

# **The Warehouse Group Limited FY01 Results Presentation**

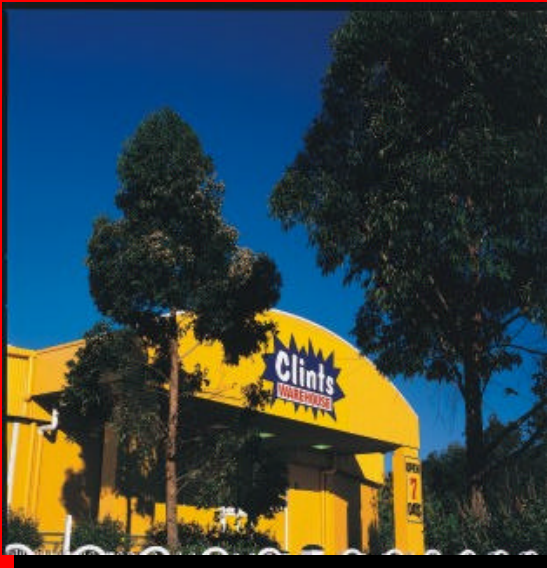
Greg Muir - CEO  
7 September 2001







**THE  
WAREHOUSE**  
"Where Everyone gets a Bargain"







# year at a glance.....



# fy01 annual results

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<b>Reported Net Earnings</b>	<b><u>\$60.8m</u></b>
<b>Unusual items</b>	<b>(\$3.5)m</b>
<b>Adjusted net earnings</b>	<b><u>\$64.3m</u></b>
<b>EBITA - FY2000</b>	<b>\$111.3m</b>
<b>- FY2001</b>	<b>\$122.1m</b>

# fy01 group result summary

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<b>SALES</b>	<b>\$1.665m</b>	<b>+54.8%</b>
<b>EBITA</b>	<b>\$122.1m</b>	<b>+9.7%</b>
<b>EBIT</b>	<b>\$110.7m</b>	<b>-1.9%</b>
<b>NPAT</b>	<b>\$60.8m</b>	<b>-13.8%</b>
<b>EPS</b>	<b>20.3 cents</b>	<b>-16.5%</b>
<b>DPS</b>	<b>12.5 cents</b>	<b>Unchanged</b>

# unusual items (pre-tax)

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	2001	2000
Option tax charge	(\$2.3m)	-
Divestment of pharmacy business	(\$1.9m)	-
Property sales profit	\$2.7m	\$5.6m
Investment write-down	(\$1.2m)	-
New business costs	(\$0.8m)	(\$3.8m)
Total	(\$3.5m)	\$1.8m

# key ratios

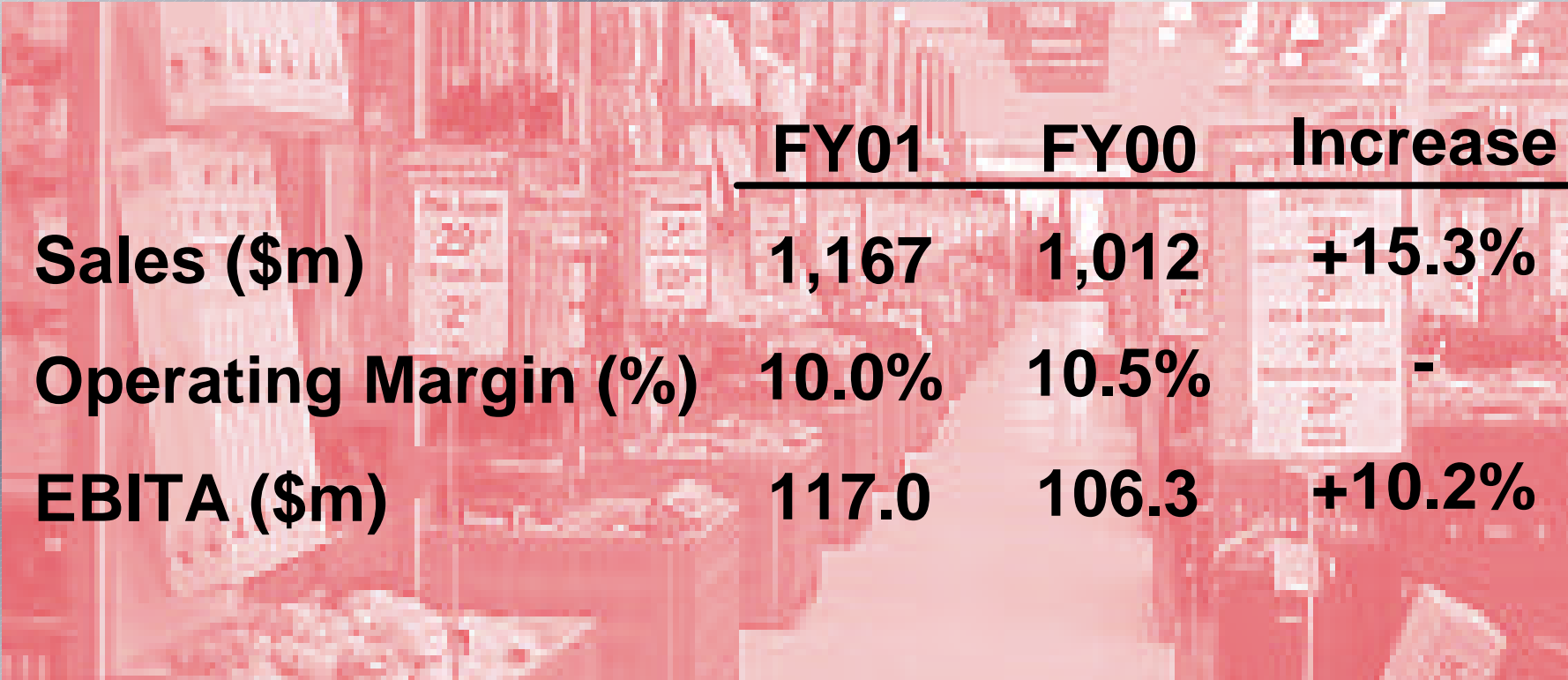
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	<b>FY01</b>	<b>FY00</b>
Interest coverage ratio	8.2x	23.3x
Gearing (Debt/Debt & Equity)	46.6%	33.8%
Inventory incl. GIT - NZ	210m	171m
- Aust	<u>66m</u>	<u>-</u>
Total	276m	171m
Operating cashflow - NZ	73.4m	\$70.6m
- Aust	(11.6m)	-



# red sheds - financial review

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	<b>FY01</b>	<b>FY00</b>	<b>Increase</b>
<b>Sales (\$m)</b>	<b>1,167</b>	<b>1,012</b>	<b>+15.3%</b>
<b>Operating Margin (%)</b>	<b>10.0%</b>	<b>10.5%</b>	<b>-</b>
<b>EBITA (\$m)</b>	<b>117.0</b>	<b>106.3</b>	<b>+10.2%</b>

# red sheds - financial review

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- Dept store market share up 2.9% to 43.6%
- 9 new stores including 3 replacement stores
- 20.9% or 53,122m<sup>2</sup> increase in retail space
- 9 stores extended, 2 relays
- Same store sales +5.1%
- Weighted av. sales per m<sup>2</sup> 3,963 down 1.9%
- Weekly customer count 825,000 vs 740,000 last year - up 11.4%
- Basket size \$27.20 vs. \$26.07 in FY01

# blue sheds - financial review

	<u>FY00</u>	<u>FY00</u>	<u>Increase</u>
<b>Sales (\$m)</b>	<b>93.5</b>	<b>63.1</b>	<b>+48.3%</b>
<b>Operating Margin (%)</b>	<b>7.0%</b>	<b>7.9%</b>	<b>-</b>
<b>EBITA (\$m)</b>	<b>6.5</b>	<b>5.0</b>	<b>+30.0%</b>

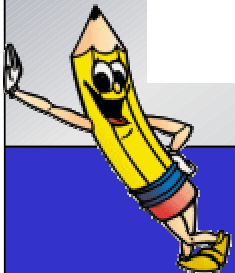


WHY PAY FULL PRICE?

# blue sheds - financial review

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- 9 new stores
- 26.5% or 7,000m<sup>2</sup> increase in retail space
- All stores refurbished to a consistent standard
- Approximately 30% of the sales came from low margin business machines
- Same store sales +25.4%



WHY PAY FULL PRICE?



# yellow sheds - financial review

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	FY01	FY01	Change
Sales (\$m)	404.5	-	-
Operating Margin (%)	(0.4)%	-	-
EBITA (\$m)	(1.5)	-	-

# yellow sheds - financial review

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- Estimated market share of “bargain bazaar” stable at 20%
- 10 new or replacement stores in the last year
- Difficult last 12 months with poor execution across a range of core retail activities

# red sheds focus for fy02

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- Key focus of FY02 - improve return on sales
- Maintain cost control focus and bargain offer
- Maximise the growth potential from the new stores added in FY01

# merchandise planning system

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## ■ Contribution analysis

- ☐ Continue work with suppliers to improve performance of poor sellers, optimise good sellers

## ■ Direct Product Profitability (DPP)

- ☐ Continue work with suppliers to ensure higher stock of good sellers, and right stock in right stores at right time

## ■ Implementation time

- ☐ Phased implementation complete FY02



# merchandise

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What we said we would do	What we did	What we plan to do in FY02
<b>Grow apparel categories</b>	<b>30% increase in apparel sales</b>	<b>15% increase in apparel sales</b>
<b>Launch more brands</b>	<b>Launched Sanyo in October 2000</b>	<b>Hanes, Rio &amp; Hey Sister brands to be launched by Christmas 2001</b>

# merchandise

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What we said we would do	What we did	What we plan to do in FY02
<b>Strengthen sporting goods offer</b>	<b>30% increase in sporting goods</b>	<b>“Head” brand rackets</b>
<b>Other initiatives for FY02</b>	<ul style="list-style-type: none"><li><input type="checkbox"/> <b>Improve offer of housewares/ consumables categories</b></li><li><input type="checkbox"/> <b>Jo Seagar “Seal of Approval” to be launched in September 2001</b></li></ul>	

# red sheds - operations

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## Achievements - FY01

- Shrinkage down on FY00
- Team member satisfaction -  
88% of team members agreed that  
“The Warehouse” is where people  
“come first” (up from 83%)


# red sheds - property scorecard

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What we said we would do	What we did	What we plan to do in FY02
<b>5 new stores</b>	<b>6 new stores</b>	<b>3 new stores</b>
<b>3 replacement stores</b>	<b>3 replacement stores</b>	<b>1 replacement store</b>
<b>Extend 7 stores</b>	<b>Extended 9 stores</b>	<b>Extend 7 stores</b> <b>22,500m<sup>2</sup> increase in floor space</b>

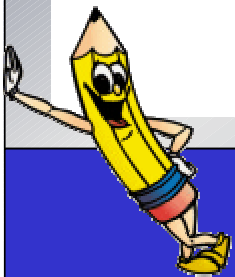


# red edge - scorecard

What we said we would do	What we did	What we plan to do in FY02
<ul style="list-style-type: none"><li><input type="checkbox"/> Deliver new checkouts</li><li><input type="checkbox"/> Standardise procedures in store</li></ul> 	<ul style="list-style-type: none"><li><input type="checkbox"/> New checkouts - 30% reduction in transaction time 21 stores to date</li><li><input type="checkbox"/> 40 projects identified 31 initiated</li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> Roll out new checkouts to 18 more stores</li><li><input type="checkbox"/> Focus - value add and cost reduction<ul style="list-style-type: none"><li>● Info Desk</li><li>● Customer service</li></ul></li></ul>

# blue sheds - scorecard

What we said we would do	What we did	What we plan to do in FY02
Open 7 stores	Opened 9 stores	Open 6 new stores
Introduce plannograms	<ul style="list-style-type: none"><li><input type="checkbox"/> All stores plannogrammed</li><li><input type="checkbox"/> Standardised store layout</li><li><input type="checkbox"/> Business machine offer enhanced</li><li><input type="checkbox"/> Introduced Hewlett Packard</li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> Major staff training initiative</li><li><input type="checkbox"/> Participate with Child Flight in NZ</li></ul>



WHY PAY FULL PRICE?

# blue sheds - B2B

- Launch pending
- Catalogue produced
- Call centre training under way
- Distribution centre operational
- Market size estimated at \$650m-\$700m
- Negative impact on EBIT for next 2 years



WHY PAY FULL PRICE?

# financial services

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- Builds on success of The Warehouse Card
- Significant opportunity for brand reach and increased customer value
- Meets growth strategies of TWL
- Two new card products, new rewards programme and insurance products
- Provides bargain, better and best financial solutions



# financial services corporate brand



The brand name is  
“The Warehouse  
Financial Services”



In-store kiosk

# **yellow sheds**

## **- initial new format results**

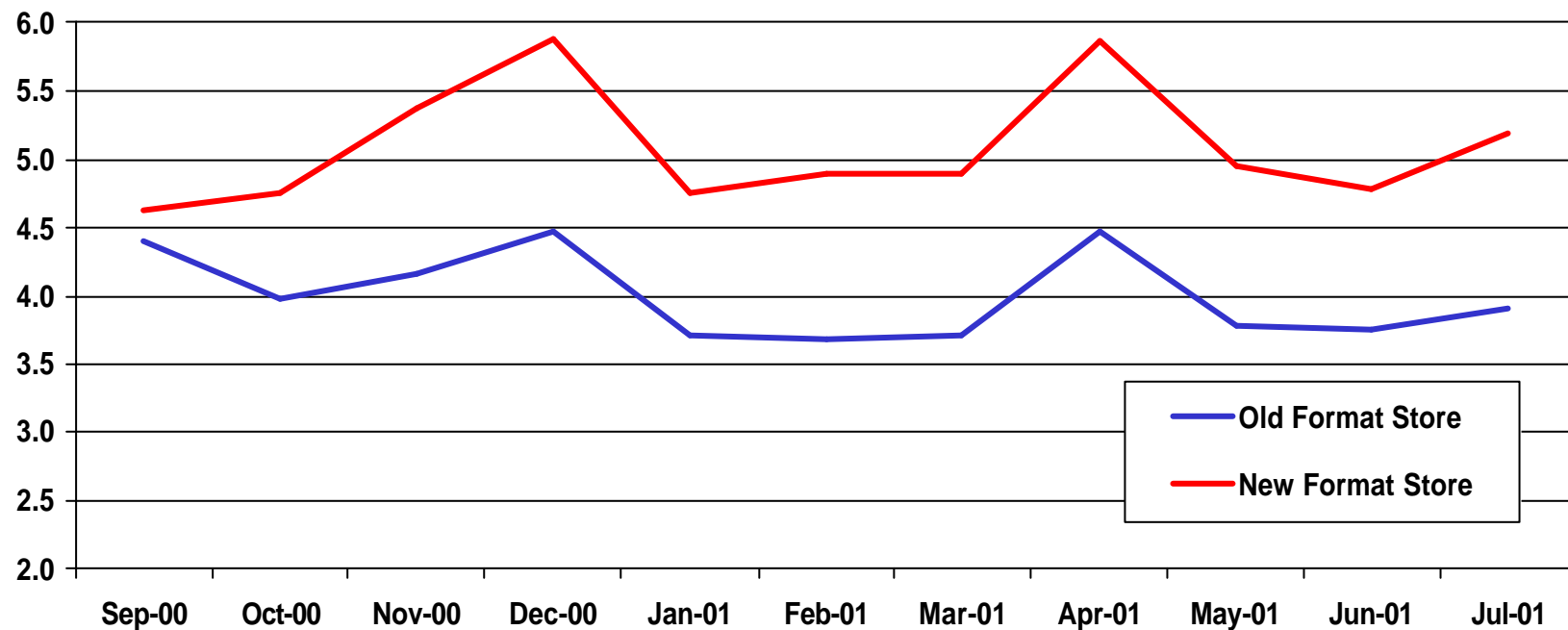
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	<b>TWL format stores</b>	<b>Legacy stores</b>	<b>Warehouse NZ stores</b>
<b>Average sale per customer</b>	<b>A\$14.73</b>	<b>A\$10.70</b>	<b>A\$22.58</b>
<b>Items per basket</b>	<b>5.1</b>	<b>4.0</b>	<b>3.9</b>
<b>Occupancy costs as % sales (range)</b>	<b>4.5 - 6.0%</b>	<b>6.0 - 7.0%</b>	<b>3.0 - 4.0%</b>

# yellow sheds - growth strategy

- Items per basket 27% higher in new stores

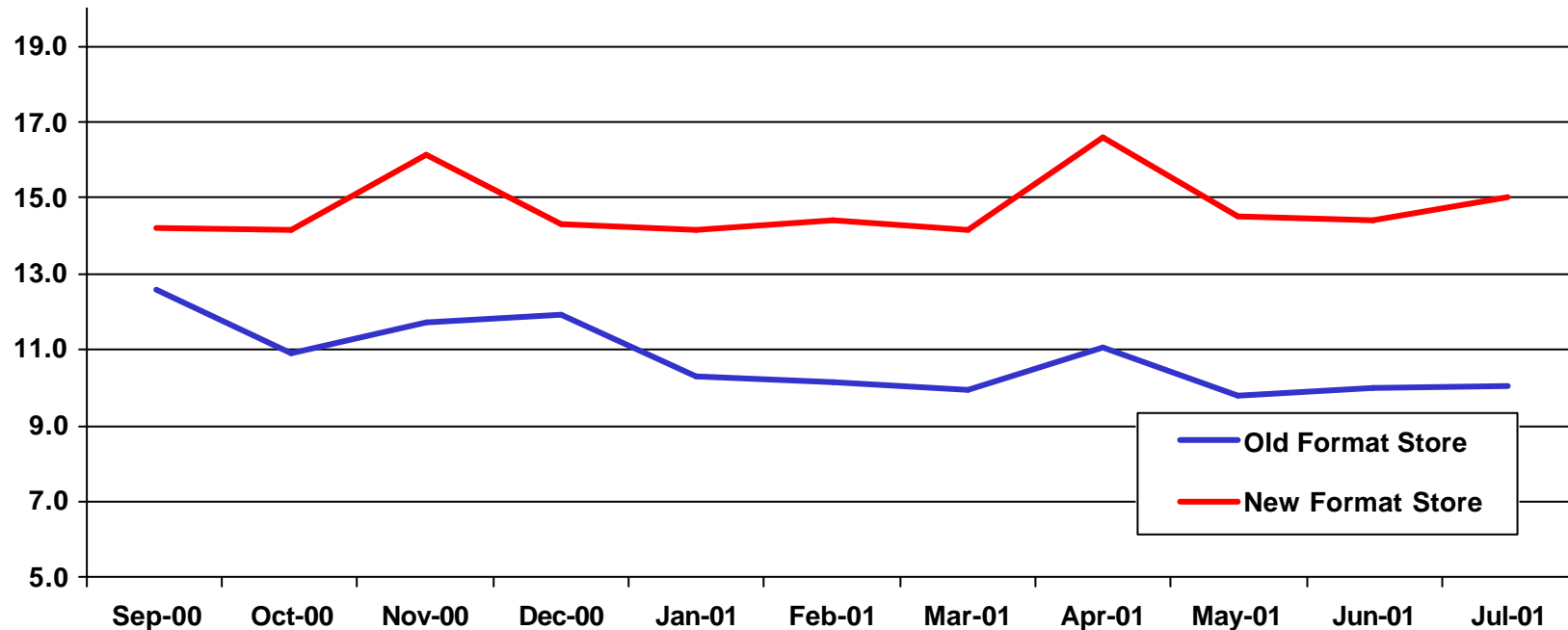
Items per basket



# yellow sheds - growth strategy

- Average sale 38% higher in new stores

## Average sale



# yellow sheds - growth strategy

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- 18-20 new stores p.a. for 3 years
- Average store size will double within three years
- Significant investment in people and stores in that period

# yellow sheds project extra - results

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- Merchandise trial at three new format stores
- Trial started late June 2001
- 1,000 lines trialled and 60-70% will now be adopted as standard lines sourced directly from Australia



# trading update

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## Trading in August has been mixed

Red Sheds	+ 6.3%
Blue Sheds	+ 49.7%
Yellow Sheds <sup>1</sup>	+ 14.6%
	<hr/>
Group	+ 9.0%

<sup>1</sup> Expressed in Australian dollar terms

