FY19 Annual Results

September 2019

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FY19 at a Glance

$3.1b
in Group Sales

26%
increase in
Adjusted NPAT[1]

83%
increase in
Operating
Cash Flow

2.25m
average customer visits
per week

175
transformation initiatives
completed

35,000
homes visited by
Noel Leeming Tech Experts

53%
reduction in Net Debt

18%
growth in online sales[2]
(now 7.8% of Group Sales)

19%
App Sales % of
The Warehouse Online Sales

57%
increase in
Click & Collect use

Development and launch of TheMarket

1st
NZ carbon neutral retailer
(3rd globally)

30%
of our fleet to be electric vehicles
by end of 2019

100%
of private label manufacturing sites
are required to meet our ethical
sourcing standards[3]

$67m
raised in donations for New
Zealand since 1982

[1] Adjusted NPAT is a non-GAAP measure. A reconciliation to NPAT is located on slide 18.
[2] Based on normalised online sales adjusted for the closure of online platforms during FY19.
[3] The Warehouse Group Ethical Sourcing Policy 2019.

Chair’s Update

Chair's Update

Performance

- We are pleased with this year's result which is one of our strongest from a profitability perspective for a number of years
- Evidence of our transformation process is starting to show through – from our relationships with customers and suppliers, our impact on the environment and our financial results
- Sales for the Group were up 2.6% on last year, with retail sales up across all brands
- Adjusted NPAT was up 25.6% to $74.1m, reflecting top line growth and benefits from our transformation programme
- Adjusted NPAT includes $6.0m of costs associated with the development of TheMarket, our new e-commerce platform. We are excited by its potential as we seek to provide New Zealanders with access to local and international labels as well as alternative ways to shop
    - Backing that investment out from the result would show a 31.1% improvement in Adjusted NPAT
- The Board has confirmed a final dividend of 8.0 cents per share, bringing total pay-out for the period to 17.0 cents per share. This represents a pay-out of 80%, within the Group's stated policy of 75% to 85% of Adjusted NPAT, and a one cent improvement on last year

Chair’s Update

Transformation Update

- Our transformation programme continues to add rigour and discipline to how we work and to enable us to explore greater efficiencies

- We have implemented 175 initiatives across merchandise, store performance, logistics, non-trade spend and other workstreams and I am impressed that we have been able to sustain the level of intensity in terms of the execution of the programme over this period

- While this is a result to be proud of, our commitment to this transformation programme remains and there is still work to be done. This is necessary given the nature of a retail environment that is in a constant state of change. We are committed to our plan for improving the long term profitability of The Warehouse Group and we are confident that there is now both the trading momentum and execution capability for the gains within the business to continue

Chair's Update

Board Update

- Will Easton was appointed to the Board in October 2018
- Sir Stephen Tindall has decided to take a further year's leave of absence due to his work commitments and Robbie Tindall will continue as his alternate
- We are pleased to announce that Renee Mateparae, who is currently the lead of the Future Connectivity team at Spark, has just commenced her time with The Warehouse Group Board as part of the Future Directors Programme

Integrated Reporting

- Last year we introduced what integrated reporting would look like for the Group. This is our first year of integrated reporting which reflects our commitment to improving transparency and providing shareholders and analysts with the widest possible view of our activities as part of good corporate governance

Group Update

Group Performance Review

- FY19 demonstrated that our transformation and strategy are delivering
  - Our transformation programme on fixing the retail fundamentals has helped us change the way we work and has enabled us to lift our ability to execute, which is now reaping financial benefits
  - The Warehouse, Warehouse Stationery, and Noel Leeming all reported operating profit growth
  - We successfully launched our digital platform – TheMarket – part of our wider strategy to construct an enhanced ecosystem for our customers around our business
- Importance of investment in the transformation program cannot be understated given current and future competition from international retailers and the changing ways our customers want to shop. Our focus is on making the most of our advantages as a New Zealand based retailer with a significant omni-channel footprint, engaged customers, and deep community relationships
- As an organisation we recognise the need to continually change in order to meet the evolving needs of New Zealanders. This means changing the way we work as a business – both internally and with our partners. This has been a significant focus for the year and in planning for our future

Key Metrics by Brand

thewarehouse

"where everyone gets a bargain every day"

+0.6% YOY
Retail Sales

+39% YOY
Click & Collect Fulfilment

+23% YOY
Online Sales Growth

19%
App Sales % of
The Warehouse Online Sales

5.0%
Retail Operating Profit Margin
(80 basis point improvement)

★★★★★
Most 5-star reviews of any NZ shopping app[1]

warehouse stationery

"work, study, create, connect"

+1.8% YOY
Retail Sales

#1
In "BackToSchool"

+11% YOY
Online Sales Growth

+75% YOY
Mobile Web-based Sales

6.2%
Retail Operating Profit Margin
(220 basis point improvement)

+29%
Click & Collect Fulfilment

[1] Apple iOS App Store and Google Play Store.

Key Metrics by Brand

noel leeming

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

+5.0% YOY	Retail Sales
+10% YOY	Tech Solutions Sales
+45% YOY	Online Sales Growth
+60% YOY	Mobile Web-based Sales
4.1%	Retail Operating Profit Margin (60 basis point improvement)
+68% YOY	Click & Collect Fulfilment

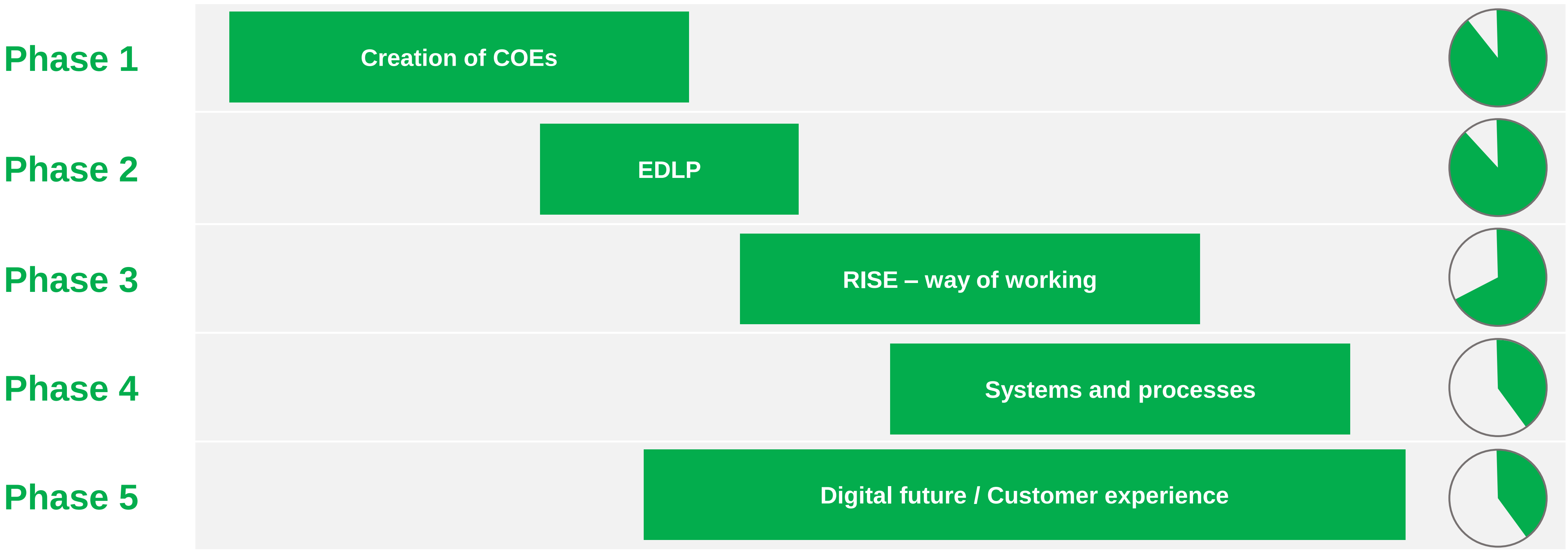
Torpedo7

"see you out there"

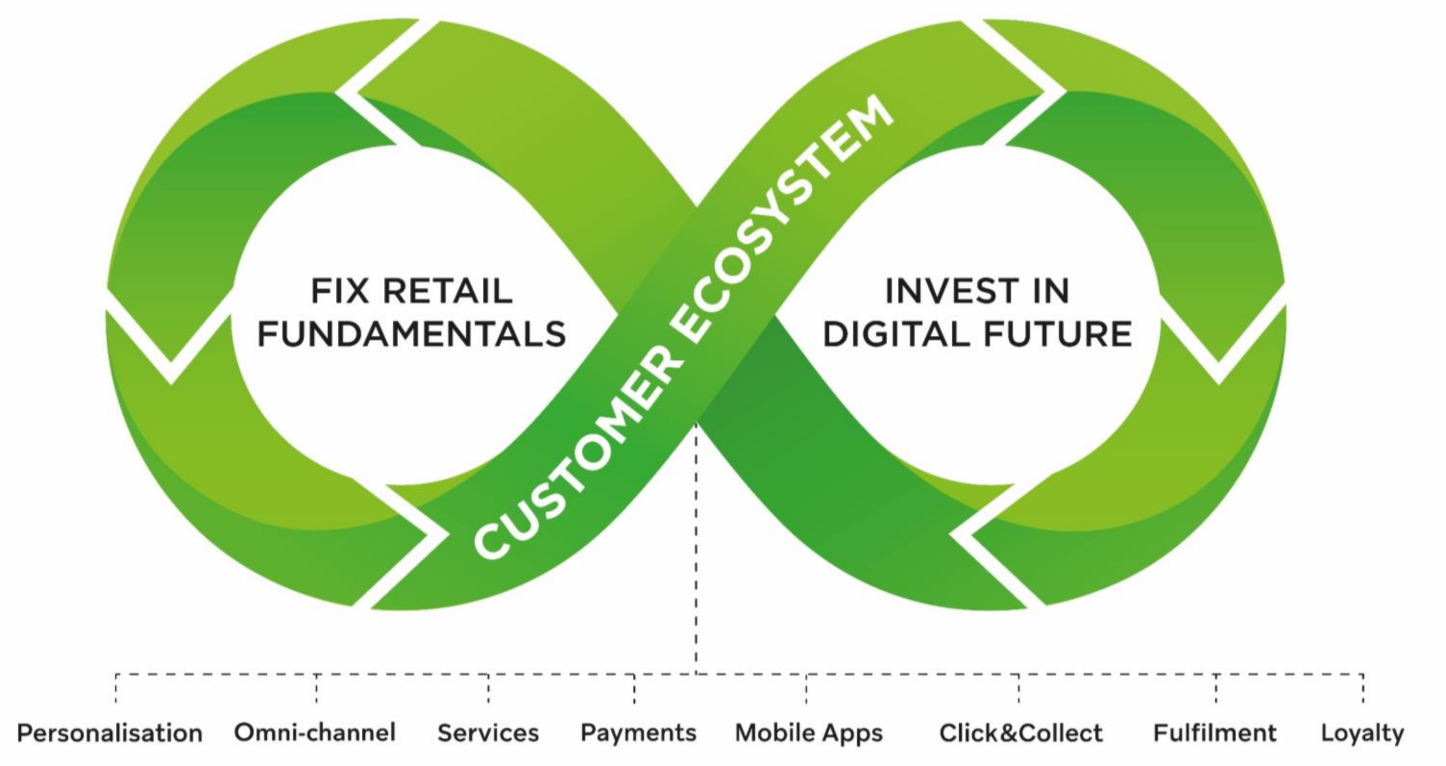
+5.6% YOY	Retail Sales
+4 YOY	New stores opened
+33% YOY	Online Sales Growth*
+64% YOY	Mobile Web-based Sales*
-4.1%	Retail Operating Profit Margin (320 basis point decline)
+128% YOY	Click & Collect Fulfilment*

* Excludes 1-day

Progressing Our Transformation



Towards a 21st Century Customer-lead, Technology-driven Ecosystem



Through Building a Change Able Performance Culture

We provide exceptional experiences by putting our **customers first**

We are **change able** and have a winning culture

We are **productive** and make speed a habit

Group Financials

FY19 Annual Results

For the period ended 28 July 2019

$ million	2019	2018	Variance
Retail Sales	3,071.4	2,994.6	2.6%
Retail Gross Profit	1,028.6	991.2	3.8%
Gross Margin %	33.5%	33.1%	40 bps
Retail CODB	916.2	899.8	1.8%
CODB %	29.8%	30.0%	(20) bps
Retail Operating Profit	112.4	91.4	22.9%
Operating Margin %	3.7%	3.1%	60 bps
Continuing NPAT (Reported)	67.3	27.3	146.9%
Continuing NPAT (Adjusted)	74.1	59.0	25.6%
NPAT (Reported)	65.4	22.9	185.8%
Operating Cash Flow	198.0	107.9	83.5%
Ordinary Dividend	17.0	16.0	1.0 cps

- Retail Sales up 2.6% on last year with sales growth across all our brands and improving momentum into year end
- Retail Gross Profit up 3.8% and Gross Margin improvement of 40 basis points, reflecting benefits of our transformation programme
- Cost of Doing Business up 1.8% but down as percentage of Sales reflecting investment in transformation, Torpedo7 store network growth and TheMarket
- Overall, it was a strong year for the Group with Operating Profit up 22.9% and Adjusted NPAT from Continuing Operations up 25.6%
- Operating Cash Flow up 83.5%, benefitting from overall performance and working capital initiatives
- The Board have announced a Final Dividend of 8.0 cps bringing the total pay-out for FY19 to 17.0 cps (up from 16.0 cps in FY18)

Group H1 and H2 Performance

For the Year ended 28 July 2019

$ million	H2			H1		
	2019	2018	Variance	2019	2018	Variance
Retail Sales	1,430.8	1,396.5	2.5%	1,640.5	1,598.1	2.7%
Retail Gross Profit	495.4	468.7	5.7%	533.2	522.5	2.1%
Gross Margin %	34.6%	33.6%	100 bps	32.5%	32.7%	(20) bps
Retail CODB	443.5	435.7	1.8%	472.7	464.1	1.9%
CODB %	31.0%	31.2%	(20) bps	28.8%	29.0%	(20) bps
Retail Operating Profit	51.9	33.0	57.2%	60.5	58.4	3.5%
Operating Margin %	3.6%	2.4%	120 bps	3.7%	3.7%	-
Continuing NPAT (Adjusted)	34.5	21.3	61.5%	39.6	37.7	5.2%

- We are pleased with the H2 result for the Group, particularly with the warmer weather impacting seasonal sales
- Second half began to show benefits of initiatives focused on gross margin improvement
- Significant improvement in H2 profitability due to trading, improvement in the quality of the balance sheet, and relatively lower incentives

Adjusted vs Reported NPAT

For the period ended 28 July 2019

$ million	NPAT		
	FY19	FY18	Variance %
Adjusted Earnings	74.1	59.0	25.6%
Adjusted for:			
Restructuring costs	(15.7)	(8.7)	80.0%
Gain on property disposals	11.8	0.2	nm
Brand and Goodwill impairment	(5.5)	(25.6)	(78.6)%
Income tax	2.6	2.4	10.8%
Reported Earnings	67.3	27.3	146.9%
Discontinued Operations	(1.9)	(4.4)	(56.0)%
NPAT Attributable to Shareholders	65.4	22.9	185.8%

- Restructuring costs relating to the group transformation were $15.7m, in-line with guidance provided in the FY19 Interim Results
- Realised a property profit of approximately $11.8m from the sale of land adjacent to the Auckland Support Office
- Fully impaired the brand assets associated with the 1-day business of $5.5m
- Discontinued Operations relates to the winding up of the Diners Club (NZ) business
- We expect to realise further benefits in relation to our transformation programme over FY20 and further restructuring cost of $18m – $20m in H1

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 28 July 2019

$ million	2019	2018	Variance
Inventory	517.8	523.8	(6.0)
Trade and Other Receivables	90.7	79.8	10.9
Trade and Other Payables	(352.7)	(279.0)	(73.7)
Provisions	(82.0)	(88.0)	6.0
Working Capital	**173.8**	**236.6**	**(62.8)**
Fixed Assets	271.2	272.9	(1.7)
Held for Sale	-	3.7	(3.7)
Funds Employed	**445.0**	**513.2**	**(68.2)**
Tax Assets	37.8	32.0	5.8
Derivatives	(0.1)	16.4	(16.5)
Goodwill and Brands	75.5	81.0	(5.5)
Capital Employed	**558.2**	**642.6**	**(84.4)**
Shareholders Equity	481.3	479.4	1.9
Minority Interests	0.7	0.9	(0.2)
Net Debt	76.2	162.3	(86.1)
Sources of Funds	**558.2**	**642.6**	**(84.4)**
Gearing	**13.6%**	**25.3%**	

- Significant improvement in operating cash flow due to trading, working capital initiatives and lower capital expenditure relative to last year
- Net debt reduced by $86.1m to $76.2m, this is a reduction of 53.1% compared to last year and the third consecutive year of debt reduction
- The current level of gearing of 13.6% is helping to build capacity in advance of expected future investment in planned transformation and growth initiatives
- The Group is targeting gearing below 30% over the next three financial years

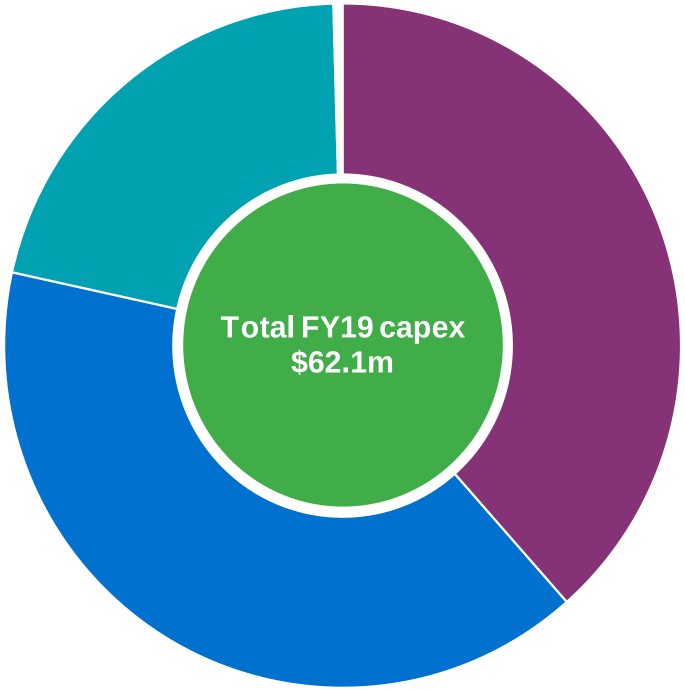
Cash Flow

For the period ended 28 July 2019

$ million	2019	2018	Variance
Trading EBITDA	**173.0**	**151.1**	**21.9**
Working Capital	77.2	(5.9)	83.1
Taxes Paid	(26.5)	(14.1)	(12.4)
Interest Paid	(8.7)	(9.3)	0.6
Discontinued EBITDA	(3.1)	(3.5)	0.4
Other Items	(13.9)	(10.4)	(3.5)
Operating Cash Flow	**198.0**	**107.9**	**90.1**
Capital Expenditure	(61.3)	(70.2)	8.9
Divestments	1.9	12.2	(10.3)
Divestments - Discontinued	1.9	62.5	(60.6)
Dividends Received	0.2	0.3	(0.1)
Dividends Paid	(52.3)	(55.8)	3.5
Other	(2.2)	(0.9)	(1.3)
Net Cash Flow	**86.2**	**56.0**	**30.2**
Opening Net Debt	(162.3)	(218.3)	56.0
Closing Net Debt	(76.2)	(162.3)	86.1

- Operating cash flow has improved 83.5% on LY to $198.0m
- Further reduction in Working Capital from the impact of inventory and trade creditor initiatives
- Capex of $61.3m (excluding $777k of payables at year end) was below guidance given at the FY19 Interim Result as a number of transformation initiatives planned to land in FY19 have been pushed into the early part of Q1 FY20
- Divestments last year included Lunn Ave and the sale of the Financial Services business
- Consequently, Net Cash Flow is up $30.2m on LY
- Cash Flow shows a $3.5m reduction in dividends paid due to a lower interim dividend in FY19 of 9 cps versus 10 cps in FY18

FY19 Capex Spend



21% Logistics

40% Information Systems and Digital Initiatives

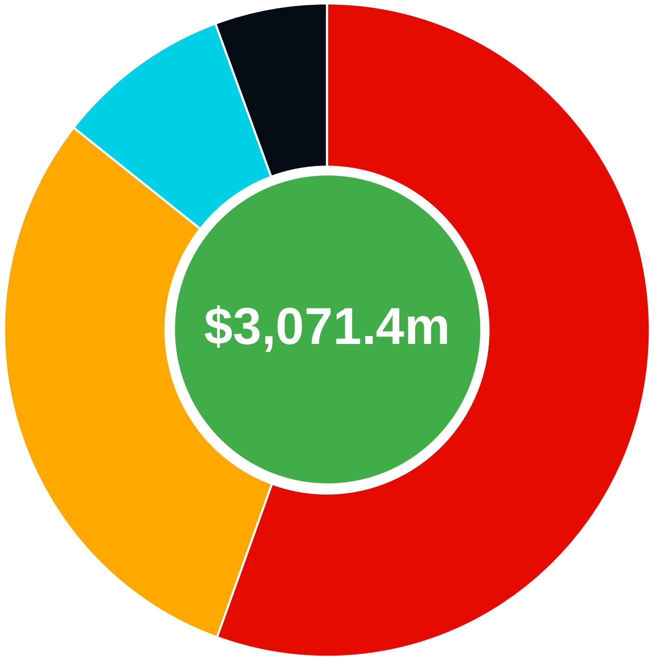
39% Stores & Distribution Centres

- Increased discipline around the allocation of capital has resulted in capital spend this year below guidance
- Additionally there were transformation initiatives that were originally planned to land in FY19 that are now expected to occur in the first half of FY20
- Investment in stores included the execution of six Blue Sheds being integrated into Red Sheds (store-within-a-store) and an additional four T7 stores
- Investment in a Warehouse Management System drove the proportion of capital spent on logistics higher than guidance, the first phase of which has delivered improvement in eCommerce fulfilment metrics
- Over the FY20 – FY22 periods we are expecting an average capital expenditure of $100m – $120m

Divisional Performance Review

Divisional Summary

Retail Sales FY19



$1,705.7m	$924.6m	$268.6m	$172.5m
55.5%	30.1%	8.7%	5.6%
The Warehouse	Noel Leeming	Warehouse Stationery	Torpedo7 Group

Retail Operating Profit FY19

$85.1m	$38.1m	$16.7m	-$7.0m	-$20.4m	$112.4m
The Warehouse	Noel Leeming	Warehouse Stationery	Torpedo7 Group	Other*	Total Group

*Includes Digital Retail costs (TheMarket) of $6.0m and $14.4m of Other Group costs.

For the period ended 28 July 2019

$ million	2019	2018	Variance
Retail Sales	1,705.7	1,695.8	0.6%
Same Store Sales Growth	1.5%	(3.0)%	450 bps
Retail Gross Profit	658.4	642.4	2.5%
Gross Margin %	38.6%	37.9%	70 bps
Retail CODB	573.3	571.0	0.4%
CODB %	33.6%	33.7%	(10) bps
Retail Operating Profit	85.1	71.4	19.1%
Operating Margin %	5.0%	4.2%	80 bps
Stores	93	93	-

- FY19 was a year of development and transformation for the brand. Good progress was made following the move to Every Day Low Pricing and we saw clear benefits from the transformation initiatives, especially around merchandising, cost of goods sold and gross margin
- Overall, Retail Sales were up 0.6% on LY with a strong H2 performance. Despite a warmer than normal winter period, H2 Same Store Sales (SSS) growth was 2.2%, driving SSS growth to 1.5% for the year
- Challenges due to the weather notably impacted the Head-to-Toe category with General Merchandise and Home delivering strong sales and margin
- Gross profit improved 2.5% to $658.4m and GM% also grew 70 bps, benefiting from the transformation initiatives focussed on COGS and pricing in an EDLP environment
- Operating profit increased 19.1% to $85m, benefiting from careful management of CODB - particularly of store labour

For the period ended 28 July 2019

$ million	2019	2018	Variance
Retail Sales	268.6	263.8	1.8%
Same Store Sales Growth	1.4%	(6.0)%	740 bps
Retail Gross Profit	112.8	104.7	7.8%
Gross Margin %	42.0%	39.7%	230 bps
Retail CODB	96.1	94.1	2.2%
CODB %	35.8%	35.7%	10 bps
Retail Operating Profit	16.7	10.6	57.4%
Operating Margin %	6.2%	4.0%	220 bps
Stores	70*	70*	-

* Includes 10 store-within-a-store integrations. Four integrations implemented in FY18.

- Warehouse Stationery performed well in FY19, recording a record profit despite industry headwinds in its core stationery categories
- FY19 has been a year focused on delivering valuable solutions for our customers and getting back to historical performance
- Retail Sales are up 1.8% on LY and we are most encouraged by improvements in margin percentage and very careful management of CODB that have delivered an excellent Retail Operating Profit result
- Retail Operating Profit increased 57.4% to $16.7m, with margin also improving to 6.2%. This result is the best ever for the brand (previously $15.7m in FY17)
- All key categories have grown in sales and margin with outstanding performance from Print & Copy and Furniture
- 6 store-within-a-store integrations were implemented in FY19 bringing the total to 10, and initial observations are positive. We continue to proactively assess opportunities to undertake this integration across our portfolio of Red and Blue sheds

For the period ended 28 July 2019

$ million	2019	2018	Variance
Retail Sales	924.6	880.5	5.0%
Same Store Sales Growth	2.8%	5.7%	(290) bps
Retail Gross Profit	210.3	198.9	5.7%
Gross Margin %	22.7%	22.6%	10 bps
Retail CODB	172.2	167.7	2.7%
CODB %	18.6%	19.1%	(50) bps
Retail Operating Profit	38.1	31.2	22.3%
Operating Margin %	4.1%	3.5%	60 bps
Stores	77	74	3

- The focus in FY19 was to deliver exceptional technology solutions to our customers through the knowledge of our Passionate Experts
- Noel Leeming built on its excellent H1 result and delivered FY19 Retail Sales growth of 5.0% with 22.3% growth in Retail Operating Profit to 38.1m, a record result for the brand
- Significant growth opportunities exist through service offerings of Tech Solutions and Consumer Protections. In FY19, Sales from Services were up 11.4%, which includes increases in Tech Solutions and Protections of 10.0% and 12.1%, respectively
- Strong category performances in Home Appliances, Cellular/Wearables and Audio Visual. Home Appliances was a standout performer this year with Small Appliances performing particularly well
- In FY19, three new clearance centres were opened in Glenfield, Henderson and St Lukes

For the period ended 28 July 2019

$ million	2019	2018	Variance
Retail Sales	172.5	163.4	5.6%
Same Store Sales Growth	4.4%	1.3%	310 bps
Retail Gross Profit	39.8	39.3	1.2%
Gross Margin %	23.1%	24.0%	(90) bps
Retail CODB	46.8	40.7	14.9%
CODB %	27.2%	24.9%	230 bps
Retail Operating Profit	(7.0)	(1.4)	(385.6)%
Operating Margin %	-4.1%	-0.9%	(320) bps
Stores	18	14	4

- Torpedo7 Group is made up of Torpedo7 and 1-day. Torpedo7 Group has undergone a tremendous amount of change in FY19 as we have continued to execute on our strategy of brand clarity, a refined product offering and store expansion
- Sales increased 5.6% and Gross Profit increased 1.2% on LY in Torpedo7 Group
- Total Retail Sales were $172.5m for Torpedo7 Group, of which $107.6m of sales were attributed to Torpedo7 and $64.9m to 1-day
- Torpedo7 experienced strong sales growth in Bike and Water categories and from additional stores
- CODB increased 14.9% and Retail Operating Profit was a loss of $7.0m. Higher operating costs were driven from our store expansion programme
- We opened 4 new stores in FY19 in New Plymouth, Palmerston North, Te Rapa and Manukau
- Overall good progress has been made on brand positioning and store network expansion, but gross margin is below expectations. A dedicated leadership team under Simon West has been formed
- 1-day's profitability was consistent with last year, however its current and future outlook doesn't support the brand's carrying value which we have written-off

FY20 Outlook and Dividend

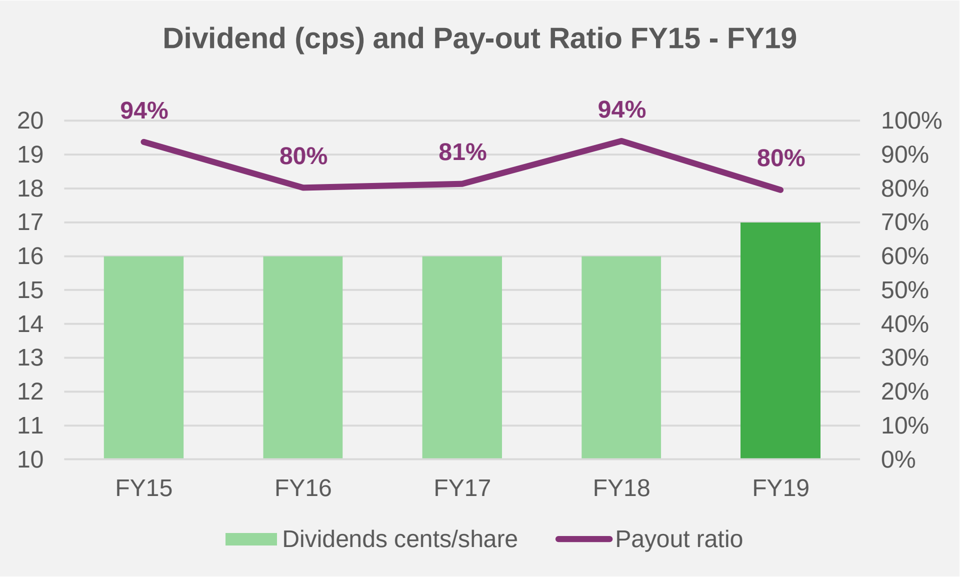
FY20 Outlook

We expect FY20 to be a year where we will continue to see the benefits of our transformation programme as well as investment in new transformation and growth initiatives.

- In FY19 we achieved some solid sales growth within the brands. We expect this overall trend to continue but with an increasing focus on gross margin and CODB improvement
- TheMarket is expected to generate an operating loss in the range of $14m – $17m as we continue develop the platform's functionality and offer and build scale
- In H1 we expect to realise further restructuring costs of $18m – $20m as we complete the current transformation programme
- We are expecting to have several years of capital expenditure in the range of $100m – $120m, but with gearing remaining below 30%
- We expect continued headwinds from labour cost inflation, fuel and currency, and some increased volatility around the latter two
- The earnings outlook for FY20 will be dependent on the critical Q2 trading period and earnings guidance for the year will be considered at the end of this quarter

Dividend

- Dividend policy remains unchanged with a dividend pay-out ratio of 75% – 85% of Adjusted Net Profit After Tax
- The Directors are pleased to confirm the final dividend for FY19 of 8.0 cent per share. This brings the total dividend for FY19 to 17.0 cents per share fully imputed and a one cent per share improvement on FY18
- Total Dividend pay-out represents 80% of Group Adjusted Net Profit After Tax
- Dividend Record Date: 22 November 2019
- Payment Date: 5 December 2019



Thank you
& Questions