

Tuesday 22 October 2019

Annual General Meeting – Chair’s Address

Your board was pleased to report solid financial results for the year, with total sales growth and like for like sales growth across all of our brands, despite a difficult retail environment and subdued economic conditions.

While there is no doubt the past year was a challenging period for your company and the broader retail sector, we retained our focus on strengthening the business to deliver long term value for shareholders.

The Group’s financial performance and prudent capital management supported the Board’s decision to declare a final dividend of 28.5 cents fully franked, bringing full year dividends to 50 cents per share fully franked, an increase of 2 per cent on the prior year. The full year payout was in line with the Group’s policy to maintain a dividend payout ratio of between 55 per cent and 65 per cent of underlying net profit after tax.

Recent financial press has focused on trade wars, RBA interest rate cuts, retail consumer sentiment and the health of the Australian economy. While no one can speak with certainty about what the future will bring, I can observe that over the past ten years, through changing retail and economic conditions, Super Retail Group has grown its dividends per share from 13 cents to 50 cents, representing a compound annual growth rate of 11%. And over that same ten-year period your company has delivered total shareholder returns in excess of both the S&P/ASX 200 Index and the SP/ASX 200 Consumer Discretionary Index.

We are committed to continuing to deliver to you, our shareholders strong and sustainable returns.

This year your Board made a significant decision relating to the Group Managing Director and Chief Executive Officer's position following a well-planned succession process.

After a comprehensive global executive search, the Board determined in January that Anthony Heraghty would succeed Peter Birtles as Group Managing Director and Chief Executive Officer. Anthony, who was previously Managing Director of the Outdoor division, is an experienced and customer focused leader who has been tasked with continuing the evolution of our business as an omni-retailer, including reshaping the capability required for success.

With a wealth of retail experience and expertise, the Board is confident that Anthony and his strengthened senior executive team are well equipped to drive the next chapter of growth and meet the challenges of an increasingly competitive and technology-driven retail environment.

In appointing Anthony, the business farewellled Peter Birtles who had been with the Company for 18 years, including 13 years as Group Managing Director and Chief Executive Officer. Under Peter's leadership the Group has developed market leading brands and highly engaged team members, helping customers make the most of their leisure time.

In an environment where corporate Australia is facing heightened public and regulatory scrutiny, your company's commitment to good governance, based on an ethical approach to decision making, supported the continued success of the Group's endeavours.

Regrettably, the Board was confronted with a difficult issue around remuneration for our retail managers after significant historical underpayments were identified. While all those affected will receive back payments with interest, the Board was disappointed with the lack of executive oversight that led to this issue. Both FY18 and FY19 Key Management Personnel remuneration outcomes are a reflection of this concern. New operational processes and oversight measures have been introduced – including quarterly reviews of team member remuneration – so these problems do not reoccur or can be identified quickly if inadvertent errors are made.

Our engaged team members set us apart from other retailers in Australia and New Zealand. As we look ahead to the next chapter of our journey to becoming a leading omni-retailer, the Group's customer focus and healthy organizational culture, built on teamwork, engagement, and diversity and inclusion will underpin our performance.

Both the Board and management are pleased with the steps we have taken to build a stronger business during FY19, and we remain determined to continue Super Retail Group's evolution as an omni retailer to take advantage of the opportunities ahead. I know Anthony is committed to building on our strong foundations by enhancing and optimizing our capabilities to drive organic growth and sustainable returns to shareholders.

One of the Group's Directors, Launa Inman, is retiring at the conclusion of this annual general meeting. Over the past four years, the Board has benefitted from Launa's extensive knowledge of Australian retailing, drawing upon her experience in previous roles, including as managing director of Target and Officeworks. She has been a committed and engaged member of the Board, and on behalf of the Board and the Group, I would like to take the opportunity to thank Launa for her many contributions since joining the Board in October

2015, including in her role as Chair of the Human Resources and Remuneration Committee.

I would also like to thank my fellow directors for their commitment to the Group and their guidance during a year of significant internal change. I am confident that decisions we took this year as a Board will continue to strengthen the Group and facilitate the delivery of long-term value to our shareholders.

I offer my gratitude to every one of our team members for their immense dedication and commitment in delivering for our customers. Our solid financial results and the underlying strength of the business reflect their hard work and expertise.

Finally, to you, our shareholders, thank you for your continuing support of Super Retail Group.

I will now hand over to the Managing Director & Chief Executive Officer, Anthony Heraghty, who will address the meeting before we progress to the formal items in our agenda