2023
ANNUAL MEETING
24 November 2023

thewarehouse

Torpedo7

warehouse stationery

noel leeming

THE MARKET

THE WAREHOUSE GROUP

JOAN WITHERS

BOARD CHAIR

THE WAREHOUSE GROUP

MEETING AGENDA

PARTICIPATION IN VIRTUAL MEETING – Q&A

Shareholder & Proxyholder Q&A Participation

Written Questions:

Questions may have been submitted ahead of the meeting. If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen at anytime. Type your question into the field and press submit. Your question will be immediately submitted.

Help:

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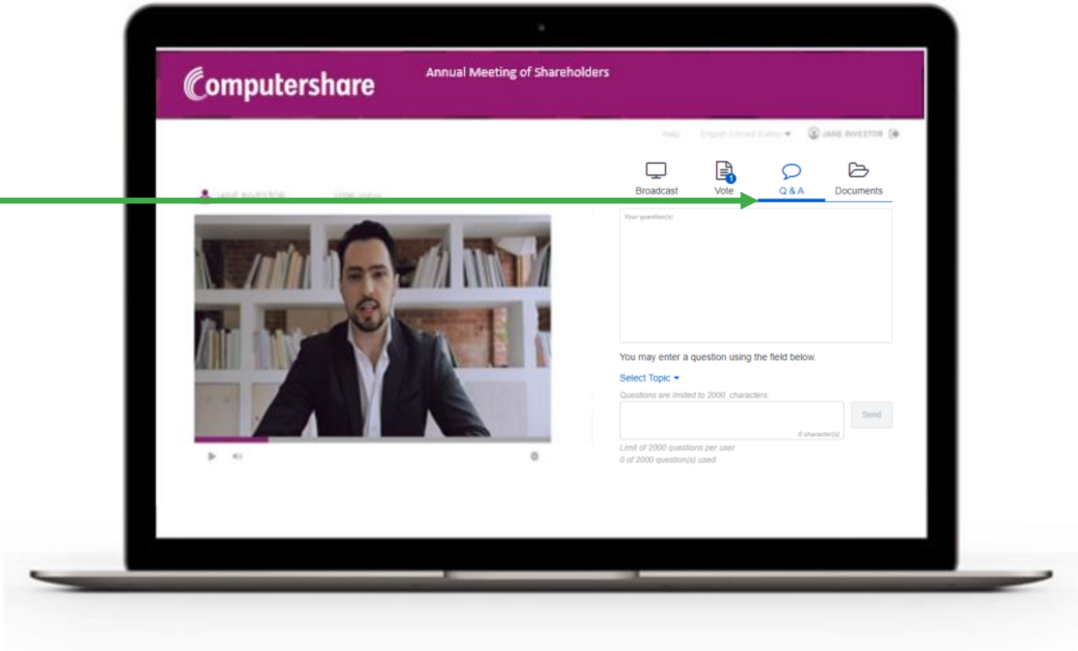

PARTICIPATION IN VIRTUAL MEETING – VOTING

<u>Shareholder & Proxyholder Voting</u>

- Once the voting has been opened, the resolutions and voting options will allow voting.
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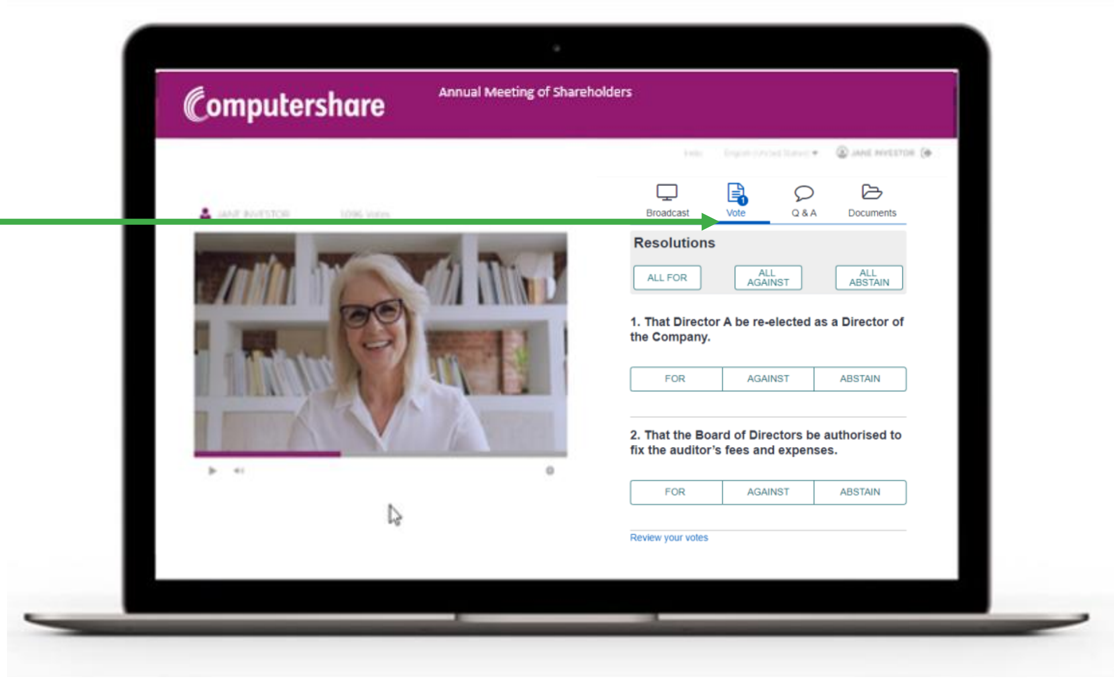


THE WAREHOUSE GROUP BOARD

Joan Withers, Chair
Independent Non-Executive Director
Appointed September 2016
Last re-elected November 2022

Antony (Tony) Balfour
Independent Non-Executive Director
Appointed October 2012
Last re-elected November 2021

Dean Hamilton
Independent Non-Executive Director
Appointed April 2020
Retiring by rotation and standing for re-election in November 2023

John Journee
Independent Non-Executive Director
Appointed October 2013
Last re-elected November 2021

Julia Raue
Independent Non-Executive Director
Appointed September 2016
Last re-elected November 2022

Rachel Taulelei
Independent Non-Executive Director
Appointed February 2021
Last re-elected November 2021

Robert Tindall
Non-Executive Director
Appointed November 2020
Retiring by rotation and standing for re-election in November 2023

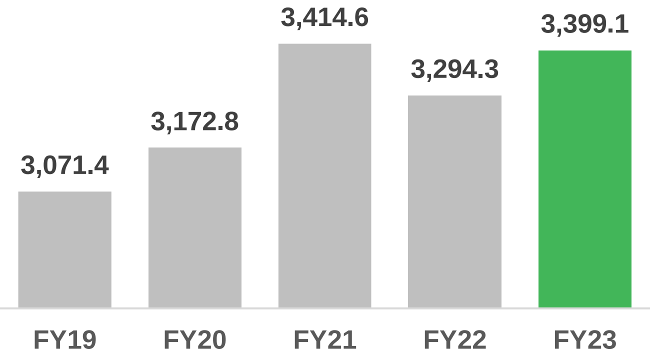
Caroline Rainsford
Independent Non-Executive Director
Appointed August 2022
Last re-elected November 2022

2023 AT A GLANCE

SALES $M

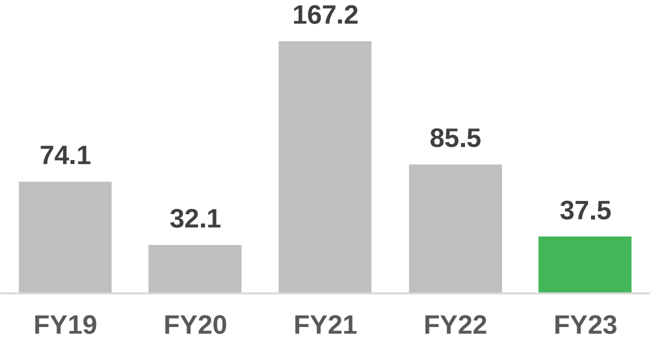
UP 3.2% ON FY22

UP 10.7% ON FY19 (2.6% CAGR)



ADJUSTED NPAT[1] $M

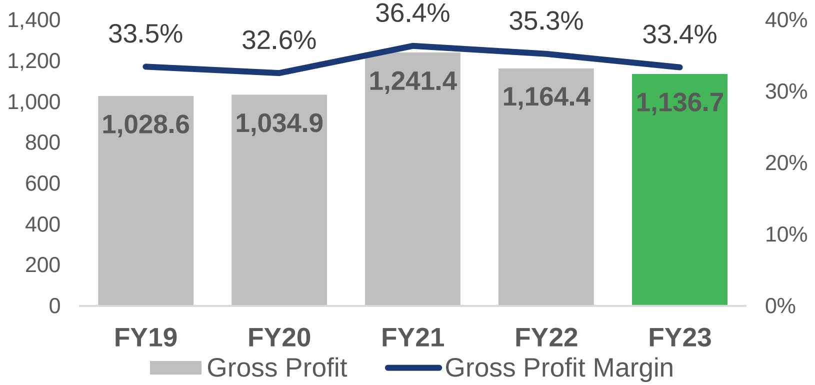
DOWN 56.2% ON FY22



GROSS PROFIT $M

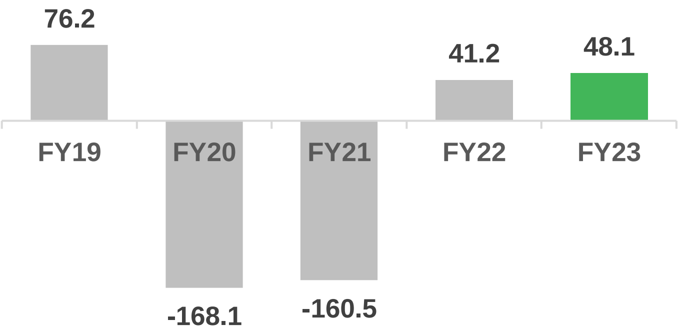
DOWN 2.4% ON FY22

UP 10.5% ON FY19 (2.5% CAGR)



NET DEBT / (CASH) $M

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



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 WAREHOUSE GROUP

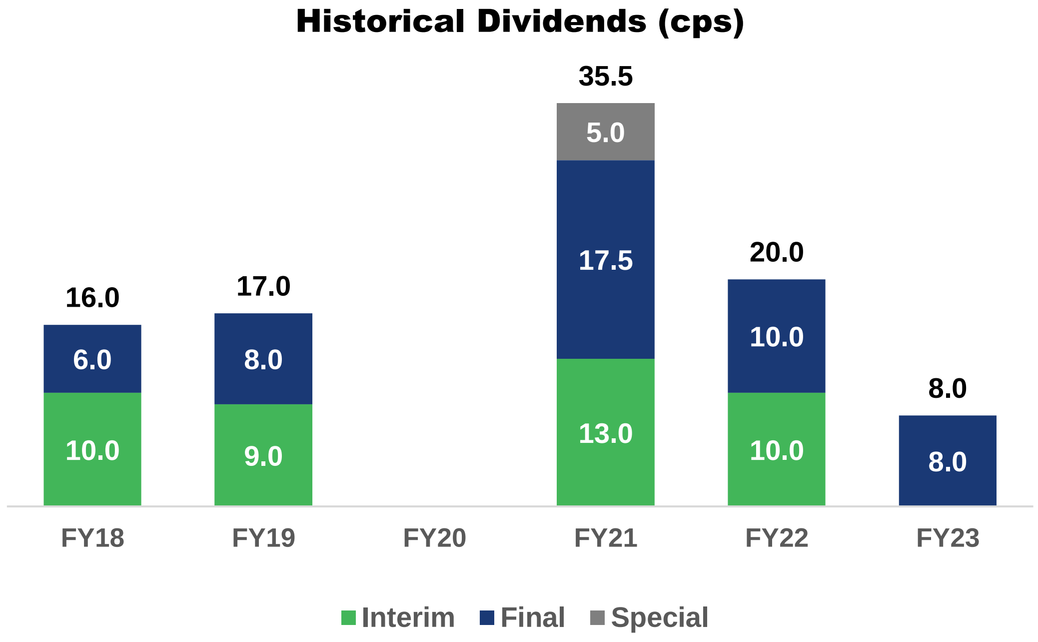
PERFORMANCE REVIEW AND ACTIONS WE ARE TAKING

- FY23 was a disappointing financial year – while sales increased 3.2% our costs increased at a faster pace, impacting Gross Margin and Operating Profit.
- The Board and Executive Team are focussed on maximising our trading performance and significantly improving our financial results as we work through the current financial year.
- Gross profit margin has been impacted – and particularly in the first half of FY23 – as the costs of products and freight were impacted by inflation and global supply chain disruption. We should have anticipated these changing conditions sooner.
- The actions we implemented after the H1 result did improve our margin performance in H2, and we have continued to see margin improvement in FY24 Q1.
- We indicated at the full year specific actions we are taking to improve margin and profitability performance – and this includes:
  - Reprioritised transformation to concentrate on EBIT delivery;
  - Continue to reduce store labour costs by driving productivity improvements;
  - Closure of 1-day operations and integration of The Market and T7 into Agile;
  - Improve profitability of grocery offering while offering affordable essentials to Kiwis; and
  - Improved inventory control – reduce by financial year end.
- We are committed to improving financial performance and growing shareholder value.

THE WAREHOUSE GROUP

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.
- Given the return of net debt to levels that meet our target liquidity range of $350 - $450 million, and the reduction in planned project expenditure[1] from $154.4 million in FY23 to $80.0 million in FY24, the Board declared a final dividend of 8.0 cents per share.
- We are pleased to return to paying dividends after the first half trading and liquidity position meant we took the difficult decision not to pay a FY23 interim dividend. We strive to deliver consistent and sustainable returns for our shareholders.



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

GOVERNANCE LEADERSHIP

- The Board provides support and guidance to the Leadership Team, and we continue to evolve our governance practices and interactions.
- There has been an enormous effort put in by both the Board and Leadership Team – during the financial year the Board held 13 meetings over 18 days as well as 25 committee meetings.
- We conducted an independently facilitated Board performance review, considering 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 NZ corporates 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.

THE WAREHOUSE GROUP

SUSTAINABILITY MILESTONES

	TARGET	FY23 PROGRESS
Product and packaging sustainability leadership	• Increase the share of private label sales from more sustainable products, or products with circularity solutions to 50% by 2025 and 100% by 2035. • Increase the share of private label sales from products with more sustainable packaging to 50% by 2025 and 100% by 2035. • Reduce the Group's Scope 3 emissions generated by our suppliers by 30% by 2030, 50% by 2035, and by 80% by 2040.	• 33% of private label sales were derived from products with one or more sustainable material or production features. • 43% of our private label sales were derived from products with packaging that is compostable, or which can be recycled via New Zealand's kerbside recycling infrastructure or instore. • Engaged with direct suppliers representing 80% of private label orders to start measuring their Scope 1 and 2 emissions (our Scope 3) to set a baseline of Scope 3 emissions by 2025.
Sustainable living solutions	• Install electric vehicle (EV) charging stations at all possible stores by 2030.	• 13 of the 28 The Warehouse stores which offer free EV charging have been upgraded to 25kW DC rapid chargers.
Circularity solutions for customers	• Enable 2.5 million customers to use our waste recycling or circular reuse solutions by 2030.	• 44 The Warehouse stores with soft-plastic recycling. • 33 Noel Leeming and Warehouse Stationery stores with e-waste recycling. • 131 Noel Leeming and Warehouse Stationery stores with ink and toner recycling. • Diverted a total of 199 tonnes of post-consumer waste from landfill in FY23.
Running a sustainable operation	• Reduce Scope 1 and 2 emissions, aligned to a 1.5-degree trajectory, by 42% by 2030 compared to our 2020 base year and with the pathway to zero emissions by 2040. • Reduce domestic and international freight emissions by 40% by 2030 and only use sustainable transportation fuel by 2040. • Become a zero-waste status organisation by 2025.	• Scope 1 and 2 emissions decreased 40.4% compared to FY20. Signed Lodestone agreement to effectively reduce our Scope 2 emissions to zero by 2027. • Sea freight emissions reduced by 25.2% and international airfreight emissions reduced by 59.1%, compared to FY20. • Diverted 72.9% of operational waste from landfill in FY23.

THE WAREHOUSE GROUP

PEOPLE, DIVERSITY, HEALTH & SAFETY

50% of senior leaders are female

50% Board members are female

101% Gender pay equity

RAINBOW TICK

SINCE 2019

Other team member diversity and well-being initiatives

- Te Ao Māori, Pride, Wāhine Advocates and Neurodiversity groups;
- Gender Transition Policy: 10 days paid leave;
- Family Violence Policy: 15 days paid leave and three free nights' accommodation;
- Parental Leave Policy: 26 weeks full pay (government payment topped up), Ease Back to Work and Be There for Partners leave;
- Lifestyle Leave and Career Break options available to team members.

Health and safety

- Investment of $1.8 million in store security.
- Embedded health and safety system EcoPortal in 2022 – seeing a significant improvement in reporting, data and employee engagement.
- Violent and aggressive behaviour ("VAB") incidents increased from 38 in FY22 to 224 in FY23.
- Traffic management incidents decreased from 11 in FY22 to 1 in FY23
- Critical Risk incidents decreased from 52 in FY22 to 8 in FY23.
- Reduction of 10.9% lost time injuries.

THE WAREHOUSE GROUP

NICK GRAYSTON

CHIEF EXECUTIVE OFFICER

THE WAREHOUSE GROUP

STRATEGIC REPRIORITISATION

WE ARE DEEP IN THE PROCESS TO SIMPLIFY THE BUSINESS AND FOCUS ON THE CORE

- 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 complete our transformation programme which drove increased CODB.
- We committed to a strategy that focussed on fixing the retail fundamentals and investing in the digital future. While it is hard to find the balance, the change post-COVID environment and subsequent change in customer shopping habits has caused us to refocus on the retail fundamentals.
- We have deferred approximately $30 million digital initiative expenditure.
- We are 30 years under-invested and we are going through a painful time of catch-up. However, it would be inefficient to stop these much-needed key infrastructure projects part way through, versus continuing and finishing these investments.

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

THE WAREHOUSE GROUP

ACTIONS TAKEN TO IMPROVE PERFORMANCE AND SIMPLIFY THE BUSINESS

Reprioritised transformation to concentrate on EBIT delivery.

- ✓ SSO restructure resulting in $24m of annualised benefit.
- ✓ FY24 operating loss from TheMarket is expected to be less than $5 million.
- ✓ Reduced MarketClub promotional spend.
- ✓ Deferred spend ~$30 million.

Reduced store labour costs by driving productivity improvements.

- ✓ Employee expenses held flat as % of sales on FY22.
- ✓ TWL CODB decreased as a % of sales from 35.9% in FY22 to 33.6% in FY23.

Closed 1-day operations and integrated The Market and T7 into Agile.

- ✓ Closed 1-day website, exited distribution centre, and sold inventory.
- ✓ TheMarket.com moved to Agile in March 2023.
- ✓ Torpedo7 moved to Agile in Aug 2023 and a Torpedo7 review is underway.

Improve profitability of grocery offering while offering affordable essentials to Kiwis.

- ✓ Increased Market Kitchen range to 64 different products.
- ✓ Improved supply chain capability.
- ✓ Improved margin management.
- ✓ Reduced SKU count and duplication.
- ✓ Increased fresh fruit and vegetable offering to 22 stores.

Improved inventory control and reduced inventory levels

- ✓ Materially reduced inventory from half year with closing inventory of $493.3 million compared to $562.3 million at FY22.
- ✓ System projects commenced to further improve inventory management.

THE WAREHOUSE GROUP

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.

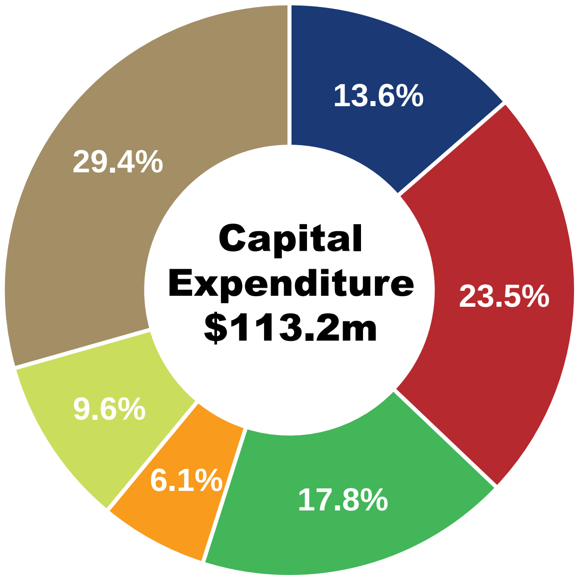
BALANCE SHEET

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.

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.
- Total project expenditure of $80 million is planned for FY24, with capital expenditure (including prepayments) expected to be between $60 million to $70 million.

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.

TORPEDO7 RECOVERY PLAN

We have experienced significant challenges with Torpedo7 which delivered an operating loss for FY23 of $22.2 million

- Decreased consumer demand, consistent with a significant global decline in the bike market, significantly impacted sales and profitability.
- In FY23, we provided for 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.
- We have implemented a full end-to-end ERP in T7, this has caused fulfilment disruption.
- Addressing Torpedo7’s performance is a major focus for the Group for FY24, and we will provide an update on our progress at our FY24 1H update.
- Despite ongoing efforts to turn this around, we continue to see decline in sales of 25.4% in FY24 Q1.

Improving Gross Profit Margin

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

Reducing Cost of Doing Business

- **Integration of support teams**
- **Closing poor performing stores**
- **Focus on labour productivity**

THE WAREHOUSE GROUP

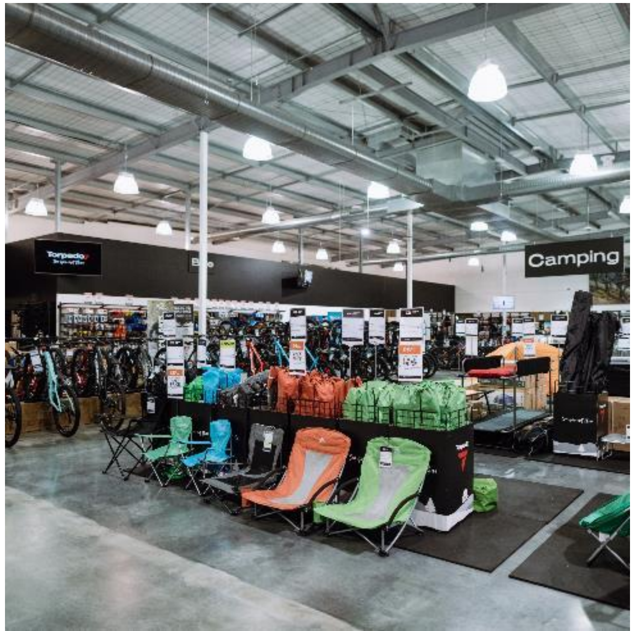
FY24 Q1 UPDATE

- Group sales for the 13 weeks to 29 October 2023 ("FY24 Q1") were $713.3 million, a decline of 6.7% compared to FY23 Q1.
  - **The Warehouse** sales were $394.2 million, down 4.9%. Grocery category sales continued to grow, with sales increasing 8.2% compared to prior quarter and making up 22.8% of total The Warehouse sales.
  - **Warehouse Stationery** sales were $54.6 million, down 4.0% compared to the same period last year.
  - **Noel Leeming** sales were $234.1 million, down 5.1% compared to the same period last year.
  - **Torpedo7** sales were $27.9 million, down 25.4% compared to the same period last year.
- Group gross profit was $243.4 million in FY24 Q1, down 1.6% compared to FY23 Q1.
- Group gross profit margin improved 180 basis points year on year, increasing from 32.3% in FY23 Q1 to 34.1% in FY24 Q1, due to improvement in the management of Cost Of Goods Sold.
- We have seen a normalisation of online sales, back to pre-COVID-19 levels, to 8.4% of total sales in FY24 Q1.
- Highlights for the quarter include opening new The Warehouse and Noel Leeming stores in Wanaka on 12 October 2023 and expanding our fresh fruit and vegetables offering at The Warehouse to 22 stores, up from 12 at year end.

THE WAREHOUSE GROUP

FY24 OUTLOOK

- Looking ahead and drawing on the improvements we’ve seen in Q1, we are focused on continuing momentum and on improving our financial performance in FY24.
- FY24 has started with softer sales than expected and we remain cautious about the outlook as we approach our busiest time of the year.
- Torpedo7 is our most challenged brand, and we will be reporting on the performance at the FY24 half year.
- We have planned project expenditure of $80 million in FY24 with a focus on delivering major projects that are in flight.
- We are well positioned as we move into our biggest quarter including Black Friday, Christmas trading, and our summer peak period with good levels of stock across all our brands.



LEADERSHIP SQUAD

Nick Grayston
Group CEO

Celia Mearns
Acting Group CFO

Tania Benyon
Chief Product Officer

Jonathan Waecker
Chief Customer and Sales Officer

Edwin Gear
Chief Information Officer

Mark Anderton
Chief Sourcing & Sustainability Officer

Richard Parker
Chief Human Resources Officer

Anna Shipley
Chief Corporate Affairs Officer

Sarah Kearney
Chief Digital Officer

Ian Carter
Chief Store Operations Officer

Simon West
Chief Commercial Officer

FORMAL BUSINESS

RESOLUTIONS

THE WAREHOUSE GROUP

RESOLUTION 1

Re-election of Dean Hamilton

Proxy votes received in respect of this resolution:

Resolution 1	Voted	%
For	195,387,319	98.77
Against	415,830	0.21
Discretionary	2,024,957	1.02
Abstain	84,916	n/a

RESOLUTION 2

Re-election of Robert Tindall

Proxy votes received in respect of this resolution:

Resolution 2	Voted	%
For	195,125,247	98.63
Against	708,458	0.36
Discretionary	2,005,724	1.01
Abstain	73,593	n/a

RESOLUTION 3

Auditor Fees

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

Proxy votes received in respect of this resolution:

Resolution 3	Voted	%
For	195,401,518	98.77
Against	293,363	0.15
Discretionary	2,130,639	1.08
Abstain	87,502	n/a

REMINDER:
PARTICIPATION IN VIRTUAL MEETING – VOTING

<u>**Shareholder & Proxyholder Voting**</u>

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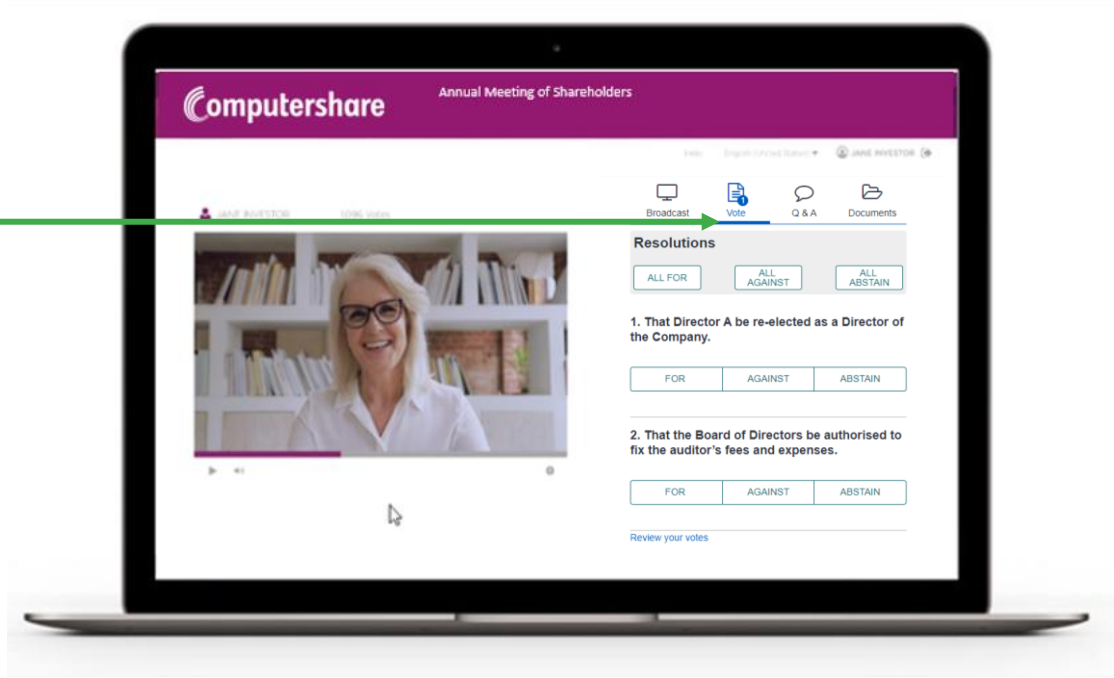

THE WAREHOUSE GROUP

GENERAL BUSINESS AND Q&A

THE WAREHOUSE GROUP

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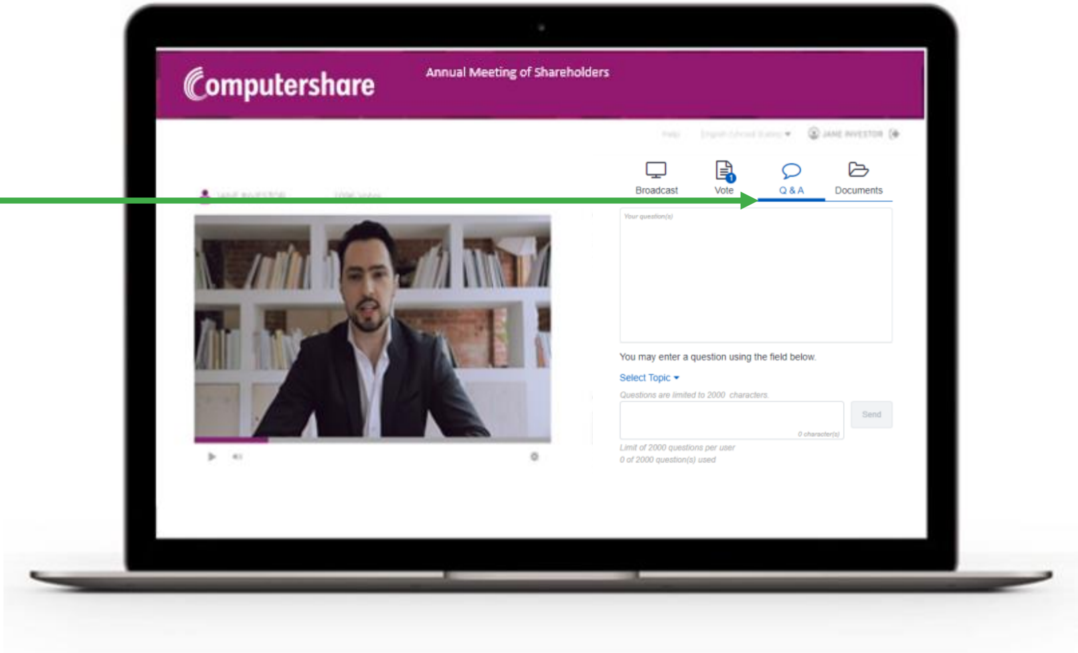

THE WAREHOUSE GROUP

HELPING KIWIS LIVE BETTER EVERY DAY

THE WAREHOUSE GROUP