

THE
WAREHOUSE
GROUP

Progress on Strategy

22 March 2022

Presenters



Jonathan Waecker
Chief Customer
and Sales Officer



Sarah Kearney
Chief Digital Officer



Tania Benyon
Chief Product Officer



Edwin Gear
Chief Information Officer



Jonathan Oram
Chief Financial Officer

We are improving our customer experiences and outcomes

Our Purpose

Helping Kiwis live better every day

Our Vision

To build New Zealand’s most sustainable, convenient and customer-first company

Our Strategic Customer Experiences

1

Helping customers to find what they’re looking for, at prices that are great, every time

2

Helping customers to enjoy fast, easy, and reliable ways to get what they need

3

Helping customers to have access to affordable solutions that help them live sustainably

4

Helping customers to feel recognised and rewarded

5

Helping customers get easy and high-quality customer service every time

1st Party Unified Data = Meaningful Experiences for our Customers

A challenging time for Kiwis

There are a variety of headwinds impacting the disposable income of New Zealanders ^{1, 2, 3}

- The rising cost of living and increased inflation is hitting New Zealanders and their families hard and is impacting our overall trading environment.
- Key customer headwinds include:
 - food inflation (up +6.8% in Feb vs LY)
 - general inflation hitting a 30-year high
 - rising petrol costs
 - low unemployment
 - and rising interest rates.
- New Zealanders remain focused on safely managing COVID-19 at home, impacting retail trips and causing temporary worker shortages.
- Consumer confidence has decreased.¹

1. Source: NZ Trading Economics
2. RBNZ – Inflation by category
3. RBNZ – Mortgage rates



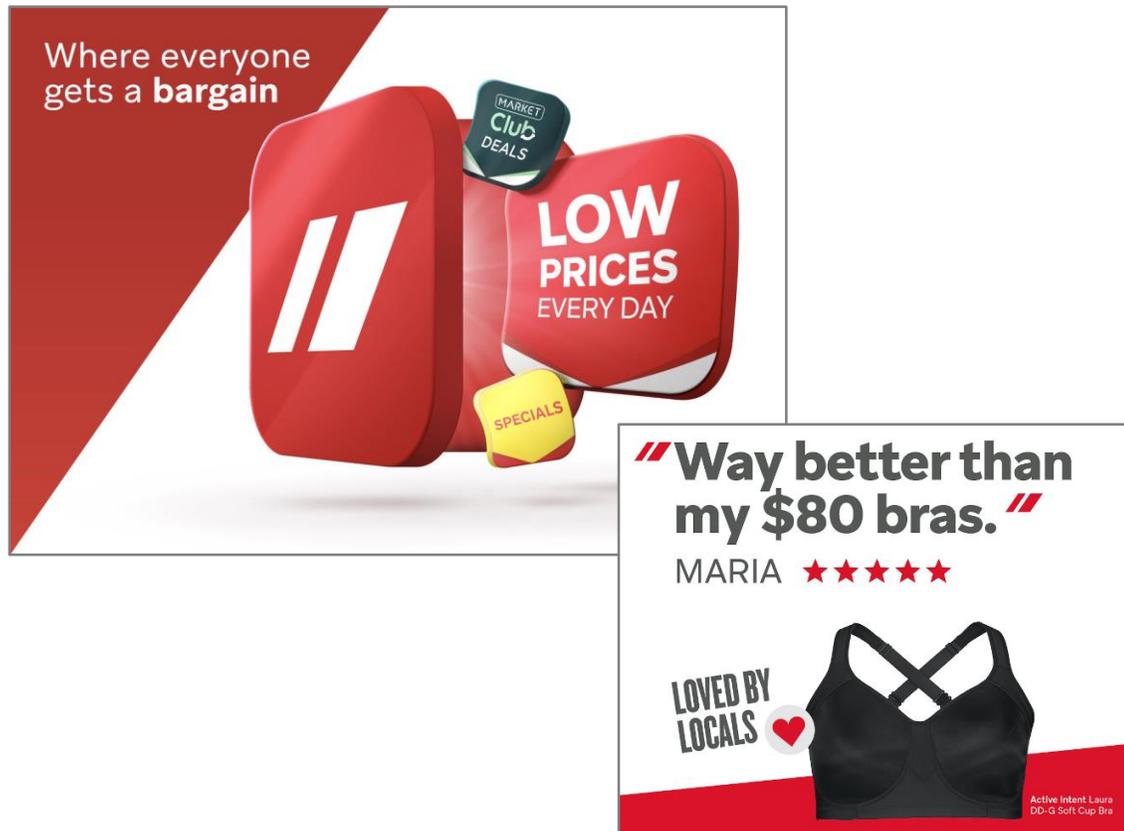
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Value leadership in The Warehouse continues to be recognised by customers

- The Warehouse "good value for money" perception increased +4 pts to 83% in H1 FY22 (vs H1 FY21) ¹
 - The Warehouse continues to lead on value vs our competitor set ¹
 - Saving Kiwis over \$6 at breakfast compared to everyday prices at key grocery compete ²
- Meaningful customer perception increases around quality improvements
 - Gains across "products that last" (+3 pts to 52%), "products that look great" (+4 pts to 69%), and "products that work well" (+4 pts to 68%) ¹
 - "Convenient store locations" increasing as a driver of value perception
- Price and promotional activity driven by strategic investments into data science and analytics

The Group's market share grew +0.1 points vs LY to represent 6.1% of total retail sales ³

- Group market share grew despite New Zealand H1 total retail spend declining 5.0% vs H1 LY ³
- The Group's online growth rate, +67.8% was over 2 X that of the key compete growth rate (core retail, +31.9% vs LY), and 3 X the growth rate of the total retail market (+22.4%) ^{3, 4}

1. Source: Qualtrics and TWG Insights. Total retail = all categories, including grocery, liquor, restaurants, and petrol

2. Source: TWG Insights. Based on average full-price basket of eggs, bread, milk, coffee, butter, oats and Weet-Bix on 18 Mar 2022 costing \$29.03 at The Warehouse and \$35.61 at Countdown.

3. Source: Datamine. Core retail = all categories excl. restaurants, fuel, liquor stores, entertainment, supermarkets, and travel

4. Online Sales includes The Warehouse, Warehouse Stationery, Noel Leeming and Torpedo7, sales through 1-day.co.nz, revenue from TheMarket.com; but excludes TheMarket.com gross transaction value (GTV).

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Our detailed price perception programme delivered customer value and \$183m in H1 sales

- Our SKU price segmentation allowed the Group to protect margin without eroding value perception
- 21% of baskets contained an item where we have invested in the retail price perception
- In H1 baskets with price perceptors delivered on average 49% more value and 58% more units than non-price perceptor baskets
- We sold over 10 million price perceptors in H1 with an average 32% GP and over 15 million key volume lines in H1 with an average 44% GP

Our range is delivering more value with better quality and more sustainable features

- Range curation continues with a 12% reduction compared to H1 LY
- Quality perception in The Warehouse improved +7pts vs the prior period
- Te Reo descriptions are being rolled out across our private label ranges, including our new Market Kitchen product
- More than 2 million units of Back-to-School stationery sold with Te Reo
- Master Data Management (MDM) has enabled capture of richer product data. Customers shopping online can now easily identify our products with a sustainable feature.

“I bought this shirt for my brother who works out constantly. He loves the quality as it’s light, leaving his upper body and torso to breathe. He likes the colour too.”



The Warehouse customer review

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Our supply chain performed well under the COVID-19 and seasonal pressures, although there is significant cost inflation to manage

- Volume was steady with 35 million cartons handled through our DC and 9,500 20-foot equivalent containers devanned
- Ongoing shipping disruption resulted in very low on time performance from shipping lines with less than 20% of all sailings completed on time and reduced space available
- TWG managed shipping challenges by:
 - Implementing a new priority process to get our most in demand products to our customers
 - Purchasing additional space at 'spot rate' when our contracted rates were fully allocated
- We continue to benefit from having sourcing teams on the ground in Asia to manage production and keep our stock flowing

Despite strong cost price inflation we continue to lead on value for customers

- Customer satisfaction scores have significantly improved across products that last, work well and look great
- Able to manage inflationary cost pressures while maintaining value leadership with customers
- GP% was strong at 40% for The Warehouse recognising good price management
- Purchase cost per unit declined 1.6% as our mix of grocery grew while total purchase value declined 13.9% as we managed unit volume vs FY21 H1
- Shipping costs increased 111% vs FY21 H1, including more spot rate being used to manage delivery timelines

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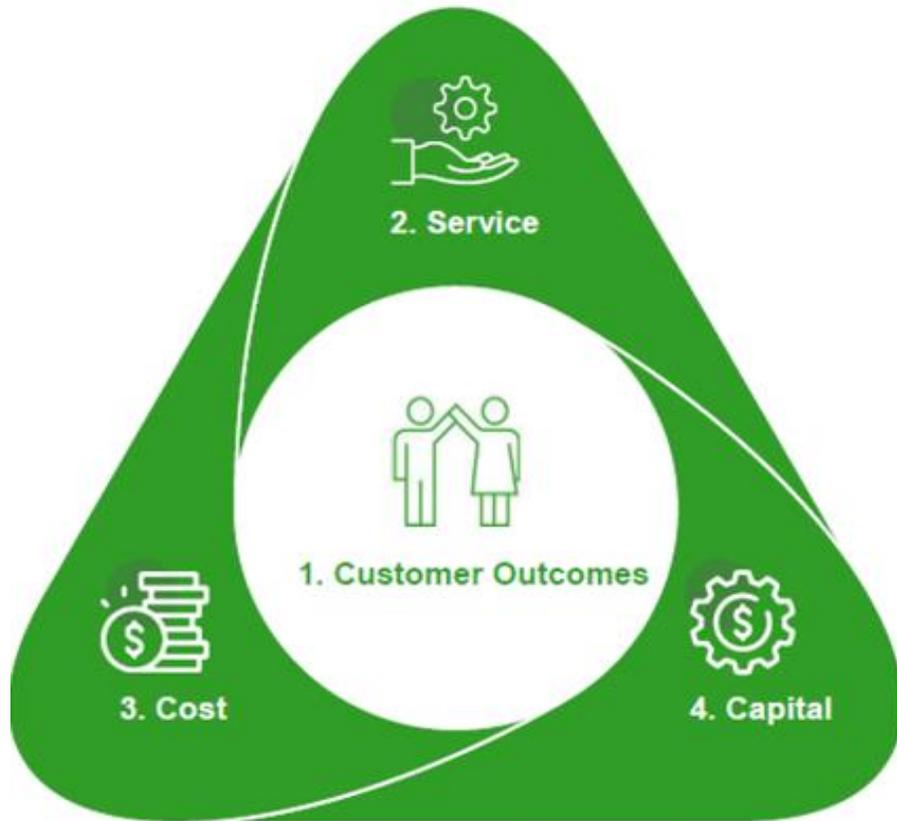
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We have designed a pragmatic and staged approach to fixing the fundamentals in supply chain

- Six programmes of work are transforming our logistics and fulfillment capability, including:
 1. DC and FC network re-design,
 2. Increased automation in handling and fulfilment,
 3. Transport optimisation to improve route planning and replenishment logic,
 4. Store process reset to reduce inventory on hand,
 5. Resetting our labour model to align closer with our supply chain model,
 6. Investments in Warehouse Management System (WMS), Inventory and Master Data Management (MDM) will reduce error rates, rework, lead times and resupply costs.

We are making good progress building our integrated supply chain to deliver market leading convenience at a winning cost to serve

- Four programmes of work are delivering better availability for customers, including:
 1. End to end planning informed by customer data (demand),
 2. Dedicated Agile tribe, demand forecasting that segments and prioritises SKUs,
 3. Supplier collaboration to create store friendly packaging and optimised pack sizes,
 4. New store ranging and replenishment logic.



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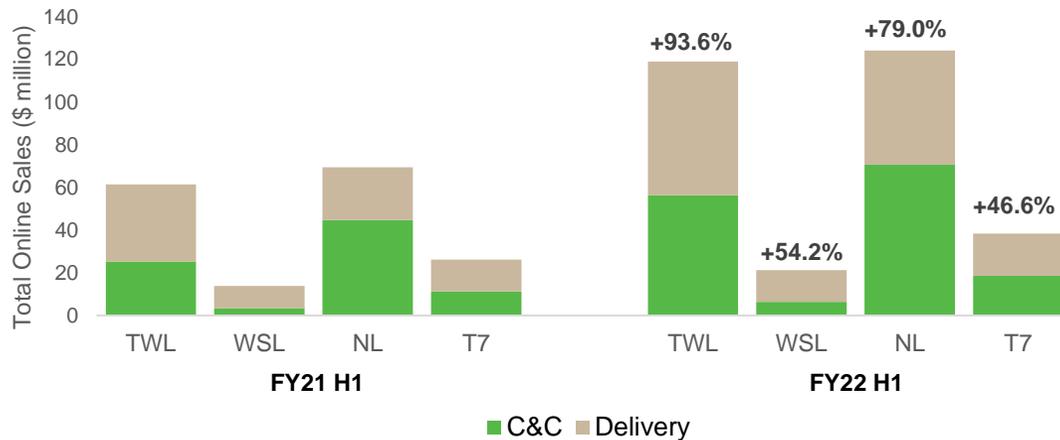
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Online Sales by brand – by Click & Collect and Delivery



Total online sales growth of +67.8% vs LY shows an ability to better capture shifts in customer demand than our competes ¹

- Online sales growth rate is over double that of Core Retail compete (+31.9% vs LY) ²
- Online gross margin continues to improve, with Noel Leeming online GM now within 280 bps of total brand GM ¹
- Dynamic performance marketing investments continue to drive omnichannel customer traffic and high-ROI
- Click & Collect sales grew 79.1%, now accounting for 50.1% of online sales. Units grew 94.9%, selling an average of 49.7 units per minute
- Orders grew 80.4%, with record number of parcels (over 3 million) delivered through fulfilment centre
- Investments in Warehouse Management System enabled us to react quickly to changing customer behaviours
- Our investment into Group Order Management System will unlock better carrier determination, as well as faster and more convenient delivery options

“It was so easy! I had the goods in my hand 30 seconds after walking into the store.”



Noel Leeming Click & Collect customer review

1. Source: TWG Finance
2. Source: Datamine

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Focusing on store pick up as the easiest, fastest, and lowest-cost “last mile” experience

- Making it quick and easy for customers to pick up Click & Collect orders
 - Rolled out SocialQ to all stores during lockdown to enable pre-booked collection time slots
 - Completed drive up Click & Collect test and new format trial in TWL Manukau, significantly reducing customer pick up times to under 60 seconds
 - Extended MarketPoint pick up locations to all Noel Leeming stores
- Extended endless aisles sales to all WSL stores
- Group Order Management Solution will unlock integrated and frictionless Click & Collect experiences, such as real-time two-way communication ahead of collection
- Advanced analytics delivered by Group Order Management System will enable us to monitor real-time cost to serve, and flexibility to optimise for cost and customer



GeekyKel
@comicbookgal

I love Noel Leeming so much right now. It said this would take up to three weeks to arrive, but it was only 3 days. Dryers are a bit more complex than they were 20 years ago huh?

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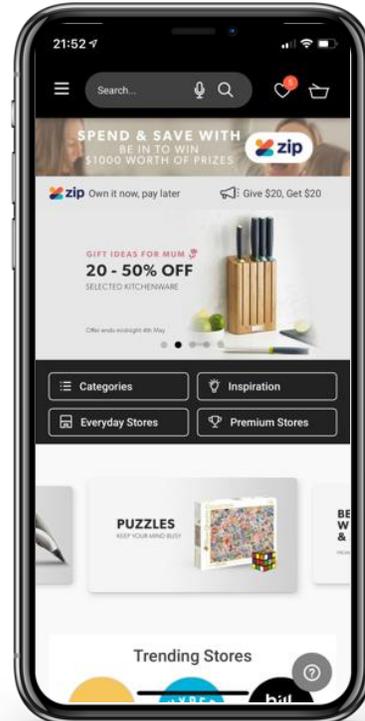
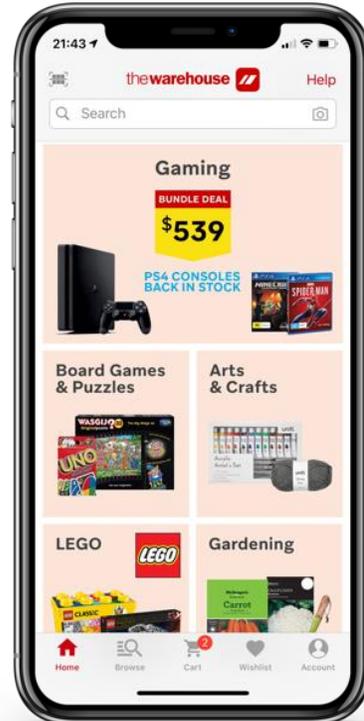
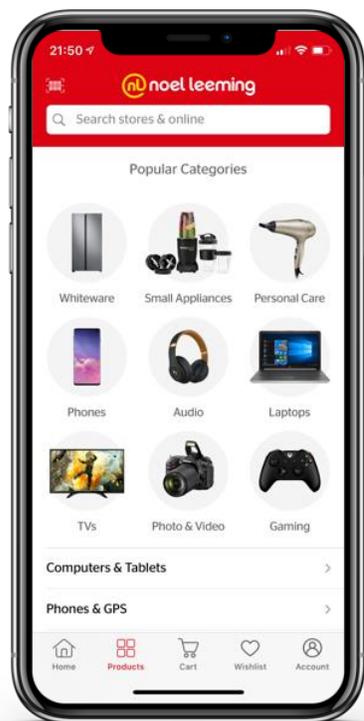
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Mobile app experiences are driving strong customer engagement and shopping metrics

- Apps for The Warehouse, Noel Leeming and TheMarket.com continue to be loved by customers
 - The Warehouse mobile app spent 46 days as the #1 most downloaded shopping app during the half ¹
 - TheMarket.com mobile app also achieved #1 during the half ¹
 - Noel Leeming mobile app achieved #2 ¹
- All three apps are rated 4.7+ with over 67k reviews on iOS App Store ³
- The Warehouse app revenue grew 145%, and now accounts for 35% of total online sales ²
- TheMarket.com app GTV grew over 10 X, accounting for 23% of sales
- Mobile apps drive higher frequency than our websites, and are used more often by our high value customers

1. Source: data.ai Intelligence
 2. Source: Google Analytics & TWG Insights
 3. Source: Apple

“Great app! Use it in store to check barcodes for prices. Use it before going out to see which stores have stock. Use it to purchase items online, check review, free click and collect. Very happy.”

★★★★★

The Warehouse mobile app customer review

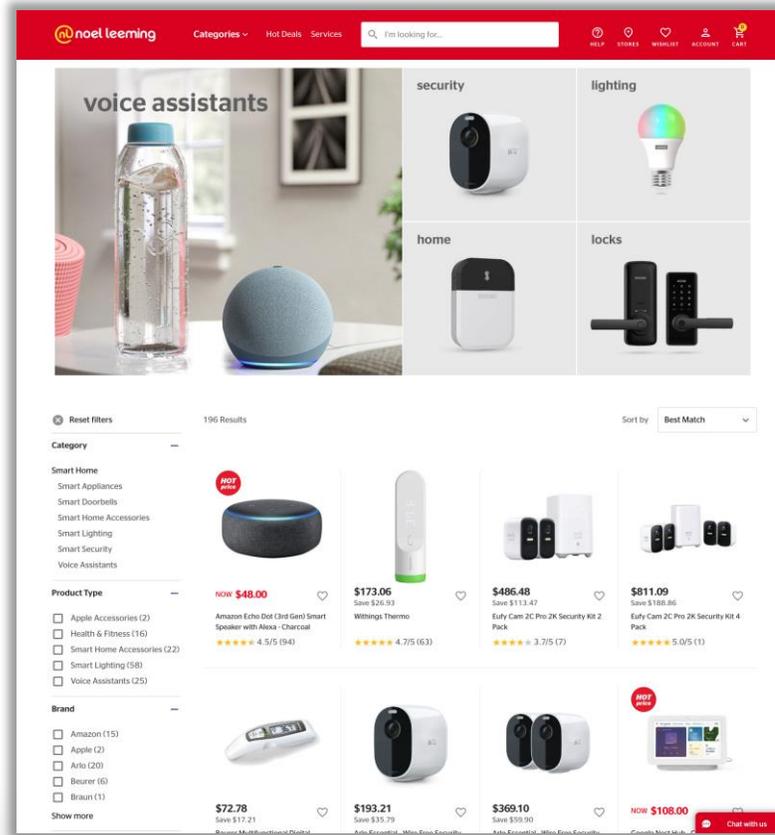
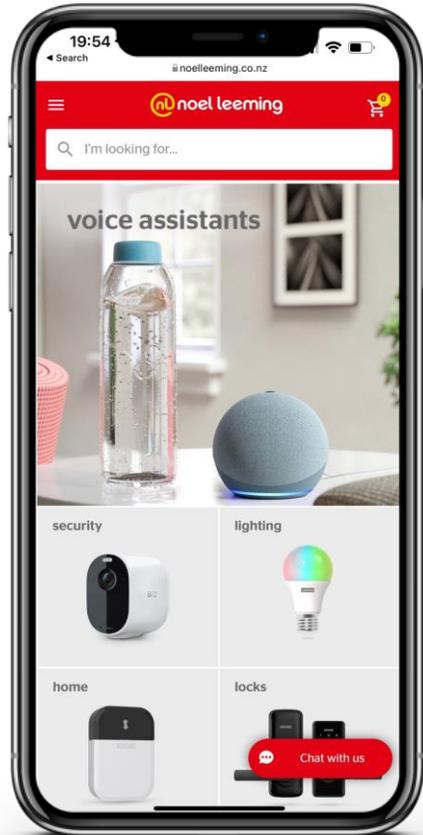
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Migrated Noel Leeming site to our mobile-first Group eCommerce platform in October 2021

- Noel Leeming is our second brand to migrate, joining The Warehouse which moved in March 2021
- Common backend already creating efficiencies
- New mobile-first platform provides tight interactions with our customer ecosystem across our product, marketing, fulfilment and customer service systems
- Customers are loving the new experience, with key customer metrics showing major improvements post-launch:
 - conversion has grown 41% ¹
 - exit rate has decreased 14% ¹
 - checkout funnel drop-off rate improved by 48% ¹

“Easy to find products that are in stock at my local store, making click and collect a breeze”

10 out of 10

Noel Leeming online customer Net Promoter Score review

1. Source Google Analytics & TWG Insights

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Sales of products with a sustainable attribute accounted for over \$111 million in the period ¹

- We've been carbon neutral since 2019 and were the third major global retailer and first large company in New Zealand to achieve this status
- Sustainable & Affordable campaign drove some of our biggest brand preference and brand love increases with customers ²
- Products with an environmental attribute delivered an average 9.3% higher GP in H1, largely in the Home and Apparel segments
- More than 30% of our apparel on order has a sustainable attribute led by Better Cotton Initiative and Oeko-Tex certifications
- We are making good progress on our goal to have 50% of our products with sustainable packaging by 2025. Over 7m units sold with plastic packaging reduced or completely removed in FY22 H1
- 'I was a Bottle Range' introduced in Warehouse Stationery for which 780,000 pcs of 750ml bottles were reused/recycled
- Introduction of circular programmes and ranges such as our Cyclo cotton range

“Love this!! Great quality and looks really stylish! Would recommend.”

★★★★★
Customer review

1. Source: TWG Finance

2. Source: TWG Brand Tracker

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Easier on the planet & easier on your wallet



Sustainable & affordable

Post consumer waste recycling options are being rolled out throughout New Zealand

- Diverted 75.8% of operational waste from landfill in FY22 H1
- During FY22 H1, we collected 25.17 tonnes of soft plastics across 30 participating The Warehouse stores (+36% vs LY)
 - 15 million individual units of soft plastic (96 tonnes) have been collected and diverted from landfill since the relaunch of the Soft Plastics Recycling Scheme in August 2019.
 - Piloting Terracycle recycling solutions in partnership with Nestlé, Colgate, Zuru, and Schwarzkopf
- 22 Noel Leeming and Warehouse Stationery stores now offer E-waste recycling programme for customers
 - During FY22 H1 we collected 24.6 tonnes of E-waste for recycling
 - 57.9 tonnes of E-waste have been collected for recycling since the launch of the programme up to January 2021
 - E-waste recycling will be further expanded by May 2022, with enhanced in-store and online customer experience
 - This is in addition to 67 Noel Leeming stores where we help Kiwis recycle old mobile phones via a partnership with RE:MOBILE

"Creating a circular economy is fundamental to a sustainable environment and reducing climate impact."

- The Warehouse customer

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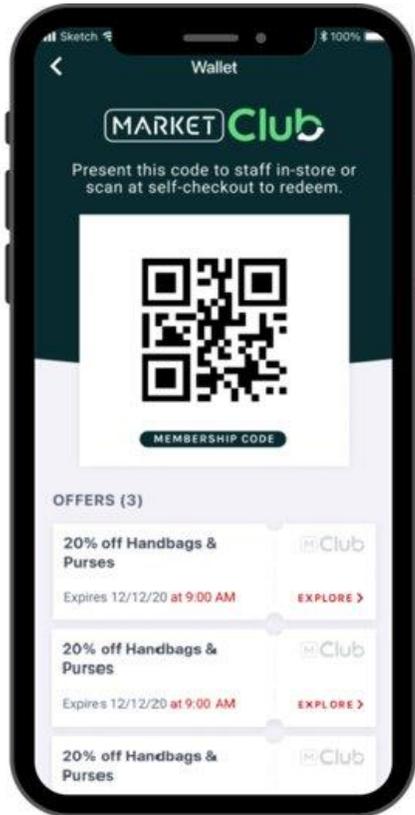
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We launched MarketClub group loyalty programme

- Live across The Warehouse and TheMarket.com from October 2021
- Programme will form the basis of our Group-wide loyalty programme
 - Opportunity to enable 4.2+ million unique customer records across the Group, moving from transactional relationships to managing lifetime value (LTV) ¹
- Club members are showing higher spend and frequency vs non-members – and members love it, showing higher NPS vs non-members ²
- Free and subscription propositions provide the foundations required to deliver enhanced convenience, value, and services for customers

We are continuing our strategic focus on 1st party data and logged-in shopping experiences

- Logged in customers enjoy a more relevant experience and convert higher
- Revenue from retail media grew 55%, as we continue to build our Retail Media Platform and new partnerships ²

"Good variety of products. I like the new market club offers /coupons - I look forward to seeing what is on offer every week 😊"

★★★★★
Customer review

1. Source: Salesforce Service Cloud
2. Source: TWG Insights

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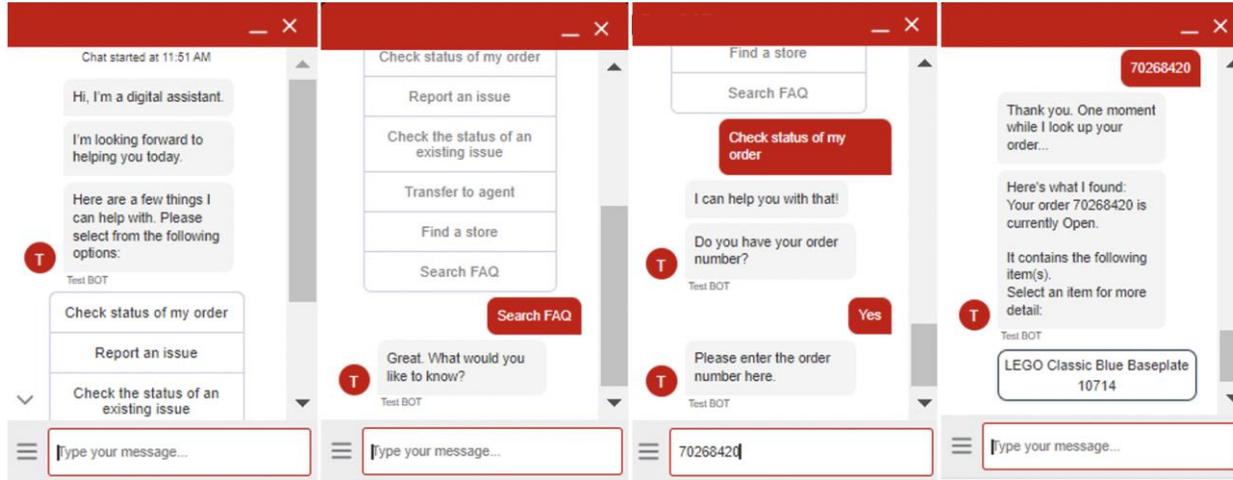
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Our focus on building capability in our Customer Care tools has given us the ability to effectively adapt to shifts in customer demand

- Interaction volumes for our digital communication channels have grown 115%, so it's important that we continue to build and optimise our digital care experiences
- Key areas of focus include:
 - Building AI powered care experiences so customers can access instant responses with ease
 - Optimising our digital tools to improve processes and leverage rich data to provide proactive and personalised customer experiences
- The Group Order Management Solution will unlock reliable information on order fulfillment status so we provide full end-to-end transparency to customers
 - We are building an easy returns process where customers can self-serve via a frictionless experience
 - Our Group Order Management System will be a key unlock



Ross Churchouse
@RossChurchouse

A lesson in excellent customer service (even in level 3) by @NoelLeemingNZ and @HouseOfMarleyNZ
My wife's headphone power input broke, called Noel Leeming, who called Marley and they replaced them with a new set with contactless pick up within 2 hours of the call
A++ all round

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We are investing to modernise and align our store footprint with changing customer behaviours and expectations

- Customers continue to notice in-store and online improvements
- Weighted average in-store net promoter score (NPS) increased by +3.7 points ^{1, 2}
- Commenced \$25M investment in 8 store refits for The Warehouse
 - Investing in flexible, modern, and fit-for-the-future retail environments that enable us to adapt to changing customer needs
 - Further unlocks our store footprint as a competitive advantage
- SWAS programme continues to enhance customer convenience with longer opening hours, more ranges, and easier one-stop shopping

Our stronger, more resilient and flexible operating model for team is creating better experiences for customers

- Looking after our team members so they can look after our customers
- Team engagement scores much higher TY vs LY, with store-based employee net promoter score (eNPS) +27 points on LY ³
- Engaged team culture supported by increased flexibility, as well as continued investment into efficiency and productivity opportunities

“Very easy to find what we were looking for. Also very friendly staff.”

10 out of 10
Customer Net Promoter Score review

1. Source: Qualtrics and TWG Insights
 2. Source: TruRating
 3. Source: Workday Peakon and TWG Insights.



Thank You

Glossary

Term	Definition	Term	Definition
C&C	Click & Collect	MDM	Master Data Management
CODB	Cost of Doing Business	NIDC	North Island Distribution Centre
COGS	Cost of Goods Sold	NIFC	North Island Fulfilment Centre
DC	Distribution Centre	NL	Noel Leeming
DIFOT	Delivered In-Full On-Time	OMS	Order Management Solution
E2E	End-to-End	OMU	Operating Model Update
EDLP	Every Day Low Price	POS	Point-of-Sale
ELS	Executive Leadership Squad	SIDC	South Island Distribution Centre
eNPS	Employee Net Promotor Score	SSO	Store Support Office
ERPFI	Enterprise Resource Planning - Finance and Inventory	SSS	Same Store Sales
FC	Fulfilment Centre	SWAS	Store-Within-a-Store
GBO	Group Business Operations	T7	Torpedo7
GEP	Group eCommerce Platform	TWL	The Warehouse
GTV	Gross Transaction Value	WALT	Weighted Average Lease Tenure
GOMS	Group Order Management System	WMS	Warehouse Management System
LTV	Customer Lifetime Value	WS	Warehouse Stationery

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