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

Auckland, 17 April 2020

Business Update

Following the Government's announcement on the alert level 3 criteria for business, it is now clear that our store network will not be open for trading fully until at least alert level 2. Under alert level 3 we will continue to use some of our stores for fulfilment of online orders and in addition we will provide a click and collect service. We are currently assessing which of our 258 stores we will use to offer this service from.

Due to the limitations to trade and reduced operating model under alert level 3, we need to take further measures to reduce our operating costs. In particular, we are in the unfortunate position of needing to make changes to our team member pay.

While receiving the government subsidy has enabled our team to be paid for longer than they otherwise would have, the announcement that the stores will remain closed means that we must now take steps to mitigate this cost that we cannot sustain until we are allowed to open our stores for trade. The Group employs more than 11,000 people, which, after paying for the products sold, represents the largest cost to the business.

Therefore, it has been agreed that the salaries of the Group's Directors and Leadership Squad (executive) will reduce by 20% until 30 June 2020. There will also be a proposal for salary and wage reductions for team members. The proposal outlines a 20% reduction for team members earning more than \$100,000 and a 10% reduction for team members earning between \$60,000 and \$100,000. We intend to maintain wages and salaries for team members earning less than \$60,000 as we have during the first 4 weeks of lockdown. We will be consulting with team members over these proposed changes in the coming week. In addition, there will be no FY20 incentive plan payments which represents a very significant proportion of senior executive "pay at risk".

Any changes will be reviewed when New Zealand moves to alert level 2 and when the wage subsidy ends on 17 June.

With respect to other significant operating costs, we continue to work with landlords and our suppliers regarding fair occupancy costs and equitable solutions regarding payments due for trade and non-trade expenditure.

Group CEO Nick Grayston said such measures certainly have not been taken lightly.

"Unfortunately, there is such uncertainty around when normal business can resume, it is imperative that such measures are taken immediately.

"Our focus to date has very much been about keeping our employees and customers safe. Safety measures were implemented early and upon confirmation of lockdown at alert level 4 for four weeks, we confirmed employees would receive their normal pay for the four weeks. The subsequent Government wage subsidy of \$67m has supported our ability to keep those people employed.

“However, we are now at a new stage in the pandemic where the horizon remains unclear around short and mid-term customer shopping habits and the ability to operate bricks and mortar stores.

“We do not take this action lightly and we have held off taking such strong action until now, but regrettably, we must act now, as we are determined to preserve our business to be able to continue to serve New Zealanders’ needs coming out of the pandemic” said Mr Grayston.

The Group wants to thank its team members who have returned to work to support the online sale and fulfilment of essential item orders. Working from home and in different environments with additional safety measures has been a learning curve within trying times. The Group also asks its customers, shareholders and suppliers for patience as it works hard to realign priorities in light of the pandemic.

ENDS

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