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



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**THE WAREHOUSE GROUP REPORTS STRONG SALES GROWTH,  
POSITIONING ITSELF FOR THE FUTURE**

**Total Group sales for the full year up 18.3% to \$2.65 billion**  
**Adjusted NPAT of \$60.7 million**  
**Reported NPAT of \$77.8 million**  
**Final Dividend of 6.0 cents per share**

**Auckland, 12 September 2014**

The Board of The Warehouse Group today announced that the adjusted net profit after tax<sup>1</sup> for FY14 is \$60.7million, which is within the range of \$59-\$62 million previously indicated to the market. Reported net profit after tax was \$77.8 million. Group retail sales for the year were \$2,648.5 million, up 18.3% compared to last year. While the adjusted profit was below last year, this reflects the strategic reshaping the Group is undertaking.

**The Warehouse (Red Sheds)**

The Warehouse (Red Sheds) reported sales for the full year of \$1,665.2 million an increase of 4.7% or \$74.1 million compared to last year. Same store sales increased 3.2% for the year. Sales in the second half were \$745.1 million, an increase of 2.9%, with same store sales growth of 2.2%. Same store sales in Q4 were up 1.5%.

The major drivers of sales growth in FY14 have been the store refit and refurbishment program, better customer service through our investment in the “Career Retailer Wage” and our “Love Your Customer” training program, improved private label product quality and the introduction of major brands, such as Sony, Samsung, HP and Kambrook. There have been particularly strong category performances in womenswear, consumer electronics, gaming, baby, consumables, small appliances, whiteware and jewellery. In spite of a late and warm winter, overall gross margin percentage for the full year was the same as last year. However, this was below planned levels and therefore was not sufficient to fully cover the cost invested to enhance customer experience, resulting in an operating profit decline versus last year.

Commenting on The Warehouse (Red Sheds) result Group Chief Executive Officer Mark Powell said “The Red Sheds have now had 14 quarters of positive same store sales after many years of ongoing decline. This turnaround in customer perception has required significant investment in our stores, our products and our people over the last three years. We expect to see operating profit growth resume in FY15.”

**Warehouse Stationery**

Warehouse Stationery sales were \$250.6 million, an increase of 8.1% compared to last year. Same store sales increased 5.3% for the year. The second half saw sales of \$129.0 million up 7.6% and same store sales growth of 5.7%. Same store sales in Q4 were up 5.3%. Warehouse Stationery has now had 20 quarters of same store sales growth. This sales growth is translating into significant operating profit leverage, with an increase in FY14 of 14.3% versus last year to \$11.8 million.

The rebranding of Warehouse Stationery around the “Work, Study, Create, Connect” positioning has helped drive growth. The year saw another 3 stores opened as part of the continued rollout of a nationwide store network.

## Noel Leeming

Noel Leeming sales were \$620.5 million with same stores sales increasing 5.6% for the year. The second half saw sales of \$291.8 million, up 6.7% and same store sales growth of 2.2%. Same store sales in Q4 were down 2.1%. While the same store sales growth softened in the fourth quarter, this was expected as the closure of Bond & Bond annualised, and the sector cycled the iPhone 5 launch in FY13. However, Noel Leeming continues to be the market leader and continues to outpace its rivals, growing market share in the last year and in the softer fourth quarter. Operating profit was \$11.3 million, in line with expectations.

Noel Leeming has just launched its rebranding, based on delivering the right product, at the right price, with leading services, delivered through passionate people with expert service. Competitive advantage will be achieved through our team, with product knowledge, advice and service as a key differentiator.

## Torpedo7 Group & Multichannel

Torpedo7 Group sales were \$107.7 million, with an operating profit of \$1.1m. FY14 was a year of substantial change, with the integration of the acquisitions of No.1 Fitness, Shotgun and R&R Sport, along with the opening of a new fulfilment centre in Hamilton. The business is now well positioned to be launched as a leading multichannel outdoor, adventure sport business, with strong growth potential.

## The Warehouse Group

In announcing the result, The Warehouse Group Chairman Ted van Arkel said "While our adjusted profit has reduced from the previous year, the company has been significantly reshaped and is well positioned for the future. The board understands that this now has to be leveraged into profit growth, and management is very focused on achieving this. The Group's strategy has evolved and comprises five key result areas: Keeping the "Red Core" strong, Growing "Non Red" profit to be as large as "Red", Being the leading Multichannel and Digital retailer in NZ, Being a leading NZ Retail Financial Services Company and Leveraging Group Competencies and Scale. The Board is confident this strategic focus will deliver results for our shareholders."

"As our earnings are significantly influenced by Christmas trading performance it is too early to provide specific earnings guidance. However, the key elements of the Group's strategic plan should ensure adjusted NPAT in FY15 is above that recorded in FY14" said Mr van Arkel".

The Directors have declared a final dividend of 6.0 cents per share which will be paid on 11 December 2014 with the record date being 28 November 2014. Total dividends for the year will be 19 cents per share as indicated in March 2014.

## ENDS

<sup>1</sup> Certain transactions, which the Group defines as unusual can make the comparisons of profits between years difficult. The Group monitors adjusted net profit which removes unusual items as a key indicator of performance and uses it as the basis for determining dividends and believe it helps improve the understanding of underlying business performance. A reconciliation of adjusted net profit to reported net profit is detailed on page (4) of the NZX release and in note 14 of the Audited Financial Statements.

## Background: The Warehouse Group Limited

The Warehouse Group Limited comprises 91 Warehouse stores, 77 Noel Leeming stores and 63 Warehouse Stationery stores in New Zealand and several online businesses. The company had turnover of \$2.65 billion in FY14 and employs over 10,000 people.

### Historical Dividend Distributions (fully imputed)

Dividends (cents)	2014	2013	2012	2011	2010
Interim	13.0	15.5	13.5	15.5	15.5
Final	6.0	5.5	6.5	6.5	8.5
<b>Total</b>	<b>19.0</b>	<b>21.0</b>	<b>20.0</b>	<b>22.0</b>	<b>24.0</b>

### Contact details regarding this announcement:

#### *Media, Investors and Analysts*

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