
ACCC Pre-Assessment Briefing Note

Project Kingfisher - Competition Analysis

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1. Overview

This memorandum provides a preliminary competition assessment of the proposed acquisition of Target Co Pty Ltd ("HomeStyle") by Wesfarmers Limited ("Wesfarmers") for the purposes of anticipating the likely approach of the Australian Competition and Consumer Commission ("ACCC") to any merger clearance process.

Based on our analysis, we consider that the transaction has a **low to moderate** risk of a formal Phase 2 review by the ACCC, provided appropriate market definition arguments are presented and any overlap concerns in specific geographic areas are addressed proactively.

2. Market Definition

2.1 Product Market

We recommend defining the relevant product market as the **retail supply of home and lifestyle products in the mid-to-premium segment**. This market definition is broader than "furniture retail" alone and encompasses the full HomeStyle product offering including homewares, textiles, lighting, and outdoor living.

This broader definition is consistent with recent ACCC precedent, including the 2022 review of the Temple & Webster / Brosa merger application, where the ACCC accepted a wider "online home and furniture retail" market.

2.2 Estimated Market Shares

Retailer	Est. Revenue (\$bn)	Market Share	Segment
IKEA Australia	\$2.8	14.8%	Value-Mid
Harvey Norman (Home)	\$2.5	13.2%	Mid-Premium
Bunnings (Wesfarmers)	\$1.9*	10.1%	Value-Mid
Freedom Furniture	\$1.4	7.4%	Mid-Premium
HomeStyle (Target Co)	\$3.1	16.4%	Mid-Premium
Temple & Webster	\$0.9	4.8%	Mid-Premium
Adairs	\$0.5	2.6%	Mid
Others (independents)	\$5.8	30.7%	Various
Total Addressable Market	\$18.9	100.0%	-

* Bunnings home/lifestyle estimated subset of total Bunnings revenue. Excludes trade and hardware categories.

Post-acquisition, the combined Wesfarmers entity (Bunnings + HomeStyle) would hold an estimated 26.5% share of the broadly defined market. While this is notable, significant competitive constraint remains from IKEA, Harvey Norman, Freedom, and online competitors.

3. Geographic Overlap Analysis

We have identified 23 local catchment areas where both a Bunnings Warehouse and a HomeStyle store operate within a 5km radius. However, given the distinct product positioning and customer demographics of the two banners, we consider that true competitive overlap is limited.

Three catchment areas in metropolitan Sydney warrant specific attention due to higher relative market concentration. We recommend preparing detailed local competition analyses for Chatswood, Parramatta, and Alexandria.

4. Recommended Strategy

We recommend a **voluntary informal clearance** approach with the ACCC, supported by proactive engagement and a comprehensive public competition assessment. This approach has several advantages over a formal merger authorisation process, including shorter expected timeframes (8-12 weeks vs 3-6 months) and reduced public scrutiny.