

**Helping Kiwis live  
better every day**

**The Warehouse Group**  
2020 Annual Results  
presentation



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# 2020 AT A GLANCE

Group Sales

**\$3.2BN**



up  
**3.3%<sup>(1)</sup>**  
on last year

Reported NPAT

**\$44.5M**



down  
**32%<sup>(2)</sup>**  
on last year

Adjusted NPAT<sup>(3)</sup>

**\$80.7M**



up  
**9.0%**  
on last year

Net cash<sup>(4)</sup>

**\$168.1M**



**2.3M**

average customer  
store visits per week<sup>(5)</sup>



**55.2%**

growth in  
online sales

**11.4%**

of Group sales  
were online

**103.2%**

growth in Click  
& Collect sales



1. FY20 had 53 weeks compared to 52 weeks in FY19. On a 52 week like-for-like basis, FY20 Group Sales saw an increase of 1.5% compared to FY19.
2. Excluding the receipt of the wage subsidy received, the Reported NPAT would have been a loss of \$4.3 million.
3. Adjusted Net Profit After Tax (NPAT) is a non-GAAP measure. A reconciliation between Adjusted and Statutory NPAT is located on slide 22.
4. As at 14 October 2020 net cash is approximately \$80 million.
5. Excluding weeks impacted by store closures during COVID-19 lockdown periods.

# 2020 AT A GLANCE



**7 weeks**

**1.25M**

online orders placed  
during Alert Levels 4-2



**105** Stores operated as fulfilment  
centres<sup>(1)</sup>

**circa 11,000**

Employees received full wages and salaries

over **6,000**

products have sustainable attributes or  
packaging accounting for over

**\$100M** annual sales

Diverted **77%** of  
operational waste from landfills



Raised **\$3.9M** for New Zealand  
charities and communities in FY20

1. 30 The Warehouse and Warehouse Stationery Stores and 75 Noel Leeming Stores.

# CHAIR'S UPDATE



# CHAIR'S UPDATE

## The impact of COVID-19

- The move to Level 4 on March 26 closed our stores to the public for seven weeks (49 days)
- The year on year impact of this was a loss in sales for the period of the lockdown of \$265 million – a 67% decrease
- We employ around 11,000 people at a cost of around \$525 million (over half a billion) per annum<sup>(1)</sup>
- The Group claimed a \$67.8 million COVID-19 wage subsidy. The receipt of the wage subsidy was crucial to the Group maintaining its workforce through a time when we were closed to customers and faced significant sales uncertainty
- We continued to provide 100% of pay to our employees. On average the wage subsidy equated to around 55% of our normal wage and salary expense over the period to which the subsidy applied
- On 26 March 2020 when it was evident that the impact of COVID-19 was going to be significant and ongoing, the Board considered the circumstances of these events and decided it was in the best interest of the Group to cancel the interim dividend. This was not a decision taken lightly and given the level of uncertainty and the need for preservation of cash flow, it was a necessary one.

1. Circa 11,000 was the number at the time of the wage subsidy but the number can go to 12,000 at peak trading – e.g. golden quarter

# CHAIR'S **UPDATE**

## **Repayment of bond and strong net cash position**

- A significant reduction in working capital and COVID-19 related cash conservation measures reduced our debt levels significantly to a net cash balance of \$168.1 million as at year end, compared to a net debt position of \$76.2 million at the end of the 2019 financial year
- However, our cash balance has reduced to around \$80 million as working capital returns to more normal levels
- In March 2020, the Group increased its banking facilities by \$150 million, extending total banking facilities to \$330 million and allowing the Group to repay the NZX listed bond of \$125 million on 15 June 2020.
- Despite the strong result of the fourth quarter and strong cash balance at year end, we have seen a significant cash reduction since year end to approximately \$80m as the Group returns towards more normal levels of working capital.

## **Dividend**

- Given the loss prior to the wage subsidies, as well as the continued uncertainty around economic activity and trading outlook, the Group Directors have decided not to pay a dividend for FY20.

# CHAIR'S UPDATE

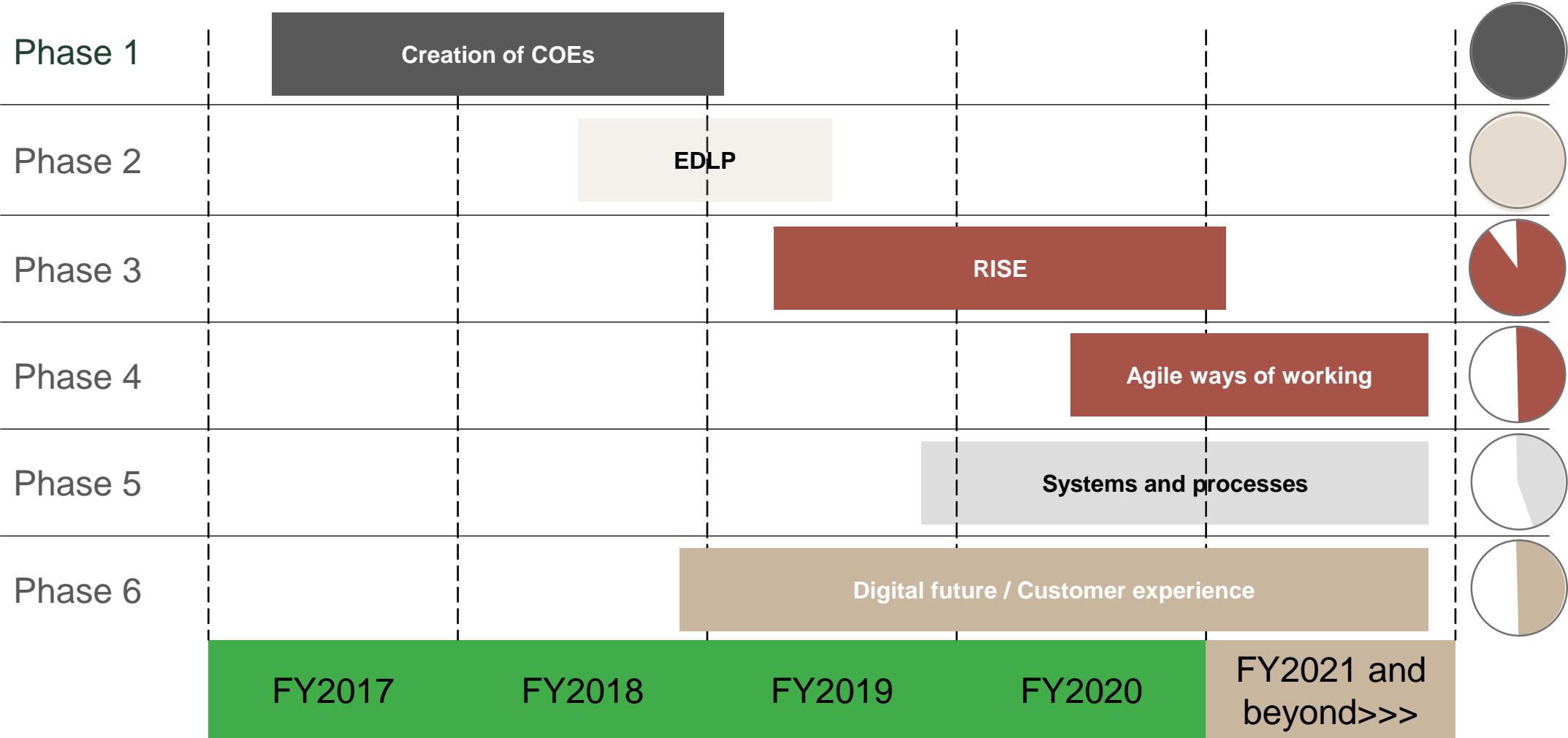
## Our People

- The Group has been through two significant restructuring processes which were in place well before COVID-19. First at the Store Support Office with the flip to Agile, and second with our store operating model changes at The Warehouse. These changes, although difficult for all involved, were necessary for the Group to continue to meet the needs of customers
- We are extremely focused on the health, safety and wellbeing of all our people – ensuring our team members go home safely at the end of their work day. Our severity 1 events decreased 38% this year.
- In 2020, we implemented an Employee Net Promotor Score and developed processes to define future career developments, performance and remuneration
- We are very proud of our diversity and inclusion culture throughout the organisation. We maintained our Rainbow Tick accreditation and achieved the Accessibility Tick accreditation this year. The representation of females in senior leadership positions increased from 21 in 2019 to 25 in 2020, and we launched “Lean in circles” to provide leadership development and peer to peer mentoring for women to work towards gender equality
- Last September, we announced our Retail Wage commitment, entitling employees at The Warehouse with at least a year's worth of service to receive a pay increase to \$21.15 this year.

# GROUP UPDATE



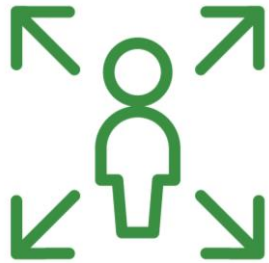
# PROGRESSING OUR TRANSFORMATION



# AGILE WAYS OF WORKING

**We “flipped” to our agile ways of working in August 2020. This will:**

- empower our teams to deliver solutions quickly and put our customers right at the heart of everything we do, every day
- enable the business with speed to market, collaboration, innovation and productivity
- ensure a consistent and continuously improving ways of working across all category areas supported and led by the expertise of our chapter leads
- provide the basis for collaborative and customer-centric design innovation, capability and investment
- make our company the best place to work.



Keep our customers  
at the centre of  
everything we do



Be fast and  
dynamic  
at executing



Achieve a higher  
standard of  
performance



Get back to the  
innovation that  
made us great



Make our company  
the best place  
to work

# OUR **VALUES**



## Think customer

Whakaarohia te kaiutu

We put the customer first  
in everything we do



## Own it

Kia ngaio

We walk the talk  
and make things happen



## Do good

Kia oha

We are one team, standing  
up for our people, our planet  
and our communities

# OUR ECOSYSTEM

We start everything by focusing on our customers. We wrap our customer experiences around three unified enablers: our people, our platforms, our data.

### Omni-Channel Shopping





Shopping is where it all starts, and we're focused on making it an easy and integrated omni-channel experience.

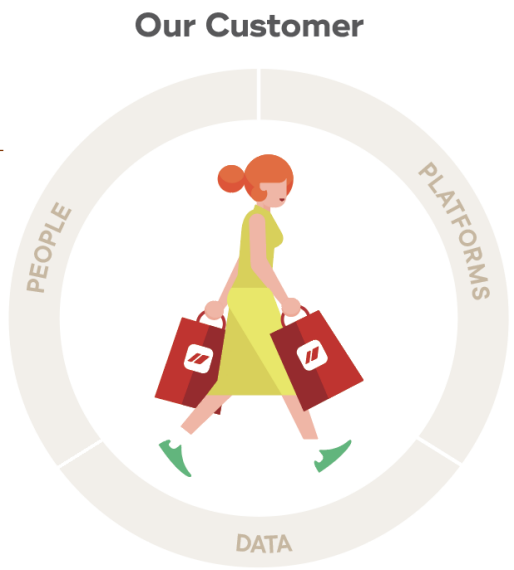
- **Stores** – Our stores are convenient and everywhere.
- **eCommerce** – Our first-party e-Commerce sites and apps are the top retail sites and apps in NZ.
- **Marketplace** – TheMarket.com helps take our range from 120,000 to 2 million plus!



### Loyalty



Our customer loyalty programmes bring it all together by rewarding customers for engaging with The Warehouse Group's brands.



Our Customer



## Advertising



Our supplier advertising infrastructure will turn our store and digital traffic into supplier funding and incremental revenue.



Click & Collect

Delivery

## Fulfilment

Customer fulfilment and our logistics relationships get the goods and services to our customers.



## Services



Our services help our customers and businesses in their daily lives.



## Payments

Our payment options help customers pay quickly and easily, with more ways to make their budgets work for them.



# KEY METRICS BY BRAND



“where everyone gets a bargain”

**Flat<sup>(1)</sup>**

Retail Sales

**+60%**



Growth in Click & Collect Fulfilment

**+50%**



Online Sales Growth

**+96%**

The Warehouse App Sales Growth

**5.6%**

Retail Operating Profit Margin  
(60 basis point improvement)

**38%**

App Sales % of total  
The Warehouse Online Sales



“business made easy”

**+0.1%<sup>(2)</sup>**

Retail Sales

**+76%**



Growth in Click & Collect Fulfilment

**+25%**



Online Sales Growth

**+65%**

Growth in Mobile Web-based Sales

**8.5%**



Retail Operating Profit Margin  
(230 basis point improvement)

1. FY20 had 53 weeks compared to 52 weeks in FY19. On a 52 week like-for-like basis, FY20 The Warehouse Sales decreased 1.6% compared to FY19.

2. On a 52 week like-for-like basis, FY20 Warehouse Stationery Sales decreased 1.6% compared to FY19.



# KEY METRICS BY BRAND



“The authority in appliances, technology and services for retail and commercial customers”

**+9.2%<sup>(1)</sup>** YOY

Retail Sales

**+19%**

Growth in Service Sales

**+145%** YOY

Online Sales Growth

**+196%**

Growth in Mobile Web-based Sales

**4.6%** YOY

Retail Operating Profit Margin  
(50 basis point improvement)

**+130%** YOY

Growth in Click & Collect Fulfilment



“See you out there”

**+10.7%<sup>(2)</sup>** YOY

Retail Sales

**2** YOY

Net new stores opened  
(4 new stores, 2 closures)

**+72%** YOY

Online Sales Growth<sup>(3)</sup>

**+77%**

Growth in Mobile Web-based Sales<sup>(3)</sup>

**-7.7%**

Retail Operating Profit Margin  
(360 basis point decline)

**+127%** YOY

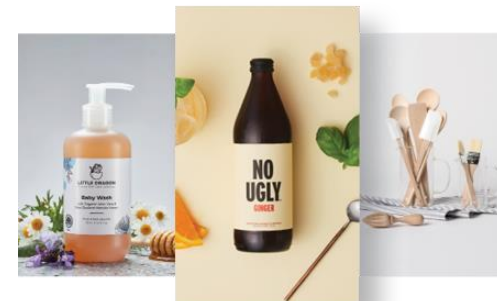
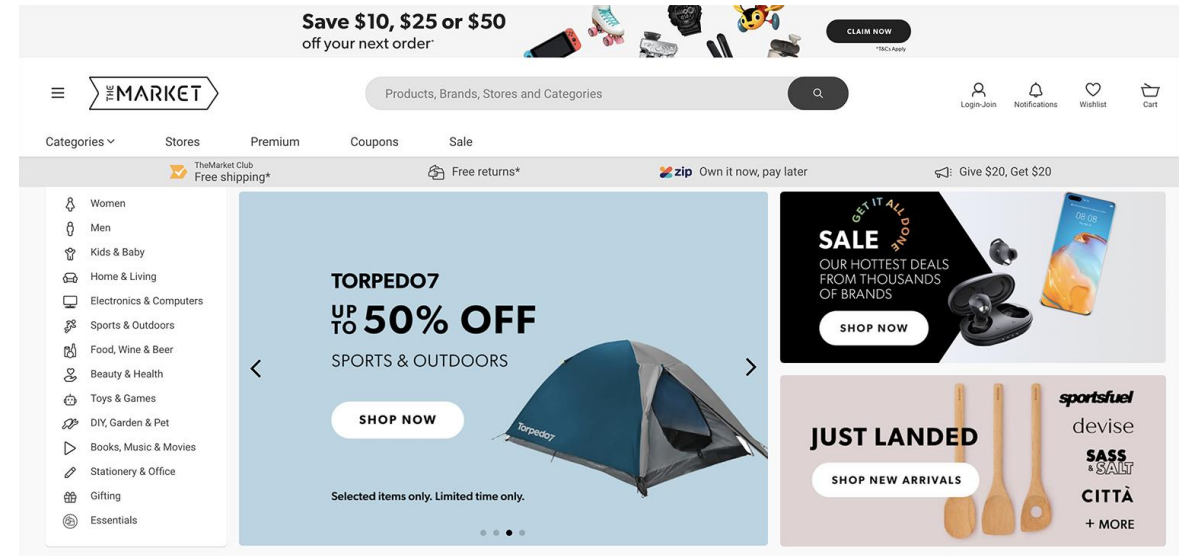
Growth in Click & Collect Fulfilment<sup>(3)</sup>

1. On a 52 week like-for-like basis, FY20 Noel Leeming Sales increased 7.1% compared to FY19.
2. On a 52 week like-for-like basis, FY20 Torpedo7 Sales increased 9.2% compared to FY19.
3. Excludes 1-Day.





- ✓ Launched 1 August 2019
- ✓ Now over 2 million products from 3,500 local and international brands through over 650 merchants
- ✓ Launch of TheMarket Club in November 2019 – free shipping for orders over \$45
- ✓ 1m+ monthly sessions
- ✓ Operating loss of TheMarket.com was \$14.7m, in line with our business plan and is expected to break even in two to four years



# GROUP FINANCIALS



# GROUP FY20 PERFORMANCE

For the year ended 2 August 2020

\$ million	FY20	FY19	Variance
Retail Sales	3,172.8	3,071.4	3.3%
Retail Gross Profit	1,034.9	1,028.6	0.6%
Gross Margin %	32.6%	33.5%	(90)
Retail CODB <sup>1</sup>	918.1	916.2	0.2%
CODB %	28.9%	29.8%	(90)
Retail Operating Profit <sup>1</sup>	116.8	112.4	3.9%
Operating Margin %	3.7%	3.7%	-
Continuing NPAT (Reported)	44.4	67.3	-34.0%
Continuing NPAT (Adjusted) <sup>1</sup>	80.7	74.1	9.0%
NPAT (Reported)	44.5	65.4	-32.0%
Adjusted Operating Cash Flow <sup>2</sup>	324.2	198.0	63.7%
Ordinary Dividend (cps)	-	17.0	(17.0)

1. Adjusted for unusual and non-operating items as presented on slide 22. Following the adoption of NZ IFRS 16 (refer note 10 of the Financial Statements for the year ended 2 August 2020) the non-cash impact relating to the new lease accounting standard are treated as a component of adjusted net profit.

2. Adjusted for the adoption of NZ IFRS 16.

- Retail Sales up 3.3% on last year, driven by strong top-line growth in Noel Leeming and Torpedo7. When adjusted for the 53 weeks in FY20 compared to 52 weeks in FY19, Retail Sales growth was up 1.5%
- Gross Profit was up 0.6% but at a lower margin to LY reflecting the H2 impact of COVID-19, product sales mix, increased inventory provisioning and write-off and higher clearance activity
- Retail CODB was up 0.2% but down by 90 basis points as a percentage of sales. This includes continued investment in TheMarket.com eCommerce platform and \$67.8m from the Government Wage Subsidy received during the first COVID-19 lockdown
- Overall, Retail Operating Profit increased 3.9% and Reported NPAT reduced 32%. If the wage subsidies received of \$67.8m are excluded, the Group would have made a loss of \$4.3m
- Adjusted operating cash flow increased 63.7%, driven by a significant reduction in working capital during the period.

# GROUP H1 & H2 PERFORMANCE

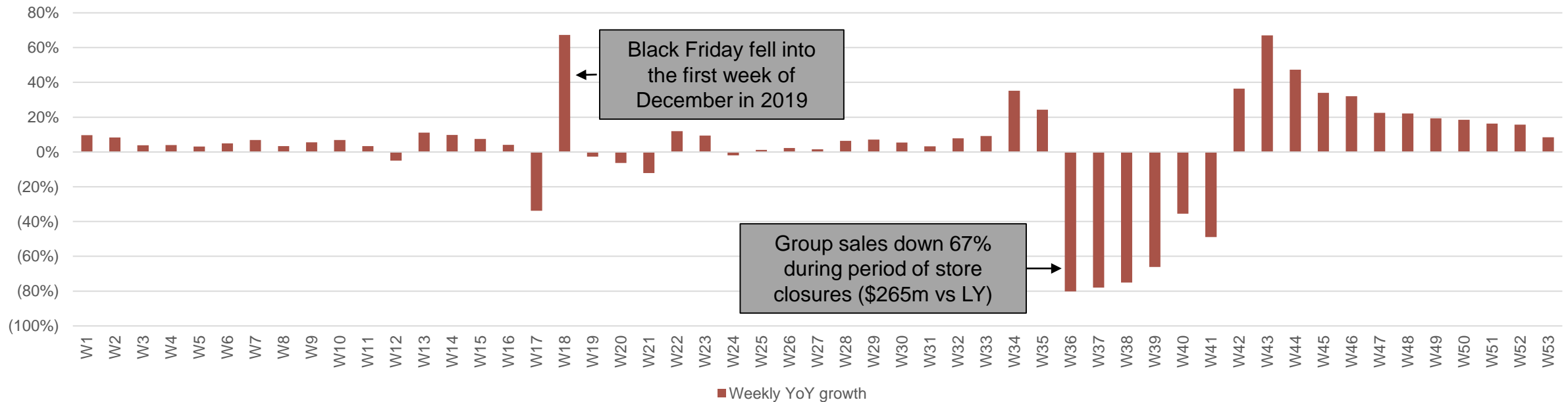
For the year ended 2 August 2020

\$ million

	H2			H1		
	2020	2019	Variance	2020	2019	Variance
Retail Sales	1,489.4	1,430.8	4.1%	1,683.4	1,640.5	2.6%
Retail Gross Profit	468.8	495.4	-5.4%	566.1	533.2	6.2%
Gross Margin %	31.5%	34.6%	(310)	33.6%	32.5%	110
Retail CODB	419.9	443.5	-5.3%	498.2	472.7	5.4%
CODB %	28.2%	31.0%	(280)	29.6%	28.8%	80
Retail Operating Profit	48.9	51.9	-5.8%	67.9	60.5	12.3%
Operating Margin %	3.3%	3.6%	(30)	4.0%	3.7%	30
Continuing NPAT (Adjusted)	34.5	34.5	0.1%	46.2	39.6	16.7%

- In the first half, the Group made significant progress in its Retail Gross Profit and Gross Margin. This was particularly in The Warehouse with Gross Margin up 160bps and Warehouse Stationery with Gross Margin up 230bps.
- COVID-19's impact on the second half, though largely neutral in sales, impacted through product mix, clearance activity and the quality of closing inventory and therefore provisioning.

# FY20 GROUP SALES TREND



	Q1		Q2		H1		Q3		Q4		H2		Total (53 wks)		Wk 53	Total (52 wks)	
\$m	\$	Var LY	\$	Var LY	\$	Var LY	\$	Var LY	\$	Var LY	\$	Var LY	\$	Var LY	\$	\$	Var LY
The Warehouse	368.9	2.4%	569.9	0.1%	938.8	1.0%	297.2	-23.0%	470.0	20.5%	767.3	-1.1%	1,706.0	0.0%	28.3	1,677.7	-1.6%
Warehouse Stationery	63.0	2.1%	70.8	-0.4%	133.8	0.8%	64.5	-9.8%	70.5	9.6%	135.0	-0.6%	268.8	0.1%	4.7	264.1	-1.6%
Noel Leeming	225.0	7.3%	287.8	3.6%	512.8	5.2%	193.6	-10.9%	303.6	37.8%	497.1	13.6%	1,010.0	9.2%	19.3	990.7	7.1%
Torpedo7 Group	38.1	3.0%	60.3	14.0%	98.4	9.5%	32.0	-18.3%	60.6	39.3%	92.6	12.0%	191.0	10.7%	2.6	188.4	9.2%
<b>Total<sup>1</sup></b>	<b>694.8</b>	<b>4.0%</b>	<b>988.6</b>	<b>1.7%</b>	<b>1,683.4</b>	<b>2.6%</b>	<b>586.3</b>	<b>-17.9%</b>	<b>903.1</b>	<b>26.1%</b>	<b>1,489.4</b>	<b>4.1%</b>	<b>3,172.8</b>	<b>3.3%</b>	<b>55.2</b>	<b>3,117.6</b>	<b>1.5%</b>

1. Total sales includes sales from TheMarket, Other Group operations and Inter-segment eliminations.

# ADJUSTED VS REPORTED RESULTS

For the year ended 2 August 2020

\$ million	Retail Operating Profit		NPAT	
	FY20	FY19	FY20	FY19
<b>Adjusted Earnings</b>	<b>116.8</b>	<b>112.4</b>	<b>80.7</b>	<b>74.1</b>
Gain on property disposals	0.1	11.8	0.1	8.5
Restructuring costs - Rise	(22.0)	(15.7)	(15.8)	(11.3)
Restructuring costs - Agile	(22.2)	-	(16.0)	-
Change in fair value of derivatives that are not hedge effective	(6.4)	-	(4.6)	-
Brand impairment (Torpedo7)	(2.5)	(5.5)	(1.8)	(4.0)
Adjustments for NZ IFRS 16 <sup>1</sup>	40.9	-	(0.1)	-
Income tax relating to building depreciation			2.0	
<b>Reported Earnings</b>	<b>104.7</b>	<b>103.0</b>	<b>44.5</b>	<b>67.3</b>
Discontinued			-	(1.9)
<b>Reported - Attributable to Shareholders</b>			<b>44.5</b>	<b>65.4</b>

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.

1. Impact of NZ IFRS 16 on the income statement is presented in Note 10 in the Notes to the Financial Statements for the period ended 2 August 2020.

- \$22.0m of restructuring costs associated with the transformation programme (internally known as “Rise”) for success fees payable to management consultancy firm based on achievement of expected outcomes
- \$22.2m of restructuring costs associated with the transition to an Agile ways of working, comprising:
  - redundancy costs of \$13.7m;
  - asset impairment costs from store closures of \$4.4m; and
  - consultancy fees of \$4.0m
- The adoption of NZ IFRS 16 had an impact on FY20 Retail Operating Profit of \$40.9m, including:
  - removal of lease expenses + \$137.4m; and
  - addition of depreciation on leased assets - \$96.4m
- All interest rate hedges have been closed out with \$6.4m recognised as ineffective
- Torpedo7 brand has been fully impaired.

# BALANCE SHEET

As at 2 August 2020

<i>\$ million</i>	FY20	FY19	Variance
Inventory	393.6	517.8	(124.2)
Trade and Other Receivables	84.3	90.7	(6.4)
Trade and Other Payables	(420.8)	(352.7)	(68.1)
Provisions	(84.9)	(82.0)	(2.9)
<b>Working Capital</b>	<b>(27.8)</b>	<b>173.8</b>	<b>(201.6)</b>
Fixed Assets	259.7	271.2	(11.5)
<b>Funds Employed</b>	<b>231.9</b>	<b>445.0</b>	<b>(213.1)</b>
Tax Assets	90.8	37.8	53.0
Derivatives	(26.9)	(0.1)	(26.8)
Right of Use Assets	774.2	-	774.2
Goodwill and Brands	73.0	75.5	(2.5)
<b>Capital Employed</b>	<b>1,143.0</b>	<b>558.2</b>	<b>584.8</b>
Shareholders Equity	377.1	481.3	(104.2)
Minority Interests	(0.8)	0.7	(1.5)
Net Debt	(168.1)	76.2	(244.3)
Lease Liabilities	934.8	-	
<b>Sources of Funds</b>	<b>1,143.0</b>	<b>558.2</b>	<b>584.8</b>
<i>Book gearing</i>	<i>67.1%</i>	<i>13.6%</i>	<i>53.5bps</i>
<i>Gearing per borrowing covenants</i>	<i>0.0%</i>	<i>13.6%</i>	<i>-13.6bps</i>

- Significant reduction in inventory level relative to FY19 reflects the Group's endeavours to balance expectations of customer demand and cash preservation during a time of high uncertainty
- The increase in Trade and Other Payables reflects the timing of the 53<sup>rd</sup> week in the payment cycle and inventory ordering post the first lockdown
- NZ IFRS 16 has seen significant changes to the presentation of the Group's Balance Sheet. Adjustments include recognising lease liabilities of \$934.8m and the associated right-of-use assets of \$774.2m, as well as a reduction in retained earnings of \$108.5m and an increase in deferred tax assets
- The Group secured additional banking facilities of \$150m, extending the total debt facilities available to \$330m. This enabled the Group to repay the maturing \$125m fixed rate senior bond
- The Group is of the view that it is prudent to maintain high levels of liquidity in the current trading and economic environment
- Since year end, working capital levels have continued to normalise and net cash is now circa \$80m.

# CASH FLOW

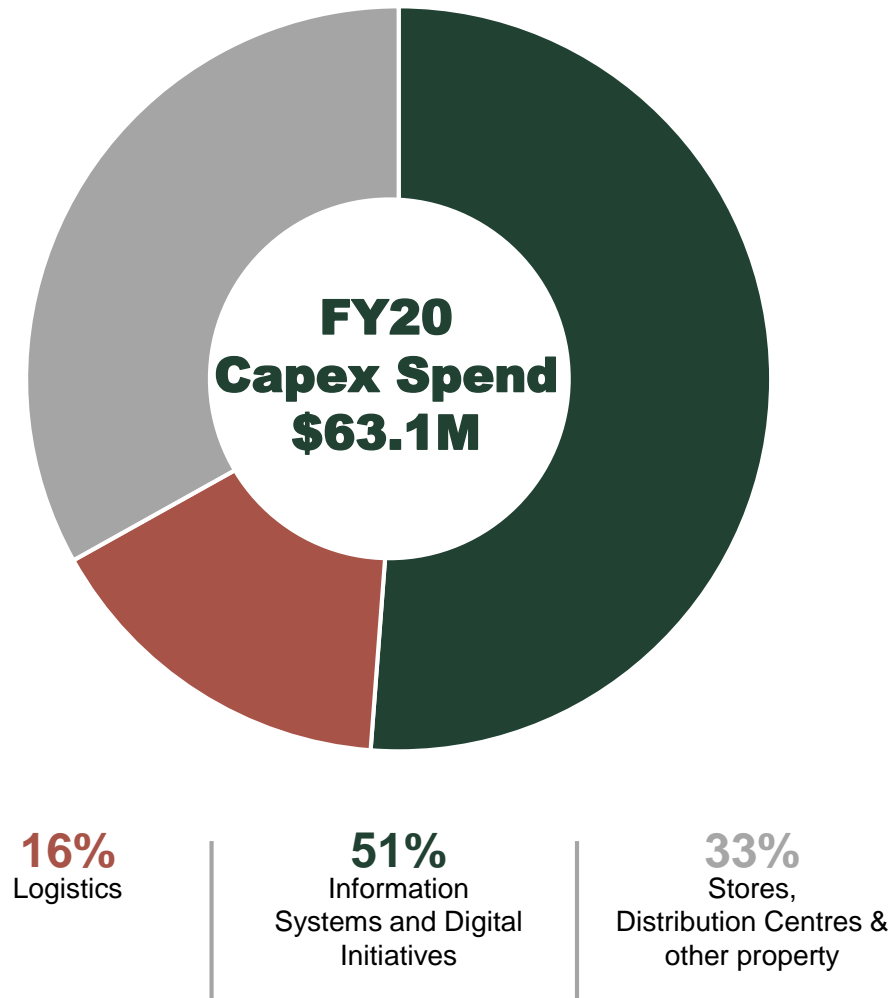
For the year ended 2 August 2020

\$ million	FY20	FY19	Variance
<b>Trading EBITDA<sup>1</sup></b>	<b>175.0</b>	<b>173.0</b>	<b>2.0</b>
Change in working capital	201.3	77.2	124.1
Taxes Paid	(19.9)	(26.5)	6.6
Interest Paid <sup>1</sup>	(5.5)	(8.7)	3.2
Discontinued EBITDA	-	(3.1)	3.1
Restructuring costs	(39.8)	(15.7)	(24.1)
Other items	13.1	1.8	11.3
<b>Adjusted Operating Cash Flow<sup>1</sup></b>	<b>324.2</b>	<b>198.0</b>	<b>126.2</b>
Capital Expenditure	(64.5)	(61.3)	(3.2)
Divestments - PPE	12.0	3.7	8.3
Dividends Paid	(27.9)	(52.3)	24.4
Other	0.4	(1.9)	2.3
<b>Net Cash Flow</b>	<b>244.2</b>	<b>142.1</b>	<b>102.1</b>
Opening Net Debt	(76.2)	(218.3)	142.1
Closing Net Debt	168.1	(76.2)	244.3

1. Adjusted for impacts of adopting NZ IFRS 16

- For consistency between periods, FY20 adjusted operating cash flows are reduced by the principal element of right-of-use lease payments (\$47.1m), which are classified as financing rather than operating cash flows in the reported cash flow per NZ IFRS 16
- Operating cash flow was up \$126.2m on prior year driven by significant decline in working capital
- Restructuring costs relate to consultation fees for services related to the transformation programme and Agile ways of working, as well as redundancies
- \$12.0m of cash flow from divestments reflects the deferred consideration from the sale of land adjacent to the Auckland Support Office received in FY20
- The reduced amount of dividends paid reflects the cancellation of the interim dividend due to the uncertainty around the impact of COVID-19
- The Group ended FY20 with net cash of \$168.1m, compared with net debt of \$76.2m in FY19 and net debt of \$68.6m at the half year.

# FY20 CAPEX SPEND



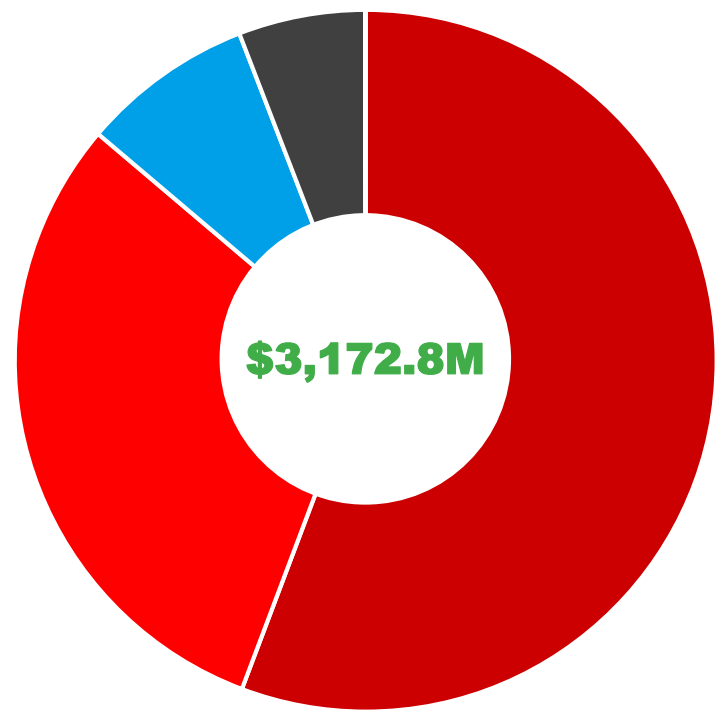
- At the FY20 interim result, the Group guided to capital expenditure for FY20 in the range of \$70m - \$90m
- FY20 capex of \$63.1m was below this guidance as the decision was made during the Alert Level 4 to defer all non-essential capital expenditure
- The Group continues to invest in platform and system enhancements, such as re-platforming brand eCommerce sites onto a Group platform, continued investment in a Warehouse Management System and development of a Group loyalty platform
- Expenditure on stores included the opening of The Warehouse, Warehouse Stationery and Noel Leeming stores at Lunn Ave, Noel Leeming and Torpedo7 stores at Northlink (Christchurch) and Torpedo7 stores in Tauranga, Rotorua and Westfield Newmarket (Auckland)
- Going forward we expect capex to return to the previously issued guidance of between \$100m and \$120m per annum.

# DIVISIONAL PERFORMANCE



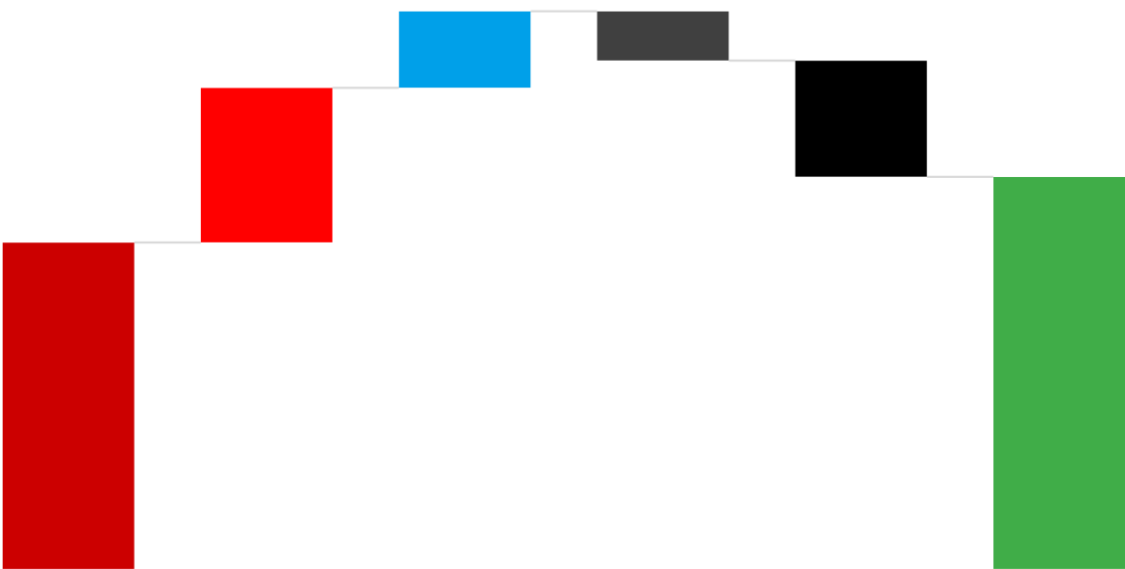
# DIVISIONAL SUMMARY

FY20 Retail Sales



\$1,706.0m	\$1,010.0m	\$268.8m	\$191.0m	-\$3.0m
53.8%	31.8%	8.5%	6.0%	-0.1%
The Warehouse	Noel Leeming	Warehouse Stationery	Torpedo7 Group	Other*

FY20 Retail Operating Profit



\$96.3m	\$46.0m	\$22.8m	(\$14.7m)	-\$33.6m	\$116.8m
The Warehouse	Noel Leeming	Warehouse Stationery	Torpedo7 Group	Other*	Total Group

\*Includes TheMarket and Other Group operations and eliminations.

For the period ended 2 August 2020

<i>\$ million</i>	2020	2019	Variance
Retail Sales	1,706.0	1,705.7	0.0%
Same Store Sales	10.4%	-3.0%	1,340 bps
Retail Gross Profit	646.9	658.4	-1.7%
Gross Margin %	37.9%	38.6%	(70) Bps
Retail CODB	550.6	573.3	-4.0%
CODB %	32.3%	33.6%	(130) bps
Retail Operating Profit	96.3	85.1	13.2%
Operating Margin %	5.6%	5.0%	60 bps
Stores	92	93	(1)



- Retail Operating Profit of \$96.3m was up 13.2% relative to FY19. Whilst H1 saw Retail Operating Profit grow 28.4% off the back of a strong lift in Gross Margin %, H2 was down 7.4%, primarily due to the impacts of COVID-19
- This impact was driven by The Warehouse (as well as the other Group brands) being unable to trade during the first part of the COVID-19 Alert Level 4 Lockdown and then in a limited capacity for essential items online only. This was expanded to include all items, via online and contactless Click & Collect during the first Alert Level 3 Lockdown
- Retail Sales for the year were flat to FY19, with H2 down 1.2%, with Sales over the seven full weeks of Lockdown at Alert Levels 3 and 4 being down 78.5%, before returning to growth of 26.2% in the 11.5 weeks thereafter
- Online sales finished the year up 50%, with H2 up 126% driven by a strong surge in demand during the COVID-19 Lockdown.
- Gross Margin % was down 70bps for the year driven by write-offs associated with the store closures during the Alert Level 4 Lockdown, covering Groceries, Green Gardening and Easter Confectionery and a targeted programme of clearance activity in Q4, to reduce aged stock
- Operating Profit grew despite the Gross Margin decline due to a 4.0% decline in CODB which includes the Government Wage Subsidy received during the first COVID-19 Lockdown
- We closed one store during the year and announced three further closures, which will occur progressively over FY21.

For the period ended 2 August 2020

<i>\$ million</i>	2020	2019	Variance
Retail Sales	268.8	268.6	0.1%
Same Store Sales Growth	7.1%	-6.0%	1,310 bps
Retail Gross Profit	114.4	112.8	1.4%
Gross Margin %	42.5%	42.0%	50 bps
Retail CODB	91.6	96.1	-4.7%
CODB %	34.0%	35.8%	(180) bps
Retail Operating Profit	22.8	16.7	36.6%
Operating Margin %	8.5%	6.2%	230 bps
Stores	71*	70*	1

\* Includes 17 store-within-a-store integrations. 7 integrations implemented in FY20.

- Warehouse Stationery recorded a small lift in Sales and was able to grow its Gross Margin % 50bps year on year, despite being unable to trade at all during the first part of the COVID-19 Alert Level 4 Lockdown
- Retail Sales for H2 were down 0.6%, with Sales over the seven full weeks of Lockdown at Alert Levels 3 and 4, down 74.0%. However, we returned to positive growth of 13.7% in the 11.5 weeks following
- The Furniture category, which was a beneficiary of the requirement for Kiwis to work and study from home during and post Lockdown, was the strongest performing of our categories
- Online sales for the year finished 25% up on LY, driven by a strong surge in demand during the COVID-19 Lockdown.
- Gross Margin % grew 50bps for the year despite significant clearance activity in Q4, which was aimed at clearing a build-up in aged stock
- The Retail Operating Profit includes the Government Wage Subsidy received as a result of the first COVID-19 Lockdown
- The Store-Within-A-Store (SWAS) programme continued, with a further 7 integrations in FY20, bringing the total integrations to 17.

For the period ended 2 August 2020

<i>\$ million</i>	2020	2019	Variance
Retail Sales	1,010.0	924.6	9.2%
Same Store Sales Growth	17.2%	5.7%	1,150 bps
Retail Gross Profit	221.1	210.3	5.2%
Gross Margin %	21.9%	22.7%	(80) bps
Retail CODB	175.1	172.2	1.7%
CODB %	17.3%	18.6%	(130) bps
Retail Operating Profit	46.0	38.1	20.8%
Operating Margin %	4.6%	4.1%	50 bps
Stores	74	77	(3)



- Noel Leeming had a record profit year in FY20 despite the impact of the COVID-19. Performance was driven by an acceleration in online as the business provided customers with the products and services they required to enable them to work and learn remotely as well as essential home appliances for food storage and preparation
- Sales hit a milestone of \$1b this financial year reflecting our biggest market share year ever and an increase of 9.2% on LY sales
- Same Store Sales Growth of 17.2% was driven from a significant increase in online sales of 145%, with strong acceleration in Q4 during COVID-19 and resulting store closures
- Gross Profit Margin % at 21.9% was 80 bps lower reflecting sales mix due to higher sales in low margin technology products, particularly in Q4
- Top performing categories with double digit sales growth on LY included Computers, Computer Accessories, Audio Visual, Imaging and Small Appliances all driven by consumer demand relating to learning and working from home. The Services Division also delivered pleasing results in FY20 with Protection seeing revenue growth of over 19%
- In FY20, we opened two new stores in Lunn Ave, Auckland and Northlink, Christchurch and relocated our Newmarket, Auckland and Hawera stores. In addition, we undertook a store network review and as a result 5 stores were closed including Takapuna, St Lukes and Henderson Clearance Centre in Auckland, and The Palms and Papanui in Christchurch
- Operating Profit increased by 20.8% to \$46.0m with Operating Profit Margin increasing by 50 bps to 4.6%.

For the period ended 2 August 2020

<i>\$ million</i>	2020	2019	Variance
Retail Sales	191.0	172.5	10.7%
Same Store Sales Growth	10.4%	1.3%	910 bps
Retail Gross Profit	40.2	39.8	1.0%
Gross Margin %	21.0%	23.1%	(210) bps
Retail CODB	54.9	46.8	17.4%
CODB %	28.7%	27.2%	150 bps
Retail Operating Profit	(14.7)	(7.0)	109.8%
Operating Margin %	-7.7%	-4.1%	(360) bps
Stores	20	18	2



- Torpedo7 Group is made up of Torpedo7 (T7) and 1-day businesses
- Group sales were \$191m, an increase of 10.7% on FY19 with strong same store sales growth of 10.4%, influenced by accelerated online sales, particularly in Q4
- Gross Profit dollars increased by 1% and included additional one-off stock provisions of \$5.3m
- T7 went through some significant change in FY20 with a new CEO, store network expansion and increased operational and store network investment to support future profitability
- T7 experienced strong sales in Bike and Fitness categories particularly in Q4 as demand accelerated for these categories during the COVID-19 period as customers looked for exercise alternatives
- Higher operating costs were driven by the store expansion programme and investment in a number of key areas to support future growth and profitability as well as one-off costs of \$2.6m in relation to asset write-downs
- Excluding asset impairments, inventory provisioning and write-offs, the standalone performance of Torpedo7 would have improved in FY20 versus FY19
- During the year, four new T7 stores were opened in Tauranga, Rotorua, Northlink (Christchurch) and Westfield Newmarket, offset by two store closures which were the T7 K-Road store and No1 Fitness in Christchurch
- 1-day sales are down on last year following a challenging first half. The online retailer performed well during the COVID-19 lockdown period and is focused on streamlining fulfilment to deliver cost savings and an improved customer experience.

# OUTLOOK



# FY21 OUTLOOK

- For the first 9 weeks of FY21, we have seen sales increase about 6% on the same period in FY20, inclusive of the Auckland lockdown. There has been a gradual reduction in the elevation of sales since the end of the first lockdown, as pent up demand and the impact of wage subsidy and mortgage holidays subside. There appears to be some benefit to retail spending due to the reduction of alternative spending options, in particular the ability to travel. How long these remain is uncertain
- The outlook for FY21 played a part in the decision to not pay a final dividend. We remain cautious about economic activity and the trading outlook and the critical Q2 trading period (including Black Friday, Christmas and Boxing day) will be more important than ever, as we see a greater risk in the H2 relative to H1
- With the benefit of a strong balance sheet and Agile ways of working, we will continue to invest in our transformation, with a focus on our core systems, digital platforms and store footprint – in particular the SWAS programme. As we stated at the end FY19, we expect to have several years of capital expenditure in the range of \$100m - \$120m.
- We expect further costs in relation to embedding our Agile ways of working of around \$8m in FY21
- TheMarket.com will be in the second year of its business plan and we expect an operating loss of \$12m - \$14m as this business continues to scale its platform. Torpedo7 is also in its second year of a turnaround plan and we expect the business to be profit contributing in FY21
- Depending on trading, the Group hopes to return to paying dividends in line with its Dividend Policy in FY21
- As has been the case in previous years, the Group will consider giving guidance for its full year FY21 result at end of the first half of the year.