



# 2014 Annual Shareholders' Meeting

Friday, 21 November 2014



# Order of Business

- |  |   |
|--|---|
| 1. Welcome and Chairman's Address  | Ted van Arkel, Chairman                       |
| 2. CEO Presentation  | Mark Powell,<br>Group Chief Executive Officer |
| 3. Business of the meeting <ul style="list-style-type: none"><li>▪ Re-election of Directors</li><li>▪ Auditor</li><li>▪ General Business</li></ul> | Ted van Arkel, Chairman                       |
| 4. Refreshments  |   |



# Board of Directors and Group CEO

## Board

- Ted van Arkel (Chairman)
- Keith Smith (Deputy Chairman)
- Sir Stephen Tindall
- James Ogden
- Tony Balfour
- John Journee
- Vanessa Stoddart

## Group Chief Executive Officer

- Mark Powell



# 2014 Annual Meeting

- Apologies
- Proxies
- 2013 Annual Meeting Minutes
- 2014 Annual Report





# Chairman's Address

**Ted van Arkel**



# Chairman's Introduction

- In the last year we have continued the significant reshaping of the company
- In December 2013 acquired R&R Sport, now integrated into Torpedo7 Group along with No.1Fitness and Shotgun Supplements
- In March 2014 acquired Diners Club (NZ) providing a base, in line with strategy, to be a leading NZ Retail Financial Services Company
- Completed a \$115m capital raising to strengthen the balance sheet comprising a \$100 million Private Placement and \$15 million Share Purchase Plan
- The Red Sheds have had 14 quarters of positive same-store sales despite unseasonably warm winter



# Chairman's Introduction

- Rebranding around “Work, Study, Create, Connect” has seen 20 quarters of same-store sales growth in Warehouse Stationery
- Noel Leeming launched its rebranding, based on delivering the right product at the right price, with leading services, delivered through passionate people
- Last year announced the introduction of the Career Retailer Wage. Positive impact on our teams
- Continue to leverage scale and build competitive advantage including the ongoing development of key strategic supplier relationships and leveraging group sourcing expertise and logistics capabilities



# 2014 Result Overview and Dividend

- Sales for the 2014 year were \$2.65 billion compared to \$2.24 billion last year
- Net profit after tax, after adjusting for unusual items, was \$60.7 million which was in the range previously indicated to the market
- Operating cash flow in F14 was \$76.6 million
- Final dividend of 6.0 cents per share has been declared bringing total ordinary dividends for the year to 19.0 cents per share, consistent with market guidance
- The final dividend will be paid to shareholders on 11 December 2014





# Retail Environment

- The economy grew strongly in the first half of 2014 but the pace appears to be slowing, particularly with signs of some pressure in the agricultural sector
- Households and businesses continue to be mindful of debt
- We are not factoring any particular headwinds or tailwinds into planning



# Group Outlook

- Earnings are significantly influenced by the Christmas trading performance with guidance only provided post Christmas
- Trading over the last few weeks has been softer than our plan, which emphasises the importance of the upcoming Christmas trading over the next six weeks. Having said that our plan for the full year F15 is still to deliver adjusted NPAT above that of the full year F14 as previously indicated
- Subject to any event or material change in trading conditions that may trigger a continuous disclosure obligation, earnings guidance will be provided at the time of the half year result announcement in March 2015





# CEO Presentation

**Mark Powell**  
**Group Chief Executive Officer**



# Group Strategy



- **Vision:** “To build a 100 year company that delivers long term sustainable profit growth and helps Aotearoa New Zealand flourish”
- **A Trading Group with:**
  - Multiple business units
  - Clear strengths and core competencies that can add value to each trading business unit
- **Clear Strengths and Core Competencies**
  - New Zealand scale
  - Understanding the New Zealand Customer, Market and Channels better than anyone else
  - Sourcing, Logistics & Retail expertise
  - Our people and a best practice Way of Working and Culture

# Group Strategy



- **Synergy: Leveraging Group Strengths & Core Competencies**
  - While still remaining “Customer Led, Brand/Store Focused and People Centered”
- **Grow existing businesses and identify new trading/retail verticals**
  - Grow existing business verticals
  - Start-up/Partner/Acquire where we can leverage core competencies to have a strong competitive position in a trading/retail vertical
- **Current Focus**
  - After a period of acquisitions over the last two years, in F15 we will consolidate and leverage the current business portfolio with no major acquisitions planned

Building for the Future and Delivering Today...

# TW Group's 5 Strategic Priorities

**1 Keep the 'Red Core' Strong**

**2 Grow 'Non Red' Profit to be as large as 'Red'**

**3 Be the Leading Multichannel & Digital Retailer in NZ**

**4 Be a Leading NZ Retail Financial Services Co.**

**5 Leverage Group Competencies & Scale**



## 1 Keep the 'Red Core' Strong

- **Improvement in brand perception with customers**
  - Three and a half years of sales growth after seven years of decline
  - Transaction growth
  - Some declining categories but ongoing growth in Home, Sporting, Apparel, Jewellery and Consumables
  - “House of Bargains” and “Home of Essentials” strategy allows us to compete across the board
  - Better products, with improved own brand private labels & well known brands
  - Better prices, with strong entry level essentials prices and exciting bargains
  - Better store environment, with refit program now at critical mass
  - Better service, with “Love Your Customer” training

## 1 Keep the 'Red Core' Strong

- **Improvement in Team Engagement**
  - Clear Retail Career Pathway
  - Red Shirts in Schools, learning pathway, Career Retailer Wage, to Massey Retail Degree
  - An engaged team will be committed not merely compliant
- **Red Sheds stronger but this has required significant investment**
  - Not yet translating into profit growth
  - Competition continues to be intense
  - A disrupted retail environment

Good defensive progress but more still to do...



# TW Group's 5 Strategic Priorities

## 2 Grow 'Non Red' Profit to be as large as 'Red'

- **Warehouse Stationery**

- "Work, Study, Create, Connect"
- Rebrand one year ago
- Over five years of growth



- **Noel Leeming**

- Rebrand in September 2014
- Right Product, Right Price, Leading Services, Passionate People, Expert Service



- **Torpedo7**

- A new outdoor, adventure sport business
- Rebrand in October 2014
- "Bricks & clicks"



Warehouse Stationery is a model for what we can achieve,  
with Noel Leeming and Torpedo7 just starting the journey

# TW Group's 5 Strategic Priorities



**3**

## **Be the Leading Multichannel & Digital Retailer in NZ**

- **All Group Businesses are now fully 'multichannel enabled'**
  - Online, 'Click & Collect', 'Endless Aisles', Apps, Wifi in store, RedAlert
  - Already second most visited trading websites in NZ after Trademe
- **ShopHQ a 'learning lab'**
  - Pet.co.nz, Baby.co.nz
- **Becoming 'digitally enabled'**
  - The importance of data
  - The move to digital marketing

Mobile is changing the world, with huge disruption and uncertainty however, clicks and bricks are proving to be highly competitive

## 4 Be a leading NZ Retail Financial Services Co

- **Acquisition of Diners Club NZ**
  - Provides a base infrastructure for building our own Finance Business
  - We have a strong team and the systems base is being built
- **Transition from the Westpac JV to our own Finance Business**
  - Progressing well
- **Launch of new financial services products**
  - First phase of instalment/hire purchase product 'Marble' just launched
  - The first scheme cards will be in place in mid/late 2015
  - The finance book will build from there

We aim to have a scale Finance Business that supports the core retail business and contributes material profit from F17 onwards

## 5 Leverage Group competencies & Scale

- **Property & Shared Support Services**
  - Hamilton Central, Te Rapa, Whangarei, Sylvia Park, ex Good Guys sites
  - Logistics, the move of Warehouse Stationery into NIDC
- **Product Sourcing**
  - China Sourcing Office
  - Technology & Appliance brands into The Warehouse
- **People & Way of Working**
  - A Customer Led, People Centered continuous improvement culture

Each Brand is independent from a customer perspective, but leverages the Group where it helps them to be stronger

# TW Group's 5 Strategic Priorities



## 5 Leverage Group competencies & Scale

### Community and Environment

- In 32 years communities have raised over \$26m for local groups and charities
- Distributed over \$3.5 million in F14, includes:
  - National Fundraising Programme \$1.4m
  - Regional/Local Fundraising \$1.25m
  - Customer Choice / “Bags for Good” Programme \$491,516
  - In store coin collection boxes \$124,717
  - Community BBQs (x 68) \$569,984
  - Partnerships committed to in F15 with key charity partners



NEW ZEALAND  
FALLEN HEROES  
TRUST



brighter futures for kiwi kids



WOMEN'S REFUGE





“To build a 100 year company that delivers long term sustainable profit growth and helps Aotearoa New Zealand flourish”





# Chairman Ted van Arkel



# Board of Directors

- Your board is comprised of directors with a mix of qualifications, skills and experience appropriate to the company's existing operations and strategic direction





# Re-election of Directors



# Resolution 1 – Re-election of Keith Smith

To re-elect Keith Smith as a director of the company

- Deputy Chairman and Independent Non-Executive Director
- First appointed 10 June 1994
- Chairman of the Disclosure Committee
- Member of the Audit Committee and People and Remuneration Committee
- Unanimously endorsed by the Board



# Resolution 2 – Re-election of Ted van Arkel

To re-elect Ted van Arkel as a director of the company

- Chairman and Independent Non-Executive Director
- First appointed 1 July 2011
- Member of the Audit Committee, People and Remuneration Committee and Disclosure Committee
- Unanimously endorsed by the Board



## Resolution 3 – Auditors

That the Directors are authorised to fix the fees and expenses of PricewaterhouseCoopers as auditor for the ensuing year.

# General Business



# Voting Procedure





**Thank you for attending the  
2014 Annual Shareholders'  
Meeting**

the warehouse //

WS warehouse  
stationery

nl noel leeming

Torpedo7

THE  
WAREHOUSE  
GROUP  
FINANCIAL SERVICES