
The Warehouse Group – FY24 Q1 trading update

Auckland, 14 November 2023

The Warehouse Group (“the Group”) has today provided a trading update for the 13 weeks ending 29 October 2023 (“FY24 Q1”).

The Group reported total sales of \$713.3 million in FY24 Q1, a decline of 6.7% compared to the same period in FY23 Q1.

- The Warehouse sales were \$394.2 million, down 4.9% compared to the same period last year.
- Warehouse Stationery sales were \$54.6 million, down 4.0% compared to the same period last year.
- Noel Leeming sales were \$234.1 million, down 5.1% compared to the same period last year.
- Torpedo7 sales were \$27.9 million, down 25.4% compared to the same period last year.

The prior year period of FY23 Q1 saw strong sales across all brands following the easing of COVID-19 restrictions, with record The Warehouse sales growth of 39.0% and Group sales growth of 21.2% in FY23 Q1 compared to FY22 Q1. FY23 Q1 was always going to be an impressive performance to follow and in FY24 Q1 we have seen sales decline compared to prior year across all our brands.

Group gross profit was \$243.4 million in FY24 Q1, down 1.6% compared to FY23 Q1. Group gross profit margin saw an improvement of 180 basis points year on year, increasing from 32.3% in FY23 Q1 to 34.1% in FY24 Q1, as a result of improvement in the management of Cost Of Goods Sold (“COGS”).

The Warehouse experienced sales decline of 4.9% to \$394.2 million in FY24 Q1. Category strength in grocery sales continued, increasing 8.2% in FY24 Q1 compared to FY23 Q1, and making up 22.8% of The Warehouse sales in FY24 Q1. In addition to grocery, we also saw a strong increase in audio visual and television category sales, but offset by a decline in homeware and apparel.

Warehouse Stationery sales declined 4.0% to \$54.6 million. Warehouse Stationery saw growth in sales from our print & copy service offering and communication product category with customers responding well to promotions of these services and products, but offset by softening demand for tablets, tech accessories and print & consumables product categories sales.

Noel Leeming recorded sales of \$234.1 million, down 5.1% compared to FY23 Q1. Noel Leeming sales experienced early quarter decline in computers, whiteware and television categories, as customers’ discretionary spending was challenged in big ticket items. Partially offsetting this decline were increased sales in communications and gaming categories, and pleasingly improved performance across key categories later in the quarter.

Torpedo7 recorded sales of \$27.9 million, down 25.4% compared to FY23 Q1. Torpedo7 continues to pose a significant challenge for the Group. Bikes and riding apparel sales continued to follow the global decline trend in this category. Weather has also impacted other sports categories including water hardware and water apparel, but delivered sales growth in some product areas including snow sport hardware and apparel due to the late snow season increasing demand in this category throughout Q1.

Torpedo7 sales were further impacted in the quarter due to ERP system replacement issues disrupting online and instore sales.

Total Group foot traffic, adjusting for Warehouse Stationery stores moving to a SWAS, decreased 3.5% in FY24 Q1 compared to FY23 Q1, as customers' spending continues to be more deliberate.

We have seen a continued normalisation of online sales, with these decreasing 6.5% in FY24 Q1 compared to FY23 Q1, and online sales as a percentage of total sales decreasing from 11.1% in FY23 Q1 to 8.4% in FY24 Q1¹. This compares to online sales of 7.8% of total Group sales in FY20 Q1 being the period prior to COVID-19².

Across the industry, New Zealand core retail spend decreased 0.1% in the quarter ending 29 October 2023 compared to the same period last year, with The Warehouse core market share decreasing slightly from 9.6% of core retail spend in FY23 Q1 to 9.1% in FY24 Q1.

Highlights for the quarter include opening new The Warehouse and Noel Leeming stores in Wanaka on 12 October 2023 and expanding our fresh fruit and vegetables offering at The Warehouse to 22 stores, up from 12 at year end.

The Warehouse Group CEO Nick Grayston said "It has been another challenging quarter for the Group but overall, we are seeing some margin improvements across our main brands and good progress on lowering our Group cost of doing business.

"Torpedo7 has not made the progress we'd hoped to see. We have a critical quarter ahead as we focus on driving its business performance recovery."

Outlook

"Trading conditions for the important second quarter remain uncertain, with a new incoming Government, interest rates remaining high and cost of living challenges.

"We remain committed to providing our customers with value while managing our costs to drive profitable results. Looking ahead, we are well positioned as we move into our biggest quarter including Black Friday, Christmas trading, and our summer peak period with good levels of stock across all our brands," said Mr Grayston.

Dividends

At the FY23 Annual Results, the Board announced a fully imputed final dividend of 8.0 cents per share. The record date for the FY23 final dividend is 16 November 2023 and will be paid on 1 December 2023.

2023 Annual Meeting

The Warehouse Group 2023 Annual Shareholders' Meeting will be held on Friday 24 November 2023 at 10.00am (New Zealand time) at the Ellerslie Event Centre, Auckland, and online through the Computershare meeting platform. Please refer to the Notice of Meeting which was sent to shareholders and released to the NZX on 25 October 2023 for further information, including how to participate online.

ENDS

¹ Online Sales includes The Warehouse, Warehouse Stationery, Noel Leeming and Torpedo7 online and Gross Merchandise Value (GMV) through TheMarket.com and Group Marketplace.

² FY20 Q1 Online Sales excludes GMV through TheMarket.com and Group Marketplace as TheMarket.com was launched on 1 August 2019 and GMV was not reported at that time.

Contact details regarding this announcement:

Investors and Analysts:	Celia Mearns, Acting Chief Financial Officer To be contacted via Kim Russell +64 21 452860 kim.russell@thewarehouse.co.nz
Media:	Lizzie Havercroft, Corporate Affairs Partner +64 27 5070613 Media.enquiries@thewarehousegroup.co.nz