



# The Warehouse Group Limited

## 2012 Annual Shareholders' Meeting

23 November 2012





# Order of Business

1. Welcome and Chairman's Address

Graham Evans, Chairman

2. Strategy Update

Mark Powell,  
Group Chief Executive Officer

3. Business of the meeting

Graham Evans, Chairman

- Election and re-election of Directors
- Auditor
- Special Business
- General Business

4. Refreshments

# Board of Directors



- Graham Evans
- Sir Stephen Tindall
- Keith Smith
- Janine Smith
- James Ogden
- Ted van Arkel
- Tony Balfour
  
- Mark Powell – Group Chief Executive Officer
- Stephen Small – Chief Financial Officer

# 2012 Annual Meeting



- Apologies
- Proxies
- 2011 Annual Meeting Minutes
- 2012 Annual Report



# **Chairman's Address**

**Graham Evans**

# 2012 Result Overview and Dividend



- Sales \$1,732.2 million compared to \$1,667.8 million in F11
- Net profit after tax, excluding unusual items, \$65.2 million compared to \$76.0 million in F11
- Operating cash flow \$44.5 million
- Final dividend of 6.5 cents per share to bring total ordinary dividends for the year to 20.0 cents per share compared to 22.0 cents per share in F11
- Final dividend paid to shareholders on 14 November



# Dividend Policy

- The board expects the Group to continue its strong cash flow performance enabling the company to fund its future capital requirements from existing facilities and to retain the current dividend payout ratio of 90% of adjusted net profit after tax.



# Board of Directors

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





# Retail Environment

- Over the past 12 months underlying non-food retail sales continued to show signs of gradual improvement
- Although New Zealand's general economic outlook supports strengthening consumer confidence a number of factors, both domestic and international, point to ongoing uncertainty and volatility
- We expect consumer spending in the non-food sector to continue improving over the next 12 months but the extent of any underlying growth remains uncertain

# Group Outlook



- Earnings are significantly influenced by the trading performance over the critical January quarter. However, having assessed a number of factors including the shorter term impact of the group's strategic plan and reinvestment program, the board is of the view that adjusted earnings for F13 are likely to be higher than F12
- Subject to any event or material change in trading conditions, earnings guidance will be updated in March 2013 when the half year result is announced



# Strategy Update

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



# The Warehouse: 30 Years of Bargains

This year we celebrate 30 years of bringing bargains to Kiwis. We know we have a great heritage and strong foundations and our strategy will continue to lead the way in providing great bargains and everyday essentials that Kiwis want.



# Strategy: Key Result Areas



Clear Brand Positioning and Personality:  
“House of Bargains & Home of Essentials”

Clear ‘Way of Working’ Framework:  
“Customer led, Store focused & People centred”

Store Experience: Execution and Rejuvenation

Category Strategies and Gross Profit Dollar Growth

Multi Channel and Direct Customer Engagement

Community and Environment

# Clear Brand Positioning and Personality



Rejuvenate  
and  
Maintain

*where everyone gets a bargain*

Build & Drive

“Where everyone gets their essentials”



Focused  
Brand  
Communication

- ‘House of Bargains’
- **AND**
- ‘Home of Essentials’
- Excitement, Range and Price

Bridging Variety and Discount Department Stores.

# Ways of Working



- Core Purpose, Guiding Principles and Customer Promise
- Thinking Smarter, Common Language, Leadership Model and Team Model
- Executive Plan / Act / Review to drive change and improvement
- Stores: Working Smarter, Selling Smarter
- Merchandise: Working Smarter, Buying Smarter
- People / Process / Systems: Store Support
- Merchandise Support and Business Support

“Customer Led, Store Focused, People Centered Business”

# Store Experience: Execution and Rejuvenation

- “The store is the physical embodiment of the brand and all that it stands for”
  - 300 people added back to our stores to better improve customer experience
  - \$40m stock added back into our stores to better improve product availability, seasonal entry and exit, and support growth strategies
  - Store internal refit program underway 13 Stores completed since February, 16 refits second half 2013
  - Store external modernisation program underway with 5 stores completed in F12 and plan on track for remaining stores
- These investments are paying off with improved shopping experiences
- Comparable refit stores are delivering three percentage points above company same store sales

Significant improvement in store experience and early refits show positive results



# Category Strategies and Gross Profit Dollar Growth



- Category Strategy – clear definition of categories role and growth potential
- Bargain Sourcing: Stronger parallel import sourcing program
- Clear Range hierarchy – Basic, Better, Best
- Brands vs Private label
- Fit for Purpose product quality
- Clear focus on seasonal entry and exit timing
- Origin Strategy – China vs Rest of World Sourcing
- The group continues to focus on forming strategic partnerships & acquisitions and remains alert to opportunities which support our “House of Bargains”, “Home of Essentials” strategies, as demonstrated by our successful acquisition of Insight Traders in September 2012

Bringing alive the “House of Bargains” and “Home of Essentials”

# Category Strategies and Gross Profit Dollar Growth



## Shape Change Strategies

- Technology & Entertainment
- Everything for the Home
- Outdoors for Everyone
- Celebrations & Gifts

## Zone Strategies

- Pet Zone
- Baby Zone
- Party Zone
- Jewellery Zone
- Accessories Zone

Bringing alive the “House of Bargains” and “Home of Essentials”

# Racetrack – Showcasing Outdoor Furniture





# Women's Clothing & Accessories





# Baby Zone





# Health & Beauty Zone





**Since we launched online in 2009 we have sold nearly **half-a-million products** and we welcomed more than **23 million visits** to our website**



# Multi-Channel

- Significant number of activities have been implemented over the past few months to allow us to offer our customers a retail experience when, how and where they want it
  - BizRewards
    - Broadened from Blue only to Blue & Red to allow business customers to purchase on account from Red stores (July)
  - Online
    - Full range online, 40,000 skus available on [www.thewarehouse.co.nz](http://www.thewarehouse.co.nz) (July)
  - Red Alert
    - launched one day deal site (August)



Following the customer, what they want, where they want it and when they want it





# Your Warehouse

- 57% of New Zealanders out of 3,000 surveyed said they forgot birthdays of family members and special friends
- “Your Warehouse” reminds customers of special dates as well as receiving offers tailored for specific interests, occasions or celebrations.
- Extension into a more personalised space is key to continuing to engage customers and drive ongoing loyalty

*your* warehouse //





# Property

- New store openings: Three Red stores in Whitianga, Royal Oak and Silverdale and eight Blue stores in Te Awamutu, South Dunedin, Rangiora, New Plymouth and Te Rapa, Warkworth, Silverdale and Royal Oak
- Mt Roskill due to open in January 2013. Two additional store openings for Blue in F13
- Transactions completed in F12 included sale of Puhinui Road Distribution Centre and Invercargill store
- Transactions completed post F12 included sale of Snells Beach, Palmerston North, Queenstown stores and North Island Distribution Centre



# Refits and modernisation

- 13 Red stores underwent a refit in F12 (5 underwent modernisation), 19 refits planned for F13 (13 stores to undergo modernisation)
- Last year we indicated spend of \$130m on store refits and modernisation capital expenditure over the next five years, which includes replacement capex of \$90m
- F12 store refit and modernisation capital expenditure is \$21.6m
- Early indicators demonstrate recently upgraded stores outperformed other comparable stores
- Footprint expansion, modernisations and refits all on track as part of overall strategy

# Royal Oak Store – Opened 6 October 2012



Total development 7500m<sup>2</sup> GFA. The Warehouse 6300m<sup>2</sup> GFA.



# Silverdale Retail Centre – Opened 18 October



Total development 22,700m<sup>2</sup> across 36 tenancies, 980 car parks.

September 2012

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# Community and Environment



- In 30 years raised over \$20m for local groups and charities
- Distributed over \$2.47 million in F12, includes:
  - National Fundraising Programme \$1.51m
  - Bags for Good Programme \$414,821
  - In store coin collection boxes \$86,460
  - Community BBQs \$419,690
- Partnerships committed to in F13 with key charity partners



- Bring alive “Work, Study Create and Connect” in everything we do in store, with our product offerings and customer interaction
- Maximise heritage categories such as stationery, while continuing to evolve categories such as technology with the right product and brands
- Continue rollout of nationwide retail footprint – 59 stores currently
- Continue to maximise benefits of Red / Blue alignment
- Continue to develop BizRewards and customer engagement

Everything you need to “Work, Study, Create and Connect” anywhere.

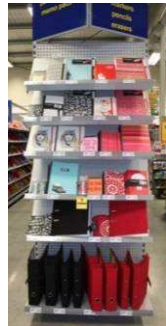
# Work, Study, Create and Connect – Bringing it alive at Store

warehouse  
stationery

## Work



## Study



## Create



## Connect







**Sir Stephen Tindall**

**30 Years**



# Election and Re-election of Directors





# Resolution 1 – Election of Tony Balfour

To elect Tony Balfour as a director of the company

- Independent Non-Executive Director
- First appointed 15 October 2012
- Unanimously endorsed by the Board

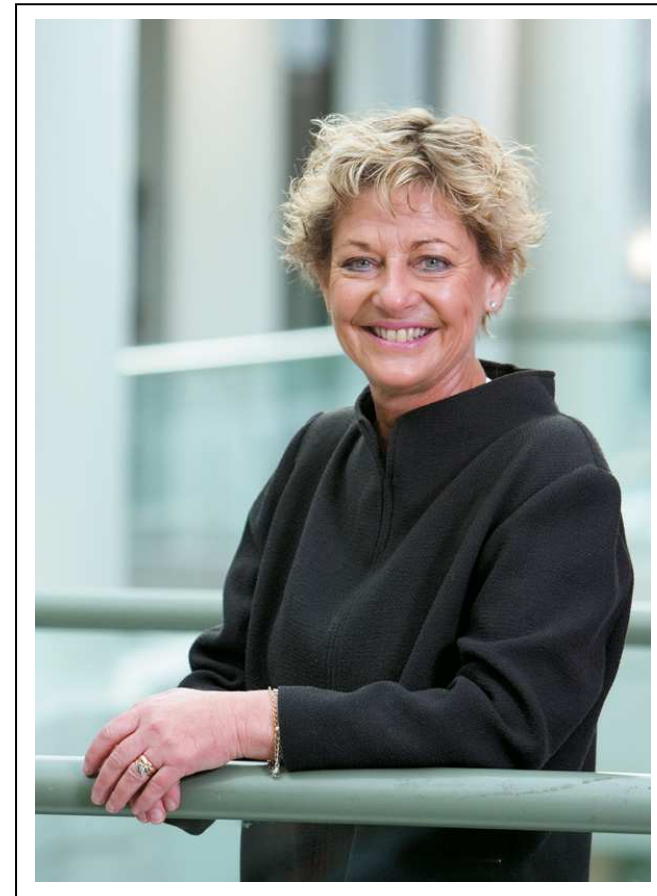


# Resolution 2 – Re-election of Janine Smith



To re-elect Janine Smith as a director of the company

- Independent Non-Executive Director
- First appointed 3 August 2006
- Chair of the Corporate Governance Committee
- Chair of the Remuneration, Talent and Nomination Committee
- Unanimously endorsed by the Board



# Resolution 3 – Re-election of James Ogden



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

- Independent Non-Executive Director
- First appointed 4 August 2009
- Chairman of the Audit Committee
- Member of the Disclosure Committee
- Unanimously endorsed by the Board





## Resolution 4 – Auditor

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



# Special Business





## Resolution 5 – Share Acquisition

That, pursuant to Rule 7(c) of the Takeovers Code, Sir Stephen Tindall acquiring 1,000,000 ordinary shares in the company from Mr Ian Morrice, which will result in Sir Stephen Tindall and his associates increasing their holding and control of voting securities in the Company from 50.31% to 50.63%, be approved.





# General Business





# Thank you for attending the 2012 Annual Shareholders' Meeting

