
To: NZX Limited

Auckland, 13 May 2022
The Warehouse Group FY22 Third Quarter Trading Update

Sales up compared to pre-COVID levels as online and grocery continue to grow

Highlights

- Group sales for the 13 weeks to 1 May 2022 (“FY22 Q3”) were \$771.6 million, down 2.5% compared to FY21 Q3, up 31.6% compared to FY20 Q3 and up 8.0% compared to FY19 Q3.
- Online sales were \$86.6 million, an increase of 7.4% compared to FY21 Q3, and representing 11.2% of total Group sales.
- Click and collect sales continued to grow as a preferred choice for our online customers with \$36.9 million in the quarter, up 17.7% compared to FY21 Q3, and representing 47.3% of Group online sales.
- Group gross profit margin was 35.6% in FY22 Q3, in line with 35.5% gross profit margin in FY21 Q3, and up 90 bps from 34.7% in the FY22 H1.

The Warehouse Group Limited (“the Group”) today reported total Group sales for the third quarter ending 1 May 2022 of \$771.6 million, down 2.5% on the same quarter in FY21, up 31.6% on the same quarter in FY20 which was severely impacted by the first COVID-19 Level 4 lockdown, and up 8.0% on FY19 pre-COVID-19 levels.

Online sales continued to grow, with Group online sales of \$86.6 million in FY22 Q3, an increase of 7.4% compared to FY21 Q3, and representing 11.2% of total sales. Year to date Group online sales were \$422.2 million, up 50.2% compared to YTD FY21 and making up 16.9% of total sales, increasing from 10.8% of total sales in FY21.

Click and collect sales continued to grow as a convenient way for customers to receive their online orders. Total click and collect sales were \$36.9 million in FY22 Q3, making up 47.3% of online sales, and totalling \$188.7 million year to date making up 49.5% of year to date online sales.

Group-wide in-store foot traffic was down 13.0% in the quarter compared to last year and was impacted significantly by New Zealand being at the Red setting of the COVID-19 Protection Framework for 74 out of 91 days during the quarter. Since the move to Orange setting on 14 April, we have seen an improvement in foot traffic numbers, but this is still down compared to prior year.

The increased freight costs and the sales mix which impacted gross profit margin in the first half, have been a key area of focus in the last quarter with various initiatives implemented across the Group to address these challenges. Gross profit margin increased 10 basis points to 35.6% in FY22 Q3 compared to FY21 Q3, and increased 90 basis points compared to FY22 H1.

Group CEO Nick Grayston said, “The trading environment continues to be very challenging with high inflation impacting consumer spending, shipping delays affecting the Group’s stock availability, and some customers remaining hesitant to return to stores in person. Despite these factors, Q3 has held up relatively well with a solid performance across the Group.

Brand performance

The Warehouse recorded sales of \$401.9 million, a decline of 2.0% compared to FY21 Q3 due to the impacts of COVID-19 omicron on store traffic. The sales result was however up 35.2% compared to FY20 Q3. While The Warehouse in-store foot traffic reduced by 11.4%, online sales increased 25.8% in the quarter with continued strong uptake in click and collect increasing 35.4% in the quarter. Grocery was a standout category, specifically in Health & Wellbeing, Pantry & Chilled, and Petcare. The Warehouse Mosgiel store was closed during the period.

Warehouse Stationery recorded sales of \$67.4 million, a decline of 6.1% compared to FY21 Q3, and up 4.5% compared to FY20 Q3. Warehouse Stationery online sales decreased 14.2% compared to the same quarter last year, due to softer back to school sales, a decline in online traffic and some stock availability issues. The Warehouse Stationery store-within-a-store (SWAS) integration programme continues, with four new SWAS conversions during the quarter, bringing the total SWAS to 31 stores.

Noel Leeming recorded sales of \$256.5 million, a decline of 2.5% compared to FY21 Q3, however these sales were up 32.5% compared to the same quarter in FY20. Noel Leeming online sales saw growth of 13.1%, with continued uptake in 1-hour click and collect fulfilment, increasing 14.6% in the quarter. During the quarter we closed two stores, St Luke's Westfield and Queen Street, Auckland.

Torpedo7 recorded sales of \$36.5 million in the quarter, growth of 3.1% to compared to FY21 Q3 predominantly due to online sales, and up 65.9% compared to FY20 Q3. Torpedo7 online sales increased 9.1% and click and collect sales increased 7.2% in the quarter. Torpedo7 store sales were also impacted by COVID-19, with store footfall decreasing 12.0% compared to the same quarter last year. Torpedo7 continues to expand its national footprint, with Whangārei opening late in the quarter in April 2022, bringing the total number of Torpedo7 stores to 23.

TheMarket.com continues to grow with more than 565,000 active customers who engaged with more than 52 million online sessions in the last 12 months – up 13.7% from the half year. With over 3.5 million active products now on offer, TheMarket.com remains on track to deliver more than \$100 million in Gross Transaction Value for FY22.

MarketClub loyalty programme continued to gather momentum in the quarter, as we move towards a consolidated Group-wide customer loyalty programme. Member acquisition accelerated in the quarter as we more than tripled the number of active members compared to the first half of the year, and with more customers joining the programme to save even more across our range of everyday low-priced items at The Warehouse. MarketClub members are more engaged shoppers, with higher spend, higher frequency, and higher average order value, as well as higher in-store and in-app net promoter scores (NPS) compared to non-members.

The Warehouse continues to provide value by lowering prices despite inflation

CEO Nick Grayston said, "Our customers trust us to provide the best value for money and we're committed to this. Kiwis know they can come to The Warehouse for the best deals on their household essentials. Value isn't just about low prices – by providing quality products that last across all of our categories, our customers can feel confident that the range of options we provide will offer better value for their money in the long run.

"The response to our \$4 butter has been fantastic and we'll continue to maintain this price as long as we can. Making sure Kiwi families can afford a great breakfast is something we're very committed to and our breakfast basket is still more than \$6 cheaper¹ than the major supermarkets, despite their recent price drop announcements.

¹ Based on average full-price basket of eggs, bread, milk, coffee, butter, oats and Weet-Bix on 12 May 2022 costing \$25.87 at The Warehouse, \$35.83 at Pak n Save and \$35.42 at Countdown.

“While the cost of goods continues to increase, we’re holding or dropping prices where we can across essential grocery and pantry items like bread, milk, cereal and pasta as well as essentials to keep families warm such as children’s flannelette pyjamas and merino clothing.

“For some products there will be unavoidable cost increases, but you can expect to see us continue to look after our customers through the winter with everyday low prices. Kiwi families tell us that they’re not getting good value from supermarkets and they want to have more grocery options available at The Warehouse. It’s something we’re seriously considering and we’re watching with interest to see what steps the Government will take to make a difference to New Zealanders and allow other players like us to enter the grocery market in a bigger way.

Managing our product supply chain

Product supply was disrupted in Q3 due to ongoing challenges in the supply chain. While stock continues to flow, shipping costs remain very high and there is an increase in the time it takes for product to get to the shelf, which together with COVID-19 driven team member absences, have contributed to some availability gaps in store. We expect shipping schedules will remain constrained through Q4 and into FY23.

FY22 Annual Results

The Group’s FY22 year-end will be Sunday 31 July 2022, with the annual results to be announced on Wednesday 28 September 2022.

ENDS

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