
To: **Market Information Services Section**
NZX Limited

Auckland, 8 May 2020

The Warehouse Group (“the Group”) has announced unaudited retail sales for the third quarter ending 26 April 2020 of \$586.3 million, down \$128.1m or 17.9% compared to the same quarter last year.

Retail Sales for the third quarter by brand have been as follows:

- The Warehouse recorded sales of \$297.3m, down 23.0% on the same quarter last year
- Warehouse Stationery recorded sales of \$64.5m, down 9.8% on the same quarter last year
- Noel Leeming recorded sales of \$193.5m, down 10.9% on the same quarter last year
- Torpedo7 recorded sales of \$32.0m, down 18.3% on the same quarter last year.

The impact of trading restrictions throughout COVID-19 alert levels 4 and 3 have had significant impacts on the business. Prior to COVID-19 alert level 4, retail sales for the third quarter, up to and including 25 March 2020, were up 18.8% on the prior comparable period. This reflects higher than normal customer activity in the days leading up to alert level 4, on top of strong trading performance leading up to this period.

After an initial period of complete closure upon entering level 4, there was a gradual increase in online sales activity, starting initially with essential items only in The Warehouse, Warehouse Stationery and Noel Leeming and then expanding to essential items in all our brands. As a result, online sales increased by 74.8% on the same quarter last year. For the quarter, online sales represented 15.9% of total retail sales.

Group CEO Nick Grayston said “we are proud of the way in which the Group responded to the rapid growth in online demand and would like to thank our fulfilment operations and support function teams for their tireless efforts to scale this operation and deliver products to customers.”

Following our third quarter trading period, New Zealand moved to alert level 3. Under alert level 3 the Group’s stores have remained closed to customers, but the full online range of products has been available for delivery or contactless click & collect. Access to the full range saw an increase in customer demand, which, without the normal in-store shopping available, led to a significant increase in online sales. Such demand, along with the distancing needs to ensure peoples safety and courier delays has meant that some delivery times were increased, particularly for The Warehouse and Warehouse Stationery products.

The Group has undertaken a series of capital management initiatives and beyond the recently announced reductions to salaries, wages and directors fees, the Group has been in discussion with its landlords regarding fair occupancy costs during a time where there has been a significant reduction in Group sales. Discussions with creditors have also taken place in order to manage the timing of payments due for trade and non-trade related expenditure.

The Group previously announced that it increased its banking facilities by \$150m, extending total bank facilities to \$330m. These additional banking facilities are currently undrawn and allow for the redemption of the Group's NZX listed bond of \$125m that matures in June.

As announced on April 9, the group claimed a \$67.7m under the employee subsidy scheme. The split by brands was \$52m to the The Warehouse Limited (including Warehouse Stationery), \$12.1m to Noel Leeming, \$3.2m to Torpedo7 and \$0.4m to the TheMarket.com. The receipt of this funding has been crucial to the Group maintaining its workforce and maintaining full pay for employees earning \$60,000 or less.

The wage subsidy was applied for by each legal operating entity, and on the basis that these entities would experience a greater than 30% reduction in revenue for the month of April. All Group brands, with the exception of TheMarket, suffered reductions in sales significantly greater than 30% in the month of April. The Group will therefore repay the \$0.4m subsidy received for TheMarket.

The Government confirmed yesterday that retail stores will reopen under alert level 2 and Group planning is well-advanced on how our brands can operate while ensuring the safety of team members and customers. While we expect that the opening of stores will see a significant increase in sales, significant uncertainty remains around the impact of operating constraints, customer demand levels and the longer term impacts of COVID-19 on the economy and consumers.

With this continued uncertainty around trading performance as we move into different alert levels, the Board reaffirms its position on withholding guidance on FY20 profitability.

ENDS

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