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



THE WAREHOUSE GROUP FIRST QUARTER: CONTINUED SALES MOMENTUM

Group Sales for Q1 of \$634.5 million
The Warehouse (Red Sheds) Same Store Sales of 3.6%
Warehouse Stationery (Blue Sheds) Same Store Sales of 4.1%
Noel Leeming Same Store Sales of 10.2%

Auckland, 6 November 2015

The Board of The Warehouse Group (TWG) today reported first quarter ending November 1st retail sales of \$634.5 million, up 7.7% from the same quarter last year. All the Group's retail brands delivered strong sales uplifts in the quarter. These sales results continue the positive trading momentum that the Group reported in the second half of FY15.

The Warehouse

The Warehouse (Red Sheds) reported sales for the first quarter (Q1) of \$373.9 million, an increase of 4.1% or \$14.7 million compared to the same quarter last year. Same store sales increased 3.6% in the quarter with the Red Sheds now recording 19 consecutive quarters of positive same store sales. On a like-for-like¹ basis same store sales increased by 1.8%, which could be considered as a better indicator of underlying sales performance, as it accounts for the change in timing of Labour Day, which has fallen in Q1 this year, as opposed to Q2 last year. As well as sales growth, gross margins have improved on last year, largely as a result of a strong exit from the winter season for apparel and home.

The major drivers of sales growth in Q1 were the successful launches of new season ranges in the core Home and Apparel categories. This was supported by strong performances from the Gardening, Hardware & Automotive, Jewellery and Celebrations categories. This has been offset by lower sales in the Entertainment category as we continue to see market challenges in the Communications, Computing, Gaming and Music and DVD categories.

The Red Sheds continues to expand its digital capability, with customers increasingly adopting the "Endless Aisles" and "Click and Collect" options available to them.² One third of our online sales now utilise the "Click and Collect" service. The integrated online and physical stores offer is proving to be very popular with customers.

Commenting on the Red Sheds' result Group Chief Executive Officer Mark Powell said "achieving 19 consecutive quarters of same store sales growth continues the positive momentum that has been building in the Red Sheds as a result of significant investment over the last 4 years. Significant progress on strategic initiatives in the business, particularly those focused on continuing to improve quality, range, price and our in-store experience, have been well received by our customers with both sales and transaction volumes showing growth in the quarter."

Mr Powell added that "This sales growth was achieved with low levels of clearance activity, resulting in improved gross margins compared to last year while stock levels are well positioned ahead of the important Christmas trading period."

Warehouse Stationery

Warehouse Stationery (Blue Sheds) reported sales for the first quarter of \$62.8 million, an increase of 7.7% or \$4.5 million compared to the same quarter last year. Same store sales increased 4.1% in the quarter with the Blue Sheds now recording 25 consecutive quarters (or over six years) of positive same store sales. On a like-for-like¹ basis same store sales increased by 3.3%.

"This has been yet another strong quarter for Blue Sheds, reaffirming their customer centric strategy (everything you need to work, study, create, connect) in a competitive sector" said Mr Powell. During the quarter Blue Sheds opened a new store in Queenstown, an important market previously without Blue Sheds representation.

Noel Leeming

Noel Leeming reported sales for the first quarter of \$163.9 million, an increase of 14.5% compared to the same quarter last year. Quarterly same store sales increased 10.2%. The technology and appliances market remains extremely competitive which places pressure on margins, however our market share continues to grow, reflecting the differentiation Noel Leeming is building through its strategy of delivering customer service excellence.

The strong result for Q1 FY16 builds on the stronger trading performance recorded in the second half of the FY15, and is assisted by the fact that last year's sales numbers were impacted by limited stock availability in smartphones and the cycling of the digital switchover.

Particular successes have been in Cellular which has recorded a standout performance with strong customer demand and good availability of key models. Our Wearables category also performed well reflecting keen demand for fitness products and the introduction of Apple Watch in a number of our stores.

During the quarter we consolidated our two stores in Whangarei into one store with a full service offering.

Torpedo7 Group

Torpedo7 Group reported sales for the first quarter of \$33.9 million, up 18.1% compared to the same quarter last year. Commenting on the Torpedo7 Group result, Mr Powell said, "Following the results for Torpedo7 in FY15 we acknowledged the need to deliver improved performance. These Q1 results are a positive sign of the progress we are making."

Sales growth to drive profit growth has been delivered across both online and physical store channels as a result of improvements in stock availability, product range, and targeted promotions across all channels.

Online

Group online sales (NZ) were \$37.0M, up 15.9% compared to the same quarter last year (up 13.6% on a like-for-like¹ basis). All brands have shown growth in online sales.

TWG

In October 2015 the Group sold the South Dunedin Warehouse store property for a consideration of \$14.1 million realising a pre-tax gain of approximately \$5.4 million.

In announcing the result, Group CEO Mark Powell said, "We are continuing to focus on delivering profit improvement for our shareholders after a period of reshaping and investment and this starts with maintaining positive sales growth. Q1 has certainly delivered on that across all brands. It is important to remember that Q2 is where the majority of the sales and profit performance for the half year happens. These first quarter results give us good momentum heading into the Christmas and summer trading period, however we still have a lot of work to do in the quarter ahead".

The Warehouse Group recently announced the appointment of Mr Nick Grayston as its new Group Chief Executive. Mr Grayston will start in early December, with a handover from Mr Powell over the summer period.

The Annual Meeting of shareholders will take place on Friday 20th November 2015.

Note 1: Same store sales calculated on a "like for like" basis are adjusted for the timing effects of last years' 53rd week period. This means that the comparable period last year for the first quarter "like for like" same store sales calculation is the 13 week period ending 2nd November 2014.

Note: 2: "Endless Aisles" and "Click and Collect" are multichannel shopping services. "Endless Aisles" is where a customer can place an online order in a store, when that does not stock that item. "Click and Collect" is where a customer orders online for delivery to a store of their choice, where they collect the order.

ENDS

Background: The Warehouse Group Limited

The Warehouse Group Limited comprises 92 Warehouse stores, 72 Noel Leeming stores, 5 Lifestyle Appliance Stores and 66 Warehouse Stationery stores in New Zealand plus several online businesses. The Group had an annual turnover of \$2.8 billion in FY15 and employs over 12,000 people.

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