

8 November 2019

ASX/Media Announcement

Investor Day Presentation

Super Retail Group (SUL) is hosting an Investor Day today where Group Managing Director and CEO, Mr Anthony Heraghty, will provide an update on the Group's corporate strategy.

Please find attached a copy of the Investor Day presentation.

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Super Retail
Group



INVESTOR DAY

Friday, 8 November 2019

Anthony Heraghty
Group Managing Director
& Chief Executive Officer



Acknowledgement

OF COUNTRY

We would like to begin by acknowledging the Traditional Owners of the land on which we meet today, the Gadigal people of the Eora nation, and pay respect to their Elders past, present and emerging.

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Agenda

	TOPIC	TIME	PRESENTER
1	Strategy overview	10.30 – 12.00	Anthony Heraghty
	Break	12.00 – 12.30	
2	Supercheap Auto	12.30 – 12.45	Benjamin Ward
3	Rebel	12.45 – 1.00	Gary Williams
4	Macpac	1.00 – 1.15	Alex Brandon
5	BCF	1.15 – 1.30	Anthony Heraghty
6	Capital management	1.30 – 1.50	David Burns
7	Q&A	1.50	Anthony Heraghty

Our leadership team



ANTHONY HERAGHTY
Group Managing Director
and Chief Executive Officer



PAUL BRADSAW
Managing Director
BCF¹



ALEX BRANDON
Chief Executive Officer
Macpac



DAVID BURNS
Chief Financial
Officer



REBECCA FARRELL
Group General Counsel
and Company Secretary²



PAUL HAYES
Chief Information
Officer



JANE KELLY
Chief Human
Resources Officer



KATIE McNAMARA
Chief Strategy and
Customer Officer



BENJAMIN WARD
Managing Director
Supercheap Auto



DARREN WEDDING
Chief Supply Chain
Officer



GARY WILLIAMS
Managing Director
Rebel

Today's strategy overview

- Strategic context
- Our source of advantage
- Our strategy
- Brand snapshots
- Capital management
- Q&A

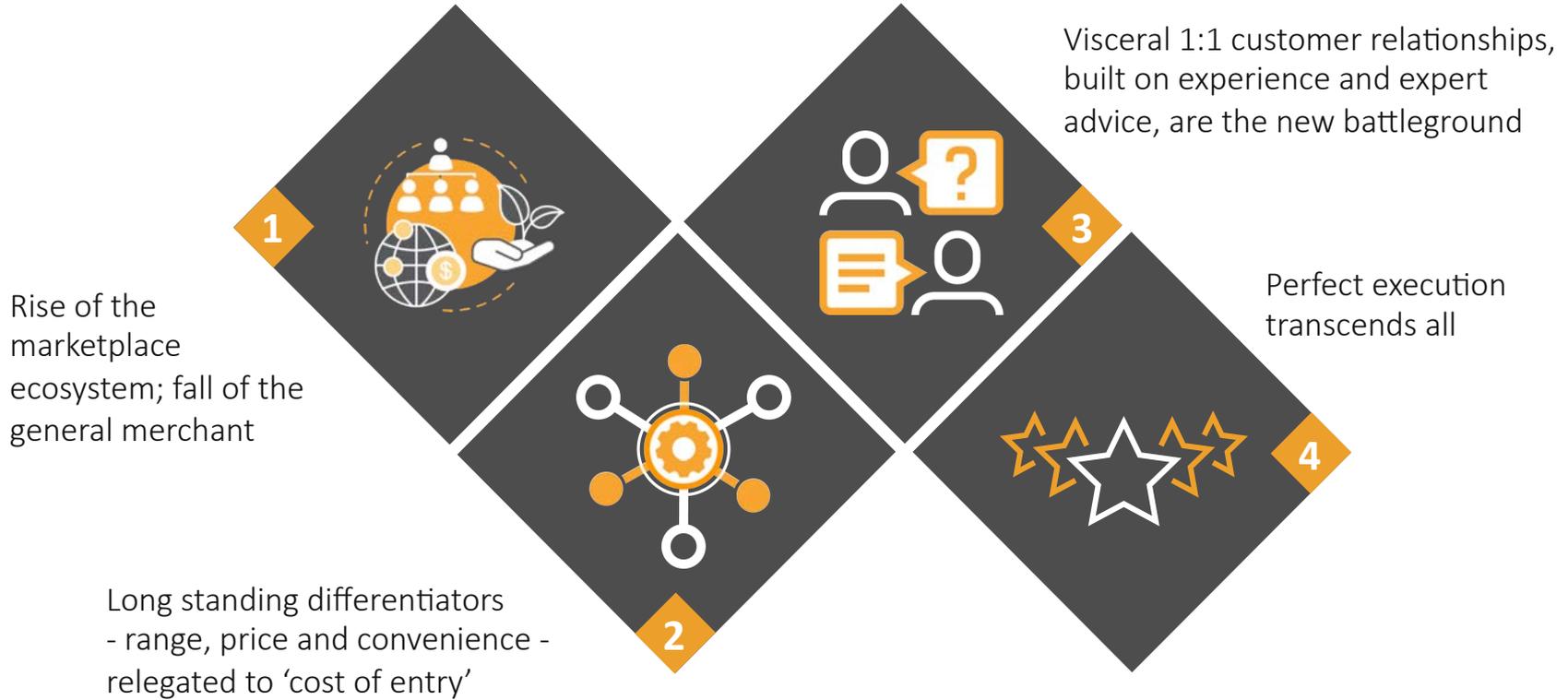


Strategic context



ANTHONY HERAGHTY
GROUP MANAGING DIRECTOR
& CHIEF EXECUTIVE OFFICER

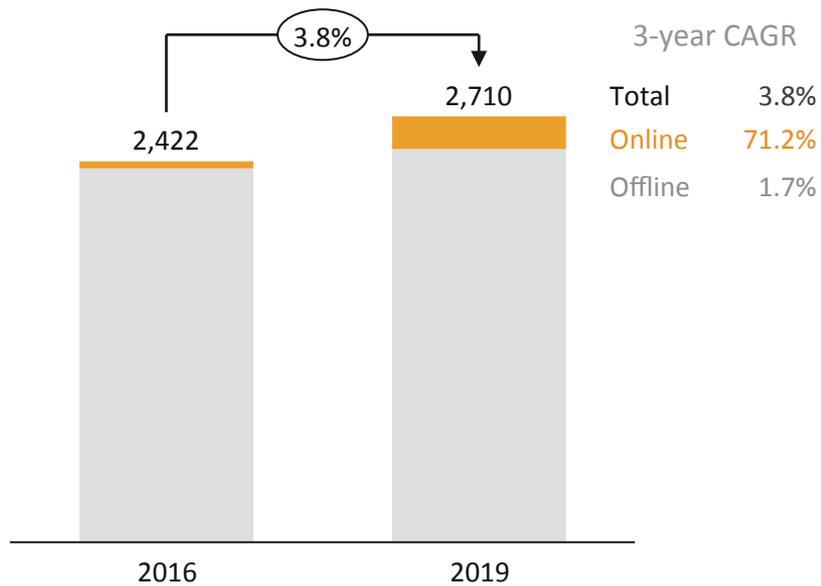
Changing profile of retailing



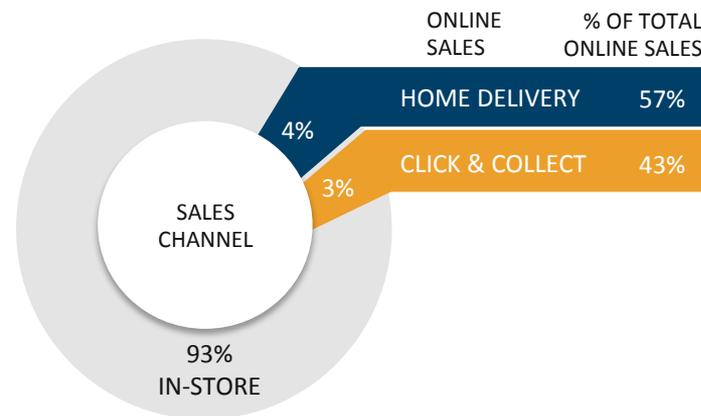
An omni-channel world

BALANCING COST-TO-SERVE WITH CUSTOMER PROMISE

SRG SALES (\$M)



SALES, BY CHANNEL¹

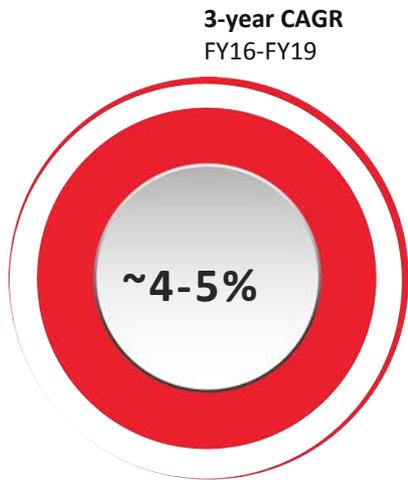


CUSTOMERS, BY CHANNEL¹

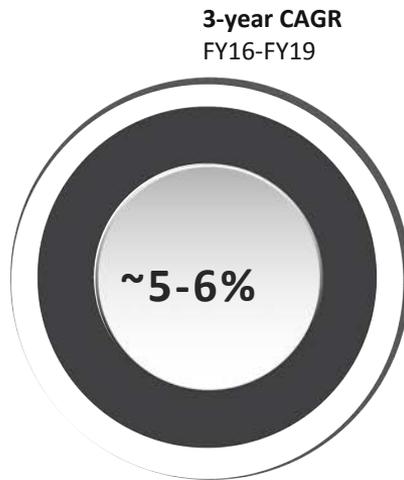


High-involvement, growth categories

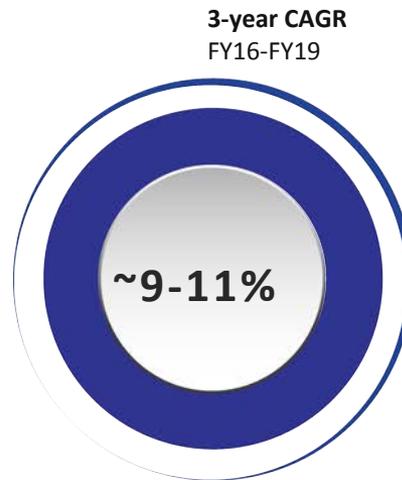
SAMPLE COMPETITIVE SET - INDICATIVE GROWTH RATE ¹



AUTO MARKET



SPORTS MARKET



OUTDOOR MARKET

OTHER RETAIL GROWTH²

	3-year CAGR FY16-FY19
All retail	2.8%
Clothing, footwear and accessories	3.1%
Household goods	1.5%
Department stores	-0.7%

Our source of advantage



ENGAGED TEAM



LOYAL CUSTOMERS



POWERFUL BRANDS

Engaged team

>12,000 TEAM MEMBERS



✓ 14.34

TOTAL RECORDABLE INJURY
FREQUENCY RATE
10.1% REDUCTION YOY

♀ 38.6%

WOMEN IN SENIOR
MANAGEMENT

♀ 47.9%

FEMALE
TEAM MEMBERS

🕒 75.9%

TEAM
RETENTION

🏆 13,500

TEAM MEMBER
RECOGNITIONS PER
MONTH



Loyal customers



1.65M active club members¹



61 NPS²



39% - sales from active club members



2.57M active club members¹



57 NPS²



61% - sales from active club members



1.45M active club members¹



61 NPS²



81% - sales from active club members



0.41M active club members¹



67 NPS³



65% - sales from active club members

¹ Club member purchased in last 12 months

³ Club member NPS for 3 months ending Sep 2019

² Club member NPS for 12 months ending June 2019

Powerful brands



+2.3% LFL sales growth¹



+3.3% LFL sales growth¹



+3.2% LFL sales growth¹



+7.3% LFL sales growth^{1 2}



86% brand awareness³



94% brand awareness³



74% brand awareness³



82% brand awareness^{3 4}



44% main store⁵



26% main store⁵



26% main store⁵



5% main store⁶

¹ For year ending June 2019

² Includes Adventure Hubs post April Easter trading period

³ Source: Stellar Market Research, Australia Apr – Jun

⁴ Macpac brand awareness is for New Zealand

⁵ Main store is defined as the customer's preferred store for this category.

Source: Stellar Market Research, Australia Jan – Mar 2019

⁶ Source: Stellar Market Research, NZ, 14

Jan – June 2019

Our strategy



Three primary value levers



Five strategic drivers



Grow the core 4 brands

1



Leverage closeness to our customer

2



Connected omni-retail supply chain

3



Simplify the business

4

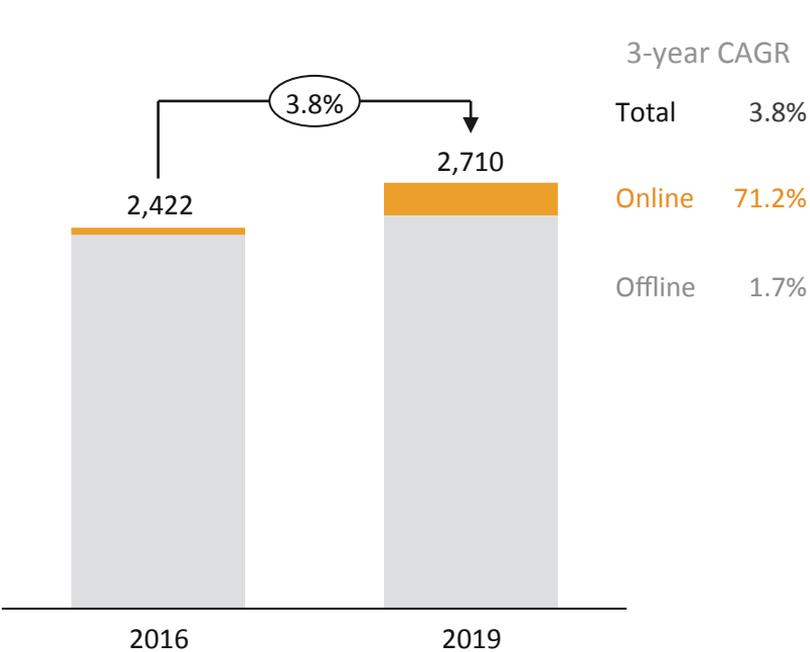


Excel in omni-retail execution

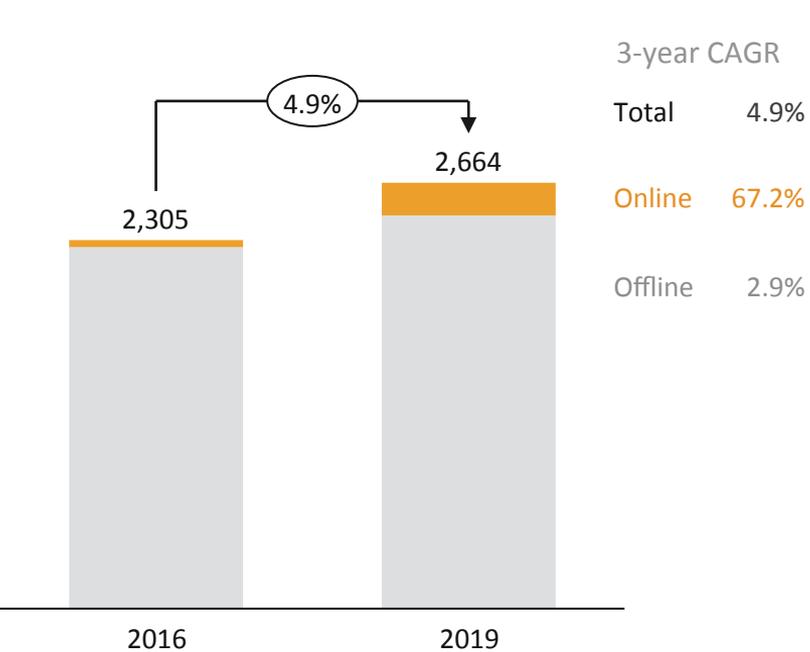
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1. Grow the core 4 brands

SRG SALES (\$M)



'CORE 4' SALES (\$M)¹



¹ Core 4 brands CAGR calculated based on Supercheap Auto, Rebel (including Amart), BCF and Macpac.

1. Grow the core 4 brands

INCREASED FOCUS ON OUR CORE 4 BRANDS

CURRENT

- Complex multi-brand divisional structure
- Risk of under-investment in core brands
- Private label penetration focus

FUTURE

- Focused investment in Supercheap Auto, Rebel, BCF and Macpac
- Execute organic growth opportunities:
 - Supercheap Auto services
 - Rebel top 25 store performance
 - BCF underpenetrated online
 - Macpac store expansion and hub strategy
- Private brand profit focus



1. Grow the core 4 brands

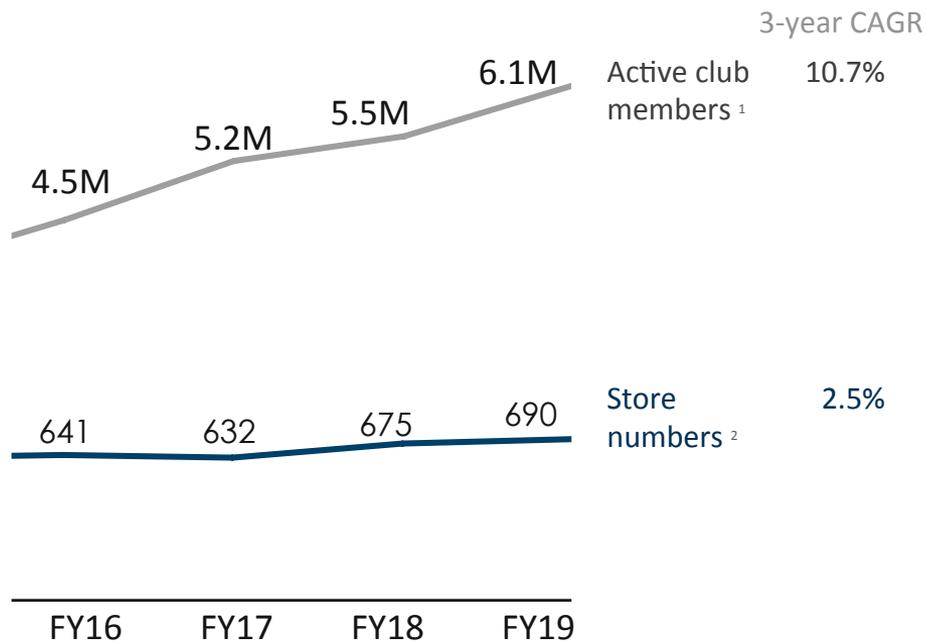
KEY INITIATIVES

1. Align capital investment to grow core 4 brands
2. Develop organic brand strategies, leveraging consolidated competitive advantage
3. Refresh private brand strategy



2. Leverage closeness to our customer

STORE NUMBERS AND ACTIVE CLUB MEMBERS



- Loyal, substantial and active customer base
- Largely under-leveraged growth engine
- Building insights off a data-rich foundation, to better serve and strengthen customer relationships

2. Leverage closeness to our customer

UTILISE INSIGHTS ACROSS OUR EXISTING CUSTOMER BASE TO BETTER MEET THEIR NEEDS

CURRENT

- Customers
- Email database
- Foundational insight and analytics capabilities
- Transactional understanding of customers
- Product-driven merchandising and marketing strategies

FUTURE

- Fanatics
- Structured loyalty program driving visitation and transaction value growth
- Analytical insight driving improvement in marketing, merchandise, logistics, and store performance
- Customer solution-driven merchandising and marketing strategies



2. Leverage closeness to our customer

KEY INITIATIVES

1. Deepen understanding of the customer through more sophisticated analytics and insights
2. Develop structured customer relationship management (CRM) program to drive visitation and transaction growth
3. Align marketing, merchandising and pricing strategies to customer

3. Connected omni-retail supply chain

OUR CURRENT SUPPLY CHAIN



3. Connected omni-retail supply chain

LEVERAGE EXISTING INVESTMENT

CURRENT

- Sound platform, driven by legacy investment in domestic logistics
- Under-leveraged total supply chain network
- Duplication in Rebel and Macpac
- Challenging customer online delivery execution
- Disaggregation of private brand sourcing

FUTURE

- Leverage existing investment
- Vertically-connected operating model across the value chain
- Business planning process aligned to medium and long-term horizon
- Integrated and optimised omni-fulfilment network
- Integrated buying from source to customer, reinforced by strategic trade partner relationships



3. Connected omni-retail supply chain

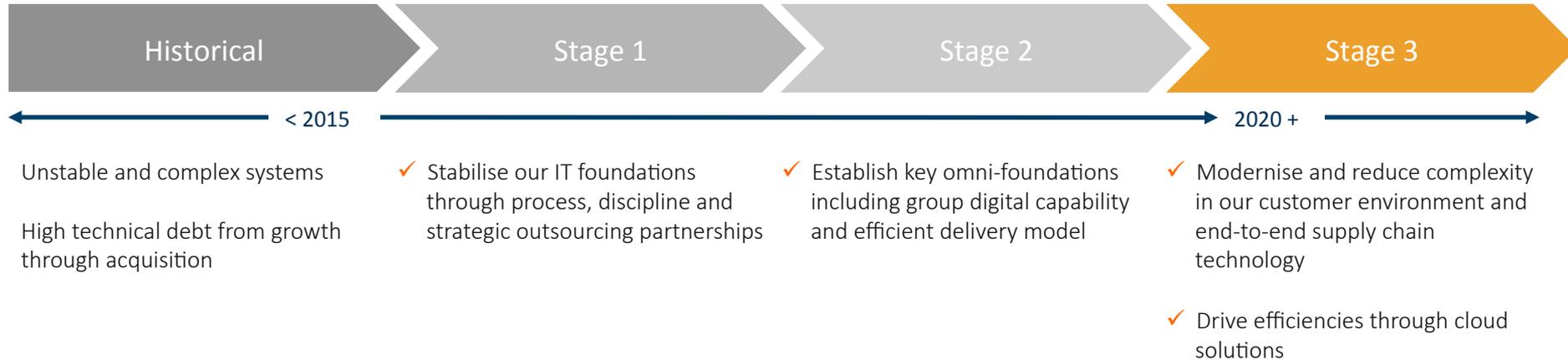
KEY INITIATIVES

1. Optimise Australia and New Zealand distribution centre networks, planning and product flows
2. Orchestrate customer online orders
3. Leverage group sourcing capability



4. Simplify the business

SIGNIFICANT TECHNOLOGY INVESTMENT OVER THE LAST 4 YEARS – WE ARE ABOUT TO EMBARK ON STAGE THREE



4. Simplify the business

INCREASE EFFICIENCY, REDUCE COSTS AND OPTIMISE INVESTMENT

CURRENT

- Operational complexity
- Post acquisition (Rebel) technical debt driving cost and complexity
- Duplication of core customer-facing infrastructure
- Legacy stranded costs
- Brand-first KPIs

FUTURE

- Centre-leveraged operating model
- Stage 3 simplification of information technology environment
- Optimisation of overhead and focus on customer-facing investment
- Scalable cost base
- Organisation-first KPIs



4. Simplify the business

KEY INITIATIVES

1. Remove duplication and leverage scale
2. Focus on KPI alignment and value mindset
3. Modernise technology infrastructure to be fit for purpose



5. Excel in omni-retail execution

ALIGN EXPERIENCE WITH THE CUSTOMER JOURNEY

CURRENT

- Channel-centric
- Execution primarily focused on product and transaction
- Limited delivery propositions
- Focus on 'store of the future'

FUTURE

- Customer-centric
- Understand the customer journey and lead with experience
- Omni-order capture and fulfilment that flexes to customer demand
- Attract, develop and retain a 'team of the future'



5. Excel in omni-retail execution

KEY INITIATIVES

1. Continue to build expertise for our customer-facing teams, underpinned by team members as industry experts
2. Deliver a seamless 'Super Retailer' experience
3. Evolve the store experience:
 - Supercheap Auto – extension of the Super store
 - Rebel – new concept for Doncaster Rebel
 - BCF – BCFing experts
 - Macpac – Adventure Hubs





Recap

- Transition the business from analogue to digital
- Leverage strong market position and legacy investment
- Have a focused, low-execution-risk and moderate capital plan creating future optionality
- Enhance our omni-retail platform for future growth
- Smart use of customer and business analytics

Lunch break



WE WILL RESUME AT 12:30PM

Core 4 brands: Supercheap Auto





BENJAMIN WARD
MANAGING DIRECTOR -
SUPERCHEAP AUTO

- Benjamin joined Super Retail Group in July 2019 as Managing Director – Supercheap Auto
- Benjamin is an experienced retail executive with more than 20 years in senior management roles across Australia, UK, US and Europe
- Previously, he was Managing Director, Global Business Coordination for ALDI Supermarkets based in Germany, and held various senior leadership roles in that organisation including strategy and organisation management





SNAPSHOT

OUR CUSTOMER

- Evolving customer moving from 'Do It Yourself' (DIY) to 'Do It For Me' (DIFM)
- Active club members increased 12% YOY to 1.65M¹
- NPS at 61, up 3.4% YOY¹



OVERVIEW

323

STORES

1.65M

ACTIVE CLUB MEMBERS

3.4%

SALES GROWTH YOY

11.6%

EBIT MARGIN

MARKET LANDSCAPE

- Auto aftermarket in positive growth and set to continue
- Stable but competitive market with investment to improve competitors' retail offering
- Supercheap Auto retains a unique position in the market and strong brand awareness

INITIAL OBSERVATIONS

- Strong culture with a tenured, knowledgeable team
- Ability to execute quickly and effectively in-store
- Opportunities within our basic business functions and potential to optimise efficiency
- Opportunity to improve customer 'path to purchase'
- Opportunities in core and adjacent categories to balance width and depth

Core 4 brands: Rebel



rebel





GARY WILLIAMS MANAGING DIRECTOR - REBEL

- Gary joined Super Retail Group in April 2019 as Managing Director – Rebel
- Previously Gary served as Chief Operating Officer for Alceon Retail Group
- His global experience includes roles in USA, UK, Asia Pacific and South Africa
- Gary has held executive, board and senior retail leadership roles with brands including David Jones/Country Road Group, Myer, Topshop, Westfield, Coca-Cola, Reebok and Puma



SNAPSHOT

OVERVIEW

161

STORES

2.57M

ACTIVE CLUB MEMBERS

3.8%

SALES GROWTH YOY

9.2%

EBIT MARGIN

OUR CUSTOMER

- Shift in participation driving changes in customer segments
- Active club members increased 8% YOY to 2.57M¹
- NPS at 57, up 3.6% YOY¹



MARKET LANDSCAPE

- Sports market growth is being led by lifestyle – apparel and footwear
- Sports participation in organised sport declining in Australia
- Increase in non-traditional sports such as parkrun / cross-fit / training
- Competitive environment intensified
- Female participation increasing

INITIAL OBSERVATIONS

- Strength of the Rebel brand and opportunity to leverage our brand further
- National omni-retail footprint across entire Australian continent
- Relationship with international and local trade partners and opportunity to build even stronger commercial relationships
- Power of Rebel team and opportunity to build on our sporting culture

Core 4 brands: Macpac





ALEX BRANDON

CHIEF EXECUTIVE OFFICER- MACPAC

- Alex was appointed as Macpac's Chief Executive Officer in July 2012 and continues to serve in this role after Super Retail Group acquired the outdoor adventure specialist retailer in April 2018
- His global experience includes roles in UK, USA, Australia and New Zealand. Alex is based in Christchurch, New Zealand
- Alex has more than 20 years of retailing experience with companies including Bath and Body Works, Express, Surf Dive 'n' Ski, Rip Curl and Just Kids



NEW ZEALAND'S ORIGINAL, TECHNICAL OUTDOOR BRAND SINCE 1973





OVERVIEW

70

STORES

0.41M

ACTIVE CLUB MEMBERS

70.3%²

SALES GROWTH YOY

9.4%

EBIT MARGIN

OUR CUSTOMER

- 0.41M active club members¹
- NPS at 67, for 3 months ending Sep 2019



OVERVIEW



70

STORES

0.41M

ACTIVE CLUB MEMBERS

70.3%¹

SALES GROWTH YOY

9.4%

EBIT MARGIN

3 CORE PRINCIPLES



**BUILD QUALITY PRODUCTS
THAT LAST**



**OFFER AN EXCEPTIONAL
GUEST EXPERIENCE**



**BE A GOOD
GLOBAL CITIZEN**

NEW ZEALAND'S ORIGINAL, TECHNICAL OUTDOOR BRAND SINCE 1973



Core 4 brands: BCF





PAUL BRADSHAW
MANAGING DIRECTOR –
BCF

- Paul Bradshaw joins Super Retail Group's Executive Leadership Team on 26th November 2019
- He brings deep retail expertise from more than 30 years in executive and management leadership roles at successful retailers in both Australia and internationally
- Paul's experience includes the Coles Group and ASDA, the United Kingdom's second-largest supermarket retailer





SNAPSHOT

OVERVIEW

136

STORES

1.45M

ACTIVE CLUB MEMBERS

3.3%

SALES GROWTH YOY

4.0%

EBIT MARGIN

OUR CUSTOMER

- ~50% purchasing primarily in only one of our key categories: boating, camping or fishing
- Active club members increased 7% YOY to 1.45M¹
- NPS at 61, up 7.0% YOY¹



MARKET LANDSCAPE

- Stable growth in overall market with higher growth in camping and touring categories
- Online channel growth driven by Click & Collect
- High competitive intensity – seeing competitive price and promotional intensity and new store openings

KEY OPPORTUNITIES

- Continued focus on BCFing experts, new and exclusive product range and omni-experience
- Growing NPS and active club membership
- Customer engagement through refreshed ‘club’ offering and targeted communications
- Building on strong community involvement with OzFish Unlimited



Capital Management

DAVID BURNS
CHIEF FINANCIAL OFFICER

Capital Management

OBJECTIVES

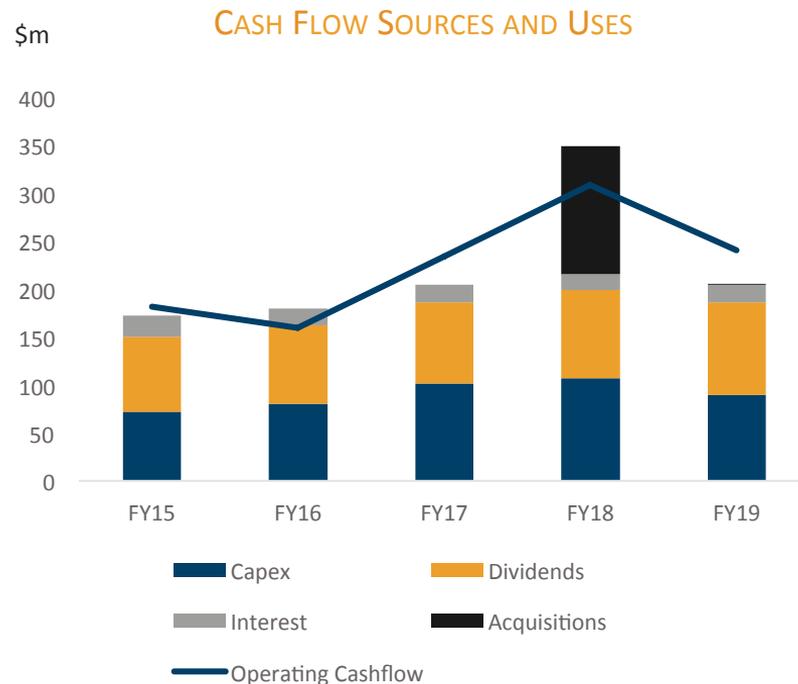
- Maximise shareholder returns through focusing on financial targets
 - Achieve category-leading operating margins
 - Generate return on capital in excess of cost of capital
- Maintain a strong balance sheet
- Retain financial flexibility

PRINCIPLES

- Ensure dividend payouts are maintained within the policy of 55% to 65% of underlying NPAT, fully franked
- Balance sheet settings focused on conservative credit metrics
- Capital expenditure target – in line with depreciation and amortisation expense
- Flexibility in finance arrangements
- Compliance with the Group Treasury Policy

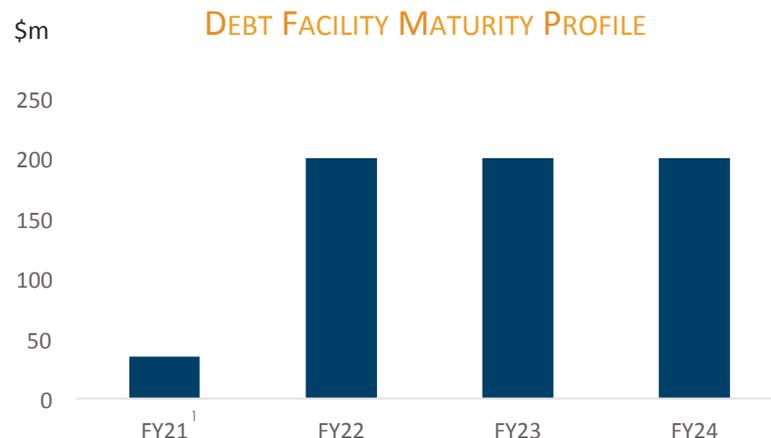
Robust Cash Flows

- Portfolio of highly cash generative businesses
- Ongoing focus on working capital management underpins cash flow delivery
- Earnings growth and strong cash flow generation has enabled the Group to:
 - Invest capital for growth
 - Maintain a consistent dividend payout ratio
 - Reduce gearing
- Capital expenditure focused on two primary areas:
 - Investment in digital and omni-retail capability
 - Growth and refurbishment of the store network to drive higher levels of customer engagement
- Targeting capex to be in alignment with D&A expense (circa \$90m-95m in 2019/20)
- Dividend policy to pay 55% to 65% of underlying NPAT, fully franked where possible
- Opportunity to reduce debt by circa \$50m per annum



Strong Financial Position

- Super Retail Group maintains a strong and conservative balance sheet. Key metrics have the following targets:
 - Net debt/EBITDA below 1.5 times
 - Fixed-Charge Cover Ratio above 2.2 times
 - Gearing of ~30%
- Group Treasury Policy
 - Liquidity management target - \$75m headroom
 - Debt tenor, with exception of working capital facilities, not less than 1 year and target of >2 year average
- Current debt facilities:
 - \$635 million bank debt funding facility
 - Spread of tenure with limited debt maturities in any given year
- Leasing standard to be first reported at December 2019 and will shift metrics



New Lease Accounting Standards

- Super Retail Group will adopt the new lease accounting standards (AASB 16) from 1 July 2019
- Recognise on balance sheet
 - Lease asset: right of use underlying leased assets
 - Lease liability: present value of future lease payments
- Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement over the relevant lease term
- The Group will adopt the modified retrospective approach (comparative amounts will not be restated)
- Previously disclosed estimated impact on the 1 July 2019 balance sheet in the investor presentation for the 2019 Full Year Results
- First reporting under the new standard will be December 2019 interim financial statements. Important to reiterate:
 - No impact on cash flows
 - No impact on credit profile
 - No impact on debt covenants

Q&A



ANTHONY HERAGHTY
GROUP MANAGING DIRECTOR
& CHIEF EXECUTIVE OFFICER

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