Super Retail Group

Results for the 52 weeks to 29 June 2013

Peter Birtles, Managing Director
David Burns, Chief Financial Officer
21st August 2013

Group Highlights

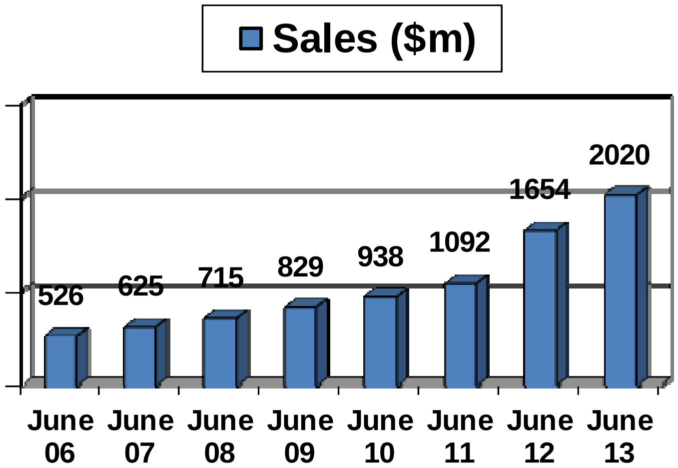
- Group NPAT up by 23%
- Group EBIT up by 22%
- Group Sales up by 22%

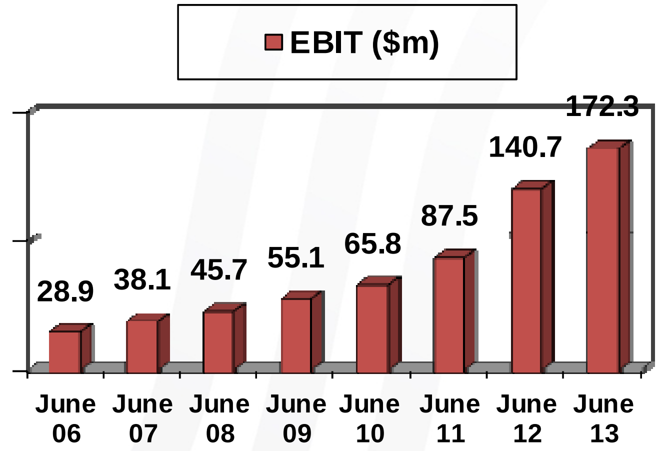
Sales LFL %	12/13	11/12	10/11	09/10	08/09	07/08
SCA	5.0%	3.9%	4.8%	5.0%	7.3%	4.1%
Leisure*	3.1%	6.5%	4.6%	4.8%	12.5%	5.7%
Sports	8.0%	5.8%				

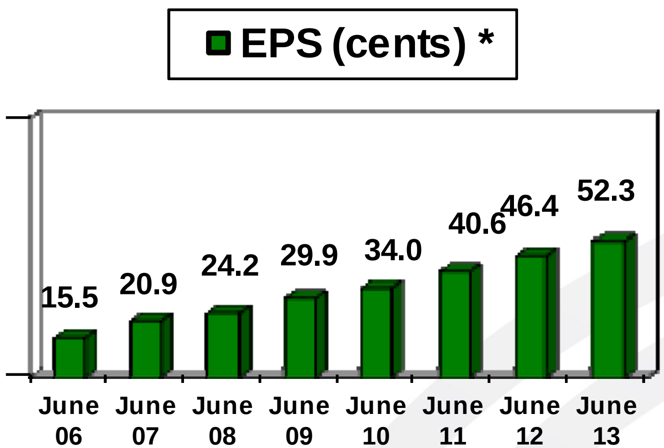
*Leisure is BCF only until 11/12

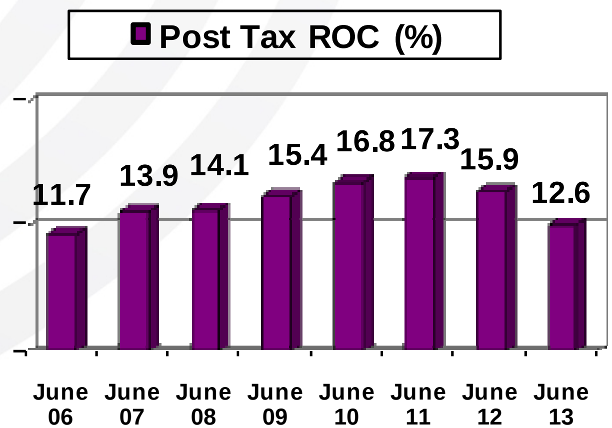
- Results continue to demonstrate the strength of the Group's resilient business model – consistently delivering high earnings growth in both strong and weak retail markets
- Results reflect continued strong underlying performance of Supercheap Auto, BCF and Rebel/Amart (including full 52 week contribution)
- Restructuring initiatives included in the results to reposition Rays Outdoors ($6.0m) and to close Goldcross standalone stores ($10.2m)
- Underlying cost of doing business increasing due to investment in the multichannel capability, investment in store service levels and increase in occupancy costs
- Strong operating cash flow performance supports the investment in new store inventory, capital expenditure program and increase in dividend
- $68.5 million invested in new and refurbished stores and a further $63.1 million invested in integration and multi channel platform and general capital expenditure
- Continued improvement in Team Member engagement
- Post tax return on capital of 12.6% below 15% target but above weighted average cost of capital

Performance Trends









- EPS adjusted to take into account the bonus element in the 2011/12 entitlement offer
- Post Tax ROC adjustment due to capital calculation reclassification

Group Results

- June 2013 result includes full 52 week contribution from Rebel/Amart (pcp 35 weeks)
- Solid sales growth in all divisions through both strong LFL growth and new stores
- Group NPAT impacted by Ray's Outdoors and Goldcross provisions of $11.3m. PCP includes after tax impact of $11.5m for transaction and integration costs relating to the Rebel Group acquisition
- 2012/13 Group underlying results (adjusting for Ray's Outdoors and Goldcross repositioning costs):
  - EBIT $188.5m
  - NPAT $114.0m
- Operating Cash Flow result of $225.1m demonstrates strong underlying cash generation to fund capital program and benefits of timing of creditor payments $39m
- Net Debt lower year on year capital structure remains conservative
- Dividend increased to 38.0 cps and increase of 18.8%, representing underlying 65% payout ratio
- Note that interest income has been reclassified from segment EBIT to net finance expense

	2012/13 $m	**Change on pcp**
Sales	2,020.0	22.1%
EBITDA	218.6	24.2%
EBIT	172.3	22.5%
NPAT	102.7	23.0%
Operating Cash Flow	225.1	+$89.8m
Net External Debt	329.3	-$11.7m
Dividend	38.0	+6.0c

Divisional Results

	2012/13		2011/12	
	Sales $m	EBIT $m	Sales $m	EBIT $m
Auto Retailing	789.0	87.1	732.3	77.4
Leisure Retailing	522.5	33.2	456.3	32.6
Sports Retailing	703.5	63.4	460.3	49.4
Group & Unallocated	5.0	(11.4)	5.2	(18.7)
Total Group	2,020.0	172.3	1,654.1	140.7

- Leisure 2012/13 result includes $6.0m of costs to reposition Ray's Outdoors to exit Outdoor Furniture & Backyard Accessories, reduce BBQ's and clear discontinued Apparel, Footwear and Camping lines.
- Sports 2012/13 result includes $10.2m of costs to close the GX standalone store network and reposition GX to operate in Amart SIS format.
- Group sales 2012/13 includes Commercial division and Oceania
- Interest income has been classified as net interest expense (change to pcp)
- All logistics and China sourcing costs included in cost of goods (change to pcp Gross Margin)

Auto Retailing

- Divisional result includes Supercheap Auto and Auto Trade Direct (not material at this stage)
- Strong sales from new stores and increased momentum in LFL sales growth at 5.0% growth in PCP.
- Solid performance across all categories and regions of Australia; WA being particularly strong
- Sales growth driven by increase in customer numbers, average item per customer and average item value
- Further improvements in gross margin driven by trading terms, overseas sourcing, own brand development, product quality, supply chain efficiencies
- Increase in cost of doing business through increase in occupancy related costs and share of investment in multi channel capabilities
- 9 new stores, 2 closures, 25 stores refurbished including 7 as Superstores – 288 stores at 29 June

	2012/13 $m	change on pcp
Sales	789.0	7.8%
LFL sales growth		5.0%
Gross margin %	*43.9%*	*+0.7% pts*
EBITDA	104.6	10.3%
EBITDA margin %	*13.3%*	*+0.3% pts*
EBIT	87.1	12.5%
EBIT margin %	*11.0%*	*+0.5% pts*

Leisure Retailing

- Overall results reflected solid sales and margin growth at BCF and Ray's Outdoors and strong sales growth for FCO.
- 14 nett new BCF stores and 3 nett new Ray's Outdoors stores opened to bring total stores to 105 and 55 respectively.
- Solid BCF LFL sales growth– achieved through growth in average item value and average transaction value
- Increase in cost of doing business reflecting rollout of smaller format stores, occupancy related costs increasing at a faster rate than LFL sales and share of investment in multi channel capabilities
- Strong Rays LFL sales growth supported by 4.4% increase in customer traffic. EBIT margin improvement from improved gross margin and costs. Repositioning clearance activity commenced in month June
- FCO delivered very strong LFL sales growth from increased customers and average units sold. FCO setup costs of $2.1m included in prior period comparisons. Number of stores unchanged since June at 13 stores. Revised business plan being implemented

	2012/13 $m	**change on pcp**
Sales	522.5	14.5%
LFL sales growth		3.1%
Gross margin %	*45.6%**	*+1.3% pts*
EBITDA	49.6*	20.7%
EBITDA margin	*9.5%**	*+0.5% pts*
EBIT	39.2*	20.2%
EBIT margin	*7.5%**	*+0.4pts*

**** Excludes $6.0m Ray's Outdoors repositioning costs***

Sports Retailing

- Sports Retailing result includes 52 weeks of Rebel/Amart, prior period included 35 weeks. Due to sales seasonality care should be taken in interpreting reported comparisons to PCP
- Contribution from Rebel / Amart Sports businesses is significantly ahead of acquisition business case
- Sales performance has been strong in both Rebel and Amart. LFL sales growth driven by increased traffic and average transaction value.
- Gross margin was below prior period due to the planned stronger pricing and promotional program
- EBIT margin performance ahead of expectations and prior period. Reported PCP benefited from cost leverage as a result of high seasonal sales peak
- Aged stock maintained at below 5%
- Integration program is proceeding in line with acquisition business case; SAP finance conversion completed; phase 2 work due to be completed in September 2013
- Sports store refurbishment program commenced with 9 Rebel stores completed by June. 12 Goldcross store in store formats operating within Amart Sports.
- GX operating results included in Sports Retailing with associated PCP, GX provision $10.2m excluded from figures in the table opposite

	2012/13 $m	change on pcp
Sales	703.5	52.8%
LFL sales growth ***Full 52 weeks***		8.0%
Gross margin %	*45.5%**	
EBITDA	86.5*	47.1%
EBITDA margin%	*12.3%**	
EBIT	73.6*	49.0%
EBIT margin %	*10.5%**	
EBIT (excl GX)	78.8*	
EBIT margin % (excl GX)	*11.4%**	

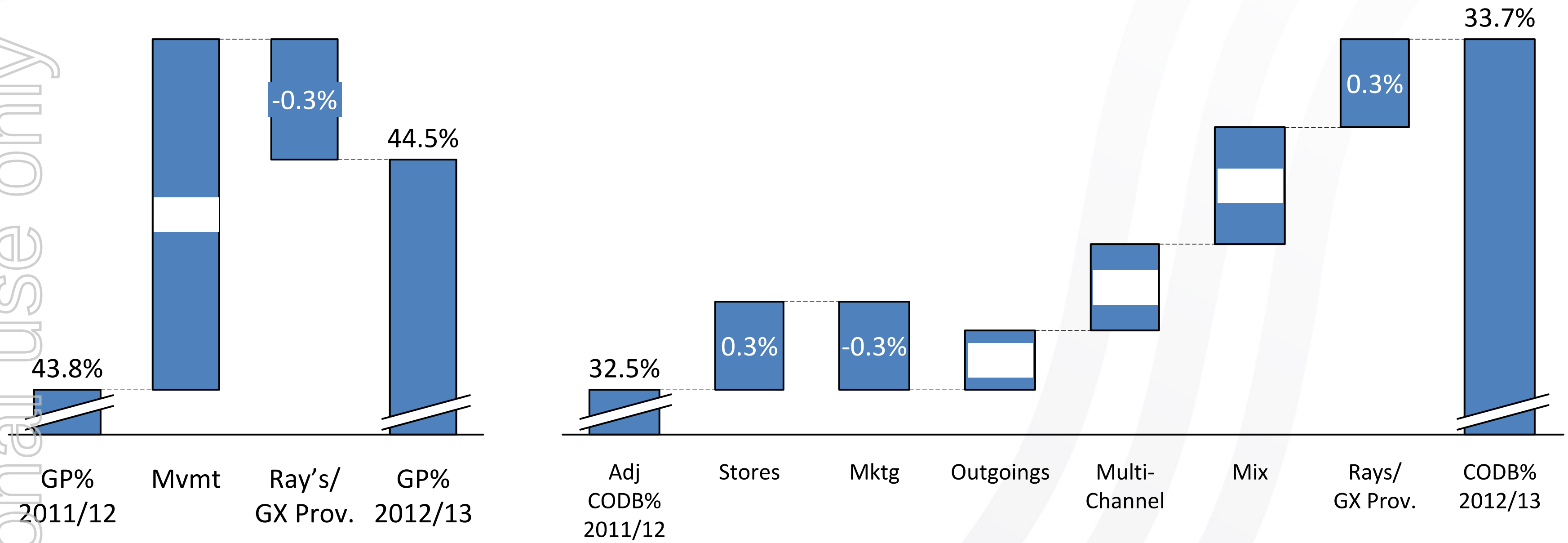
**** Excludes $10.2m to close GX standalone stores***

Group and Unallocated

- Group and Unallocated includes SRG Commercial, consolidated investment in Oceania Bicycles and Group costs not allocated to segments
- Rebel Group acquisition costs are held at group and not allocated to business units.
- Unallocated Group costs include public company activities , un-utilised DC space and costs relating to the Group development team
- Significant increase in Group development costs arising from work in progress on the Group multi-channel development programs and the SAP implementation into the Sports businesses
- Capital programs under management include:
    - Supply Chain projects to deliver multi user DC in Sydney and Brisbane Inventory planning and management system JDA which is targeted to deliver circa $50m inventory improvement ($19.6m)
    - CRM programs to launch and leverage new loyalty programs in each brand ($6.0m)
    - Multi-channel capability development including websites and IS infrastructure ($16.0m)
    - Sports SAP integration ($12.3m)

	2012/13 $m	**change on pcp**
Sales	5.0	(3.8%)
		$m
EBITDA	(9.7)	+9.0
EBIT	(11.4)	+7.3
Comprising:		
Public company	(4.5)	(0.1)
Un-utilised storage	(1.5)	0.4
Rebel Acq/Integration	(0.4)	11.3
Group development	(4.1)	(3.3)
Commercial & other	(0.9)	(1.0)

Gross Margin & Cost of Doing Business



- Gross margins have increased in Auto and Leisure due to strong focus on overseas sourcing, own brand development, product quality and supply chain efficiencies. Sports gross margin lower to deliver stronger sales performance and growth posture
- New smaller format stores increases store operating costs but greater scale contributes to improved gross margin and amortisation of marketing costs
- Occupancy: driven by power and increased repairs & maintenance to improve stores standards
- Multi-channel: investment includes program teams, computer equipment and software cost
- Mix: full year impact of Sports and higher weighting of Sports and Leisure in overall Group result
- Ray's GX Provision: one off impact in both gross margin and cost of doing business
- 2011/12 CODB% adjusted for Rebel/Amart acquisition costs $11.1m

Group Cash Flow

- New and refurbished store investment of $68.5m (including store set-up and store fitout capex) is being fully funded out of operating cash flows
- Investment in new and refurbished store capex is split:
  - $12.1m in Auto
  - $8.0m in Leisure
  - $23.5m in Sports
- Investment in other capital projects relates to the group development program including multi-channel platforms, the Sports integration, Supply Chain and inventory management capability
- Capex cash flow is $3.3m less than balance sheet due to creditors outstanding
- Business acquisition in this period include investments in VBM Retail and store acquisition
- Interest cost increase from full 52 week gearing of Sports acquisition
- Dividend payout ratio maintained at 65% of underlying net profit after tax

	Jun 13 $m	Jun 12 $m
Operating cash flow	250.0	179.8
(pre store set up investment)		
Store set up investment	(24.9)	(33.4)
Business acquisition expenses	0.0	(11.1)
Operating cash flow	**225.1**	**135.3**
Investing activities:		
- Store fitout	(43.6)	(30.6)
- Other capex	(59.8)	(29.6)
- Business acquisition	(6.0)	(621.7)
Financing activities:		
- Dividends & interest	(95.4)	(48.4)
- Ext Debt (repayt)/proceeds	(45.7)	287.5
- Equity Issues	0.6	328.8
Net cash flow	**(24.8)**	**21.3**

Group Balance Sheet

- Inventory growth from new stores and merchandise growth initiatives is offset by strong funding from creditors
- SCA closing average inventory per store is 4% higher than PCP due to earlier receipting of stock
- Leisure average inventory per store is 7% lower, driven by initial benefits from inventory reduction program
- Sports average store inventory has increased 23%, reflecting stock rebuild following clearance in 2011/12
- The timing of balance date has increased creditors by $39m
- Increase in Plant, Equipment, Systems and Software is as a result of the investment in multi-channel capability and ongoing capital expenditure in new and refurbished stores
- Net Debt decreased by $11.7m as a result of the operating cash flow performance

	Jun 13 $m	Jun 12 $m
Inventory		
- Auto Retailing	168.4	157.6
- Leisure Retailing	162.2	157.5
- Sports Retailing	117.5	98.1
- Group & Unallocated	4.5	3.5
Total	452.6	416.7
(Creditors)	(274.3)	(197.9)
Net inventory investment	178.3	218.8
Plant, equipment & software	251.6	187.6
Net External Debt	329.3	341.0

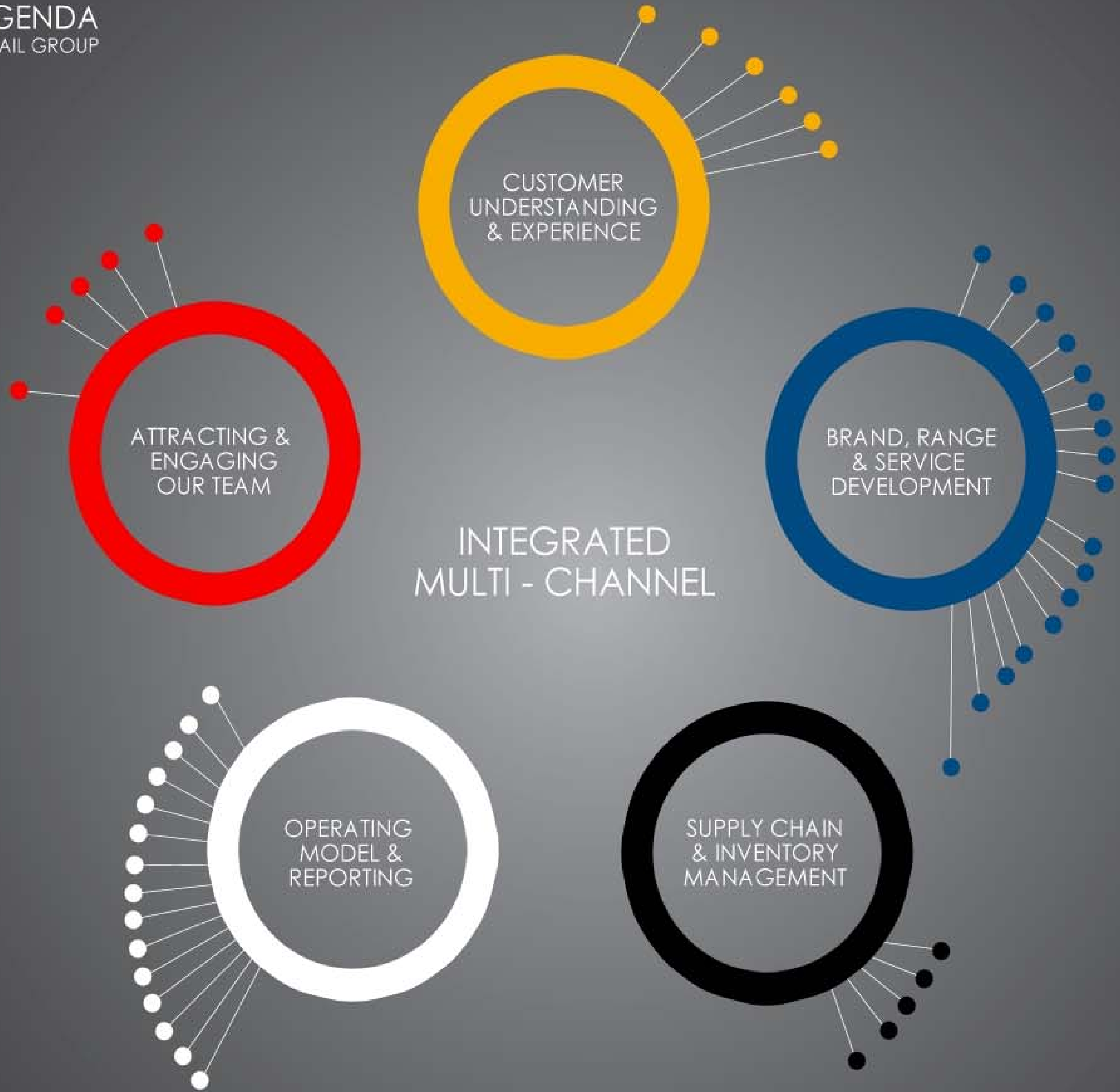
Returns & Capital Ratios

- Improvement in EPS ratio reflect improved profit performance
- All cover ratios are well within covenanted levels
- Average net debt increase as a result of the Rebel acquisition. Club bank totals $500m, split between 16 month and 3 year tranches
- Return on Capital is lower due to full period impact of the Rebel/Amart acquisition but remains above weighted average cost of capital
- Effective USD FX rate for the period was 1.02 similar to the prior year. Existing hedge position of $56m at an average rate of 1.01
- Effective tax rate for the period was 30% – due to reduced benefits from R&D investment
- *Adjusted capital includes leases capitalised into debt at 6x annual charge*

	2013	2012
EPS – reported	52.3c	46.4c
Fixed charge cover	1.93x	1.94x
Average Net Debt	$400m	$300m

	2013	2012
Net debt : capital		
- Headline	31.0%	33.1%*
- Adjusted	65.0%	62.9%*
Annualised post tax ROC		
- Headline	11.5%	14.0%*
- Adjusted	12.6%	15.9%*

* Comparative restated


CUSTOMER UNDERSTANDING & EXPERIENCE
ATTRACTING & ENGAGING OUR TEAM
BRAND, RANGE & SERVICE DEVELOPMENT
INTEGRATED MULTI - CHANNEL
OPERATING MODEL & REPORTING
SUPPLY CHAIN & INVENTORY MANAGEMENT

Range, Brand and Service Development

Channel and Customer Development

- New stores
  - Auto – Grow to 320 stores
  - Leisure – Grow to 220 stores
  - Sports – Grow to 185 stores
- Store refurbishments
- Store resizing/relocation
- Store of the future
- On line channel development
- Initiatives to drive sales intensity in Rays Outdoors and FCO formats
- Customer development
  - Auto Trade Direct
  - Group wide: Commercial and Wholesale

Range Development

- New product introduction
  - Circa 20 to 25% of product renewed annually
  - Focus on growing categories
- Private brand development
  - SCA up to 45%
  - BCF and Rebel/Amart up to 20%
  - Rays Outdoors up to 50%
- Overseas Sourcing
  - Rebel/Amart sourcing integration
  - Trade partner collaboration
- Tailoring the range to local demand

Integrated Multi Channel Capabilities

Understanding and Engaging Customers

Objectives:

•Engaging and integrated customer experience across all channels

• Effective Loyalty Programs and targeted marketing

Capabilities developed in 12/13:

• SCA Club Plus launched in Australia

• Targeted promotions in SCA and BCF

• Real time stock and sales updates

Key initiatives:

• CRM system development and implementation

• CRM analytics and direct marketing

• Ray's, BCF and Sports loyalty programs relaunch

• Store of the future – customer engagement model

• Content development

Supply Chain & Inventory Management

Objectives:

•The right supply chain to support a $3bn + multi channel multi business organisation

•Reduction in net working capital and supply chain costs as a % of sales

Capabilities developed in 12/13:

•JDA pilot completed in BCF Fishing and SCA car care category

•New DCs in Sydney and Brisbane under construction, Perth DC expanded

•Singapore consolidation hub (run by 3rd party)

Key initiatives:

•Mobilisation of Sydney DC and development of Brisbane DC

•Group wide forecasting and replenishment

•Leveraging international supply chain methods

Supporting Capabilities

Operating Model and Reporting

Objectives:

- Reduce business operating costs by 2% of sales
- Improved sales per sqm across the group
- Flexible decision support and analysis

Capabilities developed in 12/13:

- Re-engineered sales and operational planning
- SAP Finance into Sports Retailing
- Ongoing store productivity

Key initiatives:

- Store productivity
- Cross functional process re-engineering
- Group wide procurement savings
- Reporting development
- Integration of SAP into Sports Retailing

Attracting and Engaging Team Members

Objectives & Current Performance:

•Achievement of KPIS in areas of Attraction, Retention, Engagement, Safety, Succession and Diversity

•Attraction tracking ahead of target
•Retention in line with target
•Engagement improved further and above retail industry average and target
•Safety below retail industry average and target
•Succession tracking in line with target
•Diversity behind internal target

Key initiatives:

•Ongoing development of performance management and succession planning systems
•Team member value proposition development
•OHS strategy, focus and training
•Diversity action plan
•Learning and development content update

Looking Forward

Auto Retailing
- LFL sales growth in the first 7 weeks of 13/14 circa 3%
- SCA store development : plan to open 5 new store, complete 32 refurbishments and relocations (including 5 super stores and 4'store of the future' pilot stores)
- Full year gross margins expected to increase slightly and EBIT margins expected to hold flat compared to PCP

Leisure Retailing
- LFL sales growth in the first 7 weeks of 13/14 circa 6%
- Plan to open 10 stores and close 1 stores across the division
- Ray's Outdoors repositioning will exit discontinued categories in first half of 13/14
- Over the full year gross margin is expected to be flat and EBIT margin is expected to show small growth compared to PCP

Sports Retailing
- LFL sales growth in the first 7 weeks of 13/14 circa 9%
- Rebel and Amart - plan to open 10 stores and close 1 store, store refurbishments
- Remaining 7 standalone Goldcross stores will close in the first half of 13/14
- Over the full year gross margin is expected to be flat and EBIT margin is expected to show small growth compared to PCP

Group
- Group development costs will increase to approximately $10m as they will include the transition expenses of establishing the new Sydney and Brisbane distribution centres
- Planned full year capital expenditure circa $110m
- Net debt expected to be remain broadly in line with PCP