

**THE
WAREHOUSE
GROUP[®]**



THE WAREHOUSE GROUP Fixed Rate Bond Offer

Roadshow Presentation

May 2015



Arranger & Joint Lead Manager

DeutscheCRAIGS

Joint Lead Manager



Joint Lead Manager



Disclaimer



A product disclosure statement (**PDS**) dated 7 May 2015 has been prepared by The Warehouse Group Limited (**WHS, the Issuer**) in respect of unsecured, unsubordinated bonds (**Bonds**) and lodged with the Registrar of Financial Service Providers in accordance with section 48 of the Financial Markets Conduct Act 2013 (**FMC Act**).

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The Issuer intends to offer the Bonds to the public in New Zealand. No action has been or will be taken by the Issuer which would permit an offer of Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

The Bonds constitute unsecured, unsubordinated fixed rate debt obligations of the Issuer and rank equally with WHS' other unsecured and unsubordinated debt.

Capitalised terms used in this Presentation and not otherwise defined have the meanings given to them in the PDS.

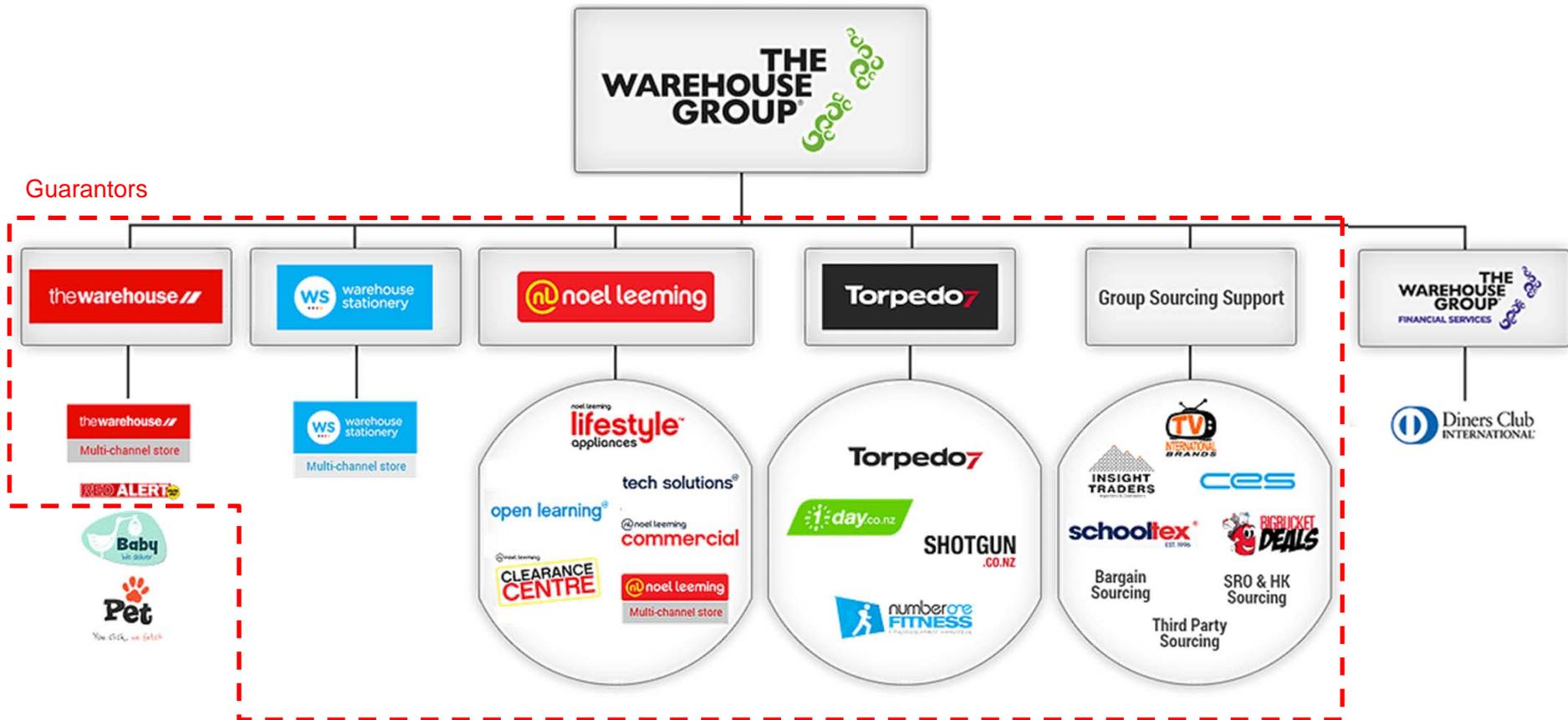
Application has been made to NZX Limited (**NZX**) for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of this Presentation have been duly complied with. However, the Bonds have not yet been approved for quotation and NZX accepts no responsibility for any statement in this Presentation. NZX is a licenced market operator and the NZX Debt Market is a licenced market under the FMC Act.



THE WAREHOUSE GROUP Overview



The Warehouse Group divisional overview

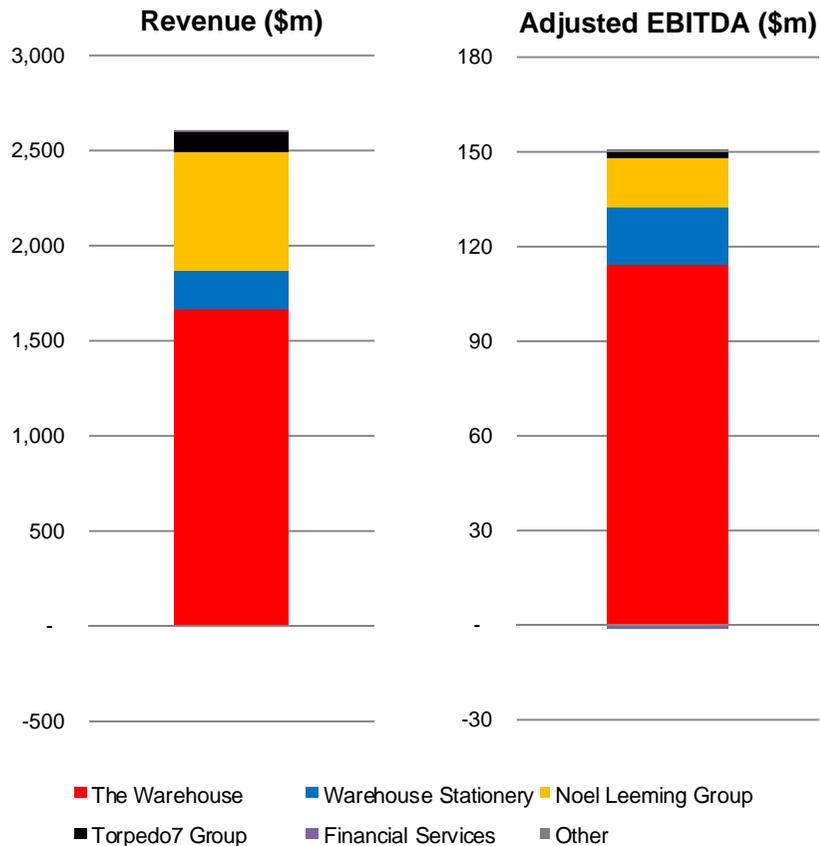


WHS Group has reshaped itself into a trading group offering a wide range of products and services through four distinct retail divisions, and has recently established a Financial Services division

Business composition



Segmental contribution to FY14 Group performance¹



¹ Financial Services reflects the 5 month trading period since the acquisition of Diners Club (NZ) Limited in March 2014. Other includes the Group's property operations, corporate function and Waikato Valley Chocolates Limited which supplies product to The Warehouse and eliminations of inter-segmental revenue. Adjusted EBITDA is described in section 7 of the PDS (WHS Group's financial information).

- **The Warehouse**
 - Core “Red Sheds” business
 - 92 stores nationwide and a full online offering
 - “House of Bargains and Home of Essentials”
- **Warehouse Stationery**
 - “Blue Sheds” business which operates in the stationery retail market
 - 65 stores and a fully transactional website
 - “Everything you need to work, study, create, connect”
- **Noel Leeming**
 - A leading technology and appliance retailer
 - 79 stores and an online store
 - “Right Product, Right Price, Passionate People Expert Service”
- **Torpedo7**
 - Outdoor adventure sports multi-channel retailer
 - Online through a variety of websites in Australasia
 - 13 stores across New Zealand
- **Financial Services**
 - Offers a variety of credit, charge card and consumer finance products
 - A separate group of companies which do not guarantee the Bonds

Group Strategy



- **Vision:** “To build a 100 year company that delivers long term sustainable profit growth and helps Aotearoa New Zealand to flourish”
- **A Trading Group with:**
 - Multiple business units
 - Clear strengths and core competencies that can add value to each trading business unit
- **Clear Strengths and Core Competencies**
 - New Zealand scale
 - Understanding the New Zealand Customer, Market, and Channels better than anyone else
 - Sourcing, Logistics & Retail expertise
 - Our people and a best practice Way of Working and Culture
- **Synergy: Leveraging Group Strengths & Core Competencies**
 - While still remaining “Customer Led, Brand/Store Focused and People Centered”
- **Focus on delivering on the current priorities and driving profit growth**
 - Period of consolidation, with no major acquisitions planned
 - Realise cost benefits from scale and sharing of services, maximise cross-brand trading opportunities, build on core competencies and source better products at better prices

After a period of significant change, investment and reshaping, the medium term focus is to deliver the current priorities, to leverage them and drive a profit growth trend

TW Group's 6 Strategic Priorities - Update



1	Keep the 'Red Core' Strong	<ul style="list-style-type: none">▪ New Zealand's "House of Bargains" and "Home of Essentials"▪ Improve products, prices, promotions and the customer experience▪ Continue to invest in our people▪ Deliver sustainable sales, gross profit and operating profit growth
2	Grow 'Non Red' to be as large as 'Red'	<ul style="list-style-type: none">▪ To be a sustainable '100 Year Company' we need a more diversified sales & earnings profile▪ 'Non Red' growth will come from the growth of existing Retail Brands, such as Warehouse Stationery and Noel Leeming, and leveraging existing internal capabilities
3	Be the Leading Multichannel and Digital retailer in NZ	<ul style="list-style-type: none">▪ Be New Zealand's undisputed leader in multichannel retailing▪ Accelerate investment and growth in this area▪ Get the right balance between short term growth and medium term sustainability▪ Already The Warehouse is a highly successful online business
4	Source Better Products at Better Prices	<ul style="list-style-type: none">▪ Lowering the COGS for the Group is a critical success factor▪ Leveraging Group synergies to support more sales, at higher margins▪ Opportunities to expand on the existing levels of direct sourcing
5	Be a leading NZ Retail Financial Services Co	<ul style="list-style-type: none">▪ Be a leading New Zealand retail financial services company (5 year timeframe)▪ Provide a range of products that have a strong fit with our retail brands' positioning & personality and provide a compelling value proposition to the market▪ Make a material contribution to the Group's P&L in 5 years
6	Leverage Group Competencies & Scale	<ul style="list-style-type: none">▪ Identify and realise benefits as appropriate for a group of our size, leveraging capabilities across the Group and managing total support costs to appropriate levels▪ Build on our core competencies and ensure they are leveraged well across the Group▪ Use our scale to achieve the best property outcome for our retail brands



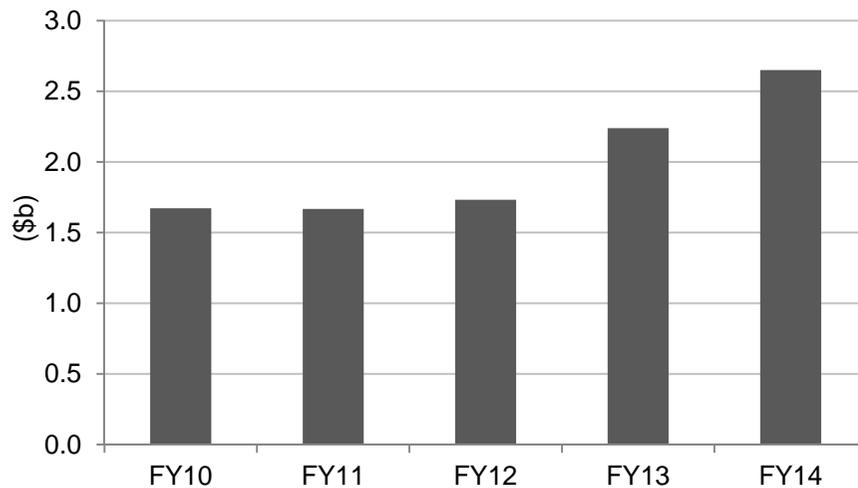
Financial Performance



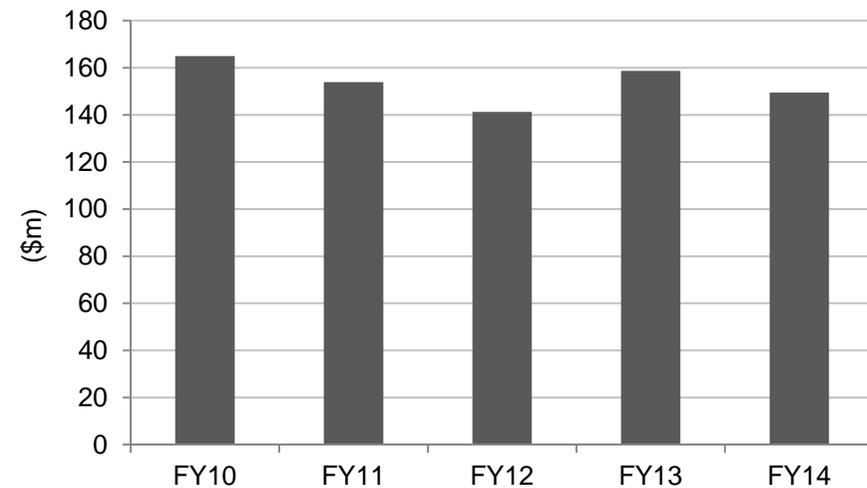
Five year financial summary



Revenue



Adjusted EBITDA

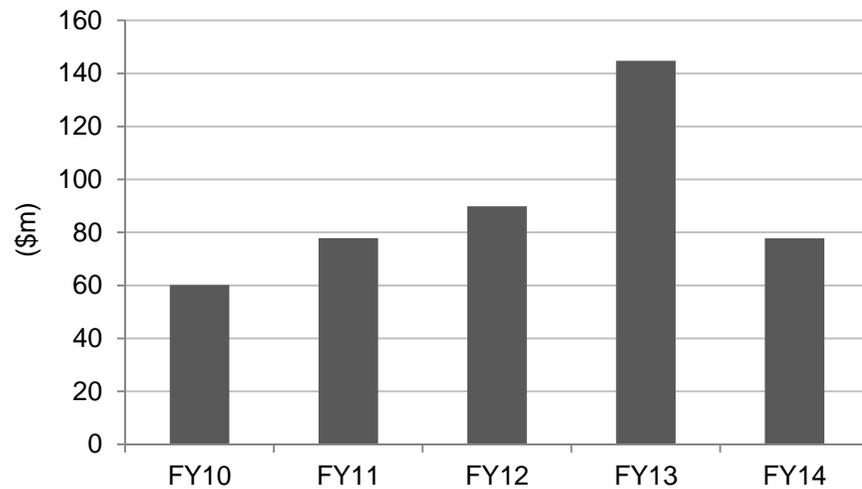


- Revenue growth driven by continued sales growth and recent acquisitions
- Adjusted EBITDA and margins impacted by the strategic reshaping of WHS – includes store refit and refurbishment, investment in better customer service, improved private label product quality, rebranding and integration of acquisitions
- Increased cost management and productivity improvement are focus areas

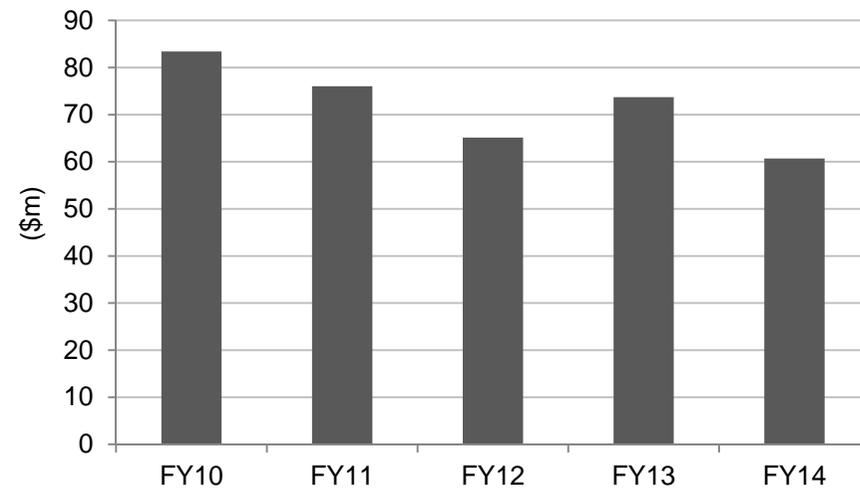
Five year financial summary



Reported NPAT



Adjusted NPAT



- Adjusted NPAT makes allowances for unusual items including gains on sale of properties and acquisition related costs
- Financial services contributing a modest but planned loss in FY14; expected to provide material earnings to the Group within five years

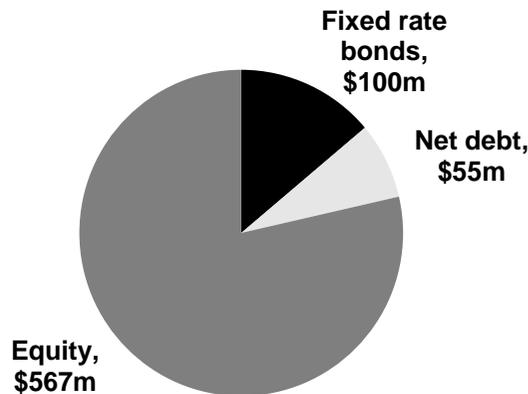
FY15 commentary

- **1H 15 trading conditions were challenging** – While sales for the period continued to grow, our performance was affected by three factors:
 - Cycling the Digital Switch Over (DSO) – impacted Noel Leeming
 - Seasonality (cold spring, late start to summer trading) – impacted Red Sheds
 - A number of planned, one-off costs relating to strategic investments
- **Solid 3Q sales growth** with The Warehouse same store sales up 3.3%, Warehouse Stationery same store sales up 2.1% and Noel Leeming same store sales up 0.9% for the quarter
- For H2 and into FY16 we continue to focus on sales growth, however a **major priority** is also to **deliver profit growth**
- Good progress has been made across our strategic initiatives and the Board remains confident in the long term strategy

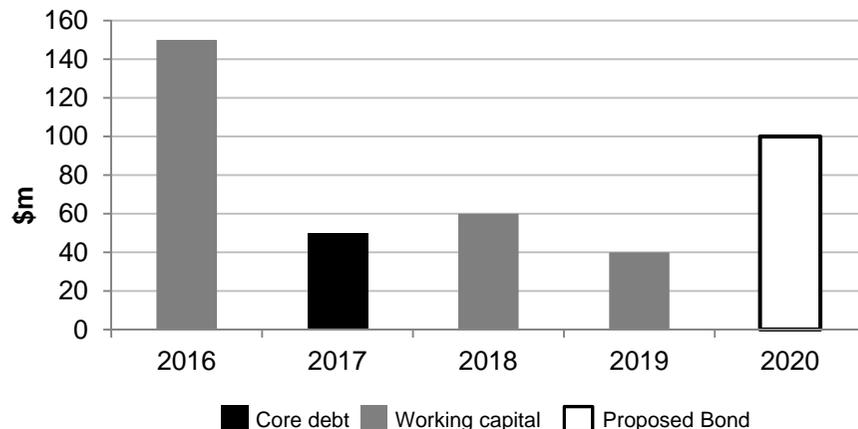
Challenging trading conditions but the strategy remains on track

Capital structure

Group capital structure¹



Maturity profile¹



1. As at 25 January 2015

- **\$100m fixed rate unsecured bonds**
 - Replaces existing fixed rate bonds
 - Extends maturity profile out to 2020

- **Balance of funding includes seasonal facilities provided by trading banks**
 - \$221m undrawn as at 25 January 2015
 - Peak 2014 draw down \$268 million, October/November
 - Additional seasonal facilities of \$50 million effective from mid September to mid December

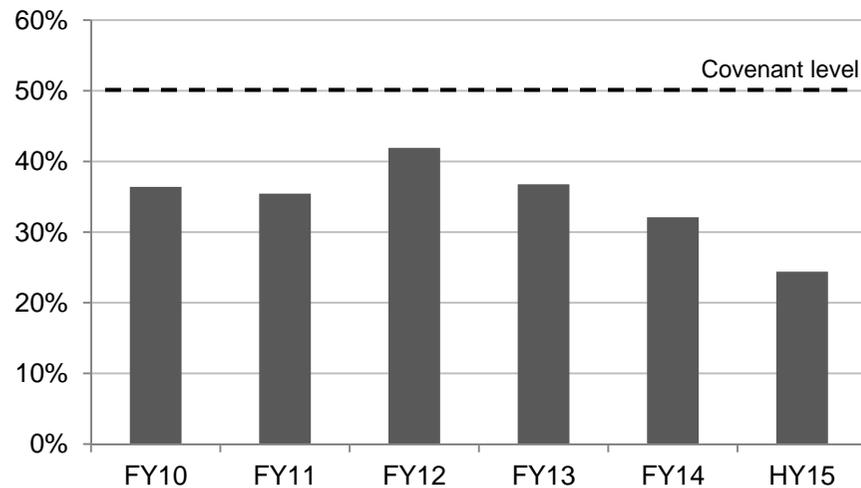
- **Dividend policy for future periods will be reviewed against the FY16 business plan and announced when the FY results are released**

- **Separate debt funding strategy will be developed for financial services that will be kept entirely separate from WHS' debt funding**

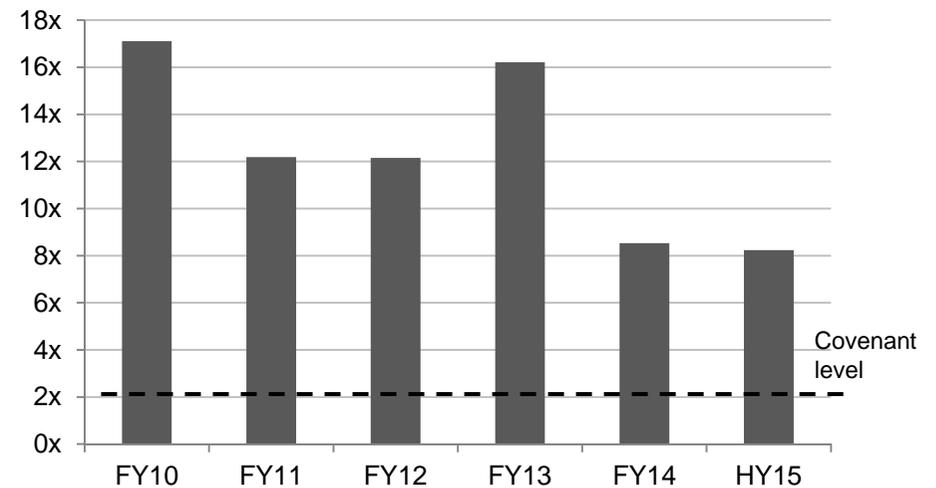
Retail Group Covenants



Gearing¹



Interest cover²



- Ratios well within covenants. Prudent financial management through the cycle from a variety of tools such as equity raisings and sale and lease back of developed properties

1. *Total Debt / Total Debt + Equity (WHS Retail Group only), covenant level is 50% other than for the quarter ending on or about 31 October and the month ending on or about 30 November when it is 60%*
 2. *EBIT (Operating Profit) / Net Interest Expense (WHS Retail Group only)*



The Offer



Offer summary



Issuer	The Warehouse Group Limited
Instrument	Unsecured, unsubordinated, fixed rate bonds
Guarantee	The Bonds are guaranteed by all the wholly owned Substantial Subsidiaries of WHS (other than any Financial Services Entity), as well as the partially owned Torpedo7 Group and Waikato Valley Chocolates Limited
Ranking	The Bonds will rank equally with WHS' other unsecured and unsubordinated debt. The Guarantee from each of the Guarantors also ranks equally with all other unsecured and unsubordinated obligations of the Guarantors
Issue amount	Up to \$100 million with the ability to accept oversubscriptions to bring the total issue size up to \$125 million
Use of proceeds	To repay its \$100 million fixed rate bonds that mature on 15 June 2015 and for general corporate purposes of the Guaranteeing Group (which excludes the financial services business)
Tenor	5 years
Maturity date	15 June 2020
Interest rate	Interest rate to be set following the bookbuild on 19 May 2015
Interest payments	First interest payment on 15 December 2015 Interest paid semi-annually in arrears on 15 June and 15 December each year thereafter
Key features	Negative Pledge Gearing and interest cover covenants Change of control protection
Issue price	\$1 per Bond
Listing	NZX Debt Market

Financial covenants



▪ **Ranking**

- Equally with WHS's unsecured and unsubordinated debt (including bank debt)

▪ **Guaranteeing Group**

- All the wholly owned Substantial Subsidiaries of WHS (other than any Financial Services Entity), as well as the partially owned Torpedo7 Group and Waikato Valley Chocolates Limited
- Total tangible assets of Guaranteeing Group to be 90% or more of total tangible assets of WHS Retail Group
- Non-Borrowing Group EBIT (excluding Financial Services Entities) not to exceed 10% of WHS Retail Group EBIT

▪ **Negative pledge**

- Security interests cannot exceed 10% of total tangible assets of WHS Retail Group (or 5% if temporary prior ranking debt is excluded)

▪ **Gearing**

- Total debt to total debt plus equity of WHS Retail Group not to exceed 50% at any time, except for the October quarter and month ending on or about 30 November where it must not exceed 60%

▪ **Interest cover**

- EBIT of WHS Retail Group to be at least 200% of Net Interest of WHS Retail Group calculated on a 12 months basis on every semi-annual and annual balance date

Offer structure



- Offer has two parts – General Offer and Exchange Offer

General Offer

Exchange Offer

-
- | | |
|--|--|
| <ul style="list-style-type: none">• Open to institutional investors and members of the public resident in New Zealand• Up to \$75m• All Bonds may be reserved for firm allocations• There may be no public pool | <ul style="list-style-type: none">• Open to holders of Maturing Bonds resident in New Zealand• Up to \$25m• Any scaling may consider how early applications were received (among other factors)• Holders of Maturing Bonds will still receive final interest payment on 15 May 2015 |
| <ul style="list-style-type: none">• Ability to accept oversubscriptions across the two offers at WHS' discretion to bring the total issue size up to \$125m | |

Offer process



- **Bookbuild**
 - NZX firms, institutional investors and other approved parties are invited to participate in the bookbuild process
- **Minimum applications**
 - \$5,000 and multiples of \$1,000 thereafter
- **Fees**
 - Firm fee of 0.50% to those participating in the bookbuild
 - General Offer brokerage fee of 0.50%
 - Exchange Offer brokerage of 0.50%
- **Early bird interest**
 - Accrues at the Interest Rate until the Issue Date from the date application moneys are banked
 - Payable within five business days of the Issue Date

Key dates



PDS lodged	8 May 2015
Roadshow presentations	8 & 11 May 2015
Bookbuild	19 May 2015
Interest Rate set and firm allocations notified	19 May 2015
Hard copies of PDS expected to be delivered	20 May 2015
Offer opens	20 May 2015
Exchange Offer closes	5 June 2015
General Offer closes	10 June 2015
Issue Date	15 June 2015
Quotation and trading expected to commence	16 June 2015

WHS reserves the right to vary the timetable (other than the Interest Payment Dates and Maturity Date), including by extending the Closing Dates or withdrawing the Offer at any time before the Bonds are issued.