



The Warehouse Group Limited Annual Results 2002

Greg Muir - CEO
6 September 2002

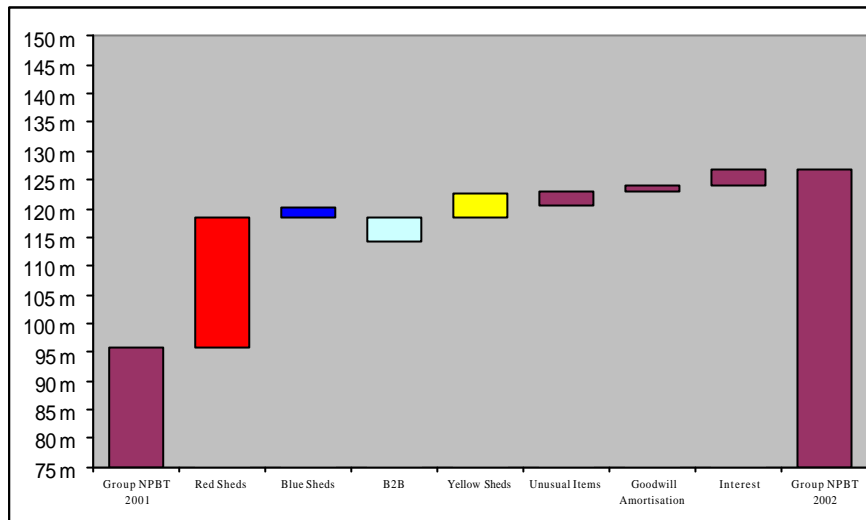
Group Results Summary



- ◆ Sales up 11.9% to \$1.862b
- ◆ Net operating profit after tax up 36.1% to \$82.2m
- ◆ EBIT 25.7% higher to \$139.2m
- ◆ Final dividend of 4 cents fully imputed unchanged from 2001
- ◆ Total dividends for F02 up 8% or 1 cent to 13.5c.
- ◆ EPS up 33.0% to 27.0 cents
- ◆ Net debt down 10.8% to \$201m
- ◆ Inventory and GIT up 10.6% but inventory and GIT per square metre of retail down 2.9%

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Underlying net profit before tax



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Unusual Items (pre-tax)



	2002	2001
Employee compensation	(\$0.3m)	(\$2.3m)
Divestment of pharmacy business	-	(\$1.9m)
Property sales profit	\$1.1m	\$2.7m
Investment write-down	-	(\$1.2m)
Restructuring costs	(\$1.1m)	-
New business costs	-	(\$0.8m)
Total	(\$0.3m)	(\$3.5m)

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Dividend

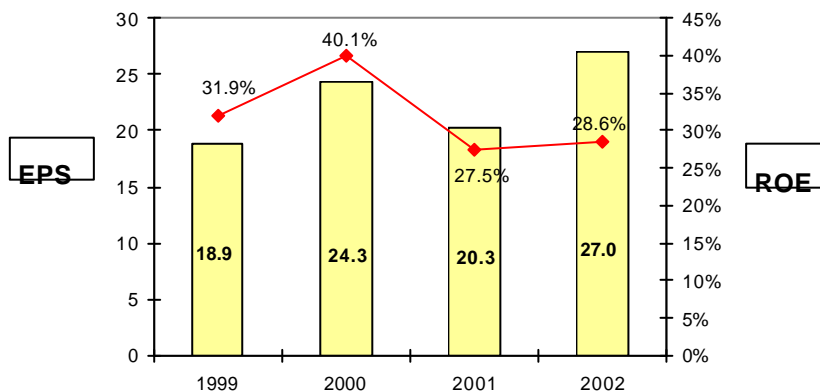


	FY02		FY01	
	H1	H2	H1	H2
Dividend CPS	9.4	4.0	8.5	4.0

- ♦ Full year dividend up 1 cent to 13.5c, an 8% increase on FY01
- ♦ Dividends carry full imputation with supplementary dividends also paid to qualifying non-residents
- ♦ Imputation account balance \$38m after final dividend payment in November 2002
- ♦ Payout ratio 51.7%, no change in dividend policy

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ROE & EPS



- ✂ EPS up 33.0% to 27.0 cents
- ✂ ROE 28.6%

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Key Ratios and Statistics



	FY02	FY01
Interest coverage ratio	12.0x	8.2 x
Net Debt to EBITDA	1.02x	1.34x
Gearing (Debt/Debt & Equity)	39.0%	45.4%
Inventory incl. GIT Total	\$306m	\$276m
Operating cashflow Total	\$112.5m	\$61.8m
Capex / Depreciation	1.78x	2.12x

- ✂ Improved gearing ratios reflect strong cash flow
- ✂ Inventory per square metre of retail space fell 2.9% to \$544 from \$560

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Cash Generated



	FY02	FY01
Net profit after tax	82.604	60.753
Depreciation	44.994	36.746
Other Amortisations	13.530	20.354
Handset capitalisation	(3.280)	(6.528)
Deferred Taxation	(2.644)	(2.109)
Change in trade working capital	(21.211)	(46.669)
Other Items	(1.506)	(0.704)
Net cashflow from operating activities	112.487	61.843
Cash realisation ratio ⁽¹⁾	0.800	0.525

- ✂ Record operating cashflow in FY02, up 81.9% to \$112.5m

$$^{(1)} \text{ Cash realisation ratio} = \frac{\text{Net cashflow from operating activities}}{\text{NPAT} + \text{Depreciation} + \text{Amortisations}}$$

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Capital Expenditure



	FY02	FY01
Capital Expenditure	(79.911)	(77.776)
Property Sales	29.492	10.313
Net Capex	(50.419)	(67.463)
Depreciation and Amortisations	58.524	57.100

- ♦ Net capex for F03 estimated at **\$103.4m** after property sales estimated at \$31m.
- ♦ Budget depreciation and amortisations for F03 \$63m.

Major expenditure items in FY03 include:

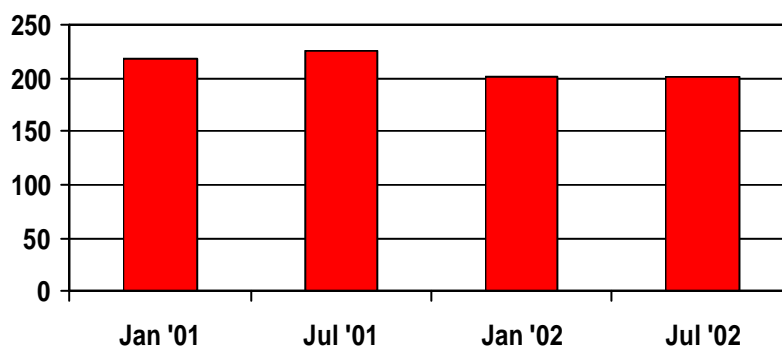
1. Store footprint (\$71.9m)
2. Logistics (\$36.7m) – SIDC, Brisbane DC, Apparel DC
3. IS and other (\$25.8m)

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Net Debt Position



NZD \$m



- ♦ Net debt level \$201m, down \$24m from July 01
- ♦ Unused facilities of \$210m
- ♦ All core debt denominated in A\$, no core NZ\$ debt

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Corporate Governance



Board & Board Structure

WHS board has nine directors, seven of which are independent directors

- ♦ Chairman is an independent director – Keith Smith
- ♦ Chairman of the Audit Committee is an independent director – Rob Challinor
- ♦ Chairman of the Remuneration Committee - Keith Smith

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Corporate Governance



Professional Advice

- ♦ Ernst and Young are auditors to WHS, they currently provide tax and other advice to WHS.
- ♦ WHS is monitoring closely recent developments in corporate governance/transparency best practice
- ♦ In the interim WHS has adopted a policy whereby the external audit firm will not be able to perform non-audit work. Existing assignments will be allowed to run to completion.
- ♦ Ernst and Young will continue to provide internal audit services to WHS. The internal audit spend is limited to a maximum of 50% of the WHS internal audit budget

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Business Unit Overview

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Red Sheds Review

	FY02	FY01	% ?
Sales (\$m)	1,262	1,167	8.1%
Operating Profit (\$m)	140.1	117.1	19.6%
Operating Margin (%)	11.1%	10.0%	+110 bp

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Red Sheds Review Margin changes



Margin Changes Red Sheds		F02 Margins versus F01 (basis points)
Gross Profit	Favourable	87
Options amortisation	Favourable	12
Store Costs	Favourable	2
Other Costs	Favourable	9
Operating Margin (EBIT/Sales)	Favourable	110

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Red Sheds Review KPI's



	FY02	FY01	% ?
Dept store market share *1	45.9%	43.3%	+260bp
Weekly customer count	885,000	825,000	+7.3%
Av. spend per customer	\$27.41	\$27.20	+0.8%

*1. 12 months ended June

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Red Sheds Property Scorecard



What we said we would do in F02	What we did	What we plan to do in FY03
3 new stores	3 new stores Sth Dunedin, Wainouimata, Motueka	3 new stores Fraser Cove, Bell Block confirmed. 3 rd store t.b.c.
1 replacement store	-	1 replacement store Alexandra
Extend 7 stores	⚡ Extended 5 stores ⚡ 8 stores relayed	⚡ Extend up to 7 stores ⚡ 10 store relays
22,500m ² increase in floor space to 329,338	Floor space increased 22,505 m ² to 330,343 m ²	29,000m ² increase in floor space

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Red Sheds: Property Rollout



Where will the growth come from?

Future Footprint Growth by Region	
Region	Future floor space M2
Wellington	14,000
Auckland	36,000
Waikato	8,000
Hawkes Bay	8,000
Manawatu	6,000
Canterbury	10,000
Other	23,000
Total	105,000

♦ Targeting 450,000 m2 of floorspace by 2005/06

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Merchandise Highlights 2001/02



Category	% increase in sales over F01
Apparel	+ 19%
Automotive	+ 34%
Books	+ 24%
Consumables	+ 17%
Green gardening	+ 15%
Photo processing	+ 58%
Total sales	+ 8.1%

- ♦ Craft added as a new category in F02

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Merchandise Planning System



- ♦ **“Prompt”**

Rolled out to all hard goods, soft goods
currently being implemented

- ♦ **Purchase Order Allocations**

Automated product allocation to be rolled
out to all merchandise categories, final
phase of merchandise planning system

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Red Sheds: Focus for FY03 Logistics



Facility	Size (sqm)	Ownership / Cost	Opening Date
SIDC	33,000	Leased. Fitout \$5-6m	April 03
Wiri Apparel DC	18,000 plus 22,000 of storage	Owned. Building & fitout \$16-17m	August 03

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Red Sheds: Focus for FY03 Logistics



Location of Apparel DC at Wiri



Construction underway at new SIDC at Rolleston, Christchurch

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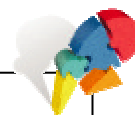
Warehouse in the Community



- ♦ **Clean Up NZ** - Continued support as a sponsor.
 - All stores with estimated 250,000 volunteers.
- ♦ **School Partnership Programme**
 - Area Manager goal of 5 schools per region
- ♦ **Fundraising Balanced Scorecard**
 - Total fundraising support in FY02: \$2.57m
- ♦ **All Sites Zero Waste**
 - Achieved September 1st 2002
 - Customer recycling bins introduced.
- ♦ **Sustainable Building Strategy**
 - Energy management, water reticulation, solar water, increased planting.

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Financial Services



Key Success Factors	Measures
Customer acquisition	<ul style="list-style-type: none"> ♦ Successful launch in Sep 2001 ♦ Customers using The Warehouse MasterCards spend 44 cents of each \$1.00 of credit used in The Warehouse ♦ Selected new products (personal finance) planned for 2003
Sales generation	<ul style="list-style-type: none"> ♦ Outstanding balances up 39% from a year ago ♦ 10,000 Travel insurance policies sold
EBIT	<ul style="list-style-type: none"> ♦ EBIT positive earlier than expected ♦ Equity earnings of \$432,000 in F02

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Blue Sheds Review

	FY02	FY01	% ?
Sales (\$m)	124.4	93.5	33.0%
Operating Profit (\$m)	4.2	6.5	(35.8%)
Operating Margin (%)	3.4%	7.0%	(360 bp)



WHY PAY FULL PRICE?

Blue Sheds Review

2001/02

- ♦ Opened 3 stores, total now 36 stores
- ♦ Introduced Hewlett Packard August 2001
- ♦ New marketing programme June 2002
- ♦ Major advances made on logistics and IT functions, expect completion July 03
- ♦ Launch of Key4Free (free computer training), ten locations, 5000 people have been through this facility.



WHY PAY FULL PRICE?

B2B Progress Scorecard

B2B launched October 2002

Key success factors	Measures
Customer acquisition	<ul style="list-style-type: none"> ♦ Over 3,000 customers to date ♦ Offer is now available from Whangarei to Tauranga
Sales generation	Gaining traction each month
Market size	Estimated at \$650m - \$700m
EBIT	<ul style="list-style-type: none"> ♦ EBIT loss of \$4m in F02 ♦ Expect EBIT breakeven in F04

Yellow Sheds Review



	FY02	FY01	% ?
Sales (NZ\$m)	476.0	404.5	17.7%
Operating Profit (\$m)	2.6	(1.5)	n.m.
Operating Margin (%)	0.6%	(0.4%)	100 bp

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Yellow Sheds: Strategy



- ♦ “Getting fit for growth”
- ♦ Five key strategies to support growth-
 - Store rollout
 - Re-engineering logistics
 - Branding
 - Increased merchandise ranging
 - Operate two store format profitably

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Yellow Sheds – getting fit for growth Store Rollout



What we said we would do in F02	What we did	What we plan to do in F03
Open 20 new stores	20 stores opened Increased retail space - 27.8% to 191,341 m ²	Open 20 new stores in F03, F04 and F05

Store numbers: 120 made up of 29 new format stores, 24 converted stores and 67 traditional stores
Plan to add a net 40,000 - 44,000 m² in F03

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Yellow Sheds - getting fit for growth Logistics

What we said we would do in F02	What we did	What we plan to do in F03
Review logistics	Project Leapfrog identified key improvement areas	Open new Brisbane DC mid 2003

- ♦ Announced new Brisbane DC to be opened mid 2003
- ♦ Further work in F03 on re-engineering the supply chain with an objective of reducing logistics costs as percentage of sales by 200 b.p.
- ♦ Project Leapfrog unusual costs: NZ\$1.1m - F02 & A\$3.7m – F03

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Yellow Sheds - getting fit for growth Logistics



Location of new Brisbane DC at Fisherman Island

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Yellow Sheds – getting fit for growth Merchandise

What we said we would do in F02	What we did	What we plan to do in F03
No targets disclosed	Increased core range by 120% Full ranging review in F02 Clearance program implemented.	Core range to grow from 5,000 to 9,000 lines Active sku range 22,500 by Jul '03
Merchandise Units	7 units in place	-

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Yellow Sheds – getting fit for growth Two chain format

What we said we would do in F02	What we did	What we plan to do in F03
Understand legacy store contribution	Legacy stores make a positive contribution to EBIT	Ensure focus is maintained on the legacy stores
	Refocus on legacy stores to improve sales and yield	Specific mailers and operational improvements

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Yellow Sheds – getting fit for growth Store Comparisons

Year Ended 31 July 2002	ONLY NEW FORMAT TRADING FOR OVER 1 YEAR	NEW FORMAT AND CONVERTED STORES	LEGACY
Store Numbers	13	53	67
Basket Size	\$19.01	\$17.42	\$11.36
Items per Basket	5.6	5.2	4.7

Store numbers at 31.07.02: 120. Of the 53 new and converted stores, 13 are new format stores that have traded for over 12 months

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Current trading and future outlook

Positive start to the new year

Red Sheds	18.1%
Blue Sheds	28.4%
Yellow Sheds ¹	21.0%
Group	18.3%

¹ Expressed in Australian dollars

- ♦ More detailed sales update in Q1 sales release due early November 2002.

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Questions?