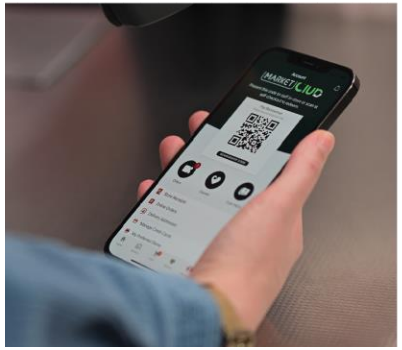
FY23 ANNUAL RESULTS

28 September 2023

THE WAREHOUSE GROUP



the warehouse

warehouse stationery

noel leeming

Torpedo7

THE MARKET


thewarehouse
WS
warehouse stationery
noel leeming
Torpedo
THE WAREHOUSE GROUP

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CHAIR'S UPDATE

JOAN WITHERS

STRONG SALES IN A CHALLENGING YEAR

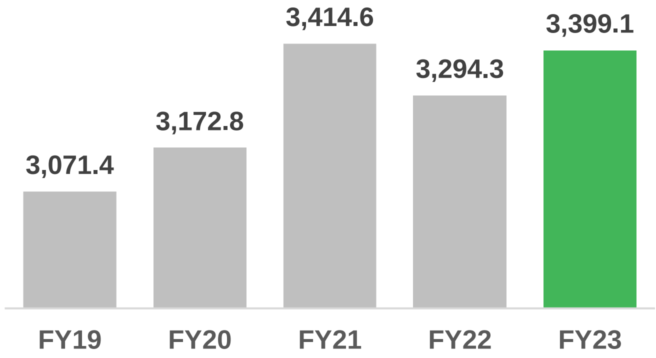
- We are reporting a Group sales result of $3.4 billion up 3.2% on FY22, including a record sales result for The Warehouse of $1.9 billion in what has been a very tough economic environment, and ending the year in a strong financial position.
- While the first half saw significant sales growth of 4.8%, this slowed in the second half to 1.4%.
- It has been a challenging trading environment with Kiwi families experiencing rising inflation, increased cost of living and rising interest rates, which has intersected with the Group being mid-way through a transformation programme and in a peak year of project spend.
- The planned increase in Cost of Doing Business, in particular around IS costs, while facing pressure on our Gross Profit Margin exacerbated our challenges. The pressures on our Gross Profit Margin were particularly acute in the first half with higher promotional activity and through shipping delays and congestion.
- Our response was a strategic reprioritisation with a focus on operational performance, managing Gross Margin, reducing Cost of Doing Business, and rebalancing project spend.
- While initiatives have been put in place, we have not been able to completely offset ongoing cost increases. However, we are pleased to have recovered some of the Gross Profit Margin decline experienced in the first half, and our Cost of Doing Business has decreased as a percentage of sales compared to prior year as a result of actions taken.
- We stand by our purpose of helping Kiwis live better every day and our vision to make sustainable living easy and affordable for everyone – for the benefit of our customers, our community, and our planet, while providing sustainable long-term return for our shareholders.

2023 AT A GLANCE

SALES $M

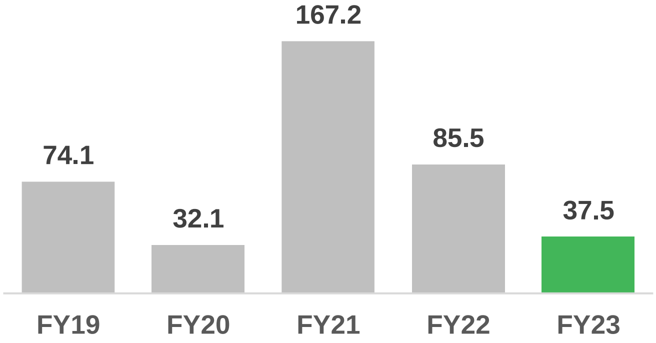
UP 3.2% ON FY22

UP 10.7% ON FY19 (2.6% CAGR)



ADJUSTED NPAT[1] $M

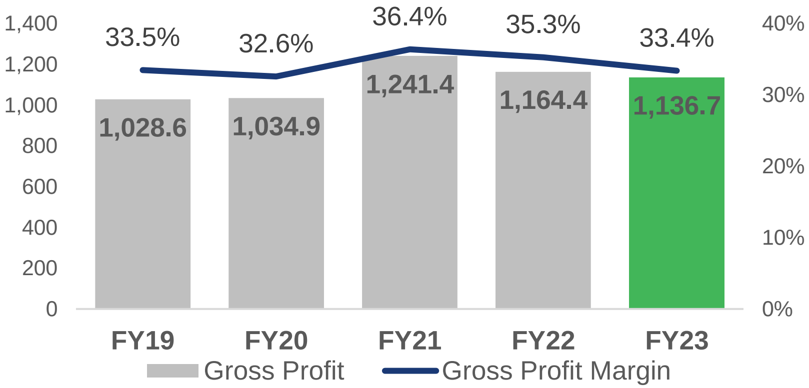
DOWN 56.2% ON FY22



GROSS PROFIT $M

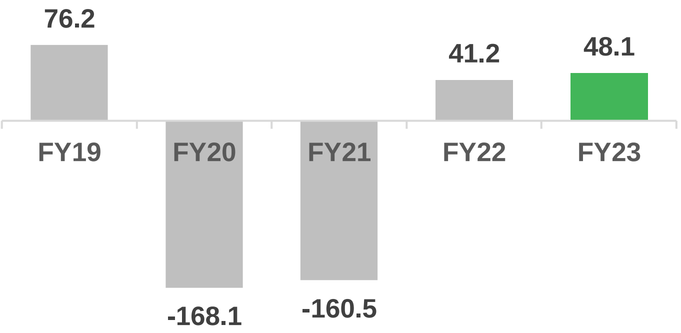
DOWN 2.4% ON FY22

UP 10.5% ON FY19 (2.5% CAGR)



NET DEBT / (CASH) $M

LIQUIDITY HEADROOM $421.9M (FY22: $378.8M)



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1. FY21 Adjusted NPAT has been restated for Cloud Computing adjustments ("SaaS"). FY19 and FY20 are not adjusted for the SaaS accounting policy change.

THE ROADMAP TO NET ZERO

Zero Waste
Diverted **72.9%** operational waste from landfill.

33% of private label sales from products with sustainable attributes (46,637 products accounting for over $343 million in sales), up from 22% in FY22.

Diverted 199 tonnes of post-consumer waste from landfill – Soft plastics, e-waste, ink and toners, and other hard to recycle items.

100% EV Light Passenger Fleet
in FY23 – reaching our target to be 100% by 2025 2 years early.

GHG emissions
7,657t CO_2e Scope 1 and 2 emissions, decrease of 43.3% from FY22[1].

$4.1 million raised for New Zealand charities and communities ($83.4 million since 1995).

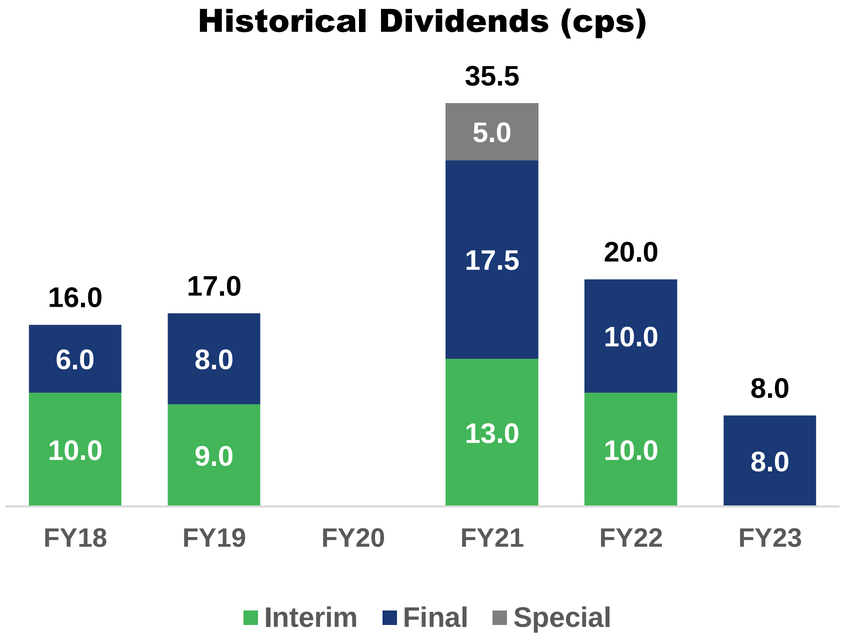
Agreement signed with Lodestone – for purchase of solar generated electricity to power all sites including stores, DCs and SSO by 2026.

XRB Aotearoa New Zealand Climate Standards – participant in setting the NZ Retail sector scenarios. We are on the journey to develop these frameworks for reporting in FY24.

1. The significant reduction is in our Scope 2 emissions primarily due to updated emissions factors released by Ministry for the Environment ("MfE") in FY23, which also required a restatement of our FY20 base year, and subsequent years. While our electricity consumption decreased 2.5% compared to FY22 and decreased 6.0% compared to FY20, the average electricity emission factor decreased 56% in FY23 compared to FY22.

FY23 FINAL DIVIDEND

- 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.
- Net debt at year end was $48.1 million, down from $83.4 million at the FY23 half year and slightly higher than $41.2 million in FY22. Available liquidity at year end was $421.9 million.
- We have significantly reduced our planned project expenditure[1] to $80 million for FY24 versus $154.4 million in FY23.
- The economic environment in New Zealand continues to be challenging, and although the Group’s largest brand The Warehouse is faring well, overall Group trading performance remains uncertain.
- Given the return of net debt to levels that meet our target liquidity range of $350 - $450 million, the Board is pleased to declare a final dividend of 8.0 cents per share.
- The record date for the dividend will be 16 November 2023 and will be paid on 1 December 2023.



1. Total project expenditure includes capital expenditure, prepayments, SaaS expenditure and project operating expenditure.

GROUP UPDATE

NICK GRAYSTON

STRATEGIC REPRIORITISATION

WE HAVE A DIVERSIFIED RETAIL PORTFOLIO PROVIDING CUSTOMERS A WIDE RANGE OF SOLUTIONS

- It has been a challenging 12 months, particularly with the poor performance from Torpedo7. Customers have felt the pinch on their disposable income with rising inflation, cost of living, increased interest rates, and a preference shift towards services and experiences over goods.
- We planned for an increase in Cost of Doing Business, in particular around IS costs, but faced more than expected pressure on our Gross Profit Margin through promotional activity and cost of goods while trying to deliver value to our customers. We made the conscious choice to continue the investment to accelerate our transformation programme which drove increased CODB, particularly IS operational expenditure and depreciation.
- After a tough first half, which saw margins and profitability impacted, we undertook a strategic reprioritisation to improve performance – protecting the impact on our own operations and near term operating profit, pausing investment on some projects, and focussing on actions to provide customers with products at great value.
- We are focused on reducing IS costs as we move through peak investment phase, reducing cost to serve, and improving operating performance. While it's early days we have seen some improvement come through in the second half financial performance. I am encouraged that we are better positioned to weather the economic headwinds that we expect to continue in the year ahead.

Improving financial performance

Focus on operational performance – minimise cost to serve, manage gross profit margin and reduce working capital

Reduce Cost of Doing Business – roll out initiatives to manage labour cost and realise information spend benefits

Project Expenditure – rebalance capital expenditure to align with reprioritisation and fit within reduced envelope

Improving operational efficiency and customer offering

Integration of TheMarket.com and Torpedo7 – bring these brands into the Agile operating structure as planned

Growth in Grocery – including Market Kitchen and fresh offering to deliver what customers need at competitive prices

Club

Group membership – continue to build MarketClub and other membership programmes to leverage competitive advantage

THE WAREHOUSE GROUP

ACTIONS TAKEN IN THE SECOND HALF

What we said we would do	What we have done
Reprioritised transformation to concentrate on EBIT delivery. **Some core system implementations are coming to an end and we are delaying some digital initiatives and reducing capital expenditure going forward.**	• Restructured our SSO teams to deliver $24m of annualised benefit. • Significantly reduced the operating costs of the TheMarket with H1 loss of $16 million reduced to $6 million in H2. FY24 operating loss from TheMarket is expected to be less than $5 million. • Eliminated incremental MarketClub promotional spend compared to $14m spent in H1. • Deferred spend ~$30 million including CDP automation, digital wallet, and unified app, to manage project spend while core projects are delivered – ERPFI, GOMS and ERP-T7.
Continue to reduce store labour costs by driving productivity improvements.	• Total employee expenses held flat as % of sales on FY22, despite wage inflation pressures. • TWL CODB decreased as a % of sales from 35.9% in FY22 to 33.6% in FY23.
Closure of 1-day operations and integration of The Market and T7 into Agile.	• Closed 1-day website, exited 1-day distribution centre, and sold through 1-day inventory. • TheMarket.com moved to Agile structure with greater focus on Group Marketplace and we are assessing the future platform direction. • Torpedo7 moved to Agile structure in August 2023, with a recovery plan in place, to be reassessed at FY24 H1.
Grow profitable grocery offering while offering affordable essentials to Kiwis.	• Increased Market Kitchen range to include 64 different products. • Improved grocery supply chain capability. • SKU reduction is underway. • Improved margin management – real time pricing, reactive pricing to increased cost of product, reduced handling through use of bulk stacks.
Closer inventory control – reduce by financial year end.	• Significantly reduced inventory from half year with closing inventory of $493.3 million compared to $562.3 million at FY22 and $617.8 million at FY23 H1. • System projects commenced to further improve inventory management.

DIVISIONAL SUMMARY

Core Agile brands Operating Profit decreased 20% from $152.7 million to $121.9 million.

	Sales			Gross Profit [1]			Operating Profit [2]		
	FY23 $ million	FY22 $ million	Variance	FY23 $ million % margin	FY22 $ million % margin	Variance vs FY22 %	FY23 $ million % margin	FY22 $ million % margin	Variance vs FY22 %
the warehouse	1,892.4	1,726.9	9.6%	708.5	696.6	1.7%	71.6	75.7	-5.5%
				37.4%	40.3%	-290 bps	3.8%	4.4%	(60 bps)
warehouse stationery	248.6	249.7	-0.4%	116.6	118.6	-1.7%	23.0	23.1	-0.2%
				46.9%	47.5%	-60 bps	9.3%	9.2%	10 bps
noel leeming	1,061.0	1,096.7	-3.3%	233.1	254.1	-8.2%	27.3	53.9	-49.3%
				22.0%	23.2%	-120 bps	2.6%	4.9%	(230 bps)
Torpedo7	162.2	171.5	-5.4%	48.5	61.8	-21.5%	(22.2)	(2.2)	-891.3%
				29.9%	36.0%	-610 bps	-13.7%	-1.3%	(1,240 bps)
THE MARKET	33.7	50.0	-32.6%				(22.0)	(24.7)	11.0%
Other [3]	1.3	(0.5)	-338.9%				(16.5)	(9.0)	-84.7%
THE WAREHOUSE GROUP	3,399.1	3,294.2	3.2%	1,136.7	1,164.4	-2.4%	61.2	116.8	-47.6%

$121.9m

$152.7m

1. Total Group Gross Profit includes $30.0 million attributable to TheMarket and other group allocations.
2. Operating Profit includes the impact of SaaS but excludes the impact of NZ IFRS16 and unusual items and is a non-GAAP measure. For a reconciliation between Operating Profit and Reported EBIT refer to Slide 19 of this presentation and Note 2 of the Financial Statements for the year ended 30 July 2023.
3. Other items in operating profit include corporate costs and other unallocated overheads.

TORPEDO7 RECOVERY PLAN

We have experienced significant challenges with Torpedo7 which delivered an operating loss for the year of $22.2 million.

- Decreased consumer demand, consistent with the global decline in the bike market, significantly impacted sales and profitability.
- We have provided for an inventory impairment of $4.6 million against Torpedo7 to manage excess and aged stock and have put a recovery plan in place for the business.
- Addressing Torpedo7's performance will be a major focus for the Group for FY24, and we will provide an update on our progress at our FY24 1H update.

Improving Gross Profit Margin

- **Reducing excess inventory**
- **Improving bike margin through brands and range**
- **Increasing apparel and private label**

Reducing Cost of Doing Business

- **Implementing and realising benefits of new ERP**
- **Integration of support team in Group Store Support Office**
- **Closing poor performing stores**
- **Focus on labour productivity**

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OUR INTEGRATED ECOSYSTEM

- Our aim is to deliver a modern, integrated retail experience grounded in our purpose of helping Kiwis live better every day, powered by a customer-centric ecosystem that makes shopping with The Warehouse Group easy and hassle-free while providing more value for customers.
- Our ecosystem has strong foundations comprising our iconic brands, an established store footprint, and market-leading digital assets.
- Our loyalty membership programme, MarketClub, is at the heart of our ecosystem. There are now over 1.3 million MarketClub members across TheMarket.com and The Warehouse. Through membership we achieve increased customer insights through first party data.
- We are improving fulfilment capability and our cost-to-serve to our customers as part of driving increased profitability in online and transitioning to an omnichannel model.
- Our retail media network MarketMedia, is generating new marketing and revenue opportunities, launching in-store digital screen advertising across The Warehouse and Noel Leeming stores, giving our brands and suppliers the opportunity to reach customers while they are shopping.
- We are providing our customers with more payment options to help them get what they want when they need it.

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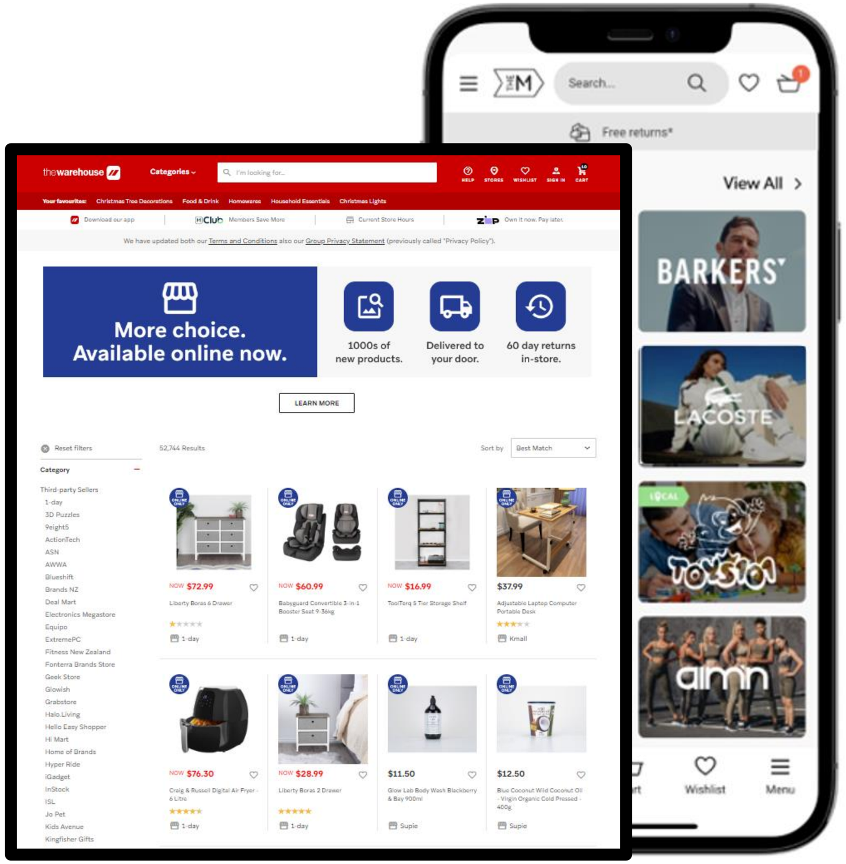
THE MARKET AND OUR MARKETPLACE STRATEGY

Group GMV[1] $74.3m

103k+ 3P SKUs from 71 merchants at The Warehouse online

- Since its launch in 2019, TheMarket.com has grown at scale, to develop a marketplace platform which thousands of customers and brands want to engage with.
- We are taking the best of TheMarket.com and embedding it at the core of our Group online strategy. As part of this strategy, we have closed our 1-day operations and significantly reduced stand-alone costs for TheMarket.com.
- Our Group Marketplace initiative launched in October 2022, integrating some of the TheMarket.com products onto The Warehouse website and app, and extending our range online, providing over 103,000 third-party products from 71 merchants to our existing online customer base.
- Total Group GMV[1] of $74.3m in FY23, including marketplace transactions across TheMarket.com and Group Marketplace.
- While Group Marketplace is still in its early days, we have seen good uptake from customers and suppliers are responding positively to an additional channel for their product.



1. Group Gross Merchandise Value (GMV) includes first and third party sales on TheMarket.com and Group Marketplace.

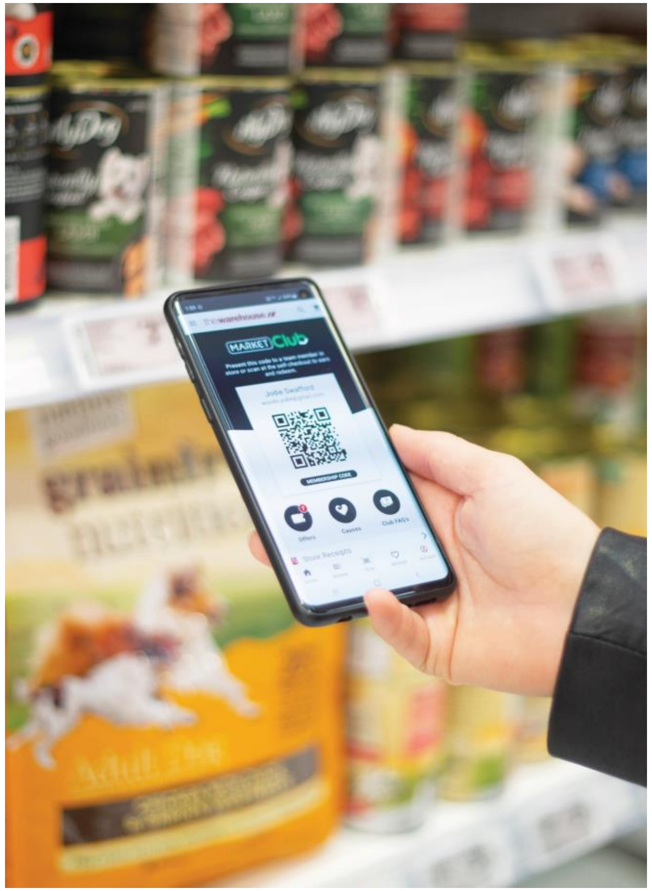
MARKETCLUB

MarketClub is our free-to-join membership programme that gives our customers exclusive discounts and offers when shopping with us.

More than
1.3M
MarketClub members

$18m
saved by MarketClub members in FY23[1]

- In October 2021, we introduced MarketClub into The Warehouse, and this year we reached a milestone of more than 1.3 million MarketClub members. Our Club members are our most engaged customers, with the highest lifetime value.
- Currently, members can use MarketClub at The Warehouse through The Warehouse app, our online store, or by scanning the app at our store checkouts. At TheMarket.com, we also offer MarketClub+, a subscription service that provides free shipping on millions of eligible items, VIP access to exclusive offers, priority customer service, and more.
- In FY23, MarketClub members saved nearly $18 million[1] with member discounts. The most popular deals in FY23 were our $4 and $5 Tararua 500g Butter, with over 220,000 customers scanning MarketClub to access the offer, proving an appetite for lower priced grocery essentials.
- Every time a MarketClub member scans at The Warehouse, we donate a portion of the proceeds to a charitable cause on their behalf. Since launching the platform in October 2021, we have donated over $1.6 million to various causes in New Zealand.
- MarketClub incremental promotional spend did impact margin in FY23 H1, and we have eliminated promotional spend in the second half.
- Growing first party data across all our brands is a competitive advantage, particularly via retail media opportunities. MarketClub is a foundational element of our ecosystem, and we will continue to expand the platform.



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1. Savings based on FY23 sales for MarketClub sale items Recommended Retail Price (RRP) less MarketClub sale price.

AFFORDABLE GROCERIES FOR KIWI FAMILIES

- FY23 saw our Grocery[1] range go from strength to strength as we demonstrated our commitment to offering customers much needed value on essential products, in all The Warehouse stores.
- Grocery sales grew 26.1% in FY23, contributing to 18.7% of The Warehouse sales, including 91.8% growth in pantry and chilled, 26.6% growth in household cleaning items, and 23.8% growth in pet care.
- We have taken significant steps forward in FY23, including our fresh fruit and vegetable trial, now in 12 stores.
- Our private label Market Kitchen range now includes 64 products, helping give Kiwis more affordable essentials and pantry staples, including our Market Kitchen 500g salted butter for $5, and Market Kitchen 1kg coffee beans for $20.
- This year we improved our grocery supply chain capability and are reducing SKUs. We have improved margin management with real time pricing to react to increased cost of product, and reduced handling through the use of bulk stacks and shelf-ready trays.
- We continue to seek access to wholesale supply at equitable cost prices to offer affordable groceries to Kiwi families. Legislative measures have presented little relief so far.

THE WAREHOUSE GROUP

1. Grocery categories include pantry, confectionery and snacks, beverages, household consumables, health and beauty, and pet care.

GROUP FINANCIAL RESULTS

JONATHAN ORAM

GROUP

PERFORMANCE

For the year ended 30 July 2023

$ million	FY23	FY22	Variance
Group Sales	3,399.1	3,294.3	3.2%
Gross Profit	1,136.7	1,164.4	-2.4%
Gross Profit Margin %	33.4%	35.3%	(190) bps
Cost of doing business (“CODB”)	1,075.5	1,047.6	2.7%
CODB %	31.6%	31.8%	(20) bps
Operating Profit[1]	61.2	116.8	-47.6%
Operating Profit Margin %	1.8%	3.5%	(170) bps
NPAT (adjusted)[2]	37.5	85.5	-56.2%
NPAT (reported)[3]	29.8	89.3	-66.6%
Operating Cash Flow	214.2	105.4	103.2%
Dividends (cps)	8.0	20.0	(12.0)

- Sales growth of 3.2% was underpinned by a very strong first half with sales growth of 4.8%, followed by a softer second half with sales growth of 1.4% as cost of living impacted sales particularly in Noel Leeming and Torpedo7.
- The Warehouse sales performed well with first half growth of 13.2%, second half growth of 5.7%, and FY23 year growth of 9.6% - to achieve record sales of $1.9 billion
- Gross Profit Margin declined 190 basis points compared to prior year but saw a recovery from the first half decline of 200 basis points.
- Cost of Doing Business (“CODB”) increased in dollar terms, mainly due to significant increases in informational systems, digital costs and depreciation, but decreased slightly to 31.6% of total sales.
- Adjusted NPAT was $37.5 million in FY23, compared to $85.5 million in FY22, a decrease of 56.2% and includes interest expense of $9.1 million.
- Reported NPAT was $29.8 million in FY23, compared to $89.3 million in FY22 due to restructuring costs and impairment of Zoom investment.

1. Operating Profit includes the impact of SaaS but excludes the impact of NZ IFRS16 and unusual items and is a non-GAAP measure. For a reconciliation between Operating Profit and Reported EBIT refer to Slide 19 of this presentation and Note 2 of the Financial Statements for the year ended 30 July 2023.
2. Adjusted Net Profit After Tax (NPAT) is before unusual items and is a non-GAAP measure. For a reconciliation between Reported and Adjusted NPAT refer to Slide 19 of this presentation and Note 5 of the financial statements for the year ended 30 July 2023.
3. Reported NPAT refers to Net Profit After Tax attributable to shareholders of the parent.

THE WAREHOUSE GROUP

ADJUSTED EBIT AND NPAT RECONCILIATION

- The Group sold its Royal Oak (Auckland) store property in July 2023 for $30.5 million as part of a sale and lease back arrangement, which realised a gain on sale of $0.4 million.
- Due to a decline in profitability in FY23 H1, the Group restructured its operations to lower its cost of doing business. Restructure costs of $10.9 million represent staff redundancy costs, the write-off of redundant 1-day business assets, and costs connected with the disposal of the 1-day inventory.
- Associate impairment of $3.5 million represents impairment of the Group's investment in Zoom Heathcare.

	EBIT		NPAT	
$ million	**FY23**	**FY22**	**FY23**	**FY22**
Reported Earnings	**88.1**	**158.8**	**29.8**	**89.3**
Gain on sale of property	(0.4)	-	(0.3)	-
Restructuring costs	10.9	-	7.9	-
Associate impairment	3.5	-	3.5	-
Adjustments for NZIFRS16[2]	(40.9)	(42.0)	(3.4)	(3.8)
Adjusted Earnings[3]	**61.2**	**116.8**	**37.5**	**85.5**

Adjustment for NZ IFRS16	**FY23**	**FY22**
Pre-NZ IFRS16 rent	135.9	133.9
Right of use asset amortisation	(96.0)	(94.6)
Gain on lease terminations	1.0	2.7
NZ IFRS16 impact on EBIT	**40.9**	**42.0**

1. To improve the understanding of underlying business performance, the Group adjusts profit for unusual and non-trading items. Unusual items include gain on sale of property, restructuring costs, impairments, and the non-cash impact of applying the NZIFRS 16 lease accounting standard.
2. The NZIFRS16 adjustment of $40.9 million in FY23 (FY22: $42.0 million) represents the difference between the depreciation on Right-of-use-Assets and old NZGAAP rent expense. Refer to Note 2.2 of the financial statements for the year ended 30 July 2023 for further information.
3. Adjusted Net Profit After Tax (NPAT) is before unusual items and is a non-GAAP measure. A reconciliation between Reported and Adjusted NPAT can also be found in Note 5 of the financial statements for the year ended 30 July 2023.

THE WAREHOUSE GROUP

FY23 RESULTS – H1 and H2

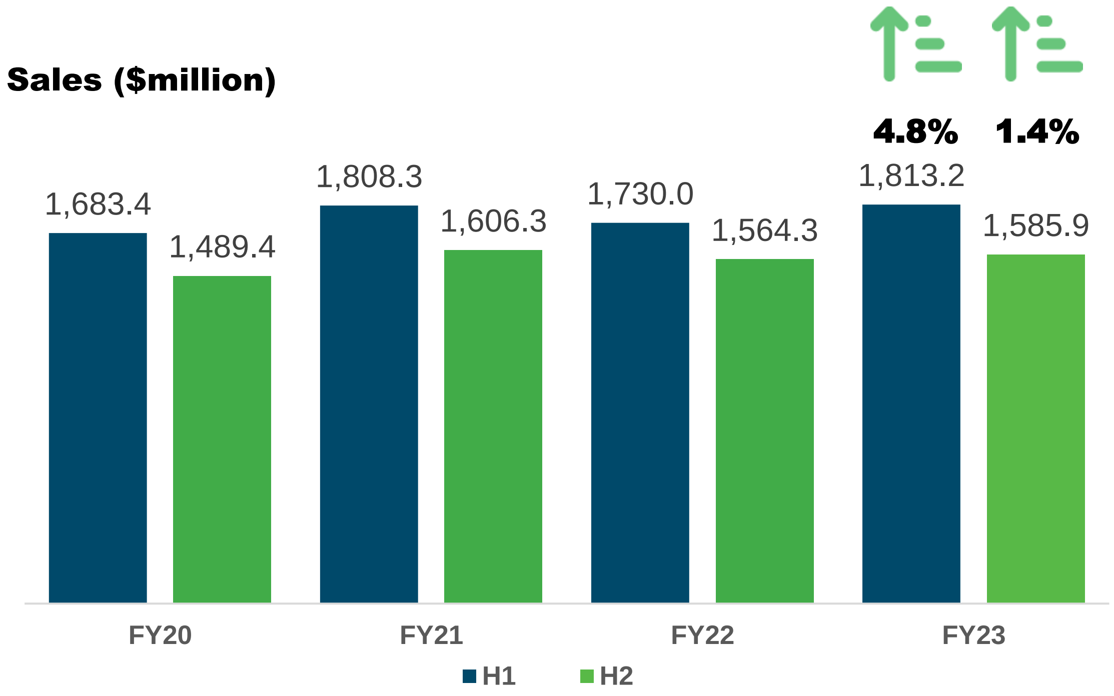
For the year ended 30 July 2023	H1			H2		
$ million	FY23 H1	FY22 H1	Variance %	FY23 H2	FY22 H2	Variance %
Group Sales	1,813.2	1,730.0	4.8%	1,585.9	1,564.3	1.4%
Gross Profit	592.4	599.6	-1.2%	544.3	564.8	-3.6%
Gross Profit Margin %	**32.7%**	**34.7%**	**(200) bps**	34.3%	36.1%	(180) bps
Cost of doing business ("CODB")	561.5	542.4	3.5%	514.0	505.2	1.7%
CODB %	31.0%	31.4%	(40) bps	32.4%	32.3%	12 bps
Operating Profit [1]	**30.9**	**57.2**	**-46.0%**	30.3	59.6	-49.1%
Operating Profit Margin %	**1.7%**	**3.3%**	**(160) bps**	1.9%	3.8%	(190) bps
Adjusted NPAT [2]	**19.6**	**42.0**	**-53.4%**	**17.9**	**43.5**	**-58.8%**
Online sales as a % of sales [3]	**12.3%**	**21.1%**	**(879) bps**	**9.3%**	**12.0%**	**(267) bps**

- Sales growth slowed in FY23 H2 with growth decreasing from 4.8% in H1 to 1.4% in H2. FY22 H1 was impacted by COVID-19 lockdown resulting in strong growth this year. Compared to FY21 sales were flat in H1 and down 1.3% in H2.
- Gross Profit also showed signs of recovery though it fell at a greater rate than sales in both halves reflecting the decline in Gross Profit Margin. The underlying Gross Profit Margin did improve in H2, with a decline of 180 bps versus 200 bps in H1.
- CODB increased at a slower rate in FY23 H2 versus last year with the benefit of CODB reduction initiatives. In FY23, CODB was slightly down as a percentage of sales, compared to FY22, due to sales growth.
- Online sales continued its trend of decline but at a much slower rate with online as a percentage of sales 267 bps less in FY23 H2 versus last year, compared to an 879 bps decline in FY23 H1 due to exceptionally strong COVID-19 related online sales in FY22 H1.

1. Operating Profit includes the impact of SaaS but excludes the impact of NZ IFRS16 and unusual items and is a non-GAAP measure. For a reconciliation between Operating Profit and Reported EBIT refer to Slide 19 of this presentation and Note 2 of the Financial Statements for the year ended 30 July 2023.
2. Adjusted Net Profit After Tax (NPAT) is before unusual items and is a non-GAAP measure. For a reconciliation between Adjusted and Statutory NPAT refer to Slide 19 of this presentation and Note 5 of the financial statements for the year ended 30 July 2023.
3. Online Sales includes The Warehouse, Warehouse Stationery, Noel Leeming and Torpedo7 online and Gross Merchandise Value (GMV) through TheMarket.com and Group Marketplace.

FY23 SALES – HALF YEAR SALES TREND

- The Warehouse and Warehouse Stationery were the brands most impacted in FY22 H1 by COVID-19 lockdowns.
- The Warehouse saw significant sales growth in H1, up 13.2%, followed by softer growth of 5.7% in H2, with FY23 sales growth of 9.6%, and a record $1.9 billion.
- Warehouse Stationery started the year with 1.7% growth in H1, finishing with FY23 sales decline 0.4%. Office furniture and print and consumables categories drove sales weakness over FY23.
- Noel Leeming was impacted by New Zealand wide trend of decreased spend on discretionary items in H1 with sales decline 4.5%, but this rate of decline slowed in H2 with sales down 1.9%.
- Torpedo7 was most impacted by declining global demand in bikes and other high cost discretionary items, down 1.1% and 11.1% in H1 and H2, respectively, albeit after five very strong years of sales growth underpinned by store growth from 11 stores in FY18 to 25 stores in FY23.

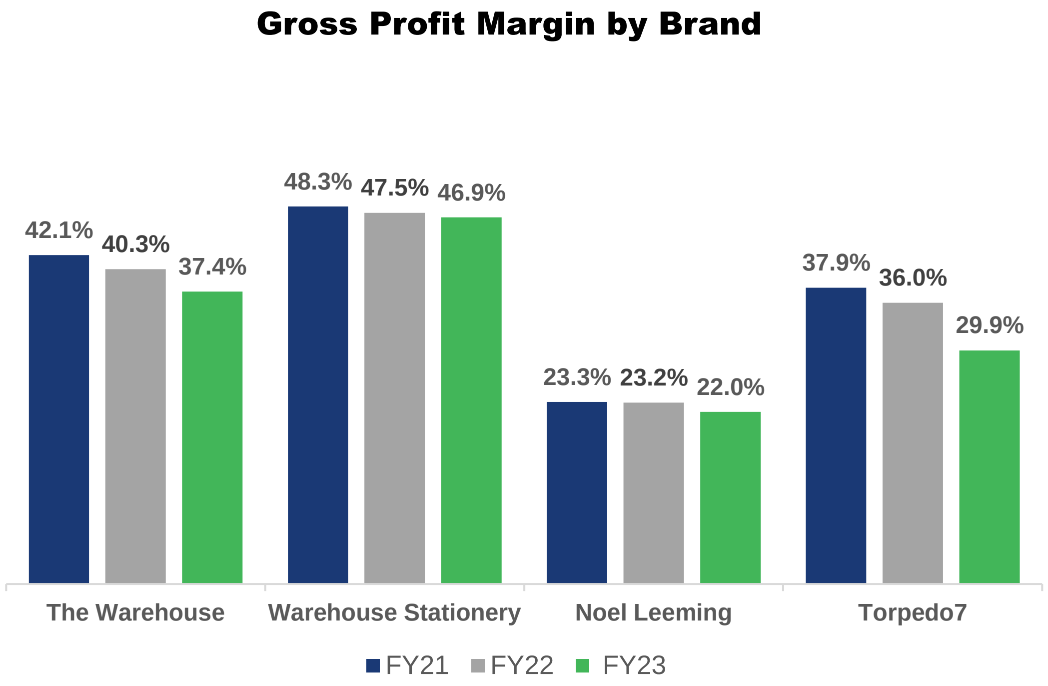


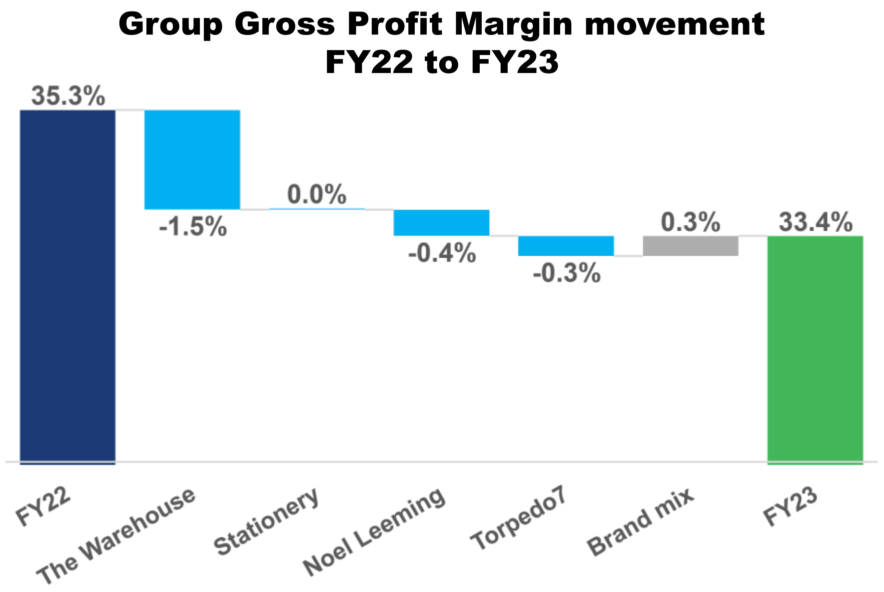
$m	FY23 H1	FY22 H1	Variance H1	FY23 H2	FY22 H2	Variance H2	FY23	FY22	Variance FY23 vs FY22
The Warehouse	1,013.7	895.4	13.2%	878.7	831.5	5.7%	1,892.4	1,726.9	9.6%
Warehouse Stationery	124.1	122.0	1.7%	124.5	127.7	-2.5%	248.6	249.7	-0.4%
Noel Leeming	556.7	582.7	-4.5%	504.3	514.0	-1.9%	1,061.0	1,096.7	-3.3%
Torpedo7	96.4	97.5	-1.1%	65.8	74.0	-11.1%	162.2	171.5	-5.4%
Other [1]	22.3	32.4	-31.2%	12.6	17.1	-26.3%	34.9	49.5	-29.5%
Total Group Sales	**1,813.2**	**1,730.0**	**4.8%**	**1,585.9**	**1,564.3**	**1.4%**	**3,399.1**	**3,294.3**	**3.2%**

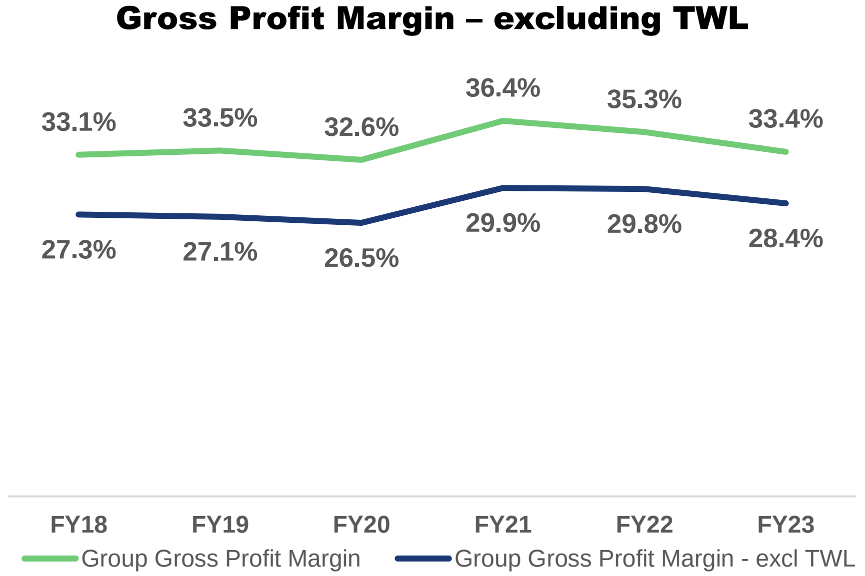
1. Other sales includes sales through 1-day.co.nz, revenue from TheMarket.com (excluding Gross Merchandise Value (GMV)), and other Group operations and eliminations.

THE WAREHOUSE GROUP

GROSS PROFIT MARGIN



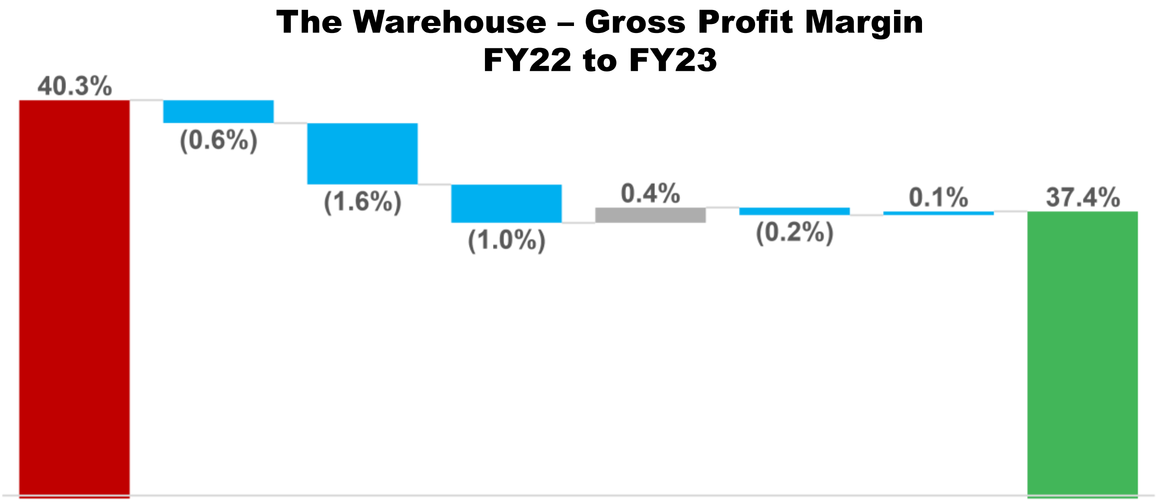




- Group Profit Margin was 33.4% for FY23, with a margin decline in FY23 H2 of 180 basis points versus 200 basis points in FY23 H1. Although an improvement, this is still down from 35.3% in FY22, and we continue to put in place further initiatives to recover this.
- The decline in Gross Profit Margin was largely attributable to The Warehouse with some contribution from Noel Leeming and Torpedo7.

THE WAREHOUSE GROUP

IMPACT ON GROSS PROFIT MARGIN



	FY22	Market Club Promo	Other Promo	Category mix	Online	Detention	Other	FY23
H1	**40.0%**	(1.4%)	(1.2%)	(0.9%)	0.3%	(0.4%)	(0.2%)	**36.3%**
H2	**40.7%**	0.3%	(2.1%)	(1.2%)	0.4%	0.1%	0.4%	**38.7%**
FY23	**40.3%**	(0.6%)	(1.6%)	(1.0%)	0.4%	(0.2%)	0.1%	**37.4%**

The Warehouse – Category sales movement year on year

	Category sales as % of total sales		Category Sales FY23 vs FY22
	FY23	FY22	
Grocery[1]	18.7%	16.3%	26.1%
Home	21.1%	21.4%	8.2%
Apparel	14.0%	14.5%	5.9%
Other	46.2%	47.7%	5.7%
Total Sales	**100.0%**	**100.0%**	**9.6%**

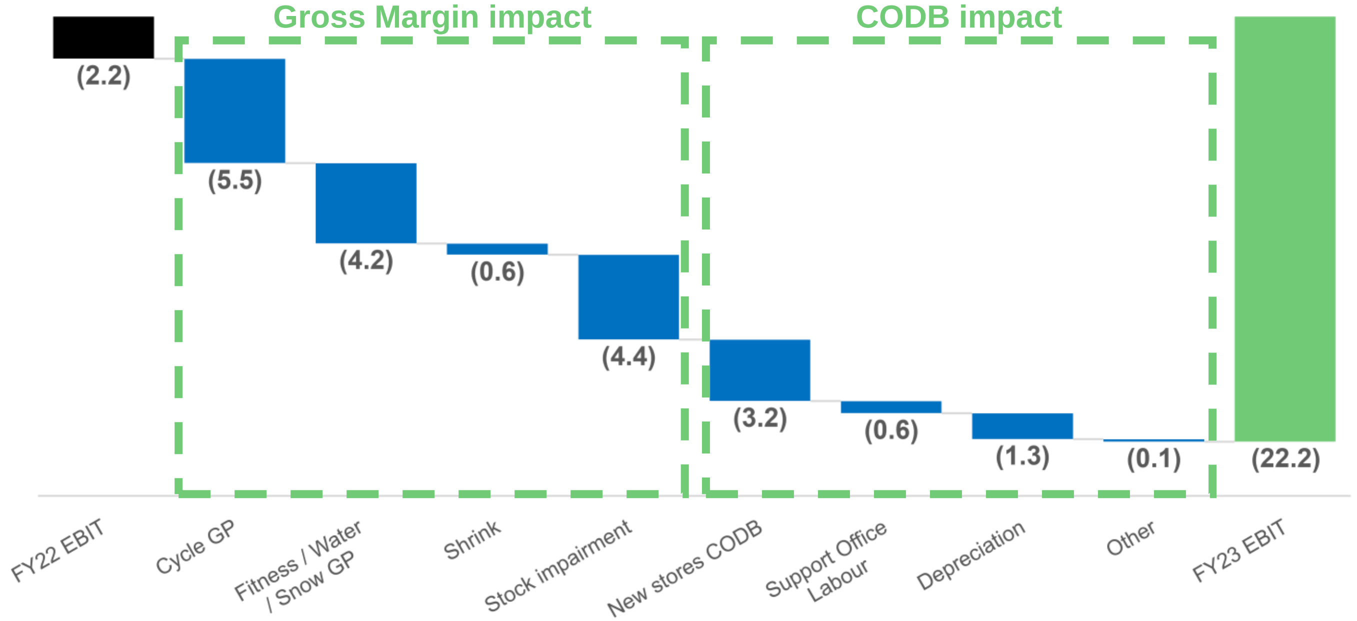
- Gross Profit Margin declined 370 basis points in the first half to 36.3% but recovered significantly in the second half with a comparative decline of 200 basis points, resulting in full year Gross Profit Margin of 37.4%, compared to 40.3% in FY22, a 290 basis points decline.
- In the second half the incremental Market Club promotional spend was eliminated and detention charges were no higher than historical levels.
- Product mix continued to impact margin with the increase in sales of Grocery, up 26.1% in the year to make up 18.7% of total The Warehouse sales.

1. Grocery categories include pantry, confectionary and snacks, beverages, household consumables, health and beauty, and pet care.

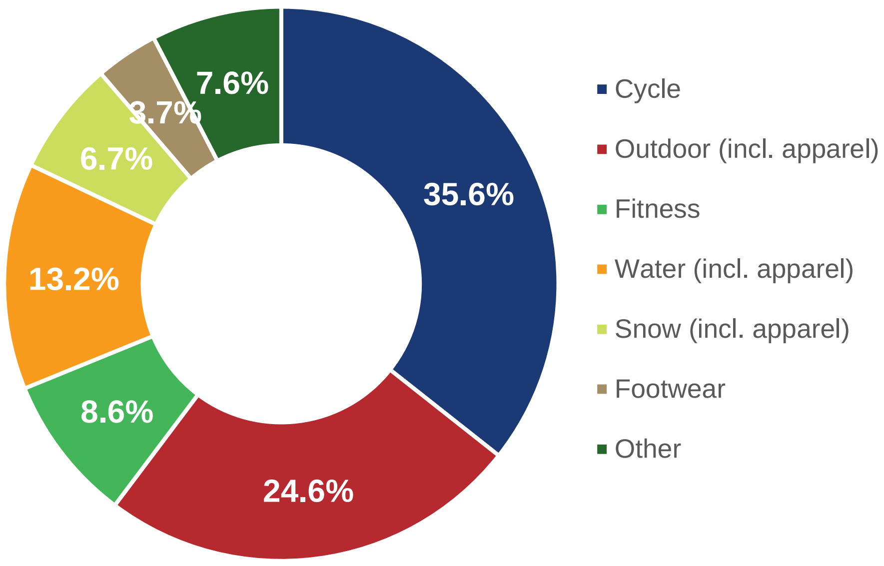
Torpedo7

EBIT CHALLENGES AND INSIGHTS

Torpedo7 EBIT Loss ($million) FY22 to FY23



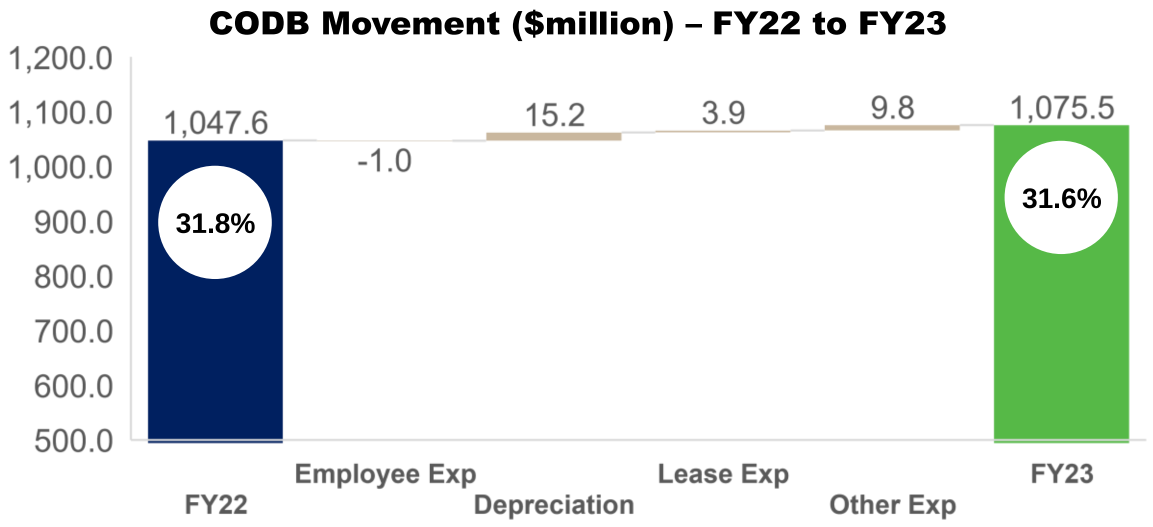
Torpedo7 Category Mix (Sales)

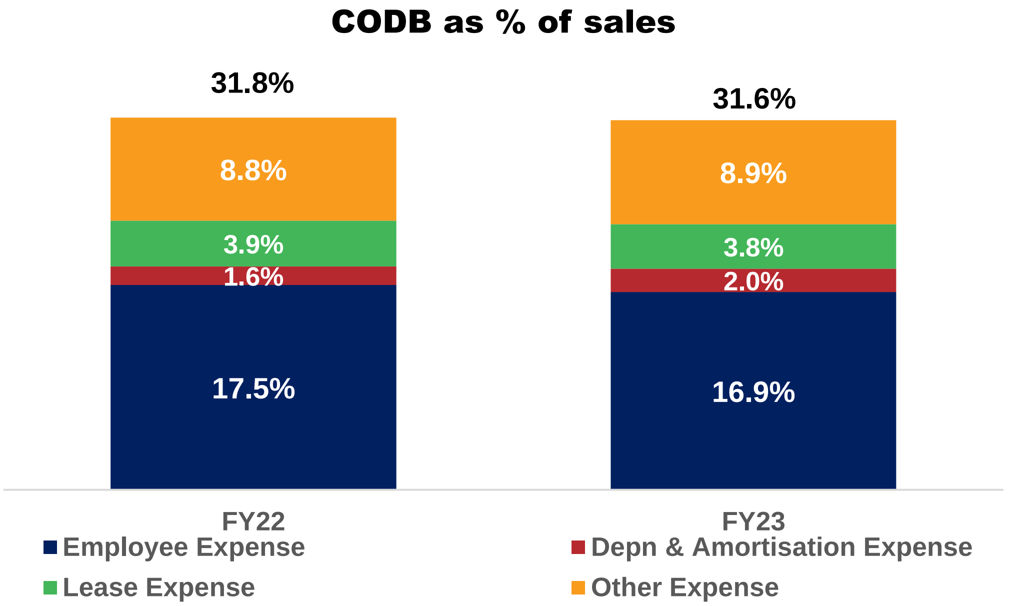


- Torpedo7 experienced a significant decline in EBIT over FY23, after being on a path to breakeven. There were many factors across Gross Profit Margin and Cost of Doing Business.
- In Gross Profit Margin, there has been a major dislocation of the bike market; snow and water categories were impacted by weather; and water categories were impacted by increased levels of competition.
- Cost of Doing Business has increased as capability has been built to support store network growth, increased depreciation of new store fixtures and fittings, and a new ERP implementation.

THE WAREHOUSE GROUP

GROUP COST OF DOING BUSINESS

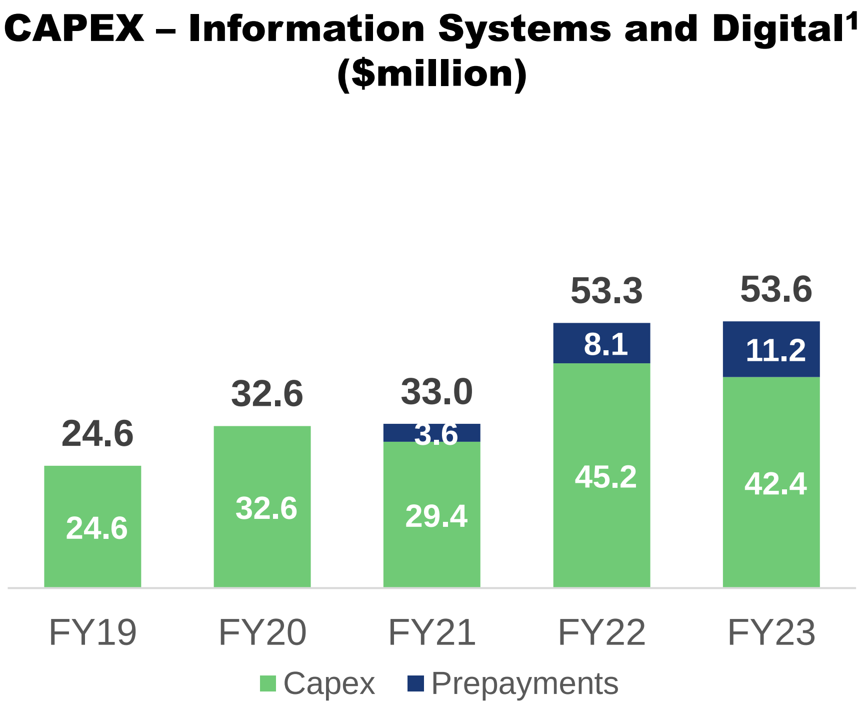


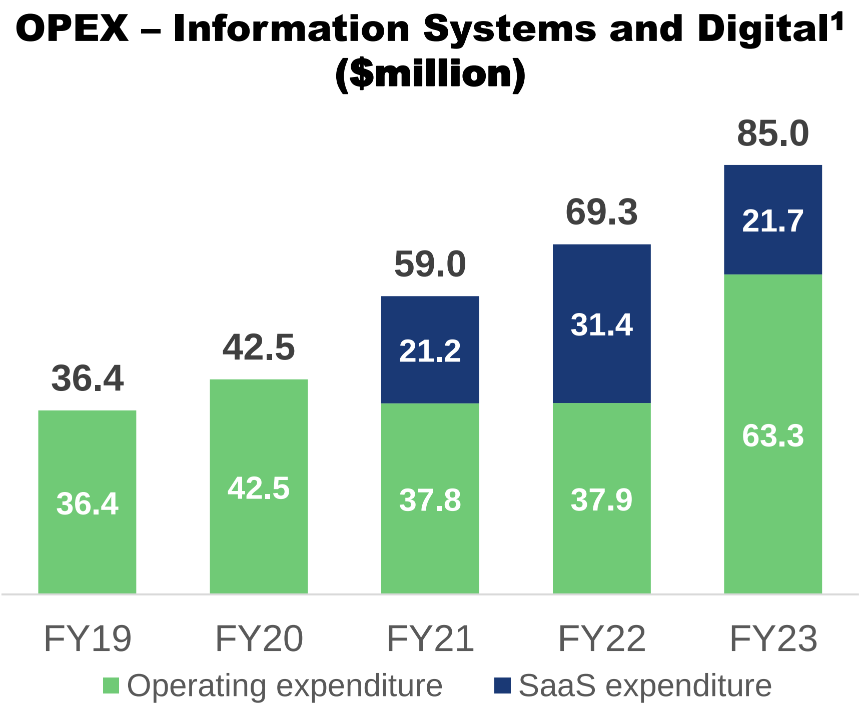


- CODB[1] was up $27.9 million, or 2.7%, from FY22 mainly due to depreciation and information system costs, included in Other Expenses due to the significant increase in project spend over the last few years.
- Employee expense for the year is slightly down, and as a percentage of sales, down 60 basis points, post Store Support Office restructuring and store productivity initiatives.
- Lease expense[2] was up 3.0% as the impact of inflation flowed through lease expense.

1. Cost of Doing Business is presented excluding the impact of NZ IFRS16.
2. Lease expenses excludes the impact of NZ IFRS16 and includes rent received and COVID-19 rent relief received.

INFORMATION SYSTEMS & DIGITAL COSTS





- Information systems and digital operating costs have increased with project spend as systems are implemented and go-live.
- Though project spend has been through its peak in FY23, operating expenditure is expected to peak in FY24 as core projects go-live.

1. FY19 and FY20 are not adjusted for the SaaS accounting policy change.

BALANCE SHEET

As at 30 July 2023

$ million	FY23	FY22	Variance
Inventory	493.3	562.3	(69.0)
Trade and other receivables	97.0	99.5	(2.5)
Trade and other payables	(407.2)	(480.5)	73.3
Provisions	(71.7)	(71.0)	(0.7)
Working Capital	**111.4**	**110.3**	**1.1**
Associate	-	3.8	(3.8)
Fixed Assets	317.6	303.2	14.4
Funds Employed	**429.0**	**417.3**	**11.7**
Tax Assets	93.5	90.7	2.8
Derivatives	(2.1)	28.8	(30.9)
Right of Use Assets	661.0	673.3	(12.3)
Goodwill and Brands	73.0	73.0	-
Capital Employed	**1,254.4**	**1,283.1**	**(28.7)**
Shareholders' Equity	402.1	421.9	(19.8)
Minority Interests	1.0	(0.8)	1.8
Net Debt / (Cash)	48.1	41.2	6.9
Net Lease Liability	803.2	820.8	(17.6)
Sources of Funds	**1,254.4**	**1,283.1**	**(28.7)**
Liquidity	**421.9**	**378.8**	**43.1**

- Working capital increased marginally over the course of FY23 but within that was a significant reduction in inventory, down $69.0 million to $493.3 million.
- A part of the reduction in inventory was a normalisation of goods in transit, which decreased from $94.1 million to $65.4 million. This reduction reflected a return to previous shipping transit times and reduction in port congestion.
- Offsetting this reduction in inventory was a decrease in trade and other payables, reflecting lower inventory purchasing and a change in product and brand mix.
- Fixed assets increased $14.4 million due to an increase in store development, notably Warkworth in FY23, and investment in core systems and digital platforms, offset by sale of Royal Oak property under a sale and lease back arrangement.
- Net Debt increased from $41.2 million to $48.1 million at year end, but a significant reduction from $83.4 million at half year.
- Committed bank facilities were $470.0 million at FY23, providing liquidity of $421.9 million, versus the Group's target liquidity range of $350 million to $450 million.

THE WAREHOUSE GROUP

CASH FLOW

For the year ending 30 July 2023

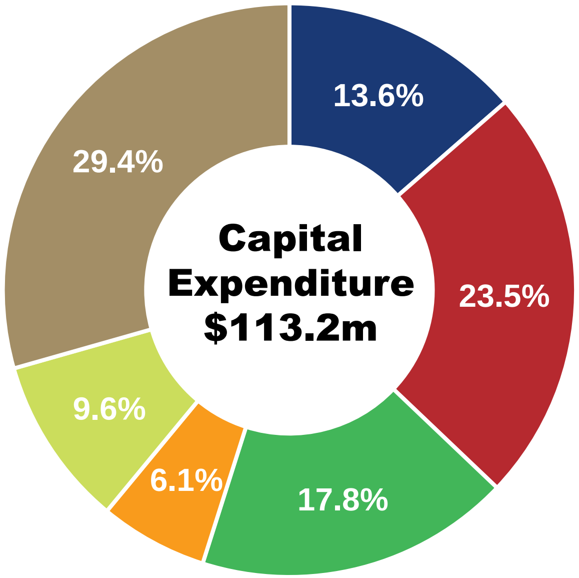
$ million	FY23	FY22	Variance
Trading EBITDA [1]	**264.7**	**304.9**	**(40.2)**
Working Capital	12.4	(117.5)	129.9
Restructuring costs	(10.9)	-	(10.9)
Taxes Paid	(11.0)	(42.5)	31.5
Interest Paid (incl. lease interest) [2]	(44.1)	(36.8)	(7.3)
Other items	3.1	(2.7)	5.8
Operating Cash Flow	**214.2**	**105.4**	**108.8**
Capital Expenditure[3]	(115.1)	(107.5)	(7.6)
Divestments - PPE	30.7	0.5	30.2
Acquisitions	(0.7)	(6.2)	5.5
Lease principal repayments	(101.2)	(98.3)	(2.9)
Dividends Received	0.1	0.4	(0.3)
Dividends Paid	(35.0)	(96.0)	61.0
Other	0.1	-	0.1
Net Cash Flow	**(6.9)**	**(201.7)**	**194.8**
Closing Net Cash / (Net Debt)	**(48.1)**	**(41.2)**	**(6.9)**

1. Trading EBITDA represents Earnings before interest, taxation, unusual items, depreciation and amortisation.
2. Interest paid includes $36.2m interest on lease liabilities (FY22: $36.7m) . Refer to Note 3.6 of the Financial Statements for the year ended 30 July 2023.
3. Capital expenditure is presented after the impact of Cloud Computing adjustments (“SaaS”) and is part of total project spend of $154.4 million in FY23 (refer to Slide 29).

- Operating cash flow increased 103.2% to $214.2 million, with a decrease in trading EBITDA offset by a significant improvement in working capital movement due to decreased inventory, increased receivables and decreased payables.
- Capital expenditure cash flow was $115.1 million in FY23, compared to $107.5 million in FY22. Capital expenditure peaked this year as we come towards the end of many systems investment programmes.
- Interest paid on borrowings increased $7.3 million compared to FY22 due to higher average debt during the year.
- During the year we sold the Royal Oak property which was one of our owned store sites. The property was sold for $30.5 million under a sale and lease back arrangement with the proceeds being used to reduce debt.
- Dividends payments were lower in FY23 with no interim dividend declared. Dividends paid comprise of $35.0 million being the FY22 final dividend of 10.0 cents per share paid during the year.

PROJECT EXPENDITURE

For the year ending 30 July 2023



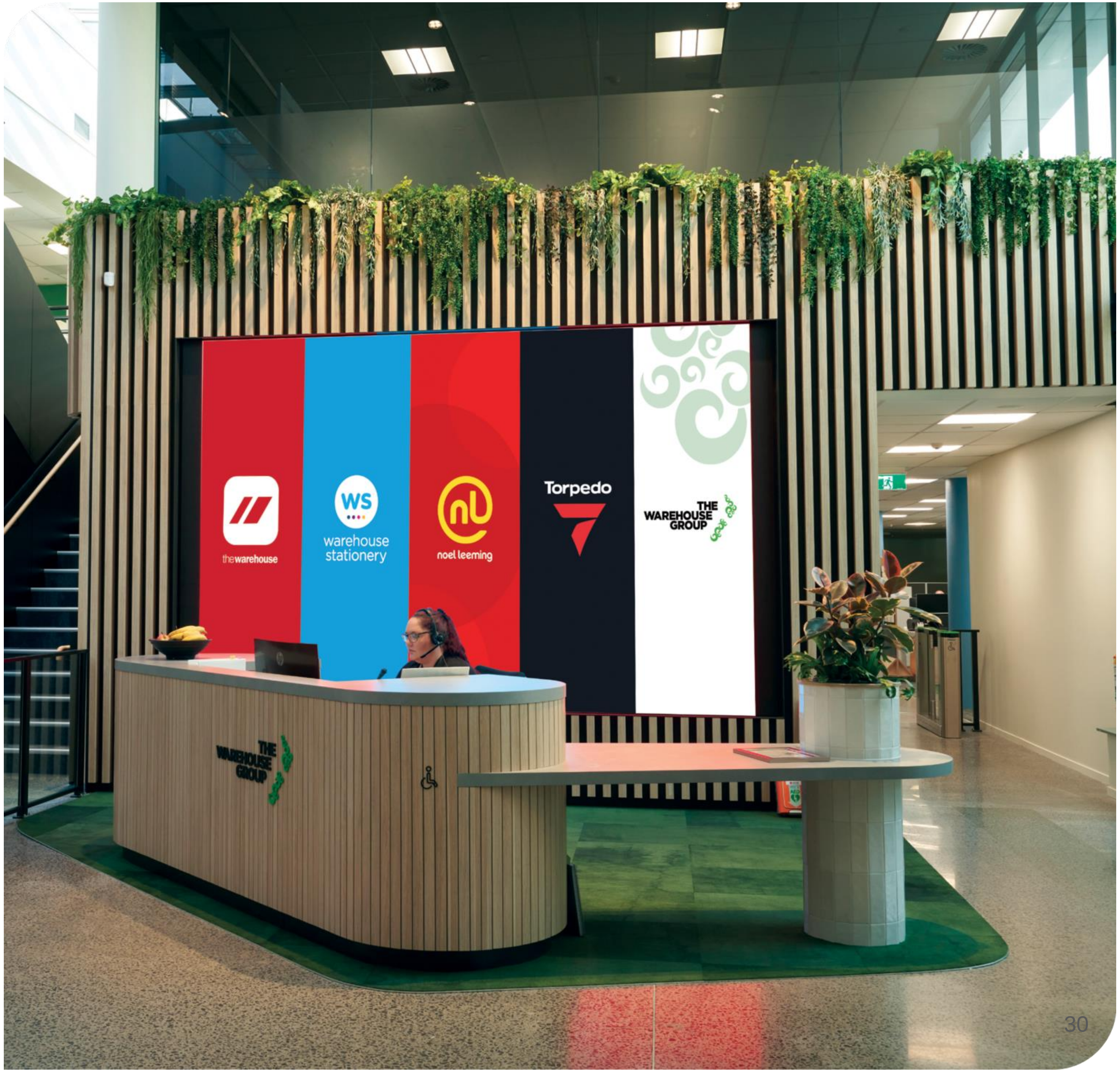
$million	FY23 Capex Spend	FY23 Prepayments	FY23 SaaS spend	FY23 Opex Spend	FY23 Total Project
Core Systems	15.4	11.2	16.2	3.6	46.4
Store Development	26.6	-	-	-	26.6
Other IS	20.1	-	3.7	2.2	26.0
Digital and Customer	6.9	-	1.8	1.4	10.1
Supply Chain	10.9	-	-	-	10.9
Other	33.3	0.2	0.2	0.7	34.4
Total Project Spend	**113.2**	**11.4**	**21.9**	**7.9**	**154.4**

- Capital expenditure was $113.2 million[1] in FY23, compared to $107.5 million in FY22. Total project expenditure[2] was $154.4 million on these projects in FY23.
- Core Systems investment included delivery of ERP Finance and Inventory, Group Order Management System, Warehouse Management System, Master Data Management, and the delivery of our new people and HR system, Human Capital Management.
- Store development continued in FY23, but at a lesser pace than in FY22. New stores included the new Warkworth retail centre, a new Torpedo7 store in Botany, and the relocation of Torpedo7 Christchurch to a bigger site. Our SWAS integration programme included the development of a further 5 stores in FY23, bringing the total number of SWAS stores to 40.
- FY24 total project expenditure is capped at $80 million, with capital expenditure (including prepayments) expected to be between $60 million to $70 million.

THE WAREHOUSE GROUP

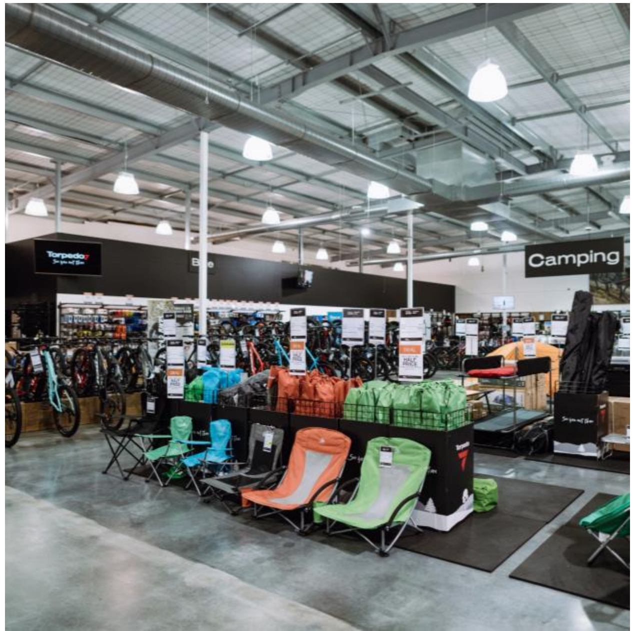
1. The difference between Capital Expenditure of $113.2 million and Capital Expenditure per Statement of Cash Flows of $115.1 million is due to timing of accruals and creditor payments.
2. Total project expenditure includes capital expenditure, prepayments, SaaS expenditure and project operating expenditure.

FY24 OUTLOOK



FY24 OUTLOOK

- While FY23 has been a challenging year, our initiatives to improve operational performance and reduce our CODB have strengthened our position. We are optimistic we will maintain this momentum into FY24, and our focus on improving financial performance will continue.
- FY24 has started with softer sales than expected, but with Gross Profit in line with expectations. We remain cautious about the outlook as we approach our busiest time of the year.
- The business has planned its cost base and inventory purchasing considering this uncertainty. We will continue to adapt our trading plan to the market conditions as sales build through to Christmas.
- Torpedo7 is our most challenged brand, and we will be reporting on the performance against our recovery plan at half year.
- We have rationed project expenditure to a cap of $80 million in FY24 with a focus on delivering major projects that are in flight.



HELPING KIWIS LIVE BETTER EVERY DAY

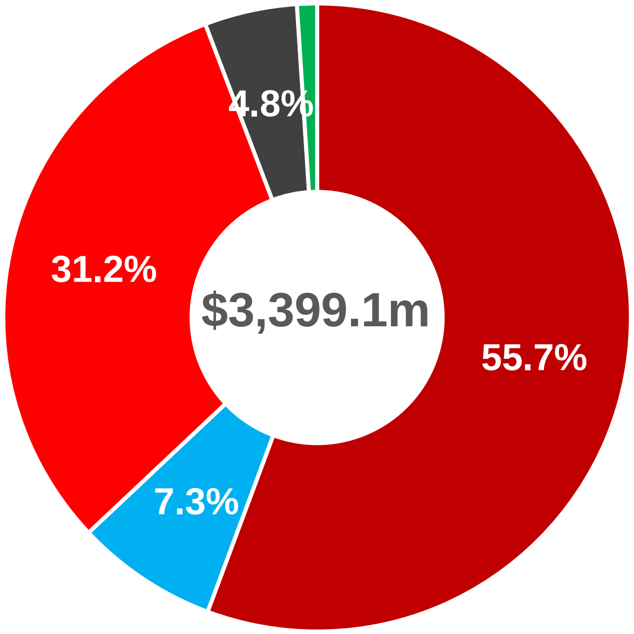
THANK YOU

APPENDIX

ADDITIONAL INFORMATION

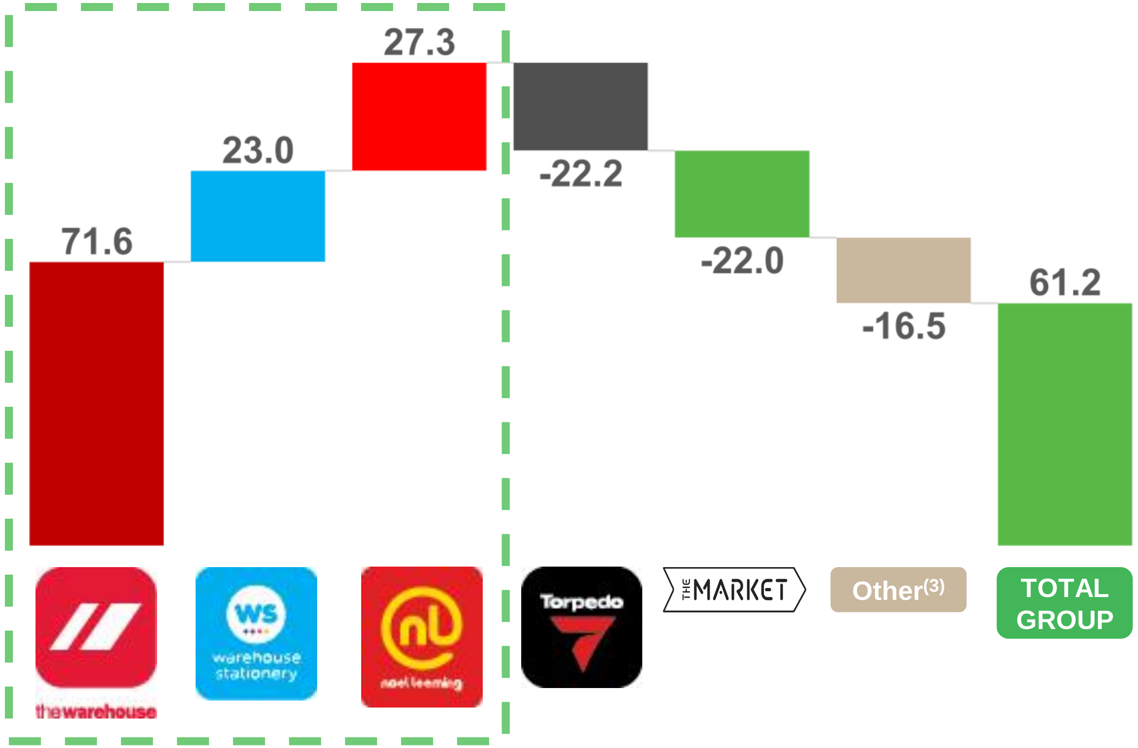
Divisional Summary

FY23 Group Sales



the warehouse	warehouse stationery	noel leeming	Torpedo
$1,892.4m	$248.6m	$1,061.0m	$162.2m
↑ 9.6%	↓ (0.4%)	↓ (3.3%)	↓ (5.4%)

FY23 Operating Profit(2) ($million)



Core Agile Brands $121.9m

1. Other sales (1.0%) includes revenue from TheMarket.com (excluding Gross Merchandise Value (GMV)), sales through 1-day.co.nz, and other Group operations and eliminations.
2. Operating Profit excludes the impact of NZ IFRS16 and unusual items and is a non-GAAP measure. For a reconciliation between Operating Profit and Reported EBIT refer to Slide 19 of this presentation and Note 2 of the Financial Statements for the year ended 30 July 2023.
3. Other items in operating profit include corporate costs and other unallocated overheads.

NEW ZEALAND’S LEADER ON VALUE

For the year ended 30 July 2023

$ million	FY23	FY22	Variance
Sales	**1,892.4**	**1,726.9**	**9.6%**
Gross Profit	708.5	696.6	1.7%
Gross Margin %	**37.4%**	**40.3%**	**(290)bps**
Cost of Doing Business (CODB)	636.9	620.9	2.6%
CODB %	33.6%	35.9%	(230)bps
Operating Profit	**71.6**	**75.7**	**(5.5%)**
Operating Margin %	3.8%	4.4%	(60)bps
Online sales	119.0	181.3	-34.4%
Online as a % of sales	6.3%	10.5%	(421)bps
Click and Collect as % of online sales	47.8%	45.9%	187bps
Number of stores	88	89	(1)

- Sales were up 9.6% vs FY22. Prior year was impacted by COVID-19 restrictions, resulting in decreased foot traffic, stock availability, and restricted supply chain.
- Online sales decreased compared to last year driven by a decrease in conversion from 2.6% in FY22 to 1.5% in FY23, as FY22 saw record-high online sales from extended lockdowns. Decline in online sales reflects customers moving back to stores.
- Store foot traffic was up 17.6% vs FY22 leading to an increase of 14.4% in transactions, offset by conversion being down 1.5%. The foot traffic increase was seen mostly in the first half of the year due to comparing to the COVID-19 restrictions of the prior year.
- Grocery enjoyed another growth year with Pantry and Chilled category sales increasing more than 90%, resulting in total Grocery sales increasing 26.1% compared to FY22 and now making up 18.7% of total The Warehouse sales.
- Poorer performing categories included Sporting goods and some Seasonal areas due to a wet summer and late winter.
- Gross Profit Margin was down 290 bps. The majority of this variance occurred in H1 with an improvement in H2, but continuation of category mix change with sales growth in lower margin categories such as Grocery and Tech.
- CODB increased by $16.0 million due to increases in rent and support office costs due to recent investment in technology platforms are offset by savings in store labour and fulfilment centre.
- Two store closures (South City and Snells Beach) offset by the opening of Warkworth brings total stores to 88.

GET THE SMALL STUFF RIGHT

For the year ended 30 July 2023

$ million	FY23	FY22	Variance
Sales	**248.6**	**249.7**	**-0.4%**
Gross Profit	116.6	118.6	-1.7%
Gross Margin %	**46.9%**	**47.5%**	**(60)bps**
Cost of Doing Business (CODB)	93.6	95.5	-2.1%
CODB %	37.6%	38.3%	(70)bps
Operating Profit	**23.0**	**23.1**	**-0.2%**
Operating Margin %	9.3%	9.2%	10bps
Online sales	22.1	34.3	-35.4%
Online as a % of sales	8.9%	13.7%	(483)bps
Click and Collect as % of online sales	18.7%	25.6%	(693)bps
Number of stores	66	68	(2)

- Sales were down 0.4% vs FY22. Whilst in-store and online transactions were strong with growth of 9.0%, this was offset with a significant reduction in average basket size of 9.6% compared to FY22.
- Online sales decreased 35.4% compared to the prior period, driven by COVID-19 lockdown forcing a shift to the online channel, especially in FY22 H1. Click & Collect sales were down 52.9%, making up 18.7% of online sales.
- Office Furniture, Print and Consumable categories have been softer in FY23, post COVID-19 heightened spending, and changing printer technology.
- Print & Copy Centre achieved its best sales year in FY23, which has helped to partially offset the deterioration in overall Margin.
- Gross Profit decreased 1.7% to $116.6 million, through lower sales volumes and rebates, increased clearance activity in Q4 and a change in sales mix with lower proportion of high margin product sales (eg: office furniture).
- CODB decreased by 2.1% due to a focused effort to reduce labour in stores as well as reduction in lease costs and advertising.
- Operating Profit decreased 0.2% to $23 million, with Operating Profit Margin increasing +10bps to 9.3%.
- Warehouse Stationery Auckland CBD and Johnsonville were closed during the year, while 5 SWAS integrations were implemented in FY23, including Lower Hutt, Palmerston North, Timaru, Warkworth and Chartwell, bringing the total SWAS stores to 40.

BEST OF TECH AND GLOBAL BRANDS

For the year ended 30 July 2023

$ million	FY23	FY22	Variance
Sales	**1,061.0**	**1,096.7**	**-3.3%**
Gross Profit	233.1	254.1	-8.2%
Gross Margin %	**22.0%**	**23.2%**	**(120)bps**
Cost of Doing Business (CODB)	205.8	200.2	2.8%
CODB %	19.4%	18.3%	110bps
Operating Profit	**27.3**	**53.9**	**-49.3%**
Operating Margin %	2.6%	4.9%	(230)bps
Online sales	118.1	178.3	-33.7%
Online as a % of sales	11.1%	16.3%	(512)bps
Click and Collect as % of online sales	62.9%	57.7%	522bps
Number of stores	67	68	(1)

- Sales were down 3.3% vs FY22 as high cost of living continued to drive tough market conditions and impact customers discretionary income.
- While FY22 saw country wide COVID-19 lockdowns, FY23 saw customers return to stores, with Noel Leeming foot traffic increasing 13.1%.
- Online sales have normalised to pre-COVID-19 shopping patterns, making up to 11.1% of total sales. Click & collect remained our customers' most popular fulfilment option, accounting for 62.9% of online sales fulfilment, up from 57.7% in FY22.
- The financial pressures faced by many customers resulted in decreased demand for bigger ticket items leading to a decline in year on year sales across Whiteware, TV and Computers. Growth categories included Communications, Smart Home and Gaming categories as a result of strong product offering and availability.
- Gross Profit Margin % was 22.0%, decreasing 120bps from FY22, due to higher sales in lower margin categories and an increasingly competitive environment.
- CODB 2.8% higher than FY22 due to increased rent and other recharges to the Brand.
- The Noel Leeming George St, Dunedin store closed during the year.

Torpedo7

SEE YOU OUT THERE

For the year ended 30 July 2023

$ million	FY23	FY22	Variance
Sales	**162.2**	**171.5**	**-5.4%**
Gross Profit	48.5	61.8	-21.5%
Gross Margin %	**29.9%**	**36.0%**	**(610)bps**
Cost of Doing Business (CODB)	70.7	64.0	10.5%
CODB %	43.6%	37.3%	630bps
Operating Profit	**(22.2)**	**(2.2)**	**891.3%**
Operating Margin %	-13.7%	-1.3%	(1,240)bps
Online sales	42.9	60.6	-29.2%
Online as a % of sales	26.4%	35.3%	(890)Bps
Click and Collect as % of online sales	49.6%	46.2%	340bps
Number of stores	25	24	1

- Sales were down 5.4% vs FY22 , driven by a number of factors including lapping strong COVID-19 driven sales, a major dislocation in the bike market and unseasonal weather.
- These conditions particularly impacted our Cycle, Water and Snow categories. Fitness also saw a decline, the result of post-COVID-19 lock down softening in demand for such products.
- Store foot traffic increased 13.9% as customers returned to shopping in store. Store Sales increased 8.1% due to the annualisation of new stores opened in FY22 (Invercargill, Whangarei, Petone), and the new Botany store in FY23.
- Online sales decreased 28.9% as COVID-19 lock down periods drove elevated online sales last year. Click & Collect remains a popular option for customers, accounting for 49.6% of online Sales, up 340bps. Torpedo7 has the highest online penetration of sales within the Group.
- Gross Profit Margin was impacted by the dislocation of the bike market, snow and water categories impacted by weather, and water categories were impacted by higher levels of competition.
- As at FY23 we have provided for an inventory impairment of $4.6 million against Torpedo7 to manage excess and aged stock. We have a recovery plan in place for the business and this will be a major focus in FY24.
- Cost of Doing Business has increased as capability has been built to support store network growth, depreciation of store fixtures and fittings and a new ERP being implemented.
- During the year we opened one new store in Botany, Auckland.

SIGNIFICANT PROGRESS ON CORE SYSTEMS

ERPFI

Oracle Fusion Finance and Inventory (ERPFI) to replace legacy systems in The Warehouse, Warehouse Stationery and Noel Leeming. Release 2 Solution Build and User Acceptance testing were completed in July 2023. End to End testing and cut over process are areas of current focus. Likely go-live date in **FY24 H2.**

WMS

Utilising our new warehouse systems is beginning to deliver productivity improvements and a number of operational initiatives have been identified that will be deployed in **FY24**.

GOMS

Group Order Management System is dependent on ERPFI. It will significantly improve online ordering and fulfilment from any group location, cost management, and automated customer support.
Go-live date **late FY24 / early FY25.**

Human Capital Management

HCM is the HR module in ERPFI. Go-live was completed in **August 2023**. Deployed for all Group employees, this release includes employee self-service capability, and automation of our recruiting and new employee onboarding processes.

MDM

Master Data Management continues to be a cornerstone capability for all new technology infrastructure projects. We expect to incorporate dimension and supplier data in **FY24**.

Torpedo7 ERP

Project involved replacement of Accredo with Microsoft Dynamics 365 as a business-wide ERP. All system build, data migration and testing was completed in FY23.
We anticipate go-live **early FY24.**

GLOSSARY

Term	Definition
C&C	Click & Collect
CODB	Cost of Doing Business
COGS	Cost of Goods Sold
DC	Distribution Centre
DIFOT	Delivered In-Full On-Time
E2E	End-to-End
EDLP	Every Day Low Price
ELS	Executive Leadership Squad
eNPS	Employee Net Promotor Score
ERPFI	Enterprise Resource Planning - Finance and Inventory
FC	Fulfilment Centre
GBO	Group Business Operations
GEP	Group eCommerce Platform
GMV	Gross Merchandise Value
GOMS	Group Order Management System
LTV	Customer Lifetime Value

Term	Definition
MDM	Master Data Management
NIDC	North Island Distribution Centre
NIFC	North Island Fulfilment Centre
NL	Noel Leeming
OMS	Order Management Solution
OMU	Operating Model Update
POS	Point-of-Sale
SIDC	South Island Distribution Centre
SSO	Store Support Office
SSS	Same Store Sales
SWAS	Store-Within-a-Store
T7	Torpedo7
TWL	The Warehouse Limited
WALT	Weighted Average Lease Tenure
WMS	Warehouse Management System
WS	Warehouse Stationery

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