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TO: Market Information Services Section  
NZX Limited



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## THE WAREHOUSE GROUP FIRST QUARTER: CONTINUED SALES GROWTH

**Group Sales for Q1 of \$589.4 million**  
**The Warehouse (Red Sheds) Same Store Sales of 1.2%**  
**Warehouse Stationery (Blue Sheds) Same Store Sales of 1.3%**  
**Noel Leeming Same Store Sales of 0.5%**

**Auckland, 7<sup>th</sup> November 2014**

The Board of The Warehouse Group (TWG) today reported Group sales for the first quarter ending October 26<sup>th</sup> of \$589.4m with solid sales performances from each of our retail brands.

### **The Warehouse**

The Warehouse (Red Sheds) reported sales for the first quarter of \$359.2 million, an increase of 1.3% or \$4.7 million compared to the same quarter last year. Same store sales increased 1.2% in the quarter with the 'Red Sheds' now recording 15 consecutive quarters of positive same store sales.

The major drivers of sales growth in Q1 were the successful launches of new season ranges in the Home and Leisure categories, along with strong performance from events, branded imports and key lines in the Celebrations category. This has been offset by lower sales in the Apparel category as a result of less winter clearance activity than in the same quarter last year, and lower Television sales as a result of cycling against the digital switchover activity last year.

Gross Margins improved on last year, largely due to the lower winter apparel clearance activity which reflects a strong exit from the Winter season.

In the quarter, the Red Sheds continued to develop as a digitally enabled multichannel retailer with the introduction of 'Endless Aisles' technology, enabling customers in smaller stores to access the full online range, to be delivered to their home or to store on a 'click and collect' basis. This has been well received by customers to date increasing the alignment and integration of the online and in-store experience.

Commenting on The Warehouse (Red Sheds) result Group Chief Executive Officer Mark Powell said "To achieve 15 consecutive quarters of same store sales growth is particularly pleasing as we cycled against 5.5% same store sales growth in the same quarter last year. This year's growth was achieved with much lower levels of clearance activity, resulting in improved gross margins."

Mr Powell added that "it is pleasing to see the impact from a range of strategic initiatives such as new international technology and appliance brands, improved product quality, a critical mass of store refits and improved team training. This has brought former customers back to The Warehouse and has resulted in continued sales growth driven by increased transactions. While the challenge remains to translate this into increased operating profit, it provides the necessary platform from which to do that."

### **Warehouse Stationery**

Warehouse Stationery (Blue Sheds) reported sales for the first quarter of \$58.3 million, an increase of 2.5% or \$1.4 million compared to the same quarter last year. Same store sales increased 1.3% in the quarter with the 'Blue Sheds' now recording 21 consecutive quarters of positive same store sales.

Commenting on the Warehouse Stationery result Group Chief Executive Officer Mark Powell said "This quarter represents the first quarter cycling against the rebranding last year, we continue to be pleased with the performance of the business."

### **Noel Leeming**

Noel Leeming reported sales for the first quarter of \$143.2 million, an increase of 2.9% compared to the same quarter last year. Quarterly same store sales increased 0.5%.

During the quarter Noel Leeming was successfully rebranded, bringing the brand up to date and revitalising the business.

Commenting on the Noel Leeming result Group Chief Executive Officer Mark Powell said "We have been very pleased with our customer's feedback on our rebranding, with Noel Leeming delivering increased market share. While the same store sales increase was subdued compared to previous quarters, this was largely due to lower television sales as we cycled against the digital switch over last year which impacted the whole technology sector. Noel Leeming continues to expand on the range of services offered to customers, ensuring it will remain New Zealand's leading Technology and Appliance retailer."

#### **Torpedo7 Group**

Torpedo7 Group reported sales for the first quarter of \$28.7 million up 49.4% compared to the same quarter last year. The comparative period excludes the sales of Shotgun Supplements and R&R Sport which were not acquired until December 2013. It also excludes one month's sales related to No1 Fitness acquired in September 2013. At the end of the quarter Torpedo7 and R&R Sport were combined under a new Torpedo7 brand and two new stores were opened in Mt Wellington and Albany.

Commenting on the Torpedo7 Group result Group Chief Executive Officer Mark Powell said "We are very pleased with the look and feel of the new Torpedo7 brand and customer feedback to date has been positive. This investment in Torpedo7 will position it as a true multichannel 'bricks and clicks' retailer, ensuring we remain at the forefront of New Zealander's minds when they are looking to purchase sporting, outdoors and adventure equipment."

#### **TWG**

In October the Group sold the Warehouse store located in Whangarei realising a property pre-tax gain of approximately \$5.0 million.

In announcing the result, Group CEO Mark Powell said "In line with our strategic plan the quarter has seen continued investment in our existing businesses. This has again resulted in positive sales results across all our retail businesses in the quarter. However, while we have improved margins in Red Sheds, with a much cleaner exit of winter seasonal apparel than last year, we will also be absorbing budgeted one-off rebranding costs for both Torpedo7 and Noel Leeming in the quarter. We are confident this strategic focus will deliver long term results for our shareholders in a retail environment that is continuing to evolve to satisfy customers changing buying habits."

The Annual Meeting of shareholders will take place two weeks from now, on Friday November 21<sup>st</sup>.

#### **ENDS**

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

The Warehouse Group Limited comprises 92 Warehouse stores, 79 Noel Leeming stores, 64 Warehouse Stationery stores 11 Torpedo7 stores and 2 Number 1 Fitness stores in New Zealand and several online businesses. The company had turnover of \$2.6 billion in FY14 and employs over 11,500 people.

#### **Contact details regarding this announcement:**

##### ***Investors, Analysts and Media***

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**THE WAREHOUSE GROUP LIMITED**

**Supplementary Information**

Reporting Period	28 July 2014 to 26 October 2014
Previous Reporting Period	29 July 2013 to 27 October 2013

Quarterly Retail Sales information:

First quarter sales (28 July 2014 to 26 October 2014)	Sales 2015 (NZ\$ Million)	Sales 2014 (NZ\$ Million)	Change in sales	Change in same store sales
The Warehouse	359.2	354.5	+ 1.3 %	+ 1.2 %
Warehouse Stationery	58.3	56.9	+ 2.5 %	+ 1.3 %
Noel Leeming (NLG)	143.2	139.2	+ 2.9 %	+ 0.5 %
Torpedo7	28.7	19.2		

Store Numbers	The Warehouse		Noel Leeming		Warehouse Stationery	
	2015	2014	2015	2014	2015	2014
Start Quarter 1	91	92	77	75	63	61
End Quarter 1	92	92	79	75	64	61

Store footprint (Square Metres)	The Warehouse		Noel Leeming		Warehouse Stationery	
	2015	2014	2015	2014	2015	2014
Start Quarter 1	494,847	500,769	69,391	67,972	68,194	67,230
End Quarter 1	498,525	501,311	71,077	67,950	69,443	67,302

Store changes during the quarter	New Store	Replacement stores	Store Closure	Store Extension/ Reduction
The Warehouse	1	-	-	-
Warehouse Stationery	1	-	-	-
Noel Leeming	3	2	1	-