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

The Warehouse Group Limited
26 The Warehouse Way
Northcote, Auckland
New Zealand

UPDATE ON GUIDANCE FOR THE YEAR ENDED 28 JULY 2019

Auckland, 25 July 2019

Earnings guidance revised upwards

Adjusted Guidance for FY19 Financial results

The Warehouse Group is in its final week of trading for the FY19 financial year, the results for which are scheduled to be released on 25 September 2019. The process of preparing its statutory accounts for the 12 months to 28 July 2019 has not yet commenced.

Despite a warmer start to the winter trading season in H2, a combination of improved trading performance and transformation projects indicates that full year results will be above the guidance range previously issued on 19 March 2019. The Warehouse Group is consequently revising its guidance for adjusted net profit after tax for the year, to a range of \$67m-\$70m which is up on previous guidance of \$63m-\$66m. This represents a 14%-19% increase in adjusted net profit compared to the 12 months ended 29 July 2018.

The forecast result includes a full accrual for this year's Short-Term Incentive Plan, the final outcome of which is subject to various performance review processes and the completion of the audited accounts. At this time, it is not possible to confidently estimate the level of the incentive expense however it is likely that the full payout will not be realised. This would further improve the expected adjusted net profit result, possibly above the revised guidance range.

Improvement in Net Debt

At half year we reported net debt of \$153.1m, down 9.5% when compared to H1 FY18 and an expectation that this reduction would continue. A range of initiatives to improve working capital efficiency and inventory levels has resulted in further improvements in the Group's net debt position. We expect net debt to be \$60m-\$80m at balance date, which has reduced our financing costs, and creates more flexibility for the Group in the future. Net asset backing per share is expected to remain similar to FY18 but our return on capital employed will be significantly improved.

ENDS

As at the end of June 2019, the Warehouse Group Limited has 93 Warehouse stores, 77 Noel Leeming stores, 70 Warehouse Stationery stores and 18 Torpedo7 stores. The Warehouse Group had turnover of \$3.0 billion in FY18 and employs over 12,000 people.

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