



Group Managing Director's Presentation

Annual General Meeting

21 October 2015

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Group Results

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- New store and like for like sales growth has been solid in both Auto and Sports divisions
- Leisure division has delivered strong second half sales like for like growth after soft first half. Gross margin performance in Leisure is below expectations
- Total Segment EBITDA decrease attributable to Leisure division performance and Group costs increase
- Increased Depreciation and Amortisation cost is due to Group multi channel investment
- Normalised NPAT of \$106.3m. After adjusting for one-off costs relating to restructuring and discontinued businesses, a NPAT attributable to members of \$81.1 million
- Operating Cash Flow strong at \$182.0m an increase on pcp due to working capital management
- \$90 million invested in future growth in new and refurbished stores and the development of multi-channel business capabilities
- Net Debt consistent year on year and comfortably within covenant levels

	2014/15 \$m	Change on pcp
Total Revenue	2,238.7	7.1%
Total Segment EBITDA	231.0	(3.9%)
Total Segment EBIT	170.2	(8.7%)
Normalised NPAT	106.3	(5.3%)

Operating Cash Flow	182.0	\$14.8m
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Net External Debt	378.9	(\$3.7m)
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Auto Retailing

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- Divisional result includes Supercheap Auto and Auto Trade Direct (not material at this stage)
- Strong sales growth from 9 new stores and like for like sales growth momentum of 2.2% on pcp
- Sales growth was delivered in all categories with the exception of Tools
- Sales growth was achieved in New Zealand and all Australian states except Queensland
- Sales growth attributable to average transaction value growth
- Gross margin improvement driven by pricing and promotional management, trading terms, overseas sourcing, own brand development and product quality
- Cost of doing business increased due to cost of new store openings partially offset by efficiencies in marketing and general cost saving initiatives
- 9 new stores, 29 stores refurbished including 2 as Superstores – 300 stores at June 2015

	2014/15 \$m	change on pcp
Sales	854.3	4.4%
LFL Sales growth		2.2%
Gross margin %	44.7%	0.2%
Segment EBITDA	119.4	3.2%
EBITDA margin	14.0%	-0.1%
Segment EBIT	96.0	1.6%
Segment EBIT margin	11.2%	-0.3%

Leisure Retailing

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- Like for like sales results in the second half has seen a recovery of positive sales momentum in BCF after negative growth in half one
- Ray's has experienced strong like for like sales growth in the second half due to the inventory clearance program to reposition the business
- Gross margin compression reflects the impact of BCF competitive pricing initiative and the dilutive impact of the Ray's inventory clearance program
- Strong cost control has partially mitigated the impact of negative sales growth
- Depreciation and amortisation costs attributable to store rollout and investment in Group programs have materially impacted EBIT margin
- Key focus for Ray's has been the clearance program to reposition the business for future growth. Three pilot stores are in development for opening in second quarter of 2015/16
- 3 new BCF stores were opened during the period. Four Ray's stores were closed during the period to bring total stores to 117 BCF and 53 Ray's
- Ray's restructuring costs are not included in the segment result

	2014/15 \$m	change on pcp*
Sales	543.2	2.4%
LFL Sales growth		-0.6%
Gross margin %	44.2%	-1.0%
Segment EBITDA	48.8	-6.3%
EBITDA margin	9.0%	-0.8%
Segment EBIT	32.3	-15.4%
Segment EBIT margin	5.9%	-1.3%
* Change in pcp referencing BCF and Ray's only		

Sports Retailing

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- Sales growth in Rebel and Amart Sports has been strong with robust like for like growth supported by new store sales
- Lower gross margin reflects strong growth in lower margin categories (e.g. fitness technology), promotional activity and first half clearance of excess inventory
- Strong operating cost controls have supported an increase in EBITDA and EBIT margin
- Six new Amart Sports stores were opened in the period and two Rebel stores and two Amart stores were closed. Seven stores were refurbished. Total store numbers at June 2015 are 91 Rebel and 56 Amart Sports stores
- A restructure of Workout World to integrate it into Rebel commenced in May 2015 with the closure of 5 stores this year and a further 5 stores in the new financial year. Restructure costs have not been included in the segment result
- Infinite Retail (formerly VBM Retail) is 50.05% owned by the Group since July 2014 and is consolidated into the Sports Segment Result net of non controlling interest. Costs and adjustments recognised on integrating the business have resulted in a share of loss of \$3.6m

	2014/15 \$m	change on pcp
<u>Rebel and Amart</u>		
Sales	783.6	8.6%
LFL Sales growth		6.6%
Gross margin %	44.9%	-1.0%
EBITDA	93.2	10.8%
EBITDA margin	11.9%	0.2%
EBIT	73.8	11.5%
EBIT margin	9.4%	0.2%
<u>Workout World and Infinite Retail</u>		
EBIT	-8.2	
Segment EBIT	65.6	4.5%

Group & Unallocated

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- Group and Unallocated includes SRG Commercial, consolidated investment in Oceania Bicycles, Fixed Price Car Service and Group costs not allocated to segments
- Unallocated Group costs include public company activities, un-utilised DC space, costs relating to the Group development initiatives and project related costs
- Development Programs include:
 - Supply Chain projects to deliver multi user distribution centres in Sydney and Brisbane
 - Inventory planning and management system
 - Information systems transformation
 - Change management
 - Ray's Outdoors strategic review
- The Group have invested in a number of small businesses that are in early development phase. These businesses are focused on digital opportunities and included in project results
- The prior comparative period included a net tax and revenue benefit that is not repeated in the current year

	2014/15 \$m	change on pcp \$m
EBIT	(23.7)	(14.6)
<u>Comprising:</u>		
Corporate costs	(5.5)	0.3
Multi-Channel & Un-utilised storage	(12.4)	(2.6)
Group projects & other	(5.8)	(1.4)
Net tax and Revenue Adjustment	0.0	(10.9)

Group Cash Flow and Balance Sheet

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- Group inventories well controlled given growth in store numbers, increase in direct sourcing and lower AUD impacting unit costs.
- Trade payables benefiting from pre 30 June year end close – circa \$50m impact will be reversed in 2015/16 year.
- Net inventory to sales at circa 13% excluding timing benefits – long term target below 10%.
- Strong underlying operating cash flow performance has funded investment in new and refurbished stores and multi-channel development program.
- Capital investment of \$39m in new and refurbished stores and \$33m in DC network expansion and information systems.
- The completion of the Brendale distribution centre mobilisation represents the peak capital and operating cost expenditures associated with the supply chain program
- Net debt is slightly favourable to pcg

	Jun 15 \$m	Jun 14 \$m
Inventory		
- Auto Retailing	183.3	173.7
- Leisure Retailing	153.8	159.8
- Sports Retailing	161.8	151.2
- Group & Unallocated	6.7	5.4
Total	505.6	490.1
Trade and other payables	(268.6)	(271.4)
Net inventory investment	237.0	218.7

Operating cash flow	182.0	167.2
Capital expenditure	71.9	110.6

Net External Debt	378.9	382.6
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Team Members Scorecard

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- Team Member engagement measured on an 18 month cycle – next survey is October 2015. Retail industry average is 55%.
- Retention measure includes all team members employed on a casual basis
- Safety performance is below retail industry average. Group wide safety focus established as a priority in the 14/15 year. Positive results being achieved to date in the 15/16 year - targeting a 30% improvement in year on year safety performance.
- Group has consistently managed to fill roles on average within 20 days of a vacancy being created.
- Current focus on gender diversity with three priority areas – flexible work arrangements, female talent development and female talent attraction

	Target	June 15	June 14
Engagement	70%	68%	68%
Retention	75%	75%	76%
Safety	Zero Harm	13.2	12.1
Attraction	<28 days to fill	22	23
Diversity	40%	28%	24%

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2015/16 Trading Update

	Auto	Leisure	Sports
16 week performance YTD:			
Total Sales growth	+5%	+6%	+7%
LFL Sales growth	+3%	+5%	+5%
Gross and EBIT Margin vs PCP	+	-	+
Full year expectation:			
New Stores	10 to 15	5 to 7	6 to 8
Closures			7
Refurbishments, extensions and relocations	60 to 65	25 to 30	14 to 19

Group

- Supply chain development costs expected to be circa \$10m
- Other development projects expected to be circa \$2m
- Other Group Costs expected to be circa \$7m
- Planned full year capital expenditure circa \$100m to support new stores, refurbishment programs and digital investment

2015/16 – Is a 53 week year

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

Rays Transformation

5 Pilot stores – Rothwell, Nunawading, Fountain Gate, Darwin and Bundaberg



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2014/15 Performance

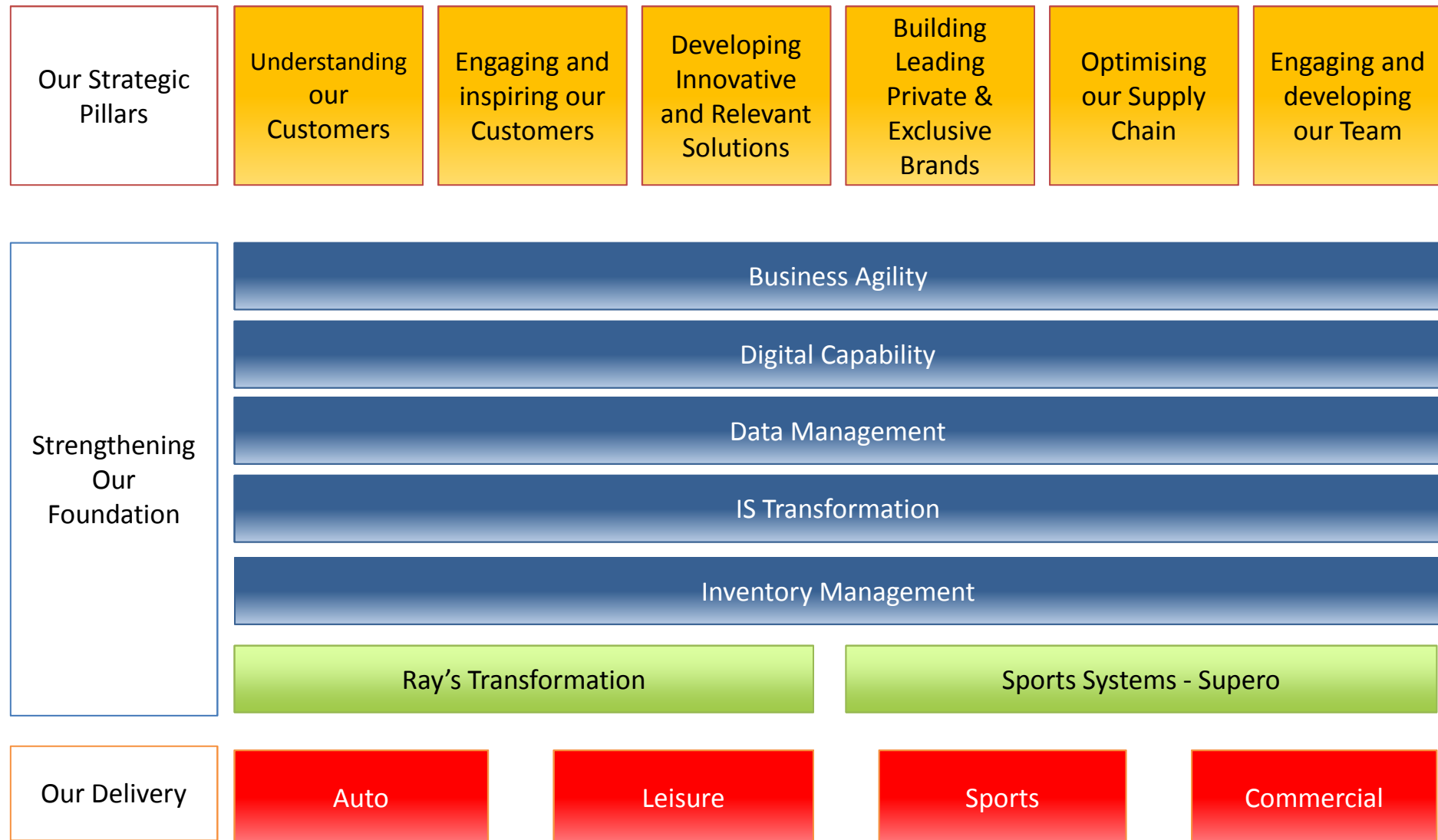
2015/16 Update

Group Strategy

Our Strategic Roadmap



Our Strategic Programs



Auto Retailing – Key Strategic Initiatives

(5 year goal)			
NETWORK EXPANSION (350 STORES)	LFL SALES GROWTH (> 3% PA)	EBIT MARGIN (12%)	PRE TAX ROC (> 40%)
Understanding our Customers	<ul style="list-style-type: none"> • SCA club + membership now at over 1.4 million - 1.1 million active • Understanding and meeting needs of 2 new customer types 'Alex' and 'Kathy' representing a significant market opportunity • Use of customer analytics to drive marketing and ranging 		
Engaging and Inspiring our Customers	<ul style="list-style-type: none"> • Rollout of store of the future at 50 stores per annum • Further development of on line offer and content • Development of services in store and out of store • Continued move from traditional media to direct marketing • Auto Trade Direct being more closely integrated with Supercheap Auto 		
Innovative and Relevant Solutions	<ul style="list-style-type: none"> • Maintaining 25% of range being refreshed each year • JDA planning and replenishment system benefits realisation • Targeting inventory turns of 3x 		
Leading Private and Exclusive Brands	<ul style="list-style-type: none"> • Targeting up to 50% of the range being private and exclusive brands • Continued move to category specific private brands 		

Leisure Retailing – Key Strategic Initiatives

(5 year goal)			
NETWORK EXPANSION (220 STORES)	LFL SALES GROWTH (> 3% PA)	EBIT MARGIN (11%)	PRE TAX ROC (> 30%)
Understanding our Customers	<ul style="list-style-type: none"> BCF / Rays club membership now at 3.2 million - 1.4 million active Developing Rays Outdoors offer to meet the needs of the target customer groups – the ‘Traditionalist’, the ‘Socialiser’, the ‘Progressive’ Use of customer analytics to drive marketing and ranging 		
Engaging and Inspiring our Customers	<ul style="list-style-type: none"> Ray’s restructure pilot new concepts and rollout through whole network BCF new store formats –20 stores refurbished in FY 16 Further development of on line offer, content and fulfilment Continued move from traditional media to direct marketing 		
Innovative and Relevant Solutions	<ul style="list-style-type: none"> Maintaining 25% of range being refreshed each year Development of camping, travel, caravanning and apparel ranges Leveraging JDA planning and replenishment system Targeting inventory turns of 3x 		
Leading Private and Exclusive Brands	<ul style="list-style-type: none"> Targeting up to 30% of the range being private and exclusive brands Continued move to category specific private brands rather than generic house brands 		

Sports Retailing – Key Strategic Initiatives

(5 year goal)			
NETWORK EXPANSION (250 STORES)	LFL SALES GROWTH (> 4% PA)	EBIT MARGIN (11%)	PRE TAX ROC (> 21%)
Understanding our Customers	<ul style="list-style-type: none"> • Rebel / Amart club membership now at 3.0 million – 1.5 million active • Use of customer analytics to drive marketing and ranging 		
Engaging and Inspiring our Customers	<ul style="list-style-type: none"> • Amart store rollout and Rebel store refurbishments • Testing new formats – ‘Rebel ‘ high street format and Amart Sports local • Rebranding Workout World and integrating with Rebel • Further development of on line offer and content – targeting 10% of sales • Continued move from traditional media to direct marketing 		
Innovative and Relevant Solutions	<ul style="list-style-type: none"> • Development of athletic footwear, football, training apparel, supporter wear, cycling and fitness • Implementation of assortment planning system • Targeting inventory turns of 3x 		
Leading Private and Exclusive Brands	<ul style="list-style-type: none"> • Targeting up to 25% of the range being private and exclusive brands • Focus on private brands in equipment and fitness and exclusive brands in footwear and apparel 		

Supply Chain and Inventory Management

(3 year goal)

SUPPLY CHAIN
COSTS REDUCED
BY 1% OF SALES

STOCK TURNS
OF >3 ACROSS
THE GROUP

IN STOCK
LEVELS >
96.5%

Inventory Management

- Bedding down of JDA systems in Auto and Leisure and implementation of JDA into Sports
- Clear, time-phased inventory reduction targets as part of enhanced sales & operational planning process
- Improvement targets:- Leisure 30%; Auto 10%; Sports 5%

Optimising our Supply Chain

- Optimising multi-user DC network – productivity and utilisation
- Freight optimisation – network, primary and secondary freight
- Direct to store conversion to DC replenishment
- International store ready
- Supply methods including integrated offshore logistics hubs
- Enhanced management systems for inventory and supply chain to provide greater visibility of cost and performance
- Development of multi channel fulfilment capability
- Sports migration from 3PL (Third Party Logistics)

Engaging and Developing our Team

(5 year goal)

ENGAGEMENT >70%	RETENTION > 75%	SUCCESSION > 70%	SAFETY 30% ↑ pa	ATTRACTION < 4 weeks	DIVERSITY > 40%
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Engaging and Developing our Team

- Cultural Paradigm shifts – Customer Centricity, Collaboration, Change Leadership
- Attraction: Group wide opportunities, remuneration structures, social media, cultural
- Engagement: Engagement survey actions, reward and recognition, communication
- Safety: Active leadership, risk management, reporting, education, wellbeing program
- Capability and Succession: learning and development programs, performance management and succession planning systems, learning management system
- Diversity: recruitment, flexibility, internal development

Delivering our Financial Targets

To deliver compound annual growth in EPS of greater than 15%

To grow return on capital to greater than 15%

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
- Reposition Ray's
- Amart Sports scale and profitability in new markets
- 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

- Lower domestic growth
- Consumer confidence
- Weakening Australian dollar
- Competitive intensity
- Investment in in-store customer experience
- Investment in digital capability