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NZX Limited



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The Warehouse Group lifts adjusted full-year profit by 25.6 per cent

Highlights

- Adjusted Net Profit After Tax of \$74.1m, up 25.6 per cent on last year
- Reported Net Profit After Tax attributable to shareholders up 185.8 per cent to \$65.4m
- Group sales were \$3,071.4m, up 2.6 per cent compared to FY18
- Warehouse Stationery achieved a record operating profit of \$16.7m
- Noel Leeming sales up 5.0 per cent, achieving record retail operating profit of \$38.1m
- Group online sales (online, mobile and mobile app) up 18% to \$239.2m
- Final dividend of eight cents per share, total dividend for FY19 17 cents per share

The Warehouse Group has announced an Adjusted Net Profit After Tax (NPAT) of \$74.1m for the 2019 financial year, up 25.6 per cent on last year. Group retail sales were up 2.6 per cent with sales growth across all four major trading brands. Reported NPAT attributable to shareholders is \$65.4m for the year, up 185.8 per cent on last year.

Gross margin improved by 40 basis points and Group operating profit was up 22.9 per cent. The Warehouse Group Chair Joan Withers said the Board was pleased with this year's result, which was one of the strongest profitability-wise for a number of years. "Evidence of the changes we are making to the business and the rigour and discipline provided by the transformation programme are starting to show through.

"While we are proud of what we have achieved this year, there is still more work to be done and we are conscious of the ever-changing retail landscape. We are committed to our long-term plan of improving the profitability of The Warehouse Group and we are confident that we are on the right track."

Group Chief Executive Nick Grayston said discipline, tenacity and hard work had paid off. "Thank you to all the team members at The Warehouse Group for their contribution to this result.

"The considerable work done over recent years is now evident on the bottom line which is gratifying, and we are looking forward to delivering on the next steps of our strategy."

Shareholders of The Warehouse Group will receive a final dividend of eight cents per share, taking the overall dividend payment for the year to 17 cents per share fully imputed. This is a one cent increase on last year, and the highest dividend in five years.

The Warehouse is making good progress following the decision to move to everyday low pricing, said Nick Grayston. The brand recorded sales of \$1,705.7m, up 0.6 per cent on last year, with a strong

second-half performance. Despite warmer than usual weather during winter, the second half of the year saw same store sales growth of 2.2 per cent, driving same store sales growth to 1.5 per cent for the year. Gross profit improved by 2.5 per cent to \$658.4m and gross margin also grew 70 basis points. Operating profit increased 19.1 per cent to \$85.1m.

Nick Grayston said FY19 was a year of development and transformation for The Warehouse. "Transformation-related initiatives played a large part in the result including improved inventory management and supplier terms along with careful management of costs."

Warehouse Stationery has recovered from its systems integration and stock availability issues and returned to historical levels of performance to deliver a record retail gross profit of \$112.8m. Retail sales were up 1.8 per cent to \$268.6m and gross operating profit improved 57.4 per cent to \$16.7m.

"The focus on delivering valuable solutions for customers and careful management of costs has paid off despite industry headwinds in core stationery categories." Print and Copy and Furniture categories performed particularly well.

Noel Leeming continued its upwards momentum with a record retail operating profit of \$38.1m in FY19, with sales up 5.0 per cent. "The technology expertise offered to customers has made the brand experience more valuable, as people look to incorporate more and more technology into their lives," said Nick Grayston.

"Noel Leeming commercial sales continue to improve and the services part of the business, including My Tech Solution in-home and store-based technology assistance, grew by 11.4 per cent.

"We see significant continued growth opportunities within the Noel Leeming and commercial businesses."

Sales in **Torpedo7 Group** increased 5.6 per cent year on year and gross profit increased 1.2 per cent, however due to costs associated with the Torpedo7 store expansion programme, the business made an operating loss of \$7.0m. "We see this business as having a lot of potential, but continued focus is important. To that end we recently appointed Simon West as CEO for Torpedo7 who will ensure a dedicated focus to this business."

Group online sales were up 18 per cent, now 7.8 per cent of total Group sales. "While online sales currently make up a small percentage of total retail sales, they are a critical part of our growth strategy," said Nick Grayston.

"After balance date, we launched our new digital platform **TheMarket**, part of the execution of our wider strategy to construct an enhanced service-based ecosystem around our business."

The Warehouse Group strategy and outlook

"Our strategy of fixing the retail fundamentals and investing in the digital future is showing promising signs of delivering results in terms of profit, revenue growth and customer behaviour, and remains unchanged.

"An important part of this is developing a customer ecosystem that will provide solutions for our customers' changing expectations and savvier shopping habits."

As in previous years, the earnings outlook for FY20 will be dependent on the critical second quarter trading period. Earnings guidance for FY20 will be considered at the end of the second quarter.

More information about The Warehouse Group's result, strategy, transformation programme and operations can be found in the Annual Report for 2019, available at www.twg.co.nz.

Group Governance

Sir Stephen Tindall will take a further 12 months leave of absence from his directorship of The Warehouse Group. Robbie Tindall will continue to act as his alternate on the Board.

Will Easton was appointed to the Board in October 2018. Mr Easton is Managing Director of Facebook Australia and New Zealand.

Renee Mateparae, who is currently an Agile team leader at Spark, has just commenced her time with The Warehouse Group Board as part of The Future Directors programme.

ENDS

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