

A plan to —transform.

THE WAREHOUSE GROUP LIMITED

ANNUAL SHAREHOLDERS' MEETING

Friday, 24 November 2017



The Warehouse Group

2017 Annual Shareholders' Meeting

Friday, 24 November 2017

Board of Directors



Board

- Joan Withers (Chair)
- Keith Smith (Deputy Chair)
- James Ogden
- John Journee
- Julia Raue
- Robbie Tindall (alternate for Sir Stephen Tindall)
- Tony Balfour
- Vanessa Stoddart

Group Chief Executive Officer

- Nick Grayston

Group Chief Financial Officer

- Mark Yeoman

Order of Business



1. Welcome and Chair's Address

Joan Withers, Chair

2. Group CEO Presentation

Nick Grayston

Group Chief Executive Officer

3. Business of the Meeting

Joan Withers, Chair

- Re-election of Directors
- Auditor
- General Business

4. Refreshments

The Warehouse Group

Chair's Address



Chair's Introduction



Share Price

- The decline in market value is a serious concern

The Retail Sector

- Retail shares down in Australia and New Zealand with the announcement of Amazon's arrival in Australia
- Only the fittest and most savvy retailers will be successful in this omni-channel retail environment

Transformation

- We have unmatched depth and relevance in executive talent in NZ retail
- Undergoing fundamental transformation to ensure we remain relevant and competitive in the future
- Committed to communicate with the market and shareholders about what we are doing and how we are progressing

Chair's Introduction



What we are doing

- We believe our strategy will dramatically transform The Warehouse and its businesses.
- We exited the Financial Services business as our priorities changed to focus on retail transformation. The sale to Finance Now (a division of SBS Bank) completed in September 2017
- The Board and Management are closely aligned
- We have engaged McKinsey to assist with implementation of strategy

Chair's Introduction



Board Update

- To support management driving success the board reviewed skills going forward
- In addition to personnel changes the Board's focus on governance includes revisiting committee structures, policies and charters.
- Sir Stephen Tindall, Founder and major shareholder has decided to take a year's leave of absence from the Board to focus on other interests including the America's Cup
- Robbie Tindall has worked in the retail business for a number of years so as Sir Stephen's alternate will continue to make a valuable contribution
- James Ogden will not stand for re-election after eight years and Vanessa Stoddart has resigned
- Vena Crawley joins the Board table as part of our support for the Institute of Directors Future Directors' programme

The Warehouse Group

— Strategic Overview

Nick Grayston

Group Chief Executive



— Financial Year 2017

FY17 Annual Result



\$M	FY17	FY16	Variance
Retail Sales	2,980.8	2,924.7	+1.9%
Retail Gross Profit	971.9	958.2	+1.4%
<i>Gross Margin</i>	<i>32.6%</i>	<i>32.8%</i>	<i>-20bps</i>
Retail CODB	864.1	847.0	+2.0%
<i>CODB %</i>	<i>29.0%</i>	<i>29.0%</i>	<i>0bps</i>
Retail Operating Profit	107.8	111.2	-3.0%
<i>Operating Margin</i>	<i>3.6%</i>	<i>3.8%</i>	<i>-20bps</i>
Continuing NPAT (Adjusted)	68.2	69.2	-1.4%
NPAT (Adjusted)	59.2	64.1	-7.7%
NPAT (Reported)	20.4	78.3	-73.9%
Operating Cash Flow	128.1	162.5	-21.2%
Ordinary Dividend	16.0	16.0	0cps

- Group sales up 1.9% with Noel Leeming and Torpedo7 delivering strong growth
- Gross profit up 1.4% influenced by Noel Leeming's performance but overall margin declined due to The Warehouse's weak Christmas trading period
- Costs of Doing Business (CODB) up 2.0% largely reflecting variable cost increases linked to Noel Leeming and Torpedo7
- Reported NPAT of \$20.4M is 73.9% below last year due to a number of one-off items including restructuring costs, and the goodwill and asset impairments related to the sale of Financial Services. These are detailed further on slide 7
- Continuing operations (excluding Financial Services) delivered an adjusted NPAT result of \$68.2M which is \$1M (1.4%) below last year
- Improved H2 FY17 driven by stable margin performance and followed two consecutive weaker halves. H1 FY17 impacted by strong margin pressures and H2 FY16 by adverse currency challenges and a warmer winter

The Warehouse Group H2 vs H1



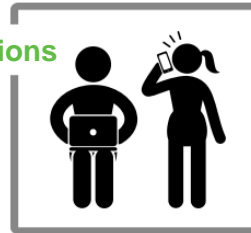
Delivered a strong H2 performance during a period of significant internal change

\$M	H2 17	H2 16	Variance	H1 17	H1 16	Variance
Retail Sales	1,368.9	1,364.2	+0.3%	1,611.9	1,560.4	+3.3%
Retail Gross Profit	452.9	445.3	+1.7%	519.0	512.8	+1.2%
<i>Gross Margin</i>	33.1%	32.6%	+50bps	32.2%	32.9%	-70bps
Retail CODB	415.0	409.9	+1.2%	449.1	437.0	+2.8%
<i>CODB %</i>	30.3%	30.0%	+30bps	27.9%	28.0%	-10bps
Retail Operating Profit	37.9	35.4	+7.2%	69.9	75.8	-7.8%
<i>Operating Margin</i>	2.8%	2.6%	+20bps	4.3%	4.9%	-60bps
Continuing NPAT (Adjusted)	23.1	20.3	+13.9%	45.0	48.8	-7.8%

Strategy & Transformation

External forces of change

Customer Expectations



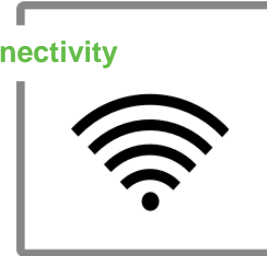
Global Sourcing



Technology



Connectivity



Global Competition

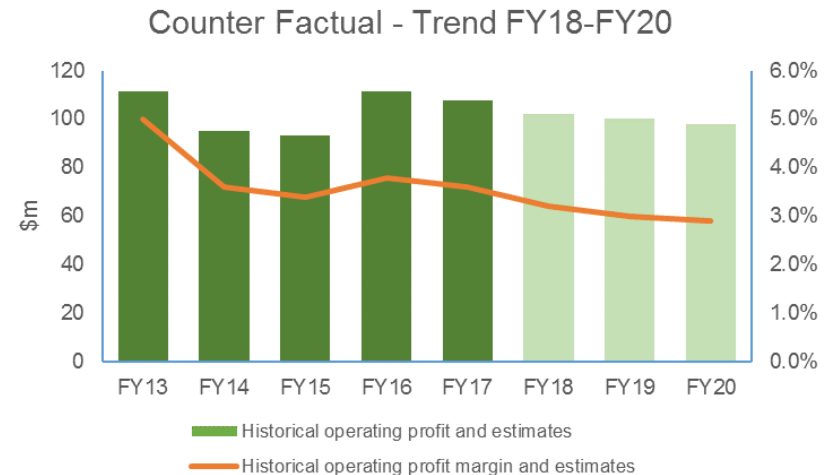


- Power shifted to consumers and retailers need to engage in 'new rules' of retail
- Our retail business model must evolve to utilise new technologies and platforms which connect consumers across global marketplaces to create an experience that differentiates us from our competition
- Acceleration of our transformation plan is now an imperative to respond to emerging trends

Counter factual: Doing nothing is not an option



- Performance over the past 7-10 years characterised by declining operating margins in The Warehouse
- The counter factual analysis suggested the declining profitability trend would continue
- Under this scenario, and allowing for a level of sales growth offset, future earnings would be flat and at a level below FY17
- Robust internal strategy development process followed including testing scenarios and examining risk
- Early and repeated engagement with the Board to understand issues facing the business and review strategic options in response, resulting in strong alignment



Note reported operating profit for continuing retail operations

Moving to execution: Retail transformation

Fix the Retail Fundamentals

Invest for the Future

Technology Enablement

EDLP

Reducing the range of SKUs and changing mix from HiLo to EDLP to drive gross margin and lower marketing and operational costs

Operating Model

Leverage operational synergies, remove duplication in product range and optimise store footprint and costs

Reducing complexity

Driving efficiency and reduced COOB through technology driven automation and productivity gains, direct sourcing and increased speed to market, and streamlined fulfilment

21st Century Retailer

Create a mobile first platform to build digital capabilities and ecosystems to respond to customer needs

Effortless, personalised and seamless customer experience and interaction across multiple brands and omnichannel

Innovative ways to engage and reward customer loyalty and create value added service offerings

What does a 21st Century Retailer look like?



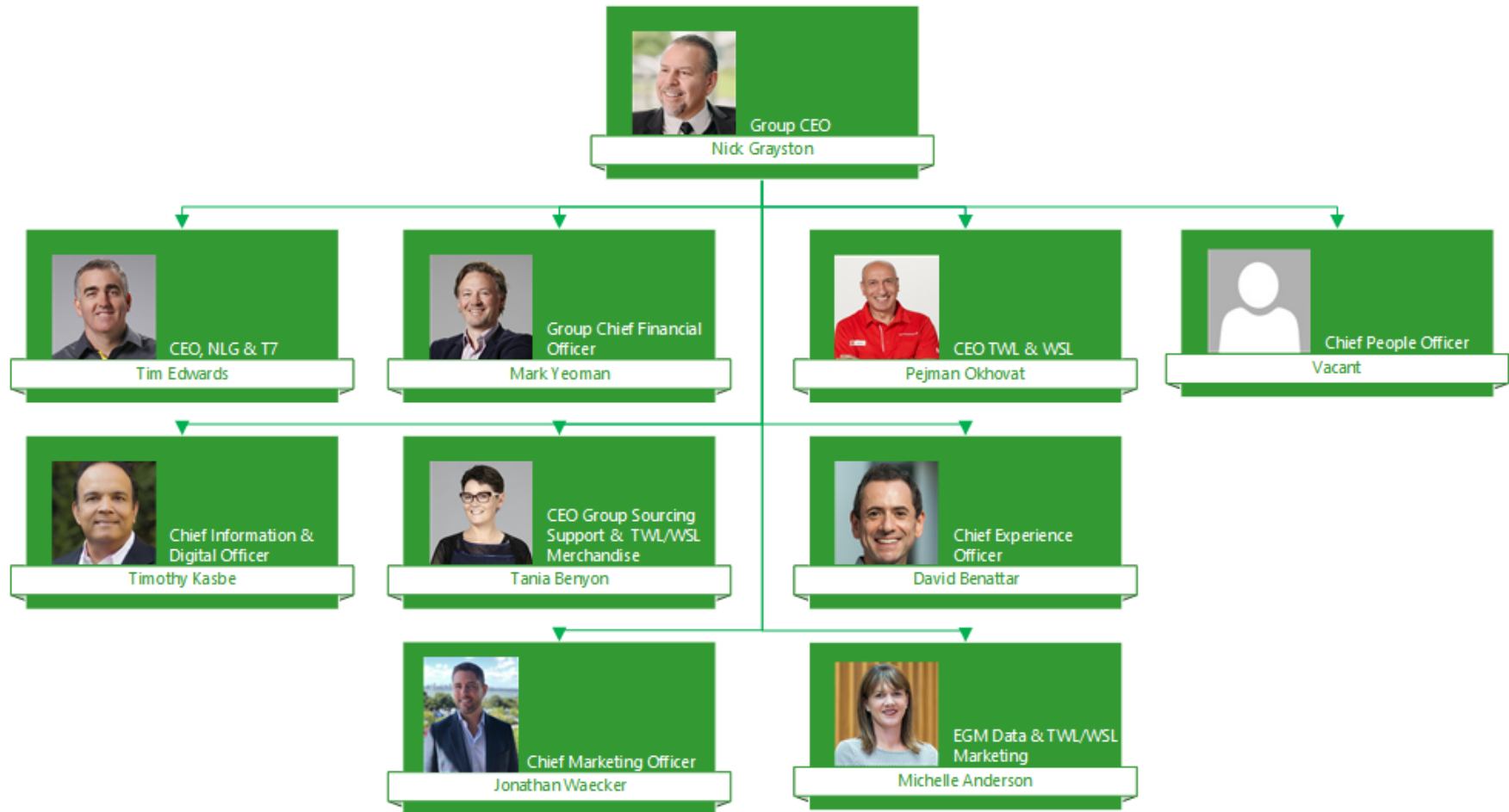
- Pivoting from a supply driven to a demand driven model to meet customers' needs in different ways
- Leveraging our existing Brand channels but also partnering with others and redefining how we do business closer to the point of need to create a truly customer centric ecosystem
- Developing a culture of innovation to look at opportunities beyond our current retail footprint:
 - Agile methodology
 - Speed to market
 - Test and learn

What does this look like for our Retail Brands?



- Leveraged store footprint incorporated with e-commerce
- Easy to shop: consistent & competitive (dynamic) pricing, clear ranging, good stock availability, automated checkout, range of payment options & methods
- Customer centric fulfilment
 - 'Last mile' delivery options (2-hour, same day, next day or standard delivery)
 - Extensive click & collect offering
- Personalised customer experience
 - Relevant product offerings, pricing & marketing
- Lower costs: right-sized head office cost structure
- Global brands complemented with high-quality and affordable private label products

Building a world class team



Conclusion



- This fundamental transformation will ensure a sustainable business in this new globally competitive retail environment
- We have established a world class leadership team which includes global expertise and local knowledge
- We will be working with McKinsey through independent due diligence to drive performance improvements
- The Board and Executive Team are focused on successful execution and risk management

The Warehouse Group

— Chair

Joan Withers



The Warehouse Group

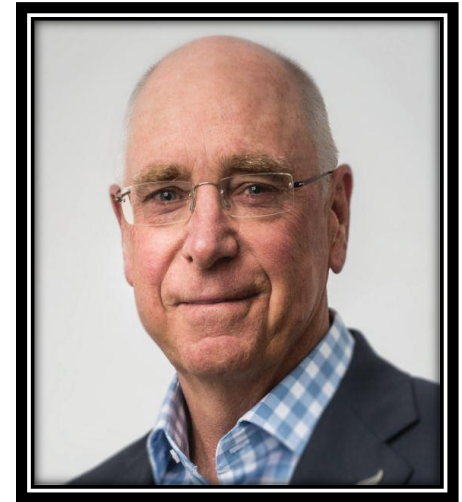
Re-election of Directors

Resolution 1

Re-election of Sir Stephen Tindall



- Founder and Non-Executive Director
- First appointed 10 June 1994
- Member of the Disclosure Committee and the People and Remuneration Committee
- Unanimously endorsed by the Board
- Proxy voting in respect of this resolution is:
A total of 186,260,069 proxy votes received,
185,303,693 votes for, 290,699 against, votes
undirected 532,891 and 132,786 votes
abstain giving a result of 99.56% votes
cast in favour of the resolution

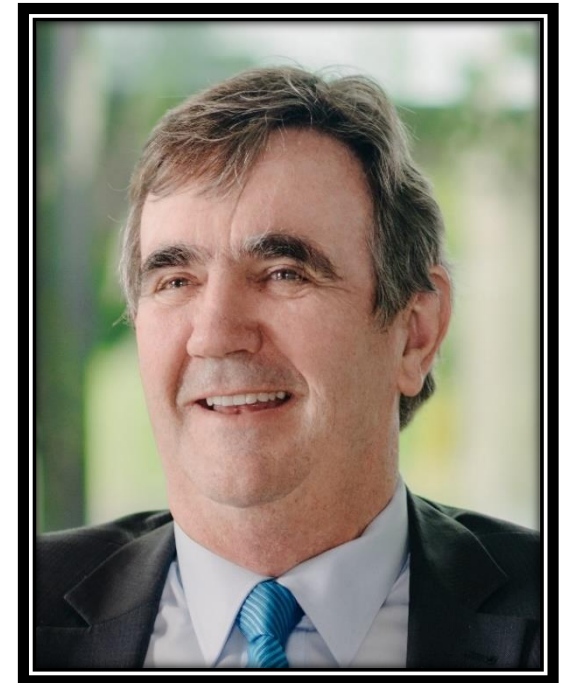


Resolution 2

Re-election of Keith Smith

- Independent Non-Executive Director
- First appointed 10 June 1994
- Chairman of the Disclosure Committee and Corporate Governance Committee
- Member of the Audit and Risk Committee and People and Remuneration Committee
- Proxy voting in respect of this resolution is:

A total of 186,260,069 proxy votes received, 183,357,874 votes for, 2,133,333 against, votes undirected 634,090 and 134,772 votes abstain giving a result of 98.51% votes cast in favour of the resolution



Resolution 3

Auditors



- 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 186,260,069 proxy votes received, 185,232,503 votes for, 157,178 against, votes undirected 723,767 and 146,621 votes abstain giving a result of 99.53% 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

Sir Stephen Tindall	95,952
Keith Smith	147,407
Audit Fees	157,757

The Warehouse Group

— General Business

The Warehouse Group

**— Thank you for attending the
2017 Annual Shareholders'
Meeting**