The Warehouse Group 2023 Annual Meeting
24 November 2023
Chair's Address – Joan Withers

Introduction

Kia ora koutou katoa. Haere mai ki tenei hui motuhake.

Good morning ladies and gentlemen and thank you for joining us. My name is Joan Withers, and I am the Chair of The Warehouse Group.

On behalf of your Directors, the Group Chief Executive Officer, our Leadership Squad and all our team members I extend a very warm welcome to our Annual Shareholders' Meeting – both to those of you in the room today, and to all our shareholders who are joining us online.

The notice convening today's meeting was circulated to shareholders on 25 October 2023, and a quorum is present, so I am pleased to declare the 2023 Annual Shareholders' Meeting of The Warehouse Group open.

Today's meeting is being held both in-person and online via the Computershare Online Meetings platform. This allows shareholders, proxies and guests who were not able to travel and attend the meeting in person to attend the meeting virtually. All of our online attendees can now see a live webcast of this event and read the company documents associated with the meeting. In addition, shareholders and proxies may ask questions and submit votes, and I will outline the process for that shortly.

Agenda

Before proceeding with the formal business, I will run through the order of events for today's meeting.

The agenda will start with the usual formalities and then I will provide a recap of the FY23 annual results, our dividend distributions to shareholders, as well as an update on our non-financial milestones including sustainability and our people.

Nick Grayston, our Group Chief Executive Officer, will then provide some detail on our strategy, our ecosystem, and go through more detail of the year in review   as well as an update on the first quarter of the current financial year and our outlook for the remainder of FY24.

We will then turn to the formal part of the day's business. The resolutions today include the re-election of two Directors, being Dean Hamilton and Robbie Tindall, and authorising the setting of the auditor's fees.

We will cover each resolution in turn and invite you to submit your questions specific to those items, which we will respond to during the Q&A session for each resolution.

Voting will take place by poll. I will outline the process for the discussion and voting on the resolutions at that point in the agenda.

Following the resolutions, we will take questions on the Group's financial performance, operational performance, or other general business. I ask that you wait to raise any of your questions of a general nature until that time.

If you have joined the meeting online, you will be able to submit a question or vote on the resolutions throughout the course of the meeting.

We will now move to the formal agenda.

Proxies

Proxies have been received from 380 shareholders representing 197,828,106 voting shares. This represents 57.04% of the voting shares in the Company.

The valid proxies we have received support the resolutions to be considered later in the meeting. I will provide further details on proxies in respect of each resolution at that time.

2022 Annual Meeting

I confirm that the minutes of the 2022 Annual Meeting held on 25 November 2022 have been signed and confirmed by me as the Chair of that Meeting. These minutes are available for review on the Company's website.

Annual Report

The Financial Statements for the 52 weeks ended 30 July 2023, together with the Auditor's report are set out in the Company's 2023 Annual Report, which was released to the NZX and made available on our website on 28 September 2023.

If you would like a hard copy of the Annual Report, please email us at investors@thewarehouse.co.nz to request a copy.

Under the Companies Act 1993, there is no requirement to approve the Financial Statements or the auditor's report at Annual Meetings, however we will be happy to answer any questions you may have during the Q&A session at the end of the meeting.

FY23 ANNUAL RESULTS

I will firstly focus on our financial performance during FY23.

The past 24 months have been challenging for the New Zealand retail trading environment in general and exceptionally so for The Warehouse Group.

As we all know, Kiwi families are experiencing rising inflation, rising interest rates and increased cost of living, thereby reducing their disposable income. This difficult trading environment has occurred at a time when the Group is at the point of peak spending on replacing legacy information systems and digital infrastructure necessary to support our in-store and online strategies.

We did experience sales growth for the Group in FY23, achieving $3.4 billion in total Group sales, up 3.2% on the prior year. We saw a particularly strong sales result in The Warehouse of $1.9 billion – the brand's highest sales year on record and up 9.6% on FY22. However, customers responded to the economic climate by reducing their spending on higher discretionary items, impacting our other brands' sales.

Gross profit margin was disappointing in the first half of FY23, as the costs of products and freight were impacted by inflation and global supply chain disruption. While striving to deliver value to our customers by keeping prices as low as possible, we did not move quickly enough to react to the impact of these increasing costs. In the second half of FY23, we took action through margin management initiatives to recover some of this deterioration while preserving value on critical items.

Overall, Group gross profit decreased from $1.2 billion in FY22 to $1.1 billion in FY23.

Group gross profit margin percentage improved from 32.7% in the first half of FY23 to 33.4% for the FY23 full year. However, this was still down from 35.3% in FY22, and we continue to put in place margin enhancing initiatives to recover this. We are pleased to see the second half improvement continue into the first quarter of FY24, which Nick will take you through shortly.

The Group finished the year with adjusted net profit after tax of $37.5 million for FY23, compared to $85.5 million in FY22, with reported net profit after tax of $29.8 million (after unusual items of $13.9 million), compared to $89.3 million in FY22.

As the Group has traded through this environment, and assisted by the sale of the Royal Oak property, we strengthened the balance sheet from the half year, with net debt of $48.1 million – up slightly on FY22, but a significant reduction from debt levels of $83.4 million at the FY23 half year, and providing available liquidity of $421.9 million at year end. This is within our target liquidity range of $350 million to $450 million.

Performance review and actions we are taking

The FY23 result is one on which we have reflected at Board and executive level a great deal. We are very conscious of the fact that shareholders will not be happy with where the share price currently sits or the fact that we did not declare an interim dividend.

I can confirm that as a Board and executive team our focus and priority is on maximising our trading performance and significantly improving our financial results as we work through the current financial year.

As mentioned, gross profit margin decreased in the first half of FY23, as costs increased and global supply chain was disrupted and to be honest, we should have anticipated these changing conditions sooner.

The collapse in the performance of Torpedo7 and the loss in The Market.com also seriously impacted our bottom line.

As we saw the first half of FY23 unfolding, we implemented actions which did see margin performance improve in H2 and we have continued to see margin improvement in the FY24 first quarter.

In particular, we outlined at the full year specific actions we are taking to improve margin and profitability performance, including:

- We have reprioritised our transformation focus to concentrate on EBIT delivery;
- We are successfully reducing store labour costs by driving productivity improvements;
- We have closed the 1-day operations and integrated The Market and Torpedo7 into our Agile operating structure;
- We are improving the profitability of our grocery range while offering affordable essentials to Kiwis; and
- We have implemented Improved inventory control – evidenced by the reduction in inventory levels by financial year end.

Nick will provide more details on these initiatives, and more detail on Torpedo7, shortly.

We know we have more work to do. We are committed to growing profitable sales, improving financial performance, and growing shareholder value.

Dividends

The Group dividend policy is to distribute at least 70% of the Group's full year adjusted net profit after tax, at the discretion of the Board, and subject to trading performance, market conditions and liquidity requirements.

As previously mentioned, we took the difficult decision to not declare an interim dividend. Given the return of net debt to levels by year end that fall within our target liquidity range of $350 - $450 million, and the planned reduction in project expenditure from $154.4 million in FY23 to $80.0 million in FY24, the Board was pleased to declare an FY23 final dividend of 8.0 cents per share.

Our objective is to deliver consistent and sustainable returns for our shareholders.

Governance

As I have described, Nick and the executive leadership team continue to be focused on significantly improving our profitability and capitalising on the opportunities this challenging market is presenting.

The Board provides support and guidance to the leadership team, and we continue to evolve our governance practices and interactions. I must thank my fellow directors for their impeccable dedication to their roles. Every board has a range of imperatives it needs to balance in order to fulfil all of its duties. We believe there is no inherent incompatibility in fulfilling our Purpose of Helping Kiwis Live Better Every Day, maintaining our social licence to operate which is behaving in a way that inspires trust and confidence in the business, and driving the creation of long term shareholder value.

Results such as we have experienced in this past financial year provoke both a visceral and intellectual response from directors. We care passionately about the fortunes of The Warehouse Group. There has been an enormous effort put in by both the board and leadership team. We know that's not what counts – we need to show the results of our collective efforts – but during the financial year the board held 13 meetings over 18 days as well as 25 committee meetings.

We once again conducted an independently facilitated board performance review, we considered our skill mix and composition and worked on board succession. We welcomed our latest appointee, Jeremy O'Brien to the Future Director role. We are one of corporate New Zealand's strongest supporters of the Future Director scheme, which is building a pipeline of the next generation of Company Directors. The scheme will assist in ensuring NZ has a younger cohort of governance practitioners coming through, enabling a sustainable framework for best of breed corporate governance.

And speaking of sustainability, again this year we made progress against our targets and our climate reporting capability.

Sustainability Milestones

Back in 2021 we established a dedicated Board committee Chaired by Rachel Taulelei to provide oversight on Environmental and Social Sustainability strategy and to guide our reporting. That same year we set four building blocks for us to target and measure our progress on the environmental issues which matter the most to us and our stakeholders, and through which we believe we can make the most impact.

Those building blocks include:

1. **Increasing the number of products with sustainable attributes**, such as more sustainable production methods, materials or packaging, and helping our suppliers reduce their own greenhouse gas emissions;
2. **Enabling sustainable living solutions** that help our customers live a healthy, low-carbon lifestyle;

3. **Providing circularity solutions** that reduce the amount of post-consumer waste going to landfill;
4. **Increasing the sustainability performance of our operations** and decreasing our operational carbon emissions (Scope 1 & 2) to zero by 2040.

We are very proud of the milestones we have achieved this year – and I would like to call out a few of the achievements I am most proud of:

- 33% of our private label sales are now from products with sustainable attributes;
- 43% of our private label sales were derived from products with packaging that is either compostable or recyclable;
- We are increasing our efforts on Scope 3 and have engaged with 80% of our direct suppliers to start measuring their Scope 1 and 2 (our Scope 3);
- Through our instore consumer recycling initiatives, we recycled 199 tonnes of post-consumer waste; and last but not least;
- In September 2023, we signed an agreement with Lodestone Energy to provide solar power to 260 of The Warehouse Group sites, which will effectively reduce our Scope 2 emissions to zero by 2027.

We are well advanced in our preparation for compliance with the mandatory Climate Related Disclosures regime which takes effect in 2024.

People, Diversity, Health & Safety

Along with our environmental metrics and targets, what we also hold important is the diversity, well-being and health and safety of our 12,000 people.

Gender equity remains a core focus for us, and I am pleased to report that females hold 50% of our senior leadership roles, 50% of our Board members are female, and we have achieved 101% gender pay equity at Group level. In addition, we continue to maintain the Rainbow Tick certification, and have done so since 2019.

Some of the diversity and well-being initiatives we have implemented or continued this year include:

- Te Ao Māori, Pride, Wāhine Advocates and Neurodiversity groups across the organisation;
- Our Gender Transition Policy allows for 10 days paid leave;
- Our Family Violence Policy allows for 15 days paid leave and three nights' accommodation;
- Our Parental Leave Policy, which we brought in last year, allows for 26 weeks full pay, as well as "Ease Back to Work" flexible hours and "Be There for Partners" leave;
- We also have Lifestyle Leave and Career Break options available to team members.

The health and safety of our people and customers is top priority, with conversations, reporting and action plans spanning every level of the organisation. From the Board Health, Safety and Wellbeing Committee, led by Julia Raue, to our Leadership Squad and our teams on the store and distribution centre floors.

Over the last few years, we have intentionally moved from a culture of compliance to a culture of care, where compliance just becomes second nature. In 2022 we embedded a new health and safety system, EcoPortal, and we have seen significant improvement in reporting, data tracking and team member response to safety awareness.

We have continued to invest in safety measures and support services for our team members – such as training our store team members in incident management, providing Benestar support for affected team members, and investing $1.8 million to strengthen store security across all our brands and particularly in our Noel Leeming stores.

We continue to focus on violent and aggressive behaviour (VAB), traffic management, and critical risk events. During FY23, the Group reported 224 VAB incidents – while it is disappointing that this is higher than last year, this reflects improved reporting from our team and the scale of incidents across our network and our communities.

On the other hand, only one critical traffic management incident was reported in FY23, which is still one too many, but it compares to 11 in FY22. And eight critical risk events were reported this year, significantly down on last year's 52 events.

We also saw a reduction of lost time injuries by nearly 11%.

Conclusion

Before I hand you over to Group CEO Nick Grayston, I would like to thank our customers across all our brands – The Warehouse, Warehouse Stationery, Noel Leeming, Torpedo7 and TheMarket.com for continuing to choose us.

Thank you to our team members for their hard work, dedication and their ability and willingness to adapt and rise to the challenge of current trading environments.

I have already paid tribute to my fellow Board Members for their contribution this year, but thankyou again.

And on behalf of the Board, I would like to thank our CEO Nick Grayston and the Leadership Squad he has working alongside him. Their support and energy have been outstanding in helping shape and drive the Group's strategy in the midst of wider economic, social and political challenges we're now facing.

I am very proud that the values of The Warehouse Group and our strong and focused team have continued to deliver for New Zealanders.

Finally, I would like to thank you, our shareholders, for your continued support and forbearance. FY23 is a year on which we must reflect and learn, and build upon. As we head into our peak trading weeks, I can assure you that the team is fully focused on making sure we have a much improved result to report to you in 2024.

I will now hand over to Nick to brief you on the Company's strategy, more detail on the FY23 performance and a FY24 Q1 update.

Thank you, Nick.