



## Warehouse buys majority stake in Torpedo7

[CLAIRE ROGERS](#) Last updated 13:10 04/03/2013

The Warehouse has increased its online presence by buying a majority stake in Hamilton-based Australasian online retailer Torpedo7 for up to \$33 million.

Torpedo7 sells outdoor goods through the Torpedo7 website, daily deals through its popular 1-day website and clothing and shoes through the Urban Daddy website.

The Warehouse, which has its own daily deals site Red Alert, will pay \$20m upfront for a 51 per cent share in the company, with the remaining performance-related \$13m payable over three years.

Torpedo7 will continue to be run by the same management as a standalone business, and its existing shareholders will keep the remaining 49 per cent of the company. The Warehouse Group chief executive Mark Powell said the deal was another step in beefing up its online presence and offerings.

"They are a major pure online retail player in New Zealand and they've got a very good brand position," he said, adding that the businesses would remain distinct but borrow from each other's strengths.

"We'll look to leverage our sourcing capabilities in The Warehouse Group where appropriate, but they also have a lot of knowledge about being a pure online retailer that we'll learn."

The Warehouse planned to add other categories to the Torpedo7 website, and the company would also be able to source capital through The Warehouse.

Powell said that although there appeared to be an overlap between 1-day and Red Alert, the two sites were distinct and would continue to operate alongside each other.

"They have different positioning and personalities," he said.

"Red Alert is linked to The Warehouse brand, it's very much based on domestic New Zealand and linking out of The Warehouse.

"1-day has got an Australian base as well - it probably will sell products that would appeal to a broader range of customers, it's got a different customer base.

"It's perhaps a bit less corporate and a bit more fun in some ways."

Torpedo7 is understood to have about 200 staff in the Waikato.

Powell said there would be no job cuts as a result of the deal, and Torpedo7's new warehouse under construction near Hamilton Airport would proceed as planned.

"We bought this business to see it grow," he said.

Powell declined to comment on what the purchase would mean for the listed retailer's earnings, and said it would provide more information with the release of its half-year result on Friday.

He said the company first contacted Torpedo7 about a year ago when it was researching the online retail scene, and discussions grew from there.

"We believe in following the customer and giving them all the shopping choices they want.

This is a natural development from there."

The Warehouse bought Noel Leeming for \$65m in December. Its shares on the NZX have slipped 0.6 per cent in early trading this morning, to \$3.40.

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