Financial Due Diligence Report

Project Kingfisher - Target Co Pty Ltd

Date: January 2026

Project Code: WES-PKF-FDD-001

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1. Scope of Work

KPMG has been engaged by Wesfarmers Limited to perform financial due diligence on Target Co Pty Ltd in connection with the proposed acquisition ("Project Kingfisher"). Our work has been performed in accordance with APES 350 and our engagement letter dated 8 November 2025.

Our scope covers analysis of historical financial performance for FY23, FY24, and H1 FY25, normalisation of earnings, assessment of working capital trends, review of capital expenditure, analysis of debt and debt-like items, and evaluation of management forecasts.

2. Quality of Earnings Analysis

2.1 EBITDA Bridge - Reported to Normalised

A$ millions	FY23A	FY24A	FY25E
Reported EBITDA	$178.0	$206.0	$228.0
Adj: Non-recurring restructuring costs	+$4.2	+$1.8	-
Adj: Founder-related expenses	+$3.1	+$2.9	+$2.5
Adj: One-off legal settlements	+$1.5	-	-
Adj: Store closure / impairment charges	+$2.8	+$1.2	+$0.8
Adj: COVID-related government subsidies	($6.3)	-	-
Adj: Above-market lease arrangements	($1.8)	($1.8)	($1.8)
Adj: Inventory provision releases	-	($2.4)	-
Normalised EBITDA	$181.5	$207.7	$229.5
Normalised EBITDA Margin	7.1%	7.3%	7.4%

2.2 Key Observations

Underlying EBITDA growth has been consistent at approximately 7-9% p.a., driven by a combination of like-for-like sales growth (3-4%), new store openings (2-3%), and gross margin improvement through increased own-brand penetration.

We note that the FY25E forecast assumes an acceleration in online channel growth to 22.5% which, while ambitious, is directionally consistent with industry trends. Sensitivity analysis suggests that a 500bp reduction in online growth would reduce FY25E EBITDA by approximately $4-5 million.

Founder-related expenses ($2.5m p.a.) relate to personal use of company assets by the founding shareholders and will cease upon completion. These have been treated as pro-forma adjustments.

3. Working Capital Analysis

3.1 Net Working Capital Summary

A$ millions	FY23A	FY24A	H1 FY25A
Trade Receivables	$42.1	$48.7	$51.3
Inventory	$312.5	$345.8	$378.2
Prepayments	$18.3	$20.1	$22.4
Trade Payables	($198.4)	($225.6)	($241.8)
Other Creditors & Accruals	($45.2)	($51.3)	($54.7)
Net Working Capital	$129.3	$137.7	$155.4
NWC as % of Revenue	5.1%	4.8%	5.0%*

* Annualised H1 FY25 revenue of $3,100m

Inventory days have increased from 45 to 48 days over the review period, driven by strategic pre-purchasing of key product lines and expansion of the own-brand range. Management expects inventory days to normalise to ~44 days by end of FY25 through improved demand planning systems currently being implemented.

4. Debt and Debt-Like Items

Item	Amount ($m)	Classification	SPA Treatment
Senior secured facility (CBA syndicate)	$180.0	Financial debt	Repay at completion
AASB 16 Lease liabilities	$892.4	Lease liability	Exclude from EV bridge
Vendor loan (Chen Family Trust)	$25.0	Debt-like	Repay at completion
Employee entitlements (above minimum)	$8.3	Debt-like	Deduct from equity
Deferred consideration (FY23 bolt-on)	$4.5	Debt-like	Deduct from equity
Tax provisions (ATO review)	$12.8	Debt-like	Negotiate warranty
Make-good provisions	$6.2	Debt-like	Deduct from equity

5. Key Risks and Issues

ATO Review: The Australian Taxation Office is currently reviewing the Company's transfer pricing arrangements for FY22 and FY23 in relation to sourcing entities in Vietnam. Management estimates the exposure at $12.8 million (including penalties and interest). We recommend a specific indemnity or escrow arrangement in the SPA.

Lease Renewals: Approximately 28% of the store lease portfolio (52 stores) has lease expiry dates within 36 months of expected completion. Renewal negotiations for 14 stores in premium metropolitan locations carry elevated rental reversion risk.

Key Person Dependency: The founding shareholders remain active in the business. Post-transaction retention of the Chief Merchandising Officer (Sarah Chen) should be considered critical to maintaining vendor relationships and brand positioning during the transition period.