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Monday, 15 June 2020

ASX/Media Announcement

Trading update and equity raising

Super Retail Group Limited (ASX:SUL) ("Super Retail Group", "Group" or the "Company") announces a trading update and equity raising to enable the continued execution of the Company's strategy and pursuit of strategic growth initiatives.

Highlights:

- Super Retail Group has responded promptly to protect the health and safety of team members and customers.
- The Company's investment in omni-retail capabilities has facilitated a prompt and effective response to changing consumer behaviour during COVID-19.
- Following a 26.2% decline in Group LFL sales in April vs. pcp, trading has rebounded strongly in May with Group LFL sales increasing 26.5% vs. pcp¹. Group sales growth has continued to benefit from the strong consumer environment in June.
- Execution of Super Retail Group's strategy has continued during COVID-19. The Group has retained its focus on its omni-retail execution and leveraging closeness to the customer through its four core brands.
- Super Retail Group is announcing an underwritten accelerated pro-rata non-renounceable entitlement offer to raise approximately \$203m at a fixed price of \$7.19 per share ("Equity Raising" or "Offer").
- The Equity Raising will enable the continued execution of Super Retail Group's strategy and pursuit of strategic growth initiatives.
- Entities controlled by Mr Reg Rowe have expressed their support for the Equity Raising and committed to take up their full entitlement, representing a subscription of \$59.2m of new shares in the Equity Raising, and remain committed to their shareholding for the long term.

Super Retail Group Chief Executive Officer and Group Managing Director, Mr Anthony Heraghty said, "We are very pleased with the robust trading performance of the Group despite COVID-19 and thank our team members for their dedication to the business during the pandemic. The execution of our strategy has continued during COVID-19, with our four core brands well positioned to take advantage of shifts in consumer behaviour that have been observed through the pandemic. The equity raising enables us to continue the execution of our strategy, further strengthen our omni-retail capabilities and continue to organically grow our four core brands."

¹ April month (29 March 2020 to 25 Apr 2020) and May month (26 April 2020 to 23 May 2020) under Super Retail Group's 4-4-5 trading calendar

Response to COVID-19

In response to COVID-19, the Group implemented a range of safety measures across all stores, offices and distribution centres to meet social-distancing requirements and support the health and wellbeing of team members, customers, trade partners and the community.

Over the April–May period, Australian stores continued to trade during COVID-19.² New Zealand stores were closed for seven weeks due to NZ government-mandated shutdowns.

Recent investments in the omni-retail platform and supply chain have enabled Super Retail Group to effectively meet a significant shift to on-line and click & collect purchasing. The Group has also repurposed costs to areas of high activity to meet customer demand.

In addition, the Group has undertaken a number of actions to support its omni-retail strategy including an acceleration of the migration to cloud-based platforms and an optimisation of the support office functions and store network.

Group trading update

Following a decline in April, Group sales rebounded strongly in May³, led by the Supercheap Auto, Rebel and BCF brands. Macpac was impacted by the NZ government-imposed closure. Group sales have continued to benefit from the strong consumer environment in June.

Following a 26.2% decline vs. pcp in April, Group LFL sales rebounded strongly in May³, up 26.5% vs. pcp.

During April and May, there was a strong shift to on-line with Group on-line sales increasing 126.2% vs. pcp to represent 18.2% of Group sales over the same period.

Segment	LFL sales growth			Sales (\$m)	Total sales on pcp
	Mar 2020 YTD (weeks 1-38) ³	Weeks 39-47 ³	May 2020 YTD (weeks 1-47) ³	May 2020 YTD (weeks 1-47) ³	May 2020 YTD (weeks 1-47) ³
Supercheap Auto	3.2%	3.7%	3.3%	987	4.6%
Rebel	3.5%	(2.3%)	2.5%	945	2.1%
BCF	(2.2%)	(0.7%)	(2.0%)	478	(0.6%)
Macpac	(4.7%)	(38.8%)	(12.5%)	109	(10.0%)
Total	1.9%	(1.7%)	1.2%	2,519	1.9%

² 3 stores in Tasmania closed for several weeks due to government restrictions

³ Mar 2020 YTD (30 June 2019 to 21 Mar 2020) representing the period of the Super Retail Group trading update provided on 26 March 2020, weeks 39-47 (22 Mar 2020 to 23 May 2020) representing the period since the trading update to the May YTD month end April month (29 March 2020 to 25 Apr 2020) and May month (26 April 2020 to 23 May 2020) under Super Retail Group's 4-4-5 trading calendar

Key highlights of recent trading include:

- Gross margin percentage over April–May³ was down vs. pcp, impacted by a shift in product mix towards higher value / lower margin products and higher proportion of on-line sales.
- Cost mitigation measures have partially offset the gross margin impact.
- May YTD³ gross margin percentage is c.20bps below 1H20. May YTD³ normalised operating costs (excl. D&A)⁴ as a percentage of sales are broadly in-line with 1H20.
- Minimal disruption to Super Retail Group's supply chain, with the exception of some domestic freight capacity for both in-bound and on-line delivery.
- As a result of the strong May trading and measures undertaken to reduce inventory holdings, inventory levels at May 2020³ reduced by \$65m vs. pcp. Temporary extension of key supplier terms impacted payables.
- Total capital expenditures incurred May YTD were \$61m.
- Pre-tax abnormal items totaling \$18m were recognised as part of the 1H20 result. A further c.\$40m of pre-tax abnormal costs⁵ is expected in the FY20 full-year result.⁶
- In accordance with usual end of year practice, Super Retail Group is also undertaking a review of the carrying values of intangibles, which may result in additional non-cash write-downs.

Strategy robust throughout COVID-19

The resilient performance of Super Retail Group's four core brands during COVID-19 is an endorsement of the Company's omni-channel business strategy. The Group's strategy continues to focus on the following:

- **Grow the four core brands:** we aligned our category and range offering mix to changing consumer demand during the COVID-19 restrictions (Rebel: fitness and hard goods; SCA: tools, in-car tech, paint and panel; BCF: fishing).
- **Leverage closeness to our consumer:** we leveraged customer behavioural analytics and insights to inform new COVID-19-specific campaign activity (e.g. BCF backyard campout). In addition, we shifted from catalogues to digital campaigns and maintained customer activity throughout.
- **Connected omni-retail supply chain:** we leveraged our distribution centres' assets to service significant on-line order demand and resourced our Customer Contact Centre to support customer requirements.
- **Simplify the business:** we initiated a seamless shift to remote support office workforce and implemented a digital acceleration program to focus e-commerce activity to manage significantly increased on-line volumes and align our offering with changing customer behaviour.
- **Excel in Omni-Retail execution:** we implemented contact-free click & collect across all Australian standalone stores and COVID-19 health & safety measures across all stores. We successfully executed significant on-line sales growth.

While there is an uncertain economic environment ahead, the Group's core four brands are well positioned to take advantage of consumer trends emerging from COVID-19,

⁴ Calculated on a pre-AASB16 basis and includes selling and distribution, marketing, occupancy and administration costs but excludes D&A and c.\$18m of abnormal / one-off expenses in 1H20

⁵ Includes remediation of staff underpayments, the exit of certain non-core businesses, an internal restructure, accelerated write-down of certain assets and close out of interest swaps

⁶ Subject to audit and normal end of year processes

including a material shift to on-line purchasing, the trend towards home-based fitness and leisure, and increasing domestic tourism and leisure activities.

Equity Raising overview and details of the Offer

The Group is announcing an underwritten 1 for 7 accelerated pro rata non-renounceable entitlement offer to raise approximately \$203m at a fixed price of \$7.19 per share ("Equity Raising" or "Offer"). The Equity Raising will comprise an institutional entitlement offer ("Institutional Entitlement Offer") and a retail entitlement offer ("Retail Entitlement Offer").

The Equity Raising will enable Super Retail Group to continue to execute its strategy and pursue strategic growth initiatives, allowing the Company to position the business to take advantage of changing consumer trends by returning capital expenditure to historic levels of c.\$90m per annum, even if a softer trading environment emerges. Investments are expected to include:

- Omni-retail digital customer experience and analytics.
- Supply chain to facilitate omni-channel sales growth.
- Further simplification of our business model.
- Working capital to take advantage of elevated sales in certain categories, and to take advantage of increased supplier promotional activity.
- Footprint optimisation and organic market consolidation and share gain opportunities presented as a result of the COVID-19 disruption.

Approximately 28.2 million new fully paid ordinary shares in Super Retail Group ("New Shares") will be issued under the Equity Raising, representing approximately 14.3% of Super Retail Group's existing shares on issue. New Shares will be issued at a fixed price of \$7.19 ("Offer Price"), which represents a 7.0% discount to the theoretical ex-rights price ("TERP")⁷ of \$7.73.

The Institutional Entitlement Offer will be conducted by way of a bookbuild process on Monday, 15 June 2020. Entitlements under the Institutional Entitlement Offer that are not taken up and entitlements of ineligible institutional shareholders will be offered for sale in the bookbuild.

The Retail Entitlement Offer will open on Monday, 22 June 2020 and close on Friday, 3 July 2020.

SCA FT Pty Ltd (SCA FT) and SCCASP Holdings Pty Ltd (SCCASP), entities controlled by Mr. Reg Rowe and of which Mr. Reg Rowe is a director and shareholder, have committed to take-up their full entitlement, representing a subscription of \$59.2m of New Shares in the Offer.

Mr. Reg Rowe said, "I fully support Super Retail Group's Equity Raising announced today. Combined with other initiatives announced, it will allow the Group to continue executing its growth agenda, invest in its market leading brands, further differentiate its proposition and provide additional flexibility in an uncertain environment. I am pleased to confirm that I will be participating in the Offer via SCA and SCCASP and remain committed to my shareholding for the long-term."

⁷ TERP is the theoretical price at which Super Retail Group shares trade immediately after the ex-date for the Equity Raising. TERP is a theoretical calculation only and the actual price at which Super Retail Group shares trade on the ASX immediately after the ex-date for the Equity Raising will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the closing price of Super Retail Group's shares as traded on ASX on Friday, 12 June 2020, being the last trading day prior to the announcement of the Equity Raising.

Key dates

Event ⁸	Date (2020)
Announcement of Offer, Institutional Entitlement Offer opens	Monday, 15 June
Institutional Entitlement Offer closes	Monday, 15 June
Trading halt is lifted and trading resumes on an "ex-entitlement" basis	Tuesday, 16 June
Record date for the Offer (7:00pm Sydney time)	Wednesday, 17 June
Retail Entitlement Offer opens and Retail Entitlement Offer Booklet despatched	Monday, 22 June
Settlement of Institutional Entitlement Offer	Wednesday, 24 June
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	Thursday, 25 June
Retail Entitlement Offer closes (5:00pm Sydney time)	Friday, 3 July
Announce results of Retail Entitlement Offer	Wednesday, 8 July
Settlement of Retail Entitlement Offer	Thursday, 9 July
Allotment of New Shares issued under the Retail Entitlement Offer	Friday, 10 July
Normal trading of New Shares issued under the Retail Entitlement Offer	Monday, 13 July
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Wednesday, 15 July

Additional information

Super Retail Group will conduct a conference call in relation to the announcement today at 10.30am (Sydney time).

We recommend participants pre-register at least 10 to 15 minutes prior to the conference call via the following link: <https://s1.c-conf.com/diamondpass/10007792-invite.html>

Following pre-registration, participants will receive the teleconference details and a unique access passcode.

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The release of this announcement has been authorised by the Super Retail Group Limited Board.

⁸ All dates and times are indicative and Super Retail Group reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws. All times and dates are in reference to Sydney, Australia time.

FORWARD LOOKING STATEMENTS

This announcement contains statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements may be identified by the use of forward-looking terminology and include indications of, and guidance or outlook on, future earnings or financial position and distributions. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Super Retail Group (and its directors, officers, employees, agents and advisers), which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. Super Retail Group does not give any representation or warranty (express or implied) in relation to any forward-looking statement, including that the events referred to in those statements will occur. Super Retail Group disclaims any obligation to update any forward-looking statement to reflect any change in expectations or any change in events, circumstances or conditions on which any statement is based.

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