
**To: Market Information Services Section
NZX Limited**



THE WAREHOUSE GROUP TRADING UPDATE

Weak Seasonal Sales and Margin in Red Sheds and Lower December Sales in Noel Leeming

The Board of The Warehouse Group today advised that the Adjusted NPAT for the Group for the first half (H1) ending on January 25th is likely to be in the region of \$37m, around 20% lower than last year.

The expectation for the first half was for profits to be in line with last year as planned one-off rebranding investments in Noel Leeming and Torpedo7 were absorbed in the first half. However, in the Red Sheds the cold and wet spring/summer weather has resulted in second quarter sales and margins below expectations, particularly in December. Noel Leeming H1 sales have been below last year. The electronics sector as a whole has been subdued as it cycles against TV digital switchover in 2013 and the expected Christmas sales rush did not materialise for Noel Leeming.

Mark Powell, Group CEO commented that “the combination of flat sales and lower margins in the Red Sheds and lower sales in Noel Leeming have magnified the impact on first half profits compared to last year.” Mr Powell stated the poor seasonal weather had impacted the whole apparel and seasonal products market and the Red Sheds had been forced to sacrifice margin to manage seasonal stock sell through.” Mr Powell emphasised that “versus last year some impacts were one off, such as the rebrand costs in Noel Leeming and Torpedo 7 and as such are not representative of underlying performance, therefore it is not expected that we will see a similar level of decline in the second half.”

Online continues to grow significantly faster than conventional store sales. For example, Red Sheds online sales grew over 30% on last year, with over 20% being click & collect sales ordered online and picked-up in store.

Group Chairman Ted van Arkel said “we will take stock of this half and update the market more fully when The Warehouse Group half year results are announced on Friday, 6 March 2015. At that time analysis on progress will be given in the context of the Group strategy and Full Year results guidance will be provided.”

ENDS

Background: The Warehouse Group Limited

The Warehouse Group Limited comprises 92 Warehouse stores, 79 Noel Leeming stores, 64 Warehouse Stationery stores and 10 Torpedo stores in New Zealand and several online businesses. The company had turnover of \$2.6 billion in FY14 and employs over 11,500 people.

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