



Annual Shareholders' Meeting

The Warehouse Group Limited

23 November 2018

● Board of Directors



Joan Withers
Chair



Keith Smith
Deputy Chair



Tony Balfour



Vena Crawley
Future Director



Robbie Tindall



Julia Raue



John Journee



Will Easton



● Group Executives on stage



Nick Grayston
Group CEO



Mark Yeoman
Group COO



Jonathan Oram
Group CFO



● Order of Business

- | | |
|--|---------------|
| 1. Welcome and Chair's Address | Joan Withers |
| 2. Group CEO Presentation | Nick Grayston |
| 3. Business of Meeting <ul style="list-style-type: none">• Election and Re-election of Directors• Auditor Fees• General Business | Joan Withers |
| 4. Q&A | All |
| 5. Refreshments | |



● Chair's Address



● Chair's Introduction

FY18 Overview

- FY18 was a year of significant change for the Group.
 - We operationally integrated the Red and Blue Sheds, and Noel Leeming and T7 businesses together.
 - Created Centres of Excellence (COEs) for Marketing, Finance, Information Systems and People Support and moved to a 'matrix management' operating model which allows us to remove duplication and take advantage of our comparative size and scale.
- We transitioned to 'Every Day Low Price' (EDLP) in The Warehouse.
- Launched an enterprise wide transformation partnering with an international advisory firm to fix our retail fundamentals.

Transformation update

- The transformation was officially kicked-off in November 2017 and started with an independent assessment by transformation partners.
- Assembled team of 200+ team members to create detailed transformation plan through a 'bottom up planning process'.
- Creation of 12 work streams and 250+ transformation initiatives.
- Areas of focus: store performance, merchandising, logistics, non-trade spend, central functions, capital management, information systems, and most importantly, culture.



● Chair's Introduction

Share price

- The share price has remained stable compared to last year.

Integrated Reporting and our 'social license to operate'

- This year we moved towards adopting Integrated Reporting. This means taking a more transparent and proactive approach to the way we communicate, and how we create value for our customers, shareholders, and wider community stakeholders.
- Moving towards Integrated Reporting means telling our story in the context of our value creation through the lens of 'six capitals', which are: Network capital, Intellectual capital, Human capital, Stakeholder capital, Environmental capital and Financial capital.

Board update

- Focus has been to ensure that the Board have the right mix of skills and experience to help drive the strategy of the Group.
- In October 2018 the Board appointed Will Easton as Non-Executive Director.
- Sir Stephen Tindall has extended his sabbatical from the Board for another 12 months. Robbie Tindall will continue to serve as Sir Stephen's Alternate Director.
- We farewell Vena Crawley our Future Director who joined as part of the Institute of Directors Future Directors Programme. We will kick-off our search for our next candidate early next year.
- We recently completed a Board skills and diversity assessment. The results show we have good coverage of the skills required to drive Group strategy over the next 3-5 years.
- We are focussed on increasing diversity of thought around the Board table to achieve best decision making and outcomes.



● Chair's Introduction

Management team

- We're proud of the high calibre of local and international talent we have attracted over the last year.
- In FY18 we welcomed Jonathan Oram (Group Chief Financial Officer), Evelyn Ross (Chief People Officer), Jonathan Waecker (Chief Marketing Officer), Scott Newton (Chief Transformation Officer), Chris Foord (Chief Logistics Officer), and Keryn McKenzie (Head of Group Insights & Data Science).

Short Term Incentive (STI)

- We paid \$20.1m in Short Term Incentives in FY18. Over 6,000 team members across the Group received incentive payments.
- The STI was purposely set up to ensure the right behaviours were being modelled, driven and rewarded at a critical time of change in The Warehouse as we moved to EDLP, as well as during the transformation.

Other matters

- Audit Partner rotation at PwC.
- This year we established a new Health, Safety and Wellbeing Committee to ensure we take a true governance view of health, safety and wellbeing. The Directors have taken a number of visits across stores and distribution centres.

The bottom line

- The financial performance is not where we want to be long term but we are pleased that it was above guidance and a 12% increase in Net Profit After Tax from the previous year.



● Chair's Introduction

Dividend Policy

- FY18 Dividend Payment was 16 cents per share which reflects a total dividend pay-out of 94% of Group Adjusted NPAT and was above our dividend policy.
- The decision to pay above dividend target ratio was intended to reflect the Board's confidence in Group strategy, the trajectory that we are on and the removal of the fiscal drag from the previous Financial Services business. It also recognised that the Short Term Incentive payments distorted an underlying above-prior year profit result.
- After careful evaluation of our near-term capex investment requirements, improved operating cash flow, and on-going reduction of long term debt, we will hold our Dividend Policy as-is at this stage.
- The total dividend for FY19 will be dependent on the ever-critical trading period in Q2 and other transformation deliverables planned in FY19.



- Group CEO Performance Overview



rise



● Every Day Low Price



- Noel Leeming Tech Services and our “MASSIVE” retail campaign



come & meet
Jax Hamilton
cooking demonstrations this Saturday and Sunday between
10.30am - 11.30pm & 12.30pm - 1.30pm by our built-in cooking centre



Jax.



● Revitalised Values

Our shared purpose

Helping Kiwis live better every day

Our shared values



We're ON!

This year we launched our new Group shared values.

Our purpose is *helping Kiwis live better every day*

“We’re ON for each other, ON for customers, ON for our Shareholders, ON for our communities and ultimately ON for New Zealand”

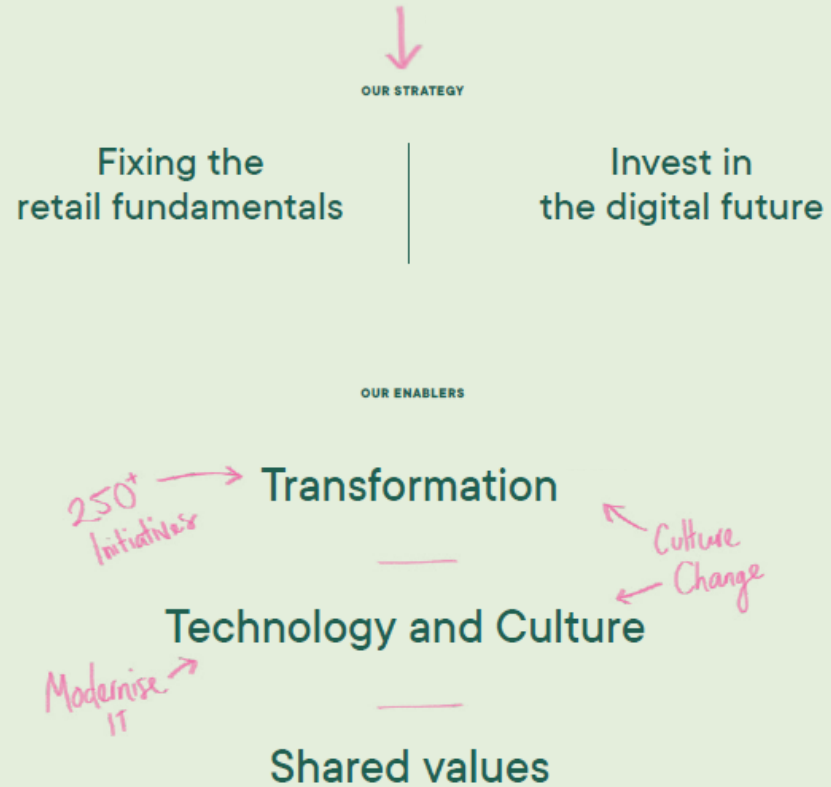


● Competitive Landscape

- Each year sees new and strong competitive challenges to our business.
- It is not just Amazon we need to be mindful of, other e-commerce players are also present in the New Zealand market. We also see traditional competitors such as Kmart expanding retail footprint domestically, along with the arrival of the best international apparel retailers such as Zara and H&M.
- We remain focussed on our customers and ensuring that we can deliver the right products at the right time and place that best suit customer needs.
- We are focussed on improving our supply chain performance and ensuring our distribution and fulfilment capabilities are fit for purpose.
- This year we made significant investment into our Warehouse Management System, which optimises the way we receive, distribute and replenish inventory.



Helping Kiwis live better every day



● FY18 Annual Result



Year ended 29 July 2018

| <i>\$ million</i> | 2018 | 2017 | Variance |
|-------------------------------------|----------|----------|----------|
| Retail Sales | 2,994.6 | 2,980.8 | 0.5% |
| Retail Gross Profit | 991.2 | 971.9 | 2.0% |
| Gross Margin % | 33.1% | 32.6% | 50bps |
| Retail CODB | 899.7 | 864.1 | 4.1% |
| CODB % | 30.0% | 29.0% | 100bps |
| Retail Operating Profit | 91.4 | 107.8 | (15.2)% |
| Operating Margin % | 3.1% | 3.6% | (50)bps |
| Continuing NPAT (Reported) | 27.3 | 70.7 | (61.4)% |
| Continuing NPAT (Adjusted) | 59.0 | 68.2 | (13.4)% |
| NPAT (Attributable to Shareholders) | 22.9 | 20.4 | 12.0% |
| Operating Cash Flow | 107.9 | 128.1 | (15.8)% |
| Ordinary Dividend (cents per share) | 16.0 cps | 16.0 cps | (0)cps |
| Total Dividend | 55.5 | 55.5 | 0.0% |

- Group sales up 0.5% with Noel Leeming delivering a strong result and The Warehouse transitioning well under EDLP.
- Group Gross Profit up 2.0% influenced by Noel Leeming's performance and positive Gross Profit Margin lift in The Warehouse under EDLP.
- Cost of Doing Business increased 4.1% reflecting higher costs in Noel Leeming, Torpedo7 and The Warehouse.
- Reported Continuing NPAT of \$27.3m, down significantly due to a number of one-off items including restructuring costs, non-cash impairment of goodwill and a gain on property disposals.
- Adjusted NPAT from continuing operations (excluding Financial Services) was \$59.0m, which is less than last year but above guidance.
- NPAT Attributable to Shareholders increased 12.0% from \$20.4m to \$22.9m.

● Group H1 vs H2



For the Year ended 29 July 2018

| <i>\$ millions</i> | H2 | | | H1 | | |
|----------------------------|---------|---------|----------|---------|---------|----------|
| | 2018 | 2017 | Variance | 2018 | 2017 | Variance |
| Retail Sales | 1,396.5 | 1,406.9 | (0.7)% | 1,598.1 | 1,573.9 | 1.5% |
| Retail Gross Profit | 468.7 | 452.9 | 3.5% | 522.5 | 519.0 | 0.7% |
| Gross Margin % | 33.6% | 32.2% | 140bps | 32.7% | 33.0% | (30)bps |
| Retail CODB | 435.7 | 415.0 | 5.0% | 464.1 | 449.1 | 3.3% |
| CODB % | 31.2% | 29.5% | 170bps | 29.0% | 28.6% | 40bps |
| Retail Operating Profit | 33.0 | 37.9 | (12.9)% | 58.4 | 69.9 | (16.5)% |
| Operating Margin % | 2.4% | 2.7% | (30)bps | 3.7% | 4.4% | (70)bps |
| Continuing NPAT (Adjusted) | 21.3 | 23.2 | (7.8)% | 37.7 | 45.0 | (16.4)% |

- FY18 was a period of significant internal change. The stability of Retail Sales and increase of Retail Gross Profit of \$468.7m from \$452.9m during a challenging H2 is a very pleasing result in the context of internal changes made.

● Red Sheds



- From a 'front-of-house' perspective, customers saw changes to our range, assortment and pricing under EDLP.
- We made range reductions and improved the overall quality of products.
- We are testing new store formats and are prioritising floor space to improve profitability and customer experience.
- Invested in specialist in-house design capability and direct sourcing capability to improve product quality and our speed to market.
- In August 2018 we opened a new concept store in Albany. The store has moved from high-racking to having low fixtures which are also 100% moveable, providing flexibility to test new store layouts.
- Growth of Click and Collect service across all stores in our network and lockers installed in two stores to improve customer experience for online shoppers.
- Introduction of "Red Rack", 'off-price' retailing of high-end fashion brands across 47 stores nationwide.
- Investment in Warehouse Management System to improve distribution, fulfilment and transport.
- Expanded our operations in India and officially opened a sourcing office in New Delhi in February 2018.

● New Albany Concept Store



● New Albany Concept Store



● Red Rack



● Homeware Campaigns



NEED IT, WANT IT
To celebrate all that summer has to offer, getting your outdoor furniture and entertaining space sorted is just as important as the goodies you're grilling on the barbeque.

- Gascraft Portable Charcoal Barbeque, \$25
- Living & Co Melamine Picnicware, from \$7
- Living & Co Wicker Swivel Chair, \$150
- Living & Co Lotus Fire Pit, \$149
- Living & Co Folding Cape Cod Chair, \$99



● Blue Sheds



- We're proud to remain number one in the 'Back to School' category.
- In Blue we are continuing our trial of Store within a Store to optimise footprint.
- We learnt a lot during the internal systems integration of Blue and Red to take into further store roll outs.



● Blue Sheds



● Noel Leeming



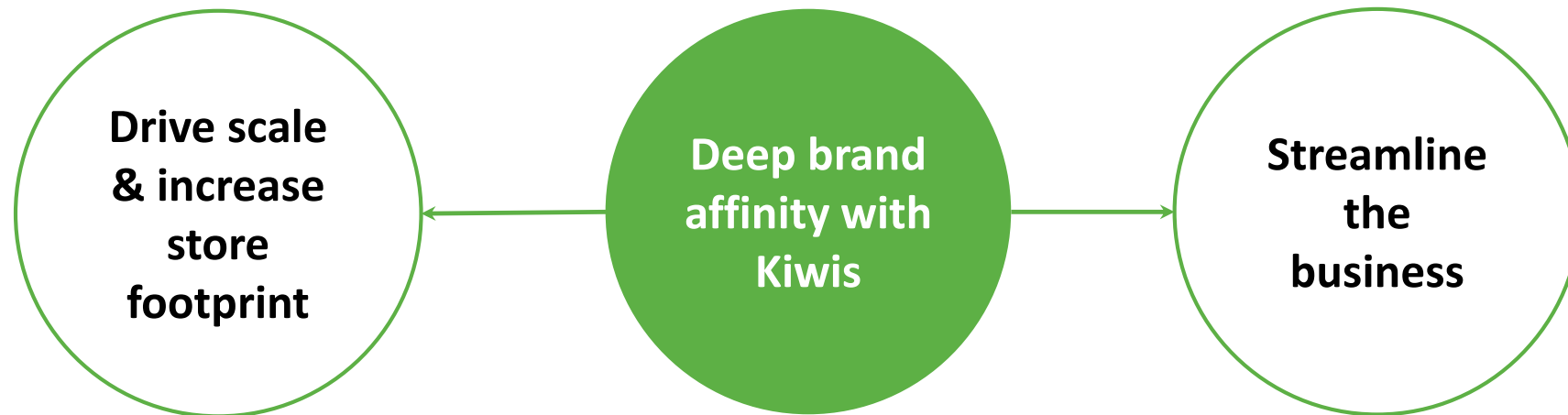
- Noel Leeming had a stand out year and continues to benefit from advantages of scale in volume and store footprint.
- Revenue growth of 8.6% in FY18 achieved through expertise offered through the assisted sales model by passionate tech experts.



● T7



- Unfortunately it wasn't a great year for T7.
- We believe T7 has potential to thrive in a market like NZ where the brand has a deep affinity with the Kiwi psyche of adventure and 'the great outdoors'.
- We have streamlined the business with the disposal of Shotgun and integration of Number 1 Fitness.
- We will continue to make targeted investments to drive the scale the business needs.



● T7 Campaigns



● T7 Bike hire



A graphic advertisement for bike hire. The top half has a green background with a white circle in the top right corner. The text 'BIKE HIRE' is written in large, bold, black and white letters. Below it, in smaller white text, is 'Mountain bikes, E-bikes & Accessories'. The bottom half of the graphic shows a photograph of three people riding bicycles on a trail. A green text box on the left of the photo says 'Ask a member of our crew'. In the bottom right corner of the photo, there is a 'gettyimages' watermark and the name 'Chrisnaps/Paul Bratbury'.

● Online Performance



**Sales ↑
6.6% YOY**



**Improved CX, UX
& site
performance**



**Top rated app
4.7 ★ iTunes**

**275% ↑
Revenue on app**



**'Mobile first'
approach**



Personalisation



● Senior Executive Team



Group CEO



Chief People Officer



Chief Marketing Officer



Chief Financial Officer



Chief Operating Officer



CEO
The Warehouse
& Warehouse Stationery



CEO
Noel Leeming
& T7



Chief Transformation Officer



- Business of Meeting



● Resolution 1 – Election of William Easton

- Independent Non-Executive Director
- First appointed 3 October 2018
- Managing Director of Facebook Australia & New Zealand
- Proxy voting in respect of this resolution is:

A total of 189,085,446 proxy votes received, 187,526,698 votes for, 86,544 votes against, votes undirected 1,396,372 and 75,832 votes abstain giving a result of 99.2% votes cast in favour of the resolution.



Will Easton



● Resolution 2 – Re-election of Antony (Tony) Balfour

- Independent Non-Executive Director
- First appointed 15 October 2012
- Chair of People and Remuneration Committee, Member of Health, Safety & Wellbeing Committee, Corporate Governance and Nominations Committee.
- Proxy voting in respect of this resolution is:

A total of 189,085,446 proxy votes received, 187,409,227 votes for, 132,339 votes against, votes undirected 1,486,971 and 56,909 votes abstain giving a result of 99.1% votes cast in favour of the resolution.



Tony Balfour



● Resolution 3 – Re-election of John Journee

- Independent Non-Executive Director
- First appointed 17 October 2013
- Member of Audit and Risk Committee, Member of Health, Safety and Wellbeing Committee.
- Proxy voting in respect of this resolution is:
- A total of 189,085,446 proxy votes received, 187,366,644 votes for, 173,751 votes against, votes undirected 1,461,153 and 83,898 votes abstain giving a result of 99.1% votes cast in favour of the resolution.



John Journee



● Resolution 4 – Auditor Fees

- That the Directors are authorised to fix the fees and expenses of PricewaterhouseCoopers as auditors for the ensuing year.
- Proxy voting in respect of this resolution is:

A total of 189,085,446 proxy votes received, 187,334,832 votes for, 104,433 against, votes undirected 1,557,218 and 88,963 votes abstain giving a result of 99.1% 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

- William Easton 624,337
- Anthony (Tony) Balfour 712,936
- John Journee 687,118
- Audit Fees 785,896



● General Business





Q&A



Thank you