

The Warehouse Group Limited

2009 Full Year Result



Ian Morrice
Managing Director

Luke Bunt
Chief Financial Officer

11 September 2009

- A solid result, particularly in H2, reflecting a strong trading plan and a measured response to difficult market conditions.
- Developed core everyday needs category following exit from fresh food and liquor.
- Launched transactional on-line sales channel.
- Opened first Warehouse Local store in Mosgiel.
- Achieved strong operating cash flow and strengthened financial position.
- Ordinary dividend maintained at 5.5 cps, fully imputed at 33.0%.
- Special dividend of 10.0 cps announced, fully imputed at 33.0%.

- Sales down 0.8% to \$1,720.8 million.
- Operating profit up 3.1% to \$125.0 million.
- Adjusted NPAT up 5.3% to \$85.2 million.
- Operating cash flow up 89.6% to \$194.5 million.

NOTE: 2009 was a 53 week reporting period. The comparative 2008 year was a 52 week reporting period. Refer page 7.

Financial Results

53 weeks ended 2 August 2009

Luke Bunt
Chief Financial Officer

Financial Highlights – Consolidated Group

\$NZ millions	F09	F08	Change
Sales	1,720.8	1,735.0	-0.8%
Operating Profit	125.0	121.1	+3.1%
Operating Margin	7.3%	7.0%	+30bps
EBIT	116.1	134.7	-13.8%
Net Profit After Tax	76.8	90.8	-15.4%
Funds employed	372.5	440.6	-15.5%
Return on Funds Employed	30.7%	27.7%	+300bps
Free Cash Flow	158.0	79.7	+98.2%
Dividend - Ordinary	21.0cps	21.0cps	NC
Dividend - Special	10.0cps		

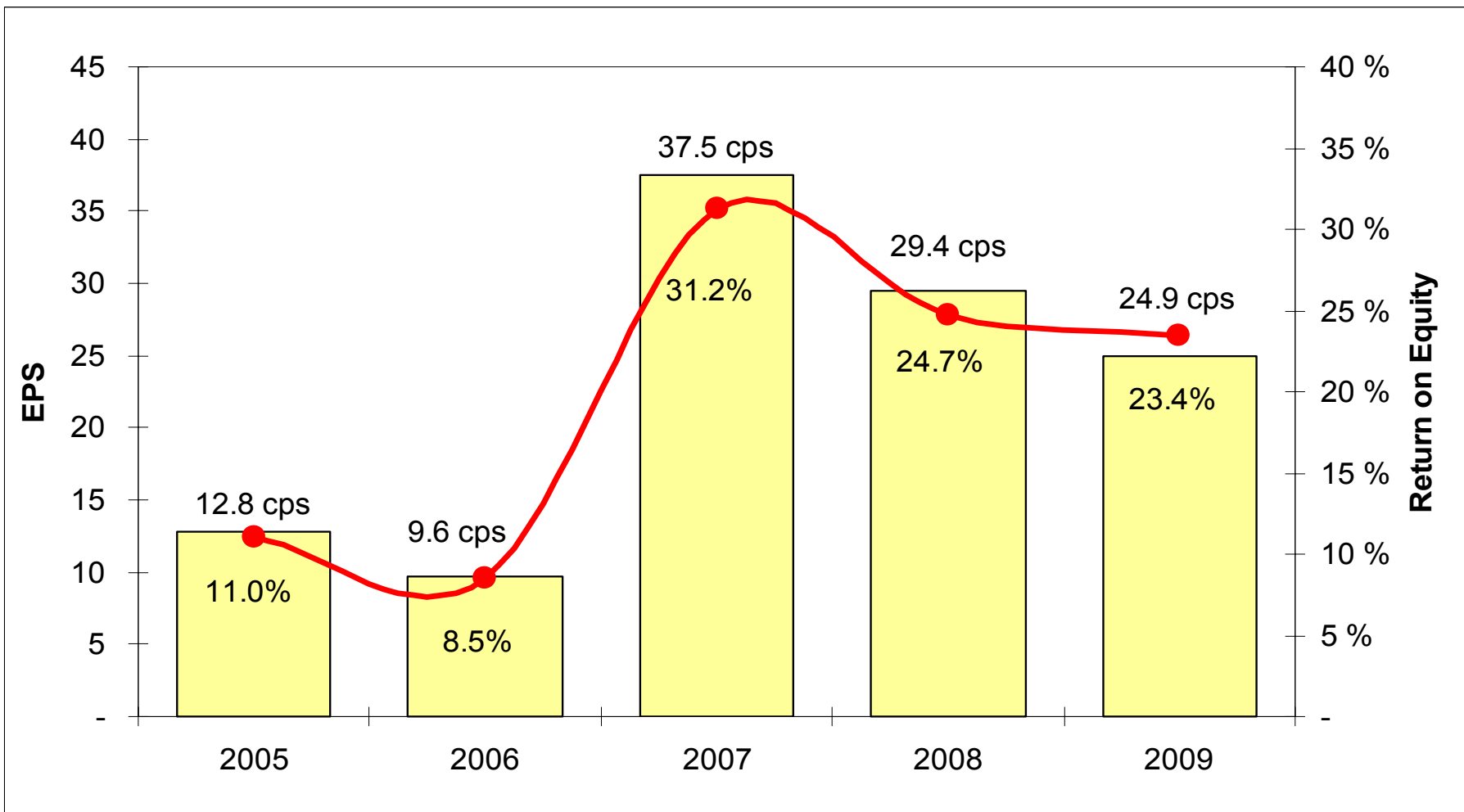
- EBITDA \$166.8 million (F08 \$160.7 million), depreciation \$41.8 million (F08 \$39.6 million).
- Operating margin reflects gross profit improvement in TWL reduced by impact of sales deleverage in WSL
- Adjusted NPAT \$85.2 million (F08 \$80.9 million).
- Reduction in funds employed mainly reflects reduction in working capital.
- Increase in free cash flow reflects working capital reduction and timing of tax payments.

Adjusted Earnings Reconciliation

\$NZ millions	EBIT		NPAT	
	F09	F08	F09	F08
Reported Earnings	116.1	134.7	76.8	90.8
Fresh food and liquor Exit	10.7	-	7.4	-
ADRT Warranty Provisions	-	(7.2)	-	(7.2)
Electricity Derivatives	1.7	(2.2)	1.2	(1.5)
Property Divestments	(0.3)	(1.2)	(0.2)	(1.2)
Adjusted Earnings	128.2	124.1	85.2	80.9
	+3.3%		+5.3%	

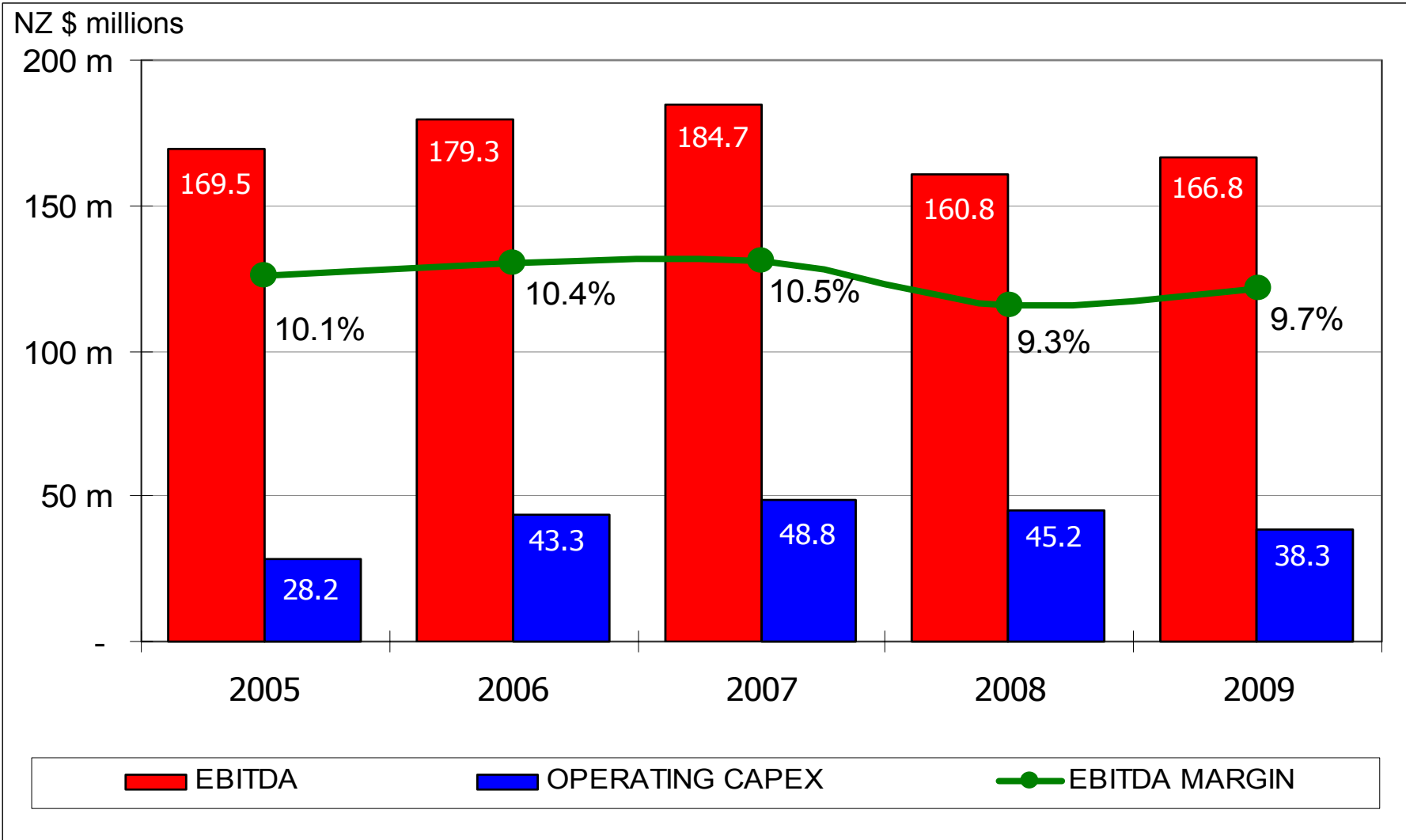
Excluding non recurring items EBIT up 3.3% and NPAT up 5.3%.

\$NZ millions	TWL	WSL	Consolidated Group
Sales	21.9	3.4	25.3
EBIT	1.7	0.1	1.8
NPAT			1.1



Solid return on equity. Movement between F08 and F09 influenced by unusual items.

Operating Earnings and Investment



Strong earnings maintained through economic downturn.

Segmented Operating Profit

\$NZ millions	F09	F08	Change
The Warehouse	120.2	112.7	+6.6%
Warehouse Stationery	1.6	5.1	-68.5%
Other Group Operations	3.2	3.3	-6.3%
Total Operating Profit	125.0	121.1	+3.1%

Financial Services	3.2	3.0	+6.0%
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Unusual Items	(12.1)	10.6	NM
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Reported EBIT	116.1	134.7	-13.8%
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- TWL benefiting from strong margin management and uplift from fresh food and liquor exit.
- WSL impacted by difficult trading conditions for high ticket retailers.
- Other group operations reflects pressure on tenancy rent recoveries.
- Financial Services benefiting from lower cost of funds and increased insurance revenues.
- Unusual items includes \$10.7 million cost to exit fresh food and liquor.
- Adjusted EBIT \$128.2 million, up 3.3%.

Abridged Balance Sheet

\$NZ millions	F09	F08
Inventory	257.9	275.6
Trade Payables	(102.6)	(92.5)
Net Investment in Inventory	155.3	183.1
Receivables	24.5	26.6
Other Creditors and Provisions	(95.3)	(70.8)
Working Capital	84.5	138.9
Fixed Assets	280.6	294.5
Investments	7.4	7.2
Funds Employed	372.5	440.6
Net Tax Balances	25.4	26.6
Derivatives	(29.5)	7.1
Capital Employed	368.4	474.3
Shareholders Equity	320.9	334.5
Minority Interests	0.3	0.2
Net Debt	47.2	139.6
Source of Funds	368.4	474.3

Inventory reduction reflects improved inventory management and exit from fresh food and liquor.

Increased payables associated with higher goods in transit at balance date.

Reduction in business markets receivables and trade rebates.

Write down of Extra and Cellars assets and lower capital expenditure.

Revaluation of financial instruments

Strong cash flow in F09, core debt remains around \$100 million.

Cash Flow Summary

\$NZ millions	F09	F08
Trading EBITDA	166.8	160.8
Change in Trade Working Capital	53.0	(11.7)
Taxes Paid	(19.1)	(40.4)
Interest Paid	(7.7)	(9.3)
Other Items	1.5	3.2
Operating Cash Flow	194.5	102.6
Capital Expenditure	(37.1)	(45.7)
Proceeds from Divestments	1.5	17.1
Dividends Received	3.0	4.8
Share Options Exercised	-	0.9
Purchase of Treasury Stock	(3.9)	-
Free Cash Flow	158.0	79.7
Dividends Paid	(65.6)	(176.3)
Net Cash Flow	92.4	(96.6)
Opening Net Debt	(139.6)	(43.0)
Closing Net Debt	(47.2)	(139.6)

Inventory reduction, increase in GIT related trade payables and increase in provisions and accruals.

Reduction in corporate tax rate and timing of provisional tax payments.

Sale of Rangiora land (F08 includes sale of Manukau land and WSL Support Office).

WHS shares purchased on market to meet LTIP obligations.

F08 includes \$108.8 million special dividend paid September 2007.

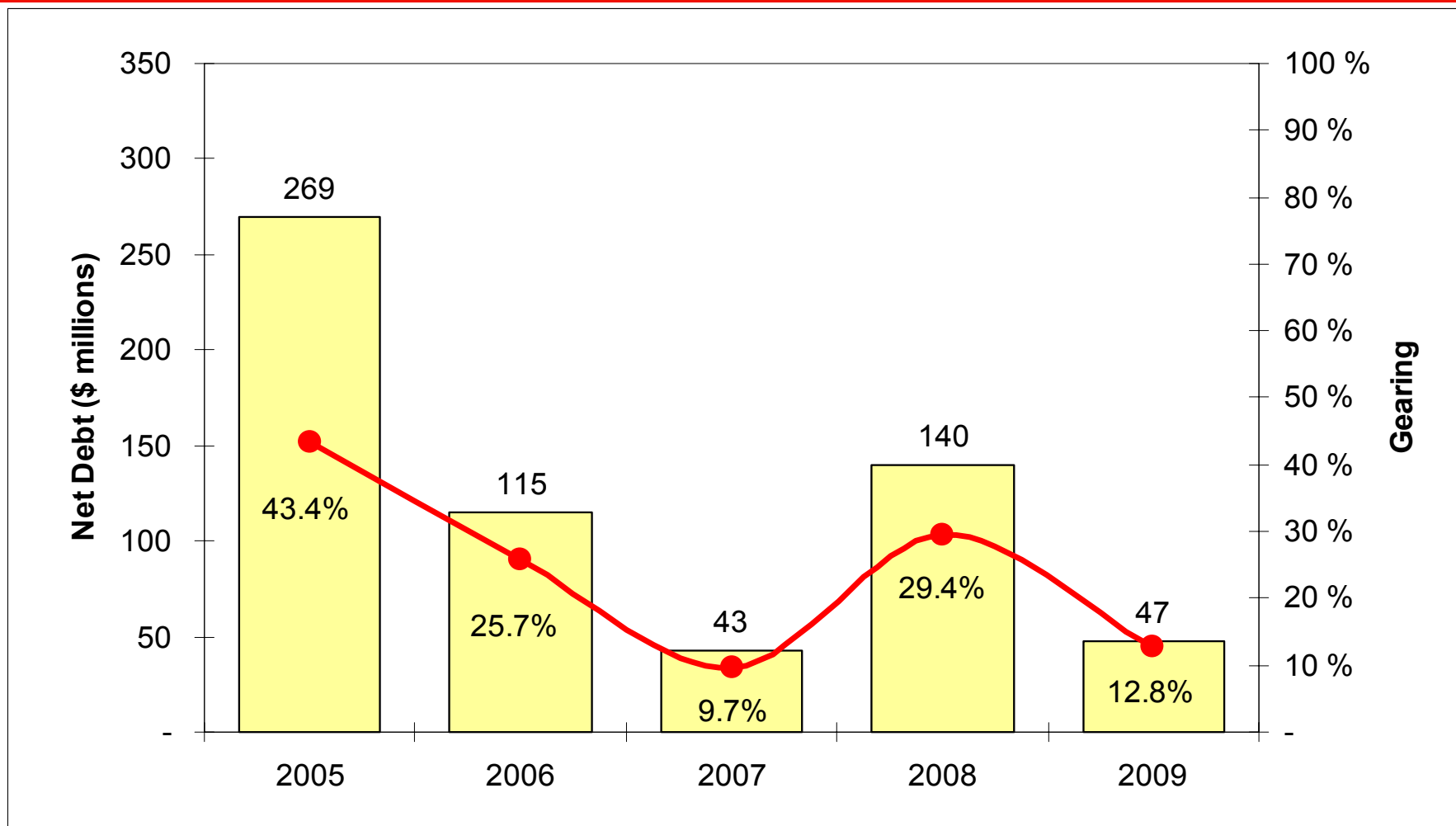
Cash Conversion Ratio (OCF +ADR)/(NPAT+ D+A)	166.5%	82.3%
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Reflects reduction in working capital.

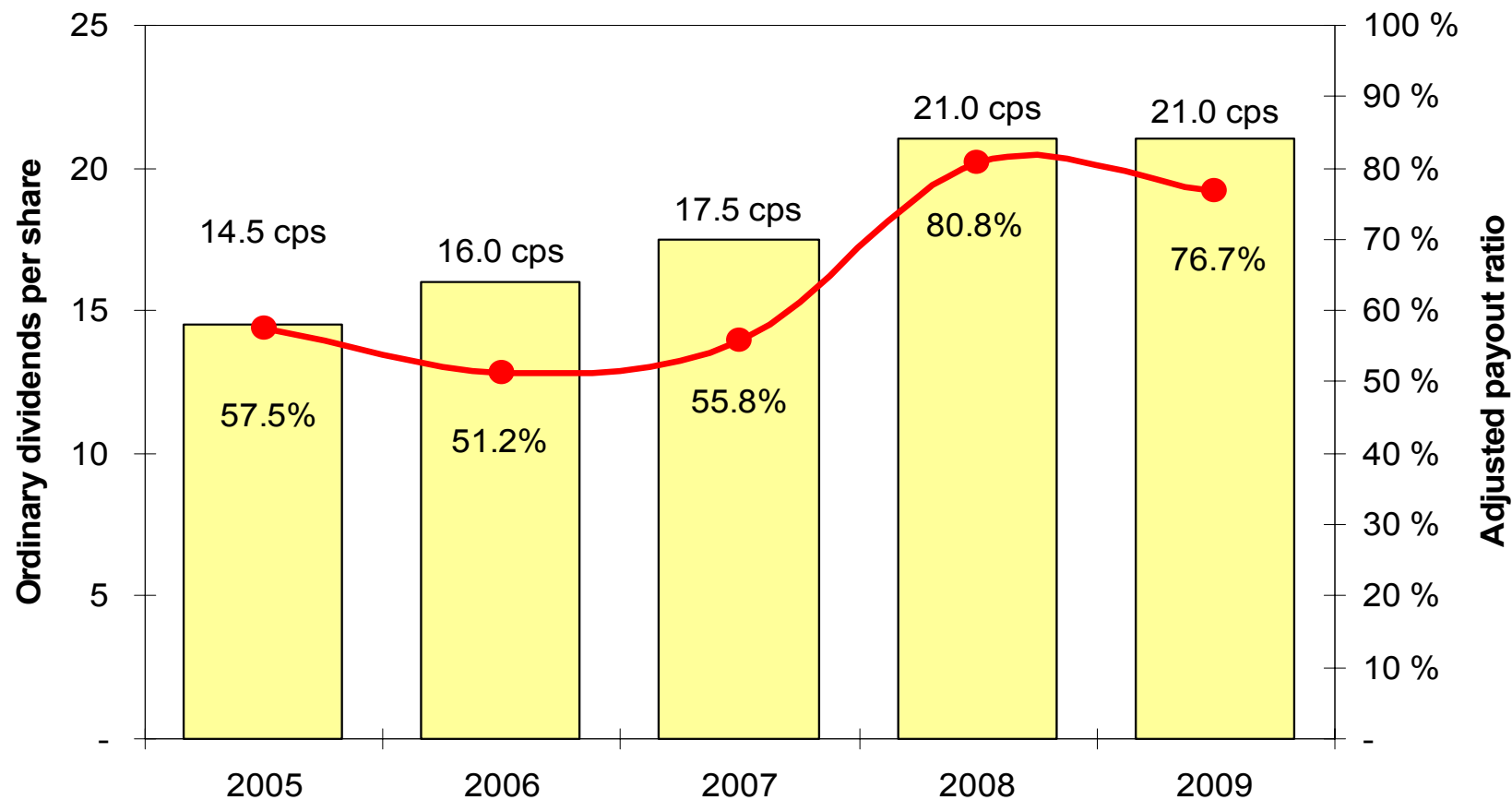
Summary of Financing Ratios

\$NZ millions	F09	F08	F07	F06	F05
Interest Cover (times)	17.0	21.1	27.1	6.5	5.2
Fixed Charges Cover (times)	3.2	3.6	4.3	2.2	2.6
Net debt / EBITDA (times)	0.3	0.8	0.2	1.1	1.4
Net debt / net debt plus equity (%)	12.8	29.4	9.7	25.7	43.4

- All ratios well within debt covenants.
- F08 gearing ratio impacted by special dividend paid September 2007.



- Adjusted gearing F09 30.0% (F08 32.7%).
- Debt increase in F08 reflects special dividend paid September 2007.



- Final dividend held at 5.5 cps.
- Total dividend for the year held at 21.0 cps.
- Dividends fully imputed at a rate of 33.0%.

Record date: 6 November 2009
Payment date: 18 November 2009

Business Unit Performance and Strategy Update

Ian Morrice
Managing Director

\$NZ millions	F09	F08	Change
Sales	1,531.1	1,533.6	-0.2%
EBITDA	154.0	145.0	+6.2%
Depreciation	(33.8)	(32.3)	+4.6%
EBIT	120.2	112.7	+6.6%
EBIT Margin	7.9%	7.4%	+50bps
Stock Turn	4.3x	4.2x	+0.1x
Capex	34.0	40.2	-15.4%

- Same store sales down 0.4%, H2 up 1.6%, Q4 up 2.3%.
- Solid sales performance across all core categories but continued double digit decline in music. Particularly pleasing growth in jewellery, accessories and footwear.
- Good margin management through better buying, currency management and reduction in freight costs.
- Cost reduction initiatives achieving all targets with flow on offsetting expected cost pressures in F10 to F12.
- \$5.0 million benefit realised from exit of fresh, frozen and liquor included in operating profit.
- Stockturn improved but impacted by exit from fast turning grocery.
- Capital programme affected by focus on Extra store relays.

NEEDS

Products and categories that customers need everyday at NZ's lowest prices



- Grocery learnings applied
- Best price, available and easy to find

WANTS

On trend, quality at Warehouse prices



- Best value = trend + quality + best price



Targeted areas of market share growth through product development
and our 'best value' principles.

A better shopping experience



Improved display
standards





- Realignment of skilled resource to ensure right people, right place, right time
- Intensive 'active management' training for all managers and team leaders
- Introduction of trained and dedicated customer service team in all store at peak times
- Financial improvements targeted in F10-F12

The largest-ever training investment in our store teams.



- NZ broadband investment significant
- Over 70% of aged 20+ customers are online
- Market size is now significant and growing (c \$800m)
- Online store live from June 2009

Online: An incremental growth stream for The Warehouse.

the **warehouse** 
local



Footprint Expansion

- Small footprint stores (approx 1,800m²)

the **warehouse** 
where everyone gets a bargain



Space Optimisation

- Growth categories prioritised for space realignment
- Modular investment

the **warehouse** 
extra



“More in the Box”

- Rebranding of our 17 largest stores
- Additional products and services

- Catchment-based organic growth plan.
- Fully leveraging existing footprint.

CHECKOUT BAGS 10¢ EA

STARTS 20TH APRIL



PROFITS DONATED TO LOCAL COMMUNITY GROUPS

- Waste reduction of over 20%.
- Plastic bag reduction of over 40%.
- Over \$2.2m raised and distributed to community service groups and national charities.

\$NZ millions	F09	F08	Change
Sales	187.2	199.5	-6.2%
EBITDA	7.0	9.7	-28.3%
Depreciation	(5.4)	(4.6)	-15.5%
EBIT	1.6	5.1	-68.5%
EBIT Margin	0.9%	2.5%	-160bps
Stock Turn	3.8x	3.7x	+0.1x
Capex	4.4	5.0	-12.9%

- Same store sales down 7.1%, H2 down 6.4%, Q4 down 1.7%.
- Greatest impact on high ticket furniture and technology representing 90% of overall sales shortfall.
- Everyday categories stable with copy centre sales up 17.1%.
- Cost reduction initiatives significant but not sufficient to offset sales deleverage in F09.

- Improvement in same stores sales maintained in first five weeks of F10.
- Focus on turnaround and setting a base for longer term sustainable profit growth.
- Emphasis on retail basics in particular product, price and in store execution.
- Launch of mobile technology with 2 degrees and Vodafone.
- Brand facelift for all stores planned for H1.
- Developing strategy to be destination for big ticket 'heart of the office' products and services.
- Assessment of potential for full national store coverage underway.
- Encouraging progress in last four months.

Aggressive Product & Price Promotion

warehouse
stationery

hp Post-it compac brother Microsoft warehouse stationery

Where big brands come together
Big Brands, Tiny Prices

SAVE \$350 **\$1295** (New Release) (S1181.11 ex gst) ex Weekly \$17.05

20% OFF **Microsoft** Keyboards, Mice & Webcams

COMPAQ CQ61-221 Presario Notebook Bundle
Compaq CQ61-221 notebook, HP MultiFunction printer, HP MultiFunction printer, Norton Internet Security (CEM) 2008, Microsoft Office Home and Student 2007, Extended Warranty 3 years

NEW **\$79** (S70.22 ex gst) ex

SAVE \$2 **\$6.99** (S6.01 ex gst) ex

SAVE \$200 **\$199** (S178.55 ex gst) ex

2 coming to Warehouse Stationery! See back cover for details

Shop online 24/7 at www.warehousestationery.co.nz

Prices valid 2nd - 10th August 2009, or until stocks last.

Hottest products. Best Prices Guaranteed.

WAREHOUSE STATIONERY TOP 100 BEST PRICE GUARANTEED

SAVE \$500 **\$1295** (S1181.11 ex gst) ex

Exclusive to Warehouse Stationery

EXTENDED WARRANTY

COMPAQ CQ61-100TU Notebook Bundle
Compaq CQ61-100 Notebook, HP MultiFunction printer, HP MultiFunction printer, Norton Internet Security (CEM) 2008, Microsoft Office Home and Student 2007, Extended Warranty 3 years

SAVE \$170 **99c** (S0.25 ex gst) ex

Post-it Notes 504 Yellow 3x 7 1/2 x 3 1/2 in. 100 sheets

Best Price in Market

50% off these Avant Bookcases and Cubbies

Avant

WALS \$54 (S109 ex gst) ex

WALS \$64 (S129 ex gst) ex

WALS \$89 (S179 ex gst) ex

WALS \$109 (S219 ex gst) ex

Hot Price **\$1.99** (S1.77 ex gst) ex

Best Price in Market

Lower Arch File Foolscap & A4, Metal black.

Shop online at www.warehousestationery.co.nz

Prices valid 11th Aug - 1st June 2009, or until stocks last.

warehouse stationery do great things

- Strong product & price message.
- Furniture and Technology heavily supported.



- Mobile communications key to “Heart of Office” strategy.
- Copy centre due for re-launch in H1.

Capital Management

**Outlook and
Earnings Guidance**

- The Warehouse Group is continuing to manage its capital structure with the intention of maintaining a conservative gearing ratio.
- The company previously advised the market that in the absence of any major acquisitions it would consider undertaking capital management initiatives.
- The board believes market conditions do not yet support any major capital management initiative. However the company's strong cash flow performance in F09 and continued strengthening of its financial position supports the distribution of accumulated imputation credits to shareholders by way of a special dividend of 10.0 cents per share, in addition to an ordinary dividend of 5.5 cents per share.
- Market conditions and capital management opportunities will be reviewed again in the 2010 calendar year.

The Warehouse Trading Update

- TWL same store sales for the 5 weeks ended 6 September +2.9%.
- WSL same store sales for the 5 weeks ended 6 September -0.6%.

Retail Environment

- Although signs are beginning to emerge of an upturn in economic activity, uncertainty remains as to whether any upturn will be sustained.
- Over the next twelve months we expect consumer spending to gradually improve.

Full Year Guidance

- Earnings guidance will be provided at the time of our half year results announcement in March 2010.
- Capital expenditure for F10 will be influenced by a number of property development initiatives currently under consideration. A range of between \$65.0 million and \$85.0 million is currently projected.

QUESTIONS