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**To: NZX Limited**

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Auckland, 12 November 2021

### **The Warehouse Group FY22 First Quarter Sales Update**

#### **Highlights:**

- Group sales for 13 weeks to 31 October 2021 were \$630.7 million, down 14.6% against the same quarter in FY21 and down 9.2% against the same quarter in FY20.
- Group sales were impacted due to COVID-19 lockdown levels from 18 August – including Level 4 for two weeks New Zealand wide and five weeks in Auckland, with Auckland remaining in Level 3, and Northland and Waikato switching between Level 2 and 3 for the remainder of the quarter.
- Online sales growth of 118.2%, representing 30.1% of Group sales.
- Group gross profit margin was 32.9% for FY22 Q1, a decline of 200 basis points on FY21 Q1.
- New MarketClub and MarketClub+ loyalty programmes were launched on 20 October.
- From 16 January 2022 only team members who are fully vaccinated will be able to perform work for The Warehouse Group.
- The FY21 final dividend of 17.5 cents remains in place as declared with a record date of 18 November and will be paid on 3 December 2021.
- The Group have agreed a \$70 million Sustainability-Linked Loan with Westpac which further extends our commitment to the environment.

#### **The Warehouse Group sees strong online growth despite ongoing COVID disruption to sales**

The Warehouse Group (“the Group”) today reported retail sales for the first quarter ending 31 October 2021 of \$630.7 million, a decline of 14.6% on the same quarter in FY21 and a decline of 9.2% on the same quarter in FY20. Gross profit margin reduced 200 basis points to 32.9% for the first quarter compared to the same quarter in FY21, largely due to increased clearance sales as we had a build-up of winter seasonal stock due to the COVID-19 lockdown timing. There has also been a change in product mix with the limitations of lockdown shopping.

Group CEO Nick Grayston says “The ongoing disruption of COVID-19 and in particular the 10.5-week lockdown in Auckland during the quarter has impacted our sales but trading is in line with our previous lockdown experiences.

“During lockdown, we have seen strong online momentum across the Group with our customers moving swiftly to our digital channels to purchase the items they need to work from home, do remote schooling and manage from their homes.

“With the opening of our retail stores across Auckland as part of the Level 3, Step 2 change from Wednesday 10 November, we are thrilled to welcome our customers back in store and anticipate significantly improved sales momentum. We are optimistic that pent up customer demand will see good uplift in our November and December trading performance and 18 The Warehouse stores in Auckland will be operating extended trading hours to help us meet this,” said Mr Grayston.

“We have a strong stock position across all brands and are well placed and ready to meet peak period Christmas and summer demand. We have had some concern about the growing domestic online delivery challenges and getting customers purchases out to them as we approach Christmas, as a result of the highly congested postal and courier networks. The opening of Auckland stores will relieve this pressure and will allow us to improve our online delivery promise to our customers who wish to shop remotely.”

Total Group online sales were \$190.0 million for the quarter – representing growth of 118.2% compared to the same quarter last year and making up 30.1% of total Group sales (up from 11.8% in the same quarter last year and 11.5% for FY21). Total click and collect sales increased 117.7% in the quarter, making up 46.7% of total online sales.

**The Warehouse** recorded sales of \$298.2 million in the quarter, down 21.4% on the same quarter last year due to store closures during lockdown. While The Warehouse store sales saw a decline across the country due to various stages of lockdown, online sales increased 164.1% in the quarter. The Warehouse stores that have moved from Level 4 to Level 2 (i.e. south of Waikato) have performed well since reopening, with October sales up 4.2% on the same month last year. The standout categories for the quarter were Sport and Fitness, and Petcare.

**Warehouse Stationery** recorded sales of \$48.2 million in the quarter, a decline of 22.0%. Warehouse Stationery online sales increased 91.8% compared to the same quarter last year. Warehouse Stationery performed relatively weaker compared to the extended lockdown of March 2020, with customers better prepared to work and learn remotely.

**Noel Leeming** reported sales for the first quarter of \$238.7 million, a decline of 4.8% compared to the same quarter last year, however these sales were up 6.1% compared to the same quarter in FY20. Noel Leeming online sales saw growth of 148.5%, with strong uptake in 1-hour click and collect fulfilment and tech solutions services also reporting strong growth in the quarter.

**Torpedo7** recorded modest sales growth of 1.2% to \$34.2 million compared to the same quarter last year and 43.7% growth compared to the same quarter in FY20 due to growth in both store and online channels. Torpedo7 online sales increased 73.0% compared to the same quarter last year.

More recently, as we have moved into Level 3, Step 2, our Group stores in the Waikato have traded up 30% year on year as customers returned to shopping in store, and our Auckland stores (over the first two days) have shown trading growth significantly stronger than this.

#### **MarketClub and MarketClub+ loyalty programme**

On 20th October, we launched the new MarketClub and MarketClub+ loyalty programmes. This provides our customers with more convenience, more ways to save money and more ways to give back. MarketClub is currently available on TheMarket.com and at The Warehouse – instore and online – and it is our intention is to extend our programme group wide.

The MarketClub membership is free, and customers can unlock exclusive offers and benefits on TheMarket.com and at The Warehouse, with a charitable donation made by The Warehouse Group on their behalf with every purchase at The Warehouse. MarketClub+ is a paid membership on TheMarket.com with free shipping on eligible items when you spend over \$45.

### **Health and Safety in the workplace**

Supporting our people has also been a key focus for this quarter, including undertaking a comprehensive health and safety assessment on how best to make our workplace as safe as possible in a COVID-19 environment. We have now concluded consultation with our 12,000 employees on a proposal for all team members to be fully vaccinated against Covid-19.

The vast majority of our team supported the proposal and most feedback reflected the fact that the best way for us to provide a safe workplace and protect each other is to be fully vaccinated. Accordingly, from 16 January 2022 only team members who are fully vaccinated will be able to perform work for The Warehouse Group.

### **Dividend update**

At the time of the FY21 Annual Results, the final dividend was declared on the assumption that New Zealand would predominately be at Level 2 at the end of October. The Group has retained a strong liquidity position with core bank facilities of \$330m undrawn and now with the move to Level 3 Step 2 in Auckland, the Board can confirm the final dividend of 17.5 cents remains as declared.

The record date for the dividend is 18 November and will be paid on 3 December 2021. This brings the total dividends for the year to 35.5 cents per share declared, and a pay-out ratio of 70.2% of adjusted net profit. This is in line with our recently amended dividend policy which was approved by the Board in March 2021 – to distribute at least 70% of the Group’s full year adjusted net profit.

### **The Warehouse Group agrees Sustainability Linked Loan**

We were also pleased to agree a \$70 million Sustainability-Linked Loan with Westpac in October that further extends The Warehouse Group’s commitment to the environment. The targets are ambitious, innovative and forward-thinking and are focused on the key priorities in our sustainability journey to receive discounted rates.

The five sustainability targets are as follows:

1. 50% of brands<sup>1</sup> that are directly owned by The Warehouse Group must have sustainable packaging that is compostable, or recyclable solely at New Zealand kerbside or in store by FY25.
2. All Tier 2 Sources for at least 50% of Tier 1 Suppliers<sup>1</sup> will comply with The Warehouse Group’s Labour & Environmental Policy by FY25.
3. Reduce absolute Scope 1 and Scope 2 greenhouse gas emissions by at least 5% for each year of the loan against an FY20 Baseline. This will help us achieve our science-aligned target to reduce our Scope 1 and 2 emissions by 42% by 2030.
4. Gender Pay Equity: Achieve 100% pay equity across its overall workforce by FY25.
5. Gender Representation: The board, executive team, or those who directly report to the executive team, are 50% women by FY25.

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1. For The Warehouse and Warehouse Stationery

## 2021 Annual Shareholder Meeting

The 2021 Annual Shareholder Meeting will take place on Friday 26 November 2021 as 10am.

Due to the ongoing uncertainty arising from the Covid-19 pandemic, the Annual Shareholders' Meeting will be online only. Shareholders will be able to watch the meeting, vote and ask questions online through the Computershare Meeting Platform. To join the meeting, please go to [meetnow.global/nz](https://meetnow.global/nz) click 'Go' on The Warehouse Group Limited meeting tile and then click 'join meeting now'.

Further information about how shareholders can join the meeting online, vote and ask questions are contained in the Notice of Meeting.

## ENDS

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## The Warehouse Group Limited

Quarterly Sales	
Reporting Period	13 weeks to 31 October 2021
Previous Reporting Period (2021)	13 weeks to 1 November 2020
Previous Reporting Period (2020)	13 weeks to 27 October 2019

Quarterly Retail Sales information:

<b>First quarter sales (2 August 2021 to 31 October 2021)</b>	Sales 2022 (\$ Million)	Sales 2021 (\$ Million)	Sales 2020 (\$ Million)	Change in sales vs 2021	Change in sales vs 2020
The Warehouse	298.2	379.5	368.9	- 21.4 %	- 19.2 %
Warehouse Stationery	48.2	61.8	63.0	- 22.0 %	- 23.5 %
Noel Leeming	238.7	250.8	225.0	- 4.8 %	+ 6.1 %
Torpedo7	34.2	33.8	23.8	+ 1.2 %	+ 43.7 %
Total Group <sup>1</sup>	630.7	738.5	694.8	- 14.6 %	- 9.2 %

Store Numbers	The Warehouse		Noel Leeming		Warehouse Stationery		Torpedo7	
	2022	2021	2022	2021	2022	2021	2022	2021
Start Quarter 1	90	92	71	74	70	71	21	20
End Quarter 1	90	90	71	73	70	70	21	20

Store footprint (Square Metres)	The Warehouse		Noel Leeming		Warehouse Stationery		Torpedo7	
	2022	2021	2022	2021	2022	2021	2022	2021
Start Quarter 1	487,553	498,955	83,672	77,281	63,684	67,239	27,030	26,489
End Quarter 1	486,051	498,955	85,541	77,281	62,867	67,239	27,030	26,489

Store changes during the quarter	New store	Replacement store	Store closure	Store extension/ reduction
The Warehouse	-	-	-	2
Warehouse Stationery	-	2	-	-
Noel Leeming	-	1	-	-
Torpedo7	-	-	-	-

**Note:**

1) Total Group sales includes TheMarket segment, eliminations and other Group operations in addition to the 4 main retail operations detailed above.