

To: NZX Limited

**Auckland
11 November 2022**

The Warehouse Group FY23 Q1 Trading Update

Record first quarter sales at The Warehouse as New Zealanders seek value

FY23 First Quarter Highlights:

- Group sales for the 13 weeks to 30 October 2022 ("FY23 Q1") were \$764.7 million, up 21.2% compared to FY22 Q1 and up 12.3% compared to FY20 Q1 (being the last pre-COVID comparative period).
- Record first quarter sales at The Warehouse of \$414.6 million, up 39.0% on FY22 Q1, as customers shopped for value with grocery sales up 76.2% and homeware sales up 32.2%.
- Foot traffic increased 61.4% across all brands in FY23 Q1 compared to FY22 Q1 as customers returned to store.
- Group gross profit margin was 32.3% in FY23 Q1, reduced from 32.9% gross profit margin in FY22 Q1.
- MarketClub membership reaches 800,000 members, delivering value to New Zealanders every day.

The Warehouse Group Limited ("the Group") today reported strong total Group sales of \$764.7 million for the FY23 first quarter ending 30 October 2022, up 21.2% on the same quarter in FY22, and up 12.3% on the same quarter in FY20 (being 13 weeks to 27 October 2019 and the last pre-COVID comparative period). FY22 Q1 was heavily impacted by COVID-19 lockdowns from 18 August 2021, including Level 4 for two weeks New Zealand-wide and five weeks in Auckland, with Auckland remaining in Level 3 for the remainder of the quarter.

Group CEO Nick Grayston said the result was a positive start to FY23 and continues the momentum seen in the second half of FY22.

"In the current environment with increased cost of living pressures, New Zealanders are continuing to seek great value across our brands with FY23 Q1 sales at The Warehouse at the highest level in our history.

"Every dollar counts for our customers, and we remain committed to keeping the price on key essentials as low as possible. We're seeing a shift in demand from premium categories, such as technology and home office equipment that experienced a lift in recent years, to growth in our great value essentials like grocery and homeware.

"We celebrate 40 years of The Warehouse this month and the relevance of offering New Zealanders affordable options on essential items is as important in 2022 as it was in 1982, when Stephen Tindall opened our first store.

"We are focused on offering affordable groceries to Kiwi families and our grocery sales increased 76.2% this quarter as customers sought fairer-priced alternatives at The Warehouse. We continue to see growing numbers of customers choosing to shop with us for food and pantry items as well as homeware, apparel and toys. We've also rolled out a new green garden customer experience across 23 stores, with a further 48 stores planned before the end of the calendar year.

While total Group foot traffic increased 61.4% compared to the prior period, Group online sales were \$81.8 million, a decrease of 56.6% compared to FY22 Q1 and down 5.7% compared to FY21 Q1. Extended lockdowns in FY22 Q1 saw record-high online sales when customers were unable to visit our stores. In FY23 Q1, online sales represented 10.7% of total Group sales compared to 30.1% in FY22 Q1 and 11.8% in FY21 Q1.

“Globally and here in New Zealand we are seeing a channel shift of customers back towards stores and we are well placed as an integrated retailer with our 249 stores across New Zealand and strong online platforms to support this. We also continue to see customers choosing a mix of both, with Click and Collect fulfilment making up 49.6% of online sales in FY23 Q1, increasing from 46.7% of online sales in FY22 Q1.”

Gross profit margin decreased 60 basis points from 32.9% in FY22 Q1 to 32.3% in FY23 Q1, primarily due to lower gross profit margin in The Warehouse due to category mix and greater promotional activity.

The Warehouse had a very strong quarter with sales of \$414.6 million, up 39.0% compared to FY22 Q1, and up 12.4% compared to FY20 Q1 (pre-COVID). Customers returned to shopping in store, with The Warehouse foot traffic up 66.7% compared to FY22 Q1. Customers continued their search for great value across our entire product range, with grocery continuing to accelerate with sales growth of 76.2% and homeware seeing growth of 32.2% compared to the prior year quarter.

Warehouse Stationery also had a strong quarter with sales of \$56.9 million, an increase of 18.0% compared to FY22 Q1, however a decrease of 9.7% compared to FY20 Q1 (pre-COVID). Due to our continued store-within-a-store (SWAS) integration programme, SWAS stores increased from 29 to 38 stores year on year, and standalone stores decreased from 41 to 30 stores at FY23 Q1. On a like for like basis, standalone stores' foot traffic increased 62.3% in FY23 Q1 compared to FY22 Q1. SWAS store foot traffic is included in The Warehouse store foot traffic.

Noel Leeming recorded sales of \$246.6 million, up 3.3% compared to FY22 Q1, and up 9.6% compared to FY20 Q1 (pre-COVID). Noel Leeming customers welcomed being able to come back into store and foot traffic increased 62.2% compared to FY22 Q1, with particular sales growth in smart home and whiteware categories but a softening in big ticket items.

Torpedo7 recorded sales of \$37.4 million. This represented growth of 9.4% compared to FY22 Q1 and sales growth of 57.1% compared to FY20 Q1 (pre-COVID), with three new stores opening in the last 12 months in Petone, Invercargill and Whangarei taking total stores to 24. Footwear, snow equipment and snow apparel saw particularly strong sales growth in the quarter compared to prior year.

TheMarket.com continues to grow with 47 million online sessions in the last 12 months – up 8% from the preceding 12 months. TheMarket.com range has continued to expand with 5 million active products and over 6,700 brands on offer from over 1,100 merchants. The launch of Marketplace onto www.thewarehouse.co.nz is an exciting new channel for TheMarket.com that will drive ongoing Gross Merchandise Value growth this year.

Our **MarketClub** loyalty programme continues to go from strength to strength with nearly 800,000 members across The Warehouse and TheMarket.com platforms, up from 600,000 at FY22 year end.

Outlook

“The global economic environment continues to be volatile and unpredictable and local conditions are seeing New Zealanders having to make challenging trade-offs as they manage their household budgets. Looking ahead, we are well positioned as we move toward the Christmas and Summer peak trading period with good levels of stock across all our brands, despite ongoing supply chain constraints,” said Grayston.

Dividends

At the FY22 Annual Results, the Board announced a fully imputed final dividend of 10.0 cents per share. The record date for the FY22 final dividend is 17 November 2022 and it will be paid on 2 December 2022.

2022 Annual Meeting

The Warehouse Group 2022 Annual Shareholders' Meeting will be held on Friday 25 November 2022 at 10.00am (New Zealand time) at the Ellerslie Event Centre, Auckland, and online through the Computershare meeting platform. Please refer to the Notice of Meeting which was sent to shareholders and released to the NZX on 26 October 2022 for further information, including how to participate online.

ENDS

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The Warehouse Group Limited

Quarterly Sales

Reporting Period	13 weeks to 30 October 2022
Previous Reporting Period (2022)	13 weeks to 31 October 2021
Previous Reporting Period (2021)	13 weeks to 1 November 2020

Quarterly Retail Sales information:

First quarter sales (1 August 2022 to 30 October 2022)	Sales 2023 (\$ Million)	Sales 2022 (\$ Million)	Sales 2021 (\$ Million)	Change in sales vs 2022	Change in sales vs 2021
The Warehouse	414.6	298.2	379.5	+ 39.0 %	+ 9.2 %
Warehouse Stationery	56.9	48.2	61.8	+ 18.0 %	- 7.9 %
Noel Leeming	246.6	238.7	250.8	+ 3.3 %	- 1.7 %
Torpedo7	37.4	34.2	33.8	+ 9.4 %	+ 10.7 %
Total Group ¹	764.7	630.7	738.5	+ 21.2 %	+ 3.5 %

Store Numbers	The Warehouse		Noel Leeming		Warehouse Stationery		Torpedo7	
	2023	2022	2023	2022	2023	2022	2023	2022
Start Quarter 1	89	90	68	71	68	70	24	21
End Quarter 1	88	90	68	71	68	70	24	21

Store footprint (Square Metres)	The Warehouse		Noel Leeming		Warehouse Stationery		Torpedo7	
	2023	2022	2023	2022	2023	2022	2023	2022
Start Quarter 1	479,900	487,553	83,064	83,672	56,638	63,684	31,200	27,030
End Quarter 1	473,359	486,051	83,064	85,541	52,452	62,867	31,200	27,030

Store changes during the quarter	New store	Replacement store	Store closure	Store extension/ reduction
The Warehouse	-	-	1	3
Warehouse Stationery	-	-	-	3
Noel Leeming	-	-	-	-
Torpedo7	-	-	-	-

Note:

1) Total Group sales includes TheMarket segment, eliminations and other Group operations in addition to the 4 main retail operations detailed above.