

**Analyst**

Jonathan Snape 613 9235 1601

**Authorisation**

Michael Ardrey 613 9256 8782

# Woolworths Group (WOW)

## Moving on from Mydeal

**Recommendation**
**Hold** (unchanged)

**Price**
**\$31.14**
**Target (12 months)**
**\$31.90** (previously \$31.85)

**Sector**
**Food and Staples Retailing**
**Expected Return**

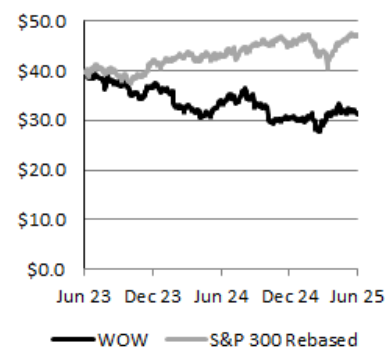
Capital growth	2.4%
Dividend yield	2.7%
Total expected return	5.1%

**Company Data & Ratios**

Enterprise value	\$54,969m
Market cap	\$38,040m
Issued capital	1,222m
Free float	100%
Avg. daily val. (52wk)	\$86.2m
12 month price range	\$27.60-36.65

**Price Performance**

	(1m)	(3m)	(12m)
Price (A\$)	31.89	29.43	33.43
Absolute (%)	-2.35	5.81	-6.85
Rel market (%)	-4.20	-1.46	-16.91

**Absolute Price**


SOURCE: IRESS

**Modest changes following MyDeal closure**

WOW has announced that it will close the MyDeal customer site by 30/09 and focus the marketplace offering into Big W Market and Everyday Market. The closure comes three years after WOW invested \$218m in acquiring an 80% interest in the business and is expected to result in cash charges of \$90-100m (largely buying out minorities and redundancy costs) and a further \$45m in non-cash charges (largely impairments).

The MyDeal business was consolidated within Woolworths Marketplace in 2024, and this division in total reported a \$36m EBIT loss in 1H25, with declining GMV within the Mydeal business in 1H25 (and 3Q25). While individual losses have not been separately disclosed WOW has stated that the closure is expected to result in a meaningful reduction in Marketplaces losses and we note the business generated a \$15.5m NPAT loss the year prior to consolidation.

We have incorporated the MyDeal closure into our forecasts which has resulted in NPAT changes of +1% in FY26e and +1% in FY27e. Our target price is broadly unchanged at \$31.90ps (prev. \$31.85ps) following these changes.

**Investment view: Hold rating unchanged**

Our Hold rating is unchanged. Despite the associated cash closure and impairment charges associated with MyDeal, we view the move to close a peripheral loss-making business as a sound decision. While the EPS benefit is modest, it demonstrates a willingness to move away from non-core distractions and follows more recent moves to reduces operating expenses (\$400m support office simplification program). Trading at ~9.0x FY26e EBITDA, WOW is trading at a multiple broadly comparable to COL and international peers.

**Earnings Forecast**

Year end June	2024	2025e	2026e	2027e
Sales (A\$m)	67,922	69,179	71,552	74,141
EBITDA (A\$m)	6,001	5,775	6,125	6,560
NPAT (reported) (A\$m)	108	1,280	1,546	1,799
NPAT (adjusted) (A\$m)	1,683	1,473	1,616	1,799
EPS (adjusted) (cps)	140.4	113.1	126.6	147.2
EPS growth (%)	(0.6)	(19.5)	12.0	16.3
PER (x)	22.2	27.5	24.6	21.2
FCF Yield (%)	(1.4)	(2.9)	(0.5)	0.1
EV/EBITDA (x)	9.2	9.5	9.0	8.4
Dividend (eps)	144.0	84.0	94.0	109.0
Franking (%)	100.0	100.0	100.0	100.0
Yield (%)	4.6	2.7	3.0	3.5
ROE (%)	1.9	23.7	26.6	28.7

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Woolworths Group Ltd

## BUSINESS OVERVIEW

Woolworths (WOW) was established in 1924 in Sydney Australia and today through its ~1,700 points of presence in Australia and NZ is a leading food and everyday needs business with complementary investments in Foodservice and Digital marketing.

## TARGET PRICE

In determining our \$31.90ps target price we have considered a sum of the parts and ROIC model. Major features of these approaches are: **(1) Sum of the parts:** We have incorporated multiple of 6.5-19.0x EBITDA for the various business units in WOW, reflective of peer group comparable. Lower multiples are applied to wholesale and higher to Petcare; and **(2) ROIC based approach:** Which is predicated on a LGR of 3.5% and a WACC of 8.7%, deriving an implied EV/EBITDA is 8.4-8.7x FY26-27e. FY26-27e EBITDA & EBIT excludes identified non-recurring costs.

## RISKS

Risks to an investment in WOW include but are not limited to:

**Strategy and disruption risk:** Consumer behaviour and preferences continue to change and are influenced by factors such as economic conditions, digital and technological development and disruption, healthy living trends, sustainability preferences and an increasing choice in both online and in-store retail options. If WOW fails to adjust or execute its strategies to respond to changes in consumer behaviour and preferences, this may have a material adverse impact on the Group's financial performance and profitability.

**Competition risk:** Any increase in competitive activity from new or existing competitors may have a detrimental effect on the Group's operations, particularly if WOW fails to respond effectively to that competitive activity or its response is delayed. Increased competition may also adversely impact WOW's long-term performance and profitability.

**Economic risk:** General macroeconomic conditions and factors including inflation, low levels of unemployment, monetary policy and variability in interest rates, changes in governments and their approach to fiscal policy including increasing taxes, levies and other imposts, variability in energy and input costs, cyclicalities in building and construction markets, and changes in consumer purchasing behaviour may adversely impact WOW customers as well as WOW earnings, cost of doing business and profitability. Further, geopolitical tensions and actions of nation states, including trade wars, territorial disputes, incursions, and war may adversely impact WOW operations and supply chain, resulting in delivery delays or the unavailability of certain products or inputs, increased cost of doing business and subsequent impact on WOW profitability.

**Operational risk:** WOW operations require compliance with various regulatory requirements including work health and safety, food and product safety, environmental, workplace industrial relations and public and product liability. Further, the businesses of WOW are highly regulated in many markets in which they sell their products. These regulations govern many parts of the operations, including the import, marketing, advertising, distribution and sales of its products. Examples of such regulation include industry codes of conduct and country of origin labelling laws. The introduction of new laws and regulations, or reform to existing laws and regulations, could materially impact WOW operational and financial performance, including through increased expenditure on compliance and controls and any required adjustments to how WOW conducts its business.

**ACCC risk:** with federal court proceedings commenced against WOW and the supermarkets inquiry ongoing there is the risk that WOW, may incur legal costs and/or settlement costs.

**Property and facilities risk:** WOW leases facilities for the distribution and retailing of grocery, fresh produce, liquor and other fast-moving consumer goods. Damage to or destruction of these facilities could result in the loss or reduction of distribution capability and hence adversely impact WOW financial results.

**Technology and cyber security risk:** WOW relies on a number of complex information technology systems to support its warehousing and distribution, supply chain, retail, customer service, marketing and finance operations. A severe disruption to the information technology systems may significantly impact the operations and value of WOW.

\$31.90

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

**Research Team**

Staff Member	Title/Sector	Phone	@bellpotter.com.au
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Rob Crookston	Strategy	612 8224 2813	rcrookston
Paul Basha	Strategy	612 8224 2862	pbasha
Kion Sapountzis	Strategy – Associate Analyst	613 9235 1824	ksapountzis
<b>Analysts</b>			
John Hester	Healthcare	612 8224 2871	jhester
Martyn Jacobs	Healthcare	613 9235 1683	mjacobs
Thomas Wakim	Healthcare	612 8224 2815	twakim
Michael Ardrey	Industrials	613 9256 8782	mardrey
Leo Armati	Industrials	612 8224 2846	larmati
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Joseph House	Industrials	613 9325 1624	jhouse
Baxter Kirk	Industrials	613 9235 1625	bkirk
Daniel Laing	Industrials	612 8224 2886	dlaing
Hayden Nicholson	Industrials	613 9235 1757	hnicholson
Chami Ratnapala	Industrials	612 8224 2845	cratnapala
Jonathan Snape	Industrials	613 9235 1601	jsnape
Ritesh Varma	Industrials	613 9235 1658	rvarma
Connor Eldridge	Real Estate	612 8224 2893	celdridge
Andy MacFarlane	Real Estate	612 8224 2843	amacfarlane
Regan Burrows	Resources	618 9236 7677	rburrows
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9325 1856	showe
James Williamson	Resources	613 9235 1692	jwilliamson
<b>Associates</b>			
Brenton Anderson	Associate Analyst	613 9235 1807	banderson
Andrew Ho	Associate Analyst	613 9235 1953	aho
Evelyn Murdoch	Associate Analyst	612 8224 2849	emurdoch

**Research Coverage & Policies**

For Bell Potter Securities' Research Coverage Decision Making Process and Research Independence Policy please refer to our company website: <https://bellpotter.com.au/research-independence-policy/>.

**Authoring Research Analyst's Certification**

The Authoring Research Analyst is responsible for the content of this Research Report, and, certifies that with respect to each security that the Analyst covered in this Report (1) all the views expressed accurately reflect the Analyst's personal views about those securities and were prepared in an independent manner and (2) no part of the Analyst's compensation was, is or will be, directly or indirectly, related to specific recommendations or views expressed by that Research Analyst in the Research Report.

**Research Analyst's Compensation**

Research Analyst's compensation is determined by Bell Potter Securities Research Management and Bell Potter Securities' Senior Management and is based upon activities and services intended to benefit the investor clients of Bell Potter Securities Ltd. Compensation is not linked to specific transactions or recommendations. Like all Company employees Research Analysts receive compensation that is impacted by overall Company profitability.

**Prices**

The Price appearing in the Recommendation panel on page 1 of the Research Report is the Closing Price on the Date of the Research Report (appearing in the top right hand corner of page 1 of the Research Report), unless a before midday (am) time appears below the Date of the Research Report in which case the Price appearing in the Recommendation panel will be the Closing Price on the business day prior to the Date of the Research Report.

**Availability**

The completion and first dissemination of a Recommendation made within a Research Report are shortly after the close of the Market on the Date of the Research Report, unless a before midday (am) time appears below the Date of the Research Report in which case the Research Report will be completed and first disseminated shortly after that am time.

**Dissemination**

Bell Potter generally disseminates its Research to the Company's Institutional and Private Clients via both proprietary and non-proprietary electronic distribution platforms. Certain Research may be disseminated only via the Company's proprietary distribution platforms; however such Research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the Author's previously published Research. Certain Research is made available only to institutional investors to satisfy regulatory requirements. Individual Bell Potter Research Analysts may also opt to circulate published Research to one or more Clients by email; such email distribution is discretionary and is done only after the Research has been disseminated. The level and types of service provided by Bell Potter Research Analysts to Clients may vary depending on various factors such as the Client's individual preferences as

to frequency and manner of receiving communications from Analysts, the Client's risk profile and investment focus and perspective (e.g. market-wide, sector specific long term and short term etc.) the size and scope of the overall Client relationship with the Company and legal and regulatory constraints.

#### Disclaimers

This Research Report is a private communication to Clients and is not intended for public circulation or for the use of any third party, without the prior written approval of Bell Potter Securities Limited.

The Research Report is for informational purposes only and is not intended as an offer or solicitation for the purpose of sale of a security. Any decision to purchase securities mentioned in the Report must take into account existing public information on such security or any registered prospectus.

This is general investment advice only and does not constitute personal advice to any person. Because this Research Report has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited Broker (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this Research Report.

While this Research Report is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in this document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee expressly or impliedly, that the information contained in this Research Report is complete or accurate.

Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views, opinions or recommendations contained in this Research Report or for correcting any error or omission which may have become apparent after the Research Report has been issued.

Bell Potter Securities Research Department has received assistance from the Company referred to in this Research Report including but not limited to discussions with management of the Company. Bell Potter Securities Policy prohibits Research Analysts sending draft Recommendations, Valuations and Price Targets to subject companies. However, it should be presumed that the Author of the Research Report has had discussions with the subject Company to ensure factual accuracy prior to publication.

All opinions, projections and estimates constitute the judgement of the Author as of the Date of the Research Report and these, plus any other information contained in the Research Report, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice.

Notwithstanding other departments within Bell Potter Securities Limited advising the subject Company, information obtained in such role is not used in the preparation of the Research Report.

Although Bell Potter Research does not set a predetermined frequency for publication, if the Research Report is a fundamental equity research report it is the intention of Bell Potter Research to provide research coverage of the covered issuers, including in response to news affecting the issuer. For non-fundamental Research Reports, Bell Potter Research may not provide regular updates to the views, recommendations and facts included in the reports.

Notwithstanding that Bell Potter maintains coverage on, makes recommendations concerning or discusses issuers, Bell Potter Research may be periodically restricted from referencing certain Issuers due to legal or policy reasons. Where the component of a published trade idea is subject to a restriction, the trade idea will be removed from any list of open trade ideas included in the Research Report. Upon lifting of the restriction, the trade idea will either be re-instated in the open trade ideas list if the Analyst continues to support it or it will be officially closed.

Bell Potter Research may provide different research products and services to different classes of clients (for example based upon long-term or short term investment horizons) that may lead to differing conclusions or recommendations that could impact the price of a security contrary to the recommendations in the alternative Research Report, provided each is consistent with the rating system for each respective Research Report.

Except in so far as liability under any statute cannot be excluded, Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in the document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of the document or any other person.

In the USA and the UK this Research Report is only for institutional investors. It is not for release, publication or distribution in whole or in part in the two specified countries. In Hong Kong this Research Report is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. In the United States this Research Report is being distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this Research Report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

#### **Bell Potter Securities Limited**

ABN 25 006 390 772  
Level 29, 101 Collins Street  
Melbourne, Victoria, 3000  
Telephone +61 3 9256 8700  
www.bellpotter.com.au

#### **Bell Potter Securities (HK) Limited**

Room 1601, 16/F  
Prosperity Tower, 39 Queens  
Road Central, Hong Kong, 0000  
Telephone +852 3750 8400

#### **Bell Potter Securities (US) LLC**

Floor 39  
444 Madison Avenue, New York  
NY 10022, U.S.A  
Telephone +1 917 819 1410

#### **Bell Potter Securities (UK) Limited**

16 Berkeley Street London, England  
W1J 8DZ, United Kingdom  
Telephone +44 7734 2929