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



THE WAREHOUSE GROUP FIRST QUARTER SALES UPDATE

Group Sales in Q1 of \$668.3 million (up 3.6% compared to Q1 FY18)^{1,2}

The Warehouse (Red Sheds) Same Store Sales up 2.7%¹

Warehouse Stationery (Blue Sheds) Same Store Sales up 4.1%¹

Noel Leeming Same Store Sales up 3.2%¹

Torpedo7 Group Same Store Sales down 2.7%¹

Auckland, 9 November 2018

The Warehouse Group (TWG) today reported retail sales for the first quarter ending 28 October 2018 of \$668.3 million, up 3.6% from the same quarter last year. This is an encouraging start to the year given the first quarter was down 1.7% for the same quarter last year.

The Warehouse

The Warehouse reported sales for the first quarter of \$360.1 million, an increase of 2.0% or \$7.2 million compared to the same quarter last year. Same store sales increased 2.7% in the quarter.

The return to sales growth in the quarter comes after five periods of same store sales declines as the business transitioned to a full EDLP model. Volumes of product sold increased 2% with the remainder of sales growth coming through an increase in average selling price.

There has been some good early demand for some of the spring seasonal categories such as outdoor furniture.

Our gross margin percentage improved slightly compared to Q1 last year. The overall market remains very competitive for both general merchandise and apparel. We are focused on continuing to improve our gross margin and maintaining the positive momentum in sales as we go into our largest sales quarter with Christmas and summer seasonal products.

Warehouse Stationery

Warehouse Stationery reported sales for the first quarter of \$61.7 million, an increase of 4.4% or \$2.6 million compared to the same quarter last year. Same store sales increased 4.1% in the quarter.

The stationery business recorded a solid sales performance as we cycled against the significant system integration between The Warehouse and Warehouse Stationery which took place in Q1 last year and caused some disruption in sales.

Gross margins improved during the quarter and we continue to focus on this area. We continue to evaluate the operation of some of our stationery stores within our Warehouse store footprint. Our Te Rapa store was converted to this format during the period bringing the total number Warehouse Stationery stores within a Warehouse store footprint to five.

The stationery business is now focused on the critical Christmas and Back to School periods ahead.

Noel Leeming

Noel Leeming reported sales for the first quarter of \$209.6 million, an increase of 7.4% or \$14.5 million compared to the same quarter last year. Quarterly same store sales increased 3.2%.

The continued focus on passionate experts and end to end service has delivered results in the extremely competitive appliances and technology market. Key areas of growth included communications, wireless audio and computer accessories categories.

Within the quarter, Noel Leeming acquired the assets of the Appliance Shed, including its leased store locations in Auckland. Three of these stores have been converted into additional Clearance stores for Noel Leeming.

Torpedo7 Group

Torpedo7 Group reported sales for the first quarter of \$37.0 million, down 5.6% compared to the same quarter last year. Quarterly same store sales decreased 2.7%.

During the 2018 financial year, the business decided to focus on its core New Zealand business and divest the Shotgun brand, close the Number 1 Fitness website as a separate fitness equipment channel, and remove its separate Australian website for 1-day. This change of business contributes to the decline in quarter 1 sales versus last year. Continuing business sales were up 14.1% driven from store network expansion. Within the quarter, Torpedo 7 opened new stores in Palmerston North, Te Rapa, Manukau and New Plymouth bringing the total number of stores to 18.

Online

Group online sales (NZ) were \$49.3 million, up 5.3% compared to the same quarter last year. Excluding T7, online sales growth for the quarter was 27% versus last year. Online sales as a percentage of total Group sales has increased to 7.4%.

The Annual Shareholder Meeting will take place on Friday 23rd November 2018.

Note 1: Compared to the same period last year

Note 2: The Warehouse, Warehouse Stationery and Wholesale businesses of the Group were amalgamated from the commencement of the current financial year. Following the amalgamation the Group restated the prior year comparative sales figures reported for The Warehouse segment to remove intersegment sales connected with the Wholesale business which are offset by a corresponding adjustment to the amount of intercompany sales eliminations.

ENDS

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Background: The Warehouse Group Limited

The Warehouse Group Limited comprises 93 Warehouse stores, 70 Warehouse Stationery stores, 77 Noel Leeming stores and 18 Torpedo7 stores in New Zealand plus several online businesses. In FY18 The Group had an annual turnover of \$3.0 billion and employs over 12,000 people.