

# The Warehouse Group Limited

## 2015 Annual Shareholders' Meeting

Friday, 20 November 2015



# Order of Business



1. Welcome and Chairman's Address

Ted van Arkel, Chairman

2. CEO Presentation

Mark Powell,  
Group Chief Executive Officer

3. Business of the meeting

- Re-election of Directors
- Auditor
- General Business

Ted van Arkel, Chairman

4. Refreshments

# Board of Directors and Group CEO



## Board

- Ted van Arkel (Chairman)
- Keith Smith (Deputy Chairman)
- Sir Stephen Tindall
- James Ogden
- Tony Balfour
- John Journee
- Vanessa Stoddart

## Group Chief Executive Officer

- Mark Powell

# 2015 Annual Meeting



- Apologies
- Proxies
- 2014 Annual Meeting Minutes
- 2015 Annual Report






## **Chairman's Address**

**Ted van Arkel**

## Chairman's Introduction

- 
- A decorative graphic on the left side of the slide, consisting of a series of overlapping, colored triangles (black, blue, red, yellow, purple) that form a right-pointing arrow shape.
- A strong rebound in the second half year has resulted in significant profit growth for the second half, and a full year result that has beaten the guidance range given at the half year
  - The Group has entered a period of consolidation, where it is focusing on driving performance across all of the businesses in the portfolio
  - We continue to make good progress against our strategic initiatives, and have announced a number of new initiatives recently.
  - The Board and Management remain focused on driving results both for customers and our shareholders

The Warehouse Group has had a strong second half trading performance, in which a number of key initiatives to drive improvements in our businesses have started to deliver results.

# 2015 Result and Dividend



- Sales for the 2015 year were \$2.77 billion compared to \$2.65 billion last year
- Net profit after tax, after adjusting for unusual items, was \$57.1 million compared to \$60.7 million last year
- Reported net profit after tax of \$50.9 million was impacted by a \$11.3 million write-down in goodwill in the Torpedo7 Group
- The Directors are pleased to confirm the final dividend for FY15 at 5 cents per share, bringing the total dividend for FY15 to 16 cents per share.
- There is a change to the dividend policy. Our dividend policy is to pay between 75% and 85% of adjusted net profit after tax of the *retail* group. This means that the calculation excludes the financial services business, which is currently loss making as that business gets established, and where future profits will likely be reinvested to support the growth of the finance book
- Record Date: 27 November 2015
- Payment date: 10 December 2015
- Total Dividend pay out represents 93.7% of Retail Group Adjusted Net Profit After Tax

# Environment



## Retail


- We continue to see strong competition in the retail sector. That being said, we are focused on executing our strategies and have seen solid performance through the second half and into H1 in FY16.
- Competition combined with FX headwinds will put pressure on prices and margins, which we believe can be offset through better products at better prices, excellence in customer service, and continuing to maintain relevance with changing customers.

## Economic

- The declining NZD exchange rate is a reality facing all importers and retailers. Coupled with low inflation and more domestic economic “headwinds” the ability to reflect changing costs into prices will be a key challenge into FY16
  - We have a robust hedging policy in place and regularly review our position, our management of the FX issues extends to both our Treasury function and our purchasing and sourcing strategies
  - At year end our hedging levels were 62.8% hedged for the 0-12 month timeframe, more highly weighted to the first half of FY16
  - A key challenge for all retailers will be to manage the impact of increasing costs of sale and any flow through into pricing across the retail sector.



## Group Outlook

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- A decorative graphic on the left side of the slide, consisting of a series of overlapping triangles in black, blue, red, yellow, and purple, forming a right-pointing arrow shape.
- A new Group CEO has been appointed, Nick Grayston will commence with the Group in December
  - FY16 earnings will be significantly influenced by Christmas trading performance and the expected losses associated with the launch of the new financial services business. Therefore, it is too early to provide specific earnings guidance for FY16. However, the current business performance, coupled with key elements of the Group's strategic plan, should ensure that Adjusted NPAT for the Group in FY16 is in line with that recorded in FY15
  - FY16 is a 52 week period compared to FY15 which was a 53 week period
  - Subject to any event or material change in trading conditions that may trigger a continuous disclosure obligation, earnings guidance will be provided at the time of the half year result announcement in March 2016



# Group CEO Presentation

**Mark Powell**  
**Group Chief Executive Officer**

# Group Strategy

- **Vision:** “To build a 100 year company that delivers long term sustainable profit growth and helps Aotearoa New Zealand flourish”
  - Sustainable profit
  - Sustainable society
- **Clear Strengths and Core Competencies**
  - New Zealand scale
  - Understanding of New Zealand Customer, Market, and Channels
  - Sourcing, Logistics & Retail expertise
  - Our people and a best practice Way of Working and Culture
  - Digital and online capability
- **Synergy:** Leveraging Group Strengths & Core Competencies

After a period of significant change, investment and reshaping, the medium term focus is to deliver the current priorities, to leverage them and drive a profit growth trend.

# Group Strategy



# The Warehouse Group's 6 Key Strategic Priorities

1

**Keep the 'Red Core' Strong**

2

**Grow 'Non Red' to be as large as 'Red'**

3

**Be the Leading Multichannel and Digital retailer in NZ**

4

**Source Better Products at Better Prices**

5

**Be a leading NZ Retail Financial Services Co.**

6

**Leverage Group Competencies & Scale**

# The Warehouse Group 6 Strategic Priorities

1

## Keep the 'Red Core' Strong

- Clear “House of Bargains” / “Home of Essentials” strategy
- Improved product, price, promotion & customer experience
- 19 quarters of same store sales growth
- Upgraded store network
- Improved private label (e.g. Veon)
- Branded parallel imports
- Technology and appliance brands (Samsung, HP, Acer, Kambrook)
- Highly engaged team (e.g. Retail learning pathway, Career Retailer Wage, Retail degree)
- Improved brand perception - Contemporary discount image

Good defensive progress, starting to translate into operating profit growth...

the warehouse // where everyone gets a bargain

# The Warehouse Group 6 Strategic Priorities

2

## Grow 'Non Red' to be as large as 'Red'

- **Warehouse Stationery**
  - “Work, Study, Create, Connect”
  - 25 quarters of sales growth
- **Noel Leeming**
  - Right Product, Right Price, Leading Services, Passionate People, Expert Service
  - Winning in the Technology & Appliances market
- **Torpedo7**
  - Integrated R&R Sport and Torpedo “Bricks & Clicks”
  - Heading in the right direction



Expanded Growth Opportunities: Warehouse Stationery is a model for what we can achieve, with Noel Leeming and Torpedo7 just starting the journey.

# The Warehouse Group 6 Strategic Priorities

3

## Be the Leading Multichannel and Digital retailer in NZ

- Now New Zealand's leading multichannel & digital retailer
- Ability to integrate "bricks and clicks" multichannel offer is a competitive advantage
- 'Click & Collect' and 'Endless aisles'
- One third of Red online customers using click and collect
- In FY15 had \$149.2m of online sales, up from just \$18.8m in 2011
- Consistently more than 1m unique visitors to our sites each month
- Red online business grew by 32% yoy
- Digital marketing has moved from less than 5% to nearly a quarter of marketing spend

Digital retailing is becoming one of the Group's core competencies.



# The Warehouse Group 6 Strategic Priorities

4

## Source Better Products at Better Prices

- Brands into Red through the NLG acquisition: Acer, HP, Samsung, Kambrook, F&P
- China Sourcing growing strongly
- Non-China sourcing building
- Improving quality & design, but not compromising price
- Torpedo7 Private label development
- Vertical integration: NZ Wholesale capability developed (CES, Insight Traders, TVIB)
- 'Bargain' Sourcing team established for parallel imports and deals
- Warehouse Mobile launched this month: Mobile MVNE with 2 Degrees

Product & Price: Ultimately the key area for competitive success in retail.

# The Warehouse Group 6 Strategic Priorities

4

## Source Better Products at Better Prices

### Introducing Warehouse Mobile

*The simplest, most flexible prepaid offering in New Zealand*

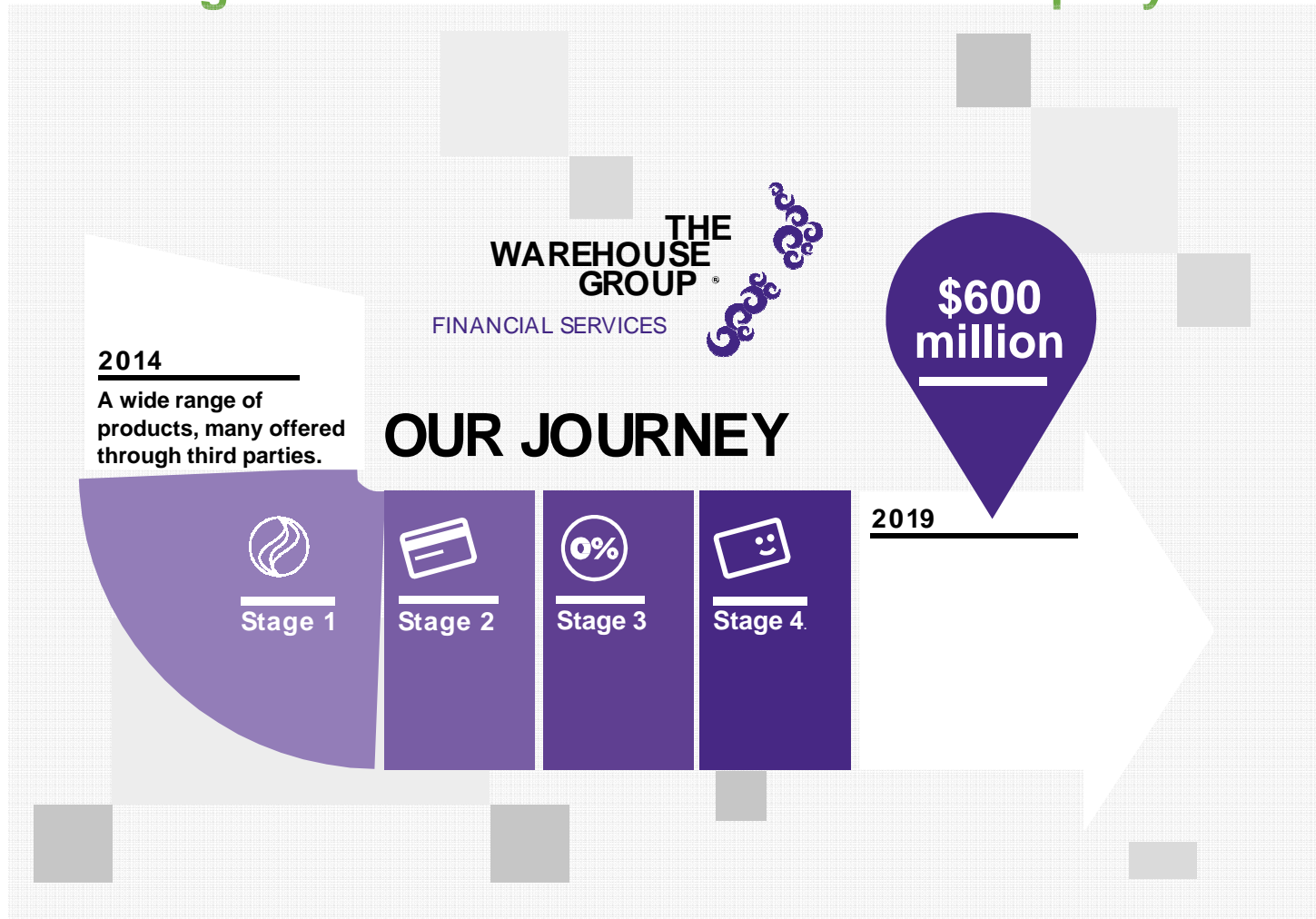


Great Value Simple, Flexible Pricing revealed next Monday.

# The Warehouse Group 6 Strategic Priorities

5

Be a leading NZ Retail Financial Services Company.



# The Warehouse Group 6 Strategic Priorities

5

## Be a leading NZ Retail Financial Services Co.

### Introducing Warehouse Money

- Diversification of earnings for the Group
- Financial Services innovation – link tightly to retail propositions
- Distribution is our key strength



# The Warehouse Group 6 Strategic Priorities

5

Be a leading NZ Retail Financial Services Co.

## The Warehouse Money Visa



### Warehouse Money Visa Card

- 5% discount at Red in-store and online every day
- No annual fees
- 19.95% Interest rate

# The Warehouse Group 6 Strategic Priorities

5

## Be a leading NZ Retail Financial Services Co.



### Purple Visa Card

- Earn rewards on everyday spend everywhere Visa is accepted
- No annual fee
- 19.95% Interest Rate
- Redeem rewards instantly at POS



- Travel Insurance
- Health Insurance



- Car Insurance
- Home Insurance
- Contents Insurance



# The Warehouse Group 6 Strategic Priorities

6

## Leverage Group Competencies & Scale

- **Property & Shared Support Services**
  - Whangarei, Sylvia Park, The Base, Hamilton Central
  - Customer Insight
- **Product Sourcing**
  - Torpedo7 Private label
  - Brands into Red through NLG
- **Digital learning**
- **Financial Services**
- **People & Way of Working**
  - A Customer Led, People Centered continuous improvement culture

Each Brand is independent from a customer perspective, but leverages the Group where it helps them to be stronger.

# The Warehouse Group 6 Strategic Priorities

## 6

### Leverage Group Competencies & Scale

#### Community and Environment: Part of our Brand DNA

- In 33 years communities have raised over \$30m for local groups and charities

- Facilitated raising over \$4.22m in F15:

- National Fundraising Programme \$1.9m
- Regional/Local Fundraising \$2.3m

Includes:

- Customer Choice / “Bags for Good” Programme \$521,590
- In store coin collection boxes \$162,292
- Community BBQs (x 68) \$461,518

Partnerships committed to in F16 with key charity partners:



WOMEN'S REFUGE



LIFE EDUCATION | TRUST







“To build a 100 year company that delivers long term sustainable profit growth and helps Aotearoa New Zealand flourish”



**Chairman  
Ted van Arkel**

## Board of Directors

- Your board is comprised of directors with a mix of qualifications, skills and experience appropriate to the company's existing operations and strategic direction





# Re-election of Directors

## Resolution 1 – Re-election of Antony (Tony) Balfour

To re-elect Tony Balfour as a director of the company

- Independent Non-Executive Director
- First appointed 15 October 2012
- Member of the People and Remuneration Committee
- Unanimously endorsed by the Board
- Proxy voting in respect of this resolution is:

A total of 189,401,196 proxy votes received, 188,688,851 votes for, 168,751 votes against, votes undirected 387,863 and 155,731 votes abstain giving a result of 99.7% of votes cast in favour of the resolution



## Resolution 2 – Re-election of James Ogden

To re-elect James Ogden as a director of the company


- Independent Non-Executive Director
- First appointed 4 August 2009
- Chairman of the Audit Committee and member of the Disclosure Committee
- Unanimously endorsed by the Board
- Proxy voting in respect of this resolution is:

A total of 189,401,196 proxy votes received, 188,684,211 votes for, 161,890 votes against, votes undirected 384,683 and 170,412 votes abstain giving a result of 99.7% of votes cast in favour of the resolution.



## Resolution 3 – Auditors

That the Directors are authorised to fix the fees and expenses of PricewaterhouseCoopers as auditor for the ensuing year.

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A total of 189,401,196 proxy votes received, 188,630,017 votes for, 188,659 votes against, votes undirected 418,233 and 164,287 votes abstain giving a result of 99.7% of votes cast in favour of the resolution.



# General Business





# Voting Procedure



**Thank you for attending the  
2015 Annual Shareholders'  
Meeting**

