NZX | Market release – 3 March 2025

The Warehouse Group provides trading update

The Warehouse Group today announced its preliminary H1 FY25 result and provided an update on outlook for the balance of FY25.

While the Group has seen positive signs that its new product and pricing strategies are resonating with customers, the ongoing retail trading headwinds in New Zealand have slowed the pace of its turnaround. The sluggish economic recovery and lower customer demand has created a highly promotional retail environment, which is putting pressure on gross margins across The Warehouse, Warehouse Stationery and Noel Leeming.

FY25 H1 Group sales were $1.607 billion, down 1.6% compared to FY24 H1*. While sales showed an improving trend over the period with Q2 easing to a small decline of -0.9% year on year, gross margins remain under pressure. While management continues to focus on containing costs in line with its sales performance, these gains have been insufficient to offset gross margin declines.

FY25 H1 (to 26 January 2025) earnings before interest and tax (EBIT, pre-IFRS16) is expected to be in the range of $18 million – $20 million (subject to audit review).

The Warehouse Group Interim Chief Executive Officer John Journee noted that post December 2024, the Group's sales trend has continued to show an improved trajectory with January and February delivering positive year-on-year sales growth, but gross margins remain constrained.

"We're encouraged by the positive customer response when we get our product and pricing right, and this will underpin our performance recovery as we deliver these improvements at scale. Fixing legacy issues, improving our product offer and executing our Fighting Fit turnaround plan across each brand will take time," says Mr Journee.

"We remain focused on prudent fiscal management which has helped us achieve a positive closing cash balance at the half."

Outlook

"There remains significant uncertainty around the Group's FY25 H2 performance and the timing and momentum of New Zealand's economic recovery. However, at this stage, management's best estimate of H2 FY25 EBIT is that it will be broadly in line with the H2 FY24 EBIT* loss of circa $14 million."

"Whilst we are likely near the bottom of the discretionary retail spending cycle in New Zealand, this level of financial performance is unacceptable. We remain intently focused on driving improved performance while maintaining financial discipline and keeping costs and capital expenditure under control."

The Group expects the economy to recover towards the end of calendar year 2025 as lower inflation and interest rates take effect. This improving outlook should boost consumer sentiment and encourage Kiwi families to start spending again.

A full update on first half trading will be provided at the Group's FY25 Interim Results on Friday 21 March.

Ends

Footnote:
* from continuing operations

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