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**TO: Market Information Services Section  
NZX Limited**



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## **THE WAREHOUSE GROUP FIRST QUARTER SALES UPDATE**

**Group Sales in Q1 of \$645 million (down 1.7% compared to Q1 FY17)<sup>1,2</sup>**  
**The Warehouse (Red Sheds) Same Store Sales down 4.0%<sup>1</sup>**  
**Warehouse Stationery (Blue Sheds) Same Store Sales down 8.2%<sup>1</sup>**  
**Noel Leeming Same Store Sales up 5.1%<sup>1</sup>**  
**Torpedo7 Group Same Store Sales up 2.0%<sup>1</sup>**

### **Auckland, 9 November 2017**

The Board of The Warehouse Group (TWG) today reported retail sales for the first quarter ending 29 October 2017 of \$645.0<sup>2</sup> million, down 1.7% from the same quarter last year.

#### **The Warehouse**

The Warehouse reported sales for the first quarter (Q1) of \$357.9 million, a decrease of 5.2% or \$19.6 million compared to the same quarter last year. Same store sales decreased 4.0% in the quarter.

The transition to an Everyday Low Pricing strategy (EDLP) continued during the quarter. By the end of the quarter almost all categories are now using the EDLP model. The Warehouse will continue to use different pricing structures for selected categories and for some seasonal events.

The reduction of Sales revenue in Q1 was an anticipated effect from the transition to EDLP as The Warehouse lowered prices across its ranges. Volumes of product sold increased 7%. In part this reflected the success of the 'Dollar Deals' programme in the Grocery categories.

The Warehouse continued to trade well in the apparel category with sales and margin increases over Q1 last year. However, some seasonal outdoor categories such as Gardening, Outdoor furniture and BBQs were impacted by the wet weather experienced in the early part of Spring.

Gross margins were similar to Q1 last year. This reflects a mix of generally higher margins on EDLP ranges combined with clearance activity as discontinued ranges were exited.

#### **Warehouse Stationery**

Warehouse Stationery reported sales for the first quarter of \$59.1 million, a decrease of 7.2% or \$4.6 million compared to the same quarter last year. Same store sales decreased 8.2% in the quarter.

The Stationery business underwent significant change during the quarter as it completed the systems integration between The Warehouse and Warehouse Stationery. This change caused some disruption to the business, particularly in stock availability which impacted sales in the quarter.

In addition, some high value sales categories including computer products and communications underperformed during the quarter and contributed to the sales decline.

Gross margins increased as the sales mix changed towards higher margin categories.

While it has been a difficult quarter for the Stationery business, it is expected to return to normal trading levels as the business heads into the critical Christmas and Back to School periods.

## **Noel Leeming**

Noel Leeming reported sales for the first quarter of \$195.1 million, an increase of 6.3% compared to the same quarter last year. Quarterly same store sales increased 5.1%.

Continued focus on leading the technology segment in customer service through passionate experts in store resulted in continued sales growth in the extremely competitive appliances and technology market. Q1 saw strong growth in the communications, audio and whiteware categories.

Within the quarter, Noel Leeming opened its 78th store at Royal Oak, Auckland.

## **Torpedo7 Group**

Torpedo7 Group reported sales for the first quarter of \$39.2 million, up 3.7% compared to the same quarter last year. Quarterly same store sales increased 2.0%. This was driven by strong sales in the Torpedo 7 physical stores and through the 1-day segment, and was partially offset by declining online sales, particularly in the Australian market. Bikes continues to be the standout category.

Within the quarter, Torpedo 7 opened a pop-up store at Westgate, Auckland. The Penrose, Auckland Number 1 Fitness store was also closed and relocated within the Mount Wellington Torpedo 7 store. Quarterly same store sales were a positive 2.0%.

## **Online**

Group online sales (NZ) were \$46.6 million, up 9.2% compared to the same quarter last year. Online sales as a % of total Group sales has increased to 7.2% with all brands experiencing growth.

## **The Warehouse Group**

Announcing the result, Nick Grayston, Group Chief Executive Officer, said: "The reduction in first quarter Group sales was anticipated under the EDLP strategy in The Warehouse which continues to show encouraging results at gross margin level. However, we were disappointed with the performance in Warehouse Stationery as it was partly driven by internal operating changes. Our attention is now on the critical second quarter trading performance, while continuing to advance our retail transformation strategy with urgency."

The Annual Meeting of shareholders will take place on Friday 24<sup>th</sup> November 2017.

Note 1: Compared to the same period last year

Note 2: Total Group sales is net of intercompany eliminations

## **ENDS**

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### **Background: The Warehouse Group Limited**

The Warehouse Group Limited comprises 93 Warehouse stores, 69 Warehouse Stationery stores, 78 Noel Leeming stores and 11 Torpedo7 stores in New Zealand plus several online businesses. The Group had an annual turnover of \$3.0 billion in FY17 and employs over 12,000 people.