

A plan to — transform.

THE WAREHOUSE GROUP LIMITED

Investor Day

9 November 2017



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All information in this presentation is current at the date of this presentation, unless otherwise stated. All currency amounts are in NZ dollars unless stated otherwise.

Agenda



Subject	Presenter
Welcome	Mark Yeoman, Group CFO
Overview	Nick Grayston, Group CEO
The Warehouse and Warehouse Stationery	Pejman Okhovat, CEO The Warehouse and Warehouse Stationery Tania Benyon, CEO Group Sourcing
Noel Leeming Group and Topedo7 Group	Tim Edwards, CEO Noel Leeming Group and Topedo7 Group
Logistics & Fulfilment, Technology and Digital	Timothy Kasbe, Chief Information & Digital Officer
Customer Experience, CSR	David Benattar, Chief Experience Officer
Data Analytics and Customer Insights	Michelle Anderson, EGM Data & TWL/WSL Marketing
People and Culture	Anna Campbell, Chief People Officer
Finance	Mark Yeoman, Group CFO
A Board Perspective	Joan Withers, Chair, The Warehouse Group
Summary and Closing Comments	Nick Grayston, Group CEO
Q&A	

The Warehouse Group

— Overview

Nick Grayston, Group CEO

Key takeaways

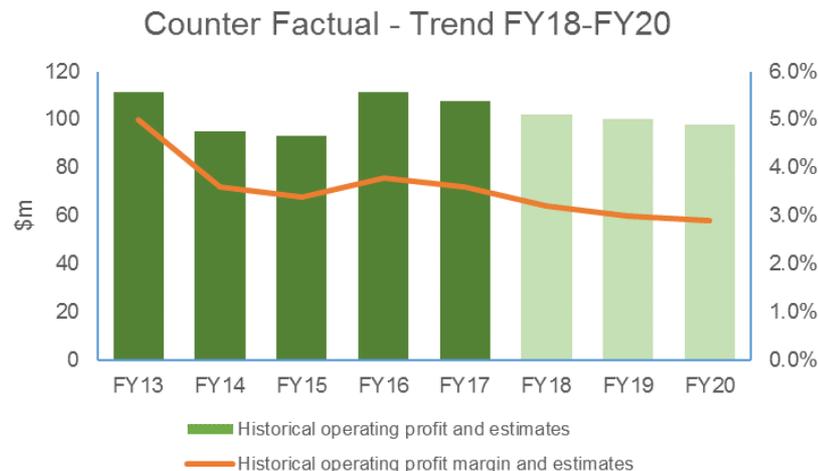


- The 'new rules of retail' mean retailers must evolve to utilise new technologies and platforms in order to remain relevant
- This fundamental transformation will ensure a sustainable business in this new globally competitive retail environment
- We have established a world class leadership team which includes global expertise and local knowledge
- The Board and Executive Team are focused on successful execution and risk management

Counter factual: Doing nothing is not an option



- Performance over the past 7-10 years characterised by declining operating margins in The Warehouse
- Inorganic M&A driven revenue growth has not offset the decline in The Warehouse profitability
- Acquisition has been funded by asset sales rather than operating cash flow
- The Warehouse business represents 60% of sales and almost 80% of operating profit
- The counter factual analysis suggested the declining profitability trend would continue
- Under this scenario, and allowing for a level of sales growth offset, future earnings would be flat and at a level below FY17
- New competitive threats, and an inflexible and complex operating model dominated by large fixed asset base and heavy capital consumption increased risk



Note reported operating profit for continuing retail operations

External forces of change

Customer Expectations



Global Sourcing



Technology



Connectivity



Global Competition



- Power shifted to consumers and retailers need to engage in 'new rules' of retail
- Our retail business model must evolve to utilise new technologies and platforms which connect consumers across global marketplaces to create an experience that differentiates us from our competition
- Acceleration of our transformation plan is now an imperative to respond to emerging trends

Strategy review and development of retail transformation project



- In FY16 Management and the Board considered a number of strategic options to extract value for shareholders
- FY17 Christmas performance led to the acceleration of planned simplification and cost take-out with a reorganisation of our head office operating structure
- Professional advisors assisted to develop the case for change and transformation framework following an extensive review of our business
- Robust internal strategy development process followed including testing scenarios and examining risk
- Early and repeated engagement with the Board to understand issues facing the business and review strategic options in response, resulting in strong alignment

Moving to execution: Retail transformation



Fix the Retail Fundamentals

Invest for the Future

← **Technology Enablement** →

EDLP

Reducing the range of SKUs and changing mix from HiLo to EDLP to drive gross margin and lower marketing and operational costs

Operating Model

Leverage operational synergies, remove duplication in product range and optimise store footprint and costs

Reducing complexity

Driving efficiency and reduced CODB through technology driven automation and productivity gains, direct sourcing and increased speed to market, and streamlined fulfilment

21st Century Retailer

Create a mobile first platform to build digital capabilities and ecosystems to respond to customer needs

Effortless, personalised and seamless customer experience and interaction across multiple brands and omnichannel

Innovative ways to engage and reward customer loyalty and create value added service offerings

What does a 21st Century Retailer look like?



- Pivoting from a supply driven to a demand driven model to meet customers' needs in different ways
- Leveraging our existing Brand channels but also partnering with others and redefining how we do business closer to the point of need to create a truly customer centric ecosystem
- Developing a culture of innovation to look at opportunities beyond our current retail footprint
 - Agile methodology
 - Speed to market
 - Test and learn

What does this look like for our Retail Brands?



- Leveraged store footprint incorporated with e-commerce
- Easy to shop: consistent & competitive (dynamic) pricing, clear ranging, good stock availability, automated checkout, range of payment options & methods
- Customer centric fulfilment
 - 'Last mile' delivery options (2-hour, same day, next day or standard delivery)
 - Extensive click & collect offering
- Personalised customer experience
 - Relevant product offerings, pricing & marketing
- Lower costs: right-sized head office cost structure
- Global brands complemented with high-quality and affordable private label products

We have made significant headway against our strategic pillars



PRODUCT

- Transitioned to EDLP (~ 100% of categories)
- Reduction of 15k active Store Keeping Units (SKU)s in FY17
- Increased direct sourcing and extended capability with opening of Indian Office
- Benefits of improved design and curation seen in apparel, accessories and footwear category with growth of 2.0m units sold (sales revenue of \$22.3m)
- Implement systems to improve sourcing efficiency

DIGITAL

- Online Group sales year-on-year growth of 18.4%
- Expanded South Island distribution centre
- Innovations in online fulfilment to build same day/next day capability including testing 2 hour delivery using electric vehicles
- Adopt agile and design thinking
- Experimenting with AI with test cases such as our HR intranet
- Started retail cloud discovery
- Built ability to test self-checkout

PROCESS

- Made key international hires to build up the right team
- New operating structure to drive sustainable profitability and reduce complexity
- Sale of Financial Services Business
- Sale of Newmarket property
- First trial of store within a store to explore options for redeploying space
- Extensive strategy review with the Board including independent advice to define retail transformation project

CSR

- Raised \$5.6m in FY17
- Launched Red Shirts in Community programme, a partnership with the Ministry for Social Development
- Rolled out customer soft plastics recycling to a further 11 stores, now 47 in total
- Commitment to transition 30% of our fleet to EVs by the end of 2019
- Significant public recognition and awards following our “Family violence- it’s not ok” and gender transition policies

With further work to be done



PRODUCT

- Build services capability across Group
- Build marketplace of extended goods and services
- Move to direct sourcing, eliminating most agents
- Further build in-house design capability and move to curated assortment
- Reduce handling touches
- Restart virtuous circle
- Ethical Sourcing Policy
- Extend reach through online and drop-ship

DIGITAL

- Move to Retail Cloud
- Scope and build value exchange based loyalty and payments platform/mechanism
- Move to personalized pricing based around lifetime value
- Test and build click and collect capability
- Equip store staff with capability to assist customers via AI / AR / tools
- Test Marketplace Store concept

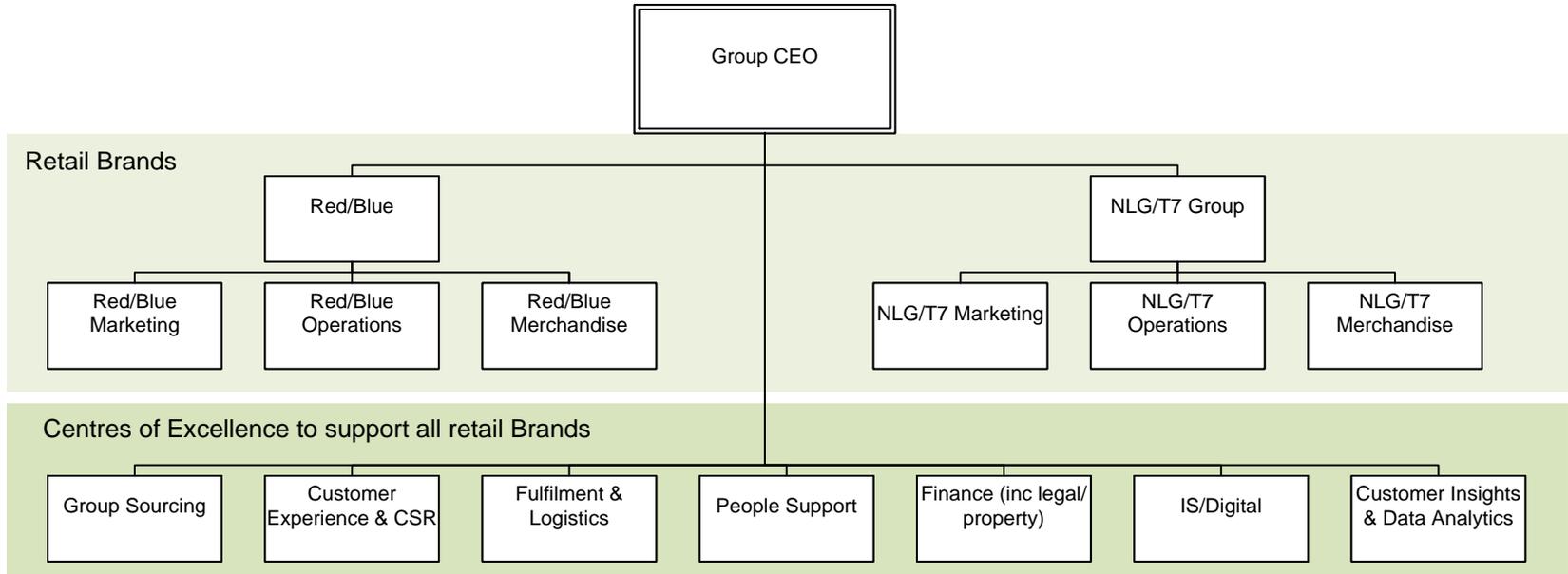
PROCESS

- Reduce complexity and costs
- Build performance culture, mechanism, data-driven scorecards
- Move to continuous assessment
- Plan and test store of the future
- Test beacons / NFC as information delivery
- Build and use data / AI to revolutionize approach to H&S

CSR

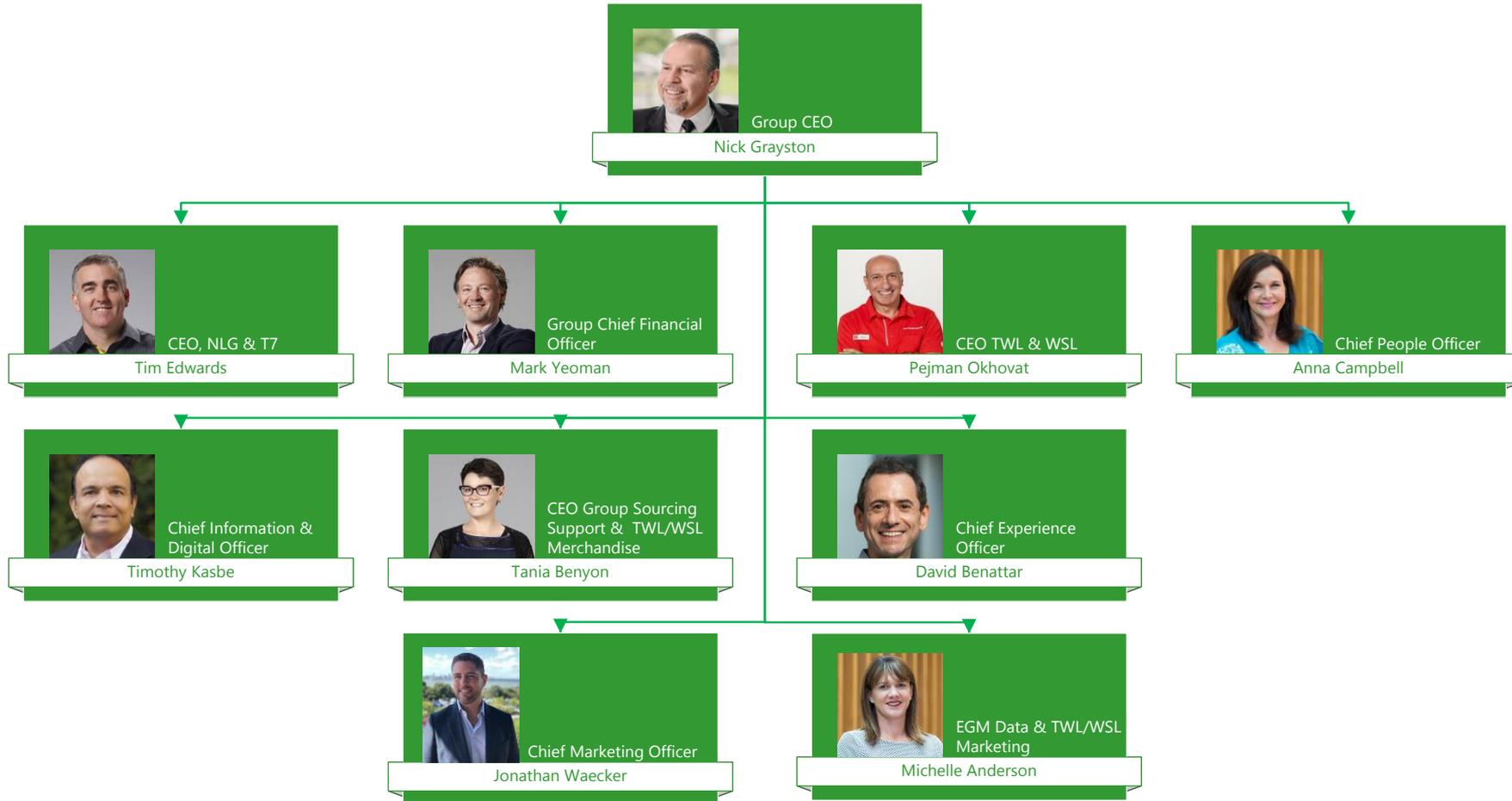
- Integrate into all corporate and customer communications
- Explore sales give-back options
- Build and implement Carbon Neutrality strategy
- Build a full suite of green products
- Identify and support policies to Help Aotearoa Flourish
- Move to EV's – minimum 30% by 2019

Operating model changes



- Successful integration of operating structures and leadership of retail brands, and centralised support functions. Work to streamline processes and remove duplication underway
- Centralised support functions to become centres of excellence, encouraging operational best practice, process improvement, and cost reduction
- Changes have clarified roles and decision-making rights, enabling a focus on execution
- Embarked on a culture transformation project to re-engage our team and shift to a customer-centric mindset

Building a world class team



Pejman Okhovat,
Chief Executive Officer,
The Warehouse and
Warehouse Stationery

Tania Benyon,
Chief Executive Officer,
Group Sourcing Support



The Warehouse core purpose



The Warehouse will make a difference to peoples lives by **making the desirable affordable** and **supporting New Zealand's communities and the environment.**

By putting the customer first, we will succeed. Everything we do flows from this principle.

We enjoy success **through working together as one team.**

People choose to work for us because we care about and recognise individuals.

where everyone gets a bargain

Customer consideration



THE WAREHOUSE | 18



3.5 million individuals shop at The Warehouse, every 12 months

1.0 million+ transactions every week

30 every New Zealander is within 30 minutes of a store

- Shop with hearts and heads
- See value in everyday low price
- Spending under increased pressure
- Affordable style and design
- Clear expectations of service, range and availability
- Like our team
- Like innovation to assist in their experience



The Warehouse, an iconic Kiwi brand, loved and trusted by families and communities, helping them grow and flourish, by making the desirable affordable and the affordable desirable.

The Warehouse brand



Price

Everyday low price message
Reinvention of the bargain
Transitioning our customer
mindset



Trend

Design, quality,
value for money



Community & Environment

Celebrate all we do within our
communities and for our
environment



Innovation

Demonstrate
innovation to
customers

Where everyone gets a bargain, EVERY DAY

FY18 Strategic Focus Areas



01

Brand Position

Iconic Kiwi brand that is loved and trusted by families and communities

02

Product & Price

Curated range at best prices every day

03

eCommerce

Drive sales by focusing on core fundamentals of experience, range and fulfilment

04

Customer Experience

Improve omnichannel experience across all channels

05

Integration and Operating Model

Integrated team running Red and Blue business, driving value

EDLP delivering cost savings



- EDLP ~ 100% of categories by end of Q1 FY18
- Curating a more focused range
- Rationalisation of our private label brands
- Improvement in advertising promotional programme, via reduced investment in traditional channels and increases in digital optimisation

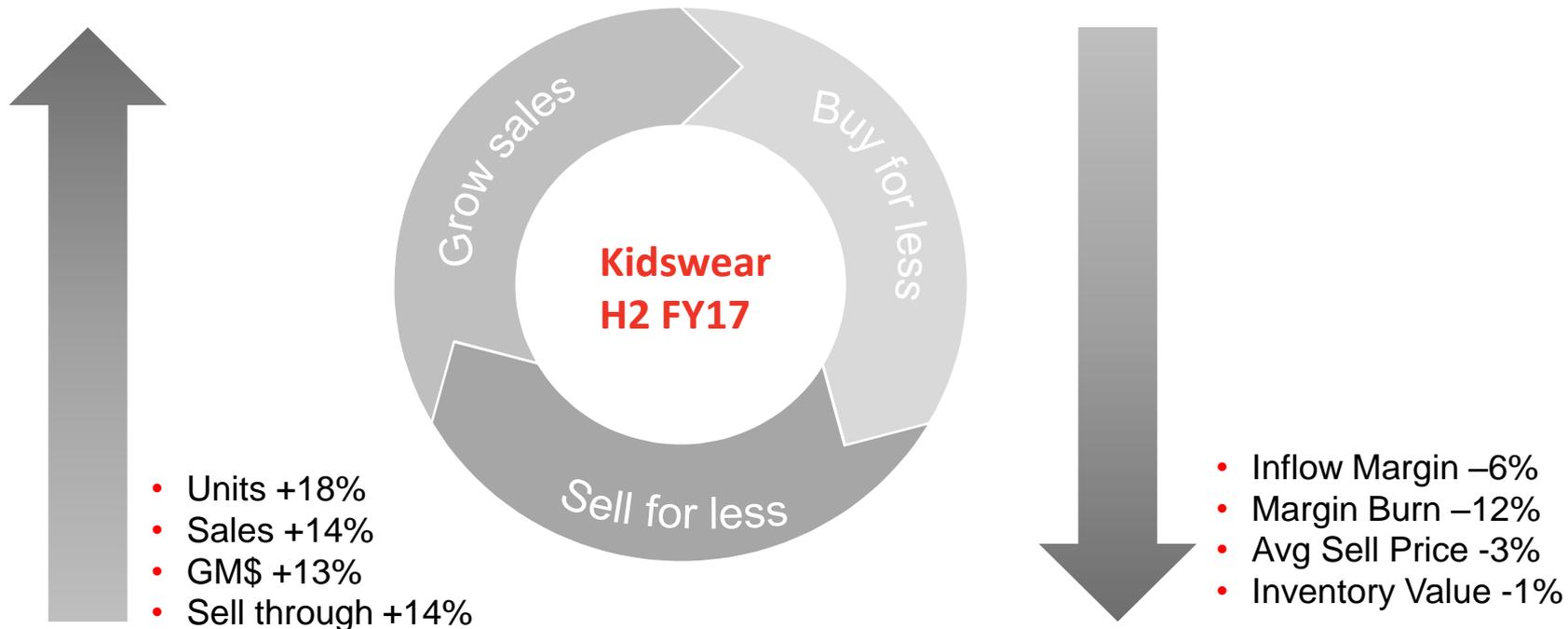


Kidswear case study



Kidswear was the first category to fully transition to EDLP in H2 FY2017.

Customers have responded positively to EDLP prices, enjoying the freedom to choose when they shop



Dynamic buying and sourcing



We have built an integrated team that is lowering our 'cost of goods sold' and improving our speed to market, with on trend, quality product



Dynamic buying and sourcing



Our in-house design studio team interpret the latest trends in apparel and homewares, delivering speed to market and making 'the desirable affordable'

Homewares



Menswear



Group sourcing support

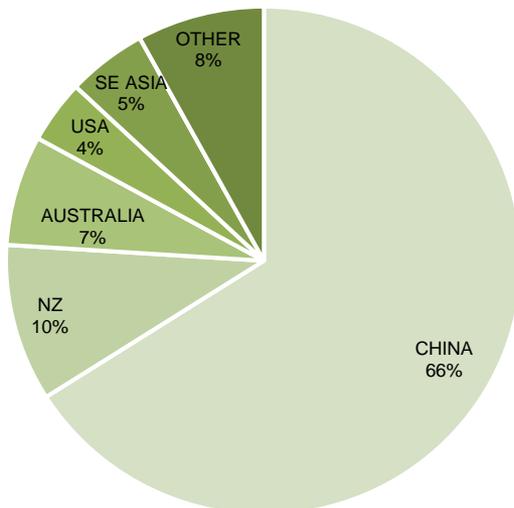


Our private label programme includes ensuring quality and ethical status of goods we source



THE WAREHOUSE | 27

Direct Sourcing Country of Origin



180 Team Members
Delhi, Shanghai, Auckland

Dynamic Buying and Sourcing

Fabric consolidation, Functional pricing, Production management and Capacity booking, Programme awarding, Project direct, Supplier matrix and accreditation, CSR compliance

1092 Active Private Label Factories

Audits

- 280, incl 50 unannounced
- 85% average score

Qualification

- 244 factories qualified
- 151 factories declined

Visibility

- 99% Tier 1 factory visibility

Evaluation

- 94 evaluation visits

QA and QC
30k Private Label Skus

H2T

2738 Specs Created
14387 QC Checks
19126 Product Approvals

10%
Reduction in
Customer
Product
Complaints

GM

2457 New Product Evaluations
462 Food Product Approvals

> 15k Containers Shipped Annually

Growing our business beyond FY18



FY18 takes us in a bold direction to re-establish sustainable profits and future growth

Following operating model changes and our transition to EDLP we will continue to identify and deliver more reasons for customers to shop with us. We will create the following points of difference:

- Differentiated and **non-replicable** product and services offering through **private label** growth
- **Increased choice** through exploring space productivity and **re-purposing** where appropriate
 - WSL store within a store
 - Other TWG opportunities
 - Future relevant tenancies
- Introduction of **new categories**
- Omni-channel experience that is market leading in user experience (UX), seamless in application and fully utilises all channels to provide **choice and convenience**
- Our **people and services**
- Leveraging **Group synergies** to enhance our offer and create an ecosystem that adds value



Pejman Okhovat,
Chief Executive Officer,
The Warehouse and
Warehouse Stationery

 warehouse stationery
FY18 INVESTOR DAY

Customer consideration



WAREHOUSE STATIONERY | 30



60 000 businesses served through WSL

100 000 transactions every week

#1 for Back to School

- People who lead full lives and want their days to be productive
- They want to be inspired
- Great value is important
- They want to feel engaged at a personal level
- They appreciate everything in one convenient, inspiring, and welcoming place



Build on our purpose to inspire and enable a more productive New Zealand by providing everything our customers need to WORK, STUDY, CREATE and CONNECT.

Warehouse Stationery brand



Inspiration and Value

- Inspire people to do more
- Delivering great value



Partnership

- Partnering with businesses and the education sector
- Delivering whole offer with added value



Products and Services

- Curated range of products
- Services and solutions



Innovation

- Demonstrate innovation to customers



FY18 Strategic Focus Areas

- 01 Brand Strategy**
Using data and insights to become more relevant and personalised
- 02 Product & Service**
Curated offer by customer channel
- 03 eCommerce**
Drive eCommerce sales
- 04 Customer Experience**
Improve omnichannel experience across all channels
- 05 B2B & Education**
Grow market share in both channels
- 06 Integration and Operating Model**
Integrated team running Red and Blue businesses to drive value



Blue stores into Red

Rationale

- Blue into Red is a series of tests to assess the impact of combining two brands under one roof, with a curated product range, given:
 - Online shopping channel growth
 - Globally space is being reconfigured in different ways
 - Impact of digitalisation on the stationery market
 - Occupancy costs

Our Aim

- Further validation to continue. Plan to pilot 4-6 examples before we set rollout targets
- We will be testing impact on the following to inform targets:
 - Business customers
 - Conversion for both Red and Blue
 - Total basket size
- Build greater flexibility into our ability to repurpose space according to customer need

Blue stores into Red: Airport



First trial store opened in June

Early signs encouraging:

- Red store performing better than control set
- Transactions in Blue up
- Property costs saving
- Better overall profitability

Customer Feedback

- Love that they can shop two stores
- It's easy; they shop across both brands and pay once
- Improved range and choice in technology and stationery
- Business customers feel some categories have less range compared to the past

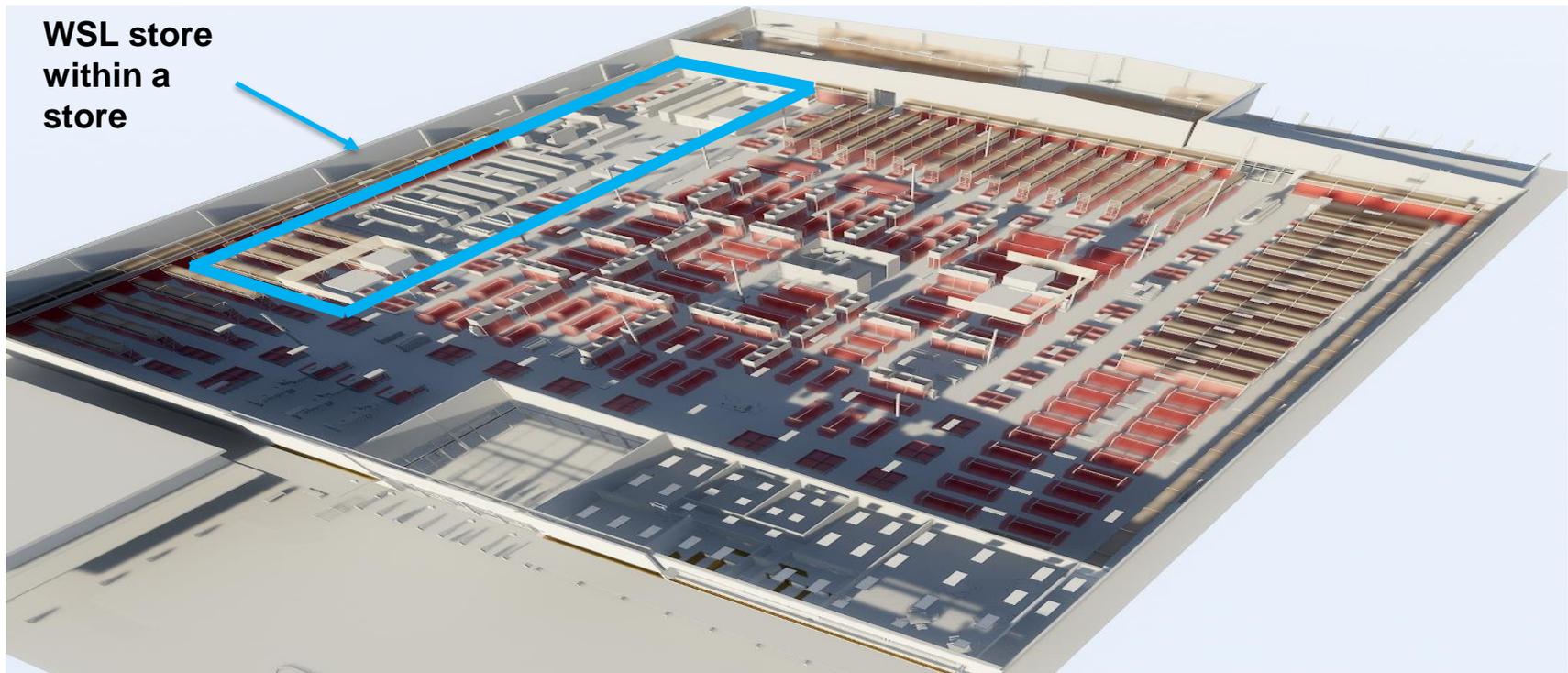


Blue stores into Red: Rolleston

Rolleston store opens Nov 2017

We have implemented key learnings from Airport store:

- Better adjacencies of categories across the whole store
- Better office furniture ranges to demonstrate credibility
- More appropriate staffing levels



**WSL store
within a
store**

Growing our business beyond FY18



WSL will grow profitability by remaining relevant to customers, differentiating and growing market share and improving its operating model

WSL is focused on differentiated strategic growth opportunities alongside realising synergies/efficiencies from business integration and operating model changes.

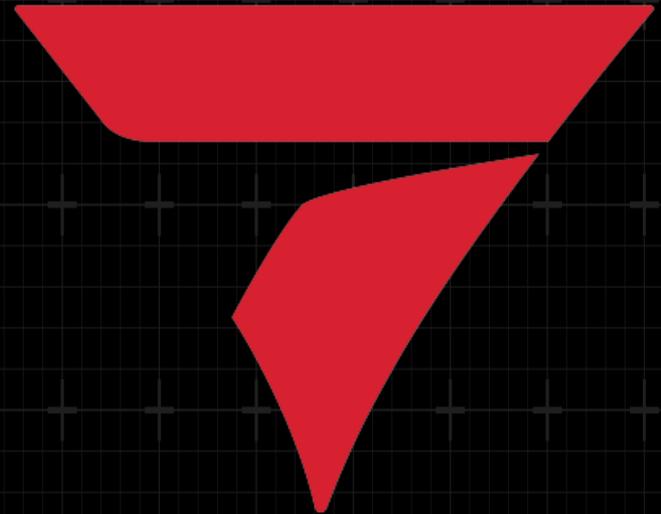
The areas of focus:

- Use of data and insights to become more **relevant and personalised**
- Omnichannel customer experience to provide **convenience and choice**
- **Products and service** strategy with emphasis on service and experience
- Driving **sales growth through eCommerce strategy**
- Growing market share through B2B and education
- Integration and operating model changes enabling our team to **run two businesses, unlocking more value**
- Realising **further efficiencies through TWG synergies** in areas of sourcing, digital, supply chain, property



Tim Edwards,
Chief Executive Officer,
Noel Leeming and Torpedo7
Group

Torpedo7

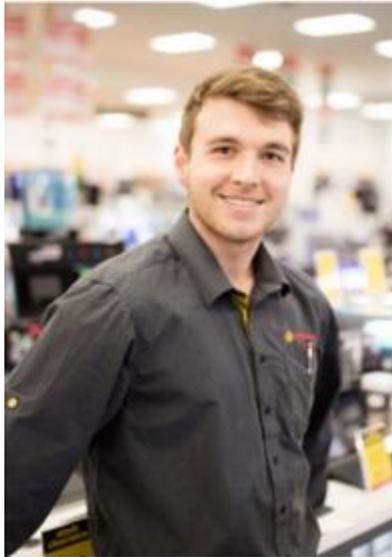


 **noel leeming** **Torpedo7**

FY18 INVESTOR DAY

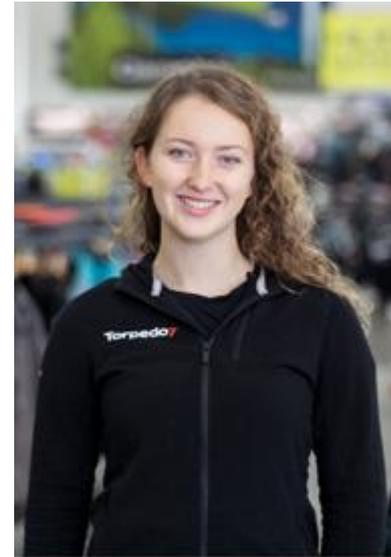
Both brands at a glance

Passionate Experts



Noel Leeming has come a long way since our first store opened in 1973. We have stores from Kaitaia to Invercargill and have become one of New Zealand's most well-known brands and #1 consumer electronics retailer.

Passionate Enthusiasts



Torpedo7 Group includes Torpedo7 plus Shotgun Supplements and No.1 Fitness, and 1day.co.nz. Torpedo7 is committed to providing adventure enthusiasts with an extensive range of quality goods at competitive prices.

Who we are: Noel Leeming



our purpose

making kiwi lives better

who we are

the authority in appliances, technology and services for retail and commercial customers

NOEL LEEMING | 40

all New Zealand customers

right **product**

best range, first to market, exclusive product

right **price**

great value for money

passionate **people**

confident, enthusiastic and likeable. we live our values

expert **service**

we always deliver over and above service

leading **services**

our point of difference, end-to-end solutions

passionate experts

Strive
our standards are high, yet we strive to exceed them

Passion
is at the heart of everything we do

Integrity
we do the right thing

Respect
respect for all guides our actions and decisions

Innovation
we provide innovative end-to-end solutions

Teamwork
we work together to achieve our goals

FY18 Strategic Focus Areas

01

Personalise our customer experience

Utilise myNoelLeeming, embed customer journey and maximise customer lifetime value

02

Build on passionate experts

Embed recruitment tools, learning programmes in specialist areas, diversity initiatives, increase engagement by >2%

03

Services evolution

Extend Tech Solutions to all stores in FY18. New warranties product developed in FY18

04

Improve gross profit ahead of sales

Better manage discounting. Focus on exclusives, maximise scale with suppliers

05

Maximise profitability through process efficiency

Inventory planning and online fulfilment focus. Improvement in GMROx in FY18

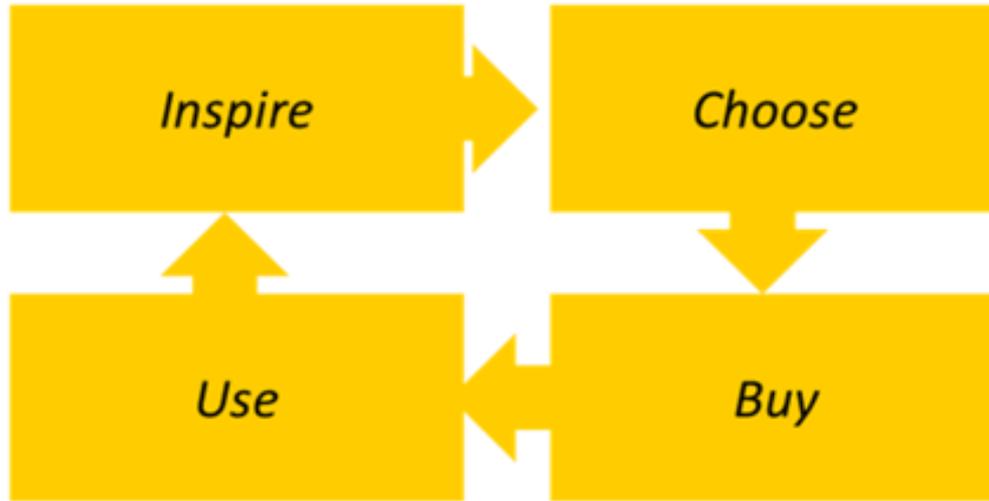
More than just selling product



NOEL LEEMING | 42

Providing news, trends, ideas and examples to add value

Ensure customers get set up with new technology, know how to get the best out of it, and always have help on hand



Provide choice, information and advice to make it easy to find the right products and services

Right product at the right price, flexible payment options, rewards, and services



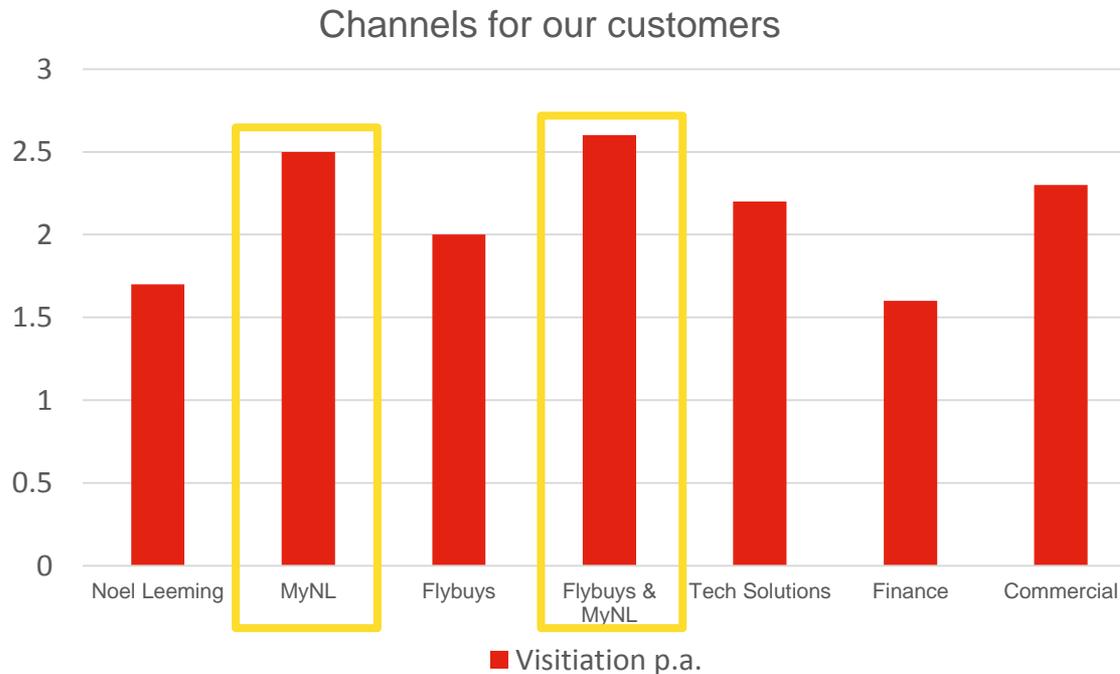
Multiple customer channels



Customer visitation and value is driven by:

- Loyalty, supported by digital/data
- Value-add services, and financing options

NOEL LEEMING | 43



We see greater visitation when customers subscribe to MyNoelLeeming (currently over 500,000 active members)

End-to-end service proposition



A perfect combination of Passionate Experts and End-to-End service



In store,
from
Kaitaia to
Invercargill



In Home
or at work
~1000 per
week



Customer
Care &
Tech
Support



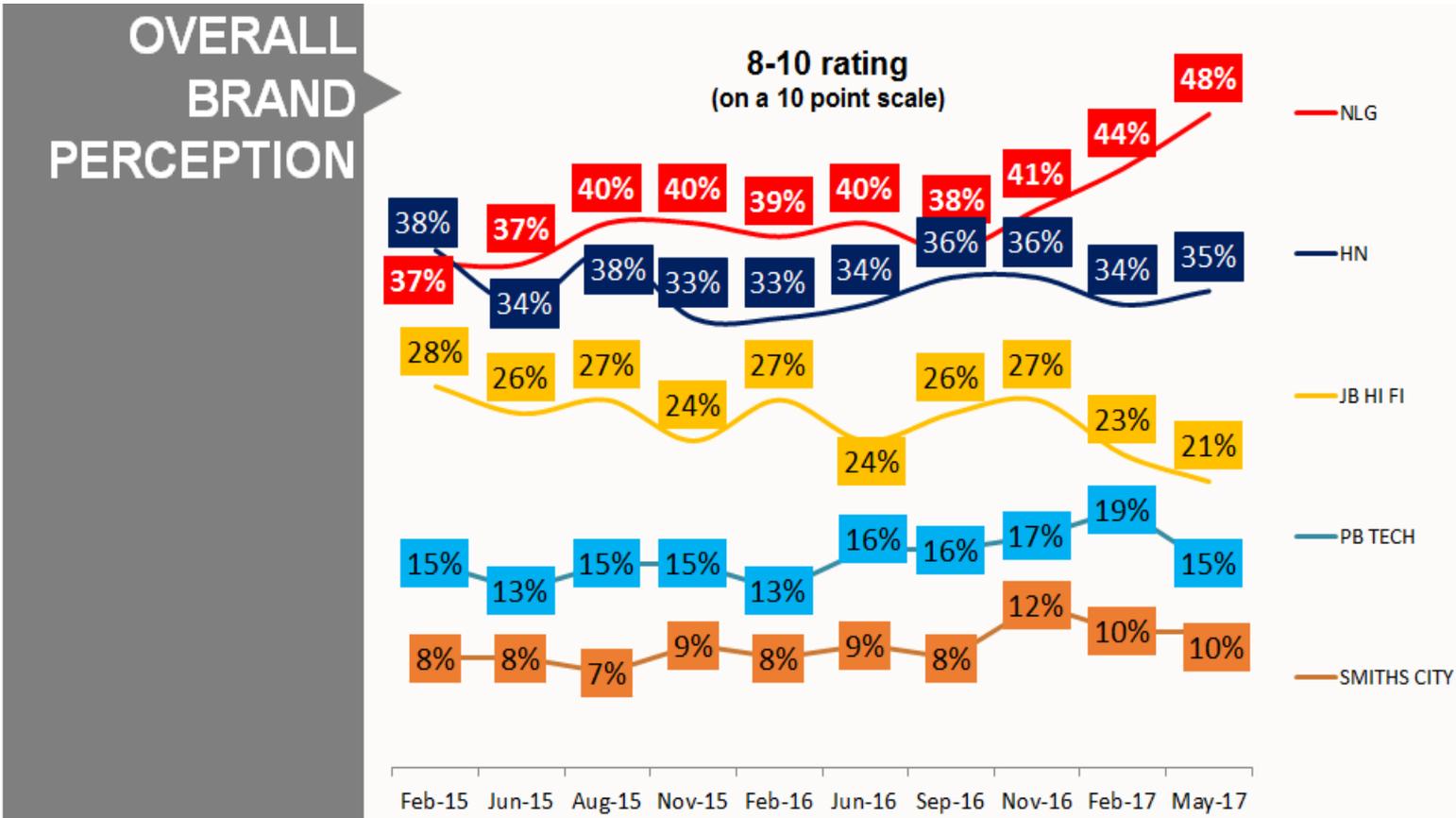
Leading in all brand measures



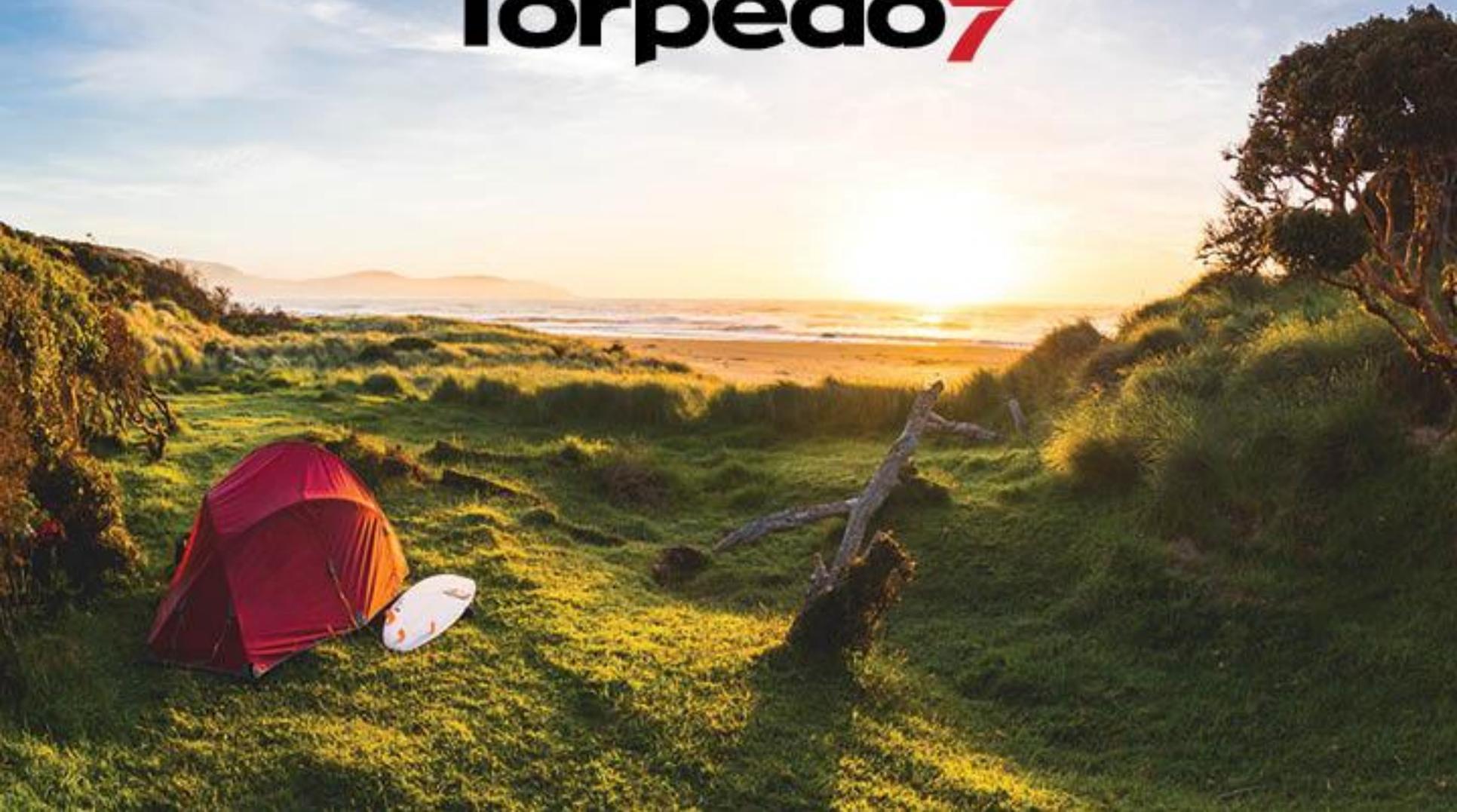
Our focus on right product, right price, passionate experts, and leading services has helped us stand out from our competitors

Q. Now thinking about all these things together, image and reputation, product offering, in store experience, staff experience, services, price and promotions, and advertising how would you rate these retailers overall on a 10 point scale where 1 means "poor" and 10 means "excellent"?

NOEL LEEMING | 45



WELCOME TO Torpedo7



T7 Group at a glance

Torpedo7

Torpedo7

Torpedo7 is an outdoor activity/adventure retailer, offering home and international brand outdoor equipment, apparel and footwear. T7 trades in NZ through 10 stores, 2 outlet stores and online in NZ and Australia.



No.1 Fitness and Shotgun represent fitness and nutrition within T7 Group.

No.1 Fitness specialises in fitness equipment, apparel, accessories & nutrition, trading online and through the T7 network as well as 1 speciality store in Christchurch.



Shotgun.co.nz is primarily a online retailer of sports nutrition products and accessories.



1-day is an online daily deal business. It is a market leader accounting for around 50% of the product daily deal market in NZ. It is an online pure play, mainly focused on the NZ market but does participate in the Australian market.

FY18 Strategic Focus Areas

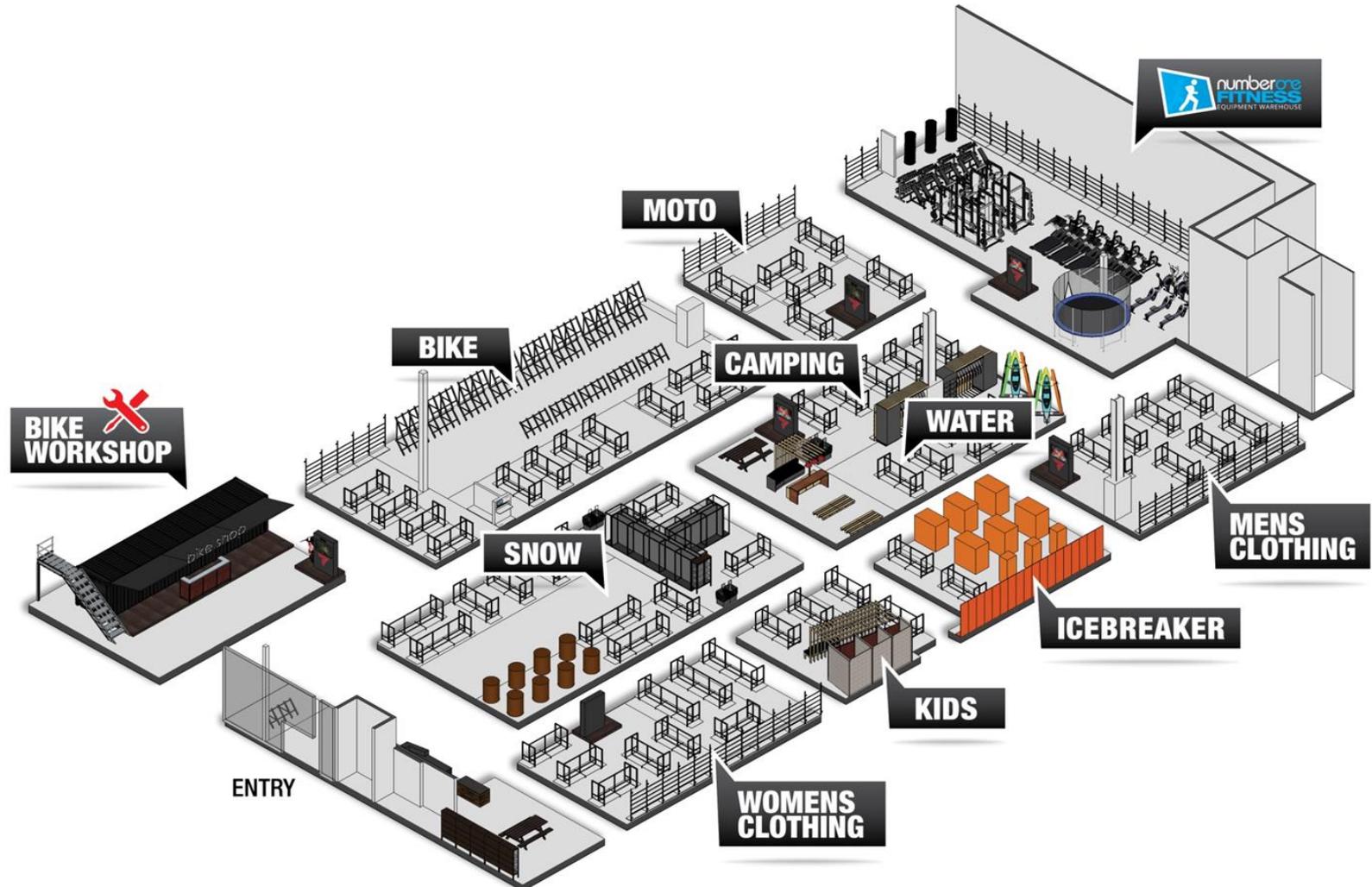
Torpedo7

- 01 Brand Clarity**
Relaunch T7 as the authority for outdoor adventure
- 02 Refine and Curate Product Offering**
Define range proposition with external partnerships and house brand.
Drive increased margin
- 03 Customer Experience**
Drive engagement through store and online experience
Deliver Albany as hub for innovation
- 04 Build our Services Business**
Develop add-on services to increase the lifetime value of customers
and increase our value proposition
- 05 Maximise Customer Data & Loyalty**
Review and redefine our loyalty programme
- 06 Streamline Systems and Processes**
Evaluate business processes and drive continuous improvement

Store of the future - Albany

Torpedo7

Our Albany store is our “test and learn” environment to maximise the customer journey



Services proposition

Torpedo7



Bike Workshop



Bike Hire



Ski & Snowboard Workshop



Ski & Snowboard Hire

TORPEDO7 | 50



- 25+ service specialists delivering mechanical and technical service across 9 stores nationwide
- Our services crew live and breathe the outdoors, enabling them to deliver value solutions with practical technical knowledge and expert advice

 noel leeming



Torpedo7




The Warehouse Group

— Logistics & Fulfilment, Technology and Digital

Timothy Kasbe, Chief Information &
Digital Officer

World-class fulfilment for online and offline business growth



Help New Zealanders manage their lives from anywhere, anytime, and from any device to engage with The Warehouse Group

FY18 Logistics & Fulfilment Focus Areas

5 Areas of Improvement Towards World Class Supply Chain

01

Strategy

- Own the “last mile”; 2 hour, same day, next day, standard
- Frictionless commerce

02

Merchandising

- SKU rationalisation
- Optimise buy plan

03

International logistics

- Supplier rationalisation
- Improve container utilisation
- Stock flow planning

04

DC operations

- Optimise process towards variable costs
- Introduce Machine Learning and AI based automation
- Deploy digital everywhere

05

Domestic freight

- Continuous cost improvements
- Real-time supply demand driven variable costs

Digital commerce



What is Digital?

- Extract value from new ideas while strengthening the core business
- Anticipate customer needs by using data and algorithms (contextual, real-time and journey-focused)
- Changing mindset (agile, faster, better decisions via test & learn, iterative)
- Systems, integration, architecture and data

Driving business transformation



- Everything customer first, predictive and personalised
- Move towards information driven enterprise by enabling digital and data for all employees
- Automate everything after patching every process gap
- Power of now, fail faster, 307 experiments underway
- Technology is the “new retail”



Data driven culture powered by AI



Efficient processes to enable future outcomes



Deliver faster



Solid infrastructure



Deploy world-class talent



Platform for culture of innovation

Where are we today?



MARKET CONTEXT

- NZ ecommerce market growing at 14% YoY
- Local competition increasing with Kmart ecommerce launch
- Global competition heating up
- Cheap Flash/disk Storage
- Affordable computers
- Open Source
- Wide availability of broadband and 3rd highest penetration of smartphones in the world at 87%

PROGRESS

- Group online sales +18.4% YoY in FY17, ahead of market
- The Warehouse & Warehouse Stationery websites re-platformed in FY17 with customer experience and conversion benefits
- Innovations in fulfilment to build same day/next day capability including testing 2 hour delivery
- Creation and testing of “Leon”, a bot on the Noel Leeming website
- Voice infrastructure deployed
- Part-Pay options available

CHALLENGES

- War for talent
- Speed of execution
- Self Checkout
- Bots
- TMS
- New Management Paradigm
- Global focus
 - Stanford University
 - Andreessen Horowitz
 - WayIn
 - TAMR
 - Instart Logic
 - ScrumStart (85% Development Savings)

Where we need to be



Leading NZ fulfilment & collection

Own the “last mile”



Step change in customer experience

Digital platform experience transformed & personalised



Analytics driven action & culture

Advanced analytics & big data for competitive advantage



Dramatic shift in marketing mix

Driven by deep understanding of behaviour across channels



Extended online assortment

Increased choice through online vs. in-store ranges with dynamic personalised pricing



Omnichannel experience & services

Serving customers anytime, anywhere through any device



Leveraging the group ecosystem

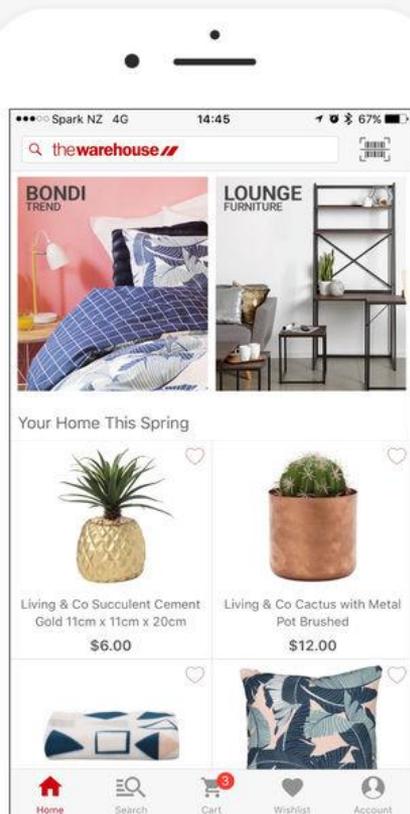
Leveraging group range, services, data & experience to enhance the offer across all digital platforms.

Voice AI integrated into mobile app

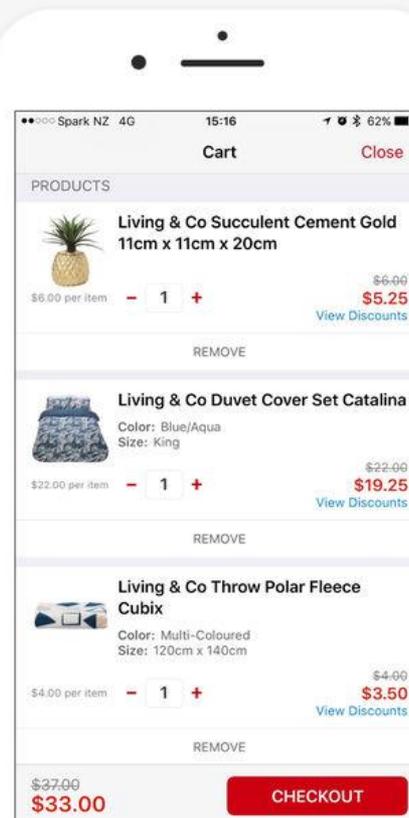


- AI powered voice search & support integrated into mobile app
- Experimenting with different AI packages for strongest customer experience

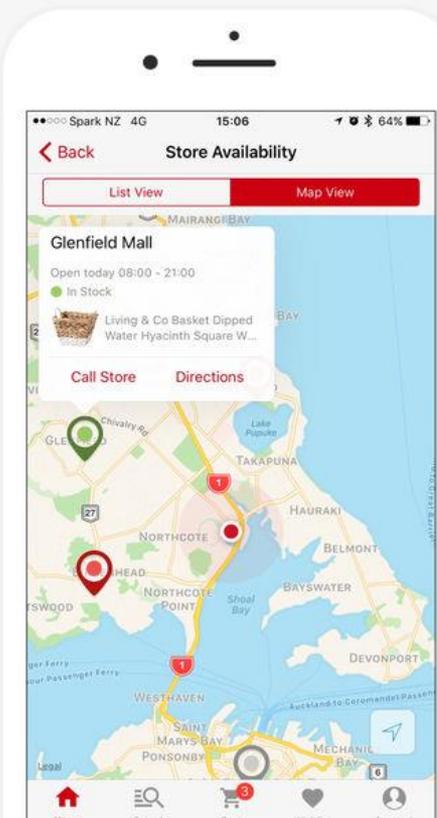
Explore our latest trends



Quick and secure checkout



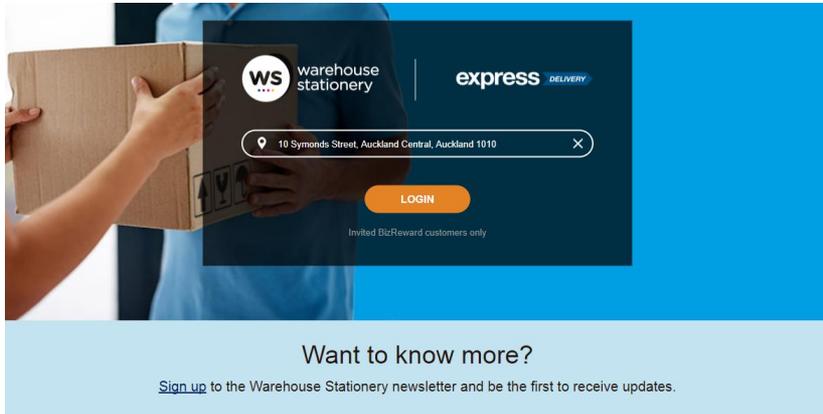
Check in-store availability



Delivery innovations



Express Delivery Trial



How it Works

Place your order



Warehouse Stationery Express Delivery is available for a large range of high demand items. These include ink and toner, paper, technology and general office products.

Select your time



We deliver from 8am – 8pm Monday to Friday. Just schedule the 2-hour delivery 'window' that suits you.

Get what you need faster

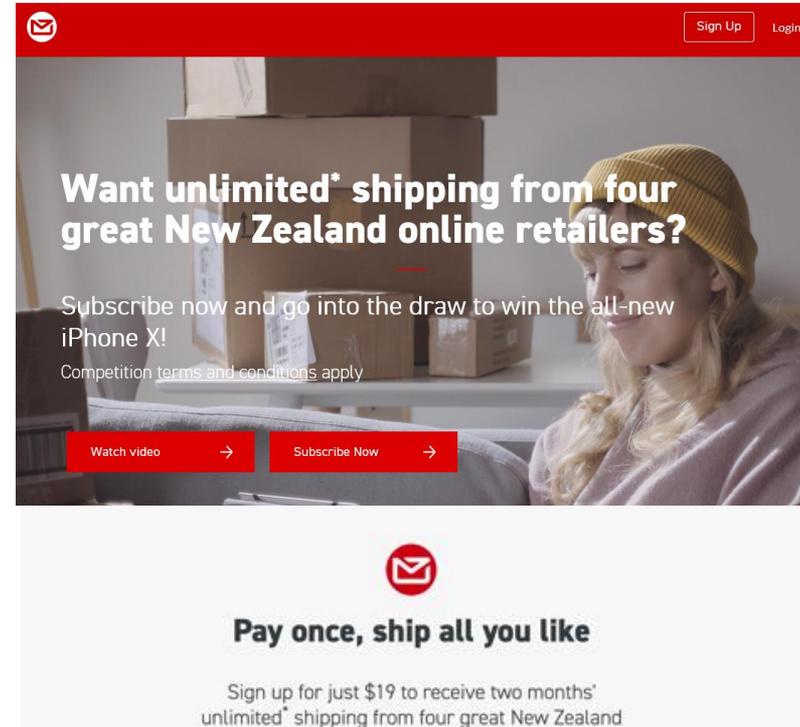


Express Delivery is available in many Auckland locations – just select your suburb* from the list. We can deliver to your work, home or hotel pronto!

*Select Auckland suburbs only

- 2 hour delivery slots same day
- Launched as initial trial for WSL BizReward customers in Auckland

Shipmate Subscription Trial



- Free delivery subscription service
- Launched with NZPost

Noel Leeming bot 'Leon'



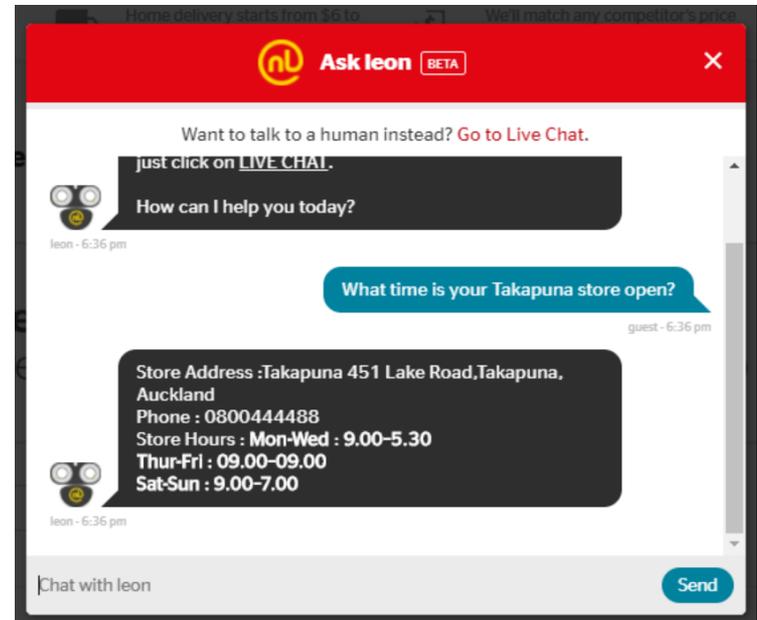
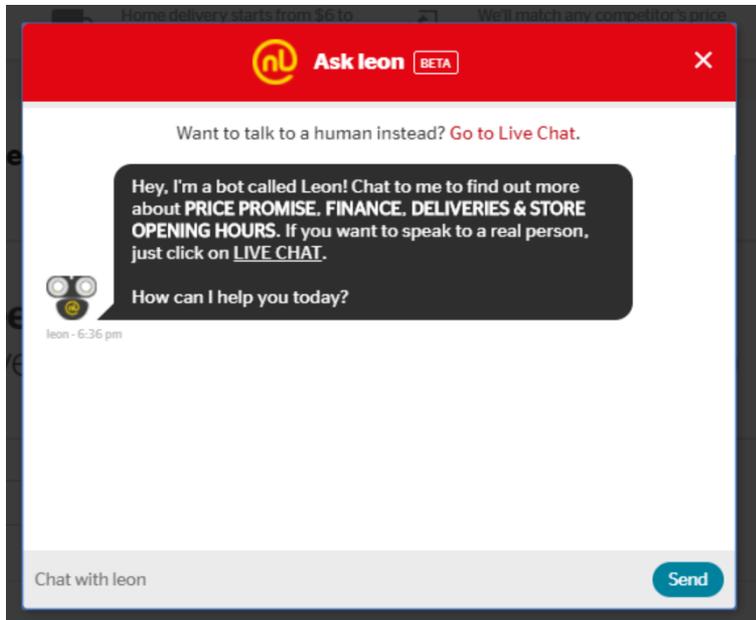
Welcome to our customer service help



Need some help online?

Give leon our beta chatbot a chance to help

Ask leon



Real-time performance



THE WAREHOUSE GROUP | 62

iPad 5:08 PM 69%

Company Region Store **TWL** AIRPORT Annotate

3/11/2017 2/11/2017 1/11/2017 31/10/2017 30/10/2017 29/10/2017 28/10/2017 27/10/2017

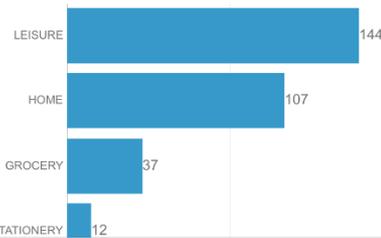
BARCODE SCANS **302**

% WRONG **2.0%**

RIGHT PRICE **300**

WRONG PR **6**

PRODUCT RIGHT PRICE



CLEARANCE STOCK COST **4.7%** of total stock

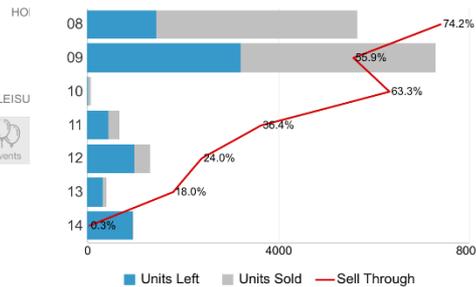
Region **5.0%** of total stock
Company **4.8%** of total stock

OLD CLEARANCE COST **46.5%** of total clearance stock

Region **50.4%** of total clearance stock
Company **47.7%** of total clearance stock

TECH & STATIONERY

SELL THROUGH BY CLEARANCE WEEK



CLEARANCE STOCK BY AGE



Please send us feedback

Home Sales Labour Clearance Events

Home Sales Labour Clearance Events Avail Alert More

Big data and personalisation journey



BIG DATA



Artificial Intelligence



Module Delivery Engines

Personalization Module "Library"

- Products from Most Viewed Categories
- Recently Viewed
- Upsell Module
- Email Sign Up
- Recommended Most-Wished-For Products
- Red Alert Products
- Most Pinned Products
- Price Drop Module
- Wish List Items
- Pool and Pet Modules

Customer A

The screenshot shows a personalized homepage for Customer A. It features a red promotional banner at the top, followed by a 'Summer of low prices' banner. Below this are 'Trending Searches' (LEGO, Scooters, TVs, Camping, Chocboxes) and 'This Week's Best Buys'. The main content area includes 'Products from Most Viewed Categories' with four product tiles (Swim Water Spoons & Toys, Sheep Pile Dress, Sheep Pile Dress, Sheep Colour Crush). Below this is an 'Upsell Module' with five product tiles (Computers & Tablets, Toys, Clothing, Books, Price Drop), 'Red Alert Products', and a 'Wish List Items' section with a 'View Gallery' link.

Customer B

The screenshot shows a personalized homepage for Customer B. It features a red promotional banner at the top, followed by a 'Summer of low prices' banner. Below this are 'Trending Searches' (LEGO, Scooters, TVs, Camping, Chocboxes) and 'This Week's Best Buys'. The main content area includes 'Email Sign Up' with four product tiles (Swim Water Spoons & Toys, Sheep Pile Dress, Sheep Pile Dress, Sheep Colour Crush). Below this is a 'Recently Viewed' section with five product tiles (Computers & Tablets, Toys, Clothing, Books, Price Drop), 'Pool and Pet Modules', and 'Most Pinned Products' with a 'View Gallery' link.

Customer C

The screenshot shows a personalized homepage for Customer C. It features a red promotional banner at the top, followed by a 'Summer of low prices' banner. Below this are 'Trending Searches' (LEGO, Scooters, TVs, Camping, Chocboxes) and 'This Week's Best Buys'. The main content area includes an 'Upsell Module' with four product tiles (Swim Water Spoons & Toys, Sheep Pile Dress, Sheep Pile Dress, Sheep Colour Crush). Below this is a 'Price Drop Module' with five product tiles (Computers & Tablets, Toys, Clothing, Books, Price Drop), a 'DOLLAR DEALS' banner, and 'Wish List Items' with a 'View Gallery' link.

The Warehouse Group

— Customer Experience, CSR

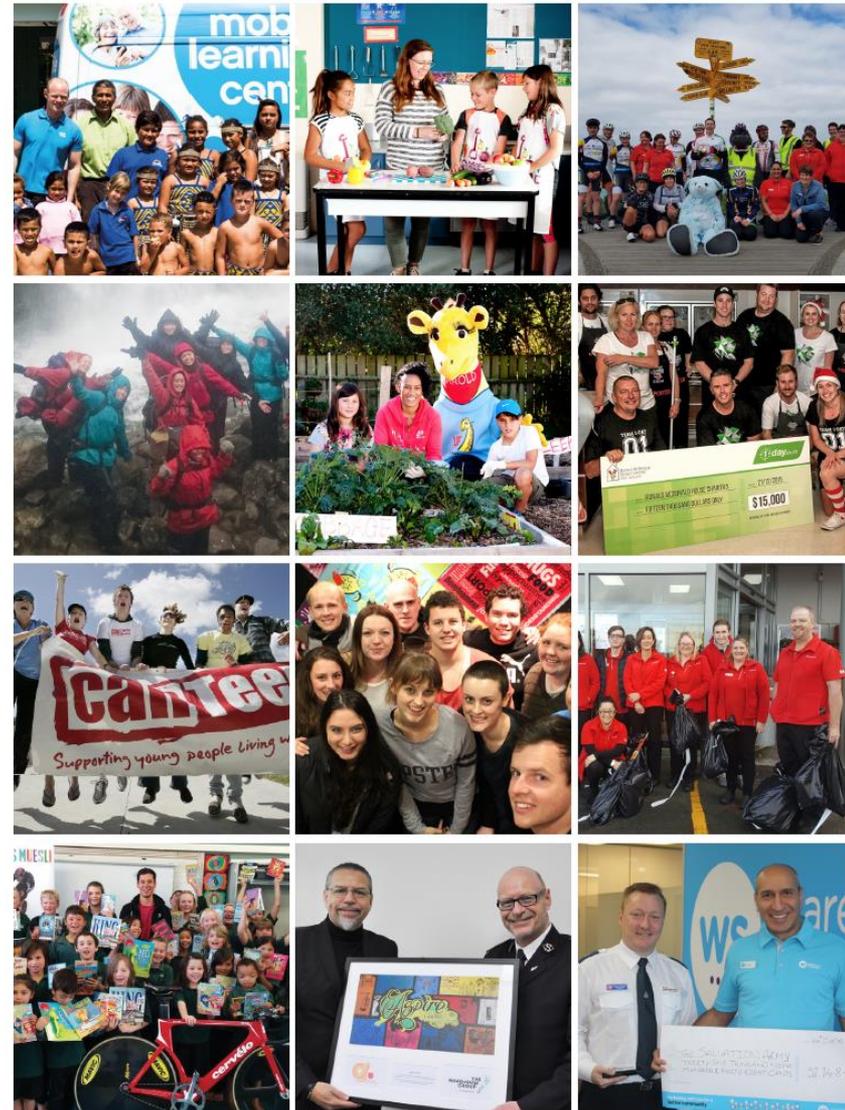
David Benattar, Chief Experience Officer

Helping New Zealand flourish is in our DNA



We believe that we can help New Zealand flourish by combining **commerce** and **community**.

Starting with education, we will create new experiences that address customer pain points and benefit society.



Insights: New Zealand is in a rapid period of change

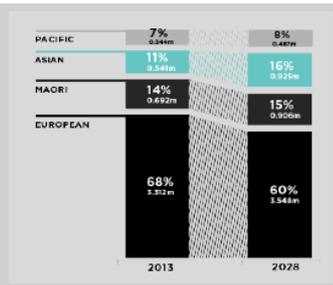


There are a number of challenges in the lives of parents and schools

The NZ population will grow by 14% 2020



NZ's Ethnic makeup is changing rapidly



Migration expected to contribute to 1/3 of population growth in the next 20 years



Economically, times are tough

The costs for a year 1 student starting school in 2015 \$1,976 and expected to grow to \$3,781 by 2027*.

Everyday life is dominated by technology

Devices in class are the new norm and a necessity. Technology is continuously evolving, which poses challenges for schools, parents and children.

Time pressures are mounting

This is intensified for parents with both school and after school activities balanced against employment.

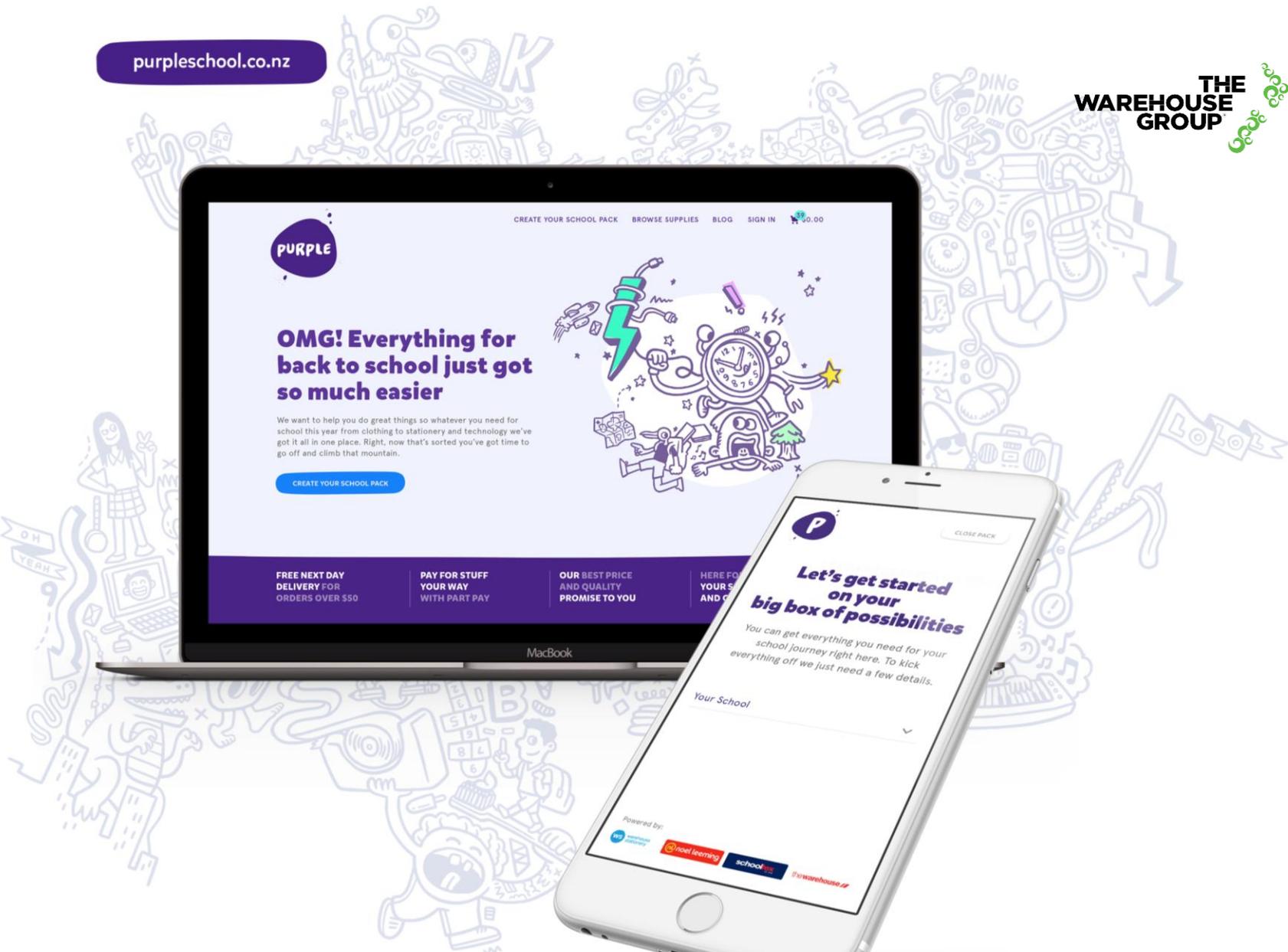
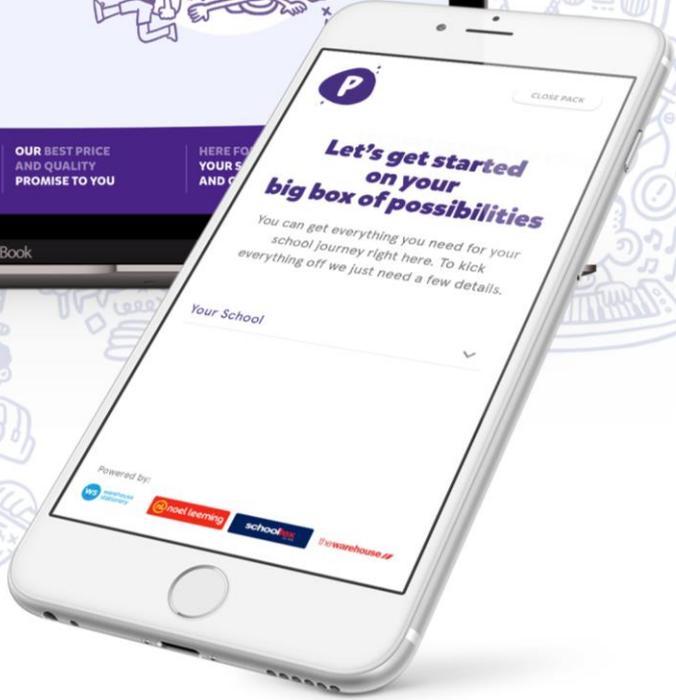
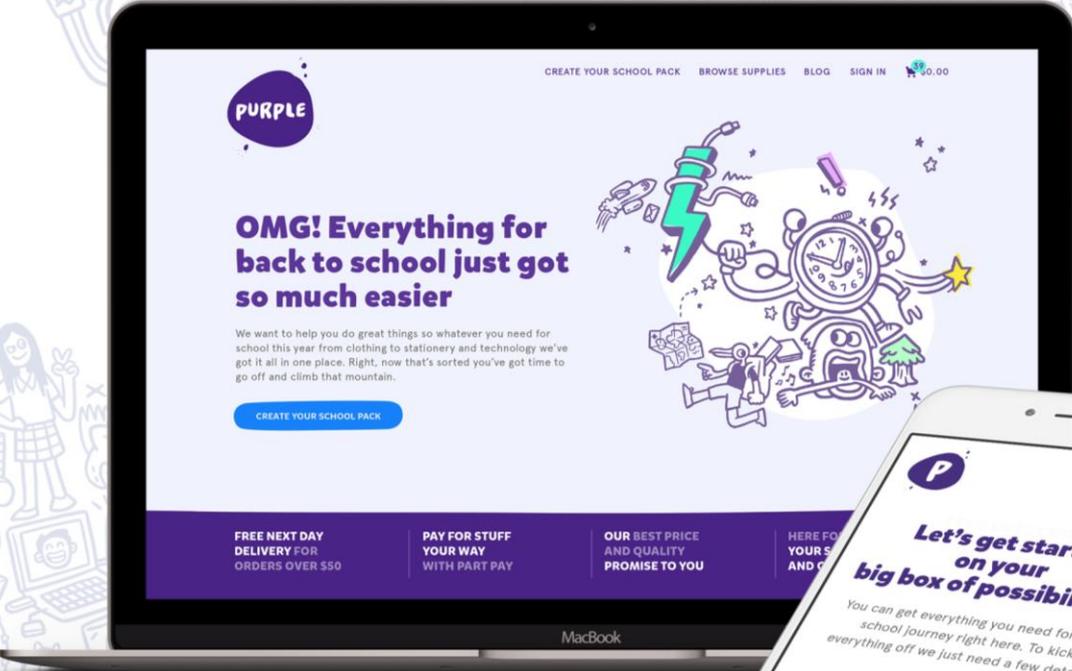
Implication: Parents and teachers find it difficult to achieve their goal of providing the best for their children. Fragmentation and affordability are the huge barriers

Source: Education Research for The Warehouse Group, TRA, Oct 2016

*"Cost of "free" education in New Zealand: \$35,000 or more a child", The New Zealand Herald, Jan 23 2015

Purple School - Bringing parents, schools and communities closer together

- Giving families back what they have the least, but want the most; quality time
- Initial proof of concept tested with 6 schools and 3,000 kids
- Measuring increase in average bundled basket combining tech, uniforms, stationery and essentials
- Engaging schools via consolidated group offering and give back around tech, science and outdoor





Total funds raised in FY17

Over \$5m

vs \$4.7m in FY16

Our current CSR activities



- Remove carbon zero by Reducing emissions
- Electric vehicles
- Customer engagement
- Waste reduction
- Energy management
- Cleaning communities

- Partnerships
- Youth programmes
- Fundraising
- MSD partnership
- TWG Foundation
- Local store giving
- Disaster response

- Transparency
- Policy
- Reporting
- Auditing
- Sustainable sourcing

- Belonging and inclusiveness
- Wellbeing
- Career retailer wage
- Family violence
- BRBM
- Financial literacy
- Life after 50

- NLG Community Learning
- Purple School
- WSL Teacher of the Year
- Support Your School
- Digital citizenship
- Disrupting education
- WSL Scholarships

The Warehouse Red Shirts in Community



Unemployed given chance to gain valuable skills at The Warehouse

RACHEL CLAYTON
Last updated 17:55, July 28 2017



SUPPLIED
Trainee Taylor Booth was offered a job after the training scheme and now works at The Warehouse in Lyall Bay, Wellington.



"The transformation is amazing ... by the end they have so much pride and they stand up straight with more confidence."

Shari French, left, The Warehouse communities manager



Newshub.

9 August 2017

The Warehouse gives young Kiwis head-start

13:07/2017 | Charlotte Shipman

Like 107



NEW ZEALAND

The Warehouse to offer 1000 unemployed young Kiwis a foot on the job ladder



'It's a direct subsidy by the state to a private enterprise'

7:04 pm on 16 July 2017

Share this

The expansion of the Warehouse's Red Shirt community programme is corporate welfare that will rob paid staff of valuable hours, says the union representing retail workers.

- Launched Red Shirts in Community programme 17 July 2017 with Ministry for Social Development
- 3m cumulative audience (opportunities to view)
- Represents 18.6% of the total audience value of all Warehouse mentions (in July)

The Warehouse Group

— Data Analytics & Customer Insights

Michelle Anderson, EGM Data &
TWL/WSL Marketing

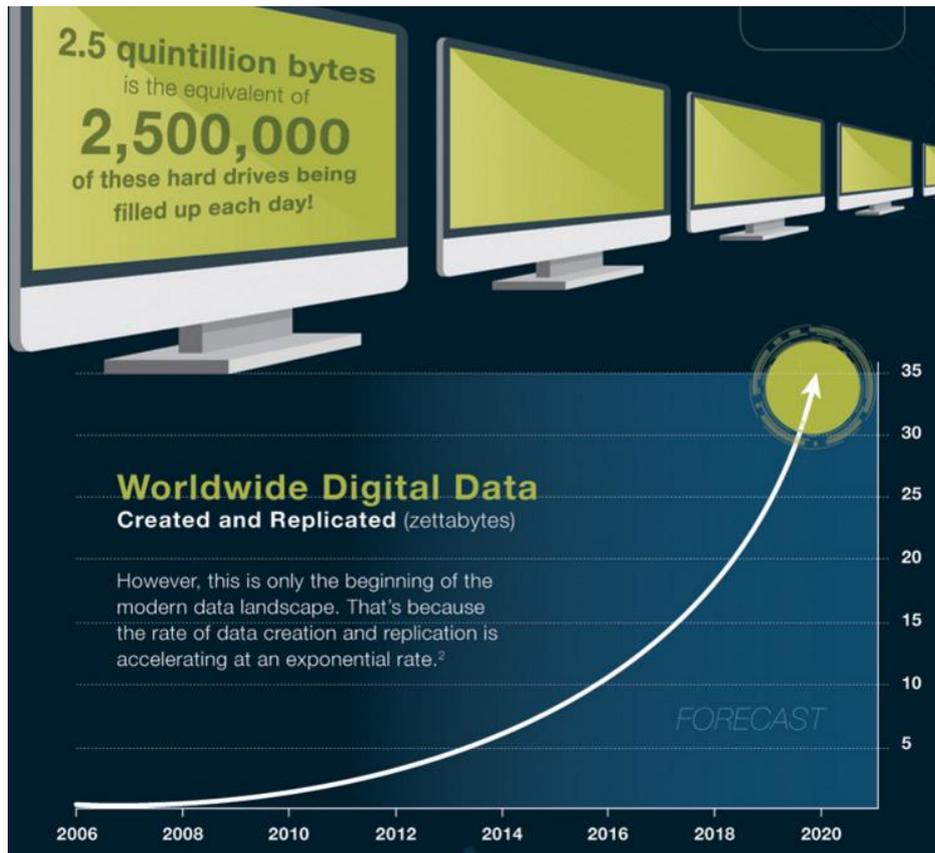
Our data vision



To become a data driven organisation using analytics and insights to power business decisions and drive sustainable profit and customer relevance.

We will transform our relationship with our customers by understanding more about them through the deep analysis of data to personalised customer experiences across channels to deliver improved business outcomes.

The growth of data



- Rapidly changing consumer and media landscape
- Increasingly connected customers, in an increasingly connected world
- Data initiatives have moved from theoretical possibilities to focusing on solving real and pressing business problems
- Data will fundamentally change the way businesses compete and operate

Source: (1) IBM

The opportunity



- We have a strong customer data asset across the Group
- We have started the delivery of the building block foundations of our data strategy within the Brands
- A greater opportunity to drive business outcomes exists if we take a Group single view of customers
- More advanced analytical techniques / tools will provide significant value
- We are making significant cultural, process, and platform changes across the business to drive the strategy

TWG customer landscape



Fig. 01

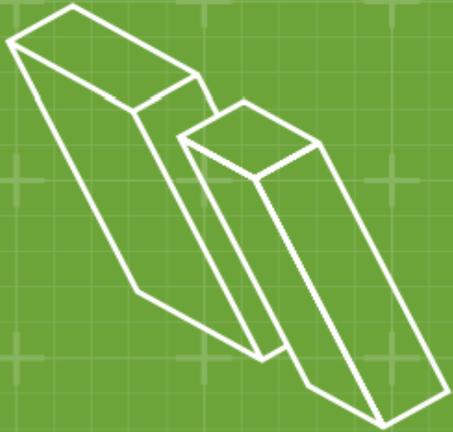


Fig. 02



Fig. 03



Fig. 04

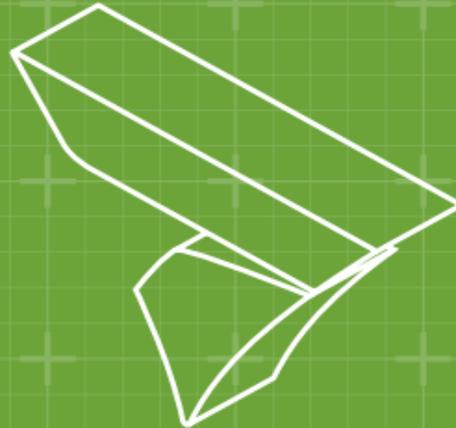


Fig. 05

3.7m Individuals

\$2.98b Spend

80% Population

FY18 Strategic Focus Areas

- 01 Data Maturity Management**
Governance, data quality, data management and data operations
- 02 Data Platform**
Platform, integrated analytics, integration and event management
- 03 Personalisation**
Personalised customer experience across all touch points with our brands
- 04 Advanced Analytics**
Advance capability in mathematical models, algorithms, AI and machine learning
- 05 Customer Understanding**
Enhanced customer experience through research

Progress to Date



Media ROI



Single Customer View



Summary



We have made good progress in the delivery of our Data Analytics and Customer Insights strategy.

- We need to continue to invest in our data and insights capability
- We need to make significant cultural, process, and platform changes across the business to support the delivery
- We need to invest in talent and partner to augment capability when needed.
- We need to move faster

The Warehouse Group

— People and Culture

Anna Campbell, Chief People Officer

Transforming our culture



“Culture eats strategy for breakfast.” Peter Drucker

We are building a culture of agility, innovation, connectedness and customer centricity that strongly supports our purpose of helping NZ flourish.

Our journey will deploy technology to support increased productivity and articulate ‘our story’ and develop shared TWG values as the basis for our culture change journey.



FY18 Strategic Focus Areas

A five point people plan underpins our transformation journey.

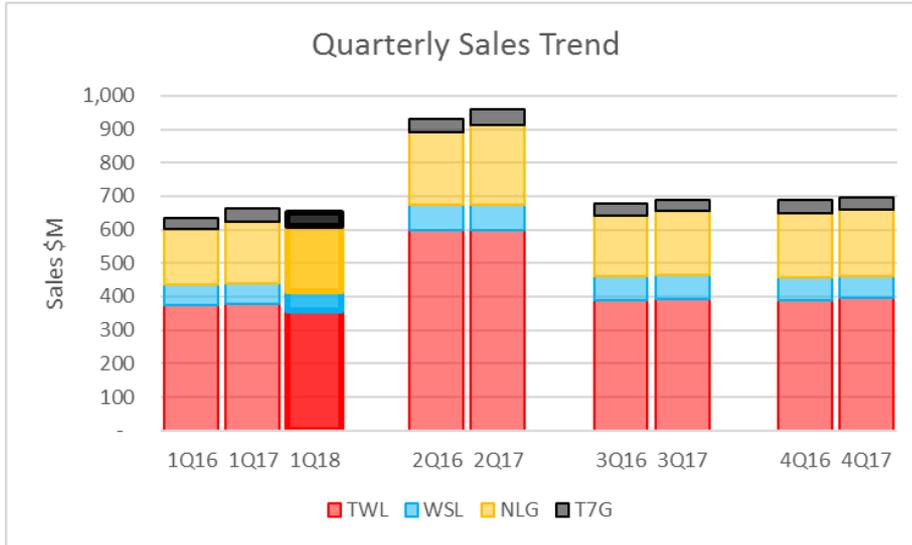
- 01** Transformation of TWG and its culture
- 02** Bench strength, succession and workforce planning
- 03** Performance and productivity
- 04** Transformation of People Support service provision
- 05** Data driven insights to support our leaders and our decision making

The Warehouse Group

— Financial Overview

Mark Yeoman, Group CFO

Q1 sales update



TWG sales Q1 FY18 vs Q1 FY17

- **The Warehouse** **\$358m down 5.2%**
- **Warehouse Stationery** **\$59m down 7.2%**
- **Noel Leeming** **\$195m up 6.3%**
- **Torpedo7 Group** **\$39m up 3.7%**
- **Group total ⁽¹⁾** **\$645m down 1.7%**

(1) Group consolidated total after intra-group eliminations

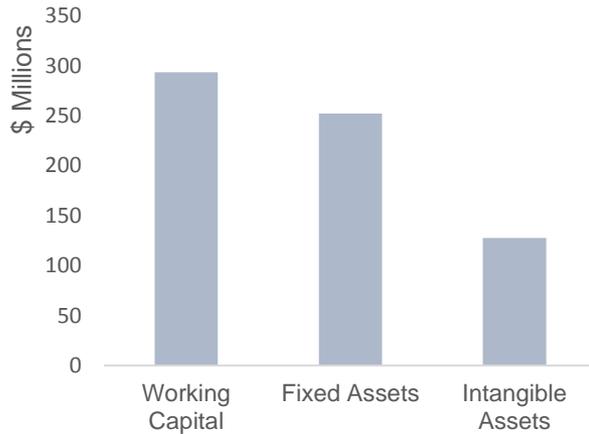
Key comments:

- The Warehouse sales mix reflects the reduced product range and effects of EDLP with almost all categories using the EDLP model by the end of the quarter. The reduction in sales was an anticipated effect from the transition to EDLP and lower prices. In addition, sales of seasonal categories were impacted by the wet weather in the early Spring. Gross margins were similar to last year reflecting a mix of higher margins from EDLP ranges and clearance activity from exiting discontinued ranges.
- Systems issues connected with the merging of operations for The Warehouse and Warehouse Stationery disrupted inventory replenishment for a few weeks in the quarter. That, together with softness in the computing and communications category were the main factors behind the decline in sales at Warehouse Stationery.
- Noel Leeming and Torpedo7 continued their strong growth trend from last year.

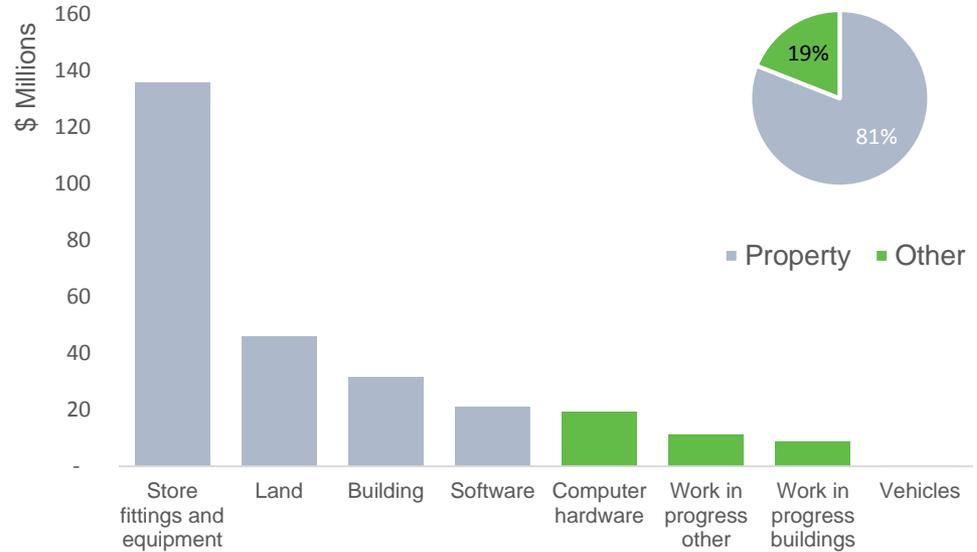
Asset base



Capital Employed \$673m



Fixed Assets including software



- Inventories and Property the significant components of capital employed
- ROCE (continuing operations) currently at 10.5%
- Strategic program will drive improvements in inventory levels, greater efficiency in working capital.
- Capital investment aiming more towards software and systems to support customer experience rather than property
- We do not expect to grow our footprint in the future. Optimisation, relocation, repurposing rather than expansion.

• TWL = 503,970m²

WSL = 73,216m²

NLG = 74,591m²

T7G = 12,652m²

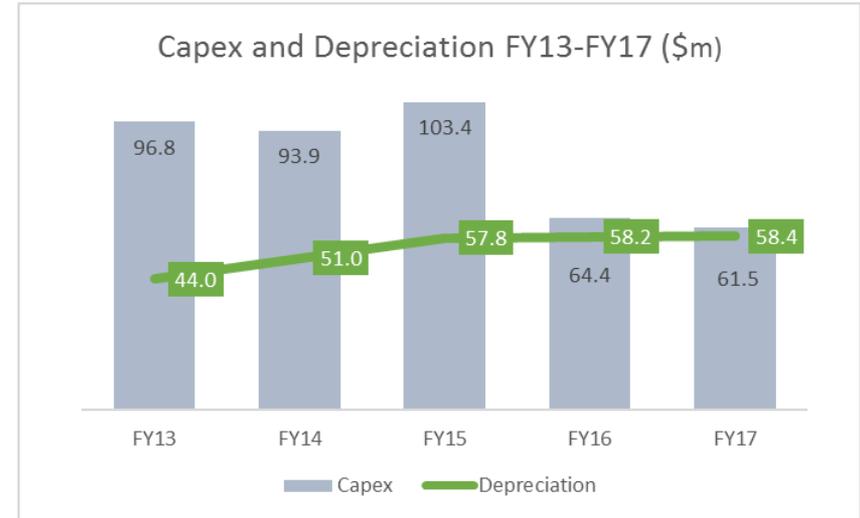
Capital investment



- Capex envelope starting point set to depreciation levels, with some flex over if the business case justifies the return.

Our bias is towards projects that:

- have deliverable benefits in the near term
- are staged and risk-managed investments rather than large scale
- While we have over \$100m of possible projects, in FY18 we are planning between \$60m and \$72m of capital investment compared to total depreciation of ~\$61m. This reflects a tightening of capital allocation and investment disciplines.



- Transformation investments, which are largely software and capability related, represent 48% of FY18 planned capex.
- Future capex is dependent on the progress and success of transformation initiatives. For example the store within a store rollout is dependent on the outcome of the trial.
- R&D and investment in digital future initiatives are modest in FY18, as our focus is on the execution of the “fix the retail fundamentals” aspect of the strategy, and laying some important groundwork for the “digital future”.

Debt



Debt position adjusted for the sale of Financial Services shows an improving gearing ratio.

<i>\$M</i>	
Senior Debt (Jun 20), 5.3%	125.0
Term Bank Facilities, 2.48%	35.0
Term Debt	160.0
Current net liquidity (asset)	18.3
Net Debt	141.7
Gearing	22.6%

Implied debt levels using the capitalisation of leases (PV method) shows higher gearing levels

Present Value of Future lease commitments	563.0
Adjusted Implied Net Debt	704.7
Adjusted Gearing	59.2%*

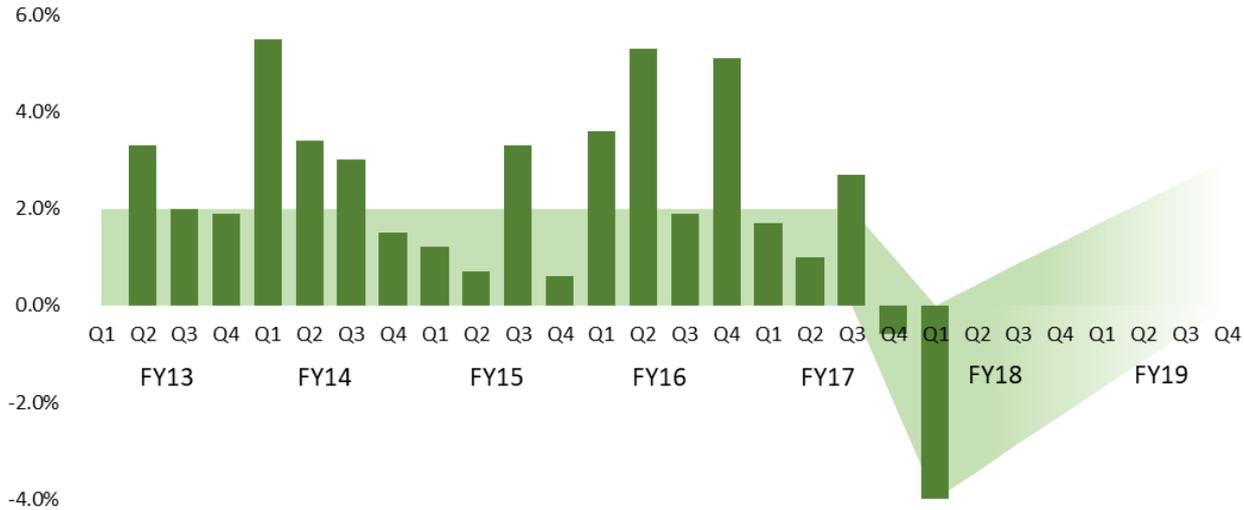
*The equity base has not been adjusted in the gearing calculation for the associated "Right to Use" asset on the other side of the capitalised lease calculation

- Focused on managing and reducing gearing levels despite interest rates remaining at cyclical lows. We expect some inflationary pressures to emerge, and with the uncertainty around the transformation program our position is to build balance sheet resilience whilst maintaining a strong dividend yield for shareholders.
- Sufficient forecast operating cash flow and balance sheet capacity to fund the expected transformation program investments.

Sales outlook



TWL Same Store Sales Year-on-Year Growth



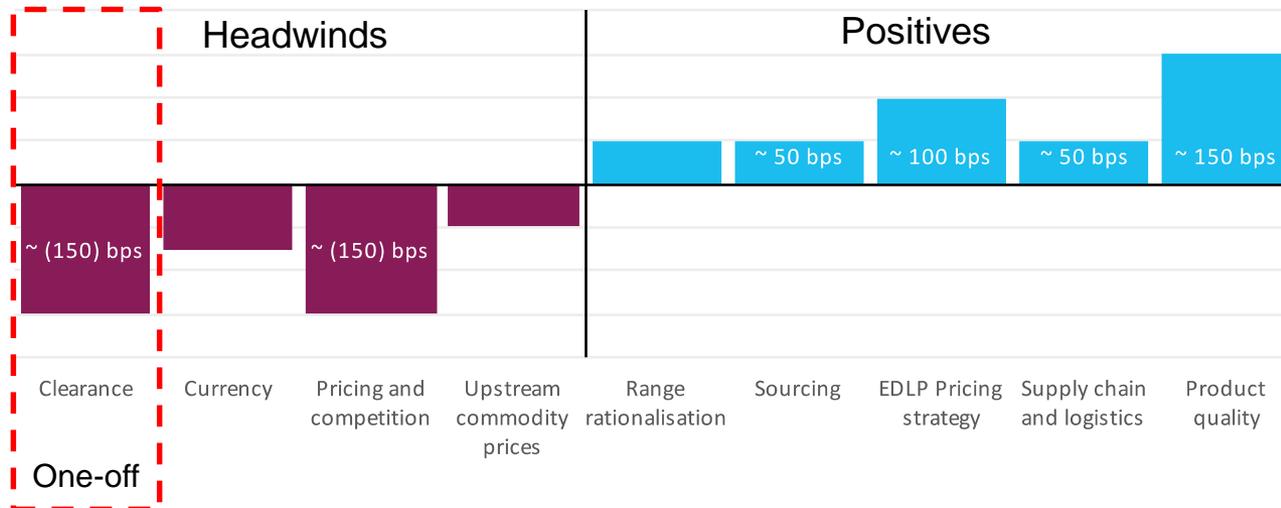
Other Factors

- Group sales trend to continue with opportunity
- T7 expanded scale
- Continued growth in NLG

Margin outlook



- A wide range of initiatives are designed to drive improvement in Gross Margin. Our baseline expectation is to see around 1.5% margin improvement in FY18, however there are many offsetting forces to consider, some of which are highlighted in the chart below.
- In the medium term (FY19 onward) we expect margin improvement to offset any potential decline in top line sales to preserve Gross Profit dollars once the clearance effects of the transition to EDLP are complete (Q3 FY18)



- There are other factors at work in addition to those highlighted, for example scale growth in Torpedo7, and the emphasis on private label will also drive margin improvement.

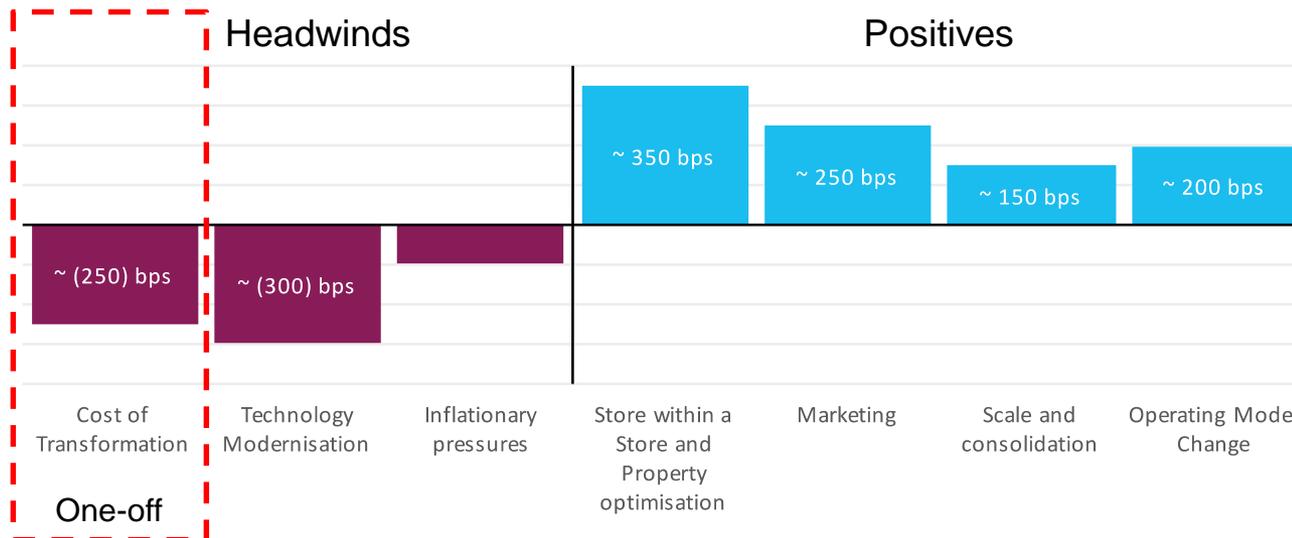
Our target for margin improvement of 200-300bps (measured against 32%) over 3 years is still in place.

CODB outlook



- Historical track has been CODB increases year-on-year. We are targeting material reductions in CODB through the transformation program
- Significant opportunities for cost reductions as the Group consolidates its operations and changes the task requirements to support an EDLP model.

THE WAREHOUSE GROUP | 90



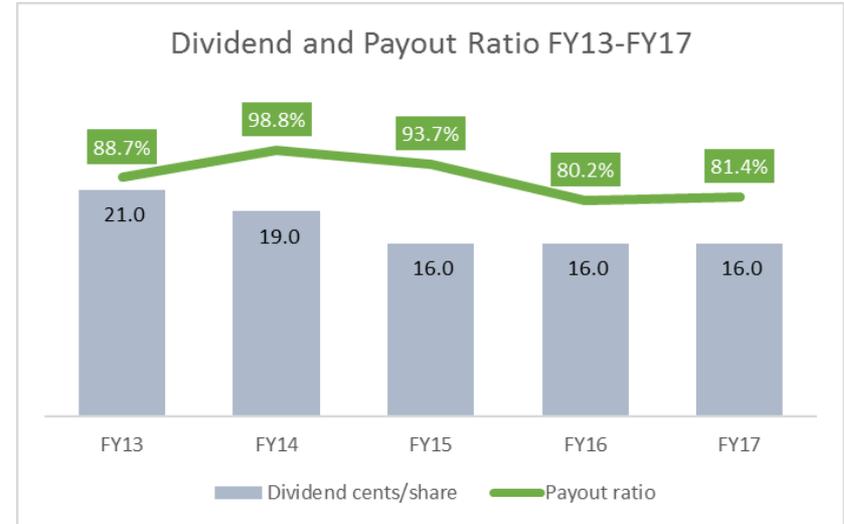
- Where required we will engage with partners to help drive execution and delivery of expected benefits from our transformation program.

Our target for margin improvement of 200-300bps (measured against ~29%) over 3 years is still in place.

Outlook



- We continue to maintain a strong dividend yield for our shareholders.
- We are confident in our strategy and the indications that we are seeing from its execution to date are encouraging.
- We are reiterating that we will issue guidance only after the key Q2 trading period.



The Warehouse Group

— A Board Perspective

Joan Withers, Chair

Corporate governance at The Warehouse Group



G20/OECD Definition:

“Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.”

FOUR PILLARS OF GOVERNANCE:

- Determining purpose
- Effective governance culture
- Holding to account
- Effective compliance

Corporate governance at The Warehouse Group



Sharp focus on moving towards best practice:

- Board performance review
- Identification of skills gap
- Review of committees
- Review of charters and policies
- Independent review of investor relations (IR) and development of IR strategy

Robust interrogation of strategy development:

- Divestment of Financial Services
- Confidence in CEO, CFO, and Executive Team driven out of deep understanding of issues facing the company, lessons learnt from the past, stress testing and independent analysis

Board composition



- James Ogden and Vanessa Stoddart not seeking re-election at next ASM
- Sir Stephen Tindall taking one year's leave of absence with Robbie Tindall standing in as alternate
- Search underway to find skills and experience required to supplement existing capabilities to ensure the board is adding value in the ongoing development of strategic and operational initiatives and is able to competently and constructively challenge the CEO and the world class Executive Team he is assembling around him

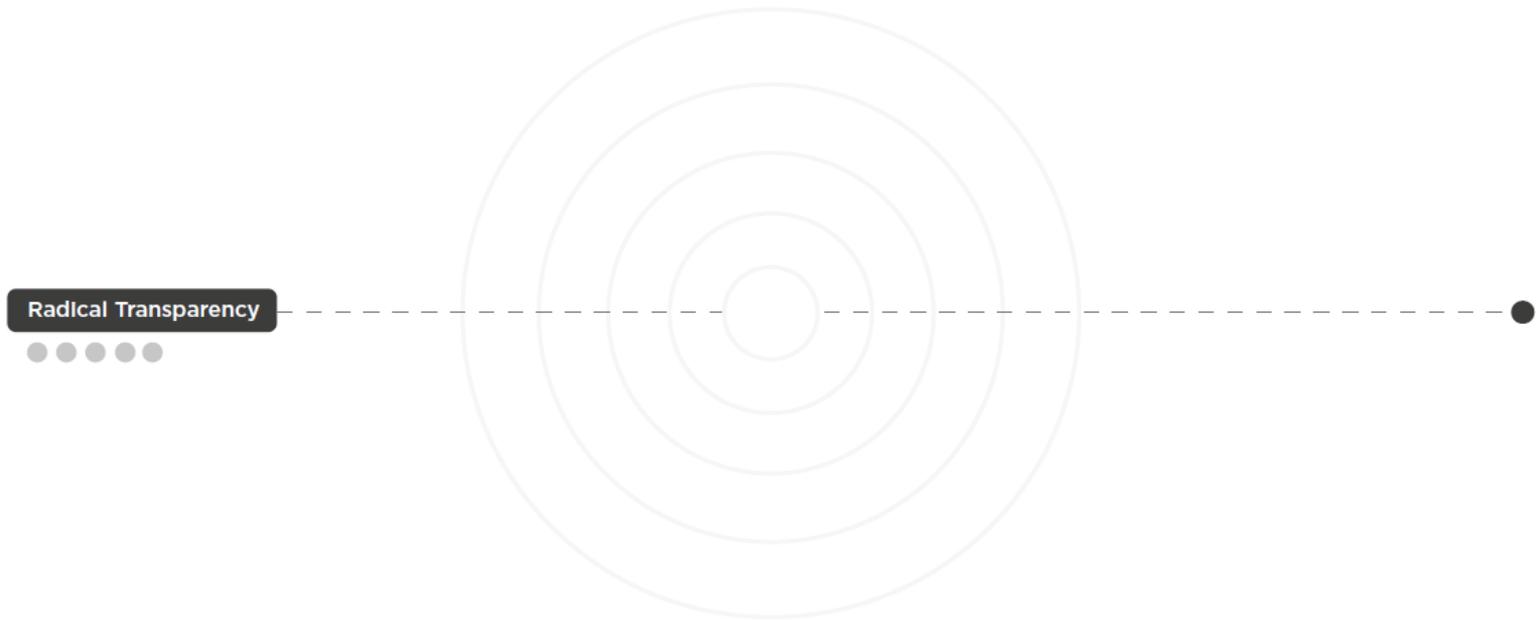


The Warehouse Group

— Summary and closing remarks

Nick Grayston, Group CEO

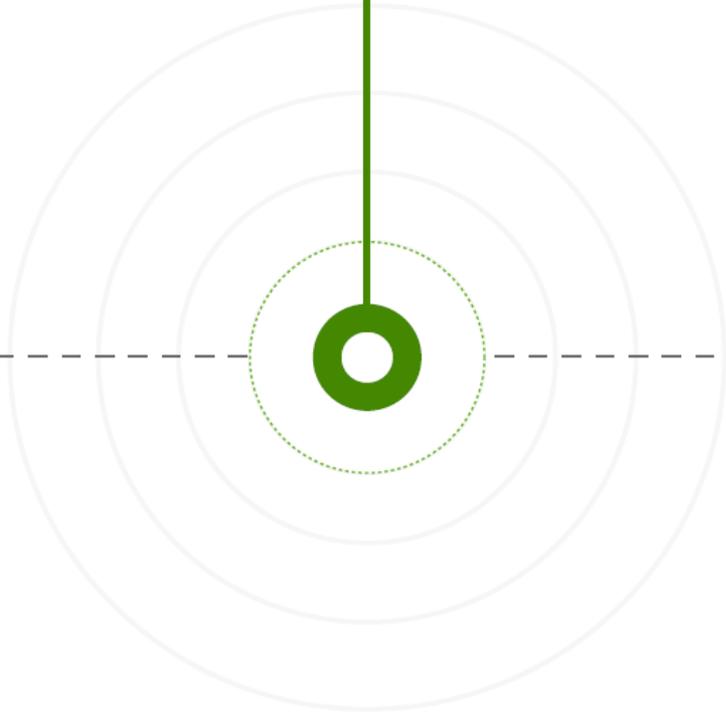
This all comes together with a vision of a customer centric ecosystem

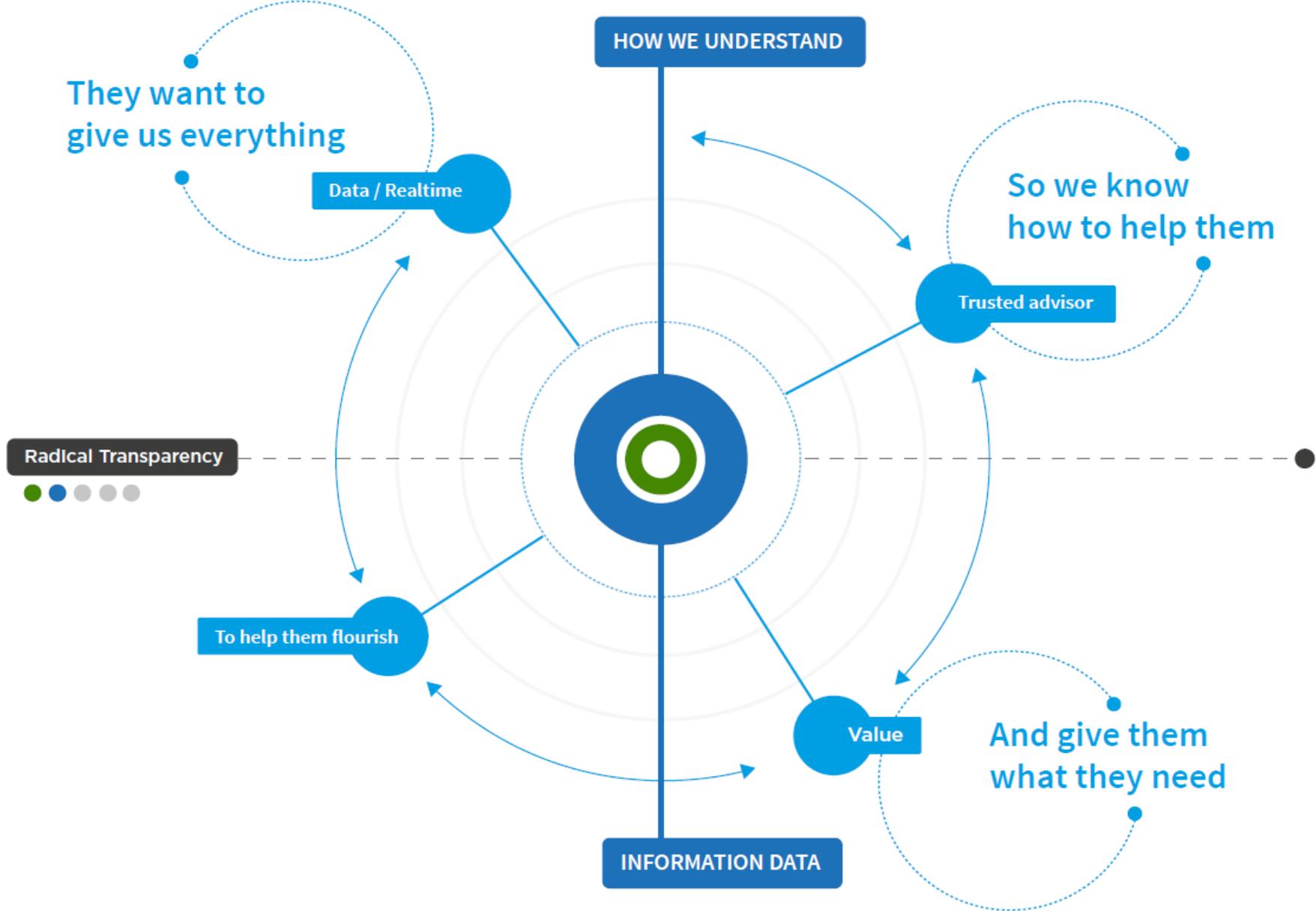


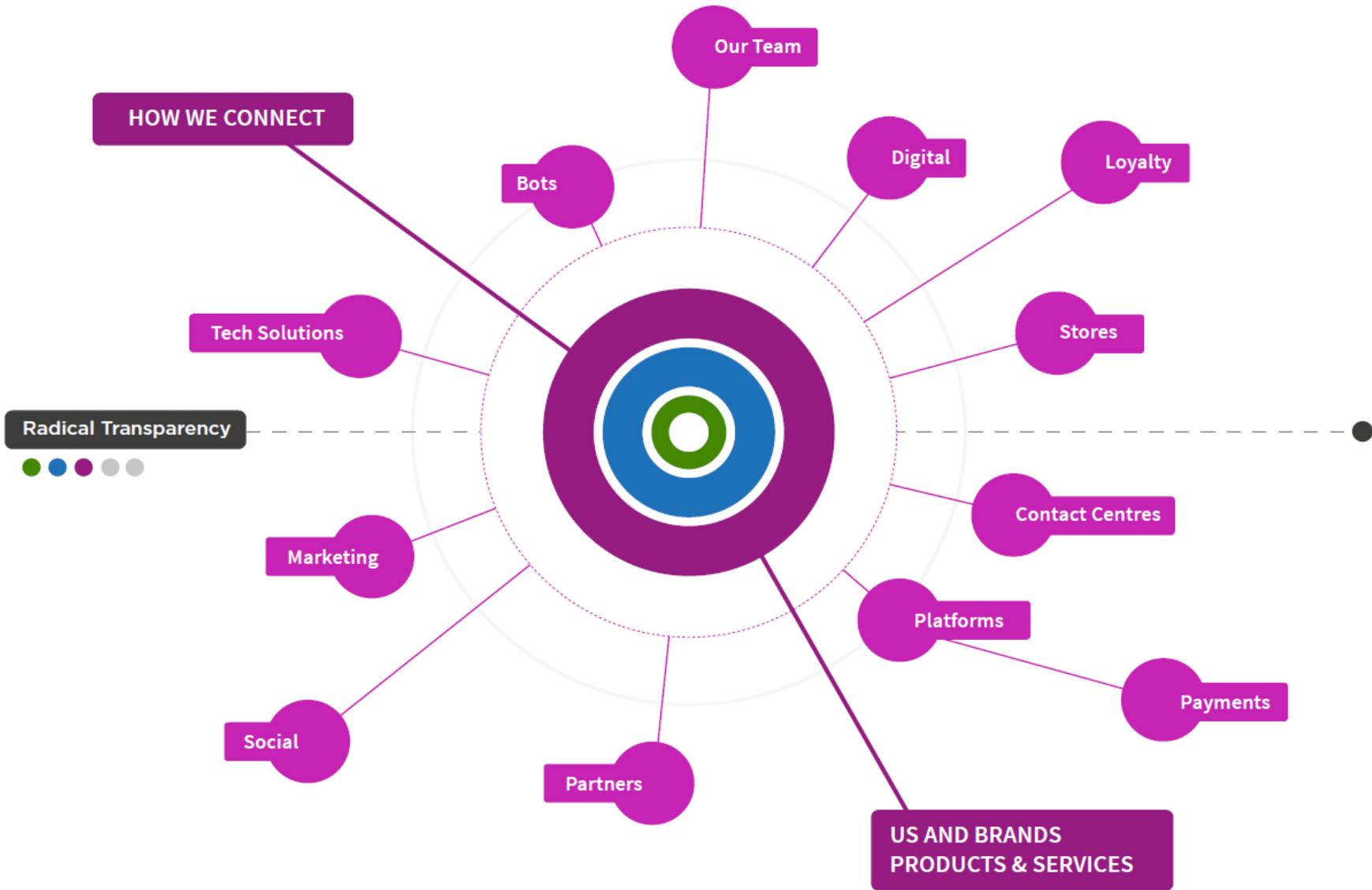
Radical Transparency

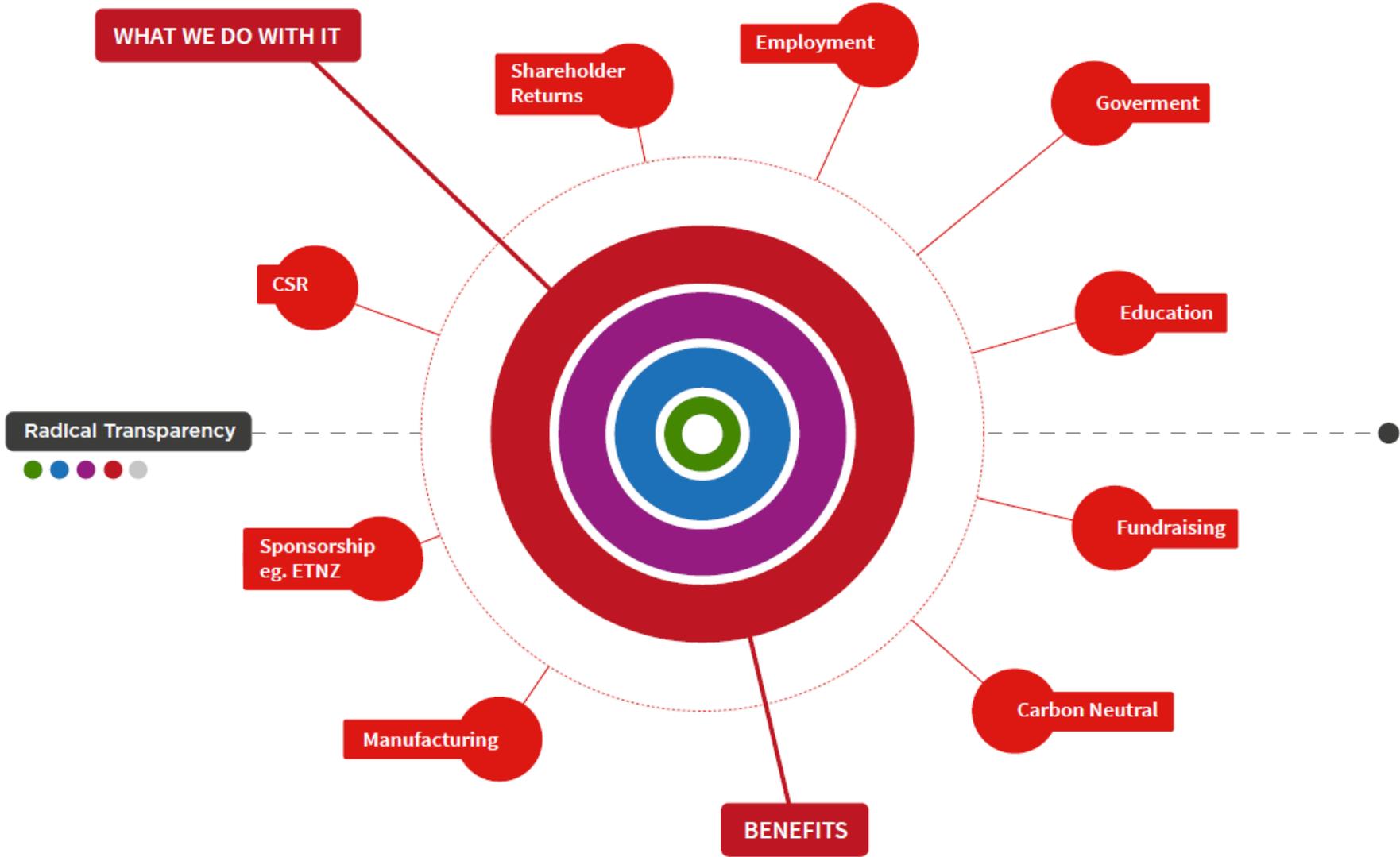


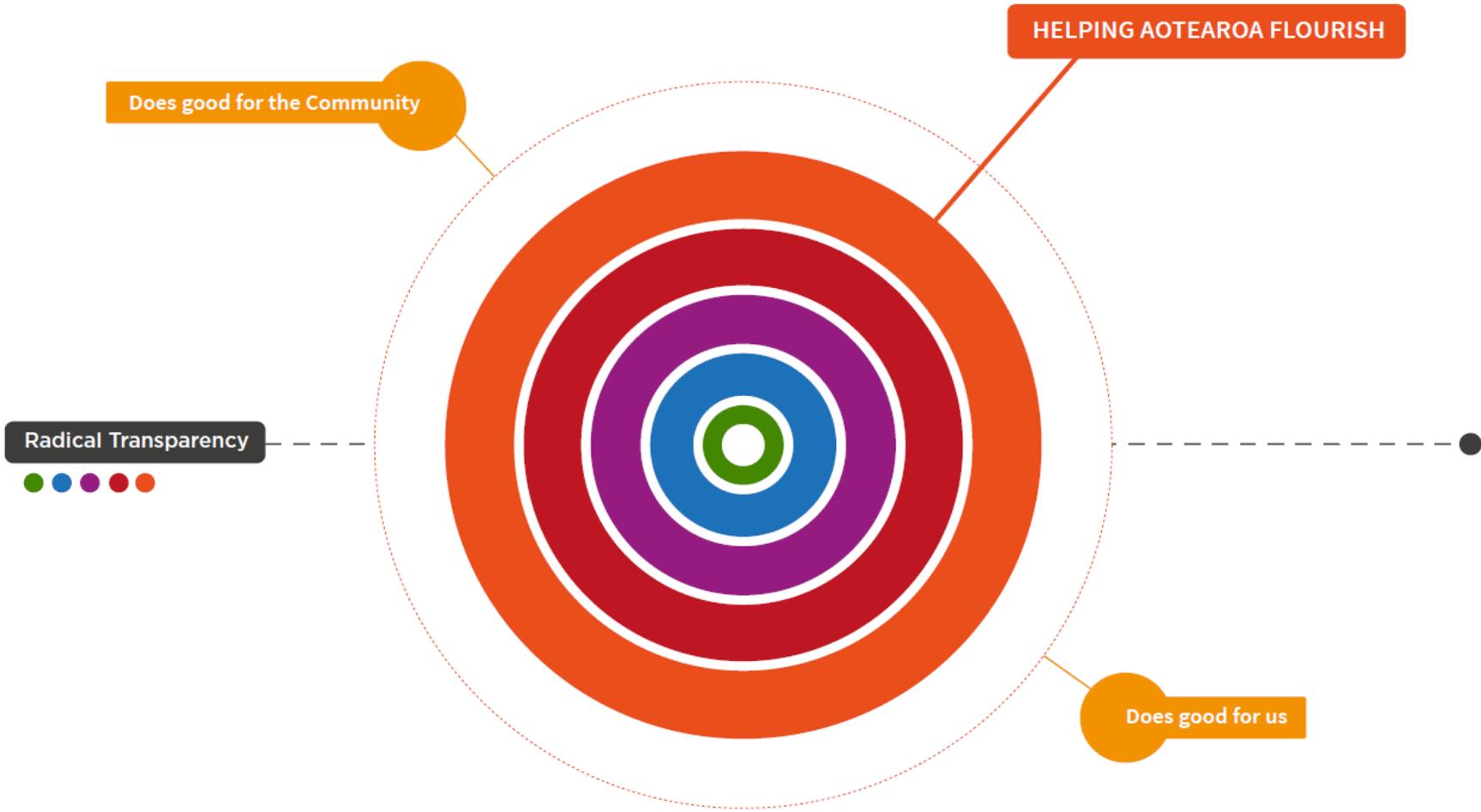
“A” CUSTOMER
EACH AND ALL INDIVIDUAL



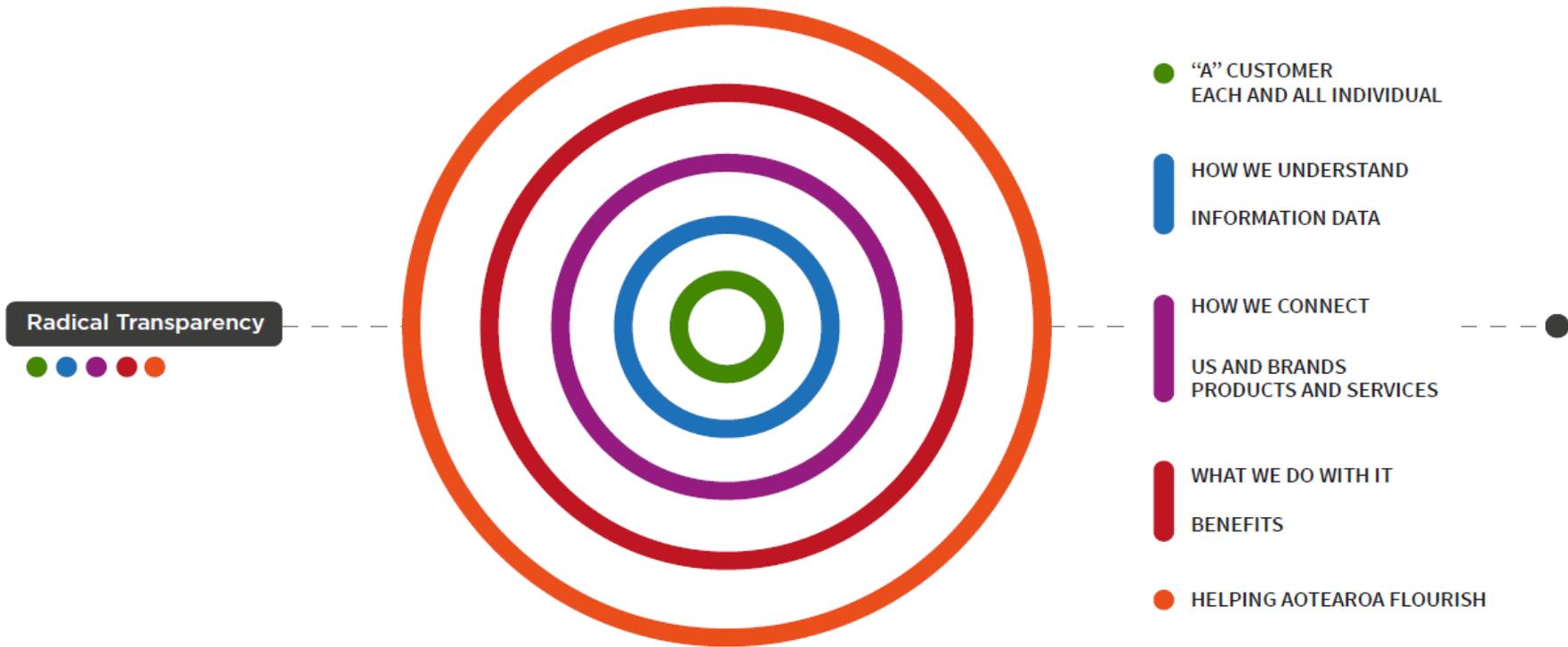








Our vision of a customer centric ecosystem



Conclusion



- The 'new rules of retail' mean retailers must evolve to utilise new technologies and platforms in order to remain relevant
- This fundamental transformation will ensure a sustainable business in this new globally competitive retail environment
- We have established a world class leadership team which includes global expertise and local knowledge
- The Board and Executive Team are focused on successful execution and risk management



Questions.

