

Actual Progress				
Focus Area	Priorities	FY19 (last year)	FY20 (this year)	FY20 Progress
Financial resilience	Maintain financial flexibility through strong capital management			<ul style="list-style-type: none"> Closed the financial year in a net cash position (gearing was 13.6% in FY19), reflecting no interim dividend payment and cash preservation initiatives from April through to June such as capital expenditure deferral and reduced working capital Available cash liquidity of over \$490m at year end Banking covenant waiver received on interest cover through to the end of FY21 Stable cash flow generation as customers chose to shop for value The Group maintains lease profile flexibility by having the majority of lease renewals within 5 years and the majority of lease final expiry dates greater than 10 years.
Total Shareholder Return	Reward shareholders with a consistently strong return on investment			<ul style="list-style-type: none"> Capital decline in share price of 9.6% over FY20 against an increase in the NZX50 capital index of 5.4% Annual Total Shareholder Return was -6.1% (FY19 +20.2%) The Dividend Policy is suspended for the current year with the intention to resume dividend payments in line with policy in FY21 Return on Funds Employed of 34.5% (FY19: 23.5%).
Allocation of capital	Optimally invest in our business to grow customer lifetime value			<ul style="list-style-type: none"> Continued developing the Investment Committee process which provides a disciplined approach to capital expenditure Invested in projects aligned to develop and enable the customer ecosystem such as TheMarket.com, Master Data Management, Warehouse Management System and an Enterprise Resource Planning system Greater focus on optimising the store network to reflect shifts in customer shopping preferences and initiatives such as store-within-a-store integrations Maintained low level of capital expenditure as a percentage of depreciation of 109% in FY20 (FY19: 104%) while investing in operational change.
Access to capital	Maintain access to diverse capital sources			<ul style="list-style-type: none"> The Group maintains three primary sources of capital in operating cash flow, debt and equity Operating cash flow has significantly improved in FY20 due to working capital initiatives Access to committed bank debt facilities of \$330m (undrawn at balance date) in addition to a \$50m seasonal credit facility The Group repaid its NZX-listed bond during FY20 Market capitalisation of \$718m by the end of FY20.

FINANCIAL CAPITAL

Ensure efficient utilisation of financial capital to compete and enable growth

Key Initiatives

COVID-19 presented an unprecedented challenge to the business. However, the Group was well placed to weather the economic shock because of the operational and financial disciplines put in place as part of our transformation programme. Further initiatives included a greater rigour on advertising and promotion spend and more efficient inventory turn. These initiatives, combined with the wage subsidy received from the Government, rent relief from many landlords and improvements to supplier terms,

contributed to the strong cash position of the business at year end.

Of the FY20 capital expenditure of \$63.7m, 51% was on Information Systems & Digital initiatives, 33% on store, distribution centres and other property, and the remaining 16% on logistics. The Group remains of the view there will be several years of capital expenditure in the \$100m to \$120m range as it continues to invest in platform development.

Significance

Financial capital enables the Group to execute on the various initiatives we identify as important for the long-term sustainability of the Group and development of its capital base (financial and non-financial). The transformation plans are, however, not only associated with financial performance. We are also investing in areas of the business where goals are linked to non-financial measures but the ability to develop, implement and achieve them is dependent on the financial resources

Roadmap to our goal		Key Risks	Mitigations
FY21	FY22+		
		<ul style="list-style-type: none"> Impact of the New Zealand economy and the indirect impact of the economic performance of New Zealand's major trading partners Offshore retailers may enter or increase existing footprint in New Zealand, altering the retail sector's competitive landscape and creating direct business competition Economic downturns may result in a deterioration of financial performance Continued uncertainty around impact of COVID-19 on both domestic and global economy. 	<ul style="list-style-type: none"> The Group's established New Zealand brands with strong value propositions and diversified product offering can alleviate performance pressure from market downturns Tightly manage our property portfolio to balance location security with flexibility to manage individual lease commitments Maintain an unparalleled footprint in the New Zealand retail market across physical and online channels Continue to build the capabilities of our customer-centric ecosystem that is dedicated to creating a frictionless shopping experience for our customers and be value-enhancing for them.
		<ul style="list-style-type: none"> Downturn in domestic and international financial markets may impact on the share price of The Warehouse Group Dividend payments may be deferred or cancelled should it be in the best long-term interests of the company and its stakeholders. This may be the case where external events that impact the domestic economy and The Warehouse Group's financial performance threaten its short-term liquidity position. 	<ul style="list-style-type: none"> Develop trust with shareholders by delivering a high level of financial reporting and transparency Maintain our commitment to consistently deliver value to our shareholders through a balance of dividends and capital growth Visibility to shareholders on long-term operation and financial targets.
		<ul style="list-style-type: none"> Erosion of the asset base from under-investment due to deferral of spend or lack of strategic direction Under-investment in growth initiatives that are core to delivering exceptional customer retail experiences Under performance of investments relative to initial expectations. 	<ul style="list-style-type: none"> Refine our maintenance capital expenditure programme to ensure our infrastructure and customer channels (physical and online) meet or exceed customer expectations Use our investment review process to test the robustness of investments from an operational, strategic and financial perspective Apply a 'customer-first' lens to expenditure.
		<ul style="list-style-type: none"> Tightening of credit markets and/or local banking regulations and downturn in equity market performance due to local and/or global economic factors cause a rationing of capital. 	<ul style="list-style-type: none"> Maintain access to diverse and quality sources of capital and target liquidity of \$500m Retain our banking relationships and bank facility headroom in excess of immediate needs Supplement our bank funding with alternative funding instruments where feasible NZX listed for 25 years with a founding shareholder who has maintained a controlling stake Continue our focus on working capital control and converting earnings into operating cash flow Access to NZ Debt Capital Markets.

Not currently measured
 Behind plan
 On plan but at risk
 On plan
 Early stages of completion
 50% Complete
 75% Complete
 100% Complete

PITAL

of the Group. Financial capital is therefore not only about financial results, it is also about delivering results for the betterment of the Group and our stakeholders.

Materiality

'Do Good' is a value within the Group that displays our commitment to our people and our planet and delivering great value to customers with our products. To deliver on that commitment, the Group needs to also have a robust financial capital base.

We have focused on achieving a strong balance sheet that provides capital headroom to weather potential downturns and fund investment in value-enhancing initiatives and strategies. Financial discipline is of utmost importance to us and is core to making sure that we are here for good and for all New Zealanders.

Future focus areas

- Develop financial processes that enable the benefits of Agile ways of working

- Establish the Quarterly Business Review process to ensure alignment and transparency on strategic priorities across the Group and allocate resources to highest priority initiatives
- Build the Enterprise Resource Planning system which commences with a financial foundation
- Further develop our risk management.