Helping Kiwis live better every day

FY22 Interim Results

22 March 2022

Contents

Chair's Update

Joan Withers

The strength of our product range, along with our strong online shopping experience has held us in good stead despite the impact COVID-19 related store closures had on the Group's performance.

The half year in review was a difficult trading period for the company.

During the six months ending January 2022, Auckland was in Level 3 and 4 lockdown for a total of 84 days meaning our stores were closed during this time, with the rest of New Zealand moving in and out of Level 3 and 4.

As a result of these lockdown measures, our Auckland stores were closed for 46% of our normal trading days, and across the rest of New Zealand our stores were closed for 23% of our normal trading days during the FY22 half year.

There has been disruption to our supply chain and increased ocean freight costs which have had some impact on sales and gross profit margin. There has also been a cost impost in making sure our team was safe in the context of the pandemic, providing greater remuneration equity and in increasing our marketing investment in TheMarket.com.

Despite this, our sales and margins have held up relatively well.

However, each of our brands experienced a decline in operating margin percentage compared to the FY21 half year, and all except Torpedo7 had lower revenues than the previous corresponding period.

The charts in the presentation show that taking out the aberration of the COVID-19 impacted period, our trajectory versus the FY20 half year has been positive.

The investment we have made in moving to an Agile operating model combined with the exceptional leadership of our Group CEO and Executive Leadership Squad and the dedication and commitment of our team members means we have been able to again successfully navigate the challenges we have encountered.

Our People

Across our stores, distribution centres and support centres, our team members have gone above and beyond to ensure we meet our customers' needs and wants.

Agile way of working

This means we are able to pivot and respond to changes in our operating environment and customer demands, and to move our people around to where they are needed most.

Our Ecosystem

We are growing our customer centric ecosystem to provide more frictionless shopping experiences and create greater customer value. Our mix of store footprint and market leading digital assets enables us to serve customers in this changing market.

Our supply chain

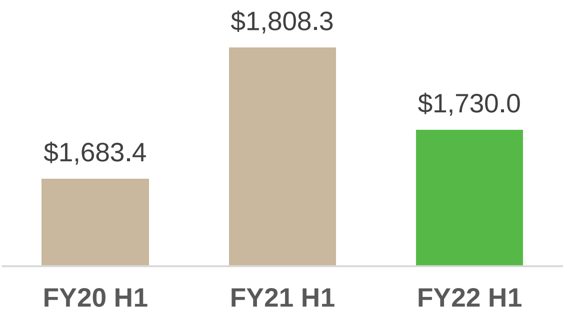
The Group's robust shipping and stock management controls have managed inventory levels in a period where there has been supply chain disruption and higher freight costs.

FY22 Interim results highlights

Strong performance considering **23% of normal store trading days across the Group were lost due to lockdown measures**

FY21 ↓ FY20 ↑
4.3% 2.8%

Group Sales ($m)

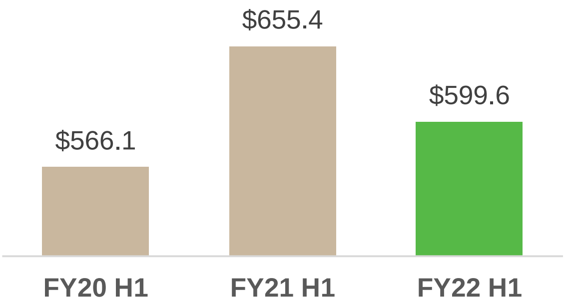


Online sales[2] $335.9m
Up 67.8% on FY21 H1, making up 19.4% of total Group Sales which was up from 11.1% in FY21 H1.

Click & Collect sales $151.8m
Up 79.1% on FY21 H1 and making up 50.1% of all online sales[3]

FY21 ↓ FY20 ↑
8.5% 5.9%

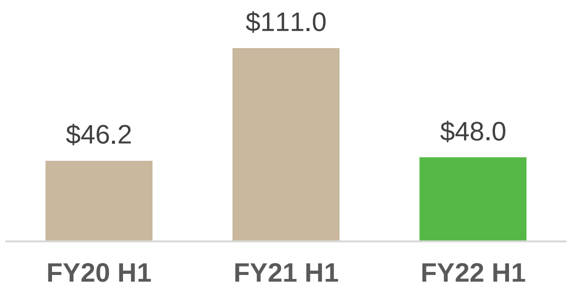
Gross Profit ($m)



Gross Profit margin 34.7%
Down 150bps from 36.2% in FY21 H1 but up 110bps from 33.6% in FY20 H1. Gross profit margin was above pre-COVID-19 levels despite increase in supply chain and freight expenses.

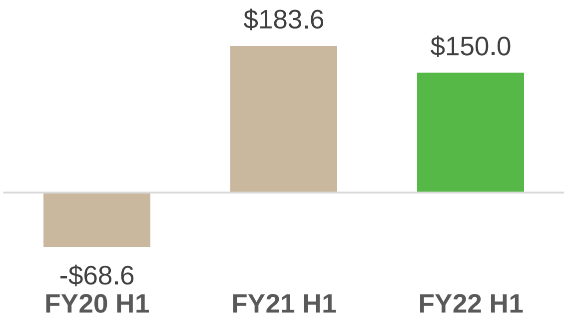
FY21 ↓ FY20 ↑
56.7% 3.9%

Adjusted NPAT[1] ($m)



Reported NPAT $50.4m
Down 8.2% from $55.0m in FY21 H1 and up from $29.9m in FY20 H1.

Cash Balance ($m)



Net cash on hand $150.0m
Total liquidity $480.0 million[4]

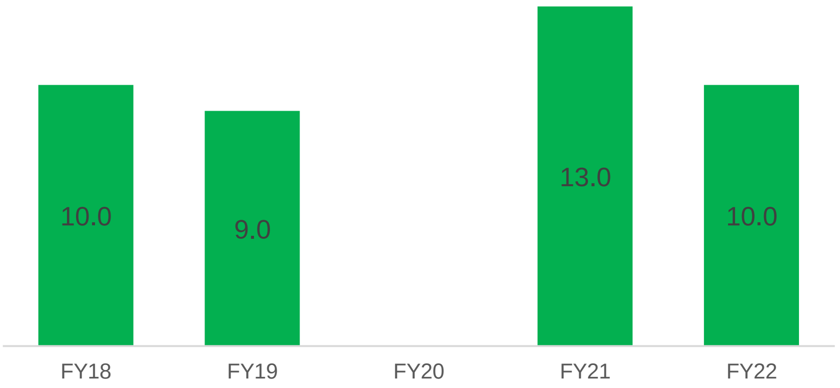
1. Adjusted Net Profit After Tax (NPAT) is before unusual items and is a non-GAAP measure. A reconciliation between Adjusted and Statutory NPAT can be found on slide 35 of this results presentation and in Note 5 of the Financial Statements for the six months ended 30 January 2022.
2. Online Sales includes The Warehouse, Warehouse Stationery, Noel Leeming and Torpedo7, sales through 1-day.co.nz, revenue from TheMarket.com; but excludes TheMarket.com gross transaction value (GTV).
3. Includes Click & Collect sales through The Warehouse, Warehouse Stationery, Noel Leeming and Torpedo7 only, excludes Marketpoint sales.
4. The Group held cash on hand of $150.0m (FY21 H1: $183.6m) at balance date, combined with available bank facilities of $330.0m, providing liquidity of $480.0m (FY21 H1: $513.6m).

Dividends

The record date for the dividend will be 6 April 2022 and the dividend will be paid on 26 April 2022.

This represents a pay-out ratio of 72.2% of the FY22 half year adjusted net profit after tax and is in line with our policy of distributing at least 70% of adjusted net profit subject to Board discretion.

Historical interim dividends (cps)



Sustainability

We have continued our sustainability journey in the six months to 30 January 2022:

Work progressed with the Board-level **Environmental and Social Sustainability Committee** to govern the Company’s environmental, social and sustainability responsibilities.

Diverted 75.8% of operational waste from landfill in FY22 H1.

Reduced Scope 2 emissions[(1)] by an estimated 2.8% in FY22 H1.

Carried over **17,500 unique products with sustainable features**, accounting for over $111 million in sales during the half year.

$1.3 million raised for New Zealand charities and communities in FY22 H1 including $111k in support of The New Zealand Red Cross Tonga Tsunami relief.

Refinanced $140 million of bank facilities into **Sustainability Linked Loans** including sustainable packaging, carbon emissions and gender targets.

1. Scope 2 emissions relate to the consumption of electricity used in the operation of our store portfolio, Distribution Centres and Store Support Office. Scope 2 emissions typically account for 25% of total The Warehouse Group emissions. Numbers are yet to be Toitū Carbonzero certified.

Group Update

Nick Grayston

Looking after our people

2,500 vaccines
provided to our people in stores, DCs and in the SSO

$805,000
paid to our people through our vaccine incentive scheme

3,635 hours
of training conducted on Udemy for Business in FY22 H1

1 Jan 2022
launched fully paid 26-week parental leave for all permanent team members

100% gender pay equity
across the Group(1)

- In FY22 we continued to embed Agile principles in the way we work. This has enabled us to pivot and respond to changes in our operational environment, meet customer demands, to move our people and reallocate resources to where they are needed most.
- We review our assessment of the risks created by COVID-19 continuously, and update the measures used to keep our team members and customers safe.
- We increased staff levels to ensure people could take time off when they needed, increased distancing in our distribution and fulfilment centres, store greeters to provide oversight of customer scanning at entry, and undertook full health and safety assessments with external independent support. These measures did come with increased costs, but we made the choice to prioritise the health and wellbeing of our people and customers.
- We introduced a mandate to ensure team members were vaccinated against COVID-19 in order to perform their roles. This mandate came into effect from 16 January 2022.
- The Group began Rapid Antigen Testing for COVID-19 in November 2021.
- A full remuneration review was conducted that saw us realign salaries to market competitive rates across core roles and achieved gender pay equity.
- We are proud of our commitment to pay strong wages, entitling the majority of our team to be paid at least $22.75 an hour, compared to NZ minimum wage of $20.00. This will increase further to at least $23.58 in August 2022 and will include additional compensation for team members fully trained across store functions and have been with us for at least 5 years.

1. Pay Equity measures the median hourly salary or wages of female team members against male team members for the same role. A percentage below 100% indicates male team members' median hourly rate is higher than female team members. A percentage above 100% indicates female members' median hourly rate is higher than male team members. A percentage of 100% indicates gender pay equity.

Delivering our strategic priorities

Our Purpose	**Helping Kiwis live better every day**		
Our Strategic Priorities	**Build a customer ecosystem**	**Build the future experience**	**Invest in our infrastructure to excel in retail fundamentals**
Strategic Themes	• Engage new and existing customers by solving their needs and wants better • Offer a rewarding, seamless and frictionless customer experience	• Meet & exceed changing consumer expectations • Optimise store footprint and develop supply chain • Provide “What I want, where I need it, when I choose”	• Material progress on core system replacement • Scoping of further core investment • Maintained long term financial security
FY22 H1 Achievements	• Launched MarketClub in The Warehouse and on TheMarket.com The first steps towards a **Group loyalty programme** • Integrated 1-day.co.nz into TheMarket.com **– on track to deliver more than $100m GTV in FY22** • **SKU reduction of 12%** in the period – 11.0% for TWL and 12.7% for WSL • The Warehouse mobile app spent 46 days as the **#1 most downloaded shopping app** during the half • All our mobile apps are **rated 4.7+ with over 67k reviews** on iOS App Store	• Weighted average in-store **net promoter score (NPS) increased by +3.7** points year on year for the Group • **Online sales increased 67.8% and Click & Collect sales grew 79.1%** • 2 more SWAS integrations bringing total to 27.	• **Significant progress on core system** projects – WMS, ERPFI and MDM • ERPFI project is on track for finance release in April • Realtime Inventory available to sell (ATS) for online is on track for release in September • Scoping work underway on supply chain network and complete on Group Order Management System (“GOMS”) • **Liquidity of $480.0 million,** with no drawn debt

Our broad ecosystem

Solving customer problems and serving them well

- Our customer-centric ecosystem is focused on solving customer problems and providing a frictionless shopping experience, creating greater customer value.
- We have strong ecosystem foundations in place with an established physical footprint and market leading digital assets.
- We have confirmed the rollout of a unified loyalty programme across the Group as MarketClub.
- In August 2021, we announced a cornerstone strategic investment in Zoom Health – we have a shared vision to offer convenient and affordable access to healthcare to all Kiwis.
- Further improvements will make customer shopping journeys across all our brands faster, easier and more personalised through unified data, platforms and people – while remaining focused on the fundamentals of delivering exceptional value and new assortments with improved customer fulfilment and payment options in store and online.

Loyalty programme gathering momentum

- Launched MarketClub group loyalty programme in The Warehouse and TheMarket.com in October 2021.
- This will eventually be rolled out Group-wide across all brands.
- First step towards a consolidated Group-wide customer loyalty programme that is both rewarding and frictionless, providing unmatched value for customers.
- MarketClub members are more engaged shoppers, with higher spend, higher frequency, and higher average order value behaviours vs non-members.
- Customers are also telling us they love the new programme, with members showing higher in-store and in-app net promoter scores (NPS) vs non-members[1].
- Investments underway into systems and backend tools to support future customer features and benefits, as well as supporting the unified expansion of the programme across the Group's full portfolio of brands.

Launched MARKET Club October 2021

4.2 million unique customer records across the Group[2]

56% of Torpedo7 and Noel Leeming sales to loyalty members

1. *Source: Qualtrics and TWG Insights*
2. *Source: Salesforce Service Cloud*

THE MARKET

497k active customers

22% of NZ online shoppers transacted with us in last 12 months

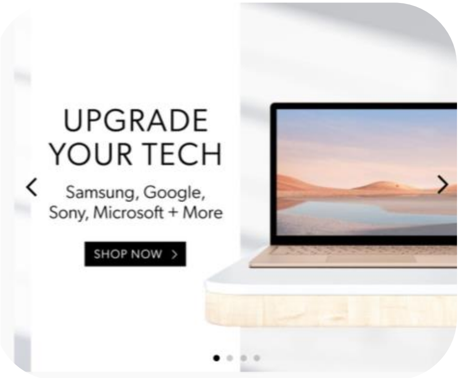
6,281 Brands **3 million** Products

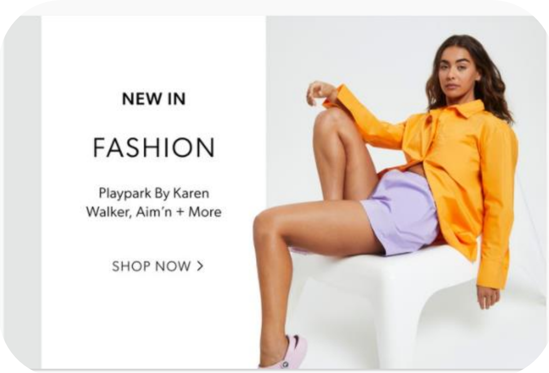
Per customer spend **+19.7%** in FY22 H1 vs FY21 H1

30 million online sessions in FY22 H1 – up 50%

3rd Party GTV[1] growth of **176%** in FY22 H1 vs FY21 H1

On track to deliver over **$100m GTV[1]** in FY22





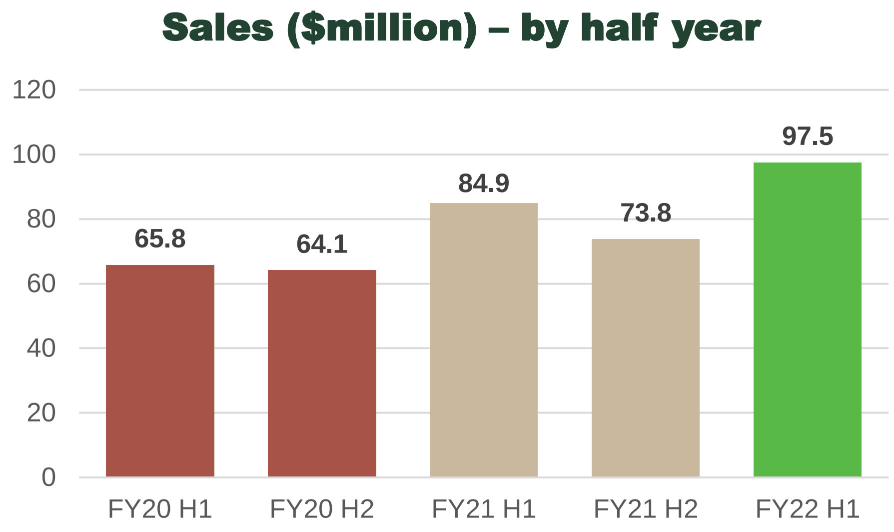
1. GTV = Gross transaction value

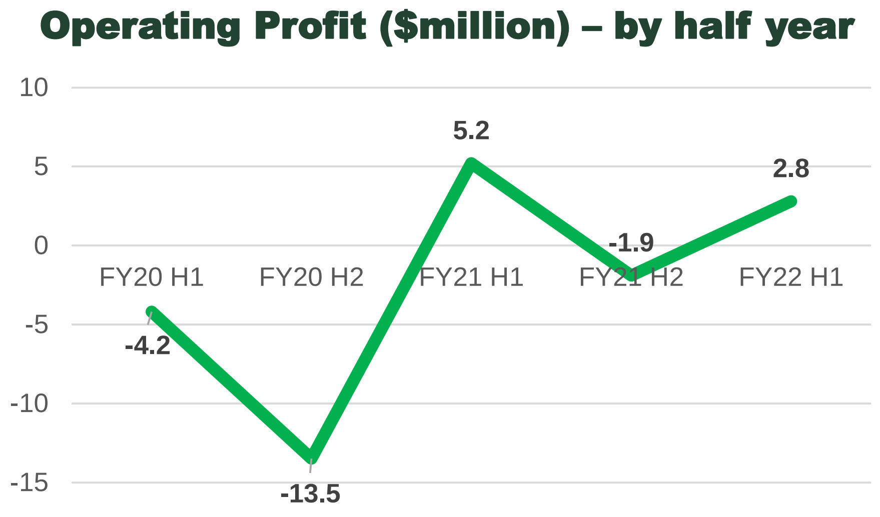
"Oh wow. Never had such a great shopping online experience in NZ before. Choice galore. Such a bargain. Free delivery with club membership. HAPPY ☺"

★★★★★

Customer review

Torpedo7





Sales momentum continues

- Sales momentum has remained strong despite COVID-19 store closures in the half year, with 14.9% growth on prior year and online sales growth of 46.6%. Auckland stores were impacted the most closing for 84 days with a decline in sales year on year of 8.5%.
- Torpedo7's own home brand of merchandise is expanding and selling extremely well – with home brand mix now making up 36% of all sales with a growth strategy to deliver 50% of sales by FY24.
- Operational improvements are ongoing. We have a new end to end system implementation going live in 2023 which will re-platform the business and enable further improvements.
- We have invested in infrastructure and operational improvements to empower Torpedo7 with the ability to grow and deliver at scale. In the medium term (3-5 years) we expect to see 20-30% increase in the number of stores, subject to location availability.

THE WAREHOUSE GROUP

Group Financials

Group performance

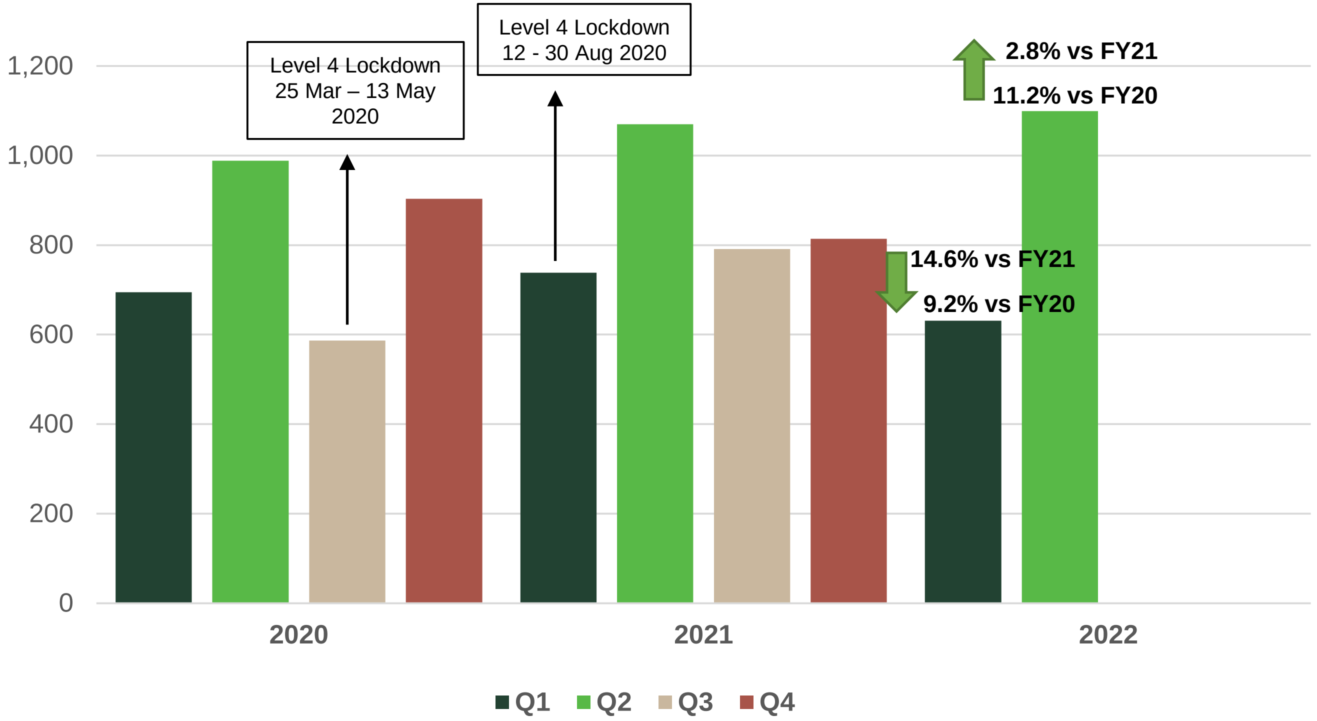
For the six months ended 30 January 2022

$ million	FY22 H1	FY21 H1	Variance
Group Sales	1,730.0	1,808.3	(4.3%)
Gross Profit	599.6	655.4	(8.5%)
Gross Profit Margin %	34.7%	36.2%	(150 bps)
CODB	534.1	502.4	6.3%
CODB %	30.9%	27.7%	320 bps
Operating Profit[1]	65.5	153.0	(57.2%)
Operating Profit Margin %	3.8%	8.5%	(470 bps)
NPAT (reported)	50.4	55.0	(8.2%)
NPAT (adjusted)[2]	48.0	111.0	(56.7%)
Operating Cash Flow	161.5	110.0	46.8%
Dividends (cps)	10.0	13.0	(3.0)

- Group sales were down 4.3% as New Zealand experienced COVID-19 lockdown periods and the Group stores were closed for 23% of normal trading days across New Zealand, and 46% in Auckland.
- The Warehouse and Warehouse Stationery experienced the highest decline in sales of 7.4% and 10.6%, respectively, while Noel Leeming held up relatively well with sales decline of 1.8%.
- Torpedo7 performed exceptionally well, continuing recent sales momentum despite the COVID-19 disruptions, with sales up 14.9% in the half year.
- Gross profit margin was 34.7% in the half, being impacted by change in brand and product mix during lockdown periods, increased cost of freight, and a higher proportion of online sales.
- Cost of doing business ("CODB") increased 6.3% and increased as a percentage of sales to 30.9%. Increased staff requirements and costs to operate safely under COVID-19 protocols had a significant impact on CODB. The increase in staff wage rates and payment of vaccine incentives also increased employee expenses.
- CODB also reflected an increase in advertising and promotional activities and increased investment in TheMarket.com.
- We are hugely focused on returning CODB to the trend we have been on once COVID-19 lockdown uncertainties are behind us.
- Our operating cash flow control was strong through the period with an increase in operating cashflow of 46.8%.

1. Operating profit excludes the impact of NZ IFRS 16 and is a non-GAAP measure. A reconciliation between adjusted operating profit and Earnings Before Interest and Taxation (EBIT) is located on slide 35 and in Note 5 of the financial statements for the six months ended 30 January 2022.
2. Adjusted Net Profit After Tax (NPAT) is before unusual items and is a non-GAAP measure. A reconciliation between Adjusted and Statutory NPAT is located on slide 35 and in Note 5 of the financial statements for the six months ended 30 January 2022.

FY22 H1 sales – quarterly sales trend

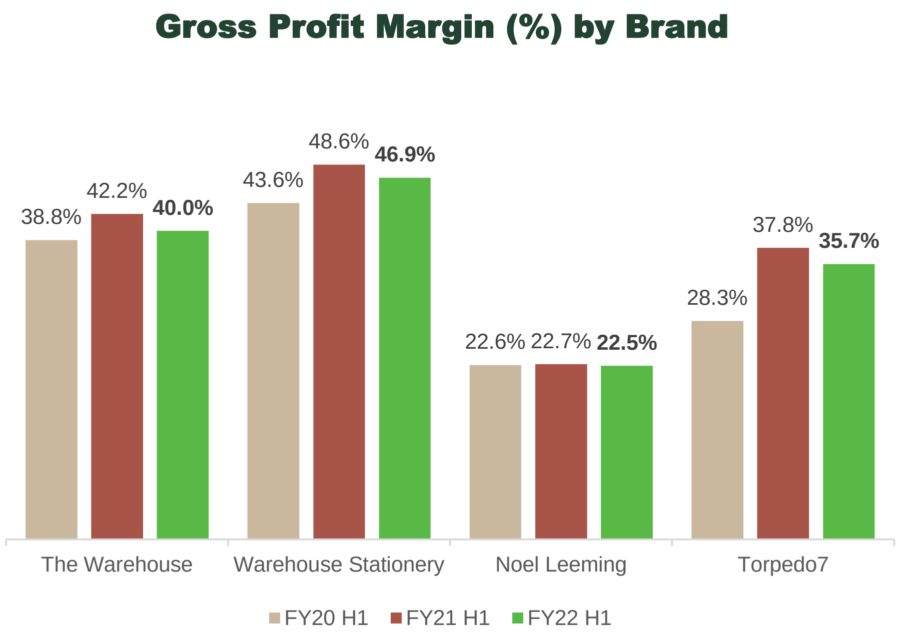


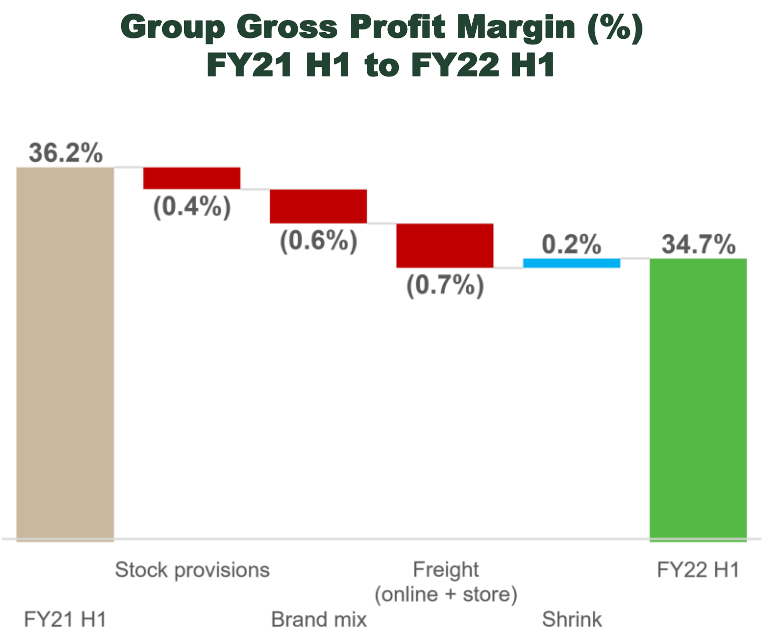
- FY22 Q1 sales were significantly impacted due to COVID-19 lockdowns which were put in place just 2 weeks into the start of the financial year – with Q1 sales down $107.8 million (14.6%) compared to FY21 Q1 and 9.2% compared to FY20 Q1.
- Sales rebounded in the second quarter to be 2.8% up on FY21 Q2, as the country moved to Level 3, then subsequently to the traffic light system – allowing retail stores to open once again.
- The Warehouse and Warehouse Stationery were most impacted by COVID-19 restrictions in the first quarter – decreasing sales 21.4% and 22.0% respectively, compared to FY21 Q1.
- Torpedo7 weathered the disruption extremely well – with Q1 sales up 1.2% vs FY21 Q1, and up 43.7% vs FY20 Q1. Torpedo7 sales momentum continued significantly in Q2 – up 23.9% vs FY21 Q2 and 50.7% vs FY20 Q2.

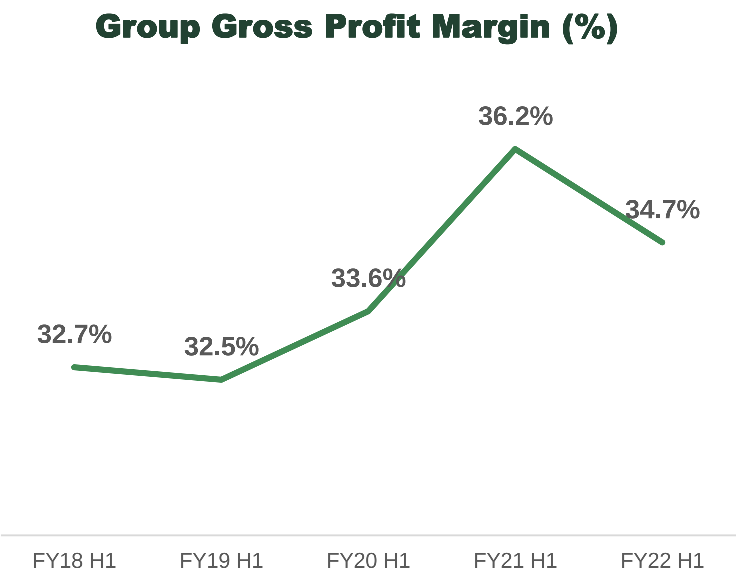
$m	FY22 Q1	FY21 Q1	FY20 Q1	Var % to FY21 Q1	Var % to FY20 Q1	FY22 Q2	FY21 Q2	FY20 Q2	Var % to FY21 Q2	Var % to FY20 Q2	FY22 H1	FY21 H1	FY20 H1	Var % to FY21 H1	Var % to FY20 H1
The Warehouse	298.2	379.5	368.9	- 21.4 %	- 19.2 %	597.2	587.8	569.9	+ 1.6 %	+ 4.8 %	895.4	967.3	938.8	- 7.4 %	- 4.6 %
Warehouse Stationery	48.2	61.8	63.0	- 22.0 %	- 23.5 %	73.8	74.8	70.8	- 1.3 %	+ 4.2 %	122.0	136.6	133.8	- 10.7 %	- 8.8 %
Noel Leeming	238.7	250.8	225.0	- 4.8 %	+ 6.1 %	344.0	342.4	287.8	+ 0.5 %	+ 19.5 %	582.7	593.2	512.8	- 1.8 %	+ 13.6 %
Torpedo7	34.2	33.8	23.8	+ 1.2 %	+ 43.7 %	63.3	51.1	42.0	+ 23.9 %	+ 50.7 %	97.5	84.9	65.8	+ 14.8 %	+ 48.2 %
Other [1]	11.4	12.6	14.1	- 9.5 %	- 19.1 %	21.0	13.7	18.1	+ 53.3 %	+ 16.1 %	32.4	26.3	32.2	+ 23.2 %	+ 0.6 %
Total Group Sales	**630.7**	**738.5**	**694.8**	**- 14.6 %**	**- 9.2 %**	**1,099.3**	**1,069.8**	**988.6**	**+ 2.8 %**	**+ 11.2 %**	**1,730.0**	**1,808.3**	**1,683.4**	**- 4.3 %**	**+ 2.8 %**

1. Other sales includes sales through 1-day.co.nz, revenue from TheMarket.com (excluding gross transaction value (GTV)), and other Group operations and eliminations.

Gross Profit Margin



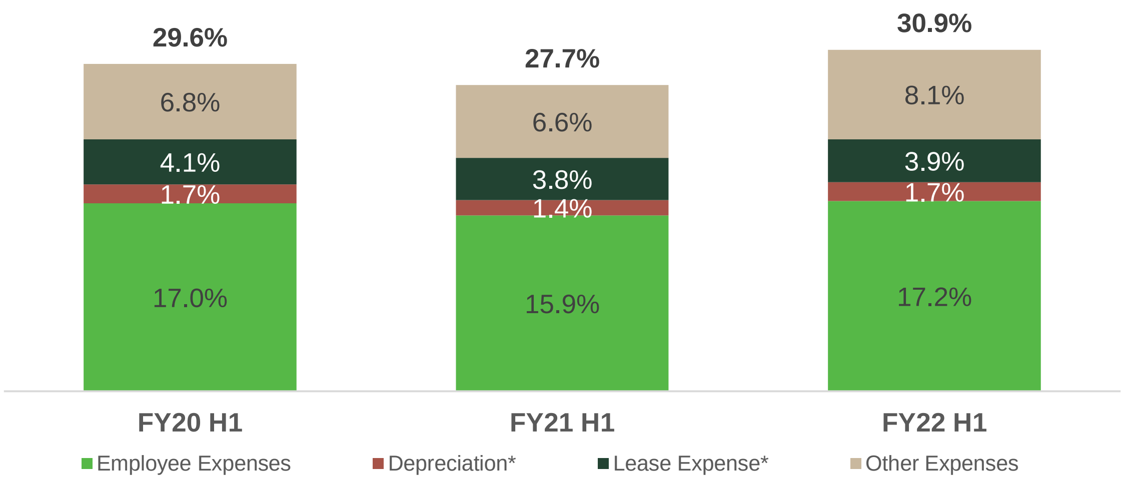


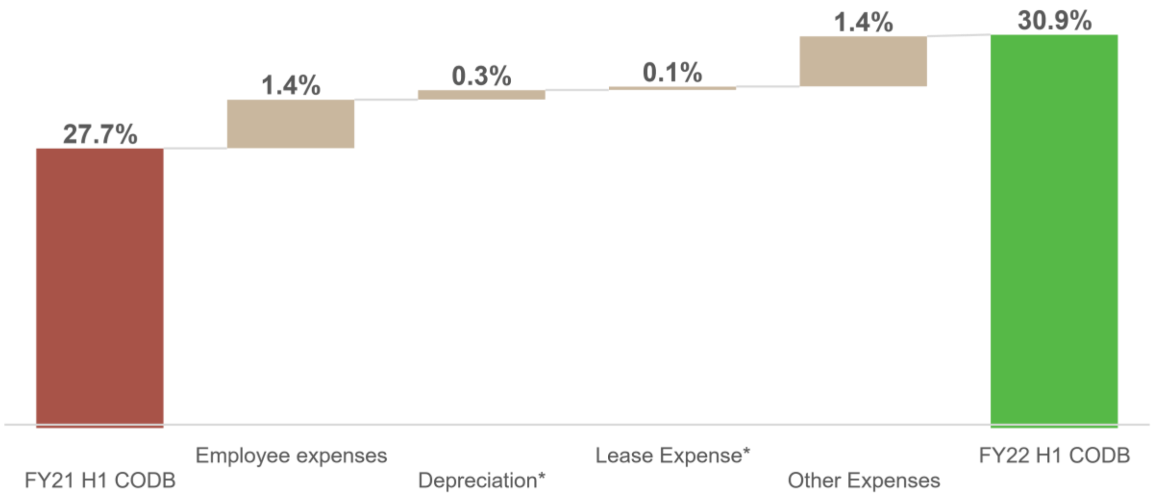


- Group Gross Profit Margin decreased 150 basis points to 34.7% but was up significantly compared to previous pre-COVID-19 years.
- Gross margin was impacted due to:
  - Higher cost of freight for online fulfilment and ocean freight;
  - Change in brand and product mix as Noel Leeming increased its share of total Group sales;
  - A higher proportion of online sales; and
  - Continued reduction in stock provisions – FY22 H1 provisions were $2.8 million while FY21 H1 benefited from $9.8 million stock provisions.
- The Warehouse Gross Profit Margin was most impacted by these factors.

Cost of doing business

Cost of doing business as percentage of Sales





- Cost of doing business ("CODB") increased as the Group managed the operations of stores, distribution and fulfilment centres under COVID-19 health and safety regulations and mandated operating requirements.
- Keeping our people and customers safe is the utmost priority for us, and particularly during times of COVID-19 uncertainty became even more important.
- In FY22 H1, we brought in more people to our stores as door greeters to scan QR codes and monitor the number of people in stores to allow our stores to open and operate under COVID-19 guidelines. We increased staffing in our distribution and fulfilment centres to handle the increase in online sales and Click and Collect deliveries. Employee expenses also increased with increased staff wage rates across the Group.
- Depreciation and lease expense increased as a result of increased investment in fixed assets and IT software.
- Other costs include increased advertising and promotion particularly in digital media, investment in TheMarket.com, COVID-19 non-labour operating costs, and payments made to our employees for the Group-wide vaccine incentive.

* Cost of doing business is presented before the impact of IFRS-16. Depreciation and amortisation is on plant, property, equipment and software only. Lease expense includes property rent and lease operating expenses.

Balance sheet

As at 30 January 2022 (comparative 31 January 2021)

$ million	**Jan-2022**	**Jan-2021**	**Variance**
Inventory	530.6	497.7	32.9
Trade and other receivables	89.6	86.1	3.5
Trade and other payables	(600.3)	(501.6)	(98.7)
Provisions	(76.5)	(83.9)	7.4
Working Capital	(56.6)	(1.7)	(54.9)
Fixed assets	315.4	272.6	42.8
Investment	4.2	-	4.2
Funds Employed	263.0	270.9	(7.9)
Tax Assets	81.0	93.0	(12.0)
Derivatives	31.4	(31.8)	63.2
Goodwill and Brands	73.0	73.0	-
Right of Use Assets	699.9	751.4	(51.5)
Capital Employed	1,148.3	1,156.5	(8.2)
Shareholders' equity	450.5	431.2	19.3
Minority interests	(3.1)	(1.2)	(1.9)
Cash	(150.0)	(183.6)	33.6
Lease liabilities	850.9	910.1	(59.2)
Sources of Funds	1,148.3	1,156.5	(8.2)
Book gearing	61.0%	62.8%	(180) bps
Liquidity	480.0	513.6	(33.6)

- The Group was in a negative working capital position at the end of FY22 half year, with an increased level of inventory offset by an increased payable balance.
- Inventory levels increased at half year end, coming off lower than normal levels at the end of FY21. FY22 half year inventory includes a higher level of Goods in Transit with the earlier timing of Chinese New Year this year, and reduced stock provisions due to the cleaner closing inventory position.
- Despite higher inventory levels at half year end, improved inventory management has seen Group stockturn(1) improve from 4.9x at the FY21 half year to 5.1x at the FY22 half year.
- Increased payables at half year end is largely due to timing and is expected to normalise by year end.
- Fixed assets increased due to our continued capital investment, particularly in core systems and digital infrastructure, with Investments of $4.2 million reflecting the acquisition of 26% interest in ZOOM Health Limited in August 2021.
- Net cash remained strong at $150.0 million, along with undrawn available banking facilities of $330.0 million providing total liquidity of $480.0 million. This is slightly above the Group's target liquidity requirement of $350 million - $450 million.

1. Stockturn is calculated over the last 12 months.

Cash flow

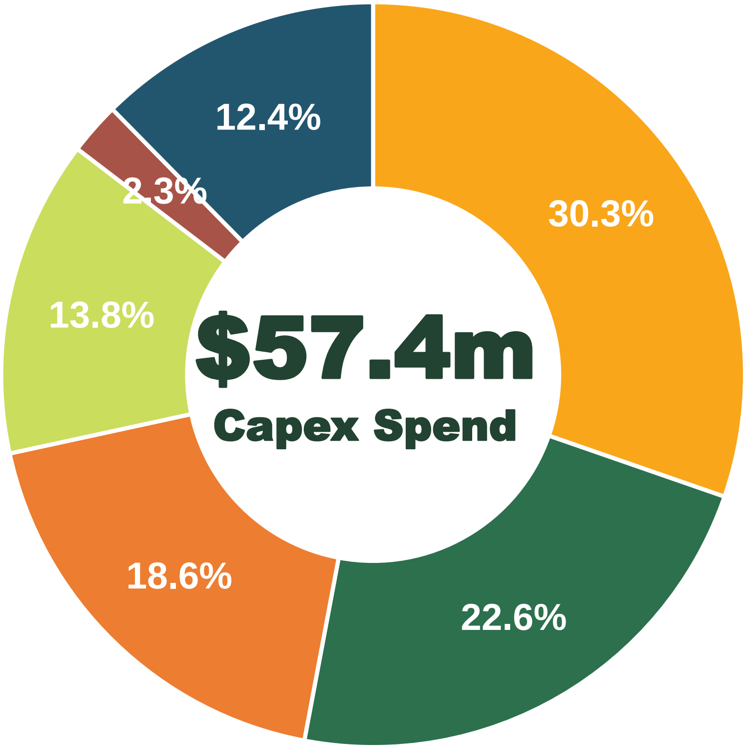
For the six months ended 30 January 2022

$ million	FY22 H1	FY21 H1	Variance
Trading EBITDA [1]	**164.8**	**247.0**	**(82.2)**
Restructuring costs	-	(11.3)	11.3
Wage subsidy	-	(67.6)	67.6
Taxes Paid	(28.6)	(23.1)	(5.5)
Interest Paid (2)	(18.5)	(22.5)	4.0
Working Capital	46.1	(13.2)	59.3
Other items	(2.3)	0.7	(3.0)
Operating Cash Flow	**161.5**	**110.0**	**51.5**
Capital Expenditure	(57.7)	(39.4)	(18.3)
Divestments	-	0.1	(0.1)
Lease principal repayments	(48.7)	(48.6)	(0.1)
Close out derivatives	-	(6.6)	6.6
Purchase of Associate and Minority	(4.8)	-	(4.8)
Dividends Received	0.2	-	0.2
Dividends Paid	(61.0)	-	(61.0)
Net Cash Flow	**(10.5)**	**15.5**	**(26.0)**
Opening Net Cash	**160.5**	**168.1**	**(7.6)**
Closing Net Cash	**150.0**	**183.6**	**(33.6)**

- Operating cash flow increased to $161.5 million in FY22 H1 compared with $110.0 million in FY21 H1 due to restructuring costs and the repayment of the wage subsidy occurring in the prior period, and the movement to a negative working capital position in the current period.
- Capital expenditure cash flow was $18.3 million higher than last year to $57.7 million in FY22 H1, reflecting increased investment in core systems, store renewals, and customer focused digital initiatives in our stores.
- The Group acquired 26% interest in ZOOM Health Limited in August 2021 for $4.5 million.
- The Group returned to paying dividends in FY21 and FY22 – with the FY21 final dividend paid in the current reporting period. Due to the COVID-19 pandemic and uncertain trading environment at the time, there was no FY20 final dividend which would have otherwise been paid in FY21 H1.

1. Trading EBITDA represents Earnings before interest, taxation, unusual items, depreciation and amortisation.
2. Interest paid includes $18.4m (FY21 H1: $19.2m) interest on lease liabilities. Refer to Note 15 of the Financial Statements for the six months ended 30 January 2022.

Capital expenditure



Core Systems	$ 17.4m
Store Renewals	$ 13.0m
Other Information Systems	$ 10.7m
Digital and Customer	$ 7.9m
Supply Chain	$ 1.3m
Other	$ 7.1m
Total Capital Expenditure	**$ 57.4m**

For the six months ended 30 January 2022

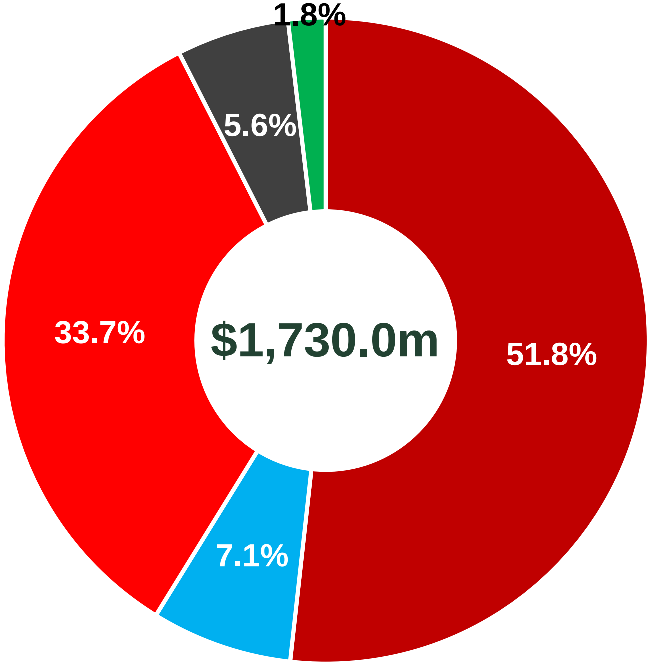
- FY22 H1 capex was $57.4 million, compared to $40.0 million in FY21 H1.
- The Group's major investments included continued development of core systems including the Warehouse Management System, Master Data Management, and ERP finance and inventory systems.
- Store renewals included the refurbishment of some existing stores including The Warehouse Porirua and Petone, two new SWAS integrations in Invercargill and Upper Hutt, and the new Torpedo7 Invercargill store which opened in the second quarter.
- We expect capital expenditure for the full year FY22 to be close to $135 million.

THE WAREHOUSE GROUP

Divisional Performance

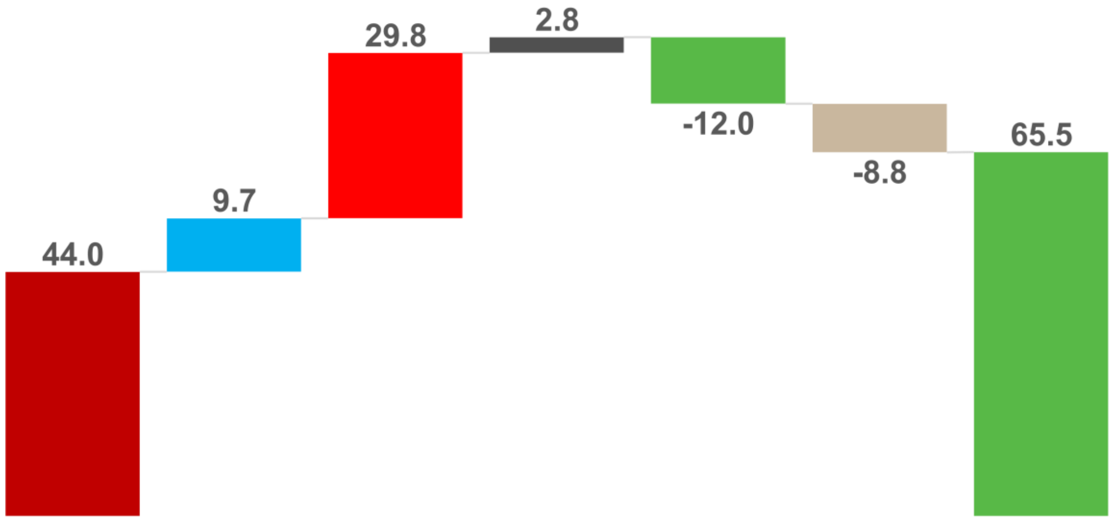
Divisional Summary

FY22 H1 Group Sales



$895.4m	$122.0m	$582.7m	$97.5m
↓	↓	↓	↑
7.4%	10.6%	1.8%	14.9%

FY22 H1 Operating Profit ($million)



Other(2)

Positive performance considering
23% of normal store trading days lost due to lockdown measures

1. Other sales (1.8%) includes sales through 1-day.co.nz, revenue from TheMarket.com (excluding gross transaction value (GTV)), and other Group operations and eliminations.
2. Other items in operating profit include corporate costs and other unallocated overheads.

thewarehouse

New Zealand's leader on value

For the six months ended 30 January 2022

$ million	**FY22 H1**	**FY21 H1**	**Variance**
Sales	**895.4**	**967.3**	**(7.4%)**
Gross Profit	**358.1**	**408.4**	**(12.3%)**
Gross Profit Margin %	40.0%	42.2%	(220 bps)
Cost of doing business (CODB)	**314.1**	**285.8**	**9.9%**
CODB %	35.1%	29.5%	560 bps
Operating Profit	**44.0**	**122.6**	**(64.1%)**
Operating Profit Margin %	4.9%	12.7%	(780 bps)
Online sales	119.0	61.5	93.6%
Online as a % of sales	13.3%	6.4%	694 bps[1]
Click and Collect as a % of online sales	47.3%	41.2%	610 bps[1]
Number of stores	90	90	-

- Sales in FY22 H1 were down 7.4% against the prior period due to the COVID-19 lockdown. Auckland stores were most impacted as they were unable to trade for 84 days. Foot traffic was down 17% which was partially offset by a year on year uplift in the average basket size.
- Online sales increased by 93.6% in FY22 H1 compared to the prior period, driven by the COVID-19 lockdown forcing a shift to the online channel. Click and Collect sales were up 122.3% as stores were still able to fulfil online orders during the lockdown periods, making up 47.3% of online sales.
- Gross Profit Margin was down 220 bps, as we had a high contribution of online sales which have a lower margin % due to freight costs. In addition, ocean freight costs were higher than expected. During the period we continued to have a strong focus on managing the sell through on seasonal product lines and increasing the proportion of our stock that is required all year round in order to reduce clearance and promotional activity.
- Home and Technology product categories were most impacted with sales declines in Housewares, Home décor, Communications and Televisions, combined with the removal of product lines in Fine Jewellery and Fireworks. The sales downside was partly offset by growth in Sporting and Toys.
- CODB increased by 9.9% due to planned wage increases and an investment in health and safety to keep team members safe. The Distribution Centre team members were provided with daily Rapid Antigen Testing. COVID-19 compliance in stores included additional resources for mask checking, QR Code scanning and queue management.
- The opening of a new The Warehouse store in Ormiston in March 2021 was offset by the closure of The Warehouse Whangaparaoa in FY21 Q3.

1. Calculated based on unrounded % numbers.

warehouse stationery

SWAS strategy delivering improvements for customers and the business

For the six months ended 30 January 2022

$ million	FY22 H1	FY21 H1	Variance
Sales	**122.0**	**136.6**	**(10.6%)**
Gross Profit	**57.2**	**66.4**	**(13.8%)**
Gross Profit Margin %	46.9%	48.6%	(170 bps)
Cost of doing business (CODB)	**47.5**	**49.2**	**(3.4%)**
CODB %	39.0%	36.0%	300 bps
Operating Profit	**9.7**	**17.2**	**(43.6%)**
Operating Profit Margin %	7.9%	12.6%	(470 bps)
Online sales	21.3	13.8	54.2%
Online as a % of sales	17.5%	10.1%	735 bps(1)
Click and Collect as a % of online sales	29.8%	24.8%	497 bps(1)
Number of stores	70	71	(1)

1. Calculated based on unrounded % numbers.

- Sales were down 10.6% on the prior period, with transactions (in-store and online) down 13% and foot traffic down 14%, slightly offset with an increase in average basket size as compared to FY21.
- Online sales have continued to grow in FY22 H1, increasing by a significant 54.2% compared to the prior year, with Click & Collect sales growing 85.4%, making up 29.8% of online sales.
- Gross Profit decreased 13.8% to $57.2 million, through lower sales volumes and rebates, and a 170bps deterioration in Gross Profit Margin. This is driven by missed rebates as a result of lower volumes in Technology.
- CODB decreased by 3.4% despite some investment in store labour with respect to in-store COVID-19 compliance requirements. A reduction in lease costs and advertising offset this investment.
- Operating Profit decreased 43.6% to $9.7 million, with Operating Profit Margin declining a significant 470bps to 7.9%.
- Stationery, and Print and Consumable categories were most impacted with sales declines in the half year, while Print & Copy centres were heavily impacted as they were only able to resume trading in Level 3 and at half capacity due to distancing requirements.
- The decrease in stores compared to FY21 H1 is due to the closure of Henderson and Hornby in FY21 H2, offset with the opening of a new store Ormiston in March 2021.
- A total of 2 SWAS integrations were implemented in FY22 H1 – Invercargill and Upper Hutt – bringing the total to 27.

Strong global brands and customer relationships, underpinned by service

noel leeming

For the six months ended 30 January 2022

$ million	FY22 H1	FY21 H1	Variance
Sales	**582.7**	**593.2**	**(1.8%)**
Gross Profit	**130.9**	**134.7**	**(2.9%)**
Gross Profit Margin %	22.5%	22.7%	(20 bps)
Cost of doing business (CODB)	**101.1**	**101.6**	**(0.6%)**
CODB %	17.4%	17.1%	30 bps
Operating Profit	**29.8**	**33.1**	**(9.9%)**
Operating Profit Margin %	5.1%	5.6%	(50 bps)
Online sales	124.2	69.4	79.0%
Online as a % of sales	21.3%	11.7%	961 bps[1]
Click and Collect as a % of online sales	57.0%	64.4%	(756) bps[1]
Number of stores	71	73	(2)

- Sales were down on the prior period due to the Q1 lockdown and stock availability, as our suppliers grappled with disruptions to their supply chains. Even so, we ended FY22 H1 with the second highest H1 sales result in the brand's history at $582.7 million.
- The lockdown caused a significant shift to the online channel, resulting in online sales increasing 79.0% and contributing more than 20.0% of total sales. Click & collect continues to be our customers' favoured option for fulfilling their online purchase, increasing 58.0% in the half and comprising 57.0% of online sales fulfilment.
- TWG Business (our business to business division) saw a decrease on the prior period as our customers in this division were also impacted by the lockdown and their own supply chain issues.
- Apple products (excluding iPhones), print and computer product categories all saw strong sales growth in the half year, while many other product categories experienced sales decline against FY21 H1 and this was more pronounced within cellular, cameras and drones product categories.
- Increased online sales came at the expense of Gross Profit Margin %, as the sales mix tended towards lower margin products, combined with increased freight costs. There was an improvement in Q2 as more stores were able to open, resulting in a recovery to 22.5% Gross Profit Margin for the half year.
- CODB came in slightly lower than in FY21 H1, contributing to an Operating Profit of $29.8m, down 9.9% on the prior period.
- Since FY21 H1, we closed three Noel Leeming stores (Hunters Plaza, Morrinsville and Manukau Westfield) and opened one new store in Ormiston.

1. Calculated based on unrounded % numbers.

Torpedo7

Operational improvements and investment result in continued sales momentum

For the six months ended 30 January 2022

$ million	FY22 H1	FY21 H1	Variance
Sales	**97.5**	**84.9**	**14.9%**
Gross Profit	**34.8**	**32.1**	**8.4%**
Gross Profit Margin %	35.7%	37.8%	(210)
Cost of doing business (CODB)	**32.0**	**26.9**	**18.9%**
CODB %	32.8%	31.6%	120
Operating Profit	**2.8**	**5.2**	**(45.8%)**
Operating Profit Margin %	2.9%	6.2%	(330)
Online sales	38.3	26.2	46.6%
Online as a % of sales	39.3%	30.8%	852 bps(1)
Click and Collect as a % of online sales	48.3%	43.1%	518 bps(1)
Number of stores	22	20	2

1. Calculated based on unrounded % numbers.

Torpedo7 financial results (FY21 and FY20 comparatives) include Torpedo7 only and exclude 1-day which are now included in TheMarket results in the Group financial statements.

- Sales momentum continued, despite COVID-19 store closures, at 14.9% growth on prior year with online growth of 46.6% closing the gap from sales lost due to store closures in Q1. Auckland stores were impacted the most – closing for 84 days with a decline in sales of 8.5%.
- Customers embraced Torpedo7 online offering during lockdown, with online sales increasing 46.6% and Click & Collect service channel increasing 64.1%.
- Gross Profit increased 8.4% to $34.8 million, with FY21 H1 benefitting from strategic initiatives to reduce aged stock improving Gross Profit Margin %.
- CODB as a percentage of sales tracked ahead of last year due to additional staffing with respect to COVID-19 compliance requirements, additional freight costs, and investment in headcount to enable strategic growth initiatives.
- FY22 H1 Operating Profit of $2.8 million is down on the prior year but still in line with plan towards increased profitability. Operational improvements are ongoing, with a new ERP going live in 2023 which will re-platform the business and enable further improvements.
- The number of Torpedo7 stores increased to 22 with the Invercargill store which opened in FY22 Q2 and Napier which opened in Q3 of FY21.

FY22 Outlook

FY22 Outlook and Dividend

The first half of FY22 was largely impacted by store closures in the first quarter but sales rebounded positively in the second quarter.

We are currently in the midst of dealing with the Omicron variant and this is impacting foot traffic in our stores across the country. Given our history with lockdowns and experiences offshore with Omicron, we are expecting consumer spending to rebound post further declines in Omicron case numbers and the relaxing of restrictions.

We are conscious of the current cost of living pressures and the impact of this on our customers.

There also remains some volatility in our supply chain, in both product supply and cost.

Our financial position remains very strong and the ability of our people to navigate the volatility over the last two years gives us confidence in dealing with the uncertainties of the second half.

The Board is pleased to announce a fully imputed interim dividend of 10.0 cents per share for the half year. The record date for the dividend will be 6 April 2022 and will be paid on 26 April 2022, and represents a pay-out ratio of 72.2% of the FY22 half year adjusted net profit after tax.

Due to the continued uncertainty in the trading environment the Board does not consider it appropriate to provide full year profit guidance at this time. The Board will continue to assess this position ahead of year end.

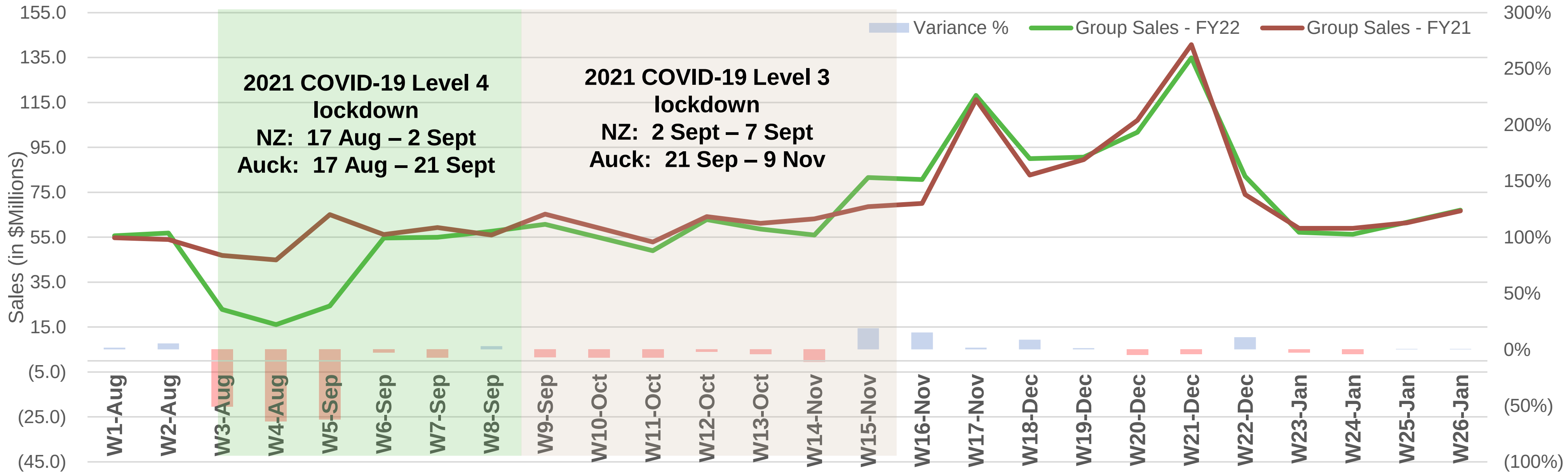

THE WAREHOUSE GROUP
Appendix

Key metrics by brand

Brand	Sales Growth	Operating Profit Margin	Online Sales Growth	Growth in Click & Collect Fulfilment
the warehouse	-7.4%	4.9% Decrease 780 basis points	+93.6% to **13.3%** of total sales	+122.3%
warehouse stationery	-10.6%	7.9% Decrease 470 basis points	+54.2% to **17.5%** of total sales	+85.4%
noel leeming	-1.8%	5.1% Decrease 50 basis points	+79.0% to **21.3%** of total sales	+58.0%
Torpedo7	+14.9%	2.9% Decrease 330 basis points	+46.6% to **39.3%** of total sales	+64.1%

Strong performance considering **23% of normal store trading days lost due to lockdown measures**

FY22 H1 Sales - weekly sales trends



- FY22 Q1 sales were significantly impacted due to COVID-19 lockdowns which were put in place just 2 weeks into the start of the quarter – decreasing sales 14.6% compared to FY21 Q1 and 9.2% compared to FY20 Q1.
- However, sales rebounded in the second quarter as the country moved to Level 3, then subsequently to the traffic light system – allowing retail stores to open once again.
- The Warehouse and Warehouse Stationery were most impacted by COVID-19 restrictions in the first quarter – decreasing sales 21.4% and 22.0% respectively, compared to FY21 Q1.
- Torpedo7 weathered the disruption extremely well – with Q1 sales up 1.2% vs FY21 Q1, and up 43.7% vs FY20 Q1. T7 sales momentum continued significantly in Q2 – up 23.9% vs FY21 Q2 and 50.7% vs FY20 Q2.

Adjusted vs Reported results

For the six months ended 30 January 2022

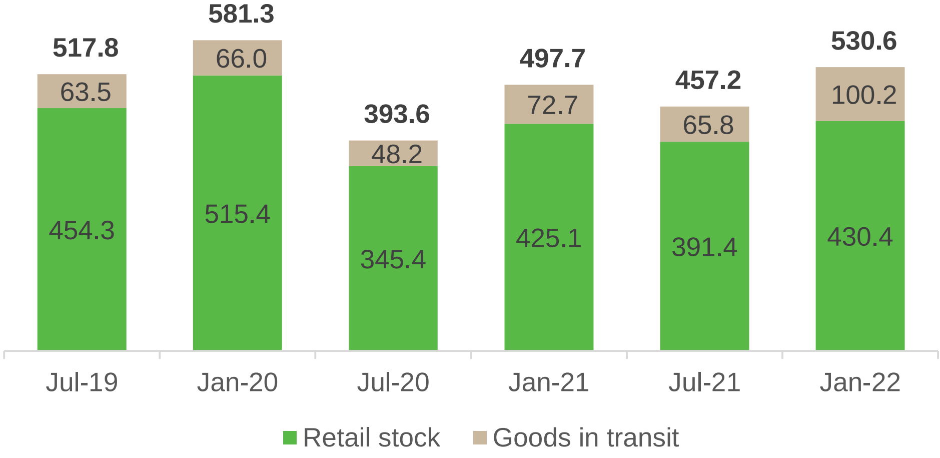
$ million	EBIT FY22 H1	EBIT FY21 H1	NPAT FY22 H1	NPAT FY21 H1
Adjusted Earnings	**65.5**	**153.0**	**48.0**	**111.0**
Restructuring costs	-	(11.3)	-	(8.2)
Ineffective hedge derivatives	-	(0.2)	-	(0.1)
Repayment of COVID-19 wage subsidy	-	(67.6)	-	(48.6)
NZIFRS16	21.8	20.5	2.4	0.9
Reported earnings	**87.3**	**94.4**	**50.4**	**55.0**

- All Agile and restructuring costs are complete, so there were no expenses in relation to these incurred in the first half of FY22.
- The wage subsidy received in March 2020 was voluntarily repaid to the Government in December 2020 and was classified as an unusual item.

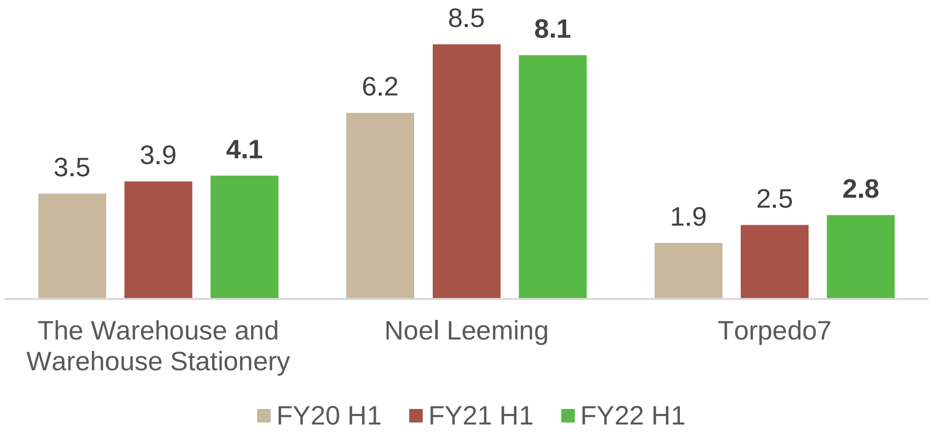
1. To improve the understanding of underlying business performance, the Group adjusts profit for unusual and non-trading items. Unusual items include profits from the sale of assets and losses associated with adjustments in carrying value of assets, M&A activity, restructuring costs and the non-cash impact of applying the NZIFRS 16 lease accounting standard.
2. The NZIFRS16 adjustment of $21.8m in FY22 H1 (FY21 H1: $20.5m) represents the difference between the depreciation on Right-of-use-Assets and old NZGAAP rent expense.
3. Adjusted Net Profit After Tax (NPAT) is before unusual items and is a non-GAAP measure. A reconciliation between Adjusted and Statutory NPAT can be found in Note 5 of the Financial Statements for the six months ended 30 January 2022.

Inventory management

Closing inventory ($m)



Stockturn by Brand



- Inventory at the end of the half was higher than recent periods, coming off historically low levels. The higher carrying value was due to higher Goods in Transit mainly from stock purchased just before the half year end due to the timing of Chinese New Year.
- A small amount of seasonal stock is arriving later than planned due to shipping delays, most will be traded in the tail end of the season however some will be carried through to the next season.
- Despite higher stock levels at year end, improved inventory management has seen Group stockturn(1) improve from 4.9x at the FY21 half year to 5.1x at the FY22 half year.
- The Warehouse and Warehouse Stationery achieved further SKU reduction with 11.0% for The Warehouse and 12.7% for Warehouse Stationery.
- Our current clearance levels are well within the targets with TWL at 2.9% of total stock and WSL at 1.8% vs 3.8% for both brands at the same period last year.
- Aged inventory has continued to decrease with increased sales and controlled purchases, with aged inventory(2) decreasing from 28.1% in FY20 to 16.1% in FY21.
- Careful inventory management has meant a cleaner closing inventory position enabling the reduction of stock provisions from last half year of $8.0m, contributing to the increase in inventory value.

1. *Stockturn is calculated over the last 12 months.*
2. *Aged inventory is stock on hand greater than 6 months.*

Glossary

Term	Definition	Term	Definition
C&C	Click & Collect	MDM	Master Data Management
CODB	Cost of Doing Business	NIDC	North Island Distribution Centre
COGS	Cost of Goods Sold	NIFC	North Island Fulfilment Centre
DC	Distribution Centre	NL	Noel Leeming
DIFOT	Delivered In-Full On-Time	OMS	Order Management Solution
E2E	End-to-End	OMU	Operating Model Update
EDLP	Every Day Low Price	POS	Point-of-Sale
ELS	Executive Leadership Squad	SIDC	South Island Distribution Centre
eNPS	Employee Net Promotor Score	SSO	Store Support Office
ERPFI	Enterprise Resource Planning - Finance and Inventory	SSS	Same Store Sales
FC	Fulfilment Centre	SWAS	Store-Within-a-Store
GBO	Group Business Operations	T7	Torpedo7
GEP	Group eCommerce Platform	TWL	The Warehouse
GTV	Gross Transaction Value	WALT	Weighted Average Lease Tenure
GOMS	Group Order Management System	WMS	Warehouse Management System
LTV	Customer Lifetime Value	WS	Warehouse Stationery

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