

THE WAREHOUSE GROUP LIMITED

2016 Annual Shareholders' Meeting

Friday, 25 November 2016

the warehouse //
where everyone gets a bargain

WS warehouse
stationery

nl noel leeming

Torpedo7
SEE YOU OUT THERE

**WAREHOUSE
GROUP** 
FINANCIAL SERVICES

Order of Business

1. Welcome and Chair's Address
Joan Withers, Chair
2. Group CEO Presentation
Nick Grayston,
Group Chief Executive Officer
3. Business of the meeting
Joan Withers, Chair
 - Election & Re-election of Directors
 - Auditor
 - General Business
4. Refreshments



Chair's Address

Joan Withers

2016 Annual Meeting

- Apologies
- Proxies
- 2015 Annual Meeting Minutes
- 2016 Annual Report

Board of Directors and Group CEO

Board

- Joan Withers (Chair)
- Keith Smith (Deputy Chairman)
- Sir Stephen Tindall
- James Ogden
- John Journee
- Julia Raue
- Tony Balfour
- Vanessa Stoddart

Group Chief Executive Officer

- Nick Grayston

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

Chair's Introduction

- The Group delivered a strong performance in FY16, with retail conditions generally favourable during the year
- All brands across the Group performed well showing consistency in The Warehouse and Warehouse Stationery and good improvements in Noel Leeming and Torpedo7
- Going forward our retail brands will focus on core retail competencies, be fundamentally more agile and adapt to changing customer demands, remove unproductive complexity and cost, and improve profitability
- We continue to work on refining our Group strategy and identifying critical areas of improvement to be successful in tomorrow's retail environment
- The Board and Management remain focused on driving long-term sustainable growth for our shareholders

2016 Result and Dividend

- Sales for the 2016 year were \$2.92 billion compared to \$2.77 billion last year
- Net profit after tax, after adjusting for unusual items, was \$64.1 million compared to \$57.1 million last year
- The Directors are pleased to confirm the final dividend for FY16 at 5 cents per share, bringing the total dividend for FY16 to 16 cents per share
- Our dividend policy is to pay between 75% and 85% of adjusted net profit after tax of the retail group
- Record Date: 25 November 2016
- Payment date: 8 December 2016
- Total Dividend pay out represents 80.2% of Retail Group Adjusted Net Profit After Tax

Environment

Retail

- We continue to see strong competition in the retail sector. That being said, we are focused on executing our strategies and delivering great customer experiences. Our first quarter sales results for FY17 were steady as we move into the critical seasonal peak quarter
- Competition combined with ongoing FX headwinds will put pressure on prices and margins, which we believe can be offset through better products at better prices, excellence in customer service, and continuing to maintain relevance with changing customers

Economic

- The currency outlook remains biased to the downside. We have a robust hedging policy in place and regularly review our position, our management of the FX issues extends to both our Treasury function and our purchasing and sourcing strategies
 - At year end our hedging levels were 74.6% hedged for the 0-12 month timeframe, more highly weighted to the first half of FY17

At this stage we are unsure what impact, if any, the recent earthquakes in Kaikoura will have. As at today we only have three stores closed; our Noel Leeming store in Blenheim and our Lower Hutt (Queensgate Mall) and Wainuiomata stores for Red. Barring further events, we do not expect this to have a significant impact on Christmas trading.

Group Outlook

- FY17 earnings will be significantly influenced by Christmas trading performance and the expected losses associated with the launch of the new financial services business. Therefore, it is too early to provide specific earnings guidance for FY17
- Impairment of goodwill in Financial Services at the half year is likely, as is an adjustment to our expected breakeven timeframe for that business
- 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 2017

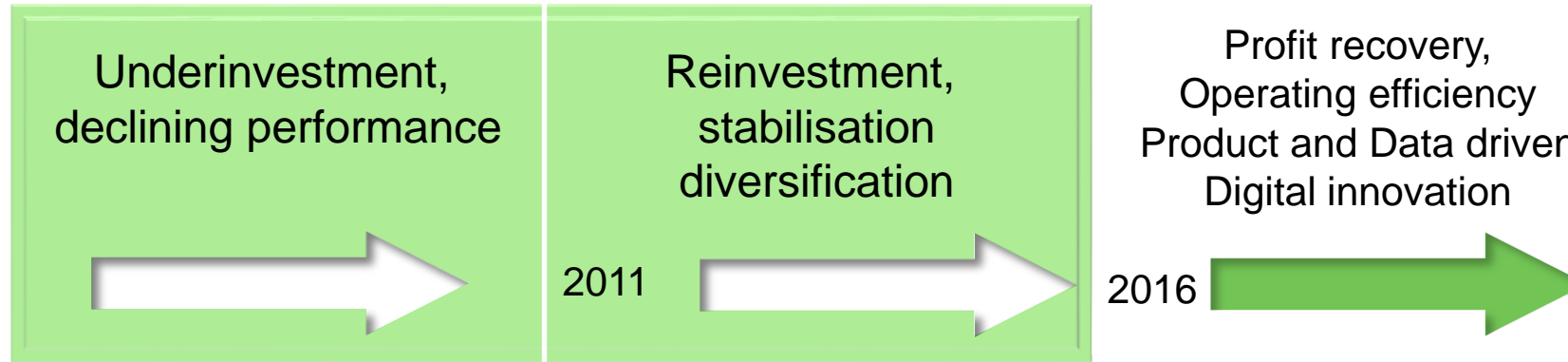
TWG Strategy FY17– FY19 Summary



Our vision is to:
“Build a company that delivers long term
sustainable profit growth
and helps Aotearoa New Zealand flourish”



Progressing our strategic focus to the next phase



- The Group has stabilised its performance following a period of investment catch-up that was necessary after a period of underinvestment and sales decline in the late 2000's
- The last 18 months show clear signs that our trading results are recovering, indicating the customer strategies we have within the Brands are sound
- The next phase of the strategy is to continue to translate those trading performances into sustainable profit growth, and deliver returns on the diversification investments

Our strategy builds on the foundations of the past, and proposes a customer-centric business group delivering sustainable profitability.

TWG Strategy FY17– FY19

Moving Forward

Our future operating landscape

Retail is changing. The Warehouse Group needs to continue to change and accelerate its performance to be successful in tomorrow's retail environment

- Changing consumer needs driven by technological and social changes, influencing demand and expectations around service delivery and product value
- Changing competitive landscape, with non-traditional participants and increasing local presence of international retailers

Consequently our retail brands are focusing on:

- Core retail competencies that need evolving
- Simplification and reduced complexity
- Being fundamentally more agile and adaptable to changing customer preferences
- Shortening the cycle times in the business to improve responsiveness to customer demand and reduce operational risk
- Measuring and innovating the marketing mix to reflect changing consumer behaviour

Overview

- The Warehouse Group needs to continue to change and accelerate its performance to be successful in tomorrow's retail and consumer environment
 - We've been making good progress but will need some additional capabilities to reposition the business for the next phase of our strategy and to invest in our digital future
 - We will focus on execution to extract value from our businesses
 - Our strategy will be delivered by each Brand, in their relevant sector, supported by specialist capability at the Group level
 - It will deliver relevance for our customers and sustainable profitability to build on our vision of a company that helps Aotearoa New Zealand flourish
-
- Get our Retail fundamentals right.....
 - Invest in being relevant for customers in the future.....

Get Fit

For the future

Brand Strategy - Highlights

- A major focus on transitioning the Red business from a high-low pricing model to a more Everyday Low Price (EDLP) model with improved range and assortment of product
 - A reinvention of how customers' think of the concept of a “bargain”
- Maintaining focus on having a leadership position in the back-to-school market in Blue. Giving customers everything they need to Work, Study, Create and Connect
- Building profitability in Noel Leeming through our customer service excellence and product expertise. Making Kiwi lives better through technology
- Continuing to grow profitability in Torpedo7 Group, with a focus on margin expansion through category management and better sourcing
- In financial services our focus is to start leveraging the scale of our retail businesses, and continue to drive growth to achieve scale
 - A below expectation performance resulting from lower active accounts from the Westpac book in the first quarter has increased the risk of a non-cash goodwill impairment at the Half Year
- Across all businesses, getting our fundamentals right

Community and Environment: Part of our Brand DNA

- In 34 years communities have raised over \$44m for local groups and charities
- Facilitated fundraising over \$4.71m in F16:
 - National Fundraising Programme \$1.9m
 - Regional/Local Fundraising \$2.3m
 - Includes:
 - Customer Choice / 'Bags for Good' Programme \$529,814
 - In store coin collection boxes \$135,441
 - Community BBQs (x 68) \$384,158
- Partnerships committed to in F16 with key charity partners:

| | |
|----------------------------------|----------------------------|
| Canteen | Youthline |
| Women's Refuge | The Parenting Place |
| The Salvation Army | Ronald McDonald House |
| Variety – The Children's Charity | Hillary Outdoors Education |
| Life Education Trust | |





**Chair
Joan Withers**

Election and Re-election of Directors

Resolution 1 – Election of Joan Withers

To elect Joan Withers as a director of the company

- Independent Non-Executive Director
- First appointed 23 September 2016
- Unanimously endorsed by the Board
- Proxy voting in respect of this resolution is:

A total of 185,871,685 proxy votes received,
185,168,869 votes for, 42,826 against,
votes undirected 495,038 and 164,952 votes
abstain giving a result of 99.7% of votes cast
in favour of the resolution



Resolution 2 – Election of Julia Raue

To elect Julia Raue as a director of the company

- Independent Non-Executive Director
- First appointed 23 September 2016
- Member of the Audit Committee
- Unanimously endorsed by the Board
- Proxy voting in respect of this resolution is:

A total of 185,871,685 proxy votes received, 185,168,517 votes for, 47,169 votes against, votes undirected 485,107 and 170,892 votes abstain giving a result of 99.7% votes cast in favour of the resolution



Resolution 3 – Re-election of John Journee

To re-elect John Journee as a director of the company

- Non-Executive Director
- First appointed 17 October 2013
- Member of the Audit Committee
- Unanimously endorsed by the Board
- Proxy voting in respect of this resolution is:

A total of 185,871,685 proxy votes received,
184,858,820 votes for, 340,577 votes
against, votes undirected 483,208 and
189,080 votes abstain giving a result of
99.6% votes cast in favour of the resolution



Resolution 4 – Re-election of Vanessa Stoddart

To re-elect Vanessa Stoddart as a director of the company

- Independent Non-Executive Director
- First appointed 17 October 2013
- Chairman of the People and Remuneration Committee
- Unanimously endorsed by the Board
- Proxy voting in respect of this resolution is:

A total of 185,871,685 proxy votes received, 185,172,669 votes for, 27,332 votes against, votes undirected 480,104 and 191,580 votes abstain giving a result of 99.7% votes cast in favour of the resolution



Resolution 5 – Auditor

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

Proxy voting in respect of this resolution is:

A total of 185,871,685 proxy votes received, 184,974,374 votes for, 219,990 votes against, votes undirected 457,173 and 220,148 votes abstain giving a result of 99.6% votes cast in favour of the resolution

Voting Procedure

To cast your vote please tick one box either for, against or abstain, alongside each resolution on the voting paper.

Undirected Votes held by Directors

| | |
|------------------|---------|
| Joan Withers | 2,028 |
| Julia Raue | 177,922 |
| John Journee | 174,013 |
| Vanessa Stoddart | 170,909 |
| Audit Fees | 179,988 |

General Business

the **warehouse** //

where everyone gets a bargain



warehouse
stationery

 **noel leeming**

Torpedo7
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Thank you for attending the 2016 Annual Shareholders' Meeting