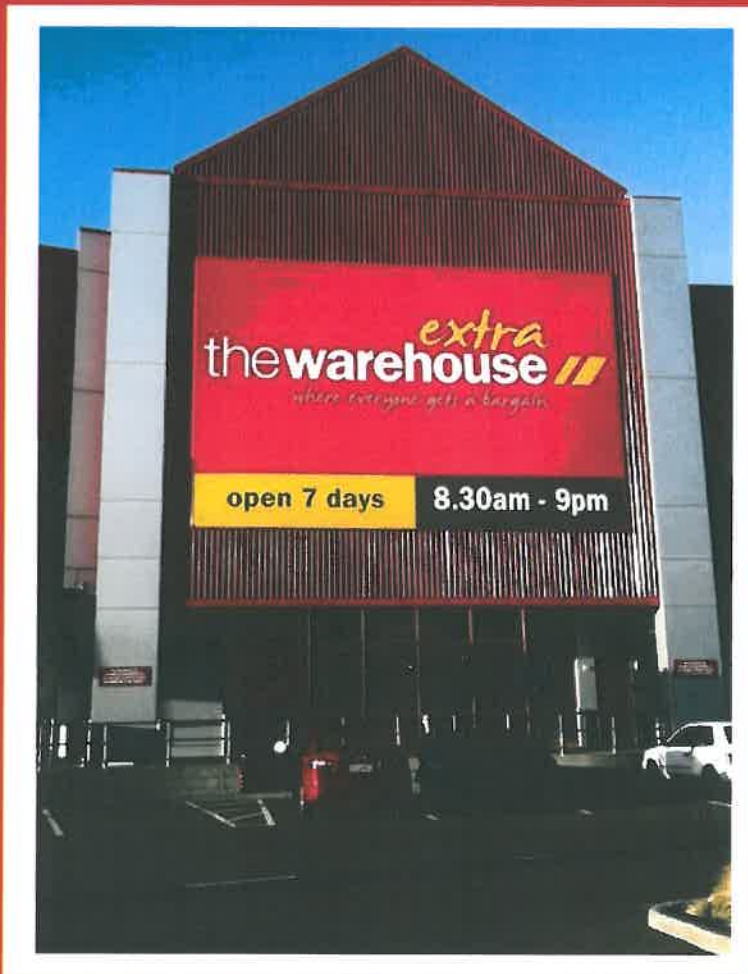




# The Warehouse Group Limited

## 2010 Strategy Update



Ian Morrice  
Managing Director

12 March 2010

### **Total shareholder return remains a key objective of The Warehouse Group:**

- Plans developed for footprint expansion
- Same store sales growth through category development and targeted investment in existing stores
- Long term commitment to on-line channel development
- In-organic growth remains a consideration

Targeting sales & profit growth and solid returns for shareholders.

## Our Market Definition

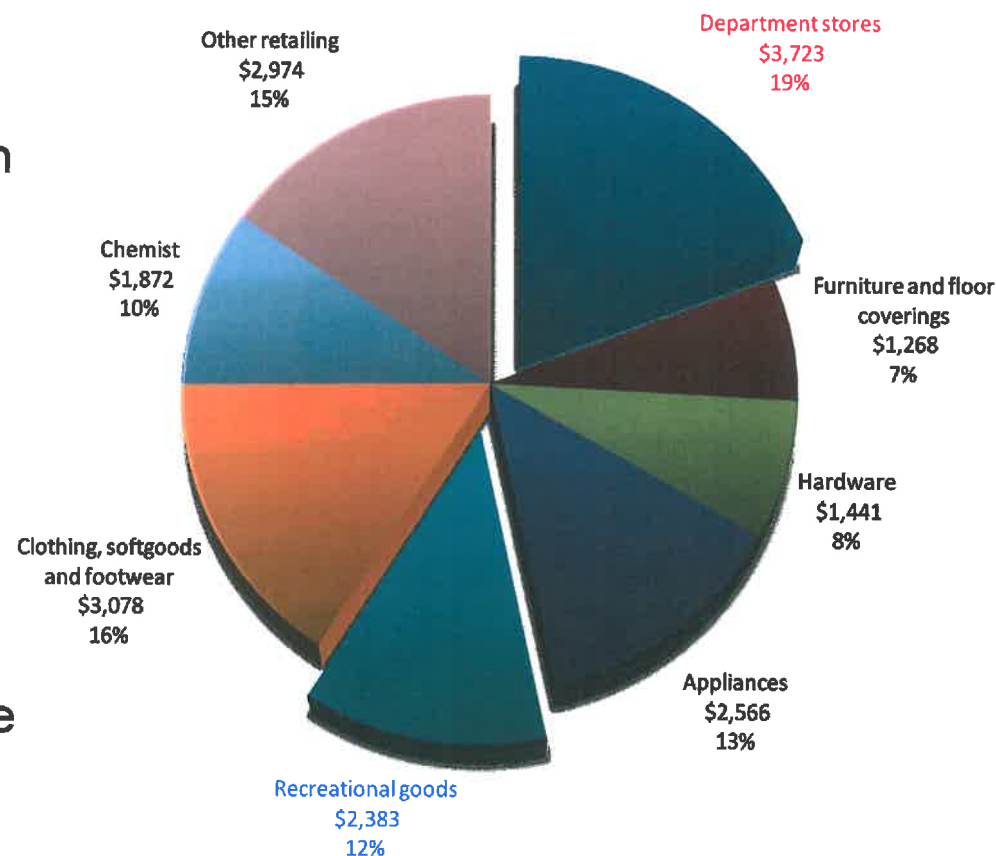
- The Warehouse is classified in the 'department stores' sector, and accounts for approximately 40%

Warehouse Stationery is classified in the 'recreational retailing' sector and accounts for approximately 8%

- We have defined our overall market as 'non food retail' (NFR) as our competitor set is clearly wider than just these two sectors
- These non food segments have had very different growth profiles over the past 10 years.

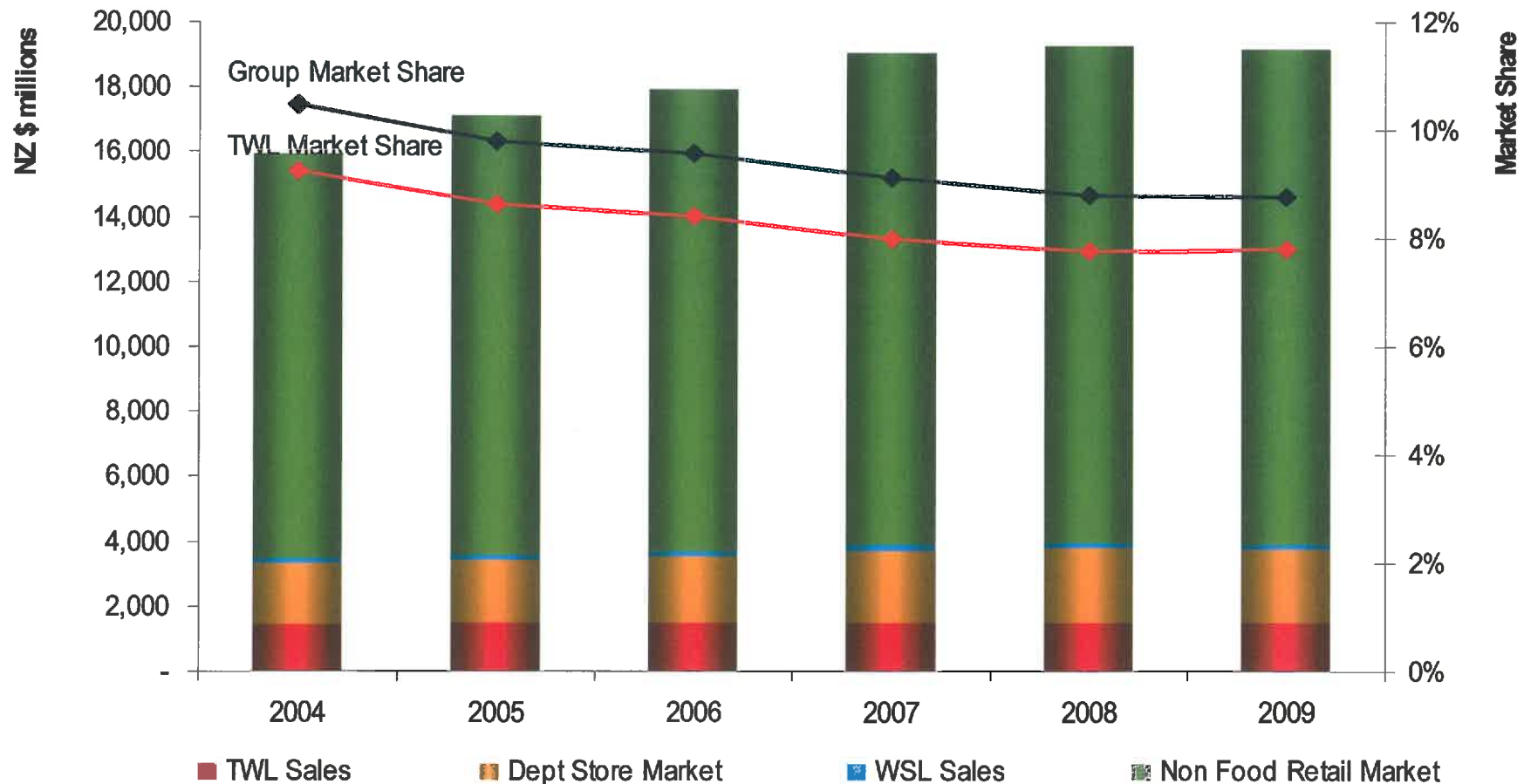
### Total NFRC Calendar Year 2009

Source: Dept of Stats



In 2009 the Non Food Retail market was over \$19 billion, with The Warehouse Group holding 8.8% share

# Market Context



TWG has been consolidating following rapid footprint growth until 2004.

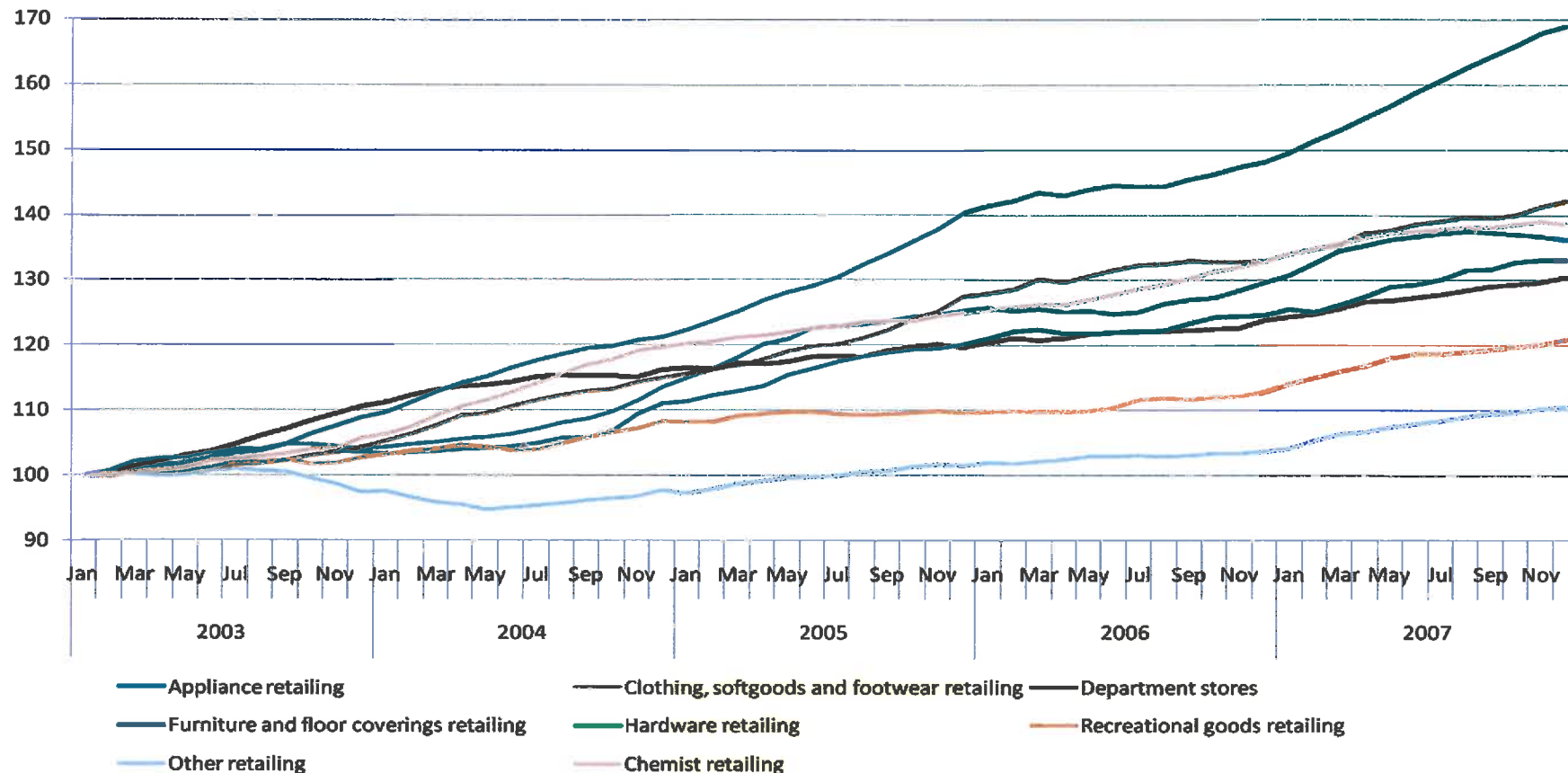


# Key Changes in Consumer Spending

## Non Food Compete Change in Sales

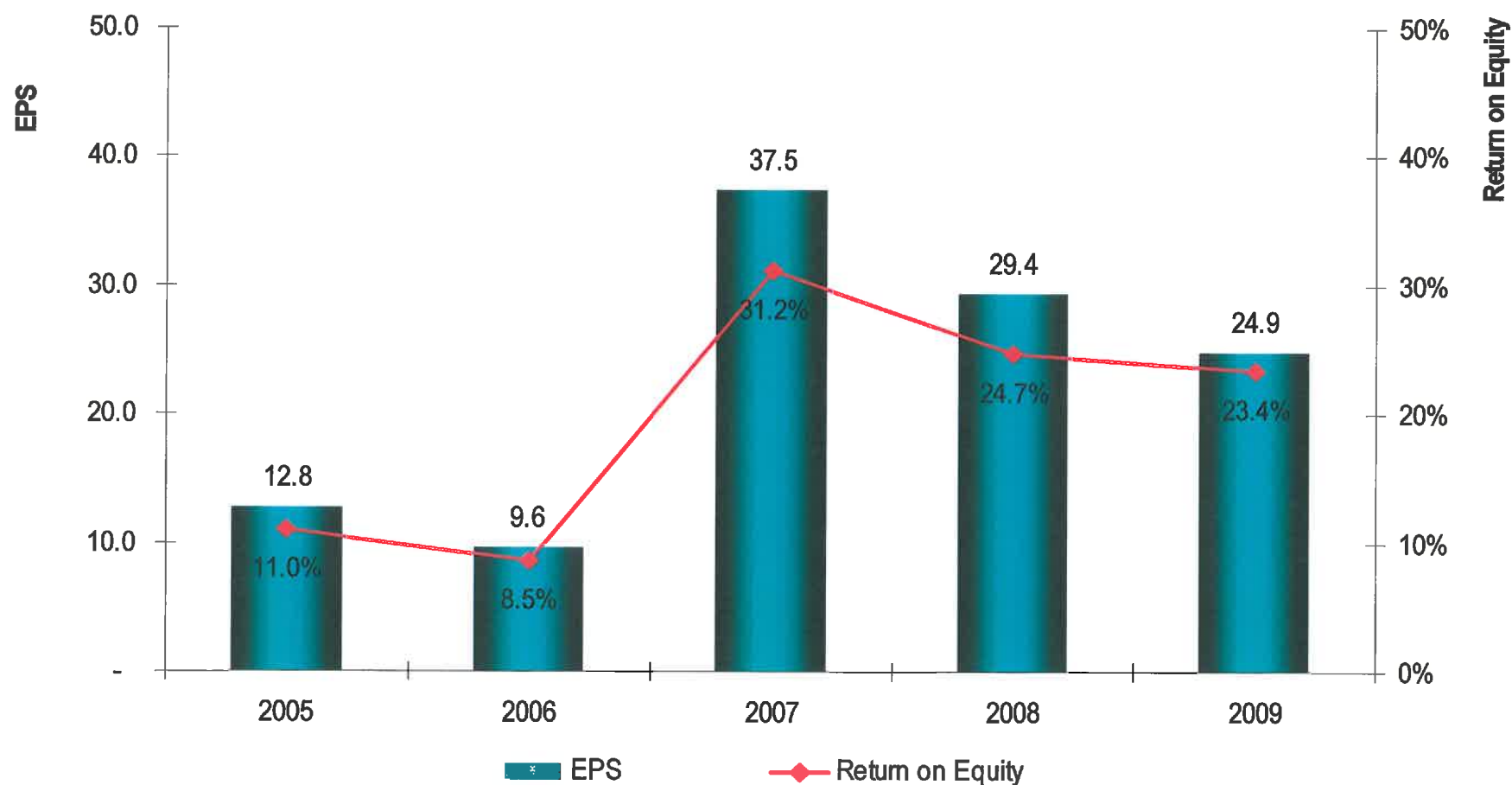
Pre-recession MAT indexed to Jan 2003

Source: Dept of Stats



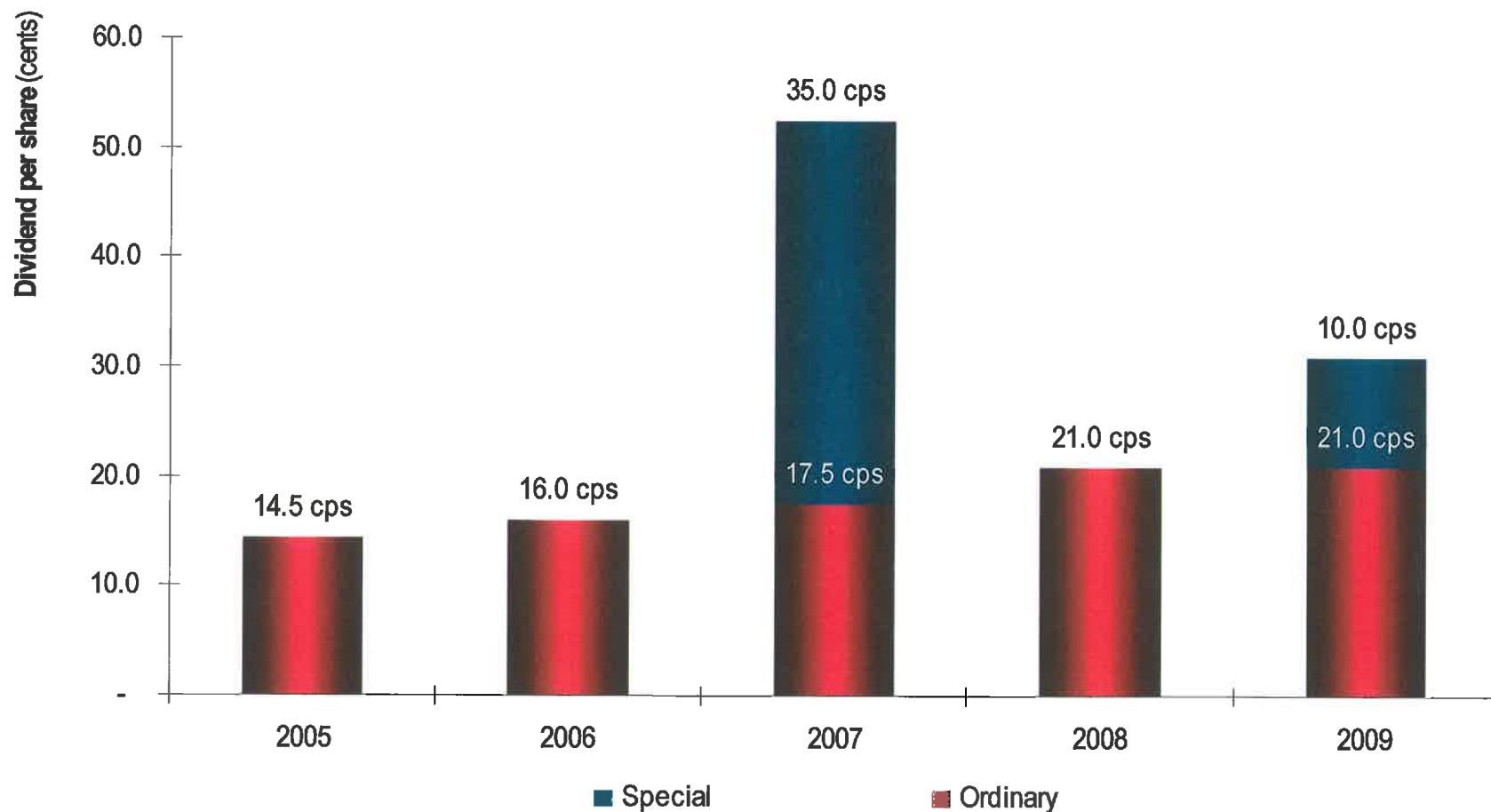
Significant amount of consumer spending growth since 2004 has gone into hardware and the clothing, soft goods & footwear sectors driven by retail footprint increase.

# Earnings per Share and Return on Equity



Recovery in EPS and ROE following exit from Australia.

# Dividends



A superior yield for shareholders achieved over the last three years.

- Invest in sustaining same store sales growth through increased returns from existing selling space
- Invest in growth categories and Extra store range development
- Cost reduction programme across cost of goods sold (COGS) and cost of doing business (CODB)
- Simplify and improve our in-store execution for our customers
- Increase selling space and grow our on-line channel
- Continue to lead and deliver on Community and Environment initiatives



## Extensions

- Pukekohe

## Replacement Stores

- Gisborne
- Balmoral (Auckland)

## New Stores

- St Lukes (Auckland)
- Rolleston (Christchurch)
- Silverdale (North Auckland)
- Royal Oak (Auckland)

## Additional stores under consideration

Five to eight new or replacement stores over the next 5 years increasing total footprint by up to 26,000m<sup>2</sup>.



- Growth categories identified with further growth potential for TWL
  - Apparel, footwear and jewellery
  - Homewares and sporting goods
  - Everyday Needs
- Investment in range, space, display and marketing to support growth in sales
- Modular store investment prioritised initially for the 17 'Extra' stores



Investment in categories with clear growth potential

## Online Enhancements

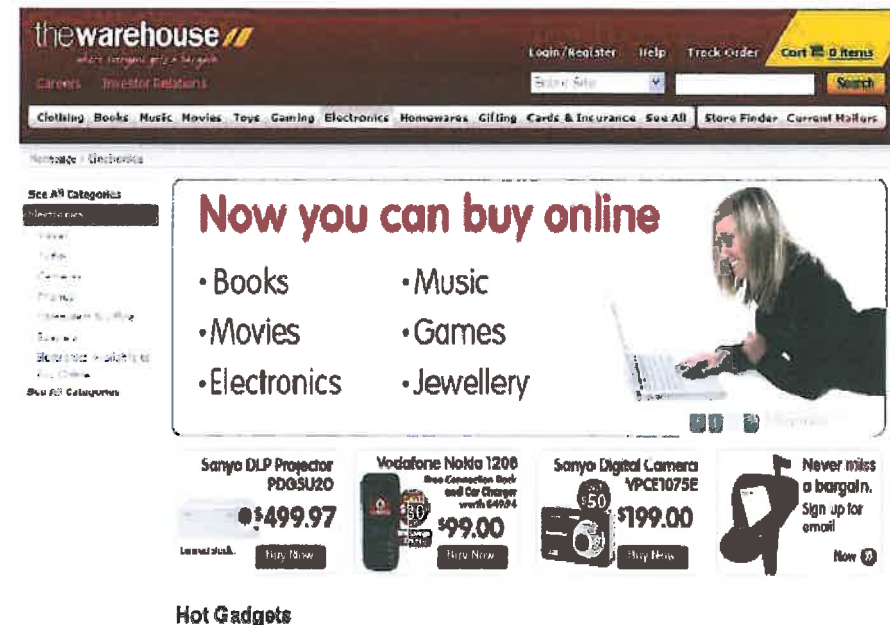
- ROBO (Research Online, Buy Offline)
  - Product content displayed online
  - Drives sales into retail stores
- Services online (finance, insurance)

## Range Expansion

- Extension of in store range available online
- High cube products
- Direct from supplier ranges

## Fulfilment Enhancements

- Store based picking
  - Avoids significant additional fixed overheads
  - Reduced stock investment
- Supplier fulfilment partnerships

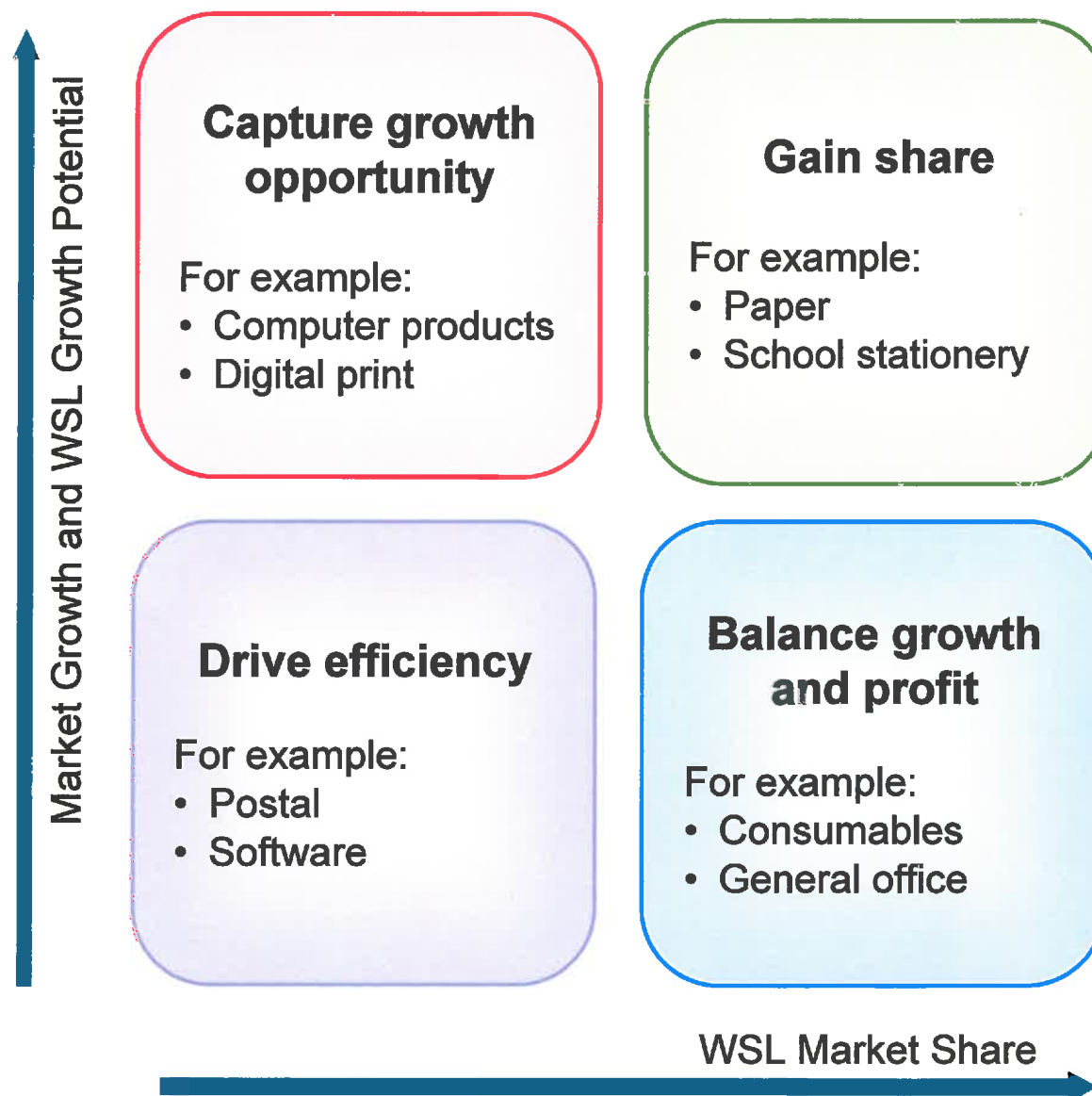


**Long term growth investment**

- Cement our position as NZ's leading office products retailer
- Growth Drivers:
  1. Develop and add Categories, Products and Services
  2. Invest in sustaining same store sales growth in existing stores
  3. Improve our offer to our Business Account customers
  4. Create and drive a highly productive direct channel
  5. Retail footprint growth to achieve national coverage
- Strong value proposition will be underpinned by an on-going cost reduction programme

**Key objective to grow sales and achieve benchmark operating margins by F14.**







# Improve our Store Environment

**warehouse  
stationery**

## Key Elements:

1. Logical and proportionate layout and adjacencies
2. External branding and internal signage
3. Merchandise display guides and plan-o-grams
4. Category / product specific display solutions
5. Improve lighting and energy efficiencies



The key will be in creating a cohesive store environment that links our brand/customer proposition to an easy shopping experience.

- Two ideal store sizes assessed based on sales per m<sup>2</sup> and store EBIT performance
- Large catchments where Warehouse Stationery is currently under-represented will be targeted:
  1. Medium Stores (600 – 900m<sup>2</sup>)
  2. Large Stores (1,000 – 1,200m<sup>2</sup>)



Seven to ten new and replacement stores to achieve national coverage.

### **To deliver superior returns to shareholders over the long term by:**

- Identifying and driving profitable organic growth opportunities domestically.
- Identifying and evaluating appropriate inorganic growth options in New Zealand or elsewhere that represent clear and demonstrable value creation opportunity.
- Continuing to generate strong cash flow and to deliver solid returns by way of fully imputed dividends.

**Total shareholder return remains a key objective of The Warehouse Group.**

# QUESTIONS