

**We have  
transformed**

**Helping Kiwis  
live better  
every day**

**The Warehouse Group**

FY21 Annual Results

29 September 2021





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# CHAIR'S UPDATE





# FY21 ANNUAL HIGHLIGHTS

- **Group sales \$3.4bn** – up 7.6%
  - **Gross profit margin** up from 32.6% to **36.4%**
  - **Reported NPAT \$117.7m** – up from \$44.5m in prior year
  - **Adjusted NPAT \$175.5m** – up from \$32.1m in prior year
  - Net cash on hand - **\$160.5 million**
  - Total Liquidity - **\$490.5 million**<sup>2</sup>
  - **Online sales - \$393.1 million**, up 5.0% on last year and making up 11.5% of total Group Sales
  - **Click & Collect sales – up 21.1%**
- Carried over **11,500 unique products with a sustainable feature**, accounting for over \$176 million in sales
  - We have **diverted 77.9% of operational waste** from landfill (up from 76.7% in FY20)
  - Reduced Scope 1 and 2 emissions by 2.7% and **reduced total emissions by 6.4%** since FY19
  - **\$4.3 million** raised for New Zealand charities and communities
  - Increased **female senior leaders to 44.4%** of senior leadership roles

1. Adjusted Net Profit After Tax (NPAT) is before unusual items and is a non-GAAP measure. A reconciliation between Adjusted and Statutory NPAT is located on slide 19 and in Note 5 of the Financial Statements for the year ended 1 August 2021. 2020 Adjusted NPAT was restated from \$80.7 million to \$32.1 million due to the Group repaying the Government COVID-19 wage subsidy in December 2020. This repayment resulted in the reclassification of the initial receipt of the subsidy in March 2020 as an unusual item. This prior year reclassification has the effect of reducing 'other income' and decreasing the 'unusual item' expense on the Income Statement by \$67.6 million (before tax) for the year ended 2 August 2020.

2. The Group held cash on hand of \$160.5 million (2020: \$168.1 million) at balance date, combined with available bank facilities of \$330 million, providing liquidity of \$490.5 million (2020: \$498.1 million).

# CHAIR'S UPDATE

## Our People

- Four years ago, we would not have anticipated the record results we have achieved in this financial year.
- In FY21, we have made material progress to become an Agile business and operate effectively within a dynamic environment. Agile is not an easy journey – and I want to give credit to all our people for having the bravery and stamina to meet the challenge of such fundamental change.
- Our culture and mindset and our teams' expertise have enabled the business to open and shut stores and move to Click & Collect almost overnight during the first wave of COVID-19 alert level changes. And now again, as the country reverted to Level 4 lockdown and then into a split level environment across New Zealand.
- I would like to thank all our team members who have adapted and pivoted to these changes and have enabled the Group to provide our customers' needs and wants, when we can, in and out of lockdown periods.
- Our team have truly lived our values by putting customers first, doing good for our people and planet, and delivering on what we said we would do.

# CHAIR'S UPDATE

## FY21 Results

- Given the turbulence of the past year, we are pleased to report a record result with total retail sales of \$3.4 billion, up 7.6% on FY20.
- Gross profit margin has increased from 32.6% to 36.4% and operating profit<sup>(1)</sup> margin has risen from 1.6% to 7.0%.
- Our reported NPAT of \$117.7 million and adjusted net profit after tax<sup>(2)</sup> of \$175.5 million is a record for The Warehouse Group.
- Strong operational performance, sustained sales momentum and a robust financial position enabled the Group to repay the COVID-19 wage subsidy of \$67.6 million for our 11,000 employees in December 2020.

## Dividends

- Our stronger than expected trading performance enabled the Board to declare a special dividend of 5.0 cents per share in February 2021, and an interim dividend of 13.0 cents per share in April 2021.
- The Board is pleased to announce a fully imputed final dividend of 17.5 cents per share. The final dividend has been declared on the assumption that New Zealand is predominantly at Level 2 from the end of October. The record date for the dividend will be 18 November 2021 and will be paid on 3 December 2021. This brings the total dividends for the year to 35.5 cents per share declared, and represents a pay-out ratio of 70.2% of adjusted net profit.
- This is in line with our recently amended dividend policy which was approved by the Board in March 2021 – to distribute at least 70% of the Group's full year adjusted net profit, at the discretion of the Board and subject to trading performance, market conditions and liquidity requirements. We are pleased to be able to declare a final dividend, even in the wake of further COVID-19 lockdown periods following year end.

1. Operating profit excludes the impact of NZ IFRS 16 and is a non-GAAP measure. A reconciliation between adjusted operating profit and Earnings before Interest and Taxation (EBIT) is located on slide 19 and in note 2 of the financial statements for the year ended 1 August 2021.

2. Adjusted Net Profit After Tax (NPAT) is before unusual items and is a non-GAAP measure. A reconciliation between Adjusted and Statutory NPAT is located on slide 19 and in Note 5 of the Financial Statements for the year ended 1 August 2021.

# CHAIR'S UPDATE

## Sustainability

- In August 2021 we established a new Board level Environmental and Social Sustainability Committee, which oversees our governance of environmental, social and sustainability issues.
- We have been carbon neutral since 2019.
- In FY21 we diverted 77.9% of waste from landfill, we have reduced our scope 1 and 2 emissions by 2.7% since FY19, and we have increased our women in senior leadership roles to more than 44%. We have also facilitated community donations of around \$4.3m for key social causes.
- While we still have work to do, I am incredibly proud of these and the many other initiatives and progress we have achieved this year.

## Governance

- In 2021, we also saw a change in our Directors. Following the farewell of Sir Stephen Tindall and Keith Smith at the Annual Meeting last year, we welcomed Robbie Tindall as a permanent member of the Board. We also announced the appointment of Rachel Taulelei in February and who will stand for election by shareholders at the Annual Shareholders' Meeting in November.
- Foodstuffs sell down of their shares in The Warehouse Group in May 2021 has increased our freefloat liquidity and changed the shape of our register, with institutional shareholders now holding approximately 9% and retail shareholders holding approximately 20% of shares.



# GROUP UPDATE





# OUR STRATEGIC DIRECTION AND CORE VALUES



# OUR STRATEGIC PRIORITIES

## Our Strategic Priorities

### Build a customer ecosystem

### Build the future experience

### Invest in our infrastructure to excel in retail fundamentals

## Strategic Themes

- Engage new and existing customers by better solving their needs and wants
- Offer a seamless and frictionless customer experience
- Meet & exceed changing consumer behaviours
- Leverage footprint and develop supply chain
- “What I want, where I need it, when I choose”
- Best in NZ retail performance metrics
- Strong corporate and brand reputation
- Long term financial security

## FY21 Achievements

- ✓ Launched new website for The Warehouse
- ✓ Continued investment in TheMarket.com, providing over **2.5 million available products**
- ✓ Improved inventory management – reducing in-store SKUs by **18.5% for The Warehouse and 12.6% for Warehouse Stationery**
- ✓ Enhanced range optimisation

- ✓ Weighted average **Net Promoter Score** increased 7.5 points to **76.6**
- ✓ **Click & Collect sales grew 21.1%** - driven by Same-day Click & Collect at The Warehouse and One-hour Click & Collect at Noel Leeming
- ✓ 252 stores across the network including **8 SWAS stores implemented during the year** – bringing total to 25

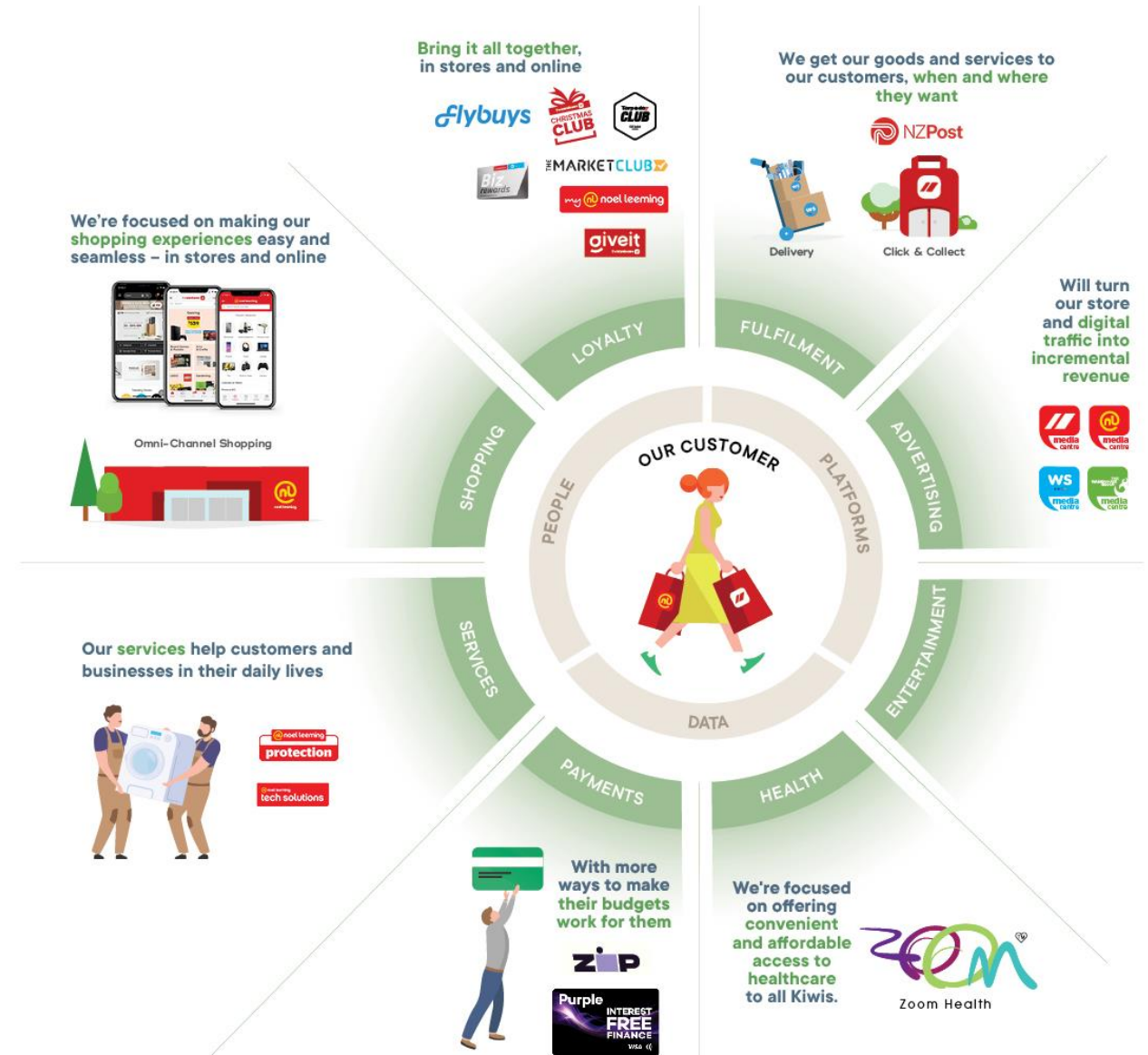
- ✓ Significant progress on core system projects – WMS, ERPFI and MDM
- ✓ Increased **stock turn** from 4.4 times to **5.3 times**
- ✓ Reduced aged inventory<sup>1</sup> as percentage of inventory from 28.1% in FY20 to 16.1% in FY21
- ✓ **Liquidity of \$490.5 million**, with no debt

1. Aged inventory is stock held for more than 26 weeks.



# OUR ECOSYSTEM

- Our customer-centric ecosystem enables frictionless shopping experiences creating greater customer value.
- We have strong ecosystem foundations in place with an established physical footprint and market leading digital assets.
- We have confirmed the rollout of a unified loyalty programme across the Group as “Market Club” and “Market Club+”.
- In July, we announced that we have become a cornerstone strategic investor in Zoom Health – we have a shared vision to offer convenient and affordable access to healthcare to all Kiwis.
- Further improvements will make customer shopping journeys with our family of brands faster, easier and more personalised through unified data, platforms and people – while remaining focused on the fundamentals of delivering exceptional value and new assortments with improved customer fulfilment and payment options in store and online.





# KEY METRICS BY BRAND

	Sales Growth	Operating Profit Margin	Online Sales Growth	Growth in Click & Collect Fulfilment
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	+5.8%	10.4% 720 basis point improvement	+4.8% to 6.3% of total sales	+37.9%
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	+2.2%	12.5% 600 basis point improvement	flat to 10.3% of total sales	+64.4%
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	+11.7%	5.8% 240 basis point improvement	-6.4% to 10.5% of total sales	+9.3%
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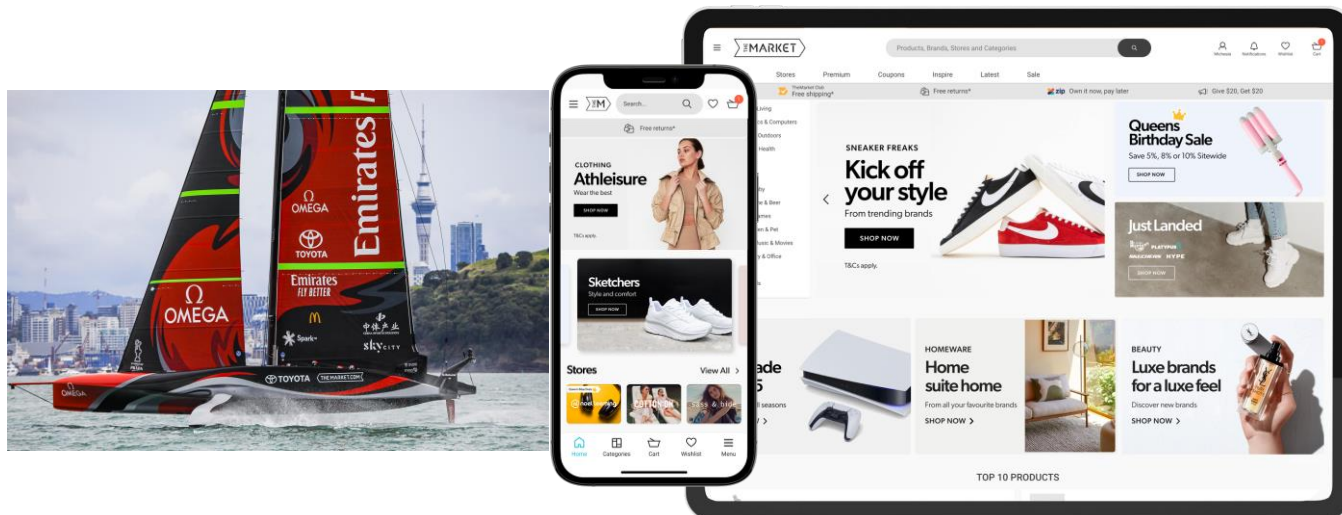
	+22.2%	2.1% up from Operating Loss of 13.6%	+18.4% to 28.8% of total sales	+26.1%
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# THE MARKET

- Our vision is to change the way Kiwis shop – providing more options, better convenience and value
- Nearly doubled available product range - our goal is to make 10,000+ of the world's most desirable brands available to all Kiwis
- Significant audience growth supported by increasing purchase frequency has grown merchant orders by 265% YoY
- MarketClub membership growth a key value driver
- 1-day deals business now consolidated.



## Range

**5,321 brands**

↑ **58%**

**2.5m available products**

↑ **93%**

## Audience

**40m sessions** – TheMarket and 1-day

**TheMarket – 19m sessions**

↑ **138%**

**50k club members**

↑ **102%**

## Transactions

**397k active customers** – TheMarket and 1-day

**TheMarket – 218k customers**

↑ **207%**

**Orders per customer**

↑ **16%**

# GROUP FINANCIALS





# GROUP FY21 PERFORMANCE

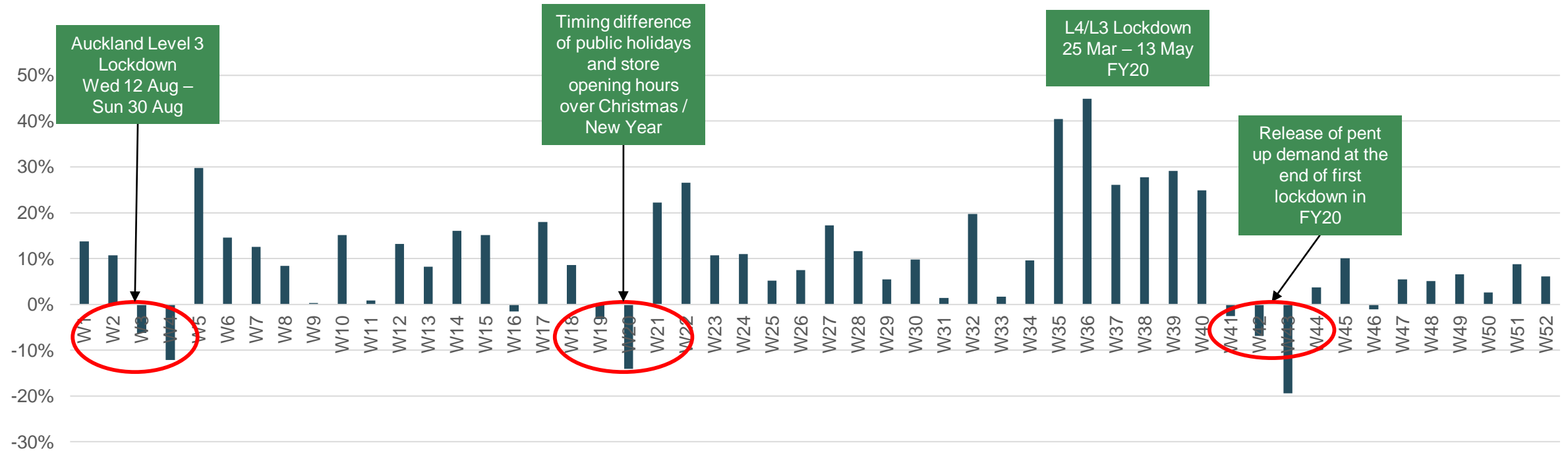
For the year ended 1 August 2021

\$ million	FY21	FY20	Variance
Group Sales	3,414.6	3,172.8	7.6%
Gross Profit	1,241.4	1,034.9	20.0%
Gross Profit Margin %	36.4%	32.6%	380
CODB	1,000.8	985.6	1.5%
CODB %	29.4%	31.0%	(160)
Operating Profit <sup>1</sup>	240.6	49.3	388.5%
Operating Profit Margin %	7.0%	1.6%	540
Continuing NPAT (reported)	117.7	44.4	164.7%
Continuing NPAT (adjusted) <sup>2</sup>	175.5	32.1	446.6%
NPAT (Reported)	117.7	44.5	164.6%
Operating Cash Flow	247.3	408.0	-39.4%
Dividends	35.5cps	-	35.5cps

- Group sales up 7.6% on prior year, driven by top-line growth across all major brands but particularly Noel Leeming and Torpedo7. FY20 was a 53 week financial year vs 52 in FY21.
- Gross Profit continues to grow at a faster rate than sales due to strengthening margins. This is attributable to better margin management and sell through rates requiring lower clearance and promotional activity.
- Cost of doing business (“CODB”) increased by 1.5% but declined as a percentage of sales to 29.4%. CODB remains a key focus for the Group and it is encouraging to see the impact of major initiatives reflected in the continued downward trend of CODB %.
- The aforementioned factors have contributed to an operating profit margin of 7.0%. Operating profit is up 388.5% to \$240.6m performance which was materially impacted by the lockdowns resulting from the outbreak of COVID-19 and is restated to exclude the wage subsidy.
- Operating cash flow has declined by 39.4%. Increasing profitability has been offset by investment in working capital as inventory balances build on the low levels of FY20, as well as the \$67.6m wage subsidy repayment, plus the move of international creditors to 120-day pay cycle in FY20.
- Dividends include a special dividend of 5.0 cps declared in February, interim dividend of 13.0 cps declared in April, and final dividend of 17.5 cps<sup>3</sup> payable on 3 December 2021.

1. Operating profit excludes the impact of NZ IFRS 16 and is a non-GAAP measure. A reconciliation between adjusted operating profit and Earnings before Interest and Taxation (EBIT) is located on slide 19 and in note 2 of the financial statements for the year ended 1 August 2021.
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3. The final dividend has been declared on the assumption that Auckland is at Level 2 from the end of October.

# FY21 GROUP H1 AND H2 SALES TREND

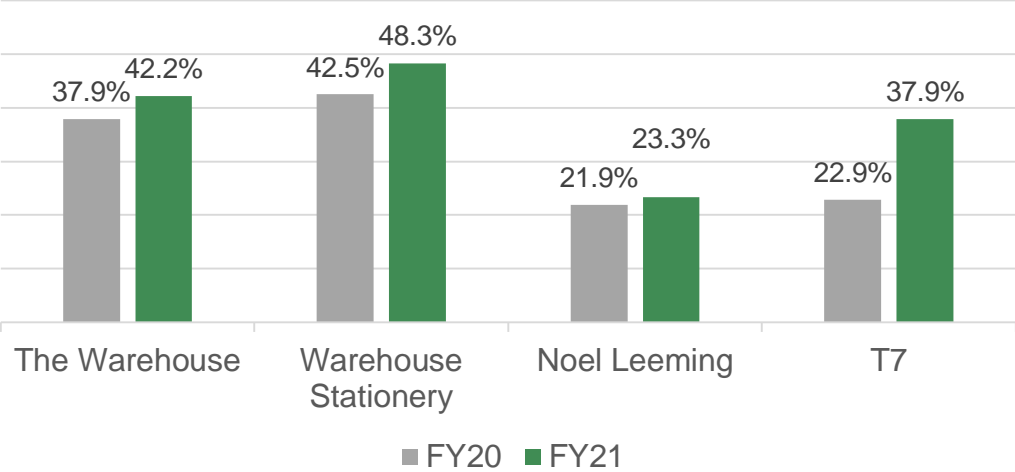


\$m	FY21 H1	FY20 H1	Var %	FY21 H2	FY20 H2	Var %	FY21	FY20	Var %
The Warehouse	967.3	939.3	3.0%	837.6	766.7	9.2%	1,804.9	1,706.0	5.8%
Warehouse Stationery	136.6	133.8	2.1%	138.0	135.0	2.2%	274.6	268.8	2.2%
Noel Leeming	593.2	512.8	15.7%	535.0	497.2	7.6%	1,128.2	1,010.0	11.7%
Torpedo7	84.9	65.8	29.0%	73.8	64.1	15.1%	158.7	129.9	22.2%
Other <sup>1</sup>	26.3	31.7	-17.0%	21.9	26.4	-17.0%	48.2	58.1	-17.1%
<b>Total Group Sales</b>	<b>1,808.3</b>	<b>1,683.4</b>	<b>7.4%</b>	<b>1,606.3</b>	<b>1,489.4</b>	<b>7.8%</b>	<b>3,414.6</b>	<b>3,172.8</b>	<b>7.6%</b>

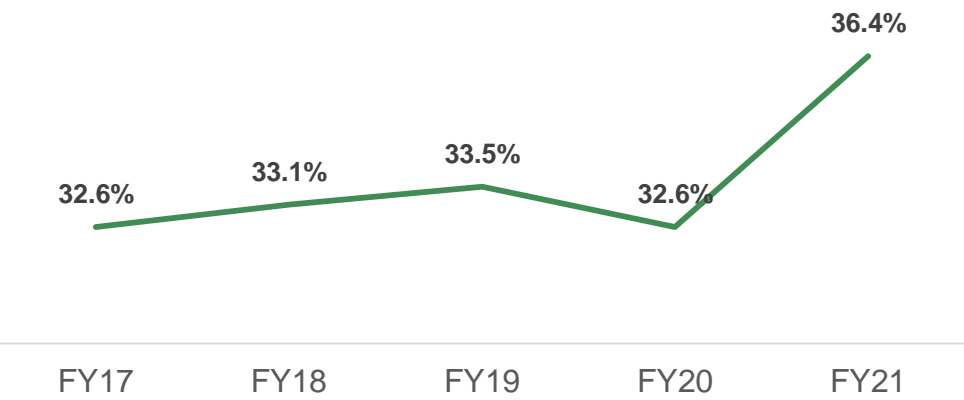
1. Total sales includes sales from TheMarket.com, Other Group operations and Inter-segment eliminations

# GROSS PROFIT MARGIN

## Gross Profit Margin (%) by Brand



## Group Gross Profit Margin (%)

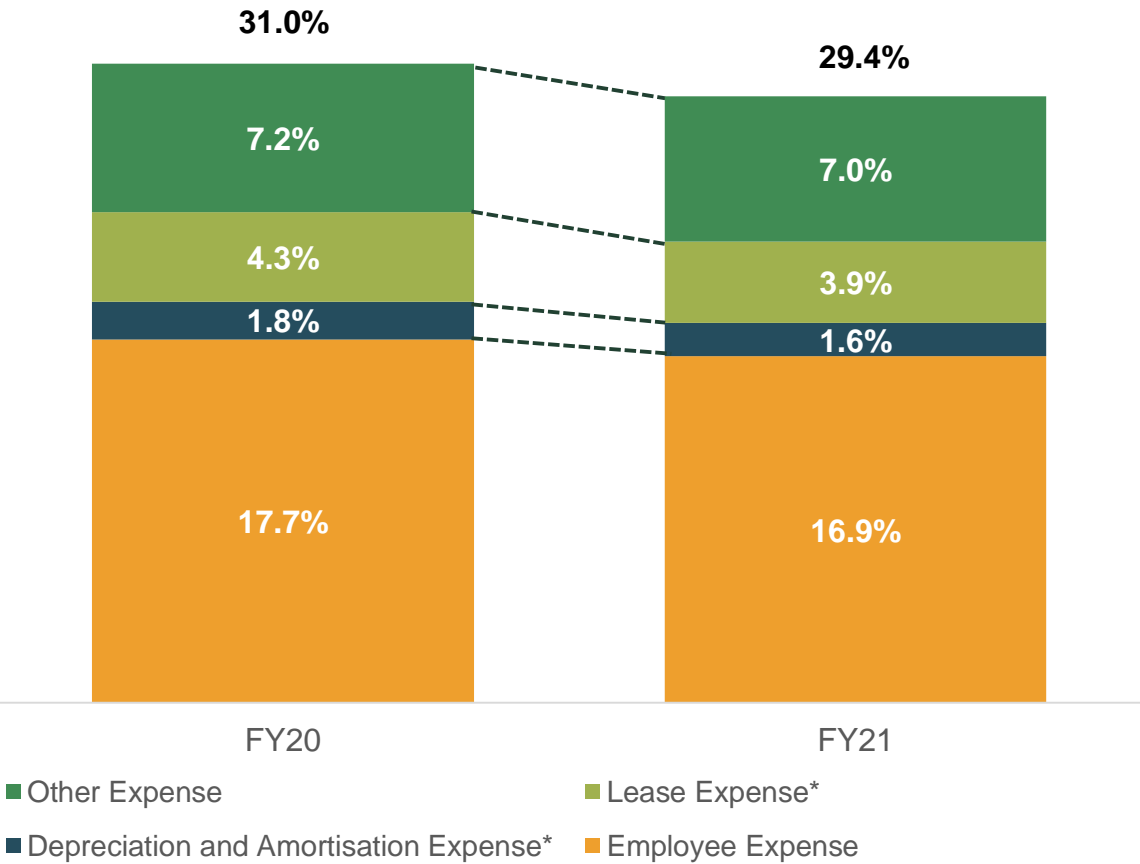


- Gross Profit Margin has been one of the most significant drivers of Group profitability, with strong growth across all brands.
- Improvements in inventory ageing and stock turns has resulted in the need for lower clearance activity, which when combined with the reduced promotional activity that comes with being an Every Day Low Price (EDLP) retailer, has assisted in Gross Profit Margin growth.
- With a strong focus on managing the sell through on seasonal product lines and increasing the proportion of our stock that is required all year round (“continuity stock”) also contributed to the improved Gross Profit Margin.
- Torpedo7 has had a number of initiatives focused on gross profit margin as part of its turnaround. FY20 Gross Profit Margin included incurring one off provisions of \$5.3m.
- The FY21 result is a continuation of the upward trajectory since FY17 (noting that FY20 was impacted by the first nationwide COVID-19 lockdown) where we commenced the move to EDLP in TWL, started price optimisation and COGS negotiations, which has helped to drive the growth in Gross Profit Margin.



# COST OF DOING BUSINESS

## Cost of Doing Business (CODB) as percentage of Sales



\* Cost of doing business is presented before the impact of IRFS 16

- The management of costs as a proportion of Sales has been an ongoing focus of the business, and in FY21 we delivered a 160bps improvement in this measure.
- Approximately 71% of employee expenses are related to stores, fulfilment centres and distribution centres which have all been managed well throughout a period of elevated sales. This includes efficiencies in The Warehouse stores from the Labour Operating Model update, ensuring our store team members are rostered and available when our customers want to shop, as well as improvements in our online fulfilment.
- The move to Agile at the Store Support Office (SSO) has enabled greater productivity at a time of significant transformation investment, in particular in core and digital and customer systems
- Combined Depreciation and Lease costs have declined with a reduction of 5 stores as part of Group store footprint optimisation and 8 SWAS integrations in FY21 bringing the total number of SWAS to 25.
- Major components of other costs include technology costs, credit card commission and other store costs.

# ADJUSTED VS REPORTED RESULTS

For the year ended 1 August 2021

\$ million	EBIT		NPAT	
	FY21	FY20	FY21	FY20
<b>Adjusted Earnings</b>	<b>240.6</b>	<b>49.3</b>	<b>175.5</b>	<b>32.1</b>
Gain on property disposals	-	0.1	-	0.1
Restructuring costs - Rise	-	(22.0)	-	(15.8)
Restructuring costs - Agile	(16.1)	(22.3)	(11.5)	(16.0)
Interest rate hedge derivatives write-off	(3.3)	(6.4)	(2.4)	(4.6)
Brand impairment (Torpedo7)	-	(2.5)	-	(1.8)
COVID-19 Wage subsidy	(67.6)	67.6	(48.6)	48.6
Adjustments for NZIFRS 16	40.6	40.9	1.4	(0.1)
Income tax relating to prior year property disposals and building depreciation	-	-	3.3	2.0
<b>Reported Earnings</b>	<b>194.2</b>	<b>104.7</b>	<b>117.7</b>	<b>44.5</b>

1. To improve the understanding of underlying business performance, the Group adjusts profit for unusual and non-trading items. Unusual items include profits from the sale of assets and losses associated with adjustments in carrying value of assets, M&A activity, restructuring costs and the non-cash impact of applying the NZIFRS 16 lease accounting standard.
2. The NZIFRS16 adjustment of \$40.5m in FY21 (FY20 : \$40.9m) represents the difference between the depreciation on Right-of-use-Assets and old NZGAAP rent expense.
3. Adjusted Net Profit After Tax (NPAT) is before unusual items and is a non-GAAP measure. A reconciliation between Adjusted and Statutory NPAT is located on slide 19 and in Note 5 of the Financial Statements for the year ended 1 August 2021. 2020 Adjusted NPAT was restated from \$80.7 million to \$32.1 million due to the Group repaying the Government COVID-19 wage subsidy in December 2020. This repayment resulted in the reclassification of the initial receipt of the subsidy in March 2020 as an unusual item. This prior year reclassification has the effect of reducing 'other income' and decreasing the 'unusual item' expense on the Income Statement by \$67.6 million (before tax) for the year ended 2 August 2020.

- The Group has continued its transition to an Agile way of working. The restructuring costs incurred relate to fees paid to consultants assisting the Group throughout the Agile transition and additional redundancy costs connected with the Group's restructure announced last year and finalised in FY21 H1.
- No further restructuring costs in relation to the Agile transition are expected.
- The wage subsidy received in March 2020 was voluntarily repaid to the Government in December following the strength of trade in the weeks leading up to Christmas 2020. Both the receipt and repayment of the wage subsidy have been classified as unusual items.

# BALANCE SHEET

As at 1 August 2021 (comparative 2 August 2020)

\$ million	FY21	FY20	Variance
Inventory	457.2	393.6	63.6
Trade and other receivables	79.3	84.3	(5.0)
Trade and other payables	(436.6)	(420.8)	(15.8)
Provisions	(97.9)	(84.9)	(13.0)
<b>Working Capital</b>	2.0	(27.8)	29.8
Fixed assets	288.7	259.7	29.0
<b>Funds Employed</b>	290.7	231.9	58.8
Tax Assets	75.2	90.8	(15.6)
Derivatives	5.8	(26.9)	32.7
Right of Use Assets	736.5	774.2	(37.7)
Goodwill and Brands	73.0	73.0	-
<b>Capital Employed</b>	1,181.2	1,143.0	38.2
Shareholders' equity	452.2	377.1	75.1
Minority interests	(2.7)	(0.8)	(1.9)
Cash	(160.5)	(168.1)	7.6
Lease liabilities	892.2	934.8	(42.6)
<b>Sources of Funds</b>	1,181.2	1,143.0	38.2
Book gearing	61.9%	67.1%	(520) bps
<b>Liquidity</b> <sup>1</sup>	490.5	498.1	(7.6)

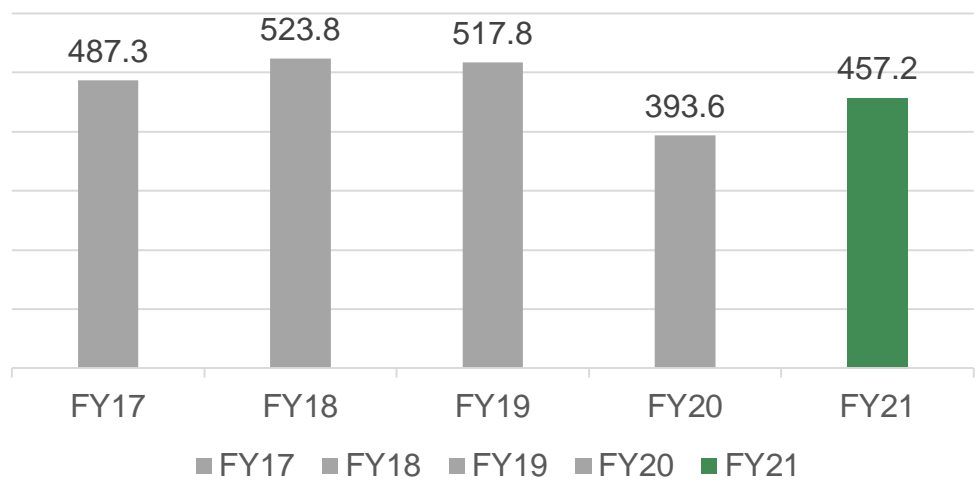
- The Group had a negative working capital position at the end of FY20, largely due to a significantly lower level of inventory. At the end of FY21, inventory has grown by \$63.6m albeit remaining below historical levels due to improvements from inventory management initiatives.
- Increased shareholder equity was driven by profitability flowing through to retained earnings.
- As at year end, net cash and liquidity are at a similar level to last year with total banking facilities available of \$330m.
- During FY21 the Group introduced a liquidity requirement of \$350m - \$450m to be used to cover operating expenses when there are periods of restricted sales.

1. The Group held cash on hand of \$160.5 million (2020: \$168.1 million) at balance date, combined with available bank facilities of \$330 million, providing liquidity of \$490.5 million (2020: \$498.1 million).

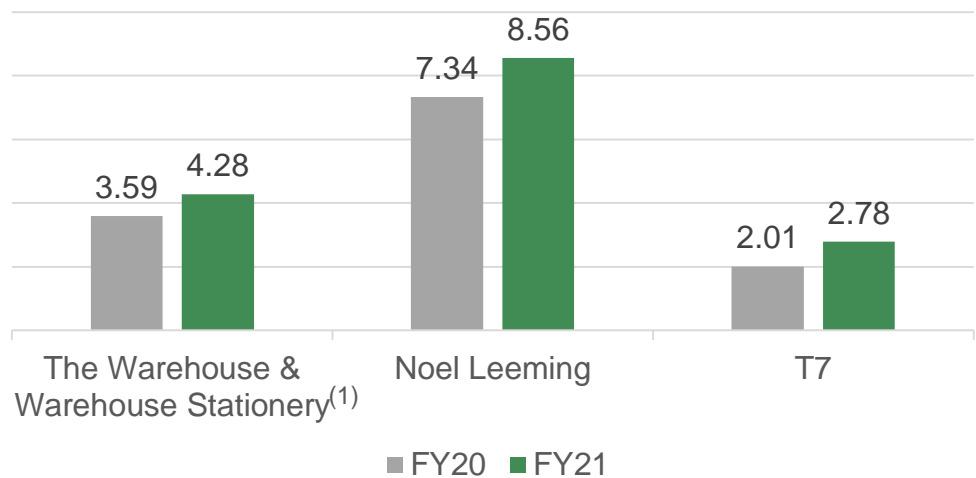


# INVENTORY MANAGEMENT

## Closing inventory at full year (\$m)



## Stockturn by Brand



- Inventory levels remain below historical averages but have increased year on year with FY20 inventory impacted by global supply chain challenges as a result of COVID-19.
- Increased demand and improved inventory management has seen Group stockturn improve from 4.4 in FY20 to 5.3 in FY21.
- Inventory management continues to be a key focus of the Group's transformation journey, and is now delivering tangible benefits:
  - Aged inventory has continued to decrease with increased sales and controlled purchases, with aged inventory<sup>(2)</sup> decreasing from 28.1% in FY20 to 16.1% in FY21.
  - The Group achieved further SKU reduction in the period, with SKUs at the close of the year down 13% in WSL and 18% in TWL.
  - Through a continued focus on our EDLP strategy in The Warehouse and reduced discounting across our other Brands, we have reduced unprofitable sales which is reflected in strong Gross Profit Margin % growth.
  - We have continued to improve our buying and inventory management processes, which has helped deliver an increase in "continuity stock" as a proportion of inventory.

1. The Warehouse and Warehouse Stationery are now combined due to the one pool of stock initiative  
2. Aged inventory is stock on hand greater than 6 months

# CASH FLOW

For the year ended 1 August 2021

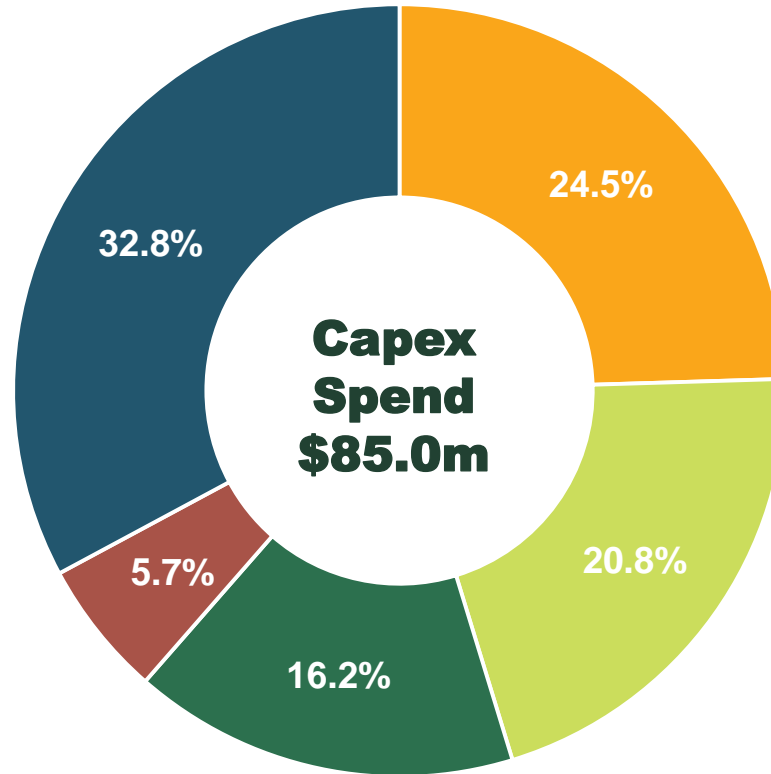
<b>\$ million</b>	<b>FY21</b>	<b>FY20</b>	<b>Variance</b>
<b>Trading EBITDA <sup>1</sup></b>	430.4	244.9	185.5
Working Capital	(31.0)	197.6	(228.6)
Restructuring costs	(16.1)	(38.7)	22.6
Wage subsidy	(67.6)	67.6	(135.2)
Taxes Paid	(32.1)	(19.9)	(12.2)
Interest Paid (Lease interest) <sup>2</sup>	(37.9)	(46.6)	8.7
Other items	1.6	3.1	(1.5)
<b>Operating Cash Flow</b>	247.3	408.0	(160.7)
Capital Expenditure	(83.2)	(64.5)	(18.7)
Divestments – PPE	0.2	12.0	(11.8)
Lease principal repayments	(99.4)	(83.8)	(15.6)
Close out derivatives	(9.8)	-	(9.8)
Dividends Received	0.3	0.1	0.2
Dividends Paid	(62.4)	(27.9)	(34.5)
Other	(0.5)	0.4	(0.9)
<b>Net Cash Flow</b>	(7.5)	386.4	(393.9)
<b>Opening Net Cash / (Debt)</b>	168.1	(218.3)	386.4
<b>Closing Net Cash</b>	160.5	168.1	(7.6)

1. Trading EBITDA represents Earnings before interest, taxation, unusual items, depreciation and amortisation.

2. Interest paid includes \$38.5m (FY20: \$41.1m) interest on lease liabilities. Refer to Note 10 of the Financial Statements for the year ended 1 August 2021.

- Operating cash flow of \$247.3m compared with \$408.0m in FY20 largely reflects strengthened profitability from trade being offset by investment in working capital and the repayment of the wage subsidy
- Capital expenditure cash flow increased by \$18.7m to \$83.2m due to increased investment in core systems, digital and customer systems and in our stores.
- Lease principal repayments were \$15.6m more than FY20. The Group received rent relief amounting to \$8.1m from landlords in FY20 due to temporary store closures caused by the COVID-19 pandemic. The remaining difference relates to rent increases and payments associated with early lease terminations
- The Group was pleased to be in a position to recommence dividends in FY21 after no dividends in FY20 due to COVID-19 uncertainty. Dividends paid in FY21 represent the interim and special dividends of 13.0cps and 5.0cps, respectively. The \$27.9m paid in FY20 relates to the FY19 final dividend of 8.0cps.

# FY21 CAPITAL EXPENDITURE

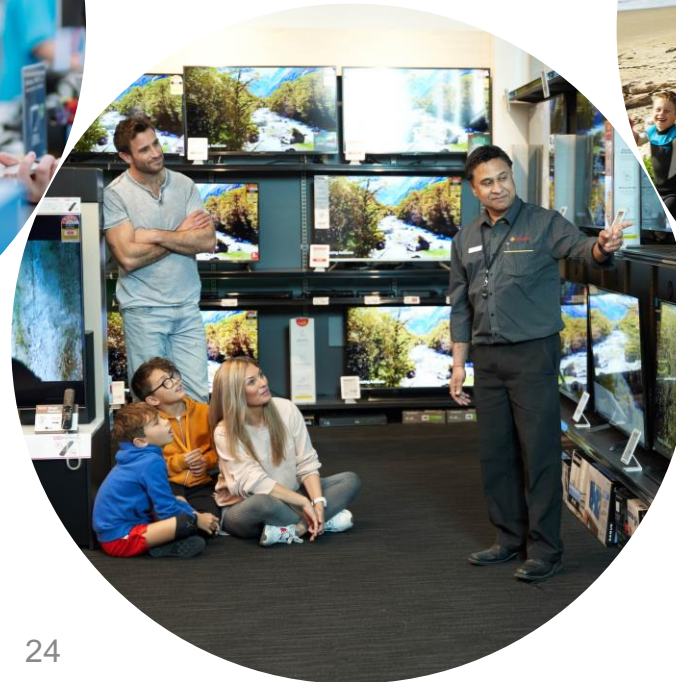


Core Systems	\$ 20.8m
Digital and customer	\$ 17.7m
Store Renewals	\$ 13.7m
Supply Chain	\$ 4.9m
Other	\$27.9m
<b>Total Capital Expenditure</b>	<b>\$85.0m</b>

- FY21 capex was \$85.0 million, compared to \$63.1 million in FY20.
- The Group's major investments in the year were developing our core systems including ERP finance and inventory systems, Warehouse Management System and cloud-based Master Data Management.
- Significant investment was made in customer focused digital initiatives including the Group eCommerce platform for our brand sites, and further development of TheMarket.com.
- Store renewals capital expenditure included the new The Warehouse, Warehouse Stationery and Noel Leeming stores at Ormiston, the Noel Leeming Silverdale expansion and the new T7 store in Napier. In addition to Ormiston, seven further SWAS stores were opened during the year including Masterton, Lyall Bay, Whanganui, Oamaru, Riccarton, Te Awamutu and New Plymouth The Valley.
- While this is less than our guidance range of \$100-120 million, this is significantly higher than annual capital expenditure over the past five years, as we invest in operational change and invest in growth areas of the business.
- We expect capital expenditure in FY22 to be in the range of \$115 million to \$135 million and to remain at this level for the coming years.



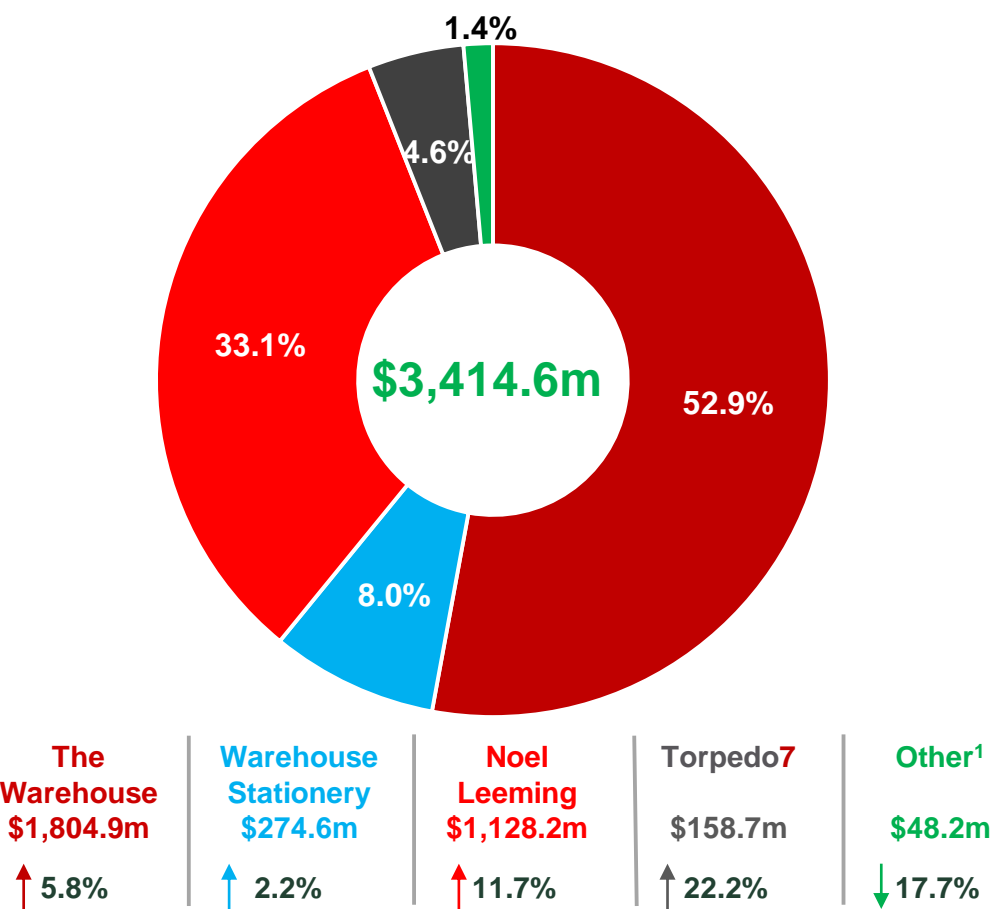
# DIVISIONAL PERFORMANCE



# DIVISIONAL SUMMARY

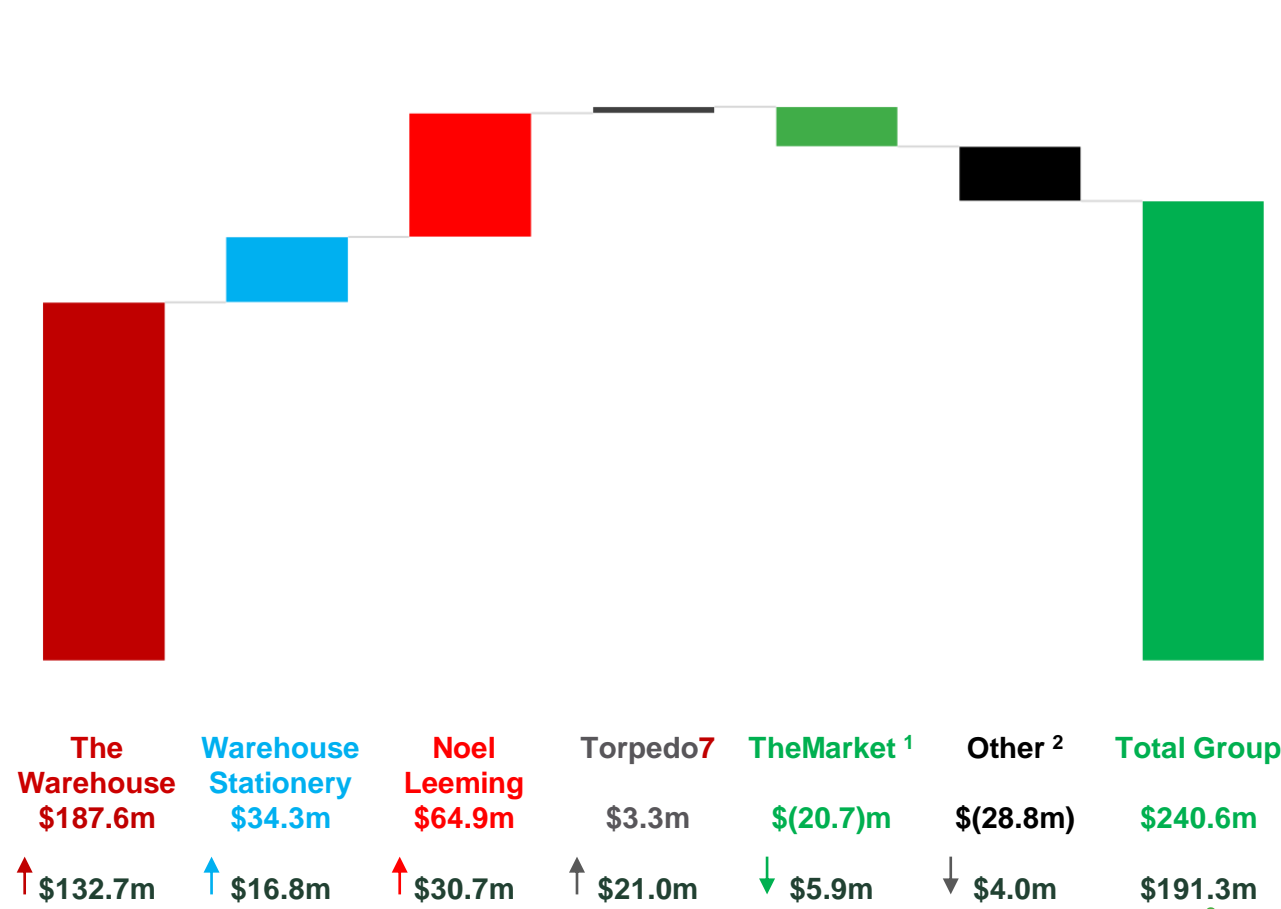
All brands reported record full year operating profit in FY21

FY21 Group Sales



1. TheMarket includes 1-day.  
2. Other items in Adjusted operating profit include corporate costs and other unallocated overheads.

FY21 Operating Profit



For the year ended 1 August 2021

\$ million	FY21	FY20	Variance
Sales	1,804.9	1,706.0	5.8%
Gross Profit	761.7	646.9	17.8%
Gross Profit Margin %	42.2%	37.9%	430
Cost of doing business (CODB)	574.1	592.0	-3.0%
CODB %	31.8%	34.7%	(290)
Operating Profit	187.6	54.9	241.7%
Operating Profit Margin %	10.4%	3.2%	720
Stores	90	92	(2)



- Sales in FY21 were up 5.8% against FY20. H1 was up 3.0% despite the Auckland Region experiencing 18.5 days of COVID-19 lockdown in August 2020, when stores were unable to trade. H2 was up 9.2%, primarily due to the impact of COVID-19 in the prior comparative period.
- Online sales have continued to grow in FY21 increasing by 4.8% compared to the prior period, driven by Click & Collect sales growing 37.9% with the introduction of same day collection, and now making up 39.4% of online sales.
- Gross Profit % was up 430 bps, as our strong focus on managing the sell through on seasonal product lines and increasing the proportion of our stock that is required all year round (“continuity stock”), combined with our move to EDLP, resulted in a decrease in clearance and promotional activity.
- Grocery has been a standout category across the year, as well as home, gardening and toys all achieving double digit growth.
- CODB improved by 3.0% driven by the benefits derived from the Labour Operating Model update in stores. This has led to a 6.0% decline in Store Labour costs, whilst also seeing improvements in customer NPS.
- Operating Profit increased 241.7% to \$187.6m. Operating Profit Margin % has grown to 10.4%, 720 bps better than FY20 and 540 bps better than FY19.
- During the year, we closed three The Warehouse stores (Dunedin, Whangaparaoa and Johnsonville) and opened one new store in Ormiston, Auckland.



For the year ended 1 August 2021

<i>\$ million</i>	FY21	FY20	Variance
Sales	274.6	268.8	2.2%
Gross Profit	132.5	114.4	15.9%
Gross Profit Margin %	48.3%	42.5%	580
Cost of doing business (CODB)	98.2	96.9	1.4%
CODB %	35.8%	36.0%	(20)
Operating Profit	34.3	17.5	96.0%
Operating Profit Margin %	12.5%	6.5%	600
Stores *	70	71	(1)

\* Includes 25 SWAS integrations. 6 integrations implemented in FY21 H1 and 2 integrations implemented in FY21 H2.

- Warehouse Stationery continued to build on the momentum established in previous years, delivering yet another record result in FY21.
- Sales were up 2.2% on the prior period, with strong growth in transactions (instore and online) up 10% helping to offset a decline in average basket size compared to FY20.
- Gross Profit increased 15.9% to \$132.5m, through higher sales volumes and a 580 bps improvement in Gross Profit Margin, as we continue to benefit from a decrease in aged inventory and clearance activity.
- Operating Profit increased 96.0% to \$34.3m, with Operating Profit Margin improving a significant 600 bps to 12.5%.
- Office Furniture was the standout category in Sales, benefiting from strong demand as a result of Kiwis being required to work and study from home, with improved stock levels also helping to drive sales in this key category. Print & copy centre and arts & crafts categories also experienced strong growth.
- Online sales held flat compared to prior year, as we cycled through the anniversary of the first lockdown (March to May 2020). Customers have increasingly embraced Click & Collect with sales increasing 64.4%, making up 22.5% of Online sales.
- During FY21 we closed two Warehouse Stationery stores (Henderson and Hornby) and opened one new store in Ormiston, Auckland.
- A total of 8 SWAS integrations were implemented in FY21 – Masterton, Lyall Bay, Whanganui, Oamaru, Riccarton, Te Awamutu, Ormiston and New Plymouth The Valley – bringing the total to 25.

For the year ended 1 August 2021

\$ million	FY21	FY20	Variance
Sales	1,128.2	1,010.0	11.7%
Gross Profit	262.7	221.1	18.8%
Gross Profit Margin %	23.3%	21.9%	140
Cost of doing business (CODB)	197.8	186.9	5.8%
CODB %	17.5%	18.5%	(100)
Operating Profit	64.9	34.2	89.9%
Operating Profit Margin %	5.8%	3.4%	240
Stores	71	74	(3)



- Noel Leeming delivered another record year in both sales and Operating Profit, with sales exceeding \$1.1bn for the first time and Operating Profit growing by 89.9% to \$64.9m.
- Sales growth continued the strong momentum seen in FY21 H1, reporting full year sales growth of 11.7% versus FY20.
- Online shopping has established itself as a significant channel for Noel Leeming. While online sales decreased 6.4%, as we cycled through the anniversary of the first lockdown (March to May 2020), online sales remained above 10% of total sales, which is almost double pre-pandemic levels. Customers continue to embrace our 1 Hour Click & Collect offer, with Click & Collect Sales increasing by 9.3% to 62.0% of Online Sales.
- Our Business to Business (Commercial) division, known as “TWG Business”, continued its positive growth trajectory and recorded double digit year on year sales growth.
- Top performing categories, all of which had double digit sales growth, included: Appliances, Audio Visual and Smart Tech.
- Gross Profit Margin % was 140 bps higher at 23.3%, reflecting a shift in the sales mix towards higher margin products. Together with improved operational efficiencies, being reflected in a reduction of 100 bps in the CODB % (to Sales). This underpinned a full year Operating Profit increase of \$30.7m (or 89.9%) with Operating Profit Margin % growing 240 bps to 5.8%.
- During FY21, we closed four Noel Leeming stores (Tokoroa, Hunters Plaza, Morrinsville and Manukau Westfield) and opened one new store in Ormiston.



For the year ended 1 August 2021

\$ million	FY21	FY20	Variance
Sales	158.7	129.9	22.2%
Gross Profit	60.2	29.7	102.3%
Gross Profit Margin %	37.9%	22.9%	1,500
Cost of doing business (CODB)	56.9	47.4	19.9%
CODB %	35.8%	36.5%	(70)
Operating Profit	3.3	(17.7)	118.6%
Operating Profit Margin %	2.1%	(13.6%)	1,570
Stores	21	20	1

*Torpedo7 financial results (FY21 and FY20 comparatives) include Torpedo7 only and exclude 1-day which are now included in TheMarket results in the Group financial statements.*



- Sales increased 22.2% in FY21 through accelerated online and store sales particularly in H1. There was a strong customer response to increased targeted media and refreshed instore campaigns, supported by favourable domestic tourism.
- Torpedo7 experienced strong online sales growth in FY21, up 18.6% on prior period influenced by change in consumer behaviour post COVID-19 lockdowns.
- Customers embraced Torpedo7 Click & Collect service with these sales increasing 26.1% and making up 43.1% of online sales.
- Gross Profit increased 102.3% to \$60.2m with FY20 impacted by one off provisions of \$5.3m. GM% growth was driven by strategic initiatives which improved margins and reduced discounting.
- CODB has improved as a percentage of sales by 70 bps on the prior period with efficiencies gained across supply chain and store labour.
- The number of Torpedo7 stores increased to 21 with Napier store which opened in FY21 Q3.
- FY21 Operating Profit of \$3.3m is a significant improvement compared to Operating loss of \$17.7m in FY20.



# FY22 UPDATE



# FY22 UPDATE

- FY22 sales for the first 8 weeks of the financial year were down 22% compared to the same period in FY21. Despite the year starting positively, New Zealand went into a country wide Level 4 COVID-19 lockdown on 18 August – 2.5 weeks into the financial year.
- Sales have traded broadly in line with expectations at the different lockdown levels we have experienced since the start of the financial year.
- Given cash and available facilities on entering lockdown, the Group has not applied for the Government wage subsidy. The Group announced early in the lockdown that it would pay team members in full until the end of September, to provide certainty to our people.
- Given the moves of south of Auckland to Level 3 on 31 August and north of Auckland to Level 3 on 2 September, limited capital management initiatives have been employed.
- The Group's cash deposits have reduced significantly since balance date as a result of the decreased sales but the Group's bank debt facilities remain undrawn.
- The Board is pleased to announce a fully imputed final dividend of 17.5 cents per share. The final dividend has been declared on the assumption that New Zealand is predominately at Level 2 from the end of October. The record date for the dividend will be 18 November 2021 and will be paid on 3 December 2021.
- The Group has prepared for the potential for further significant lockdowns and has therefore maintained a robust capital position.



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# GLOSSARY

Term	Definition
C&C	Click & Collect
CODB	Cost of Doing Business
COGS	Cost of Goods Sold
DC	Distribution Centre
DIFOT	Delivered In-Full On-Time
E2E	End-to-End
EDLP	Every Day Low Price
ELS	Executive Leadership Squad
eNPS	Employee Net Promotor Score
FC	Fulfilment Centre
GBO	Group Business Operations
GEP	Group eCommerce Platform
GMV	Gross Merchandise Value
LTV	Lifetime Value
MDM	Master Data Management

Term	Definition
NIDC	North Island Distribution Centre
NIFC	North Island Fulfilment Centre
NL	Noel Leeming
OMS	Order Management System
OMU	Operating Model Update
POS	Point-of-Sale
SIDC	South Island Distribution Centre
SSO	Store Support Office
SSS	Same Store Sales
SWAS	Store-Within-a-Store
TWL	The Warehouse
WALT	Weighted Average Lease Tenure
WMS	Warehouse Management System
WS	Warehouse Stationery