
**TO: Market Information Services Section
NZX Limited**



WAREHOUSE GROUP THIRD QUARTER SALES
Positive signs during a period of change
Group Sales for Q3 of \$701.2 million, up 2.6% on same quarter last year

Auckland, 11th May 2018

The Board of The Warehouse Group (TWG) today reported Group retail sales for the third quarter ending April 29th of \$701.2M, up \$17.7M or 2.6% compared to the same quarter last year. This is a very encouraging result compared to the (0.9)% sales decline experienced in the first half year.

In announcing the result, Group CEO Nick Grayston said “the sales growth achieved in our third quarter shows a positive turnaround from the first half year, which was impacted by major changes to our pricing strategy and operations. Noel Leeming has once again delivered a strong quarter of sales growth.”

The third quarter sales results are in-line with expectations and consequently our full year profit guidance remains unchanged, subject to any material changes in anticipated trading conditions.

The Warehouse

The Warehouse (‘Red Sheds’) reported sales for the third quarter of \$388.2M, a decrease of (0.9)% or (\$3.5)M compared to the same quarter last year. Same store sales decreased (2.4)% in the quarter. Units sold increased by 7.5% compared to the same quarter last year. The business continued to see an increase in transaction volumes.

The Warehouse apparel category has continued to trade well with an increase in gross margins compared to the same quarter last year. Grocery sales experienced an increase with substantial unit lifts, however this was offset by sales declines in music/DVD and communications categories.

Mr Grayston commented that overall gross margins saw a reduction compared to the same quarter last year. “Following the completion of the pricing strategy transition to EDLP, our focus has turned to price optimisation with a view to improving our margins going forward.”

Warehouse Stationery

Warehouse Stationery (‘Blue Sheds’) reported sales for the third quarter of \$71.1M, a decrease of (1.4)% or \$(1.0)M compared to the same quarter last year. Same store sales decreased (2.1)% in the quarter.

The same store sales result for the third quarter showed strong improvement compared to the decline of (7.9)% in the first half of the financial year. Mr Grayston said the improvement reflected steady Back to School trading and resolution of several system integration issues arising from the operational merger of the Blue and Red businesses. Communication category sales remained challenging in the quarter.

Noel Leeming

Noel Leeming reported sales for the third quarter of \$212.2M, an increase of 11.2% or \$21.3M compared to the same quarter last year. Same store sales increased 6.8% in the quarter.

On this result Mr Grayston said, “performance remained strong across most categories with key growth coming from Communications, TV and audio.”

Torpedo7 Group

Torpedo7 Group reported sales for the third quarter of \$36.5M an increase of 6.1% or \$2.1M compared to the same quarter last year. Same store sales increased 4.4% in the quarter.

Torpedo7 bricks and mortar stores continue to perform well with same store sales growth of 20.7%. The cycle category remains a key growth area.

Online

Group online sales (NZ) were \$48.6M for the third quarter, up 6.6% or \$3.0M compared to the same quarter last year. During the quarter the Group centralised its marketing functions and consolidated its agency relationships. We expect these changes to contribute to stronger online growth in the future.

Most Warehouse Group brands continue to see growth in online channels, with Noel Leeming up 15.6% in online sales for the quarter, but 1-day daily deals business has been flat year on year. Online sales represent 6.9% of Group sales in the quarter compared to 6.6% in the same quarter last year.

ENDS**Background: The Warehouse Group Limited**

The Warehouse Group Limited comprises 93 Warehouse stores, 79 Noel Leeming stores, 69 Warehouse Stationery stores, 11 Torpedo7 stores in New Zealand and several online businesses. The company had turnover of \$2.9 billion in FY17 and employs over 12,000 people.

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