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

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## **RESHAPED WAREHOUSE GROUP REPORTS DOUBLE DIGIT PROFIT GROWTH**

**Total Group sales for the full year up 29.3% to \$2.24 billion  
Adjusted NPAT up 13.1% to \$73.7 million  
Reported NPAT up 61.1% to \$144.7 million  
Final Dividend of 5.5 cents per share**

**Auckland, 13 September 2013**

The Board of The Warehouse Group today announced that adjusted net profit after tax<sup>1</sup> for FY13 increased 13.1% to \$73.7 million compared to \$65.2 million last year. Reported net profit after tax was \$144.7 million, an increase of 61.1% compared to \$89.8 million last year primarily due to gains on the disposal of property. Group sales for the year were \$2,239.5 million up 29.3% compared to last year.

### **The Warehouse (Red Sheds)**

The Warehouse (Red Sheds) reported sales for the full year of \$1,591.1 million an increase of 4.4% or \$67 million compared to last year and up \$128 million since FY11. Same store sales increased 2.0% in the year with the 'Red Sheds' now recording 10 quarters of positive same store sales. Sales in the second half were \$724.5 million, an increase of 5.2% with a same store sales growth of 1.9%. Same store sales in Q4 were 1.9%

The major drivers of sales growth in FY13 have been, The improved performance from Auckland stores with three new stores ( Silverdale, Royal Oak & Mt Roskill), The completion of 28 store refits by the end of FY13, and Strong performances in our Home, Consumer Electronics, Baby, Beauty, and Confectionery categories. We also introduced a number of international technology and appliance brands into the 'Red Sheds' late in H2 such as Compaq, Acer, Sony, Uniden, Kambrook, and Hoover. A range of products from leading International brand Samsung will be launched in September. The Warehouse sells a wide range of products across a number of categories at different points in their lifecycle. Consequently sales growth in some areas was partially offset by a continuing structural decline in CD & DVD sales. FY13 was also impacted by the removal from sale of some of our whiteware range while we sourced better quality products.

In spite of one of the warmest winters on record gross margins were up 1.3% to 36.3% their highest in several years.

Commenting on The Warehouse (Red Sheds) result Group Chief Executive Officer Mark Powell said "It was a solid result with 10 quarters of positive same store sales and the introduction of a number of leading International Technology & Appliance brands. While operating profit for the year was up 5.3% to \$85.2 million, which indicates we are starting to head in the right direction, it is still early days on our journey. We will continue to invest in store refits and our people in FY14."

### **Warehouse Stationery**

Warehouse Stationery sales were \$231.8 million, an increase of 12.2% compared to last year. Same store sales increased 2.8% for the year. The second half saw sales of \$119.9 million up 12.6% and same store sales growth of 1.4%. Same store sales in Q4 were 1.0%.

Warehouse Stationery underwent a significant rebranding in July which will help bring to life, across all areas of the business, the brand positioning "Work, Study, Create, Connect". The year saw another 5 stores opened as part of the continued rollout of a nationwide store network with operating profit for the year up 4.8% to \$10.3 million.

### **Noel Leeming**

Noel Leeming's results from continuing operations for the eight months under The Warehouse Group ownership were sales of \$390.7 million, Operating profit of \$11.0 million and a same store sales growth of 7.0%. The second half saw sales of \$273.5 million and a same store sales increase of 6.4%. Same store sales in Q4 were 6.8%.

Mr Powell said that “Merging Bond & Bond with Noel Leeming went extremely well and Noel Leeming continues to perform ahead of our expectations”.

### **Torpedo7 Group & Multichannel**

During the four months, Torpedo7 Group sales were \$24.2 million and EBIT of \$0.7M in line with our expectations. A strategic plan has been developed targeting significant growth for the Torpedo7 Group which resulted in the recent acquisition of No1 Fitness, NZ’s leading multichannel fitness equipment retailer.

“We will continue to invest ahead of the curve in our Multichannel business with our two most recently launched sites being knucklebone.co.nz (outdoor sporting products) and ilovebeauty.co.nz (branded beauty products) and we continue to be excited by the growth opportunities we see” said Mr Powell.

### **The Warehouse Group**

In announcing the result, The Warehouse Group Chairman Graham Evans said “While it is still early days we have made good progress on the transformation of The Warehouse Group, which is now a reshaped company compared to two years ago. The Group’s strategy has evolved and comprises a number of key focus areas including, Keeping the “Red Core” strong, Growing “Non Red” to be as large as “Red”, Being the leading Multichannel retailer in NZ and Leveraging our Group Competencies and Scale. The Board is confident this strategic focus will continue to deliver results for our shareholders.”

“As our earnings are significantly influenced by Christmas trading performance it is too early to provide specific earnings guidance. The key elements of the Group’s strategic plan should ensure adjusted NPAT in FY14 is above that recorded in FY13” said Mr Evans”.

The Directors have declared final dividend of 5.5 cents per share, representing 89% of adjusted earnings, which will be paid on 12 December 2013 with the record date being 29 November 2013.

### **ENDS**

<sup>1</sup> A reconciliation of adjusted net profit to reported net profit is detailed on page 18 of the NZX release and in note 13 of the condensed interim financial statements. Certain transactions such as the sale of properties, acquisition costs and the release of warranty provisions can make the comparisons of profits between periods difficult. The Group monitors adjusted net profit as a key indicator of performance and uses it as the basis for determining dividends and believe it helps investors to understand what is happening in the business.

### **Background: The Warehouse Group Limited**

The Warehouse Group Limited comprises 92 Warehouse stores, 75 Noel Leeming stores and 61 Warehouse Stationery stores in New Zealand and several online businesses. The company had turnover of \$2.2 billion in FY13 and employs over 10,000 people.

#### **Historical Dividend Distributions (fully imputed)**

<b>Dividends (cents)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Interim	15.5	13.5	15.5	15.5	15.5
Final	5.5	6.5	6.5	8.5	5.5
Sub Total	21.0	20.0	22.0	24.0	21.0
Special	-	-	-	6.5	10.0
<b>Total</b>	<b>21.0</b>	<b>20.0</b>	<b>22.0</b>	<b>30.5</b>	<b>31.0</b>

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