



The Warehouse Group 2013 Annual Shareholders' Meeting

Friday, 22 November 2013

Order of Business

1. Welcome and Chairman's Address
2. Strategy Update
3. Vote of thanks
4. Business of the meeting
 - Election and re-election of Directors
 - Auditor
 - Special Business
 - General Business
5. Refreshments

Graham Evans, Chairman

Mark Powell,
Group Chief Executive Officer
Sir Stephen Tindall, Founder
Graham Evans, Chairman

Board of Directors

- Graham Evans
- Keith Smith
- Sir Stephen Tindall
- Tony Balfour
- John Journee
- James Ogden
- Janine Smith
- Vanessa Stoddart
- Ted van Arkel

Key Executives

- Mark Powell – Group Chief Executive Officer
- Stephen Small – Group Chief Financial Officer

2013 Annual Meeting

- Apologies
- Proxies
- 2012 Annual Meeting Minutes
- 2013 Annual Report



Chairman's Address

Graham Evans

Chairman's Introduction

- The Warehouse Group has had a **challenging time** over the past decade and we are now a reshaped company
- The actions that we have taken over the past two years have seen **The Warehouse (Red Sheds)** deliver **11 quarters of positive same store sales**
- **Warehouse Stationery** continues to grow and is a **strong contributor** to the group – but as you can see from our recent rebranding there is much more we think this business can deliver
- The acquisition of **Noel Leeming**, the actions we have taken since, has contributed the strategic benefits expected

Chairman's Introduction

- We are at the early stages of a long journey to be **NZ's leading Multichannel business** which has seen the acquisition of:

- Torpedo7 (51%)
- No1 Fitness (51%)
- Pet.co.nz (51%)

The development of:

- Ilovebeauty.co.nz
- TV International Brands (direct response TV)

- We will continue to look at opportunities as our transformation journey continues, such as the conditional agreement to acquire R&R Sport

2013 Result Overview and Dividend

- Sales \$2,239.5 million compared to \$1,732.2 million in FY12
- Net profit after tax, excluding unusual items, \$73.7 million compared to \$65.2 million in FY12
- Operating cash flow \$93.7 million
- Final dividend of 5.5 cents per share to bring total ordinary dividends for the year to 21.0 cents per share compared to 20.0 cents per share in FY12
- Final dividend paid to shareholders on 12 December
- The Group will continue to review its capital management strategy as a means to fund further growth initiatives

Retail Environment

- Over the past 12 months we have seen quarterly retail sales showing improving positive growth
- Although New Zealand's general economic outlook supports strengthening consumer confidence a number of factors, both domestic and international, point to on-going uncertainty and volatility
- We expect we will see gradual on-going improvements in consumer confidence and spending further supporting the recent retail sales growth trend
- We expect the retail environment to continue to evolve to satisfy customers' changing buying habits

Group Outlook

- Earnings are significantly influenced by the Christmas trading performance with guidance only provided post Christmas
- While we were anticipating adjusted NPAT in the first half of FY14 to be inline with the first half of FY13 the Gross Margin pressure we commented on in our Q1 sales release and our continued investment in the business is likely to result in the first half FY14 adjusted NPAT falling below the first half of FY13
- We are still expecting adjusted NPAT for the full year of FY14 to be above the full year of FY13, although by less than we had initially expected
- 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 2014



Strategy Update

Mark Powell
Group Chief Executive Officer

TW Group's 4 Strategic Priorities

1

Keep the 'Red Core' Strong

- Improve our customers experience
- Continue to invest in our people
- Sustainable Sales, Gross Profit and Operating Profit growth

2

Grow 'Non Red' to be as large as 'Red'

- To be a sustainable '100 Year Company' we need a more diversified sales & earnings profile
- 'Non red' growth will come from acquisitions such as Noel Leeming, the growth of existing Retail Brands and leveraging existing internal capabilities to start new businesses

3

Be the Leading Multichannel retailer in NZ

- Be NZ's undisputed leader in Multichannel retailing
- Accelerate investment and growth in this area
- Get the right balance between short term growth and medium term sustainability

4

Leverage Group Competencies & Scale

- Identify and realise benefits as appropriate for a group of our size
- Build on our Core Competencies and ensure they are appropriately leveraged across the Group
- Use our scale to achieve the best property outcome for our retail brands

The Warehouse Group (TW Group)



1) Keep the 'Red Core' Strong

Customer

"House of Bargains" & "Home of Essentials"

- Continue to develop our brand positioning

Stores Refits & New Stores

- Two years into program, with critical mass being reached & sales growth to support the investment

Training

- 'Working Smarter' & 'Love your Customer' training rolled out to all staff

Quality

- Significantly improved quality in 'house brand' products

International Brands

- Continued rollout of branded 'better & best' products

Multichannel

- New 'any way anywhere' initiatives such as Click & Collect, in store Wi-Fi and mobile site

People

Store Staff

- 300 frontline staff added back into our stores

Working Smarter

- Continued focus on embedding Working Smarter for stores

Career Retail Wage

- Career Retail Wage implemented to appropriately remunerate people who choose retail as a career

Progress

- It is still early in the journey and these actions have added a significant amount of cost to our business in the short term, but we believe in the medium term they will result in an improved & sustainable bottom line

Profit

Sales

- Actions over the past 2 ½ years have resulted in 11 quarters of positive same store sales, Sales growth in FY13 of \$67M & \$128M since FY11

Gross Profit

- GP\$ growth in FY13 of \$43M & \$58M since FY11, highest GP% in many years

Transaction Growth

- While transaction counts are up, there is still a long way to go to win back 'the doubters' who have stopped shopping with us through years of decline

Progress

- Compared to the path we were on this is good progress, however we are making significant investments and it is still early days

Good progress, but work needed to re-engage 'the doubters' - those who stopped shopping with us through years of decline

New Takanini Store



The Warehouse, Takanini

World Class Brands Available at The Warehouse



NZ's Largest Training Programme

Love Your Customer Programme

**LOVE YOUR
CUSTOMER**

- 4-hour workshop for all team members
- Designed to help us better understand our customers
- Where they are coming from
- Why they are coming to our stores
- Help us interact, engage and connect



2) Grow 'Non Red' to be as large as 'Red'



- Plans in place to build on the "Passionate Experts" in the business
- TW Group ownership for 8 months in FY13
- Very successful transition to a single Retail brand with the merging of Bond & Bond into Noel Leeming
- Positive trading and financial results in the 8 months post acquisition
- Integration activities have started to realise synergy benefits for the Group



- Clearer focus on "Work, Study, Create, Connect"
- Rebranding was accelerated to FY13 to provide a more modern & contemporary look
- Nationwide footprint with 5 stores opened in FY13 – 61 stores now, well on the way to 70
- 17 quarters of SSS growth and >12% sales growth in F13
- Opportunities exist to better serve SME customer base and grow the traditional Stationery and Arts & Crafts business

Other Opportunities

- We continue to look at other opportunities to grow TW Group
- Longer term growth could come from a number of areas including:
 - New retail verticals
 - Other opportunities created by our core competencies
- We continue to explore opportunities across the group that play to our strengths in Financial Services and Telco/Connectivity

Pleasing progress to an important strategic priority

Rebranded Warehouse Stationery Store



Warehouse Stationery, Wairau Park

3) Be the Leading Multichannel Retailer in NZ

Investment & Growth

- Significant Progress over the past 12 months



- Experienced Multichannel Leadership team in place
- We have a great mix of internal multichannel businesses & strong partnerships
- While we have made good progress over the past year we need to continue this growth trajectory

Right Balance

- Our Multichannel business is at the early stage of its lifecycle
- We have invested significantly in leadership, capability, partnerships and speed – and will continue to do so
- This investment cycle will continue for the next 2 -3 years
- This is new territory and is quickly changing the retail landscape - we are learning quickly

Significant Progress over the past year, but will need ongoing investment

4) Leverage Group Competencies & Scale

Synergy Benefits

The Opportunity

- Synergy benefits of \$5 – 8M across the group identified as part of the Noel's acquisition
- Minimal impact expected in FY13, 70% in FY14, 100% in FY15

Strategic

- Bond & Bond retail brand merged with Noel Leeming,

Product Brands

- Compaq, Acer, Sony, Uniden, Kambrook, and Hoover, in Red Sheds, Samsung launched in September

CODB

- Clear executive accountability with pleasing progress on CODB opportunities such as Media buying, Merchant Service Fees, Courier rates, Rent, Insurance, Progress made in the move to transactional shared service functions for the Group

Core Competencies

Core Competencies

- We have clearly identified our Core Competencies, they are:
 - Sourcing & Logistics
 - Retail expertise
 - Understanding the NZ customer, market & channels
 - People & Way of Working / Culture

Property

Scale

- Scale helps in many ways. For example, it allows us to have strategic property conversations with landlords across all of our retail brands

Strategic Opportunities

- We hold a number of strategic properties that present us with a number of development opportunities

Positive progress made in delivering synergy benefits

A Revitalised Central Hamilton Retail Complex



The Warehouse, Warehouse Stationery and Noel Leeming, Hamilton Central

Community and Environment

- In 31 years communities have raised over \$22.5m for local groups and charities
- Distributed over \$3.03 million in F13, includes:
 - National Fundraising Programme \$1.51m
 - Regional/Local Fundraising \$1.33m
 - Customer Choice / “Bags for Good” Programme \$475,432
 - In store coin collection boxes \$127,074
 - Community BBQs (x 68) \$690,410
- Partnerships committed to in F13 with key charity partners



WOMEN'S REFUGE



LIFE EDUCATION | TRUST



TW Group – Summary

- The Group is being ‘reshaped’ for the future and is very different from just one year ago
- 11 quarters of positive same store sales growth in The Warehouse, New Zealand's “House of Bargains” & “Home of Essentials”
- The rebranding of Warehouse Stationery and its focus on ‘Work, Study, Create, Connect’ should continue to drive growth
- The alignment of the business around the “Passionate Experts” in Noel Leeming should continue to see Noel’s be NZ’s leading Home, Entertainment & Technology retailer
- Significant progress in the year across a range of Multichannel offerings
- The strategy continues to evolve and there are more growth opportunities that build on our current position



**Chairman
Graham Evans**

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
- At this ASM we will see a change in composition of the Board with two current Board Members stepping down and the appointment of two new Board Members



Vote of Thanks

Sir Stephen Tindall
Founder



Election and Re-election of Directors

Resolution 1 – Election of John Journee

To elect John Journee as a director of the company

- Non-Independent Executive Director
- First appointed 17 October 2013
- Unanimously endorsed by the Board



Resolution 2 – Election of Vanessa Stoddart

To elect Vanessa Stoddart as a director of the company

- Independent Non-Executive Director
- First appointed 17 October 2013
- Unanimously endorsed by the Board



Resolution 3 – Re-election of Sir Stephen Tindall

To re-elect Sir Stephen Tindall as a director of the company

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



Resolution 4 – Auditors

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



Special Business

Resolution 5 – Directors' Remuneration

Directors' are proposing that the total Directors' remuneration be increased by \$150,000, from \$750,000 to \$900,000 per annum.



General Business



**Thank you for attending the
2013 Annual Shareholders'
Meeting**