

ASX/Media Announcement

Super Retail Group reports 2014/15 full year results

Super Retail Group Limited (ASX:SUL) today announced normalised net profit after tax of \$106.3 million and, after adjusting for one-off costs relating to restructuring and discontinued businesses, a net profit after tax attributable to members of \$81.1 million for the 52 week period to 27 June 2015.⁽¹⁾

Result highlights include:

- 7.1% increase in Group sales to \$2.24 billion
- 3.2% increase in Supercheap Auto EBITDA to \$119.4 million
- 10.8% increase in Rebel and Amart Sports EBITDA to \$93.2 million⁽¹⁾
- Positive like for like sales in the Leisure Retailing division in the second half
- Earnings per share from continuing operations of 49.4 cents
- 8.9% increase in operating cash flow to \$182.0 million
- \$90 million invested in future growth in new and refurbished stores and the development of multi-channel business capabilities
- Costs of \$12.8 million associated with the restructuring of the Ray's Outdoors and Workout World businesses and \$16.2 million loss associated with the discontinued FCO Fishing Camping Outdoors business.

(1) Appendix 1 sets out a reconciliation of the normalised net profit after tax to net profit after tax attributable to members.

The Board declared a fully franked final dividend of 21.5 cents per share bringing the fully franked dividend declared for the full year to 40.0 cents per share. The final dividend will be paid on 2 October 2015 with a record date of 1 September 2015. The current policy of distributing between 55% and 65% of underlying net profit after tax in the form of dividends will enable the Group to balance its investment in growth opportunities and building group capability with gradually paying down debt and increasing dividends to shareholders.

The company will provide shareholders with the opportunity to reinvest their dividends through the Dividend Reinvestment Plan. Dividends will be converted to shares at a nil discount to market value and the shares will be acquired on market to neutralise the effect of the Dividend Reinvestment Plan on all shareholders.

Super Retail Group Managing Director and Chief Executive Officer, Mr Peter Birtles, said the Group's overall result reflected solid performance across the Group's larger businesses, weaker performance and restructuring costs in the Group's smaller businesses and the investment being made to develop the multi-channel supply chain and systems capabilities required to support the Group's strategy.

"Our strategy is delivering pleasing results. The Auto and Sports Retailing divisions experienced strong like for like sales growth during the year, underperforming businesses were restructured or closed as part of a strategic review to drive long term growth, and we continued to advance our multi-channel capabilities," Mr Birtles said.

"While the restructuring and discontinuation of underperforming businesses, as well as the ongoing investment in our supply chain and systems, impacted our financial results for the period, these initiatives will underpin the Group's future profit growth and competitiveness, and support the realisation of our multi-channel retailer strategy."

Segment performance

"The Auto Retailing division performed well, delivering both solid growth in sales, despite the challenge of the weaker economy in its home state of Queensland, and a further uplift in gross margin, despite the lower Australian dollar increasing purchasing costs," Mr Birtles said.

"In the Leisure Retailing division, the BCF business was also impacted by the weaker Queensland economy but pleasingly delivered solid like for like sales growth in the second half of the year as the sales cannibalisation experienced in the 2014 calendar year was largely eliminated.

"In the Sports Retailing division, the combined Rebel and Amart Sports businesses generated both strong like for like sales and EBIT growth. Overall divisional EBIT growth was constrained by the disappointing performance of the Workout World business and the division's share of losses incurred by the Infinite Retail business. The division assumed control of the Infinite Retail business during the year and has started to integrate the business more closely, recognising additional costs and adjustments which have resulted in a share of losses of \$3.6 million."

Restructure for stronger profit growth

"We completed a review of our underperforming businesses during the year and made the decision that the most value creating options were to restructure the Ray's Outdoors business, integrate the Workout World business within Rebel and close the FCO Fishing Camping Outdoors business. Restructuring costs of \$12.8 million associated with Ray's Outdoors and Workout World were incurred during the year and the FCO Fishing Camping Outdoors business has been classified as a discontinued operation with a loss of \$16.2 million. These restructures provide the platform for stronger profit growth over the next few years," Mr Birtles said.

Strategic development programs

"We continued to make good progress in our strategic development programs which are focused on building the capabilities to operate successfully as a multi-channel retailer. We completed the three year program to build a more efficient distribution centre network with the opening of our Brendale distribution centre in October. We are now focused on driving cost efficiencies from this new network," Mr Birtles said.

"We continued to invest in our store development and refurbishment programs and the technology and systems to support our strategy. During the year, the Group invested circa \$72 million in capital expenditure and \$18 million in operating costs on our development programs.

"Operating cash flow performance was strong due to improved working capital management. This remains an area for further improvement in the coming years."

Looking Forward

Mr Birtles said in the year ahead the Group would aim to deliver top line growth through increased like for like sales and the opening of new stores. The Group would also focus on increasing overall gross margins through private brand development and range, price and promotion management. Combined, these activities are aimed at offsetting the impact of higher purchase costs. The Group would also focus on increasing working capital efficiency and continuing to invest in building its multi-channel capabilities.

"We expect overall retail growth in our markets to be modest given patchy consumer confidence and our higher exposure to the Queensland economy, but we expect to achieve solid like for like sales growth driven by market share growth in all businesses. We plan to open between 20 and 30 stores across the Group and we will continue with our store refurbishment and store of the future programs.

"We expect that Group EBIT margin will improve as a result of improvements in gross margin and a reduction in the operating costs incurred on the Group's strategic programs.

"The new financial year has started in line with our expectations. In the first seven weeks, Group like for like sales are tracking at around 4% ahead of the prior year and overall gross margin is tracking above the prior comparative period."

ENDS

The Operating and Financial Review included in Schedule 4E sets out a more extensive commentary on the Group's financial performance and future strategy.

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Peter Birtles and David Burns will be presenting the results by teleconference on 21 August 2015 at 10am (AEST). To listen to this presentation go to the Boardroom Radio website (brr.com.au).

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Appendix 1: Reconciliation of Normalised Net Profit after Tax

For the period ended 27 June 2015	Auto \$m	Leisure \$m	Sports \$m	Total continuing operations \$m	Inter-segment eliminations/ unallocated \$m	Consolidated \$m
Segment Revenue and Other Income						
External segment revenue	854.3	543.2	835.0	2,232.5	8.2	2,240.7
Inter segment sales	-	-	-	-	(2.0)	(2.0)
Other income	0.7	-	0.9	1.6	0.9	2.5
Total segment revenue and other income	855.0	543.2	835.9	2,234.1	7.1	2,241.2
Segment EBITDA⁽¹⁾	119.4	48.8	85.8⁽⁶⁾	254.0	(23.0)	231.0
Segment depreciation and amortisation ⁽²⁾	(23.4)	(16.5)	(20.2)	(60.1)	(0.7)	(60.8)
Segment EBIT result	96.0	32.3	65.6	193.9	(23.7)	170.2
Net finance costs ⁽³⁾						(21.6)
Total segment NPBT						148.6
Segment income tax expense ⁽⁴⁾						(42.3)
Normalised NPAT						106.3
Other items not included in the total segment NPAT ⁽⁵⁾						(9.0)
Loss from discontinuing operations						(16.2)
Profit for the period attributable to:						
Owners of Super Retail Group Limited						81.1
Non-controlling interests						(4.2)
Profit for the period						76.9
For the period ended 28 June 2014	Auto \$m	Leisure \$m	Sports \$m	Total continuing operations \$m	Inter-segment eliminations/ unallocated \$m	Consolidated \$m
Segment Revenue and Other Income						
External segment revenue	818.2	530.5	734.0	2,082.7	8.5	2,091.2
Inter segment sales	-	-	-	-	(1.1)	(1.1)
Other income	1.5	-	0.6	2.1	9.5	11.6
Total segment revenue and other income	819.7	530.5	734.6	2,084.8	16.9	2,101.7
Segment EBITDA⁽¹⁾	115.7	52.1	80.6	248.4	(8.1)	240.3
Segment depreciation and amortisation ⁽²⁾	(21.2)	(13.9)	(17.8)	(52.9)	(1.0)	(53.9)
Segment EBIT result	94.5	38.2	62.8	195.5	(9.1)	186.4
Net finance costs ⁽³⁾						(24.0)
Total segment NPBT						162.4
Segment income tax expense ⁽⁴⁾						(50.2)
Normalised NPAT						112.2
Other items not included in the total segment NPAT ⁽⁵⁾						-
Loss from discontinuing operations						(3.8)
Profit for the period attributable to:						
Owners of Super Retail Group Limited						108.4
Non-controlling interests						-
Profit for the period						108.4

⁽¹⁾ Adjusted for business restructuring costs for continuing operations and discontinuing operations (2014: nil).

⁽²⁾ Adjusted for expenses pertaining to discontinued operations of \$5.9 million (2014: nil) and business restructuring costs for continuing operations of \$0.4m (2014: nil).

⁽³⁾ Adjusted for non-controlling interest (NCI) interest of \$0.3 million (2014: nil).

⁽⁴⁾ Segment income tax expense of \$42.3 million excludes \$3.8 million relating to the tax effect of business restructuring costs with a value of \$12.8 million, refer to Annual Report note 4(b)(i) Business restructuring (2014: nil).

⁽⁵⁾ Includes \$12.8 million of business restructuring costs, the related income tax effect of \$3.8 million (2014: nil).

⁽⁶⁾ Sports Retailing EBITDA of \$85.8 million consists of \$93.2 million from Rebel and Amart and a combined loss of \$7.4 million for Workout World and Infinite Retail.