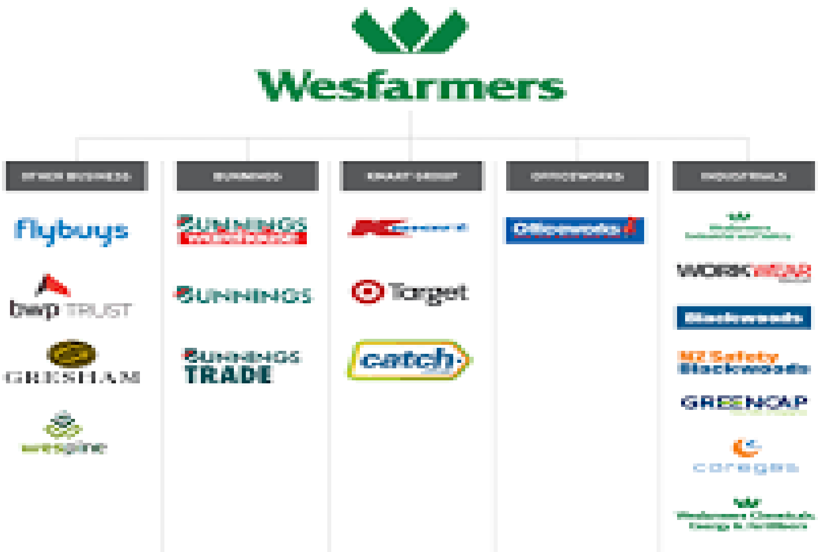

General E-mail Alert

Wesfarmers

This note is being sent to all our clients. It is not specific advice for you. Please speak to your adviser if you would like more information.

Key Points

- **Bunnings is 60% of earnings**
- **Earnings up 30% year on year.**
- **Trading 25% above our fair value.**
- **Merger risk**

Time to take profits on Wesfarmers

Wesfarmers share price has hit an all-time high, it performed exceptionally well during COVID with Bunnings having solid sale growth over this time and improved trading conditions with office works. The share price has rallied recently and is currently trading above $64.00 which is an 88% return from the lows of March 2020 when COVID hit.

Bunnings is about 60% of Wesfarmers earnings. Currently its earnings are up 30% year on year, which also means they're a little bit inflated. Bunnings is a brilliant business, but it's priced as having zero cyclical risks. Kmart was showing some signs of fatigue leading into COVID, and Officeworks is good, but a bit smaller. At the current price we think it's just too expensive, we do not expect much capital growth out of it in the next couple of years.

Wesfarmers have got some growth opportunities in that it looks like they are going to do some merger and acquisitions into the pharmacy area with API (Australian Pharmaceutical Industries), and so maybe they're going to do to pharmacies what they've done to Officeworks and home building supplies.

Given the current price which is trading 25% above our fair value and potential risks associated with the potential acquisition of API, we recommend taking profits on Wesfarmers.

Jason Fittler

B:Com, Dip FP

CPA - Financial Planning Specialist and CPA - SMSF Specialist

Branch Manager Townsville

Grow Your Wealth
Financial Services Townsville

Primary Office - 51 Thuringowa Drive, Kirwan

Postal: PO Box 4413 Kirwan QLD 4817
Phone:07 4771 4577

Email: admin@gyw.com.au

Web: www.growyourwealth.com.au