

**MACQUARIE CONNECTIONS
AUSTRALIA CONFERENCE 2009**

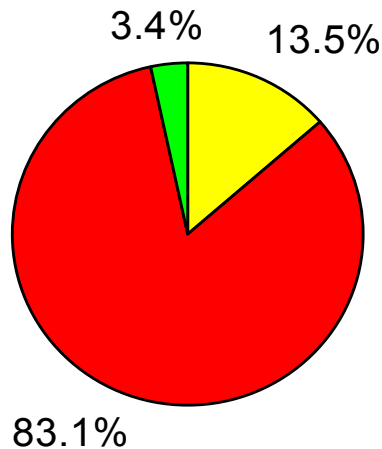
THE WAREHOUSE GROUP LIMITED

Luke Bunt, Chief Financial Officer
6 May 2009



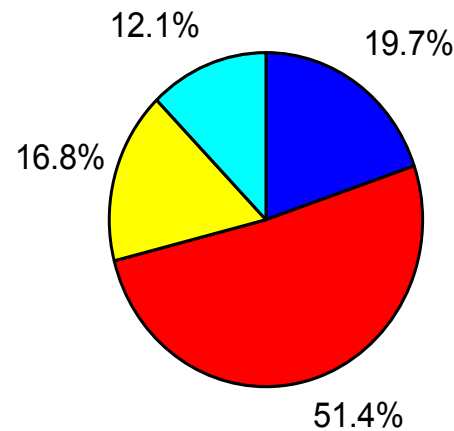
- Market capitalisation NZ\$1.1 billion
- 9,900 shareholders, 311.2 million shares on issue

Country Ownership



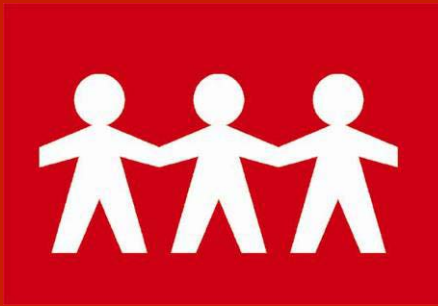
■ New Zealand ■ Australia ■ Other

Register Composition



■ Directors/Staff ■ Corporate Investors
■ Institutional Investors ■ Retail Investors

Core business: general merchandise and apparel retailing in New Zealand.



The Warehouse will make a difference to people's lives by **making the desirable affordable** and supporting New Zealand's communities and the environment.

By putting the customer first, we will succeed.
Everything we do flows from this principle.

We enjoy success through working together as one team.
People choose to work for us because we care about and recognise individuals.

Board of Directors



Left to Right: John Avery, Stephen Tindall, Ian Morrice, Graham Evans, Keith Smith (Chairman)
Seated: Rob Challinor, Janine Smith



Ian Morrice, Group CEO

Joined 2004

Previous roles include:

Managing Director, B&Q Warehouse UK

Retail Director & Director of Trading – Woolworths UK

Senior roles at Dixons Group UK



Luke Bunt, Chief Financial Officer

Joined 2002

Member of the NZ Institute of Chartered Accountants

Previous roles include:

GM Finance, Sales & Service - Telecom NZ

CFO and COO, Feltex NZ

Group GM, Finance & Planning – DB Group



Richard Lewis, Chief Operating Officer, TWL
Joined 2005

Previous roles include:
Head of Operations (Non-food) – Sainsbury's
Senior positions in Woolworths UK



Mark Powell, CEO Warehouse Stationery
Joined 2003

Previous roles include:
GM Supply Chain & Merchandise Support - TWL
Logistics Director – Tesco UK
Supply Chain & Home Shopping Director – Iceland plc
Responsible for logistics Wal-mart Canada



Paul Walsh, General Manager Human Resources
Joined 2005

Paul has a background in both Operations and HR.
Previous roles include:
Director of Human Resources – Woolworths, NZ
GM Human Resources – Sky City Group



Owen McCall, Chief Information Officer
Joined 2003

Owen has 23 years experience in the IT industry.
Before joining TWL, he was the Principal for Deloitte's
IT Outsourcing practice for Australia and New Zealand

Balance Sheet Structure

NZ \$ millions

Jan '09

Net Working Capital	130.4
Non Current Assets	334.0
Capital Employed	<u>464.4</u>
Shareholder equity	388.0
Net debt	<u>76.4</u>
Source of Funds	<u>464.4</u>

Key Ratios – F09 Targets

Debt/Debt plus Equity	25%
Adjusted Gearing	35%
Cash Conversion	95%
Dividend Payout	75%

- Conservatively geared with average core debt of NZ \$120 million.
- Debt sourced from Australasian trading banks under negative pledge.

- **Red Sheds** - Sales NZ\$1.5 billion

- 85 large format general merchandise and apparel stores
- Trading footprint 400,000m²

- **Blue Sheds** - Sales NZ\$180 million

- 46 small format stationery and office products stores
- Trading footprint 50,000m²

- **Distribution** - NI/SI capacity 114,700m²

- **Employees** - 8,000 team members, 6,000 FTE's

Total sales NZ\$1.7 billion, 8% market share of retail compete.

A typical Large Format Warehouse Store



Products 55% own label, 45% recognised brands and generics.





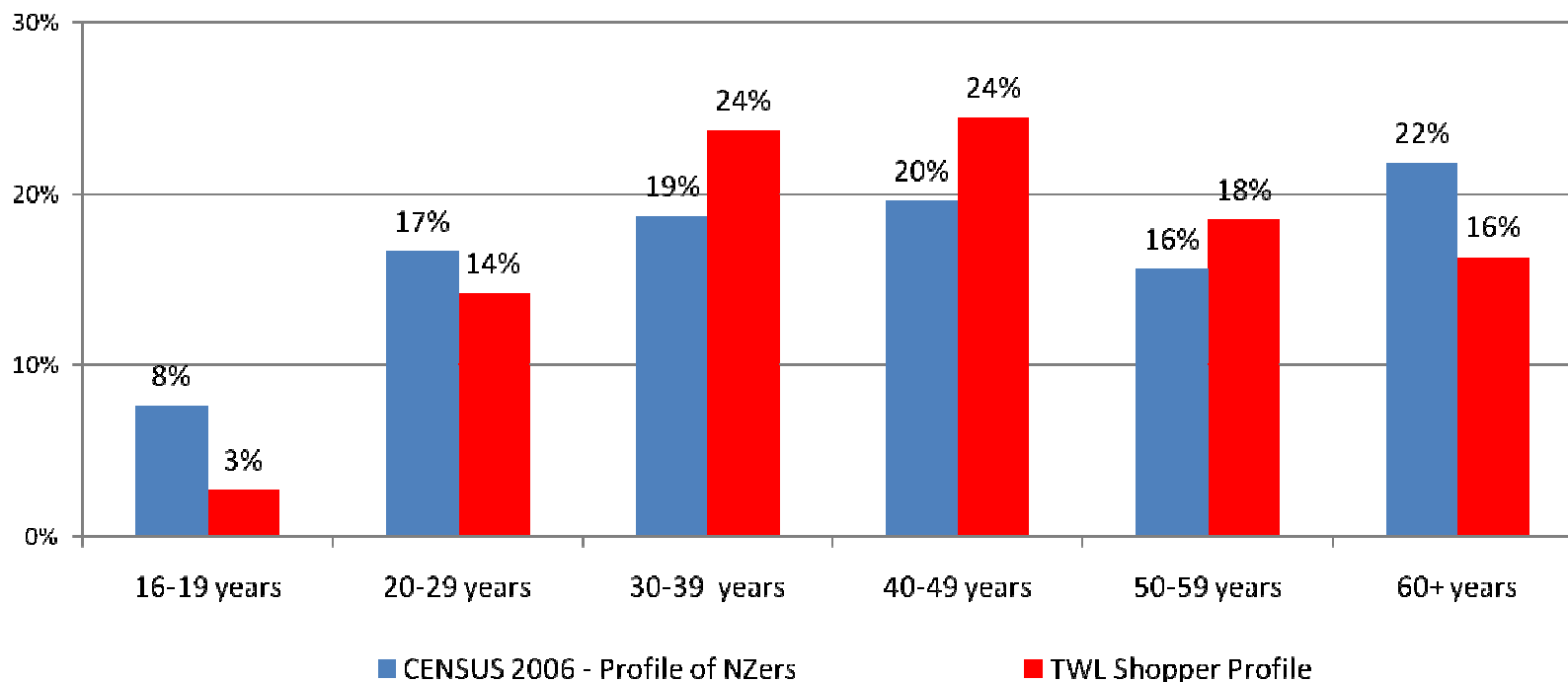
A typical Warehouse Stationery Store



Products 20% own label, 80% recognised brands and generics.

TWL Customer Profile

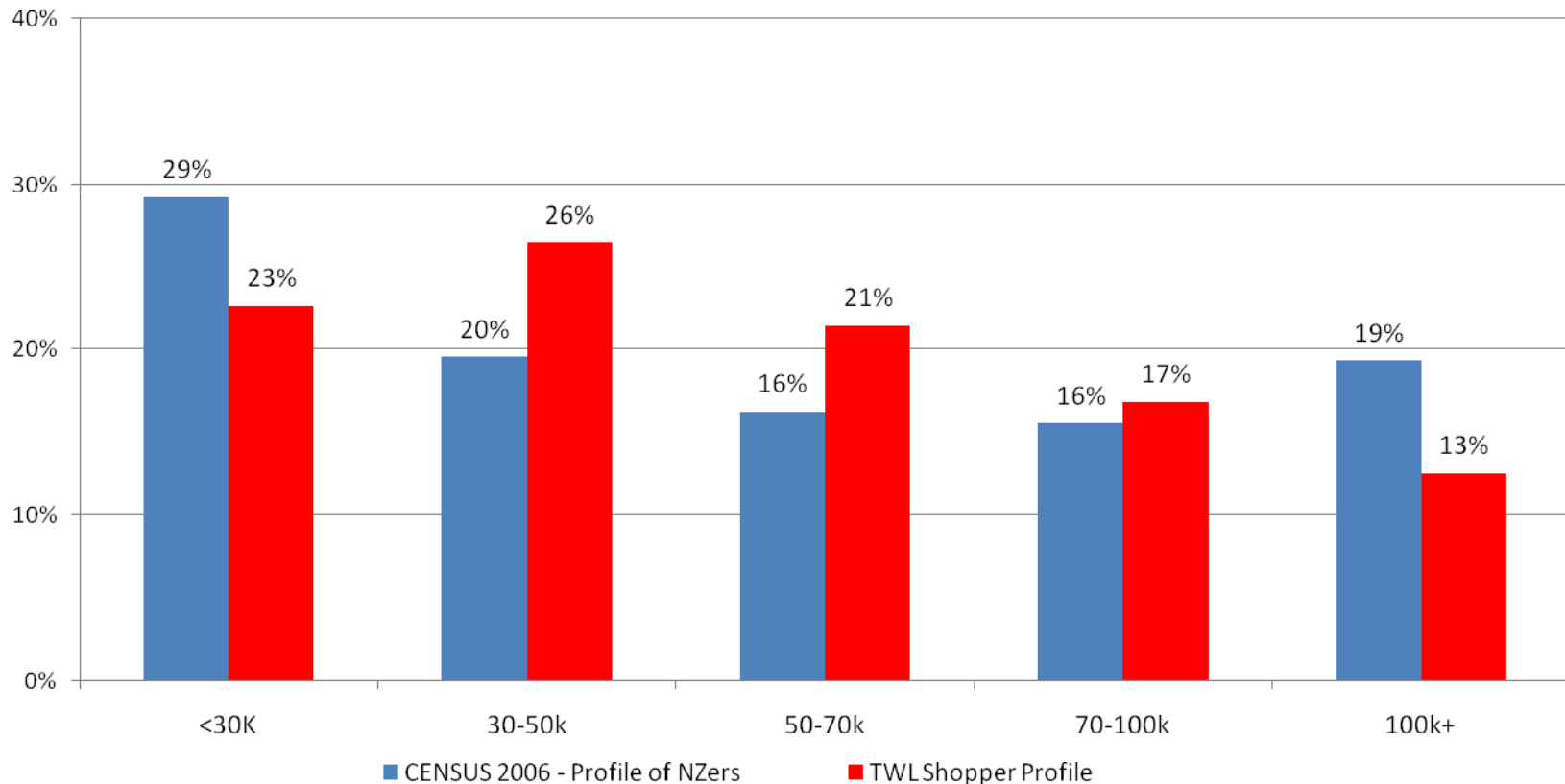
Age Group



- Over 900,000 transactions per week.
- 60% of New Zealanders shop at least once every quarter.

TWL Customer Profile

Household Income



- Serve all socio-economic groups but customer base predominantly lower and middle income earners and families.

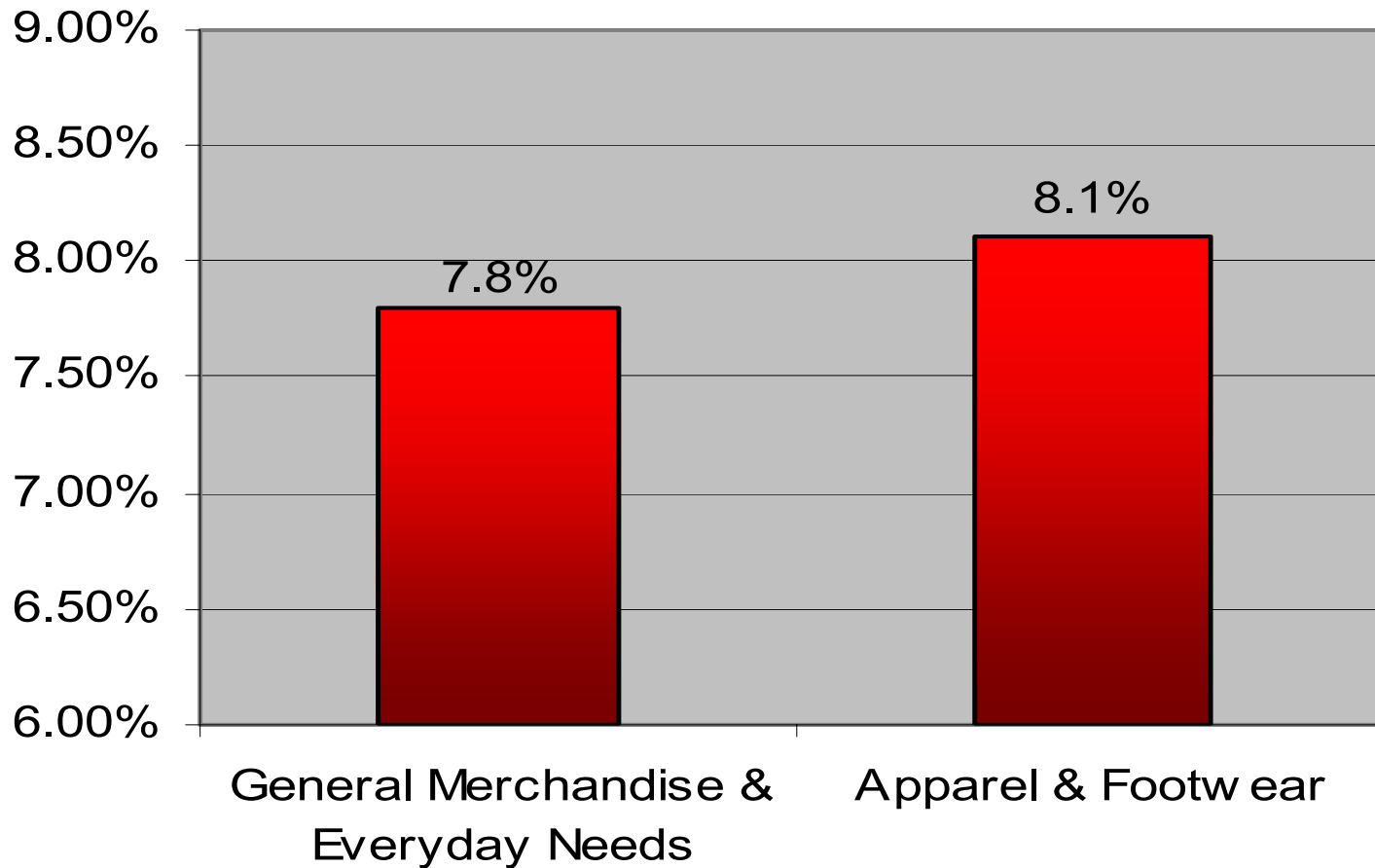
Large Format Chains

- Farmers
- Kmart
- Briscoes
- Bunnings, Mitre 10
- Harvey Norman

Specialist Stores

- Apparel and footwear
- Automotive
- Electronics and whiteware
- Furniture and homewares
- Other specialty retail

- TWL market estimated at NZ \$19 billion and highly fragmented.
- Increase in competitor footprint accelerated over last 5 years but will slow going forward.



TWL has a 7.9% share of extended compete.



Top 9 Countries			
China	56.9%	Thailand	1.4%
NZ	14.3%	Pakistan	1.2%
Australia	7.7%	Hong Kong	1.1%
USA	6.8%	Malaysia	0.8%
UK	1.7%		

Emerging countries
India
Vietnam

Shanghai Representative Office



Apparel Quality Control Centre, Shanghai

thewarehouse 
where everyone gets a bargain



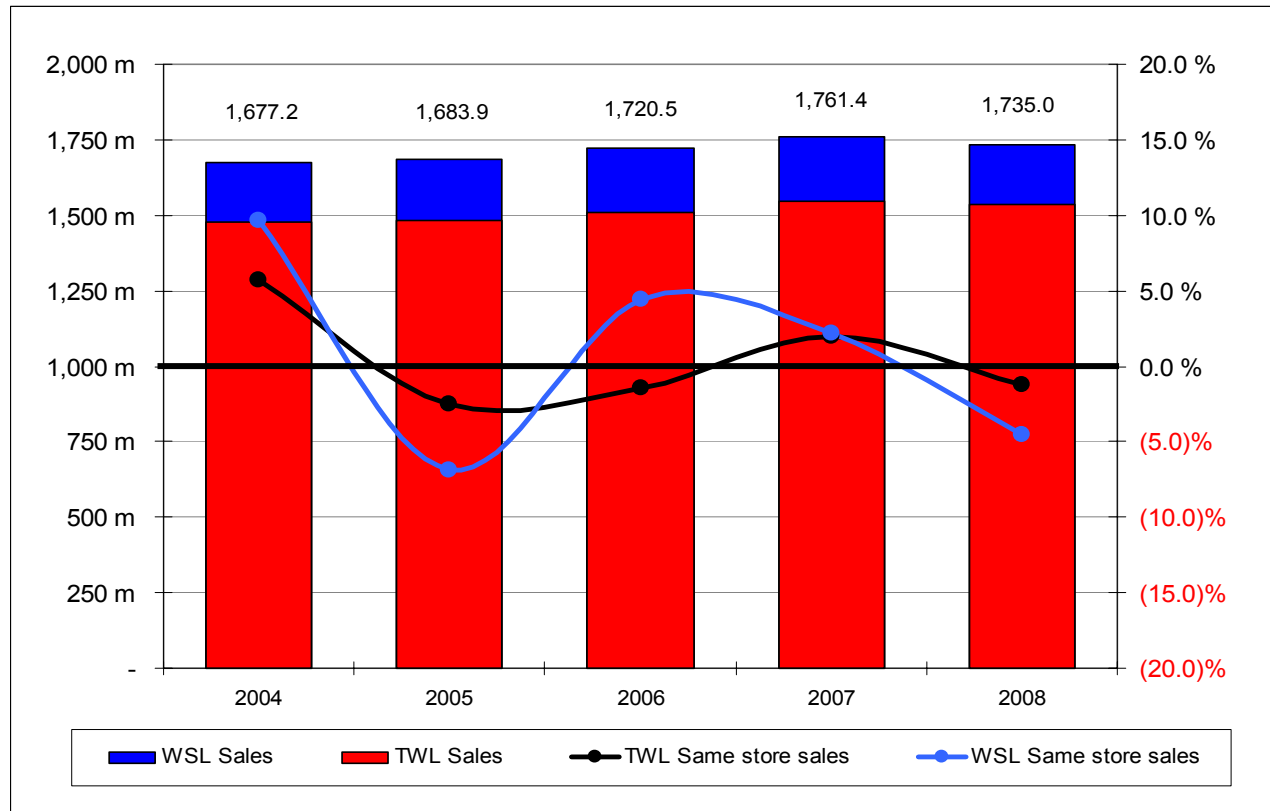


- Process 11,600 containers per year.
- 35% cross-docked. 65% “put away” and “pick & despatch”.

Sales History

Continuing Business

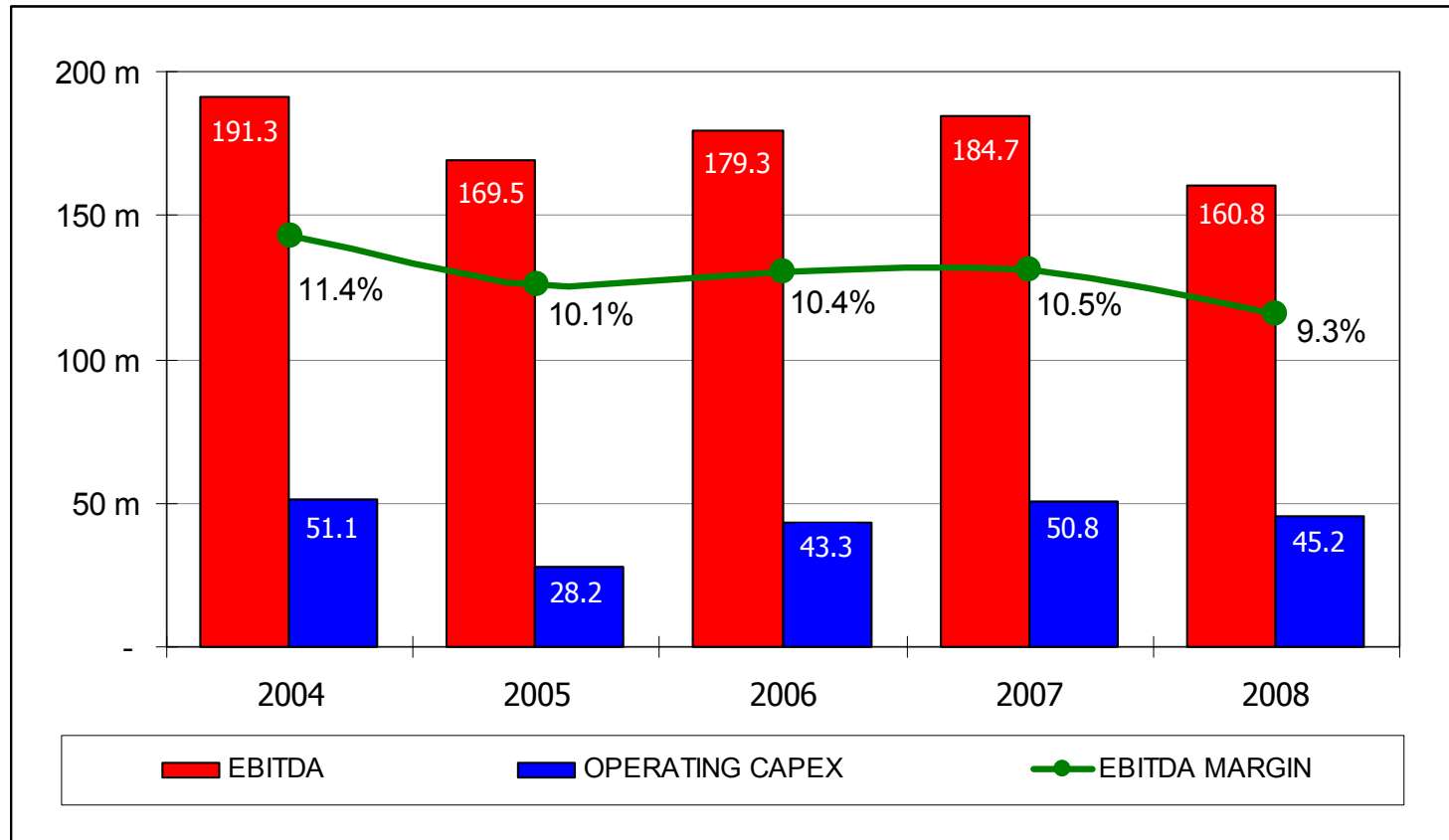
NZ \$ Millions



- CAGR 1.0% influenced by slow down in footprint growth and increasing competitor intensity.
- Specialty stores hit hardest during recessionary cycle.

Operating Earnings and Investment Continuing Business

NZ \$ Millions



- Consumption slow down evident from mid F08.
- Fixed costs grew faster than productivity gains.

- Shift in emphasis from value retailing to price led market share growth
- Everyday needs category established
- Cost reduction targets increased
- Capital expenditure programme moderated but no change to capital allocated for expansion
- Diversification of debt financing required to achieve tenure

- Conservative balance sheet and focus on cash flows.
- Maintained dividend rate at 21.0 cps.

- Footprint expansion over 5 years
 - Land bank development
 - Small store format
- Category growth
 - Everyday Needs
 - Apparel, footwear and jewellery
 - Home
- Multi-channel development
- Productivity improvement
- Continued investment in price leadership, stores and capability

Market share opportunity for TWL +1.0% over 3 to 5 years.



- Trading footprint 1,800m²
- Projected sales density 10% to 15% above national average
- High gross margin driven by product mix
- Net operating margin and ROFE lower than national average
- Key sensitivity cannibalisation

5 to 10 stores over the next 3 years.

- Experienced board and management
- Sound governance structure and processes
- Powerful franchise in “The Warehouse” brand
- Significant competitive advantage in national footprint
- Earnings predictability through economic cycles
- Strong cash generator able to fund capital requirements and maintain dividend yield
- Committed to community and environment

- Current P/E 14.0x and EV / EBITDA 7.5x on F09 forecast.
- F08 ROE 22.0%, ROFE 28.2%.

- Short term remains highly uncertain but period of economic downturn favours TWL positioning
- Positive momentum established
- Confident that competitive advantage can be leveraged for market share growth
- Balance sheet provides opportunity for expansion
 - Consumer spending will recover.
 - Well placed to come out of current environment in a strong position.



QUESTIONS