in the midst of cyclical and structural change in both geographies
- **Cyclical change**
 - Continued pressure on growth and consumer confidence
- **Structural change**
 - Competition and promotional activity continues to intensify
 - Rapid technological development
 - Shifting customer behaviour and spending
 - Customers are increasingly digitally connected, more price-savvy and demanding of seamless shopping experience
 - Rapid growth in online sales, especially mobile
 - Directing spend towards services and experiences
- Clear strategies to address difficult trading conditions and evolving retail environment

05
CREDIT



GROUP STRUCTURE – COVENANT GROUPS



 South African covenant group
 Australian covenant group
 — Dividends

- No guarantees between SA and Australia
- Dividend flow from Country Road and David Jones flow into the issuer, WHL
- # WFS is equity Accounted and dividends flow into the guarantor

CREDIT METRICS

Group	Jun 2017	Jun 2016
Net debt to EBITDA	1.4	1.6
Net interest cover	7.3	7.6
Debt to Equity	0.6	0.7

Group covenants are used internally only

South African Covenant Group	Jun 2017	Jun 2016
Net debt to EBITDA	1.4	1.7
Net interest cover	6.3	6.0

SA covenant group are aligned with existing bank debt

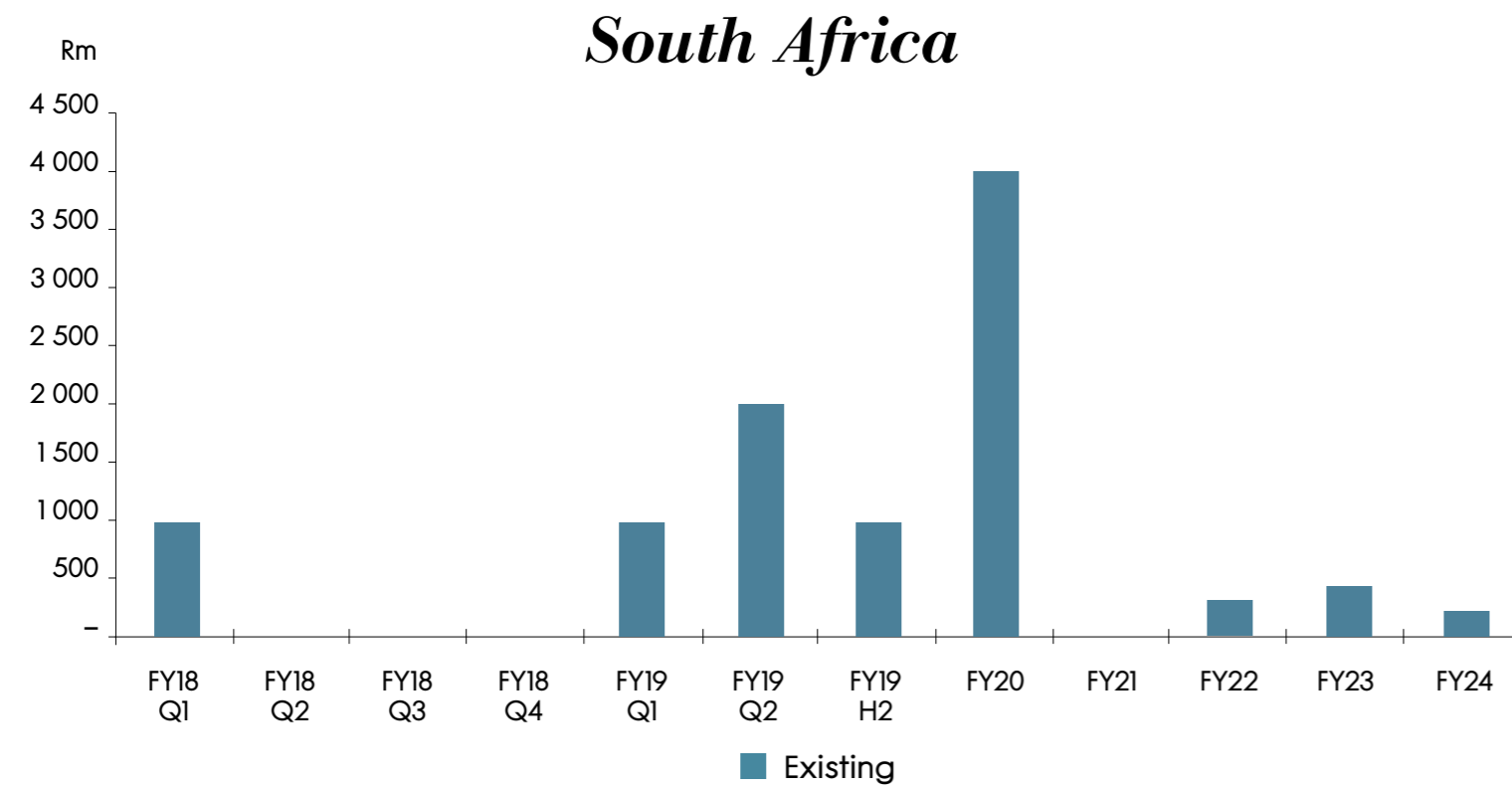
ISSUER AND GUARANTOR COMBINED INCOME STATEMENT

	Jun 17 Rm	Jun 16 Rm	% change
Woolworths Holdings Ltd operating profit – dividends received from subsidiaries	3 288	2 944	11.7
Woolworths (Pty) Ltd operating profit	4 569	4 347	5.1
Woolworths Holdings Ltd dividends received from Woolworths (Pty) Ltd	(2 248)	(2 345)	(4.1)
Woolworths (Pty) Ltd dividend received from Woolworths Holdings Ltd (treasury shares)	(126)	(115)	9.6
Issuer and Guarantor EBIT	5 483	4 831	13.5
Depreciation and amortisation	743	712	4.4
Issuer and Guarantor EBITDA	6 226	5 543	12.3

ISSUER AND GUARANTOR BALANCE SHEETS

	Issuer WHL Company		Guarantor WW (Pty) Ltd	
	Jun 2017 Rm	Jun 2016 Rm	Jun 2017 Rm	Jun 2016 Rm
Assets				
Property, plant and equipment and investment properties	–	–	3 399	3 085
Intangible assets	–	–	953	942
Investments in subsidiaries and treasury shares	21 528	21 445	3 149	4 010
Investments in JVs and associate	–	–	15	15
Inventories	–	–	3 282	3 067
Trade and other receivables and loans	10	12	871	958
Intercompany loans	544	550	9 751	9 951
Tax and deferred tax assets	24	26	176	196
Cash	34	5	800	662
Total assets	22 140	22 038	22 396	22 886
Equity and liabilities				
Shareholders' funds	12 851	12 618	5 766	6 185
Borrowings – long-term	–	–	8 877	9 936
– short-term	–	–	1 005	7
Other non-current liabilities	–	–	966	1 190
Intercompany loans	9 279	9 414	722	594
Tax and deferred tax liabilities	–	–	279	358
Trade and other payables and provisions	10	6	4 781	4 616
Total equity and liabilities	22 140	22 038	22 396	22 886
Net gearing	(34)	(5)	9 082	9 281
Year-end exchange rate (R/A\$)	9.8	11.2	9.8	11.2

MATURITY PROFILES OF LONG-TERM DEBT

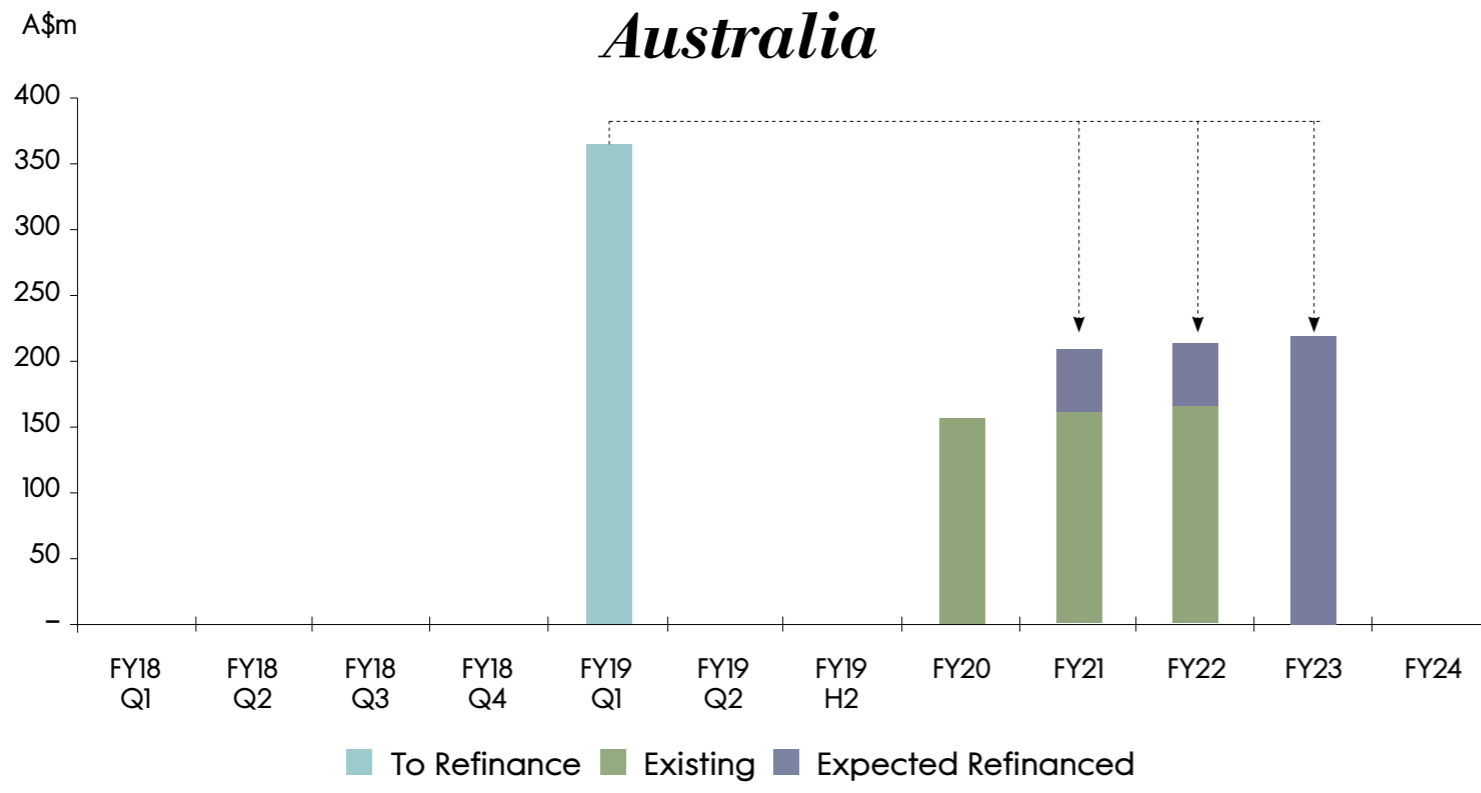


FY18 Q1 tranche has been repaid after year-end

Sources of funding will increase significantly with Domestic Medium Term Note programme

61% of debt is hedged using an interest rate swap

Proposed issuance will fall into FY21 bucket



A\$363m debt is currently being refinanced and split into 3, 4 and 5 year tenors

Sources of funding has been increased

43% of debt is hedged using interest rate swaps

CREDIT – OTHER CREDIT METRICS

Debt levels

	Capital	Rate*	Jun 2017 Rm	Jun 2016 Rm
ZAR denominated debt	R9.9bn	9.28%	9 882	9 943
AUD denominated debt	\$350m	3.78%	3 443	5 975
			13 325	15 918

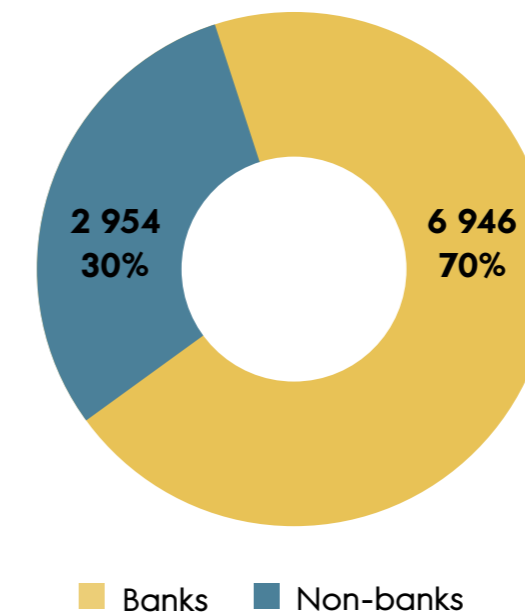
* Partially hedged all-in rate including amortisation of upfront costs

Liquidity and Facilities (SA only)

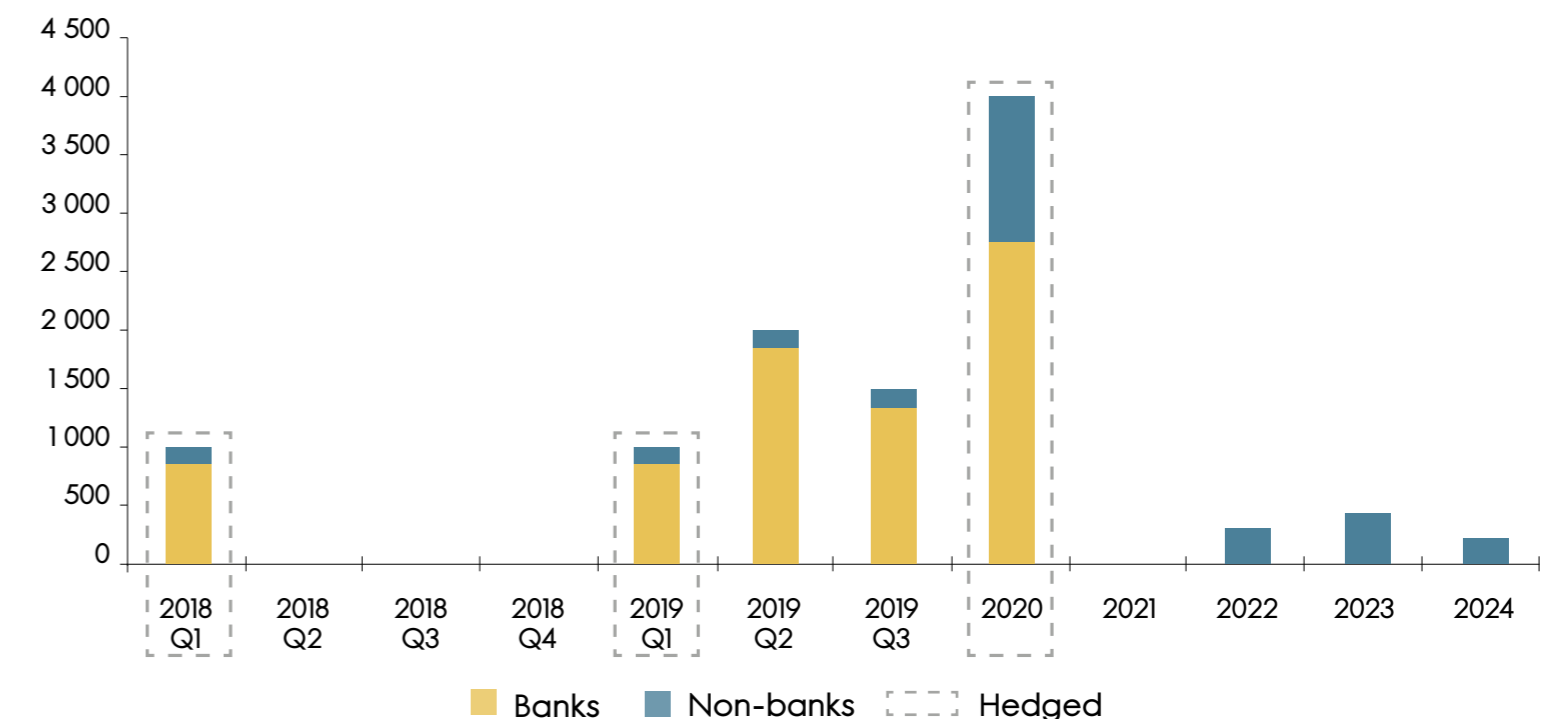
	Facilities Rm	Utilisation Rm	Available Rm
Term debt	8 900	(8 900)	–
Revolving credit facilities	5 000	(1 000)	4 000
Committed facilities	1 850	(55)	1 795
Uncommitted facilities	800	–	800
Cash in transit and on hand			895
Total available liquidity			7 490

The programme may be used for the issue of bank debt utilising unlisted notes.

Sources of funding (SA only – AUS is bank debt only)



South Africa – Maturity profile



BACKGROUND – KEY CREDIT HIGHLIGHTS

Management strength

- Diverse board with extensive retail experience in South Africa, Australia, and the UK
- Strong executive management team
- Commitment to good corporate citizenship

Performance

- Consistency of earnings growth, operating margin of 9.2%, strong EBITDA generation, and cash conversion
- Group has a relatively ungeared balance sheet – Net Debt/EBITDA of 1.4 times for 2017 and forecast to strengthen
- Interest cover ratio of 7.3 times – 2017 and forecast to strengthen

Geographic diversification within the Southern Hemisphere

- South Africa
- Australia (approximately 43% of total revenue)
- 11 other African countries

Product diversification

- Clothing and General Merchandise
 - Mens, womens and kids
 - Shoes and accessories
 - Homeware
- Food
- Financial services offering – WFS

06

PLANNED
ISSUANCE



KEY FEATURES

Issuer	Woolworths Holdings Ltd
Guarantor	Woolworths (Pty) Ltd
Programme Type	Domestic Medium Term Note Programme
Programme Size	ZAR10bn
Negative Pledge	For so long as any Tranche of the Senior Notes remains outstanding, the Issuer undertakes not to, and shall procure that the Guarantor and any other Material Subsidiary shall not, create or permit the creation of any Encumbrances other than Permitted Encumbrances over any of their present or future business undertakings, assets or revenues to secure any present or future Indebtedness
Change of Control	An optional redemption at the Investors Election should a Change of Control occur and within 60 days of the Change of Control the credit rating is downgraded below BBB-.za or is withdrawn
Optional Redemption Events (at investors election)	The Issuer shall, for so long as listed Notes remain Outstanding: <ul style="list-style-type: none">• Ensure that those Notes remain listed on the Interest Rate Market of the JSE (the JSE Listing); and• Maintain a Rating (whether or not specified in the Applicable Pricing Supplement) in respect of the Issuer, the Guarantor, the Notes or the Programme, as the case may be
Events of Default	<ul style="list-style-type: none">• Insolvency, Non-payment, Negative Pledge, Breach of Material Obligations, Cross Default, Winding Up, Guarantee no longer enforceable

INDICATIVE ISSUANCE TERMS

Issuer | Woolworths Holdings Ltd

Guarantor | Woolworths (Pty) Ltd

Programme | ZAR

Indicative target issue size | ZAR500m

Indicative tenor | 3-year

Interest profile | Floating rate

Ranking | Senior

Auction process | Dutch Auction

Proposed auction date | 5 October 2017

INDICATIVE TIMELINE

Indicative Date

18 – 20 September 2017 | Investor roadshow

26 September 2017 | Term sheet with price guidance released to investors

5 October 2017 | Proposed Auction Date

10 October 2017 | Settlement Date (t+3)