To: **NZX Limited**

Auckland, 29 September 2021

The Warehouse Group FY21 annual result announcement

Key points:

- Group sales were $3.4b, up 7.6% compared to FY20
- Reported Net Profit After Tax attributable to shareholders of $117.7m, up 164.6% from $44.5m in FY20
- Adjusted Net Profit After Tax of $175.5m, up from $32.1m
- Group online sales of $393.1m, up 5.0% on last year and making up 11.5% of total Group Sales
- Declared a final dividend of 17.5 cents per share

The Warehouse Group Limited ("the Group") today announced a record result for the full year ended 1 August 2021. The Group delivered sales of $3.4b, up 7.6% on FY20. Reported NPAT was $117.7m, up from $44.5m, an increase of 164.6% on the prior year.

The FY21 financial year illustrated material progress for the Group, with the Agile business model operating effectively to meet changing customer needs in a period of COVID-19 led uncertainty.

The increase in online shopping continued to grow with sales of $393.1m, up 5.0% on last year and accounted for 11.5% of total Group Sales. Sales that were fulfilled via Click & Collect were up 21.1% compared to the previous year, including 37.9% growth for The Warehouse brand and 9.3% growth in Click & Collect at Noel Leeming driven by the introduction of one hour Click & Collect.

The Warehouse Group Chair Joan Withers said the year-end results have exceeded expectations and show a sustained and deliberate focus on a customer led strategy.

The Group's Adjusted Net Profit After Tax (NPAT) was $175.5m – up from $32.1m the prior year, after excluding unusual items including the $67.6m wage subsidy repayment and $16.1m of restructuring expenses (before tax).

"Pent up demand after lockdowns, strong operational performance and a robust financial position enabled the Group to repay the COVID-19 wage subsidy of $67.6m for our 11,000 employees in December 2020," said Withers. The wage subsidy repayment resulted in a restatement of FY20 figures.

Gross profit margin has been a key driver in profitability, with gross profit margin of 36.4% compared to 32.6% in the prior year. Across the Group's brands, this was driven by better sell through rates requiring lower clearance and promotional activity alongside the continued execution of the Everyday Low Pricing (EDLP) strategy at The Warehouse.

Group Chief Executive Nick Grayston said "We are very proud of the FY21 outcome particularly the resilience shown by our team members, who continued to deliver through another year of COVID-19 related disruption, particularly during the 28.5 days of Auckland lockdown last August and in February and March this year.

"Our culture and mindset and our teams' expertise have enabled the business to react swiftly in response to COVID-19 alert level changes, including the closing and reopening of stores and the move to Click & Collect almost overnight. The same is true of this most recent lockdown period which has occurred post year end, and we thank our team members for their significant contributions during challenging times.

"FY21 has given us further confidence that our customer-led strategy is the right one. We are seeing the benefits of our transformation programme and we are part way through significant digital investment to improve legacy systems and set ourselves up to give our teams and customers an even better experience.

"During the year we introduced a new mobile-first Group eCommerce platform with The Warehouse the first brand to be migrated, and with other brands following in FY22. The change will make our mobile apps and websites easier to use for our customers, while providing for greater performance and innovation from our team. This investment allowed us to be able to pivot quickly to the requirement to trade essentials and non-essentials in split lockdown levels within the current restrictions.

"We are in the process of upgrading our Enterprise Resource Planning system for finance and inventory which will further enable the ability for our customers to shop seamlessly across our brands and channels," said Grayston.

During the year a focus on inventory management enabled us to drive a reduction in our aged inventory as a percentage of inventory across the Group, from 28.1% in FY20 to 16.1% in FY21.

Initiatives focused on the Cost of Doing Business (CODB) helped us achieve a reduction as a percentage of sales to 29.4% (31.0% in FY20), however, CODB overall increased by $15.2m. This includes a decision to pay our people in full through lockdowns and to reward their efforts in FY21, we issued a cash bonus totalling $8.7m to all permanent full and part time team members in August ($1,000 to full time and $500 to part time).

The pandemic continues to cause disruption to international freight movement with a shortage of shipping containers to carry manufactured goods from source to destination, an issue for global supply chains. While this will cause some delays, overall, we are expecting to be in a better position than last Christmas and our offshore in-country teams have worked with our vendors to ensure that we prioritise key stock for our customers.

"Sustainability remains a focus with significant progress made to increase the number of products we sell, now with over 11,500 products across our ranges with at least one sustainable feature. We sold around 20 million of these items during the year.

We have been able to direct 77.9% of operational waste from landfill, reduced Scope 1 and 2 emissions by 2.7% and reduced total emissions by 6.4% since FY19 (being the most recent year unaffected by COVID-19).

"Our work with communities and causes impacting New Zealanders continued with $4.3m raised to support causes such as tackling family violence, period equity and encouraging healthy homes," said Grayston.

Our ambition to increase diversity continued with an increase in female leaders from 39.1% to 44.4% and the introduction of Brain Badge for our neurodiverse employees.

The Warehouse sales increased 5.8%, to $1.8bn. Online sales increased by 4.8% and now represents 6.3% of total sales, driven by Click & Collect, where sales grew 37.9% aided by the introduction of same day collection. Reflecting pandemic trends with New Zealanders staying home, The Warehouse saw lifts in homewares and DIY categories. Gross Profit Margin in The Warehouse increased 430 basis points.

Noel Leeming sales increased 11.7% with Gross Profit Margin increasing by 140 basis points. Key categories for the year include appliances, audio visual and smart tech with double digit growth. The Group's commercial division (TWGB) also achieved double digit growth, mainly driven by Noel Leeming Group.

Warehouse Stationery continued to build on the momentum on prior year's sales, achieving growth of 2.2% with Gross Profit Margin increasing by 580 basis points. Online sales were flat at 10.3% of total sales but showed growth in Click & Collect fulfilment of +64.4%.

Torpedo7 sales increased 22.2% to $158.7m from $129.9m in FY20. Gross Profit Margin was up 1500 basis points delivering an operating profit of $3.3m versus an operating loss of $17.7m in FY20. Online sales grew from 18.4% to 28.8% of total sales, with Click & Collect increasing by 26.1%.

The Market saw significant range and audience growth supported by an increase in purchase frequency. Registered users increased 298% and audience sessions increased 138%.

Chair Joan Withers said, "This stronger than expected trading performance enabled the Board to declare a special dividend of 5.0 cents per share in February 2021, an interim dividend of 13.0 cents per share in April 2021 and a final dividend of 17.5 cents per share. This brings the total dividends for the year to 35.5 cents per share declared, and a pay-out ratio of 70.2% of adjusted net profit. The final dividend, to be paid on 3 December 2021, has been declared on the basis that New Zealand is predominantly at Level 2 or below from the end of October 2021.

The Group revised its liquidity policy in response to last year's COVID-19 pandemic and now operates to a target liquidity range of between $350m to $450m. Strong cashflows ensured we closed the FY21 financial year with cash on hand of $160.5m compared to $168.1m at the end of FY20. Unutilised committed bank facilities of $330m, plus cash on hand, provided total liquidity of $490.5m at year end.

More information about The Warehouse Group's result, financial performance by brand, strategy and operations can be found in the 2021 Annual Report, available at www.thewarehousegroup.co.nz.

ENDS

Contact details regarding this announcement:

Investors and Analysts:	Jonathan Oram, Chief Financial Officer To be contacted via Kim Russell +64 9 488 3285 or +64 21 452 860 kim.russell@thewarehouse.co.nz
Media:	Jordan Schuler, Corporate Affairs Partner +6421 143 6930 media.enquiries@thewarehouse.co.nz