



## Group Results Key Influencing Factors



- ◆ Progress towards achieving targeted sales density in Australia slower than expectation
- ◆ Restructuring of Australian logistics infrastructure
- ◆ Executional deficiencies during Christmas period 2002 in Red Sheds

## Group Results

### Action undertaken

- ◆ Project Urgency focusing on improved ranging, merchandising and marketing in Australia
- ◆ Commissioning 'state of the art' national distribution facility in Queensland
- ◆ Major revamp of promotional calendar and marketing format in New Zealand
- ◆ Strengthening capability in merchandising and supply chain for long term competitive advantage

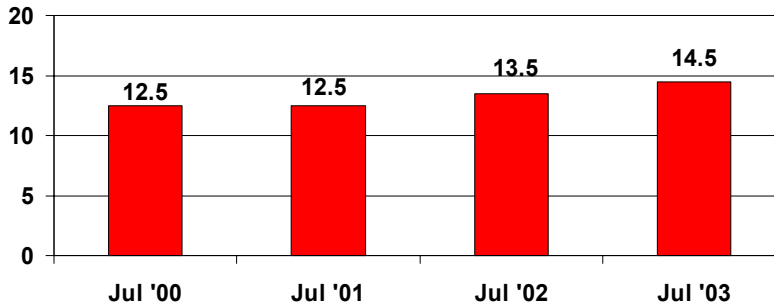
## Group Results

### Summary

- ◆ Sales up 9.3% to \$2.035b
- ◆ Net operating profit down 3.0% to \$142.7m
- ◆ NPAT down 8.3% to \$75.4m
- ◆ Normalised NPAT \$79.7m down 3.3%
- ◆ Total assets increased by \$122m to \$779m
- ◆ Debt to debt plus equity increased from 39.0% to 41.5%
- ◆ Final dividend of 4 cents fully imputed, total dividend for the year 14.5 cps up 7.4%

# Dividend

Cents per share



- ◆ Final dividend unchanged at 4 cents fully imputed.
- ◆ Dividend for F03, 14.5c an increase of 1c or 7.4% on F02
- ◆ Ex date 14 Nov 2003 and payable 24 Nov 2003
- ◆ Payout ratio 58.7%, no change in dividend policy

# New People

<b>Ian Tsicalas</b>	<b>CEO Yellow Sheds</b>
<b>John Journee</b>	<b>Group GM Merchandise</b>
<b>Owen McCall</b>	<b>Group Chief Information Officer</b>
<b>Robert Vogel</b>	<b>GM Merchandise (Aust)</b>
<b>Matt Campbell</b>	<b>GM Merchandise (NZ) Feb 04</b>
<b>Damian Creighton</b>	<b>Marketing Manager (Aust)</b>

# Group Executive Management



<b>Stephen Tindall</b>	<b>Acting Managing Director</b>
<b>Luke Bunt</b>	<b>Chief Financial Officer</b>
<b>Glen Inger</b>	<b>Director - Property</b>
<b>John Journee</b>	<b>Group GM Merchandise</b>
<b>Owen McCall</b>	<b>Group Chief Information Officer</b>
<b>Hamish McKenzie</b>	<b>Group GM People Department</b>
<b>Mark Powell</b>	<b>Group GM Supply Chain</b>
<b>Robert Smith</b>	<b>GM Blue Sheds</b>
<b>Ian Tsicalas</b>	<b>CEO Yellow Sheds</b>
<b>David Wilson</b>	<b>GM Red Sheds</b>

# Red Sheds Review



	<b>F03</b>	<b>F02</b>	<b>% Chg</b>
Sales (\$m)	1,351	1,262	7.1%
Operating Profit (\$m)	146.6	140.1	4.6%
Operating Margin (%)	10.86%	11.11%	(25 bp)

# Red Sheds Review

## Growth Drivers

	F03	F02	% Chg
Same store sales *1.	5.6%	4.2%	+140 bp
Retail footprint (m <sup>2</sup> )	360,055	330,343	+9.0%
Sales per square metre *2.	\$3,873	\$3,947	-1.9%
Weekly customer count	956,000	885,000	+8.0%
Av. spend per customer	\$27.13	\$27.41	-1.0%

\*1. Same store sales definition changed between F02 and F03

\*2. Rolling weighted average sales per square metre

# Red Sheds Review

## Merchandise Highlights

### Speed to execute and develop scale

Example: Jewellery

- ◆ Jewellery trialed as a new category in 4 stores in February 2003
- ◆ The jewellery offer now available in 76 of our 80 stores



# Red Sheds Review

## Marketing Initiatives



- ◆ Rolled out Red Radio to all stores
- ◆ Improved customer research to drive promotional activity:
  - ◆ Basket analysis
  - ◆ Departmental performance
  - ◆ Understanding customer drivers & barriers to purchase
- ◆ Revamped mailer & TVC's
- ◆ Ongoing housebrand development to support ranging strategy across categories

# Red Sheds Objectives F04

## Merchandising Initiatives



- ◆ Evaluation of new product categories and space efficiency underway
- ◆ Continue to dominate events throughout the year
- ◆ Real emphasis on driving down prices, driving up volume

# Red Sheds Review Logistics



## New SIDC (located Rolleston, Chch)

Opened 5.6.03

- Base footprint 33,000m<sup>2</sup>
- Storage capacity of 12,000 pallets
- Fully automated conveyor system
- Service Wellington and SI
- Increases operational efficiency by reducing SI lead times
- Expansion potential for future growth and improves risk management



# Red Sheds Objectives F04 Logistics



## Apparel DC (Wiri) at NIDC site

- Base footprint 18,000m<sup>2</sup>
- 2 levels with ability to add further levels
- Storage capacity of 2.5 million hung garments
- 2 automated sortation systems
- Services all New Zealand
- Operational 1 April 2004
- Fully commissioned 1 June 2004
- Growth enabler



## Red Sheds Dashboard



## Warehouse in the Community

- ◆ **Clean Up NZ**
  - Remain a key sponsor.
  - Participation in event now part of company KPIs.
- ◆ **Red Shirts 'N Schools**
  - 48 stores have established partnerships with schools
- ◆ **Fundraising Balanced Scorecard**
  - Total fundraising support in FY03: \$2.27 m
- ◆ **Zero Waste**
  - Zero Waste programme continues in all stores.
- **Packaging and Kiwi Made**
- **Sustainable Building Strategy**
  - Energy management, water reticulation, solar water, increased planting.



# Blue Sheds Review



	F03	F02	% Chg
Sales (\$m)	164.5	124.4	32.2%
Operating Profit (\$m)	9.4	4.2	122%
Operating Profit excl B2B (\$m)	12.3	8.3	48.2%
Operating Margin (%)	5.7%	3.4%	+231 bp
Operating Margin excl B2B (%)	8.2%	6.9%	+130 bp



WHY PAY FULL PRICE?

# Blue Sheds Review



Strategies	Indicators
Property	<ul style="list-style-type: none"> <li>• 4 stores opened and one closed in F03</li> </ul>
Merchandise	<ul style="list-style-type: none"> <li>• All categories achieving sales growth</li> <li>• Business machines now largest category</li> <li>• Introduced Compaq Computers – May 2003</li> <li>• Strengthened relationships with key brands</li> </ul>
Formats	<ul style="list-style-type: none"> <li>• Significant improvements in store layout</li> </ul>



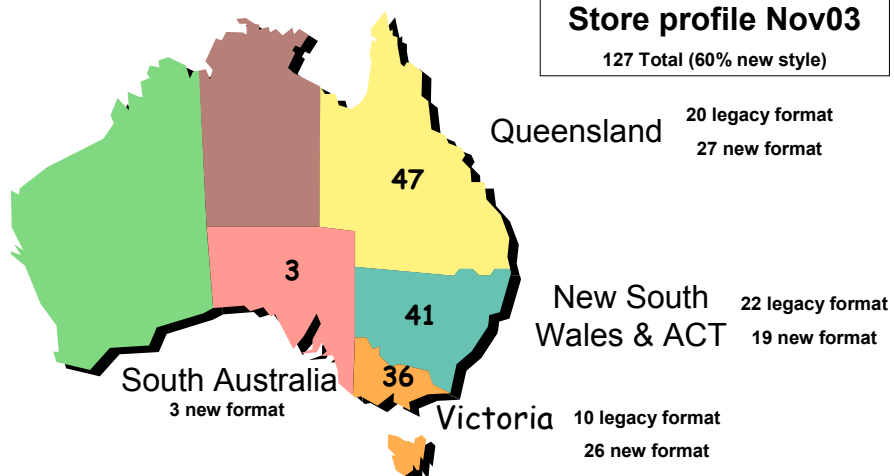
WHY PAY FULL PRICE?

# Yellow Sheds – 2003 achievements

- Closed Blacktown and Mt Hemmant DC's
- Opened a new 50,000 m2 DC in Brisbane
- Established a single brand
- Opened 22 new stores & closed 12 small stores
- Implemented TUI and Tolas systems
- Implemented new financial system



## Yellow Sheds Store profile



# Yellow Sheds Current Focus

1. Strategy remains unchanged.
2. Execution focused on
  - improving ranging and merchandising capability
  - improving stock availability
  - improving marketing effectiveness
  - leverage benefits from Queensland DC and
  - store rollout.

# Yellow Sheds Review

	F03	F02	% Chg
Sales (A\$m)	463.3	394.4	17.5%
Sales (NZ\$m)	519.4	476.0	9.1%
Operating Profit (\$m)	(13.4)	2.6	n.m.
Operating Margin (%)	(2.6%)	0.6%	(320 bp)

# Outlook

## Outlook

- Conditions remain very competitive
- Economic environment remains broadly supportive for retail
- Assumption: general retail sales growth will slow relative to last year



**The Warehouse Group Limited  
Annual Meeting 2003**