12 February 2019

## ASX/Media Announcement

# Super Retail Group provides update on 1st half 2018/19 trading

***Super Retail Group Limited (ASX:SUL) today announced provisional Group Segment Earnings Before Interest and Tax of $124.5 million, an increase of 9.6 per cent on the prior comparative period.***

Key features include:

- Total Group Sales of $1.4 billion up by 6 per cent over the prior comparative period (pcp)
- Group's Segment Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) at $166.2 million, an increase of 11.3 per cent on pcp
- Positive contribution from all Segments, with Auto, Outdoor and Sports Segment EBIT expected to generate growth of 2.5 per cent, 39.6 per cent and 5.2 per cent respectively
- Operating cash flow of $235.4 million, $69.2 million higher than Group Segment EBITDA

The provisional results are subject to final Board and external audit review. The company expects to release its finalised half year results on Thursday 14th February.

Super Retail Group Managing Director and Chief Executive Officer, Mr Peter Birtles, said, "We are pleased to report a solid trading result for the first half of the 2019 financial year that reflects the continued positive performance of Supercheap Auto and Rebel and with a strong contribution from the recently acquired Macpac business.

"All three Group segments generated an increase in EBIT, driven by solid sales growth, a focus on maximising cash gross profit and controlling operating costs. The performance of Rebel gained momentum through the first half as the business continued to realise the benefits from the integration with the Amart Sports business. The 39.6% growth in EBIT in the Outdoor segment included the $8.7 million contribution from Macpac, which was acquired on 31 March 2018, and reduced losses in the Rays business.

"Growth in our markets being driven by customers shopping through digital channels and we were pleased to maintain strong growth in our online sales as we leveraged the re-platforming of all of our websites. Online sales, as a proportion of overall sales, increased in all businesses and for Rebel now represents 11 per cent of overall sales.

"Good management of working capital, has contributed towards strong operating cash flow, which at $235.4 million was $69.2 million higher than Group Segment EBITDA. We have been able to fully fund an increase in inventory levels to deliver higher in stock position through the key Christmas and New Year trading period. Higher stock availability is increasingly important as more customers use digital channels to shop.

"We are also 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, club membership and net promoter scores. From a team member perspective, we have maintained engagement levels within the top quartile of all Australian businesses and our retention levels are significantly ahead of retail industry averages."

**AUTO RETAILING**

Sales increased by 2.7 per cent to $530.8 million, with like for like growth of 1.8 per cent, driven by growth in average transaction value. Supercheap Auto successfully structured its promotional activity in the second quarter to balance gross profit dollars with like for like sales growth.

Sales growth was stronger in the Auto Maintenance and Accessories categories and in Queensland, Victoria and New Zealand. Online sales increased by 23 per cent on pcp, and now represent 6 per cent of total sales. Average Club Member Net Promoter Score (NPS) at period end was 60, up from 59 at June 2018.

Segment EBIT grew by 2.5 per cent to $57.1 million while Segment EBITDA grew by 4.6 per cent to $74.3 million. EBITDA margin increased by 0.3 percentage points with gross margin and supply chain improvements being partly offset by increases in operating costs reflecting the investment in customer service and omni-retail capability. The gross margin improvement was driven by ranging and promotional initiatives together with sourcing initiatives to offset the impact of the weaker Australian dollar.

During the reporting period, the division opened four new stores, resulting in 323 stores at period end.

**OUTDOOR RETAILING**

The Outdoor Retailing Segment consists of the BCF, Macpac and Rays businesses. Macpac was acquired with effect from 31 March 2018 and at that time, the Group announced that the Rays business would be integrated into Macpac during the 2019 Financial Year.

The Segment generated $348.5 million in sales and $22.9 million in EBIT which were 16.5 per cent and 39.6 per cent higher than the prior comparative period respectively.

BCF generated $281.4 million in sales which was 2.2 per cent higher than pcp with like for like sales growth of 2.1 per cent. EBIT at $15.4 million was 22.6 per cent below pcp.

Pricing competition in the fishing and camping segments has been very active and BCF has strongly defended its position as the market leader. This has had an impact on gross margin but is positioning the business for market share growth. At the same time, the business has increased its inventory levels to maintain a stronger in-stock position through the peak summer period.

The increasing sales momentum of the business demonstrates the success of these strategies and builds confidence in the potential of the business to build market share and profitability. This is reflected in club member NPS which is at 58 up from 57 at June 2018.

BCF opened three new stores and closed one during the period to increase total store numbers to 136.

Macpac contributed $51.4 million in sales and $8.7 million in EBIT. Like for like sales growth was 10.8 per cent, with particularly strong growth in Australia as the business benefits from the increasing presence of its brand in the marketplace. Online sales grew by 24 per cent and now represent 10 per cent of total sales.

Macpac opened a net of five new stores during the period, resulting in 59 stores at period end.

The nine stores in the Rays business generated $15.7 million in sales with like for like sales growth of 0.9 per cent. Strong growth in continuing categories such as hiking and camping was partially offset by the reduction in sales in categories which will not be continuing as the business transitions into Macpac.

Rays delivered an EBIT loss of $1.2 million in line with expectation. The nine stores will be converted to Macpac Adventure Hub stores over the coming three months.

**SPORTS RETAILING**

Total sales for the Sports Segment grew 4.0 per cent to $523.9 million, with 3.2 per cent like for like sales growth driven by transaction and unit growth. Digital sales increased by 41 per cent on pcp and now represent 11 per cent of total sales. Club member NPS is at 57 up from 55 at June 2018.

Sales growth was strong in the core Apparel, Footwear and Fitness categories with a decline in Hard Goods reflecting the rebalancing of the range following the transformation of former Amart Sports stores to Rebel. The integration work is now fully complete which has contributed to the increased momentum of the Rebel business through the first half of the year and into the start of the second half.

Segment EBIT grew by 5.2 per cent to $54.4 million. EBIT margin was slightly ahead of pcp reflecting a reduction in operating costs generated from the Amart Sports integration, partially offset by an increase in depreciation and amortisation reflecting the Group’s investment in omni-retailing capabilities.

During the period, four new Rebel stores were opened and two were closed resulting in 161 total stores at period end.

**GROUP AND UNALLOCATED**

Group costs at $9.9 million were $0.3 million lower than pcp.

Group costs include corporate activities, un-utilised distribution centre space, Super Retail Commercial, 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 was $235.4 million, which was $69.2 million higher than Group Segment

EBITDA, demonstrating the Group's continued strong cash conversion. Effective management of net working capital has enabled the Group to fully fund an increase in inventory levels to support higher in-stock availability and to offset the impact of the lower Australian dollar on inventory costs.

In accordance with plan, the Group has scaled back capital investment in physical stores while it continues to invest significantly in its omni-retail capabilities and in supporting information technology (IT) infrastructure improvements. Total capital expenditure of $40.4 million was $15.9 million below pcp, with $31.4 million in omni-retail and IT projects and $9.4 million spent on store infrastructure.

Closing net debt of $294.0 million was $94.8 million higher than pcp reflecting the $133.8 million acquisition of Macpac partly offset by positive cash flows. The Group has renewed its core debt facilities during the period with no change to covenants. The Group is operating with significant headroom on all financial covenants.

**SECOND HALF FY19 TRADING UPDATE**

The Group has had a strong start to the second half of the financial year with the three larger Group businesses delivering positive sales growth.

Like for like sales growth has been circa 4 per cent in Supercheap Auto over the first six weeks of the second half. BCF has delivered circa 8 per cent like for like sales growth over the same period, while Macpac has been circa 2 per cent below pcp, as the business is cycling a significant clearance program in the prior comparative period. Like for like sales growth in Rebel has been 8 per cent over the six weeks.

**ENDS**

| | | |
|---|---|---|
| Further information: | Mr Peter Birtles<br>Group MD and CEO<br>Super Retail Group<br>07 3482 7900 | Mr David Burns<br>Chief Financial Officer<br>Super Retail Group<br>07 3482 7900 |
| Media enquiries: | communications@superretailgroup.com<br>07 3482 7404 | |

Peter Birtles and David Burns will be presenting the results by teleconference today at 11.00am AEST. A recording of this presentation will be available on the Super Retail Group corporate website: http://www.superretailgroup.com.au/investors-and-media/video-and-audio/