

20 October 2021

ASX Announcement

AGM 2021 – CEO’S ADDRESS

Introduction

Thank you Sally and good morning.

It’s my pleasure to provide you with an overview of the 2021 financial year and an update on our year-to-date trading performance.

I am pleased to report that despite the impact of COVID-19, in FY21 the Group delivered a record full year result underpinned by strong top-line growth, high gross margins and disciplined cost management.

The strong result was in no small measure due to our remarkable team members who asserted themselves on the COVID challenge and overcame every obstacle presented. On behalf of the management team, I thank them sincerely for their tireless efforts.

As we stand today, the Group is in robust financial shape. We have a conservative balance sheet with no bank debt and sufficient inventory levels to counter-balance global supply chain issues.

We are well positioned for the Cyber & Christmas trading and excited by the prospect of a nationwide re-opening of domestic travel and outdoor leisure activity.

Financial Highlights

As we go to financial highlights, you can see that Group sales increased by 22 per cent to a record \$3.45 billion.

This top-line growth delivered an 80 per cent increase in EBIT to \$477 million.

Our statutory NPAT increased by 173 per cent, while our underlying NPAT increased by 107 per cent, reflecting a reduction in below the line adjustments.

A strong cash flow result enabled the Board to declare full year dividends totalling 88 cents per share.

Underpinned by our omni-retail business model, the record result was largely driven by elevated customer demand in all our leisure and lifestyle categories.

Nowhere was this more evident than in our digital channels where sales increased by 43 per cent to more than \$416 million. Online sales now represent 12 per cent of Group sales.

We completed more than 1.5 million home delivery orders this year, which contributed to a 34 per cent increase in home delivery sales to \$224 million while Click & Collect sales grew by 56 per cent to \$192 million.

Operating Highlights

While our omni-retail strategy continues to deliver, it was our sharp focus on inventory that enabled us to meet the unprecedented demand in both our in-store and online channels.

We increased shipping container volumes by 54 per cent and our forklifts were working overtime, delivering 400,000 pallets from our distribution centres.

We also grew our number of active club members during the period by 22 per cent to 8 million. These valued members represented almost two thirds of the Group's sales and remain the focus of our data and analytics program to build even stronger relationships. More on that soon.

ESG

Super Retail Group is committed to being a good corporate citizen. We believe benefits our team, investors, customers, trade partners and communities.

Our Dow Jones Sustainability Index score increased to 60, placing us in the top quartile of the retail sector.

We reduced our Total Recordable Injury Frequency Rate – known as TRIFR - by 24 per cent and cut carbon emissions by seven per cent.

We are making solid progress on our ESG commitments and have commenced a program of work to review and refresh our 2030 sustainability strategy.

Strategy

Our corporate strategy has served us well during the extraordinary events of recent years.

The Group's strategy is based on five pillars:

- Growing the four core brands
- Leveraging closeness to our customer
- Connecting our omni-retail supply chain
- Simplifying the business, and
- Excelling in omni-retail

In FY22 the Group expects to spend \$125 million of capital in continuing to implement our strategy, across both digital and omni investments, and our store network.

Digital

The online sales chart on this slide underscores the importance of continued investment in our digital capability.

While COVID-19 pandemic turbo-charged our online sales, the chart shows you that there is a long-term trend across all of our brands towards digital.

We expect online sales will continue to increase in the medium term to the 20 to 25 per cent-levels seen in international markets.

To ensure we don't miss the clicks, we will make further investments in our digital capability to grow our market share.

Loyalty and Analytics

Our loyalty programs stand out as an exciting area of growth for the Group. We have grown our active club membership this year by more than 20 per cent. With 8 million members now, our aspiration, over time, is to grow that number to 10 million.

Active club members represent more than 63 per cent of total sales and we believe the loyalty exhibited by these customers provides a solid bedrock for the business.

Having completed detailed customer research, we are now proceeding with further investments in our data and analytics capability, which will enable us to hyper-personalise customer offers.

This investment will enable each of our brands to reduce club member churn, increase visitation and ultimately improve annual customer value.

Network Optimisation

Despite the shift towards online sales, bricks and mortar remains the backbone of our business. Last year 94 per cent of Group sales involved a customer visiting one of our stores. Furthermore, growth in Click & Collect sales outpaced home delivery.

Over the past 18 months, our brands have been reshaping their network strategies, trialling new store concepts and enhancing in-store experiences.

The Group has plans to implement a five-year store network plan, which we expect to deliver significant value for our shareholders.

In Supercheap Auto, we're looking at a substantial refurbishment across the fleet to upgrade our old format into next-generation stores and continue the rollout of dedicated service areas to provide more fitment options for the 'do it for me' customers.

In Rebel, our RCX stores are a hit and we intend to prioritise the rollout of that format across our top 25 doors. We also intend to introduce our specialised in-store offerings in the must-win categories of basketball, football, running, kids, and training more broadly across our network.

In BCF, having successfully trialled our small format regional stores, we will be targeting a rollout across other regional areas. This compact 600 square metre format is delivering sales intensities 30 per cent above average and, given lower regional rents and a modest capex requirement, we are achieving quite a bang for our buck.

Finally, in Macpac we think we're starting to get the recipe right. The introduction of Macpac products in Rebel and BCF this winter has significantly enhanced brand awareness and boosted sales in Macpac stores. To build off this momentum, we will continue to roll out stores in colder climate states.

Supercheap Auto

Supercheap Auto delivered another very strong performance this year proving once again how strongly this brand resonates with its customers.

Sales increased by 16.9 per cent to \$1.31 billion, driven by like-for-like sales growth.

Online sales grew by 31 per cent to \$107 million, representing 8 per cent of sales.

Like-for-like sales growth was achieved in all categories with auto accessories and car care delivering the strongest gains. 4WD & outdoor, in car tech & roof racks, safety & comfort and car detailing were the fastest growing sub-categories.

rebel

rebel's performance this year was underpinned by very strong online sales and a much improved promotions strategy.

Online sales grew by 36 per cent to \$193 million, representing 16 per cent of sales.

Like-for-like sales growth of 17.5 per cent was achieved in all categories, with performance sports delivering the strongest growth.

Football, basketball, licensed apparel and kids' apparel were the fastest growing sub-categories. Fitness equipment and accessories also performed well as COVID-19 lockdowns lifted at-home fitness activity.

BCF

BCF was clearly the standout performer across the four core brands as the nation rediscovered its love of camping and outdoor adventure. Measures implemented during the year to enhance the brand helped drive BCF's growth.

These initiatives included delivering locally relevant ranges through our tailored store-by-store offers, the successful introduction of Macpac winter apparel and the broadening of the clothing and footwear offer.

Total sales increased by 49.1 per cent to \$797.7 million, due to 48 per cent like-for-like sales growth.

Online sales grew by 90 per cent to \$86 million, representing 11 per cent of sales.

Caravan, 4WD, camp shelter & bedding, barbeque, trailer, water sports, footwear and apparel were among the fastest growing sub-categories.

Macpac

Macpac performed well in FY21. Given COVID restrictions on travel, the sales increase of 16.3 per cent to \$153.4 million represented a credible result.

In Australia, like-for-like sales increased by 9.7 per cent despite restrictions on offshore travel and in New Zealand, like-for-like sales increased by 21.1 per cent.

Online sales grew by 38 per cent to \$30 million, representing 21 per cent of sales.

Tents, sleeping bags and camping accessories were the fastest growing categories.

Last month we announced that experienced retailer Cathy Seaholme would be replacing Alex Brandon as Managing Director of Macpac. I would like to thank Alex for his dedication to the business and welcome Cathy to the Group.

Trading Update

I am pleased to provide an update on our year-to-date trading performance.

As shown in the table on this slide, for the first sixteen weeks of FY22 the Group has delivered like-for like sales which are twelve per cent lower than FY21 but ten per cent higher than FY20.

COVID-19 lockdowns have adversely impacted trade in the first 16 weeks. Macpac has been particularly impacted by lockdowns in the key markets of NSW, Victoria, ACT and New Zealand, which were more severe than in the previous corresponding period.

If you exclude the major impacted markets of NSW and Victoria, Group like-for-like sales in the first 16 weeks of FY22 were 6 per cent lower than FY21 and 27 per cent higher than FY20.

Online sales have increased by 96 per cent and represent 30 per cent of Group sales, year to date. Click & Collect grew by 163 per cent, outpacing home delivery, and represented 59 per cent of online sales during this period.

Gross margin improvements that were achieved in FY21 have been sustained in the first 16 weeks of FY22.

The Group is well positioned for the key cyber and Christmas trading period with a fortified inventory position across all four of its core brands. The Group expects promotional activity to normalise over this period.

Freight and logistic costs associated with elevated levels of inventory could impact future gross margin as the outlook for supply chain remains challenging.

As indicated at our full year results announcement, the Group is undertaking investment in its customer loyalty and data and analytics capability. This multi-year program is underway. This is a significant investment that will impact operating expenses in the first half and beyond. Otherwise, in the first 16 weeks, operating expenses as a percentage of sales have normalised to H1 FY20 levels.

In summary then, the Group's omni-retail business model has proven to be resilient during the first half and we not with our strong online sales growth.

In FY22 year to date, we have maintained steady trading momentum in non-COVID impacted regions and we are confident that we will see a rebound in sales as lockdowns end and stores re-open.

The Group has a strong inventory position and is well placed to take advantage of the expected uplift in consumer demand in the auto, leisure and outdoor categories over the summer holiday period.

Concluding Remarks

I look forward to updating you on our progress throughout the year and would like to again thank you, our shareholders for your continued support.

I will now hand back to Sally to conduct the rest of the meeting.

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

Investor enquiries:

Robert Wruck, Head of Investor Relations

Ph.: 0414 521 124

E: Robert.wruck@superretailgroup.com

Media enquiries:

Kate Carini

Ph.: 07 3482 7404

E: communications@superretailgroup.com