
To: Market Information Services Section
NZX Limited



Auckland, Thursday 25 March 2021

The Warehouse Group half year Net Profit After Tax up 88.5% on previous corresponding period¹

Highlights

- Group sales up 7.4% to \$1,808.3m
- Gross profit margin up 260 basis points to 36.2%² with Operating Profit³ up 125.4% to \$153.0m
- Four brands including The Warehouse, Noel Leeming, Warehouse Stationery and Torpedo⁷ all reported record operating profits
- Adjusted Net Profit After Tax⁴ of \$111.0m for the half year, an increase of 140.2%
- Reported Net Profit After Tax of \$55.0m for the half year, an increase of 88.5%
- Interim dividend of 13c per share declared, following special dividend of 5 cents per share declared in February 2021

The Warehouse Group confirmed today a record half year result for the FY21 first half ("FY21 H1") with Adjusted Net Profit After Tax of \$111.0m, up 140.2% on the previous corresponding period. Group sales were up 7.4% to \$1,808.3m with online sales growth of 50.3%, making up 11.9% of total Group sales.

Group CEO Nick Grayston said the record result was pleasing following the 2020 financial year of disrupted trading conditions.

"Despite the interruption to trading by the Auckland COVID-19 level 3 lockdown of last August, the business performed well, demonstrating the ability to adapt and flex amid business interruption", said Mr Grayston. "As a result of the hard work to execute our transformation by our whole team over the last few years, we were able to drive significant gross profit improvement and cost leverage. I want to thank the team for their resilience and dedication during this difficult period".

The 7.4% increase in sales revenue contributed to Gross Profit increasing 15.8% to \$655m. Group Gross Profit Margin increased 260 basis points to 36.2%. Major contributors to Gross Profit Margin included increased customer demand, continued benefit from everyday low pricing (EDLP) and investment in improved sourcing capability in The Warehouse. Other brands benefited from better inventory management, leading to improved sell-through. Group Operating Profit increased 125.4% on the prior period to \$153.0m.

Reported Net Profit After Tax, including unusual items, increased 88.5% from \$29.2m to \$55m. Unusual items include the repayment of the \$67.6m (before tax) wage subsidy in December 2020, while \$11.3m (before tax) relates to restructuring costs and continued investment in our transformation, which is expected to have ongoing benefits.

¹ 26 weeks ending 31 January 2021 compared to 26 weeks ending 26 January 2020.

² Gross Profit margin adjusted for rebates, freight to store and changes in stock provisioning.

³ Adjusted for unusual and non-trading items as presented on slide 18 of the FY21 Interim results presentation and Note 5 of the Interim Financial Statements for the half year ended 31 January 2021.

⁴ Adjusted Net Profit After Tax adjusted for unusual items

The Warehouse sales increased 3.0% to \$967.3m despite the Auckland region experiencing 18.5 days of COVID-19 lockdown in August when stores were unable to trade. During the period of the lockdown in August The Warehouse sales were down 17.4% year on year.

Warehouse Stationery continued to build on its momentum from FY20, delivering another record profit with first half sales of \$136.6m, an increase of 2.1% on the prior period.

Noel Leeming had another record first half with sales growth of 15.7% to \$593.2m. “We were particularly pleased with Noel Leeming’s online sales increase of 85% and a 93% rise in Click & Collect fulfilment with the majority utilising our 1-hour service, showing that customers are increasingly comfortable with online purchases since COVID-19 lockdowns,” said Mr Grayston.

Torpedo7 also experienced strong online sales growth with an increase of 66% and total Torpedo7 sales for the period increasing 29.0% on the same period as last year to \$84.9m. “Simon West and the team have started to see the benefit of all of their hard work reversing profit losses as we get to scale and improve merchandising and operations”.

TheMarket.com has continued to scale and now offers 2.5 million active products, and 4,490 brands from more than 600 merchants. 9.2 million online sessions were completed in FY21 H1, up 268% compared to the same period last year. “We continue to invest strongly in this growth platform to provide increasing choice and convenience to customers,” said Mr Grayston.

Across the Group customer demand continues to be strong with stock levels and supply remaining well controlled. While we see isolated issues with suppliers and our supply chain around categories such as whiteware, we will continue to monitor and manage appropriately.

The Group’s strong financial performance and tight inventory management has resulted in cash on hand at half year end of \$183.6m and total liquidity including cash and available facilities of \$513.6m (FY20 H1: \$236.7m).

Chair Joan Withers confirmed an interim dividend for the FY21 half year of 13 cents per share. “The interim dividend follows the special dividend we declared in February 2021 of 5 cents per share and reflects the strong Christmas trading and a continuation of elevated consumer spending in retail combined with the benefits of operational leverage as a result of our transformation investment”, Ms Withers said.

The dividend will be fully imputed and paid on 22 April to Shareholders on the Group’s share register as at the close of business on 7 April.

Due to the continued uncertainty in the trading environment the Board does not consider it appropriate to provide guidance at this time. The Board will continue to assess this position ahead of year end.

ENDS

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