Trading and Strategy Update

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Super Retail Group

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Super Retail Group

Trading Update

Auto Retailing

- LFL sales growth circa 5% in the first 18 weeks of H2, circa 4.5% YTD to 30 April 2016
- Segment EBIT margin continues to track above PCP
- 307 SCA stores at 30 April 2016

Leisure Retailing

- LFL sales growth circa 7% in the first 18 weeks of H2, circa 4.5% YTD to 30 April 2016
- Segment EBIT margin continues to track below PCP reflecting investment in lower pricing, higher purchase costs and inventory clearance
- 121 BCF stores and 54 Ray's Outdoors/RAYS stores at 30 April 2016

Sports Retailing

- LFL Rebel and Amart Sports sales growth circa 6% in the first 18 weeks of H2, circa 6% YTD to 30 April 2016
- Combined Rebel, Amart Sports and Workout World EBIT margin continues to track above PCP
- Infinite Retail forecast full year EBIT loss of up to $5 million net of NCI
- 101 Rebel stores and 59 Amart Sports stores at 30 April 2016

Group

- Group Costs forecast to be $26 million including unallocated logistics costs of $9 million, digital investment of $9 million and other group costs of $8 million
- Planned full year capital expenditure circa $85m to support new stores, refurbishment programs and general requirements

2015/16 – is a 53 week year

- Impact on sales – additional circa $40 million
- Impact on EBIT – insignificant
- Impact on Net Debt – increase of $70 million

Super Retail will no longer disclose segment gross margin performance due to increased commercial sensitivity but will provide commentary on gross margin trends

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Strategic Context

Forces impacting on Retail	Globalisation	Digitalisation	Customer Power	Evolving Business Models	Workforce Demographic

Implications for Super Retail Group

- Historical levers of differentiation (range and price) will no longer succeed
- Building a stronger emotional connection with customers is a must
- Organisational capabilities have to be 'World class' not 'Australasian class'
- Aligning team member behaviour and culture with the customer offer will be a sustainable advantage

Key elements of the strategy	Customer Understanding & Engagement	Providing Differentiated Solutions (not just products)	Multi channel retail, inspiration, community	Supply Chain and IT capability	Team engagement and development

Our Strategic Roadmap

OUR VISION	Inspiring you to live your passion
OUR PURPOSE	To provide solutions and engaging experiences that enable our customers to make the most of their leisure time

OUR STRATEGIC PILLARS

Customer understanding and insight	Solutions that engage and inspire our customers	Leading private and exclusive brands
Agile & efficient supply chain	Engaged and capable team	Strong and efficient foundations

OUR GOALS

To be one of the 5 largest Australasian retail companies	To achieve the highest Team Member engagement across the retail industry	To achieve higher customer engagement ratings than our competitors	To provide returns to our shareholders that exceed the ASX 200 by 5%

OUR FINANCIAL TARGETS

To deliver compound annual growth in EPS of greater than 15%	To grow return on capital to greater than 15%

Strategic Pillars

Super Retail Group

	TODAY	5 YEAR PLAN
Solutions that engage and inspire our customers	Market leading retail brands in all our categories (apart from outdoor adventure)	Group wide focus on driving customer endorsement through team and customer engagement
	Strong portfolio of existing stores in the right location for our target customers	Opening circa 150 new stores over the next 5 years
	In store experience that benchmarks strongly against best in class for our categories	Continual focus on improving customer experience through the store refurbishment program – circa 80 stores per annum
	First to market access to the best products through our strong partnerships with our trade partners and our sourcing and supply chain capabilities	Continual focus on developing our trade partner partnerships
	Market leading digital engagement with our retail brands – conversion currently below par	Developing ecommerce customer experience and fulfilment capabilities
	Extension of our offer into physical services to provide customer solutions	Increasing range of services provided in store and out of store through partnering with 3rd party providers
	Early exploration of digital business models extending service offering	Continued development of digital businesses and in developing interactive digital communities based around leisure passions

Strategic Pillars

Customer Understanding and Insight

TODAY	5 YEAR PLAN
Deep understanding of our target customers across all categories	Growing active membership and lifetime value
Large active membership of loyalty programs: Auto – 1.1 million active Leisure – 1.4 million active Sports – 1.5 million active	Strengthening in-house capabilities to generate insights to improve the customer experience and maximise customer lifetime value
Basic in-house customer analytics capability	

Leading Private and Exclusive Brands

TODAY	5 YEAR PLAN
Strong portfolio of private brands: Auto circa 42% of sales Leisure circa 36% of sales Sports circa 14% of sales	Strong portfolio of differentiated private brands: Auto circa 50% of sales Leisure circa 40% of sales Sports circa 25% of sales
Exclusive access to selected international brands	Secure additional exclusive international brands

Strategic Pillars

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	TODAY	5 YEAR PLAN
Agile and Efficient Supply Chain	Distribution centre and freight network to support business plans are built and operational	$20m cost savings driven through productivity, freight efficiencies and sports integration
	Best of breed warehouse management and forecasting and replenishment systems	Further $55m to $80m net inventory reduction delivered from existing capabilities and new allocations management systems
	Some Sports logistics managed by 3PL	Multi channel fulfilment capability that meets customer expectations

	TODAY	5 YEAR PLAN
Engaged and Capable Team	Strong corporate culture built around core values and vision	Evolving culture to support changing business model and team member expectations - customer centricity, collaboration and agility
	High levels of team member engagement and retention	Enhanced leadership and capability development
	Improving performance across safety and diversity	Sustained engagement and retention with improved safety and diversity

Strategic Pillars

	TODAY	5 YEAR PLAN
Strong, Sustainable and Efficient Foundations	Strong cost control disciplines across the Group	$10m group wide procurement and productivity savings program
	Strong performance framework and IT infrastructure that supports traditional product and physical channel business model	Developing performance management framework to support evolving business model
		IT Transformation: • Establish 3rd party managed data centre • Implementation of a new digital platform, middleware, business analytics and allocations systems • Enhanced cyber security management
	Compliant sustainability and ethical souring practices	Enhanced sustainability and ethical sourcing governance

Delivering our Financial Targets

Super Retail Group

5 Year Target	Store Numbers	LFL Growth	EBIT Margin	Pre Tax ROC % *
Auto	350	>3% PA	12%	> 50%
Leisure	220	>3% PA	11%	> 30%
Sports	230	>4% PA	11%	> 30%

* excludes acquired goodwill and brand names

Opportunities

- Growing store numbers to over 800
- Delivering LFL growth of 3% to 4%
- Eliminate Group transformation costs
- Deliver $20m saving in supply chain costs
- Grow private brand to hit divisional targets
- Developing digital businesses to over 15% of sales
- Reposition Rays
- Amart Sports scale and profitability in new markets
- Complete Workout World integration into Rebel
- Group costs efficiencies targeting $10m
- Achieve $75m to $100m working capital savings
- Range management and sourcing initiatives
- Effective change management

Challenges

- Increased investment in digital and technology
- Investment in in-store customer experience
- Lower domestic growth
- Consumer confidence
- Weakening Australian dollar
- Competitive intensity

Compared to 2014/15 base

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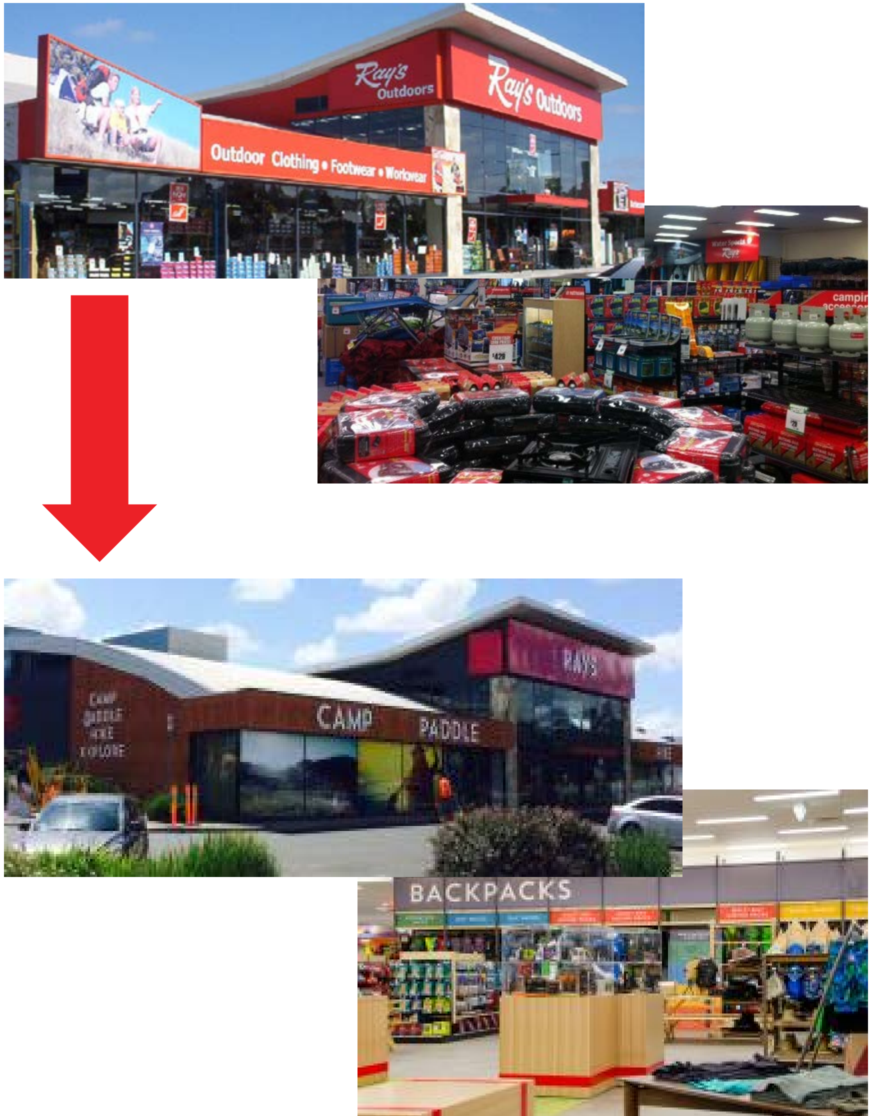
RAYS Transformation Plan

RAYS



- There is an opportunity to build a market leading business in the $2.2bn adventure outdoors market
- The dated condition of Ray's Outdoors stores, a product centric approach and a historical focus on extracting synergies from the relationship with BCF have prevented the company from developing a successful business.
- The key challenge is to establish a sustainable profitable business model and to transition as efficiently as possible to this model
- Customer response to the new RAYS format has been positive and further market analysis has confirmed the opportunity
- This analysis has identified that a greater number of existing stores will need to be relocated to be in the destination shopping locations of the business' target customers
- A number of the existing Ray's Outdoors stores are in catchment areas better suited to other brands across the Group
- The Division has been working on a number of merchandising and marketing initiatives to lift the sales and margin performance of the traditional stores but it is expected that these will continue to underperform in the short term
- The Group has reviewed its plans to transition the business to determine the most value creating option.

RAYS Transformation Plan

	Rays Outdoors	RAYS
Stores at 31 December 2015	50	5
Stores to be rebranded as RAYS	(12)	12
Stores to be transferred to other Group brands	(15)	
Stores being considered for other Group brands or closure	(23)	
Total	0	17

Transformation Costs	$m
Fixed Asset Write Offs	13
Property Related Costs	19
Other Transformation Costs	6
Total	38

- 5 stores will be rebranded as RAYS by 30 June 2016 with the majority of the rest by the end of October 2016
- 1 Ray's Outdoors store closed by 30 April 2016
- It is expected that the majority of the 15 stores already identified for transfer to other Group brands will transfer before the end of November 2016
- All other stores will be transferred to other Group brands or closed by the end of February 2017
- Total transformation costs of $38 million consisting of $25 million cash costs and $13 million asset write-offs
- Once complete, the transformation will generate an annual $8m EBIT benefit to Group EBIT compared to FY16
- During 2016/17 transformation cash costs of circa $16 million and refurbishment capital expenditure of circa $8 million will be partially funded by a working capital reduction of circa $12 million

Infinite Retail

- Infinite Retail consists of 3 divisions:
  - Fangear - on-line retailer of sporting merchandise
  - Events – retailing sporting merchandise at major sports events
  - Services – managing the on-line retailing of sporting merchandise for major sporting bodies and professional clubs
- The Group increased its share of ownership from 50% to 95% in November 2015
- The management of Infinite Retail has now been integrated into Rebel. Governance processes have been improved and operating costs have been reduced
- The key challenge is to renegotiate or exit structurally unprofitable services contracts with major sporting bodies or clubs – however we will continue to honour the businesses obligations recognising the long term value of successful partnerships with the sporting bodies and clubs
- The business will recognise a cost of circa $5 million in the 2015/16 annual accounts representing the commitment to ongoing loss making contracts and integration costs
  - Provision for onerous contracts - $3.0 million
  - Write off of Infinite Retail systems - $1.5 million
  - Other costs - $0.5 million
- Infinite Retail will contribute approximately $25 million sales at break even to the Sports Division results in 2016/17

Provisional impact on earnings

	Annual EBIT Benefit $m	Total Transformation Cost 2015/16 $m	Transformation Cash Costs Paid in 2016/17 $m
Leisure Retailing Division	8	(38)	(16)
Sports Retailing Division	5	(5)	(3)
Total	13	(43)	(19)

Notes

- All figures are provisional and are subject to further analysis and end of year accounting procedures
- All figures are pre tax
- EBIT Benefit is the expected benefit post completion of transformation compared to 2015/16
- Total transformation cost will be recognised in the 2015/16 annual accounts and is made up of $28.5 million cash costs and $14.5 million non-cash write-offs
- Transformation cash costs 2016/17 reflects the cash payments relating to property costs and other transformation costs expected to be made in 2016/17 – the remaining $9 million will be incurred in future periods
- The Leisure Retailing Division will incur capital expenditure of circa $8 million on refurbishing RAYS stores in 2016/17 which will be offset by a reduction in working capital of $12 million

Group Costs

- Group Costs include 4 major categories:
  - Corporate – Registry, Group Board, Office of CEO and CFO, LTI costs
  - Logistics – Unutilised storage and new DC start up
  - Digital – Investment in new business digital business models and IT transformation
  - Other – Group projects

Group Costs	2015/16 Forecast	2016/17 Plan	Comments
Corporate	**6**	**8**	Assumption that the Group will partially achieve LTI hurdles – expected to grow at CPI from a base of $8 million
Logistics	**9**	**5**	Sports business moves from 3PL logistics during 2016/17 and reduction in start up costs – will trend to zero by 2019/20
Digital	**9**	**6**	2016/17 plan includes $2 million IT transformation costs and $4 million in digital investment – no current commitment beyond 2016/17 but other opportunities may arise
Other	**2**	**2**	
Total	**26**	**21**	

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