THE WAREHOUSE GROUP

Interim Results

FY19

Investor Presentation
March 2019

H1 at a Glance

5.2% ↑

Increase in Adjusted NPAT

Same store sales growth across all brands in H1

28.6% ↑

Increase in Operating Cash Flow YOY

129

Transformation initiatives completed

9.5% ↓

Reduction in Net Debt YOY

(from $169m to $153m)

Growth across all segments of our loyalty programmes

(Bizrewards, MyNoelLeeming, Over&Above Club)

New investment in Group digital capability. Launch of new digital platform in FY20

12.7% ↑

Increase in Net Profit After Tax Attributable to Shareholders

(Reported NPAT)

+4

New Torpedo7 stores in Q1

We are carbon neutral

24%

YOY online growth across TWL, WSL, NLG, T7G

Online sales now 7.7% of total Group sales

Continued investment into our communities with 'Red Shirts in Communities' and 'Red Shirts in Schools' programmes

Chair's Update

Performance

- A promising start to FY19 across our brands. On track earnings result despite a tough Christmas trading environment and major business changes driven by our transformation programme gaining traction.
- Sales growth of 2.7% for the half versus last year which has delivered Adjusted Net Profit After Tax of $39.6m, a 5.2% increase with the comparable period last year.
- Our overall Net Profit After Tax for the half year improved by 12.7%, assisted by a reduction in the loss from the residual component of the Warehouse Financial Services Group.
- As with any significant programme of change there are parts that we are pleased with and parts that are yet to see evidence of progress. There remains a large challenge in front of us.
- The Group overall has come through Christmas trading well, but the shape of customer shopping behaviour has changed during this period. We did well in some areas, such as the performance in Noel Leeming, but there are areas for improvement e.g. apparel in the Red Sheds.
- While the transformation is beginning to unlock margin improvement our cost base still reflects an investment phase of business change. It's not until we enter the phase of CODB reduction that our 7% EBIT target will be achievable.

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Chair's Update

Transformation update

- We're in the implementation phase of our 'Rise' transformation programme. So far we have delivered 129 initiatives. Of the completed initiatives, 33% are from merchandise, 22% store performance, 18% logistics, 15% non-trade spend and the remaining 12% from other workstreams.
- The transformation has provided greater rigour and discipline in overall business processes. The tools and processes have been more widely deployed and are becoming part of our ongoing way of working.
- One of our biggest challenges is unlocking profit leverage through cost reduction enabled by: integrating our brands, streamlining business processes, simplification and improving our systems. We must evolve into an organisation with a culture that is more accountable.
- We are mindful of being in constant change and the impact on our people. In parallel with the work on our specific transformation projects we have developed and embedded values which are respectful of our legacy but position us well for the future. We are ensuring our people are provided with the tools to thrive in an environment where performance is part of the way of working.

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Chair's Update

Board update

- We welcomed Will Easton onto the Board in October last year. Will's unique skill set strengthens the diversity of thought at Board level and provides relevant subject matter expertise necessary to drive our long term strategy of investing in the digital future.
- Our Future Director search has begun as we continue to take part in the Future Directors' Programme. Again, we thank Vena Crawley for the excellent contributions he made during his time with us over 18 months.

Integrated reporting

- We are taking the next step in our journey of adopting Integrated Reporting. We are embedding the integrated thinking principles within our business and will share more at our FY19 year end results.

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Retail Environment

- Consumer expectations continue to evolve as the retail environment faces increasing competition. The announcement of IKEA's market entrance demonstrates the continuing disruption in our market and opportunities others see in New Zealand.
- Overall Christmas trading appears relatively flat sector wide. A colder start to November and December impacted performance on seasonal categories, in particular apparel, cooling and sporting goods. Christmas, however, remains one of the most important family occasions and celebrations of the year in our local market.
- Competitor promotional activity intensified. We observed that a number of retailers pulled forward Boxing Day promotions (8 retailers vs 4 retailers last year).
- Consumer behaviour continues to drive online growth and shifts in purchasing patterns. There is a new rhythm of retail trading with the introduction of Black Friday sales. The Group had our biggest ever Black Friday sales in November. Noel Leeming, in particular, broke sales records on Black Friday and again on Boxing Day.

Key Metrics

the warehouse

"where everyone gets a bargain every day"

-0.1% YOY

Retail sales

Q1 +2.0% ↑ Q2 -1.4% ↓

+21% YOY

Online sales growth

+19% YOY

Click & Collect growth

Biggest Black Friday sales ahead of main compete

323% sales

Mobile app sales growth

+10% YOY

Loyalty membership growth

warehouse stationery

"work, study, create, connect"

+3% YOY

Retail sales

Q1 +4.4% ↑ Q2 +1.7% ↑

+10% YOY

Online sales growth

+20% YOY

Sales from BizRewards customers

#1

In "BackToSchool"

+86% YOY

Mobile web-based sales

Key Metrics

noel leeming

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

+7.4% YOY

Retail sales

Q1 +7.4% ↑ Q2 +7.3% ↑

+35% YOY

Mobile web based sales

+47% YOY

Online sales growth

+24% YOY

Loyalty membership growth

700K

Active customers in MyNoelLeeming loyalty programme

Torpedo7

"see you out there"

+1.5% YOY

Retail sales

Q1 -5.6% ↓ Q2 +7.1% ↑

535K

Loyalty customers in Over&Above Club

+18% YOY

Online sales growth

Excludes No. 1 Fitness, 1-day Australia and T7 Australia

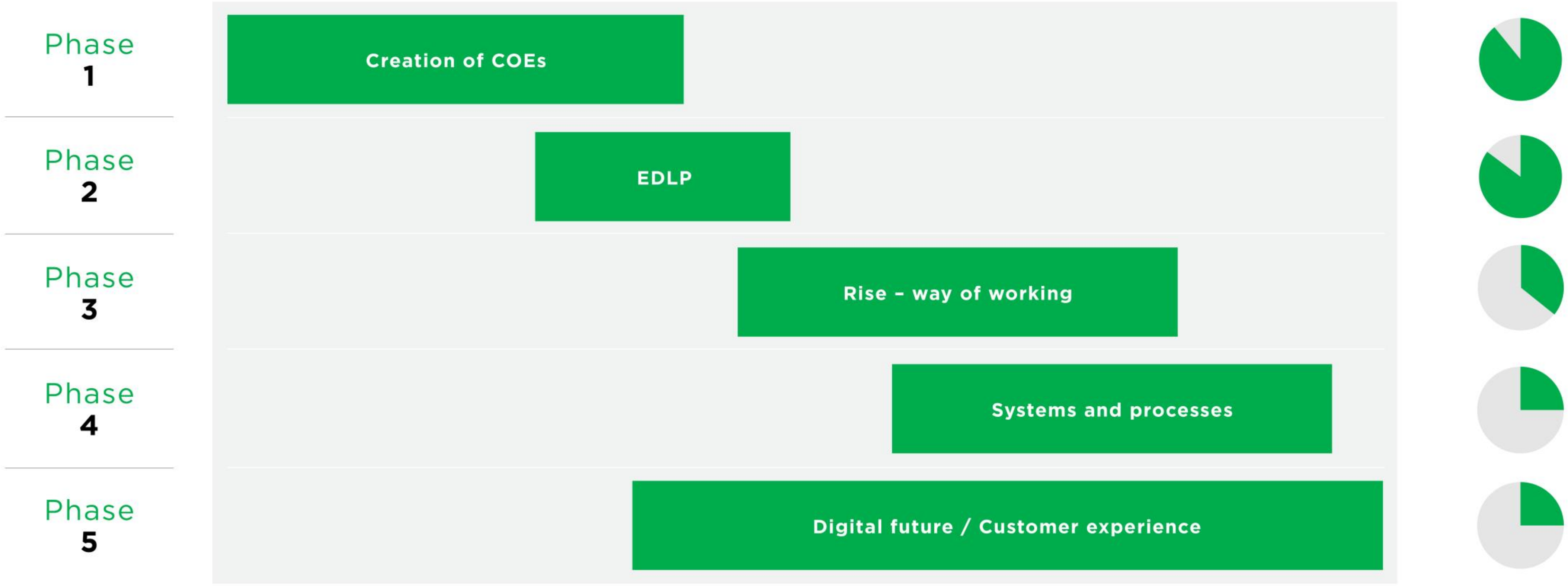
+23% YOY

Loyalty membership growth

+7 YOY

New stores opened YOY

Our Transformation Journey



Rise Update

Rise transformation update

- We are approximately one third of the way through our Rise transformation programme. Although most of the value of large initiatives will be delivered in FY20 we are satisfied with the progress to date.

- Highlights for H1 include:
  - Store based performance enhancement programme in all brands
  - Terms of trade improvements that will lead to improvement in our working capital
  - Improvement in speed-to-shelf and in-store availability
  - Roll-out of self-service checkouts in Red Sheds
  - Improvement in aged inventory
  - Introduction of Red Rack (our off-price retailing of brands)
  - Negotiation Factory has yielded significant cost of goods sold savings going forward.

- Focus on creating a high-performance culture and ensuring execution of our transformation programme remains our number one priority for the remainder of FY19.

Strategic initiatives

Progress of Group strategy

- While our core strategy remains on fixing the retail fundamentals and investing in the digital future, we are also focussing on other pillars of our future strategy.
- We are making good progress on the transformation and are currently in the process of reviewing our mid-term (2-5 year) strategy to ensure we have a focus on growth coming out of Rise.
- An update will be shared at year end.

Investing in the digital future

- We have and will continue to invest in our digital capabilities, including the creation of a world-class digital platform to serve our customers.
- We look forward to making an announcement about this new platform in Q4.

People and culture

- We have made good progress in this area, including:
  - Renewal of Group values and behaviours needed to drive the transformation.
  - Launch of our new performance and development framework.
  - Launch of the 'Ability2Execute' training programme to embed core skills and behavioural change that will enable success during our transformation. Last year 1,350 team members attended a two-day training workshop and this year we have followed up with the launch of online e-learning modules.

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Group H1 19 Performance

For the period ended 27 January 2019

$ millions	H1		
	2019	2018	Variance
Retail Sales	1,640.5	1,598.1	2.7%
Retail Gross Profit	533.2	522.5	2.1%
Gross Margin %	32.5%	32.7%	(20)bps
Retail CODB	472.7	464.1	1.9%
CODB %	28.8%	29.0%	(20)bps
Retail Operating Profit	60.5	58.4	3.5%
Operating Margin %	3.7%	3.7%	-
Continuing NPAT (reported)	37.4	35.3	5.9%
Continuing NPAT (Adjusted)	39.6	37.7	5.2%
NPAT (reported)	35.8	31.8	12.7%
Operating Cash Flow	60.0	46.6	28.6%
Ordinary Dividend	9.0	10.0	(1.0) cps

- Retail sales up 2.7% on last year reflecting solid trading across our brands in H1, especially given the increased competitive intensity over Christmas and New Year trading.
- Sales in Red Sheds were flat for the half year after a strong Q1. Blue Sheds made good progress after operational integration issues in FY18, up 3%. Noel Leeming outperformed the market with 7.4% sales growth and Torpedo7 showed encouraging growth in its core business, and overall was up 1.5%.
- Gross profit was up 2.1% but GP% flat on last year. Some overall margin improvement in Blue Sheds and Torpedo7 Group. There were pockets of strong margin growth in Red Sheds but overall down 20bps. Noel Leeming held flat in a highly competitive environment.
- CODB increased 1.9% driven by upfront investment in the execution of the transformation.
- Overall Retail Operating Profit increased 3.5% to $60.5m from LY.
- Adjusted NPAT is $39.6m vs $37.7m LY, an increase of 5.2% over the same period.

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Adjusted vs Reported NPAT

For the period ended 27 January 2019

$ million	NPAT		
	H1 19	H1 18	Variance %
Adjusted NPAT	39.6	37.7	5.0%
Unusual Items			
Restructuring costs	(2.2)	(2.4)	(8.3)%
NPAT from Continuing Operations	37.4	35.3	5.9%
Discontinued	(1.6)	(3.5)	(54.3)%
NPAT Attributable to Shareholders	35.8	31.8	12.6%

- Restructuring costs relate to the group transformation.
- By year end we expect to realise a property profit of approximately $11.5m.
- Discontinued earnings is the remaining part of the Warehouse Financial Services Group, Diners Club (NZ), which is in wind down.
- As we invest to realise some of the benefits of the Rise transformation programme we expect to see additional restructuring costs in the range of $10m-13m in H2.

To improve the understanding of underlying business performance, the Group adjusts profit for unusual and non-operating items. Unusual items include profits from the sale of assets and losses associated with adjustments in carrying value of assets, M&A activity and restructuring costs.

Balance Sheet

As at 27 January 2019

$ millions	2019	2018	Variance
Inventory	542.8	535.9	6.9
Trade and Other Receivables	88.3	79.8	8.5
Trade and Other Payables	(308.9)	(291.3)	(17.6)
Provisions	(80.8)	(78.5)	(2.3)
Working Capital	**241.4**	**245.9**	**(4.5)**
Fixed Assets	267.1	271.4	(4.3)
Held for Sale	3.4	16.2	(12.8)
Funds Employed	**511.9**	**533.5**	**(21.6)**
Tax Assets	45.2	44.5	0.7
Derivatives	(5.6)	(12.7)	7.1
Goodwill and Brands	81.0	106.6	(25.6)
Capital Employed	**632.5**	**671.9**	**(39.4)**
Shareholders Equity	478.6	501.7	(23.1)
Minority Interests	0.8	1.0	(0.2)
Net Debt	153.1	169.2	(16.1)
Capital Employed	**632.5**	**671.9**	**(39.4)**
Gearing	24.2%	25.2%	

- Inventory levels have increased slightly compared to this time last year.
- Red and Blue Sheds inventory was down on LY. Offsetting this was higher inventory in Noel Leeming reflecting product mix and higher inventory in Torpedo7 reflecting new stores.
- Assets Held for Sale include the remaining assets from the Warehouse Financial Services Group and surplus land for sale.
- Net debt reduced by $16.1m from $169.2m to $153.1m, this is a reduction of 9.5% compared to LY. We expect this trend to continue to year end as the impact of capital initiatives are realised.
- Goodwill and Brand movements relate to the Torpedo7 goodwill impairment taken at year end.

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Cash Flow

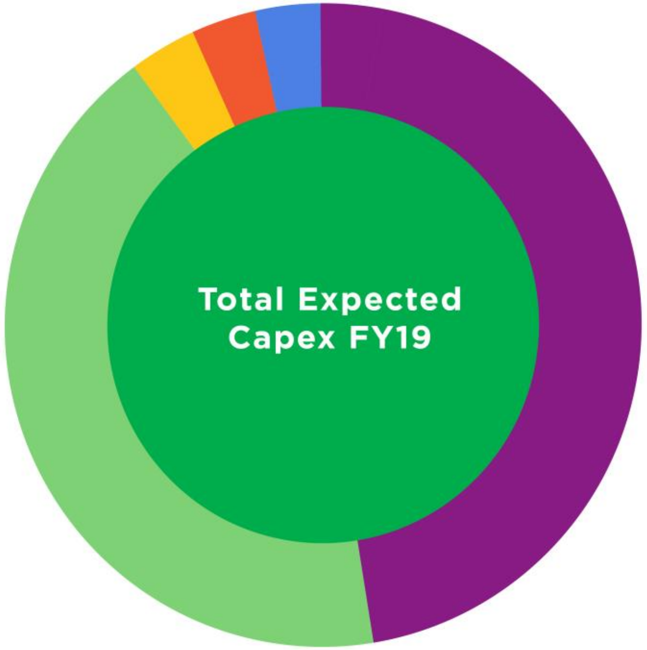
For the period ended 27 January 2019

$ million	2019	2018	Variance
Trading EBITDA	90.8	87.3	3.5
Working Capital	(0.8)	(15.0)	14.2
Taxes Paid	(21.1)	(12.2)	(8.9)
Interest Paid	(5.0)	(5.9)	0.9
Other items	(3.9)	(7.6)	3.7
Operating Cash Flow	**60.0**	**46.6**	**13.4**
Capital Expenditure	(28.2)	(38.9)	10.7
Divestments	-	62.6	(62.6)
FSG Clawback	(1.4)	-	(1.4)
Dividends Received	0.1	0.1	-
Dividends Paid	(21.0)	(20.9)	(0.1)
Other	(0.3)	(0.4)	0.1
Net Cash Flow	**9.2**	**49.1**	**(39.9)**
Opening Net Debt	(162.3)	(218.3)	56.0
Closing Net Debt	(153.1)	(169.2)	16.1

- Operating cash flow has improved 28.6% on H1 LY.
- Working capital is beginning to show the impact of inventory and trade creditor initiatives.
- Taxes paid is impacted by reduced losses from Warehouse Financial Services Group in FY19 and timing differences in FY18.
- Capex decreased compared to H1 LY from $38.9m to $28.2m. We expect further capital expenditure in H2 of between $37m to $57m driven by the investment required to deliver our transformation programme and other strategic ventures.
- Net cash flow last year was impacted by the divestment of Warehouse Group Financial Services.

Forecast FY19 Capex Envelope

% Capex Envelope



45%	39%	6%	5%	5%
Stores & Distrubution Centres	Information Systems	Logistics	Loyalty	Other

- We expect capex to be in the range of $65m-$85m in FY19, down from our original guidance of $80m-$100m.
- Given capex spend in H1, we expect the bulk of this capex to occur in H2.
- The transformation favours projects with horizons of between 12-18 months. However we note that most of the benefit will be realised in FY20.
- Phase 3 of the transformation can be accomplished within the existing capital investment envelope as most initiatives are focussed on improving our retail fundamentals.
- At year end we expect to give some details on the larger capital investment required to implement phases 4 and 5 of our transformation.

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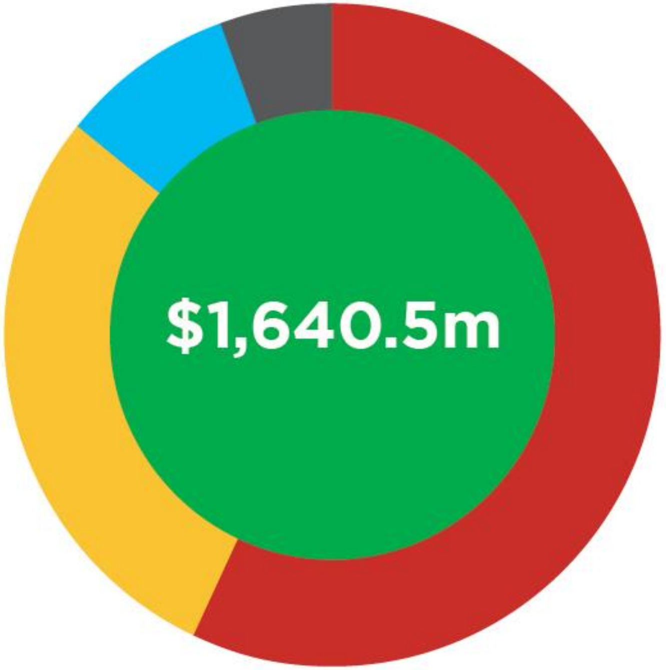
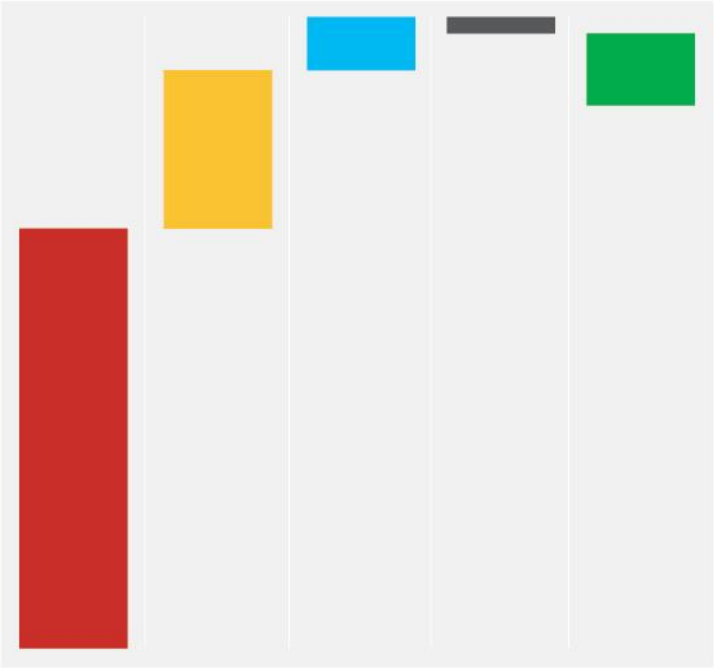
Divisional Breakdown

Retail Sales H1 FY19 ($m)



929.5	487.3	132.8	89.9
57%	30%	8%	5%
The Warehouse	Noel Leeming	Warehouse Stationery	Torpedo7 Group

Retail Operating Profit ($m)



46.6	17.6	5.9	-1.8	-7.8
The Warehouse	Noel Leeming	Warehouse Stationery	Torpedo7 Group	Other*

*Includes digital costs of $2.3m and other group costs of $5.5m, total Group Retail Operating Profit $60.5m thewarehouse

For the period ended 27 January 2019

$ million	2019	2018	Variance
Retail Sales	929.5	930.3	(0.1)%
Same Store Sales	0.8%	(3.7)%	450bps
Retail Gross Profit	345.4	347.6	(0.6)%
Gross Margin %	37.2%	37.4%	(20)bps
Retail CODB	298.8	298.6	0.1%
CODB %	32.2%	32.1%	10bps
Retail Operating Profit	46.6	49.0	(5.0)%
Operating Margin %	5.0%	5.3%	(30)bps
Stores	93	93	-

- Overall, sales were flat for the period after a strong Q1 with SSS of 2.7%, Q2 SSS was down 0.3%. A colder start to November and December impacted our pre-Christmas trading in seasonal categories, and competitor promotional activity was intense.
- Seasonal category trading improved in January once more consistent warmer weather arrived, with categories such as Water Sports and Leisure performing strongly extending into February.
- Gross profit dropped slightly 0.6% from $347.6m to $345.4m and GM% was largely flat, but there were pockets of good margin growth.
- In particular General Merchandise (excluding technology) performed very well. Apparel underperformed in a softer market in this category and so did technology.
- Although CODB was held for the period, Operating Profit dropped by 5.0% compared to LY. We expect our CODB will reduce as we come through the execution of the Rise programme. Our focus in H2 remains on driving profitable sales and managing CODB.

warehouse stationery

For the period ended 27 January 2019

$ million	2019	2018	Variance
Retail Sales	132.8	129.0	3.0%
Same Store Sales	2.5%	(7.9)%	1,040bps
Retail Gross Profit	54.8	51.3	6.9%
Gross Margin %	41.3%	39.8%	150bps
Retail CODB	48.9	47.6	2.7%
CODB %	36.8%	37.0%	(20)bps
Retail Operating Profit	5.9	3.7	61.8%
Operating Margin %	4.5%	2.8%	170bps
Stores	70	70	-

- An encouraging result with Blue Shed sales increasing 3.0% in H1, with Retail Gross Profit up 6.9%.
- Retail Operating Profit increased 61.8% with profitability returning towards levels seen pre-integration with Red Sheds. Gross profit was ahead of H1 FY17.
- ‘Back to School’ started later than LY due to both buying behaviour and schools starting later this year. Some ‘Back to School’ sales were delayed into the early weeks of February.
- Top performing categories included Print and Copy Centres, Ink and Toner and Furniture.
- Sales in the B2B segment increased in H1. We experienced some challenges with systems integration which negatively impacted some of our BizRewards customers. Better serving this segment is a significant opportunity for Blue Sheds.
- CODB increased 2.7%, driven by a rise in support function costs.

For the period ended 27 January 2019

$ million	2019	2018	Variance
Retail Sales	487.3	453.9	7.4%
Same Store Sales	5.1%	5.1%	-
Retail Gross Profit	107.1	99.9	7.2%
Gross Margin %	22.0%	22.0%	-
Retail CODB	89.5	84.6	5.8%
CODB %	18.4%	18.6%	(20)bps
Retail Operating Profit	17.6	15.3	15.1%
Operating Margin %	3.6%	3.4%	20bps
Stores	77	79	(2)

- Noel Leeming is the standout of the Group brands in performance in H1 with sales increasing 7.4% YOY and Gross Profit 7.2%.
- Noel Leeming performed well through the sales events of H1 and had its best ever Black Friday and Boxing Day sales.
- CODB increased 5.8% and our Retail Operating Profit increased 15.1% YOY.
- Top performing categories with double digit growth YOY included:
  - Communications 10%
  - Audio, Visual and Gaming 19%
  - Small Appliances 23%
  - Television 11%
  - Services 17%
- Net movement of 2 stores compared to LY is a result of changing the store classification of Built-In Cooking Centres (-5) and the opening of 3 new Clearance Centres in Henderson, St Lukes and Glenfield in Q1.

Torpedo7

For the period ended 27 January 2019

$ million	2019	2018	Variance
Retail Sales	89.9	88.6	1.5%
Same Store Sales	0.7%	0.3%	40bps
Retail Gross Profit	21.9	21.0	4.5%
Gross Margin %	24.4%	23.7%	70bps
Retail CODB	23.7	20.2	17.4%
CODB %	26.4%	22.8%	360bps
Retail Operating Profit	(1.8)	0.8	(330.2)%
Operating Margin %	(2.0)%	0.9%	(290)bps
Stores	18	11	7

- Torpedo7 Group is made up of Torpedo7 and 1-day. Torpedo7 Group has undergone a tremendous amount of change in H1 as we have executed on our strategy of brand clarity and store expansion.
- Sales increased 1.5% YOY and Gross Profit increased 4.5% in Torpedo7 Group.
- Total retail sales were $89.9m for Torpedo7 Group, of which $55m of sales were attributed to Torpedo7 and $34m to 1-day. Sales were impacted by the strategic closure of standalone online stores in No.1 Fitness, the Shotgun supplement business and re-focus on Torpedo7 and 1-day online out of Australia and into our home market. The ongoing 'core' business of Torpedo7 Group is up 20% plus.
- Our top performing categories which had double digit growth YOY were:
  - Cycle 15%
  - Watersport 30%
  - Outdoor 18%
  - Apparel 22%
- CODB increased 17.4% and Retail Operating Profit was a loss of $1.8m in H1. Higher operating costs were driven from our store expansion programme.
- New stores in Q1 include: New Plymouth, Palmerston North, Te Rapa and Manukau. In H2 we plan to relocate into new stores in Newmarket and Dunedin. We also opened 3 stores in H2 FY18 which are included in the net movement of 7 stores (Porirua, Remarkables and Westgate).

FY19 Outlook and Dividend

- The retail environment remains very competitive and consumer shopping behaviour is evolving.
- Potential headwinds for H2 that could impact consumer spending include a reduction in consumer confidence and cost of living pressures.
- In H2 we will continue to focus on delivering on our transformation initiatives and expect some benefits in FY19 but that they will be more fully realised in FY20.
- H2 FY19 is expected to be an improvement on H2 FY18 and follow a similar trading pattern. We expect FY19 Adjusted Net Profit After Tax subject to no material changes in trading conditions to be in the range of $63m to $66m. This includes an expected full year after tax cost of $4.5m in relation to investment in a new digital platform. The guidance range is an increase of 7% to 12% on FY18 Adjusted Net Profit After Tax of $59.0m.
- The Directors are pleased to declare an interim dividend for H1 FY19 of 9.0 cents per share, fully imputed, payable on 12 April 2019. This equates to a pay-out ratio of 79% on Adjusted NPAT.

Thank you
& Questions

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GROUP