

28 October 2020

## **AGM 2020 – CEO PRESENTATION**

### **Introduction**

Thank you Sally and good morning ladies and gentlemen.

It is my pleasure to provide you with an overview of the 2020 financial year and an update on our YTD trading performance in the 2021 financial year.

### **Response to COVID-19**

It is something of an understatement to observe that 2020 has been a very challenging year for your company and the wider community. 2020 will be remembered as the year we managed two significant events, devastating bushfires and the COVID-19 pandemic.

Events like these test the limits of any company's resilience. I am pleased to report, your company was up to the challenge.

The company has performed. Whilst there are many factors, the most significant is the tireless efforts of the Super Retail Group team.

- Executive
- Support office
- DCs
- Most importantly, our store teams

I am incredibly proud of the team. We have asked a lot of them, they have delivered.

The next slide provides an overview of how our business responded to the challenges of COVID-19 and why we are now well positioned to capitalise on the consumer trends emerging from the pandemic.

Your company responded quickly and decisively to COVID-19

Our first priority was to protect the health, safety and wellbeing of our team members, customers, trade partners and the broader community. Hand sanitiser, Perspex screens, and socially distant customer service quickly became a permanent part of our company's lexicon.

These measures place operational pressure on the business, and I would like to take this opportunity to publicly thank our frontline retail store and DC team members for their extraordinary efforts during these very challenging times.

Our next priority was protecting shareholder value. The group took a number of pre-emptive measures, including:

- cancelling the interim dividend and securing an additional \$100m facility to enhance our liquidity.
- We also received support from our trade partners through agreed, extended payment terms, and our landlords through measured rent relief. I thank them for their support.

These early measures enabled the business to continue trading throughout the peak lockdown period in March and April. Keeping all of our Australian stores open during this time enabled us to secure significant uplift in online demand and achieve strong digital sales growth.

After successfully implementing these short-term measures to protect the business, and given the continuing uncertainty, we conducted a successful \$200 million equity raising in June.

Today, we have a robust balance sheet with no net bank debt and the confidence to execute our business strategy and take advantage of opportunities to organically grow our market share where appropriate.

### **Well positioned to benefit from consumer trends emerging from COVID-19**

Despite the ongoing threat of COVID-19, this is an exciting period for Super Retail Group. We have been able to successfully capitalise on the consumer trends that have emerged during the pandemic to better position the business. These include:

- Channel shift to online
- The acceleration of the health and wellbeing trend; and
- An increase in DIY and leisure activity.

With our COVID-tested omni-retail capabilities, combined with leading brands in attractive categories, your company is well placed to benefit from these trends.

### **Financial Highlights**

In framing the past year's financial performance, it's important to consider just how the bushfires and COVID-19 pandemic had the potential to derail our short-term performance.

The combination of these significant events meant that:

- Christmas and Easter, our two strongest trading periods, were significantly disrupted;
- We were required by government to close 45 Supercheap Auto and 36 Macpac stores in New Zealand for seven weeks;
- Major shopping centres were virtually empty for almost two months;
- Organised community sport was cancelled; and
- Domestic travel and leisure activities were heavily restricted

Despite these unprecedented headwinds, the Group delivered:

- Sales growth of 4.2% and like-for-like sales growth of 3.6 per cent.
- While delivering this top-line growth, the Group was also able to maintain EBIT margin at 8.4%.

But it was our relentless pursuit of an omni-retail strategy and investment in online that has delivered the biggest dividend during the pandemic.

- In the final six months of the 2020 financial year, Super Retail Group experienced a significant acceleration in customer migration to online – beyond our short to medium-term expectations.
- Online sales grew by 44 per cent to \$291 million, representing 10 per cent of Group sales.
- Click & Collect, which leverages the strength of our 697 stores, represented 43 per cent of Group online sales.
- We added over one million new online customers during the year, and online sales more than doubled in the fourth quarter.

I am very confident that the strength of our brands and our focus on customer service means that these customers will continue to shop with us in the future, both online and in-store.

### Operating Highlights

We now have 6.6 million active club members across our four core brands and, together, these club members contributed 59% of total sales.

Over the past four years, the Group's active membership base has grown almost five times the rate of our store numbers. Scalable growth is critical to our success and our ability to expand the Group's customer base multiple times faster than our physical store network reinforces our conviction in our omni-retail lead business strategy.

During this period of accelerated online sales growth characterised by concentrated demand for specific products, customer satisfaction levels have improved with average club member NPS increasing to 60.7.

In omni-channel, we delivered several important milestones including the implementation of phase one of our order management system, opening our Macpac Australian DC and rolling out Click & Collect in New Zealand.

And despite lockdown restrictions, Click & Collect sales increased by 41 per cent year-on-year.

We have also managed to improve our sustainability metrics:

- We completed energy efficiency upgrades for 62 stores,
- Reducing our carbon emissions by 8%; and
- Increased our recycling rate by 2% to 65 per cent.

On our all-important team members, our safety performance continues to improve. We improved our Total Recordable Injury Frequency Rate by 25% compare to the previous year.

We made special one-off payments between \$250 and \$1,000 to each of our frontline team members to acknowledge their dedication during the immense challenges of COVID-19. The pandemic has underscored the importance of our team to the business like never before.

And finally, this year we were also recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency. In the six-year history of the program with strengthened criteria, Super Retail Group is the first retail business to achieve this recognition.

### Online sales

Before moving on to discuss the performance of our brands, I would like to briefly to highlight the tremendous online sales performance of the business.

Our omni-retail strategy provided us with the flexibility to adapt quickly to changing consumer preferences during the COVID-19 crisis and pivot to meet elevated online demand.

Group investment in digital and omni has boosted all of our brands and this is reflected in their strong online sales growth numbers (as shown in the table on the right-hand side of slide 10).

It is also worth noting that Click & Collect represents a relatively high proportion - 43 per cent - of our online sales. We are expecting this number to rise again next year, given the increased number of home delivery orders during COVID-19. This 'clicks and bricks' model is working for both Super Retail Group and our customers.

We are very encouraged that our ongoing investment in digital, as part of the omni-retail strategy, is returning a solid dividend.

### Supercheap Auto

In terms of our brands, Supercheap Auto:

- Sales increased by 7.6% to approximately \$1.12 billion.
- Like-for-like sales growth of 6.3 per cent reflected both transaction growth and increased units per sale driving higher average transaction value.
- Segment EBIT increased by 11.9 per cent to \$134.9 million; and
- EBIT margin of 12 per cent was 40 bpts higher than the prior comparative period.
- Auto accessories and auto maintenance, which represents about 75% of divisional revenue, were the strongest performing categories.
- Like-for-like sales growth was achieved in all categories, including tools and outdoors.

Overall, sales in Supercheap Auto reflected a shift towards essential, DIY auto and household project products during the peak COVID-19 restriction period.

Online sales:

- Increased by 37 per cent to \$82 million.
- Represented 7% of Supercheap Auto's total sales; and
- Click & Collect accounted for more than 60 % of these online sales.

Supercheap Auto active Club Plus membership:

- Increased by approximately four per cent during the financial year to 1.71 million members.
- Sales attributable to club members increased to 40 per cent of total sales.

## Rebel

Rebel

- Sales increased by 3.3% to approximately \$1.04 billion
- Like-for-like growth of 2.7 per cent. This organic growth was driven by higher average transaction value.
- Sales declined in April due to government restrictions but rebounded during the fourth quarter following 9.1% like-for-like sales growth in May and June.
- Segment EBIT increased by 3% to \$96.6 million and EBIT margin of 9.3% was 10 bpts higher than the prior comparative period.
- Fitness and hardgoods were the best performing categories as COVID-19 restrictions led to strong demand for home fitness products.
- Online sales increased by 49% to \$141.2 million representing 14% of

total rebel sales.

- rebel active club membership increased by approximately 12% during the financial year to 2.88 million members. Sales to club members increased to 66% of rebel sales.

## BCF

- BCF sales increased by four per cent to \$535 million.
- LFL grew 3% per cent, driven by both increased transactions and higher average transaction value.
- Sales declined in April due to government restrictions particularly affecting the Easter holiday period.
- The fourth quarter sales rebounded with 68.1% LFL sales growth in May and June.
- Fishing was the strongest performing category followed by camping and apparel,
- All categories delivered positive like-for-like sales growth.
- Segment EBIT decreased to \$15.7 million; and
- EBIT margin declined to 2.9 %.
- The BCF club loyalty program experienced strong growth with active memberships increasing by approximately 6% to 1.54 million.
- Sales to BCF club members increased to 83 per cent of total BCF sales.
- Online sales grew by 33 per cent to \$45.3 million, representing nine per cent of total BCF sales.

## Macpac

At Macpac, sales fell by five per cent to \$131.9 million and like-for-like sales decreased by 9.1 per cent.

In Australia, like-for-like sales decreased by 9.7 per cent due to the impact of summer bushfires on peak Christmas trading and the dampening effect of COVID-19 on store foot traffic during the key Easter trading period.

In New Zealand, like-for-like sales decreased by 8.2 per cent, mainly due to a government-mandated COVID-19 store shutdown.

Sales in both Australia and New Zealand rebounded during the fourth quarter with 7.8 per cent like-for-like sales growth in May and June.

Segment EBIT decreased to \$7.2 million and segment EBIT margin declined to 5.5%.

Online sales increased by 83 per cent to \$22 million, representing 17 per cent of Macpac sales.

Macpac club membership increased by approximately 10 per cent to 450,000 and these club members represented 64 per cent of total Macpac sales.

### Group Strategy

On the Group strategy, we have continued to focus on the five strategic pillars:

- growing on our four core brands;
- simplifying our business model;
- leveraging our closeness to customer;
- optimising our supply chain, and;
- investing in our omni-retail model.

This strategy has proved its worth during COVID-19. As a result we have been able to:

- Quickly align our category and range mix across each of our brands to meet changing consumer trends,
- Leverage our distribution centre assets and call centre resources to service significant online demand,
- In less than 8 weeks, we introduced contact-free Click and Collect across all our brands: and
- Pivoted our advertising focus from mail catalogues to digital.

Ultimately, our efforts enabled us to trade profitably through one of the toughest periods ever for the retail sector while reducing our supply chain cost per unit and increasing customer satisfaction scores.

These results are a further testament to the resilience of your company.

### Trading Update

I am pleased to provide an update on our year-to-date trading performance for FY21.

In the first 17 weeks, the Group has delivered both total sales growth and like-for-like sales growth of 25 per cent despite the impact of COVID-19 restrictions, including lockdowns in Melbourne and Auckland.

The Group has maintained strong momentum in digital channels, with:

- online sales growth of 132 per cent,
- including Click & Collect sales growth of 123 per cent.
- Click & Collect represents 44 per cent of year to date total online sales.

Year-to-date sales performance across the Group's four core brands includes:

Supercheap Auto total sales growth of 22% and like-for-life sales growth of 21%.

Rebel has grown total sales by 16%, with like-for-like also up 16%.

BCF has experienced extremely strong growth year-to-date, with year-to-date total sales growth of 63%, and like-for-like of 61%.

Macpac was heavily impacted by the Melbourne lock-down in particular, with total sales growth of negative 2% and like-for-like down 1%.

Online sales continue to accelerate for all four brands, with online sales growth ranging from 121% to 184% for the first 17 weeks of FY21.

Group gross margin is more than 200 bps higher than for the prior comparative period and has benefitted from reduced promotional activity (particularly in rebel) as the Group protects its inventory position in the lead up to the peak Christmas trading period.

Given the continuing uncertainty in the economic outlook, we do not believe that year-to-date performance should be treated as an indicator of full year performance.

The Group intends to make additional investments this year to enhance its digital capability and modernise its technology infrastructure. As a result, the Group now expects capital expenditure in FY21 will be approximately \$100 million.

### **The Year Ahead**

Despite ongoing challenges around COVID-19, the Group is in a strong position to inspire our customers to live their passion, deliver on our strategy and create value for our shareholders.

The strength of our balance sheet will allow us to confidently execute our business plans and prudently take advantage of opportunities that present themselves to organically grow our market share.

While the economic outlook remains uncertain, given the attractive lifestyle categories in which we operate, the Group is well placed to benefit from consumer trends relating to personal health and fitness, DIY and at home



projects and demand for domestic travel and outdoor leisure activity.

I look forward to updating you on our progress throughout the year.

### **Conclusion**

In closing, I would like to again thank all our shareholders for your continuing support for the Company and now hand back to Sally to conduct the rest of the meeting.

-END-

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

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