To: Market Information Services Section
NZX Limited

Auckland, 9 July 2020

Trading update

On 8 June 2020, The Warehouse Group ("the Group") provided a trading update that commented on the strength of trading that was occurring across its brands since moving to Level 2. This level of trading was believed to be a consequence of pent up demand. While trading from this point has progressively weakened from the levels initially observed, it remains significantly elevated relative to last year.

Sales performance by brand compared to the same period last year is presented below for quarter to date ("QTD") and year to date ("YTD").

Sales growth by brand	QTD	YTD
The Warehouse	13.8%	-2.4%
Warehouse Stationery	0.1%	-2.3%
Noel Leeming	32.1%	6.5%
Torpedo7 Group	31.6%	7.3%
Total Sales (excluding TheMarket)	**19.3%**	**0.8%**

Online demand increased significantly during COVID alert Levels 4 and 3 and has continued to be strong since stores reopened. Year to date online sales are up 54.8%, representing 11.8% of all Group sales versus 7.8% for the full year FY19. There appears to have been a step change in online sales following the surge during lockdown with online sales as percentage of Group sales being 9.3% since 18 May*, indicating that customers are increasingly moving toward online shopping options. However, fulfilment costs involved in servicing online sales means that the profitability of this channel is currently less than that achieved through our in-store transactions. These costs were further amplified given the rapid escalation to unprecedented levels of online sales through Level 3 and 4.

The Group remains of the view that while post lockdown, a lift in consumer spending has been observed, the underlying economic impacts of COVID-19 are yet to be fully reflected in consumer spending. Economic forecasts and the Group's customer survey results indicate that a slowdown in consumer spending is highly likely as the conclusion of the wage subsidy scheme further increases unemployment and discretionary spending is impacted by mortgage deferral schemes rolling off later this year.

A benefit of the current strength of trading is that the Group has further bolstered its liquidity position and is prepared for adverse trading conditions. The NZX listed bond of $125m was repaid on June 15 and the Group retains undrawn bank facilities of $330m. The Group's banks have granted a waiver on its interest coverage covenant for Q2, Q3 and Q4 of FY21, if required.

The Group previously withdrew adjusted NPAT guidance for FY20 as a result of the uncertainty around trading performance. Adjusted NPAT will be subject to year end audit process and there is an expectation that this could include impairment and provisioning against assets as a consequence of ongoing economic impacts created by COVID-19. The Board therefore reaffirms its position on withholding guidance on FY20 adjusted NPAT.

ENDS

* Group stores reopened on 14 May and week beginning 18 May is the first full trading week post reopening.

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