

Monday, 20 January 2020

ASX/Media Announcement

Super Retail Group provides update on first half 2019/20 trading

Summary:

- Group total sales growth of 2.9% and LFL sales growth of 1.7%, despite impact of bushfires and drought on peak trading sales
- Supercheap Auto and Rebel (more than 86% of brand EBIT in 2018/19) delivered solid performance
- Strong omni-retail momentum with online sales growth of 22%
- Provisional first half segment EBIT of between \$113 million and \$115 million¹

SALES UPDATE

Super Retail Group provides the following update on its trading performance for the first half of the financial year 2019/20.

In the 26 weeks to 28 December 2019, sales growth across the Group's four core businesses has been:

	Total Sales Growth	LFL Sales Growth
Supercheap Auto	3.8%	2.4%
Rebel	3.6%	3.3%
BCF	0.8%	(0.5%)
Macpac	(1.0%)	(7.0%)
Group Total	2.9%	1.7%

¹ Pre application of AASB16

BUSHFIRES AND DROUGHT CONDITIONS IMPACT PEAK TRADING

Group Managing Director and Chief Executive Officer Anthony Heraghty said “On behalf of Super Retail Group, I extend our deepest sympathies to everyone affected by the bushfires. With businesses in many of the fire-ravaged regions, we want to help our customers, team members and their communities and, as previously announced, Super Retail Group has contributed \$250,000 to the Red Cross Disaster Relief and Recovery program.”

“After a strong start to our peak trade season with higher year-on-year trading across the Black Friday and Cyber Monday online events, the bushfires and sustained drought conditions have impacted December trading. Whilst we expect the impact to be one-off, it is difficult to estimate how long it will take for sales to recover, specifically in the outdoor category.”

All brands have been impacted to a varying degree, with BCF and Macpac most affected due to their higher exposure to the outdoor category.

The Group delivered LFL sales growth of 1.7% for the first half. However, reflecting the impact of the bushfires on sales, Group LFL sales growth for weeks 17 to 26 was flat compared to positive LFL sales growth of 3.2% in the first 16 weeks.

More than 50 BCF stores have been directly impacted by fire and/or drought. The bushfires and associated smoke haze coincided with BCF's peak holiday trading period. This led to a downturn in customer demand for outdoor products, particularly in the camping category. In addition, the bushfires forced the temporary closure of BCF stores and disrupted trading hours and team member availability. BCF stores not impacted by fire/drought delivered 3.0% LFL sales growth for the half.

Macpac LFL sales declined by 9.5% in Australia with NSW and Victoria heavily impacted. Macpac Adventure Hub stores, which have a more extensive camping and hiking offering, experienced a more substantial LFL sales decline.

Supercheap Auto's sales were also impacted, particularly in regional stores in NSW, Victoria and Queensland. Rebel saw a slowing of sales momentum in NSW post week 16.

EARNINGS UPDATE

The Group's first half segment EBIT (pre the application of AASB 16) is now expected to be between \$113 million and \$115 million. This is a provisional result and is subject to external auditor review. The Group expects to release its final half year results on Thursday, 20 February 2020. A breakdown of provisional trading performance by brand is set out below.

	Provisional First Half Revenue (\$m)	Provisional First Half Segment EBIT (pre AASB 16) (\$m)
Supercheap Auto	551	56-57
Rebel	543	53-54
BCF	284	12
Macpac	66	2
Group Unallocated	n/a	(10)
Group Total	1,444	113 -115

Beyond the sales impact of the bushfires, Group earnings have primarily been affected by higher store labour costs and the underperformance of Macpac.

Higher store labour costs and wage investment were mainly driven by the previously flagged partial implementation of the retail and clerical enterprise agreement.

Macpac's gross margin was negatively impacted by a delay in price increases for the peak winter promotion period. Eventual price increases offset currency impact and normalised gross margins in the second quarter. The Group expects gross margin in the second half to be higher than the prior corresponding period. Assuming normal weather conditions, the Group expects Macpac second half EBIT to be higher than the \$5.5m delivered in the prior corresponding period.

Mr Heraghty said "While first half earnings were challenged by exceptional circumstances, there are a number of positives in the expected result that bode well for the second half."

Positives to be drawn from the first half include:

- A resilient performance from Supercheap Auto and Rebel given the impact of the bushfires and mixed consumer sentiment;
- Gross margin momentum in Supercheap Auto in the second quarter;
- Strong sales and gross margin performance in Rebel in the second quarter;
- BCF gross margin performance stabilised through the half, despite sustained competitive intensity;
- Online sales growth of 22%, evidencing successful execution of the Group's omni-retailing strategy; and
- Supply chain costs per unit decreased year-on-year.

TRADING UPDATE - TELECONFERENCE DETAILS

A teleconference for analysts and institutional investors will be held today at 10.30am (Sydney time). Details for this teleconference are set out below:

Conference ID: 788 7772

Country	Direct	Toll Free
Australia	02 8038 5221	1800 123 296
Canada		1855 5616 766
China		4001 203 085
Hong Kong		3008 2034
Japan		0120 994 669
New Zealand		0800 452 782
Singapore		800 616 2288
United Kingdom		0808 234 0757
USA		1855 293 1544

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