Super Retail Group Limited
ABN 81 108 676 204
751 Gympie Road Lawnton QLD 4501, Australia
Postal: PO Box 344 Strathpine QLD 4500
T: +61 7 3482 7900 F: + 61 7 3205 8522
www.superretailgroup.com

25 August 2017

ASX/Media Announcement

Super Retail Group reports full year results

Super Retail Group Limited (ASX:SUL) today announced net profit after tax attributable to owners for the 52 week period to 1 July 2017 of $101.8 million and, after adjusting for non-cash transformation costs, normalised net profit after tax of $135.8 million.

Key features of the result include:

- Normalised Net Profit After Tax (NPAT) at $135.8 million, an increase of 25.0 per cent over the comparative period
- Group's Segment Earnings Before Interest and Tax (EBIT) at $207.3 million, an increase of 18.3 per cent
- Strong contribution from all Divisions, with Auto, Leisure and Sports Segment EBIT growth of 6.1 per cent, 36.6 per cent and 17.4 per cent respectively
- Reported NPAT includes non-cash transformation costs of $34.0 million associated with the merging of the Rebel and Amart Sports businesses
- Operating cash flow of $234.5 million, $75.3 million higher than the comparative period
- Investing cash flows of $101.2 million supporting the Group's strategic plan
- Final dividend of 25.0 cents contributing to a full year dividend of 46.5 cents, 12.0 per cent higher than the comparative period

It should be noted that the Group's results are for the 52 weeks to 1 July 2017, while the previous corresponding period results were for the 53 weeks to 2 July 2016.

Super Retail Group Managing Director and Chief Executive Officer, Mr Peter Birtles, said:

"I am pleased to report a quality result for the 2017 financial year that reflects strong underlying performance across all three of the Group's divisions, the benefits of transformation initiatives in the Leisure and Sports Divisions and the investment in the Group's omni-retail capabilities. It is particularly pleasing that we were able to maintain the positive momentum of the Group through the second half of the year despite the softer consumer environment and the cycling of stronger results in the second half of the prior year.

"All three divisions generated an increase in EBIT margins driven by solid like for like sales growth, improvement in gross margin and control of operating costs. The transformation initiatives undertaken during the last two years have contributed to the strong results, with the significant improvement in performance in the Leisure Division and the elimination of losses in the Infinite Retail business in the Sports Division.

"We continue to see large increases in the number of customers interacting with our brands through our digital channels. This is not only generating significant growth in digital sales, particularly through click-and-collect, but is also helping our customers make their buying decisions before coming into store to complete their purchases.

"Our investment in our supply chain capabilities is delivering expected benefits with improvement in store stock availability and reductions in logistics cost per unit. We expect to generate further efficiency savings in the coming year.

"Continued good management of working capital has contributed towards generating operating cash flow of $234.5 million, $75.3 million above the previous corresponding period. This strength in cash conversion has enabled the Group to invest $101.2 million in supporting its strategic programs, at the same time as reducing average net debt.

"We are pleased that we continue to see strong performance across the non-financial measures that we use as indicators of the health of our company. From the customer perspective, we have seen increases in customer traffic in store and online, and an increase in endorsement scores. From a team member perspective, we have seen another strong improvement in our safety performance and we have maintained engagement levels within the top quartile of all Australian businesses.

"The successful execution of our strategy has positioned the Group well to capitalise on the competitive advantages offered by our portfolio of market-leading brands, strong connection with communities of passionate customers, efficient international supply chain and comprehensive omni-retail network that is supported by our national store footprint."

AUTO RETAILING

Sales increased by 3.6 per cent to $955.9 million, with like for like growth of 3.5 per cent, driven by growth in transaction numbers and average transaction value.

The Auto Maintenance and Accessories categories delivered strong growth throughout the year. The Tools and Outdoor category was impacted by the closure of the Masters chain in the first half, but performed solidly through the second half of the year, particularly in the fourth quarter as ranging initiatives resonated with the customer.

Digital sales increased by 75 per cent on the previous corresponding period, driven chiefly by industry-leading click-and-collect service levels. Average Club Member Net Promoter Score (NPS) at year end was 55 per cent, up from 45 per cent on the previous corresponding period.

Segment EBIT grew by 6.1 per cent to $111.0 million, with gross margin and supply chain improvements delivering a 0.3 percentage point uplift in EBIT margin to 11.6 per cent. The gross margin improvement was driven by ranging and promotional initiatives together with sourcing initiatives to offset the impact of the weaker Australian dollar.

Fitment services continued to grow strongly, as the business extended the range of products that can be fit by team members in store or through partnering with third parties in areas requiring more complex and capital intensive fitment services, such as tyre or windscreen replacement. The division will continue to explore opportunities to extend its range of fitment and maintenance services for its customers.

The early performance of Auto's new 'Customer Experience Centre' store format, launched in Penrith in Western Sydney at the end of the financial year, has shown very pleasing results. The division will be applying elements of the format's omni-retail offering in other locations as part of its ongoing focus on delivering solutions and services that meet the needs of its growing customer base.

The brand's loyalty program also continues to grow, with over 1.3 million active Club Plus members.

During the reporting period, the division opened 12 new stores, closed three stores and refurbished 28 others, including eight super stores, resulting in 316 stores at period end.

LEISURE RETAILING

The Leisure Retailing Division has enjoyed a more successful year, with the BCF business in particular benefiting from the transformation initiatives undertaken in 2016 and 2017. Thirty eight Ray's Outdoors stores were closed of which 12 were transferred to BCF. The remaining 15 Ray's Outdoors stores are in the process of being converted to the new Rays brand.

Total sales fell by 4.9 per cent to $553.5 million, reflecting the impact of the closure of the Ray's Outdoors stores. Like for like sales growth was 4.8 per cent driven by growth in transaction numbers and average transaction value. Digital sales increased by over 150 per cent, driven in particular by click-and-collect.

Segment EBIT was $25.4 million, an increase of 36.6 per cent on the previous corresponding period. EBIT margin increased 1.4 percentage points to 4.6 per cent.

BCF has reasserted itself as the market leader in outdoor leisure retail. Its sales performance strengthened through the year as its new brand campaign and revised pricing and promotion strategies strongly resonated with target customers. Like for like sales growth was 5.1 per cent, driven by increases in number of transactions and average transaction value.
Sales growth was strong across the country. The Fishing category benefited from capturing customers who previously shopped for their fishing gear at Ray's Outdoors, while the Camping and Apparel categories also delivered strong growth.

In addition to the 12 stores converted from Ray's Outdoors, four new stores were opened and one store was closed resulting in 135 BCF stores at the end of the year.

The performance of many aspects of the new format Rays stores has been promising, with customer conversion, average transaction value and customer net promoter scores exceeding targets. However, customer traffic has not reached target levels and as a result sales have fallen short of expectations. Like for like sales growth was 1.4 per cent, and, after excluding discontinued product categories, underlying like for like growth was 6.5 per cent.

The business contributed an EBIT loss of circa $6 million during the year, reflecting the losses incurred in closing the Ray's Outdoors stores, as well as the sub scale number and below target sales contribution of the new Rays stores.

The Group will continue to develop and test the new Rays format to determine the most value creating participation strategy for the brand within the Leisure Division.

As the transformation process disrupted sales patterns during the first quarter, like for like sales performance has been measured from week 11 onwards.

SPORTS RETAILING

Total sales for the Sports Division grew 4.3 per cent to $949.2 million, with 4.4 per cent like for like sales growth driven by average transaction value growth. Digital sales increased by 73 per cent on the previous corresponding period.

Sales growth was strong in both Kids and Men's Apparel, as well as in Equipment and Accessories. Growth in the Footwear category was more subdued, particularly in football boots.

Segment EBIT grew by 17.4 per cent to $91.3 million. EBIT margin at 9.6 per cent was 1.1 percentage points higher than the comparative period, driven by increases in gross margin and the elimination of losses in the Infinite Retail business.

Infinite Retail returned to profit during the period, with the business benefiting from the outcome of contract restructuring and integration within the division.

During the period, nine new stores were opened and four stores were closed, resulting in 166 total stores at year end.

SPORTS DIVISION TRANSFORMATION

In July 2017, the Group announced the findings of a strategic review that concluded the long-term interests of shareholders, customers and team members would be best served by the Group focusing on one single core brand within its Sports Division. As a result, the network of Amart Sports stores will be converted into new Rebel stores by November 2017, expanding the Rebel brand's national footprint to almost 160 stores.

The Group will be combining Rebel's strengths in solutions and services with Amart Sports' customer service excellence into the one strong, national Sports retailer. This combination will sustain and strengthen the competitive position of the Sports Retailing Division in the changing customer and competitive landscape.

As previously announced to the market, the conversion is expected to deliver gross margin uplift arising from range optimisation, as well as reduction of underperforming categories and synergy benefits in marketing and administration. These benefits are expected to reach an annualised amount of circa $15 million after two years and will provide capacity for reinvestment in strengthening the Rebel business and sustaining a competitive offer as market dynamics change.

One-off after tax non-cash costs associated with the transformation and recognised in the 2017 financial year were $34.0 million. These costs were not included in Total Segment Net Profit After Tax.

GROUP AND UNALLOCATED

Group costs at $20.4 million were $5.3 million lower than the previous corresponding period, reflecting a reduction in un-utilised distribution centre space, the successful completion of the IT data centre transformation and lower investment in digital projects.

Group costs include corporate activities, un-utilised distribution centre space, commercial operations such as Super Retail Commercial, and digital businesses, as well as continued investment in the Group's omni-retail capabilities. The costs associated with un-utilised distribution centre space continue to be progressively eliminated by business growth.

CASH FLOW AND NET DEBT

Operating cash flow pre-store investment was $264.8 million demonstrating good cash conversion. This very strong result reflected the Group's profit performance and solid working capital management.

The Group continued to invest in the growth and refurbishment of its store network, as well as the development of its omni-retail capabilities. Investment in new and refurbished stores totalled $64.7 million, with a further $36.5 million in general projects, predominantly in information technology infrastructure improvements.

Inventory performance has been sound with the Group holding average inventory per store investment to the same levels as the previous corresponding period, despite an increased cost base from the weakness in the Australian dollar and the growth of the Group's private brand volumes.

Closing net debt of $380.7 million was $19.5 million lower than the previous corresponding period and importantly the normalised fixed charge cover ratio has improved to 2.1 compared to 1.9 in the prior comparative period.

2017/18 TRADING UPDATE

The Group has had a solid start to the new financial year with each division delivering positive like for like sales growth.

Like for like sales growth has been circa 4 per cent in Auto Retailing, circa 7 per cent in Leisure Retailing and circa 2 per cent in Sports Retailing for the first seven weeks of the new financial year.

Mr Birtles commented that the Group's focus for the year ahead would be on the continuing growth and transformation of its existing businesses, and the development of the capabilities and culture required to operate as a world class omni-retail business:

"The keys to our future success will be to offer our customers the inspiring solutions and engaging experiences that will enable them to enjoy their leisure passions, at the same time as enabling them to shop the way they want, whether that's in store, at home or at work, or by clicking and collecting. The seamless integration of our digital business with our network of conveniently located stores offers us a major competitive advantage.

"We will therefore continue to invest in the growth and refurbishment of our store network and in the development of our digital, IT, supply chain and analytics capabilities. We anticipate capital expenditure in the year ahead of circa $120 million.

"The pace of change in retail is at an all-time high, and we have built strong businesses that are market leaders in their categories. We are confident we have the right strategies in place to continue to meet the evolving needs of our customers and keep us ahead of our competition."

ENDS

Further information:	Mr Peter Birtles Group MD and CEO Super Retail Group 07 3482 7900	Mr David Burns Chief Financial Officer Super Retail Group 07 3482 7900
Media enquiries:	Ms Ilse Nolan General Manager Corporate Affairs Super Retail Group ilse.nolan@superretailgroup.com 0466 392 694	