

The Warehouse Group Limited Fixed Rate Bond Offer

Roadshow Presentation

March 2010

Presenter Group



Keith Smith
Chairman

Ian Morrice
Managing Director

Luke Bunt
Group Chief Financial Officer

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Craigs Investment Partners

- Offer Summary
- Business Overview
- Financial Performance
- The Bonds
- Offer Structure
- Questions

Offer Summary



Issuer:	The Warehouse Group Limited (“TWG”)
Instrument:	Fixed rate, unsubordinated, unsecured bonds
Issue amount:	Up to \$100 million (no oversubscriptions)
Tenor:	5 years (maturity date 15 June 2015)
Interest rate:	Minimum interest rate and issue margin to be set following the bookbuild on 23 March Interest rate set on 28 April
Interest payments dates:	First interest payment to original subscriber on 15 June 2010 Interest paid semi annually on 15 December and 15 June each year thereafter
Key features:	Negative pledge Gearing and interest cover covenants Change of control protection Guaranteeing group
Listing:	NZDX
Lead Manager:	Craigs Investment Partners Limited
Co-managers:	ANZ, part of ANZ National Bank Limited, Bank of New Zealand and Forsyth Barr Limited
Trustee:	The New Zealand Guardian Trust Company Limited

Business Overview

The Warehouse



FY09 sales \$1,531m

- 86 large format destination discount department stores
- Store footprint 467,596m²
- Approximately 8% market share of the New Zealand non-food retail market¹, a market estimated to be worth over \$19 billion per year
- Products approximately 55% own label and 45% recognised brands and generics
- Employs over 6,200 people



¹ As at January 2010

Warehouse Stationery

the warehouse 
where everyone gets a bargain

**warehouse
stationery** 

FY09 sales \$187m

- 47 stores offering a full range of office furniture, business machines, stationery products, consumables, copying and desktop publishing services
- Store footprint 56,101m²
- Products approximately 20% own label and 80% recognised brands
- Employs over 800 people



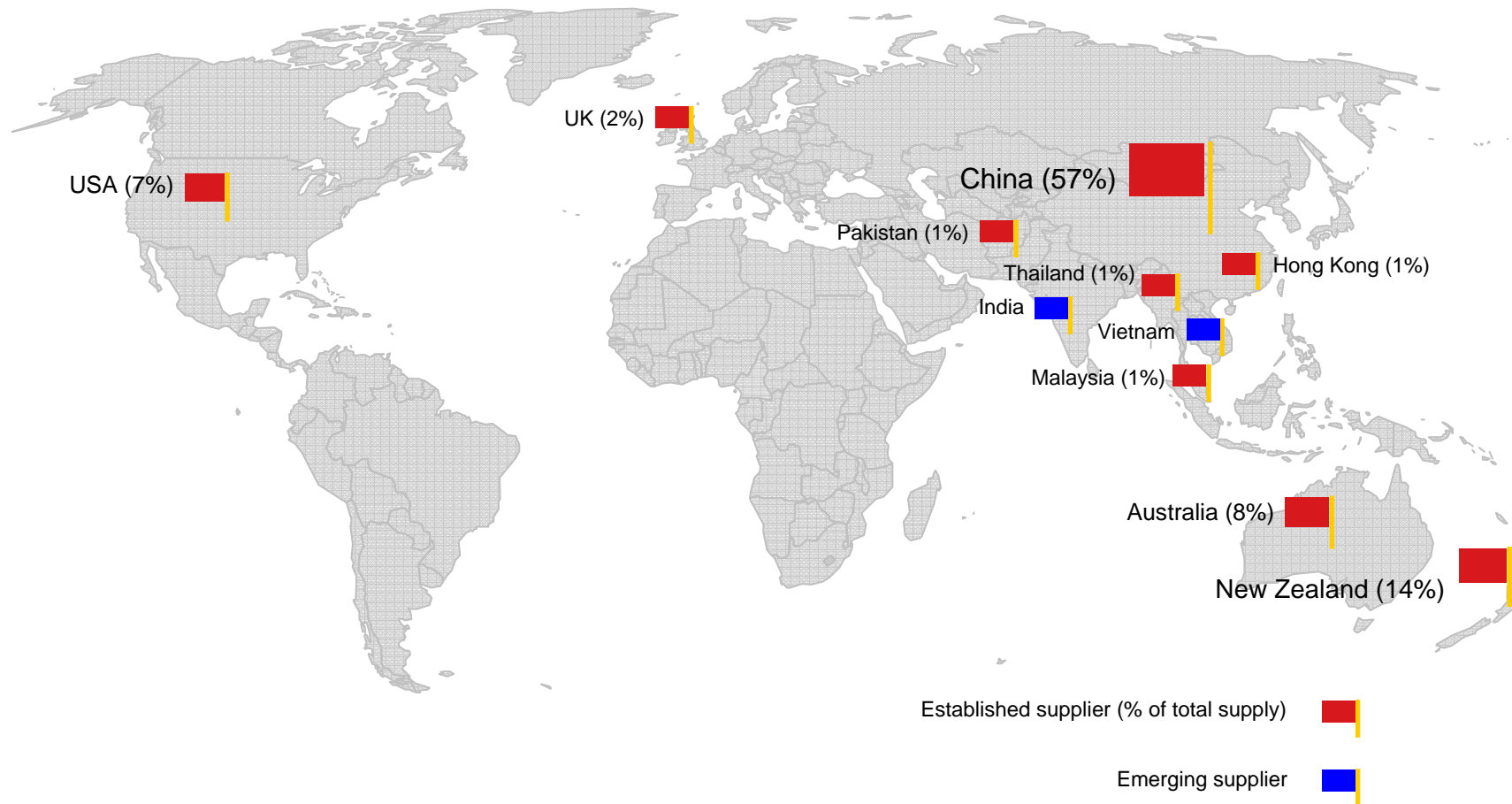
Property Portfolio



- 90% of properties operated in New Zealand are leased
- Ownership is retained or sought where property is considered strategic
- TWG owns nine Red Sheds and two Blue Shed stores, the Red Shed North Island Distribution Centre, Auckland Reverse Logistics Facility and the Auckland Support Office
- Four major land holdings for development



Sourcing Profile



Growth Drivers



Footprint expansion

- Five to eight new or replacement TWL stores over 5 years
- Land bank development a key focus in TWL
- Seven to ten new or replacement WSL stores over 5 years

Store format development

- 17 largest stores rebranded “The Warehouse Extra”

Modular based category growth

- Apparel, footwear and jewellery
- Homewares and sporting goods
- Everyday Needs

Multi-channel development

- NZ online retail remains relatively untapped

Plus

- Continuous cost reduction
- Ongoing investment in price leadership and store execution

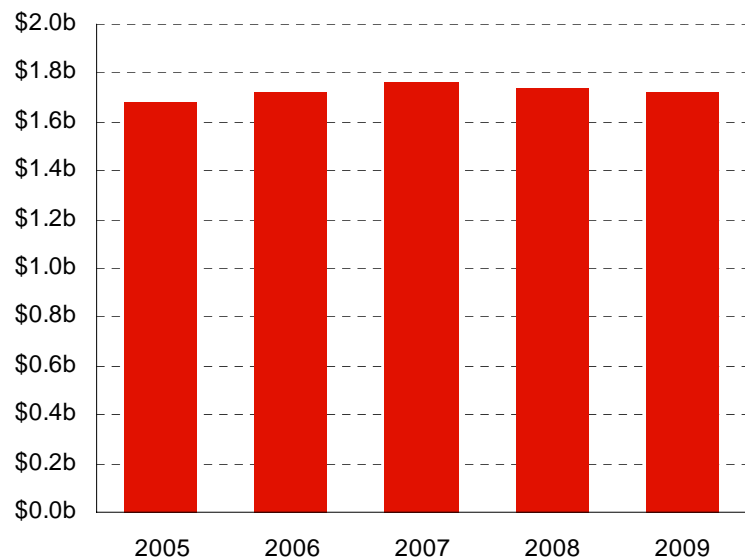


Financial Performance

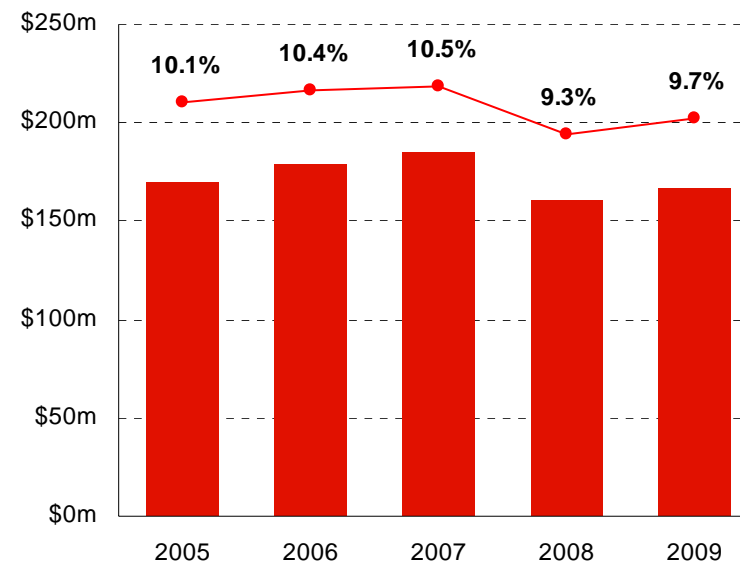
Five Year Financial Summary



Revenue



EBITDA & EBITDA margin



- Group revenue \$918.9 million for HY10, down 0.5% on HY09
- EBITDA \$103.8 million for HY10, down 0.8% on HY09
- EBITDA margin for HY10 flat on HY09 at 11.3%

Notes:

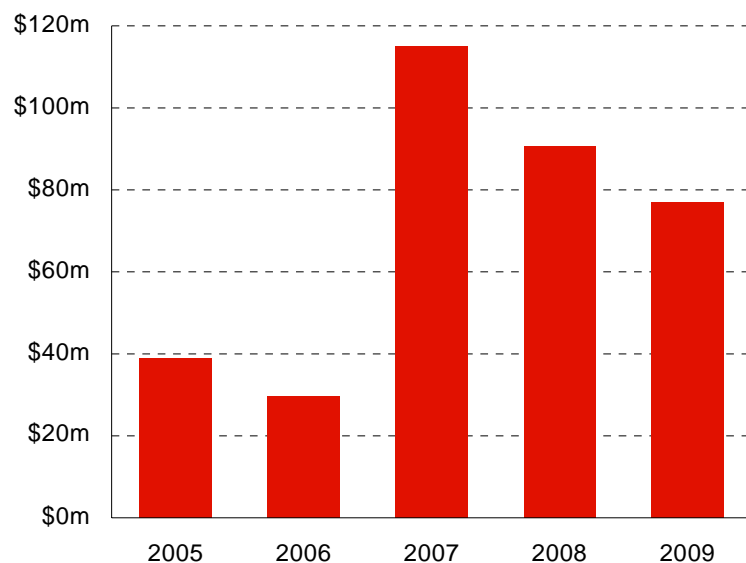
Accounts prepared under NZ IFRS for 2007 – 2009, NZ GAAP for 2005 – 2006

The 2009 year comprised 53 weeks (52 weeks 2006 – 2008)

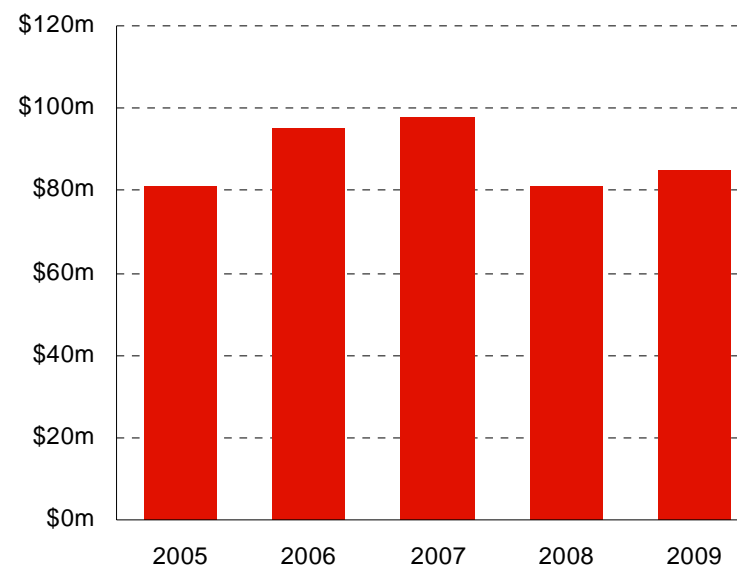
Five Year Financial Summary (cont'd)



Reported NPAT



Adjusted NPAT



- Reported NPAT \$57.4 million for HY10, up 17.3% on HY09
- Adjusted NPAT \$57.0 million for HY10, up 0.4% on HY09

Notes:

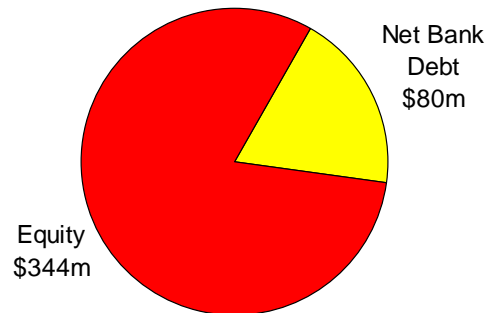
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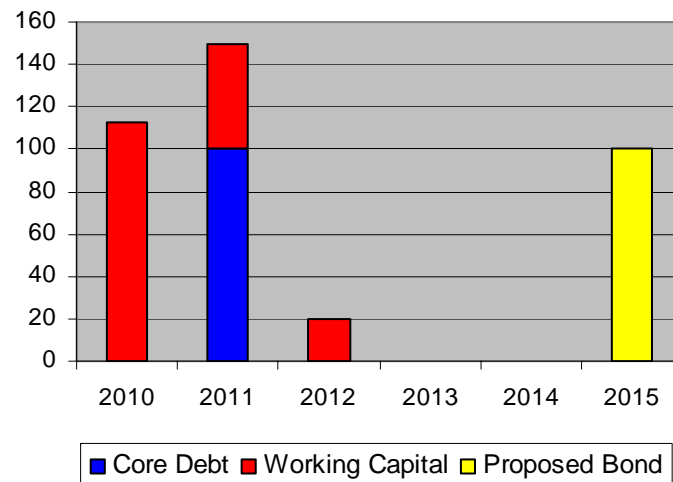
- TWL achieving sales increases in growth categories but not yet sufficient to offset impact of exit from fresh food and liquor and sales shortfall in other areas.
- Positive momentum established in Warehouse Stationery with sales up 8.7% and EBIT up 139%.
- Cost reduction and productivity initiatives achieving planned outcomes.
- Improvement in Group operating margin achieved in F09, sustained at 9.1% in HY10.
- The underlying non-food retail market is expected to continue showing gradual improvement but is likely to remain promotionally driven.

Capital Structure / Maturity Profile

Capital structure



Maturity profile



Note: Capital structure and maturity profile as at 31 January 2010

■ \$100m Fixed Rate Unsecured Bonds

- Extends maturity profile out to 2015
- Diversifies funding sources

■ Balance of funding including seasonal facilities provided by trading banks

- More than \$170m undrawn as at 31 January 2010
- Peak 2009 draw down \$230 million, October/November

■ Dividend policy is to pay out 75% of adjusted NPAT

- Beyond 75%, policy to return surplus cash to shareholders if no immediate growth opportunities, historically by way of special dividend

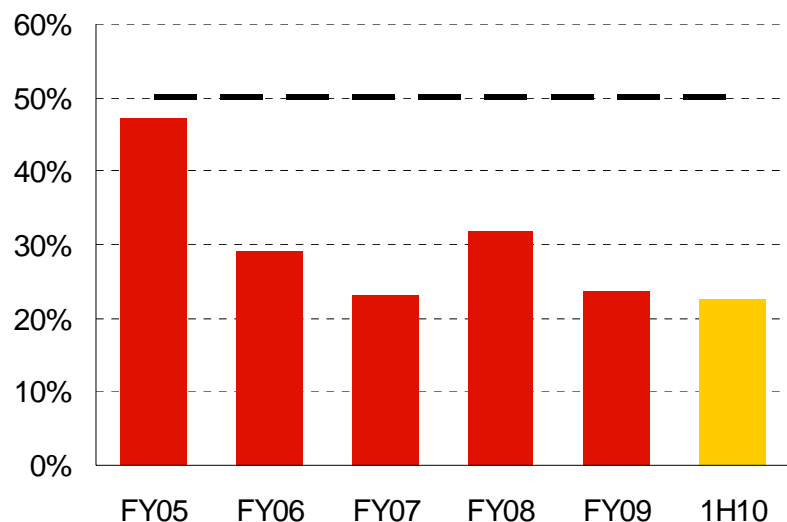
The issue of bonds is primarily being undertaken to:

- Better align the maturity profile of The Warehouse Group's debt financing with its medium to long term capital program
- Manage funding risk by diversifying the Group's sources of funds.

Banking Covenants under Negative Pledge

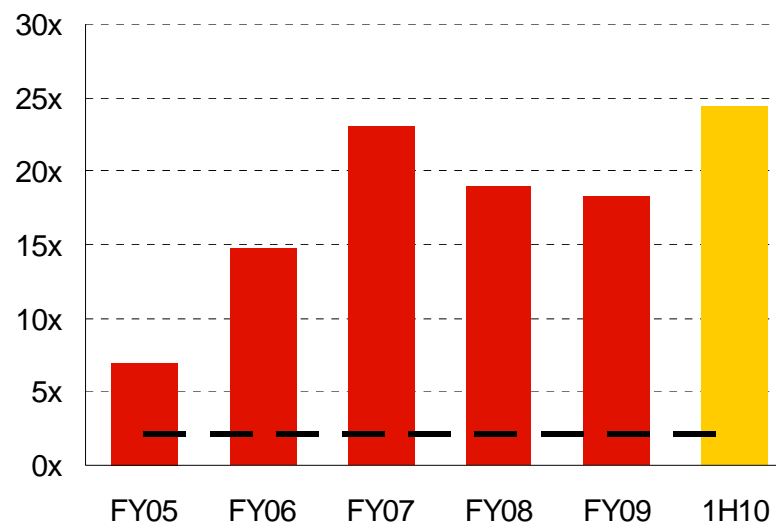


Gearing ¹



--- Covenant level

Interest cover ²



- Ratios well within covenants. Prudent financial management through the cycle has ensured TWG's strong financial position.

¹ Total Debt / Total Debt + Equity

² EBIT (Operating Profit) / Net Interest Expense

Key Credit Strengths



Iconic New Zealand brand, established in 1982

Strong and stable cash flow

Conservative capital structure

Experienced board and management

Competitive advantage in national footprint

Diversified product range



The Bonds

Key Features

- Fixed coupon rate
- Semi-annual interest payments
- 5 year tenor, maturing 15 June 2015
- Rank equally with unsecured bank debt
- Guaranteeing group¹
- Negative pledge
- Gearing and interest cover covenants
- Change of control protection

¹ Please see slide 27 for further information about the nature and amount of the guarantee and the identity of the initial guarantors of the Bonds

Guaranteeing Group

- Total tangible assets of the Borrowing Group to be 90% or more of the total tangible assets of the Group
- Non-Borrowing Group EBIT not to exceed 10% of Group EBIT

Negative pledge

- Security interests cannot exceed 10% of total assets (or 5% of total assets if temporary prior ranking debt is excluded)

Gearing

- Total debt to total debt plus equity not to exceed 50% at any time, except for the October quarter where it must not exceed 60%

Interest cover

- Group EBIT (operating profit) must be at least 2x Group net interest for the 12 month period ending on every annual and semi-annual balance date

Change of Control protection

In the event of a change of control (offeror controls >50% of voting rights):

- TWG may elect to redeem all of the Bonds at the principal amount (plus accrued interest) plus the change of control call premium; or
- If the Bonds are not called, Holders may elect to require the redemption of all the Bonds they hold at the principal amount (plus accrued interest). No change of control call premium will be payable
- If more than 75% of the Bonds are put by holders, TWG can exercise a clean up call for the remaining Bonds. No change of control call premium will be payable

Change of Control Call Premium

Date Bonds called	Premium
Prior to (and including) 15 June 2011	\$0.03
From 16 June 2011 to (and including) 15 June 2012	\$0.02
From 16 June 2012 to (and including) 15 June 2013	\$0.01
From 16 June 2013 to Maturity Date	\$0.00

Offer Structure

Bookbuild Process

- NZX Firms, institutional investors and other approved parties invited to participate in the bookbuild process

Firm Offer and Public Pool

- Allocations to the Firm Offer and Public Pool (if any) will be determined by the Issuer and the Lead Manager as part of the bookbuild process

Minimum Applications

- \$5,000 and multiples of \$1,000 thereafter

Fees

- Firm fees of 0.50% to those participating in the bookbuild
- Retail brokerage fee of 0.75% capped at \$15,000 per individual application (\$2 million)

An opportunity to invest in The Warehouse Group Bonds

The Warehouse Group is one of New Zealand's largest and best known retailers, operating 86 The Warehouse stores and 47 Warehouse Stationery stores, generating sales in excess of \$1.7 billion during the 2009 financial year.

The Warehouse Group Bonds are unsecured, unsubordinated fixed rate bonds that mature on 15 June 2015, with interest paid semi-annually in arrears. The minimum interest rate for the Bonds will be set on or before 23 March 2010. The final interest rate payable on the Bonds will be announced on or about 28 April 2010 and will not be less than the minimum interest rate.

All applicants will need to complete the application form in the Prospectus. To obtain a Prospectus free of charge contact the lead manager, one of the co-managers or your financial adviser. A copy of the Prospectus is also available at www.thewarehouse.co.nz/bonds.

Offer opens 24th March 2010.

The minimum application amount is \$5,000 (and multiples of \$1,000 thereafter). Application has been made to NZX for permission to list the bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of this announcement have been duly complied with. However, NZX accepts no responsibility for any statement in this document. NZX is a registered exchange, regulated under the Securities Market Act 1988.

Lead Manager



INVESTMENT PARTNERS
0508 226 226

Co-Managers



0800 269 476



0800 275 270



FORSYTH BARR
0800 367 227

thewarehouse 

Offer Timetable



Prospectus has been registered, advisers are able to discuss the offer with their clients prior to bidding firm

Prospectus registered	12 March
Roadshow presentations	15 – 17 March
Bookbuild	22 March, 12pm
Minimum interest rate and issue margin set	23 March
Firm allocations notified	23 March
Offer opens	24 March
Offer closes	23 April, 3pm
Issue date	28 April
Expected date of listing and quotation on the NZDX	29 April

Additional Information



This document does not constitute a recommendation by The Warehouse Group Limited (“Issuer”), Craigs Investment Partners Limited, (“Lead Manager”), ANZ, part of ANZ National Bank Limited, Bank of New Zealand and Forsyth Barr Limited (“Co-managers”), or The New Zealand Guardian Trust Company Limited (“Trustee”) nor any of their respective subsidiaries or related companies, directors, officers, employees or agents to subscribe for, or purchase, any of the Bonds. The Issuer, the Lead Manager, the Co-managers and the Trustee, and their respective subsidiaries or related companies, directors, officers, employees and agents accept no liability whatsoever for any loss arising from this document or its contents or otherwise arising in connection with the offer of Bonds.

This document is for preliminary informational purposes only and is not an offer to sell or the solicitation of an offer to purchase or subscribe for the Bonds and no part of it shall form the basis of or be relied upon in connection with any contract or commitment or whatsoever. The information in this document is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed. You should not decide to purchase the Bonds until you have read the simplified disclosure prospectus relating to the Bonds.

The Issuer intends to offer the Bonds to the public in New Zealand and to investors in other jurisdictions where the Bonds may be lawfully offered. No action has been or will be taken by the Issuer which would permit an offer of Bonds to the public, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

The Bonds constitute unsecured, unsubordinated, interest bearing debt obligations of the Issuer ranking equally and without any preference among themselves and equally with all other unsecured and unsubordinated obligations of the Issuer.

Application has been made to NZX Limited (NZX) for permission to list the Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of this presentation have been complied with. However, NZX accepts no responsibility for any statement in this presentation. NZX is a registered exchange (as defined in section 2(1) of the Securities Market Act 1988).

Pursuant to the trust documents certain subsidiaries of the Issuer guarantee all payments due and payable on the Bonds on an unsecured and unsubordinated basis. As at the date of the Prospectus, the guarantors are The Warehouse Limited, The Warehouse Nominees Limited, The Warehouse Card Limited, Boye Developments Limited, Warehouse Stationery Limited, Eldamos Investments Limited, Eldamos Nominees Limited, The Warehouse Cellars Limited and TWL Products Limited. These guarantors may change from time to time in accordance with the trust documents.



Questions?