Results for the 26 weeks to 30 December 2017 and update of Adventure Outdoors Retail Strategy

Peter Birtles Group Managing Director and Chief Executive Officer
David Burns Chief Financial Officer
Anthony Heraghty Managing Director – Leisure Retailing Division

20 February 2018

Group Strategic Plan on a Page

OUR VISION	Inspiring you to live your passion
OUR PURPOSE	To provide solutions and engaging experiences that inspire our customers to make the most of their leisure time
OUR GOALS	Healthy, passionate and high performing team; Inspired, engaged and satisfied customers; Sustainable, world class omni-retail capabilities; Top quartile shareholder returns
OUR STRATEGY	Growing businesses in high involvement categories; Engaging capable team members who share our customers' passions; Building a world class omni-retail organisation
OUR CUSTOMER PROMISE	**INSPIRATION** Inspiring our communities with our passion; **EXPERIENCE** Engaging stores & websites and outstanding service & expertise; **SOLUTIONS** Providing the best solution for your needs; **DELIVERY** Delivering how, when and where you choose; **CONFIDENCE** Guaranteeing the competitive value of our solutions
OUR VALUES	PASSION; OPENNESS; INTEGRITY; CARE; DISCIPLINE

Contents

Super Retail Group

Group Highlights

- Total Group sales of $1.3 billion up by 2.2% on a LFL basis
- Total Segment EBIT of $113.6 million down by 1.4% on pcp
- Normalised NPAT of $74.9 million up by 0.7% on pcp
- Operating cash flow of $293.7 million up by $41.7 million on pcp
- Post tax return on capital of 14.9% up by 170 basis points on pcp
- Half year dividend of 21.5 cents per share in line with pcp

Core businesses growing transaction numbers and gaining market share against key competitors √

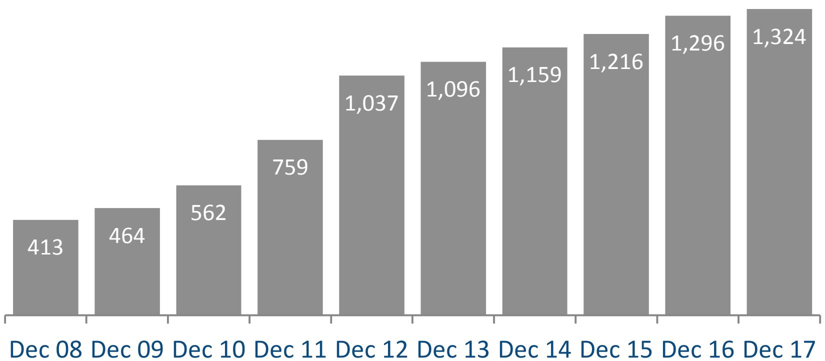
Strong digital growth driven by investment in omni-retail capabilities √

Leisure and Sports transformation initiatives in progress √

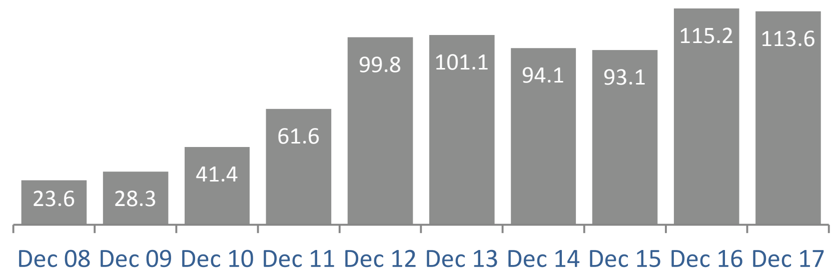
Strong performance in customer and team member metrics √

Performance Trends

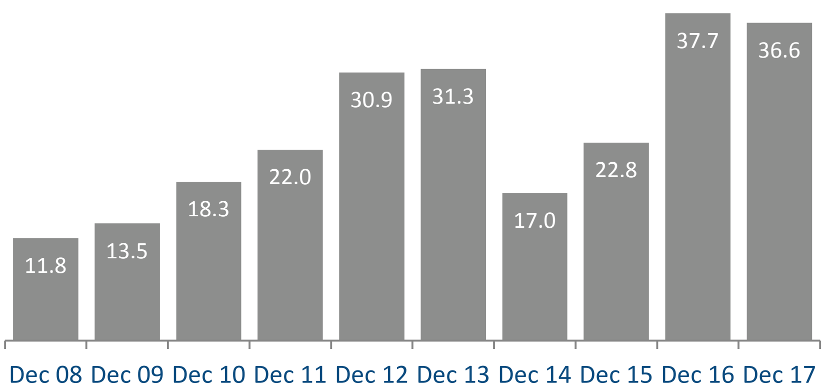
Reported Sales ($m)



Reported Total Segment EBIT ($m)

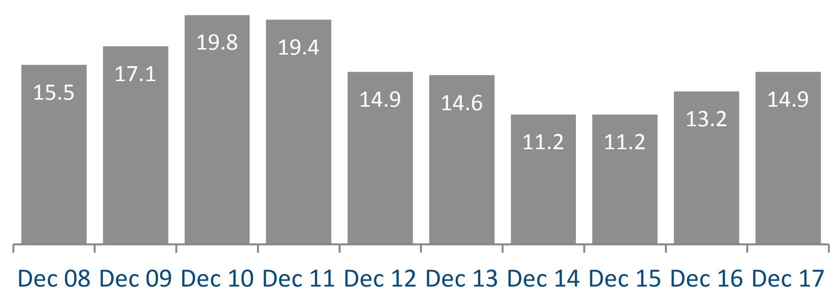


Reported EPS (c)



- Historical EPS adjusted to take into account the bonus element in the 2011 entitlement offer

Reported Post Tax ROC (%)

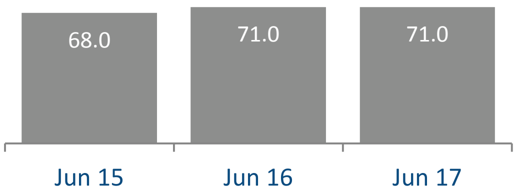


- Post Tax ROC adjustment due to capital calculation reclassification
- Dec 14 Post Tax ROC for continuing operations only

Performance Trends

Team

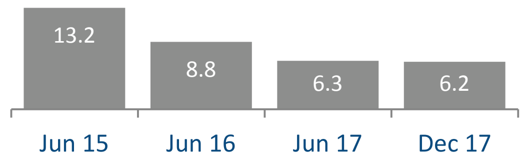
Team Engagement *



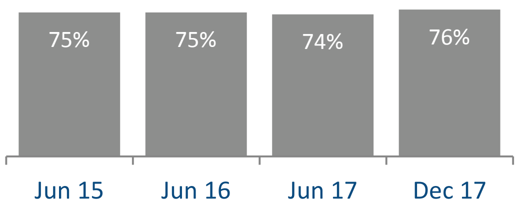
* Measured annually

Safety

Lost Time Injury Frequency Rate

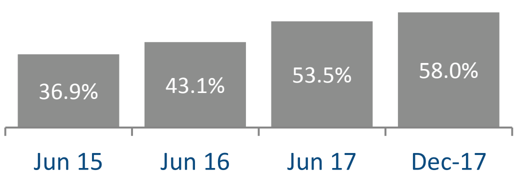


Team Retention



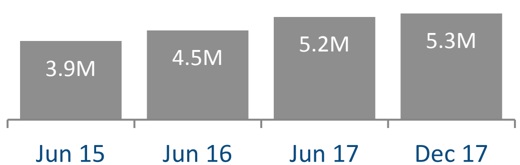
Customer

Average NPS *

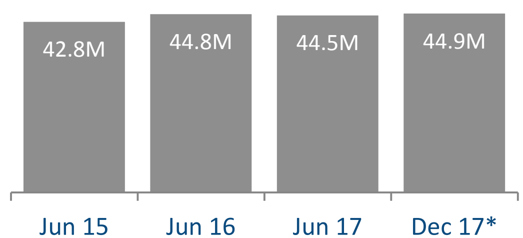


* Average of Net Promoter Scores of each Division

Active Club Members



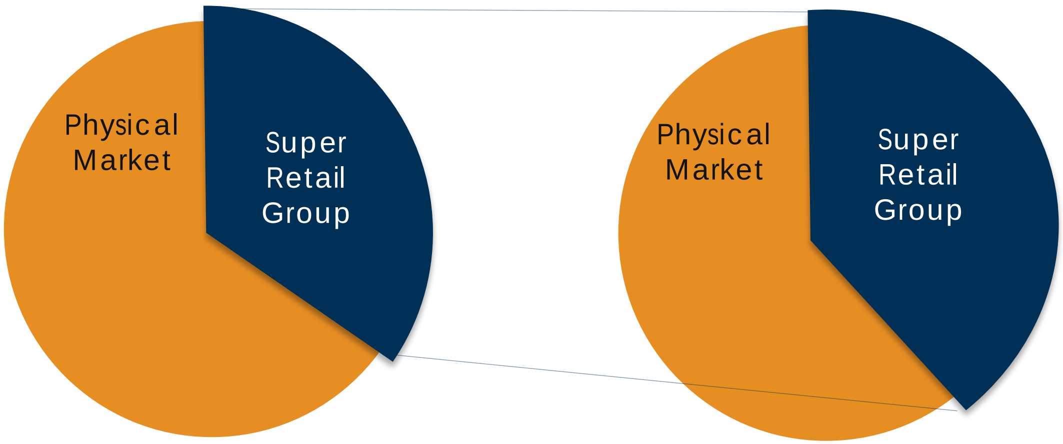
Customer Transactions



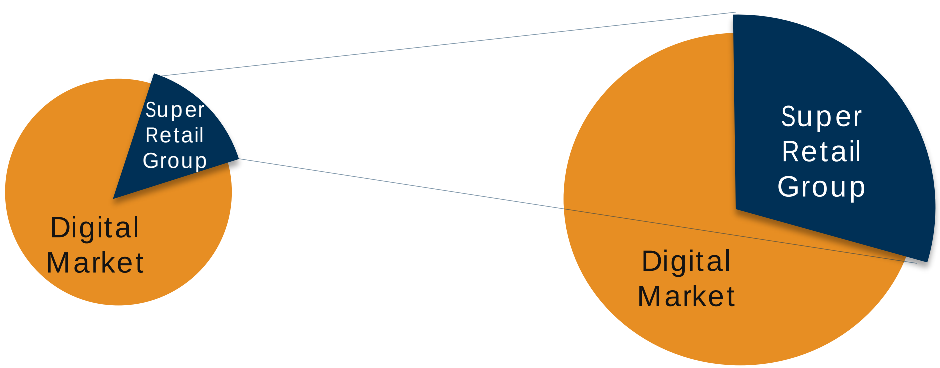
* 12 months to December 2017

Our Market Opportunity

TODAY **FIVE YEARS**



Market growth will be through the digital channels with nominal growth in the physical channels



Grow our share of customers' total spending in our categories across product and services

Build omni-retail capabilities and compete to secure our share of customers' digital spend

Achieved through investment in delivering **'Our Customer Promise'**

- ❑ **INSPIRATION**
- ❑ **EXPERIENCE**
- ❑ **SOLUTIONS**
- ❑ **DELIVERY**
- ❑ **CONFIDENCE**

Group Results

- Total Sales increased 2.2% on a total and LFL basis
- Gross margin increased by 30 basis points across the Group reflecting transformation and supply chain initiatives
- Operating expenses increased by 60 basis points reflecting BCF store relays, Sports Division transformation, Omni-retail support and investment in technology
- Normalised NPAT improvement includes benefits of a reduced interest expense and favourable effective tax rate
- Sports Division restructuring costs of $2.7 million after tax are not included in normalised NPAT
- Operating cash flow was $41.7 million higher than PCP reflecting working capital initiatives
- Half year dividend of 21.5 cents, representing payout ratio of 55% of underlying net profit after tax

	2017/18 $m	Change on PCP
Total Sales	1,323.7	2.2%
Total Segment EBITDA	149.3	(1.0)%
Total Segment EBIT	113.6	(1.4)%
Normalised NPAT	74.9	0.7%
Other items not in Normalised NPAT	2.7	$2.7m
Profit attributable to owners – continued operations	72.2	(3.0)%
Operating Cash Flow	293.7	$41.7m
Net External Debt	199.2	($43.7)m
Dividend	21.5c	-

Segment Results

	2017/18		2016/17	
	Sales $m	Segment EBIT $m	Sales $m	Segment EBIT $m
Auto Segment	516.7	55.7	489.2	53.6
Leisure Segment	299.1	16.4	311.0	20.6
Sports Segment	503.8	51.7	490.5	50.9
Group & Unallocated	4.1	(10.2)	4.8	(9.9)
Total Segment Result	1,323.7	113.6	1,295.5	115.2

Segment Results are net of non-controlling interests (EBIT only). Refer the segment notes on pages 17 and 18.

Auto Retailing

- Strong like for like sales growth of 3.5% driven by unit and ATV growth
- Positive like for like sales growth across Auto Accessories, Auto Maintenance and Tools & Outdoor categories
- Digital sales growth of 128% – market share of digital spending in auto retailers increase of 5.8% pts to 22.8% (1)
- 30 basis point increase in gross margin driven by reduction in supply chain costs
- 50 basis point increase in operating cost to sales reflecting investment in customer experience in store and click and collect
- New store format opened in June at Penrith generating significant lift in team, customer and financial metrics
- 5 new stores and 7 stores refurbished - 321 stores at period end

	2017/18 $m	Change on PCP
Sales	516.7	5.6%
LFL Sales growth		*3.5%*
Segment EBITDA	71.0	4.6%
Segment EBIT	55.7	3.9%
Segment EBIT margin %	*10.8%*	*(0.2)%*
Auto Retailers Total Market Share (1)		+0.4%
Transaction Numbers		*+2.6%*

(1) Source: Quantium NAB Data; 12 months ending December 2017. See page 31

Leisure Retailing

- Total sales decrease reflects closure of Ray's Outdoors stores in pcp
- Digital sales growth of 122% across the Division – market share of digital spending in Leisure retailers increase of 5.6% pts to 14.4% [(1)]
- BCF total sales growth of 5.5% reflecting very strong growth in VIC, TAS and SA dampened by lower growth in QLD and decline in WA
- BCF gross margin lower by 40 basis points reflecting investment in competitive pricing and promotion
- BCF operating cost to sales 30 basis points higher reflecting lower sales intensity in newer stores and cost to relay boating, apparel and fishing ranges in every store
- Rays contributed $24 million in sales and $3.5 million EBIT loss, reflecting sub scale business and trial initiatives
- Converted Rays stores have achieved LFL Sales growth of 4.1%
- 136 BCF and 15 Rays stores at period end

	2017/18 $m	Change on PCP
Sales	299.1	(3.8)%
LFL Sales growth		*1.6%*
Segment EBITDA	25.3	(13.1)%
Segment EBIT	16.4	(20.4)%
Segment EBIT margin %	*5.4%*	*(1.1)%*
BCF Leisure Retailers Total Market Share[(1)]		+0.9%
BCF Transaction Numbers		*+5.2%*

[(1)] Source: Quantium NAB Data; 12 months ending December 2017. See page 31

Sports Retailing

rebel

- Creditable result given the disruption from converting 68 Amart Sports stores to Rebel during the period
- As anticipated, sales performance in former Amart Sports stores has strengthened in NSW and Vic and weakened in QLD
- Strong LFL growth in Apparel and solid LFL growth in Footwear dampened by flat performance in equipment
- Digital sales growth of 174% - market share of digital spending in Sports Retailers increase of 8.7 pts to 19.4%[1]
- The activity associated with the Amart Sports stores transformation a key factor in store wages increasing as a % of sales by 40 basis points and gross margin declining by 20 basis points
- Strong control of advertising and support costs contributing to 10 basis point reduction in operating cost to sales
- 168 Rebel stores trading at 30 December including 8 standalone rebelFIT stores (which will be converted into store in store concepts)

	2017/18 $m	Change on PCP
Sales	503.8	2.7%
LFL Sales growth		*1.1%*
Segment EBITDA	63.0	-
Segment EBIT	51.7	1.6%
Segment EBIT margin %	*10.3%*	*(0.1)%*
Sports Retailers Total Market Share [1]		+0.5%
Transaction Numbers		*+3.9%*

[1] Source: Quantium NAB Data; 12 months ending December 2017. See page 31

Group & Unallocated

- Group and Unallocated includes:
  - Corporate costs not allocated to segments
  - Commercial operations
  - Digital businesses
- Corporate costs reflect reduced incentive provisions in line with company performance and higher advisory costs
- Unutilised storage costs continues to reduce over time, reflecting ongoing business growth
- Investment in the Group's digital businesses have been expensed due to the early development phases of the investments; Auto Guru, You Camp and Aussie Outdoors (now discontinued)

	2017/18 $m	Change on PCP
Sales	4.1	(14.6)%
		$m
EBIT	(10.2)	(0.3)
Comprising:		
Corporate costs	(5.5)	(0.7)
Un-utilised storage	(1.7)	0.4
Omni-retail development	(2.0)	(1.1)
Digital businesses	(1.0)	0.8
Other Group costs	-	0.3

Group Cash Flow

- Operating cash flow (pre store set up investment) is circa $30.0 m higher than pcp driven by sales growth and working capital initiatives
- Strong underlying operating cash flow performance has funded investment in new stores and operational capital expenditures
- New and refurbished store investment of $27.9 m is fully funded out of operating cash flows
- Investment in new and refurbished store capex is split: $5.7 m in Auto, $1.2 m in Leisure and $3.2 m in Sports
- Other capital expenditure cash flow higher due to information systems programs, including new web platform
- Strong operating cash flow benefits have resulted in reduced external debt

	2017/18 $m	2016/17 $m
Operating cash flow (pre store set up investment)	303.8	273.8
Store set up investment	(10.1)	(21.8)
Operating cash flow	293.7	252.0
Payment of JV	(0.3)	-
Stores	(17.8)	(26.9)
Other Capex	(38.5)	(15.4)
Investing Cash flow	(56.6)	(42.3)
Dividends & interest	(55.2)	(52.1)
Ext Debt (repay)/proceeds	(171.3)	(144.4)
Financing Cash flow	(226.5)	(196.5)
Net Cash flow	10.6	13.2

Group Balance Sheet

Super Retail Group

- Working capital management has focused on improved inventory performance with Auto and Leisure achieving lower inventory balances on pcp
- Sports higher inventory balance compared to pcp being realised in January 2018 due to strong like for like sales growth
- Increase in PP&E and computer software primarily relates to ongoing capital expenditure in information system programs
- Net debt decreased by $43.7m on pcp due to strong operating cash flow management

	Dec 17 $m	Jun 17 $m
Inventory		
- **Auto Retailing**	199.2	187.7
- **Leisure Retailing**	144.0	126.9
- **Sports Retailing**	203.4	164.9
- **Group & Unallocated**	-	2.0
Total Inventory	546.6	481.5
Trade and other payables	(472.8)	(253.7)
Net inventory investment	73.8	227.8

	Dec 17 $m	Jun 17 $m
Property, Plant and Equipment & Computer Software	366.1	358.0
Net External Debt	199.2	380.7

Returns & Capital Ratios

- Normalised EPS of 38.0c, an increase of 0.8% on pcp
- Normalised fixed charge cover ratio, calculated on a rolling12 month basis
- Average net debt improvement is due to working capital improvements through the year
- Improving Return on Capital performance and remains above WACC
- Effective AUD/USD rate for the period was 0.76, up from 0.73 in pcp. The AUD/USD hedge rate for next 12 months circa 0.78

	2017/18	2016/17
Normalised EPS	38.0c	37.7c
Basic EPS	36.6c	37.7c
Fixed charge cover – normalised EBITDAL	2.09x	1.98x
Average Net Debt	$366m	$395m
	Dec 17	**Jun 17**
Net Debt Capital Ratio		
- **Headline**	20.4%	33.5%
- **Adjusted**[1]	52.3%	69.0%
Reported Post Tax Return on Capital (ROC) [2] [3]	14.9%	13.0%

[1] Adjusted capital includes leases capitalised into debt at 6x annual charge

[2] Based on Normalised Net Profit After Tax

[3] Rolling 12 months actual

FY18 Segment Note

For the period ended 30 December 2017	Auto $m	Leisure $m	Sports $m	Total continuing operations $m	Inter-segment eliminations/ unallocated $m	Consolidated $m
Segment Revenue and Other Income						
External segment revenue[1]	516.7	299.1	503.8	1,319.6	4.8	1,324.4
Inter segment sales	-	-	-	-	(0.7)	(0.7)
Other income	0.1	-	0.3	0.4	-	0.4
Total segment revenue and other income	516.8	299.1	504.1	1,320.0	4.1	1,324.1
Segment EBITDA[2]	71.0	25.3	63.0	159.3	(10.0)	149.3
Segment depreciation and amortisation[3]	(15.3)	(8.9)	(11.3)	(35.5)	(0.2)	(35.7)
Segment EBIT result	55.7	16.4	51.7	123.8	(10.2)	113.6
Net finance costs[4]						(8.4)
Total segment NPBT						105.2
Segment income tax expense						(30.3)
Normalised NPAT						74.9
Other items not included in the total segment NPAT[5]						(2.7)
Profit for the period						72.2
Profit for the period attributable to:						
Owners of Super Retail Group Limited						72.2
Non-controlling interests						(0.7)
Profit for the period						71.5

[1]Includes non-controlling interest (NCI) revenue of $0.7 million.
[2]Adjusted for NCI operating expenses of $1.0 million.
[3]Adjusted for NCI depreciation of $0.1 million.
[4]Adjusted for NCI interest of nil.
[5] Includes $3.8 million of business restructuring costs and the related income tax effect of $1.1 million.

FY17 Segment Note

For the period ended 31 December 2016	Auto $m	Leisure $m	Sports $m	Total continuing operations $m	Inter-segment eliminations/ unallocated $m	Consolidated $m
Segment Revenue and Other Income						
External segment revenue[1]	489.2	311.0	490.5	1,290.7	5.2	1,295.9
Inter segment sales	-	-	-	-	(0.4)	(0.4)
Other income	0.1	0.1	0.4	0.6	0.5	1.1
Total segment revenue and other income	489.3	311.1	490.9	1,291.3	5.3	1,296.6
Segment EBITDA[2]	67.9	29.1	63.0	160.0	(9.2)	150.8
Segment depreciation and amortisation[3]	(14.3)	(8.5)	(12.1)	(34.9)	(0.7)	(35.6)
Segment EBIT result	53.6	20.6	50.9	125.1	(9.9)	115.2
Net finance costs[4]						(9.1)
Profit before income tax						106.1
Income tax expense						(31.7)
Profit for the period						74.4
Profit for the period attributable to:						
Owners of Super Retail Group Limited						74.4
Non-controlling interests						(0.6)
Profit for the period						73.8

[1]Includes non-controlling interest (NCI) revenue of $0.7 million.
[2]Adjusted for NCI operating expenses of $0.6 million.
[3]Adjusted for NCI depreciation of nil.
[4]Adjusted for NCI interest of nil.

Contents

Super Retail Group

2nd Half Trading Update

Auto Retailing

- LFL sales growth in the first 7 weeks of second half circa 4.5%
- Supercheap Auto store development: plan to open 4 new stores and close 4 stores, 5 store refurbishments

Leisure Retailing

- LFL sales growth in the first 7 weeks of second half circa 2%
- Store development plan for BCF is for 1 store refurbishment

Sports Retailing

- LFL Rebel sales growth in the first 7 weeks of second half circa 1.5%
- Store development: plan to open 1 new stores, integrate 8 RebelFit stores and 2 store refurbishments

Group

- Launch of new website platform across all businesses over the coming six months
- Group Unallocated costs to be circa $20m
- Planned capital expenditure of circa $110m to support the larger store development program and investment in information systems

> "We expect that digital channels will present the key opportunity for growth and we will invest in further increasing our share of customer spending in those channels. Although this investment will constrain growth in operating margins in the current year, it will strengthen our businesses to better meeting changing customer expectations and better position the Group for long term growth."

Contents

Super Retail Group

Executive Summary

Super Retail Group to launch integrated adventure offering through the acquisition of Macpac.

- Super Retail Group has determined that the most value accretive strategy in the adventure outdoors sector is to acquire, consolidate and grow
- The Group has agreed to acquire Macpac Holdings Pty Limited ("Macpac") for total consideration of NZ$144 million[(1)] (A$135 million)
- Macpac is a vertically integrated retailer with 54 stores across Australia and New Zealand offering primarily own branded apparel, equipment and accessories
- Macpac is expected to generate circa NZ$95m of sales and pro forma EBITDA[(2)] of circa NZ$16m in the year 31 March 2018
- Rays and Macpac to be consolidated under the Macpac brand
- Synergies are expected through utilising the Group's capabilities in supply chain, procurement, marketing and retail operations to assist the Macpac business and Macpac's capabilities in design and apparel sourcing to assist BCF and Rebel
- Acquisition expected to complete on an effective date of 31 March 2018 and will be funded from existing debt facilities (minor impact on credit metrics)
- The acquisition is expected to generate mid single digit EPS accretion in FY19 (pre-synergies)[(3)]

(1) The purchase price is before acquisition costs and is subject to a post completion adjustment based on Macpac's working capital balance as at 31 March 2018
(2) Includes Super Retail Group normalisations and pro forma cost adjustments
(3) EPS accretion calculated on a pro-forma basis excluding transaction costs

The Australian Outdoor Market

The Australian outdoor market consists of two clear segments: leisure and adventure. BCF is a strong player in leisure; adventure is an attractive and underserviced opportunity.

Total Outdoor Market

(~A$3.5b)

Leisure Consumer

(~A$1.3b)

- Boating
- Camping
- Fishing
- 4WD
- Caravanning

Adventure Consumer

(~A$2.2b)

- Bushwalking
- Hiking
- Trail running
- Paddling
- Camping
- Climbing
- Travel
- Skiing

Leisure Specialists

~35% Leisure share

Outdoor Generalists

e.g. Decathlon
Anaconda

Cross Category Aggregators

e.g. Amazon, DDS

Apparel & Equipment Specialists

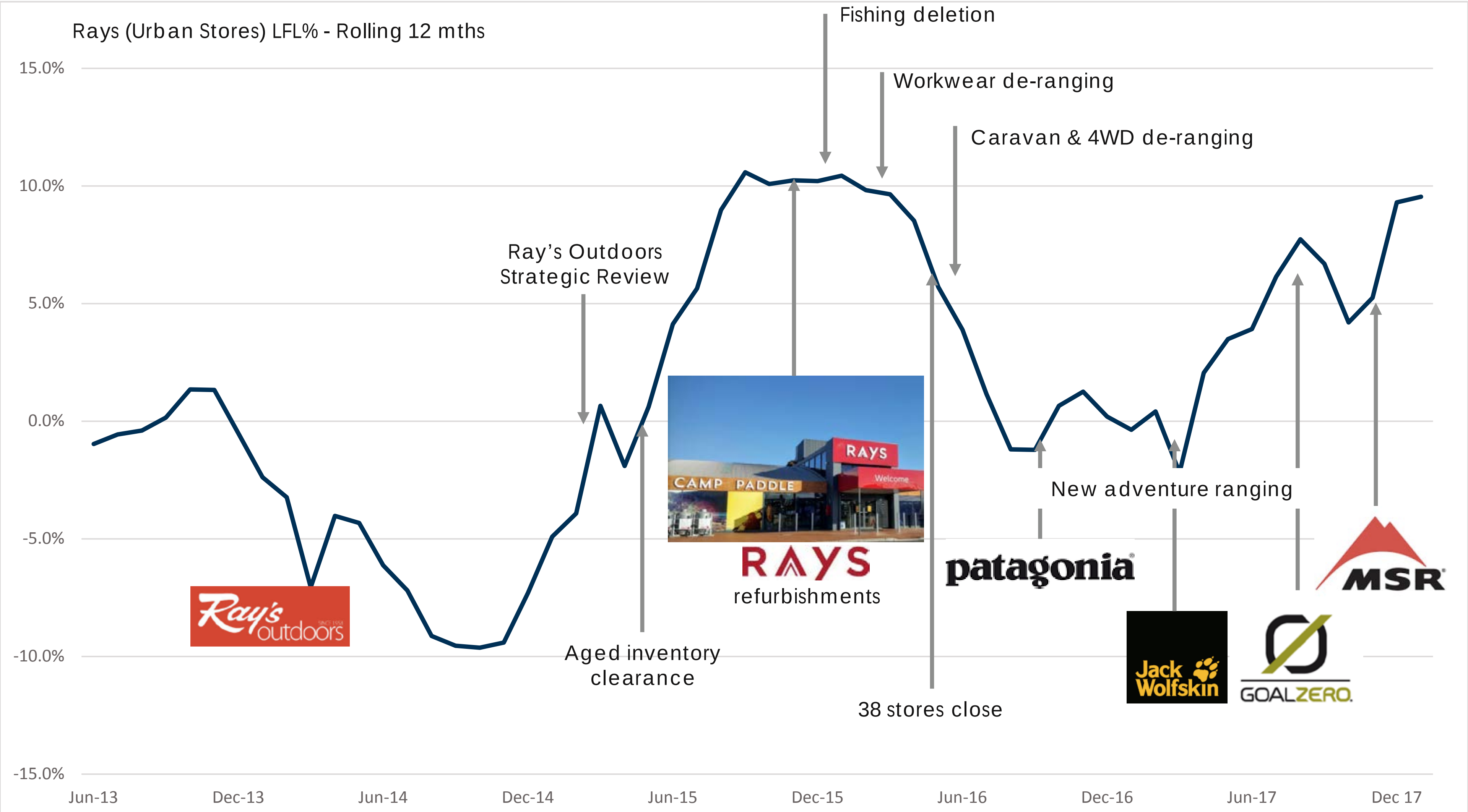
WHITESPACE

Trial "proof of concept"

Apparel Specialists

e.g. KMD,
The North Face

Evolution of our adventure outdoors strategy



Adventure Outdoors Strategy: Macpac

Super Retail Group's vision is to be Australia and New Zealand's favourite adventure outdoors retailer, offering apparel and equipment across online, mall stores and new one-stop megastores under the Macpac brand

OUR FIVE YEAR VISION:

Vision	To be Australia and New Zealand's favourite outdoor retailer							
Mission	We design or find you the best gear (apparel and equipment) whatever your adventure							
Categories	Hiking	Camping	Family Camping	Paddling	Running	Climbing	Skiing	Travel
Adventure Customer Segments	Casual Participants		Day Hikers		Multi-day Hikers		Adventure Sports	
Channels & Products	Digital (Apparel and Equipment)			Large Format - ~20 (Apparel and Equipment)			Small Format ~75 (Apparel focus)	
Supply Chain	Design and sourcing team based in Christchurch				Products manufactured in Asia			

History

The Macpac brand was founded by Bruce McIntyre in 1973 in Christchurch, New Zealand, with the goal of making more practical, technical and superior quality backpacks

1973
Bruce McIntyre starts selling hiking packs in Christchurch

1979
Started selling packs into Australia

1982
Merged with Dunedin-based Wilderness Equipment, growing the product range to include apparel, tents and sleeping bags

1989
Started selling products into Europe

2008
Bruce McIntyre sells Macpac to three outdoor enthusiasts

The company is converted from a wholesale model to a vertical retailer

The first Macpac stores are opened in NZ and Australia

2016
Macpac acquired by CHAMP Ventures

Macpac opens 50th store

2018
Macpac acquired by Super Retail Group

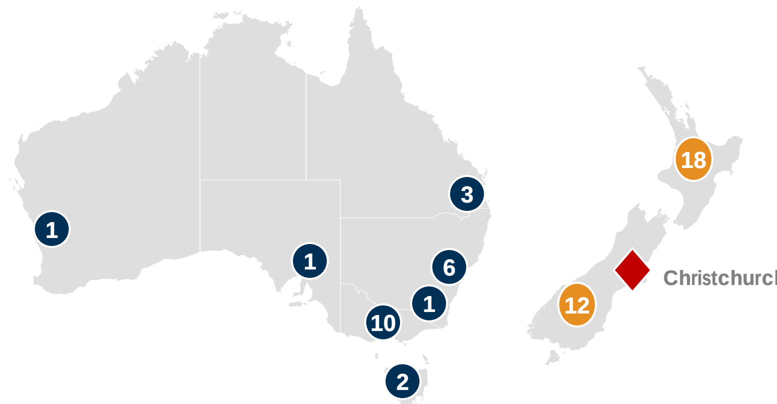
About Macpac

A leading Australasian vertically integrated, outdoor adventure retailer of apparel and equipment

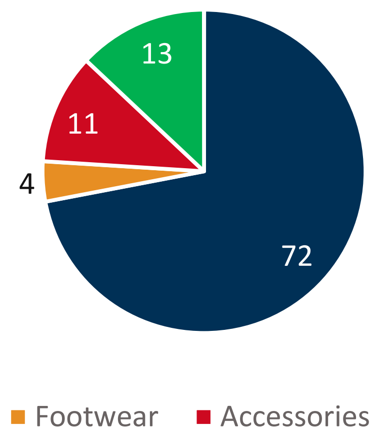
- One of New Zealand's most recognisable leisure brands, with growing presence in Australia
- Products sold through 54 retail stores across Australia and New Zealand, a growing webstore, and through commercial and export partners
- All Macpac products designed in-house in New Zealand and manufactured in Asia
- Focus on quality and technical functionality, with premium brand positioning
- Experienced and capable management team
- Macpac is expected to generate circa NZ$95m of sales and pro forma EBITDA[1] of circa NZ$16m in the year 31 March 2018

[1] Includes Super Retail Group normalisations and pro forma cost adjustments

54 stores across Australia and New Zealand



Category Sales Mix (%)



Why Macpac?

Heritage brand with deep roots in adventure

- ✓ NZ heritage brand, which resonates globally
- ✓ Strong reputation for technical expertise
- ✓ Established loyalty club 'Macpac Club' with ~330,000 members

Strong apparel private label capabilities

- ✓ In-house apparel design and sourcing team with established supply chain
- ✓ Complements Super Retail Group's equipment capabilities
- ✓ Control of brand and supply improves pricing control and defends against competitive forces

Growing market position

- ✓ Strong market presence in New Zealand and a platform for further growth established in Australia
- ✓ Strong LFL growth (7.4% YTD18)[1] demonstrating increasing market share

(1) LFL growth for the period Apr-Dec 2017; includes webstore

Why Macpac?

Experienced management team

- ✓ Management team with depth of experience in retail and track record of success
- ✓ Contributed to formulation of the strategy and incentivised to achieve it

Opportunity to increase revenue and profit

- ✓ Small format store roll-out
- ✓ Megastore strategy, leveraging existing Rays store network and create an adventure market leader
- ✓ Significant potential for online growth
- ✓ Super Retail Group's retailing capabilities to create additional value

Creates significant value for Super Retail Group shareholders

- ✓ Expected to deliver mid single digit EPS accretion in FY19 on a pro-forma basis pre-synergies[1]
- ✓ Material synergy opportunities (e.g. supply chain, procurement, marketing, retail operations, design and apparel sourcing)

(1) EPS accretion calculated on a pro-forma basis excluding transaction costs

Clear roadmap for sustained growth

Near term

- ✓ Macpac new store roll out
- ✓ Launch new website
- ✓ Refine megastores strategy
- ✓ Convert suitable Rays stores to Macpac megastores
- ✓ Commence integration:
  - Transition Rays to Macpac control
  - Team and culture
  - Seek to extract sourcing synergies
  - Leverage international logistics capability
  - Develop IT and supply chain integration plan
  - Identify new store locations for both small format stores and megastores

Medium term

- ✓ Roll-out megastores and small format stores
- ✓ Supply chain integration and optimisation
- ✓ Identified systems integration
- ✓ International sourcing
- ✓ Multi channel and customer relationship management development

Appendix

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