

22 October 2014

Company Announcement Platform
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Managing Director's address to Shareholders

The attached presentation forms the basis of the Managing Director's address to shareholders at today's Annual General Meeting.

Yours faithfully,



Robert Dawkins
GM Property Services and Company Secretary



Group Managing Director's Presentation

2014 Annual General Meeting

22 October 2014



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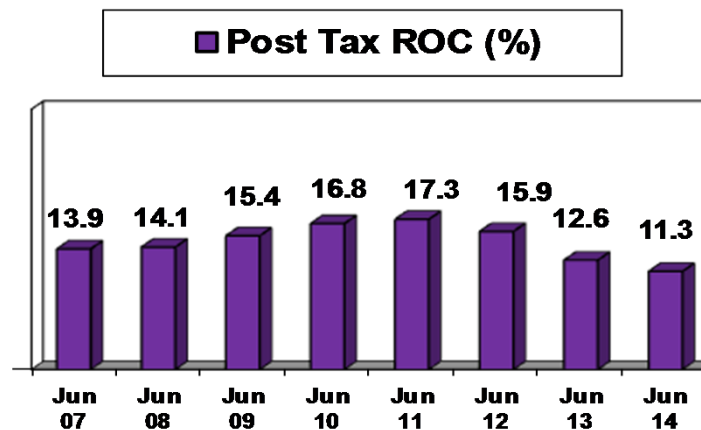
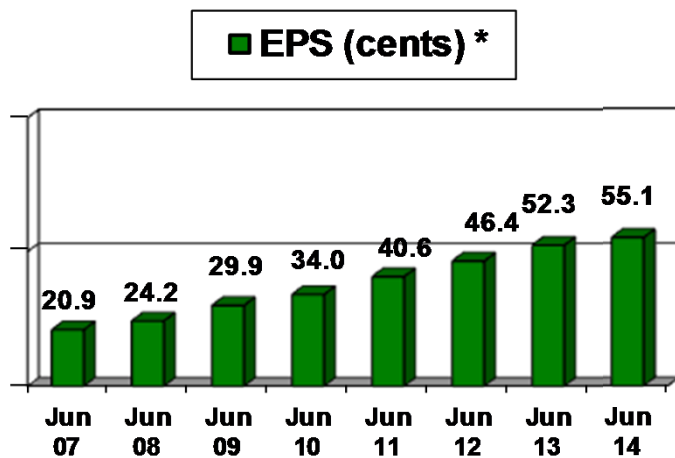
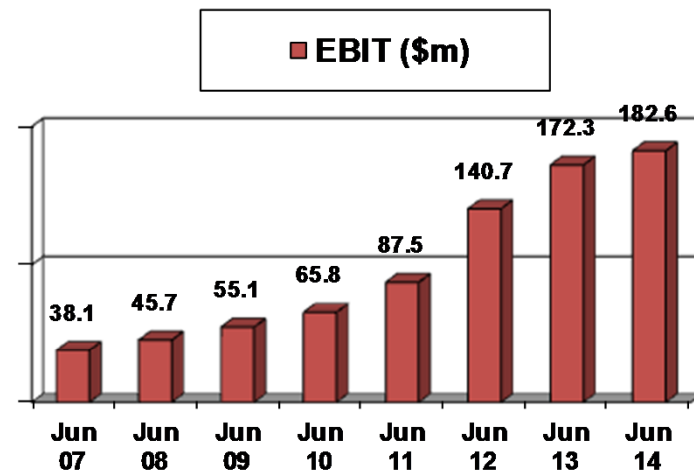
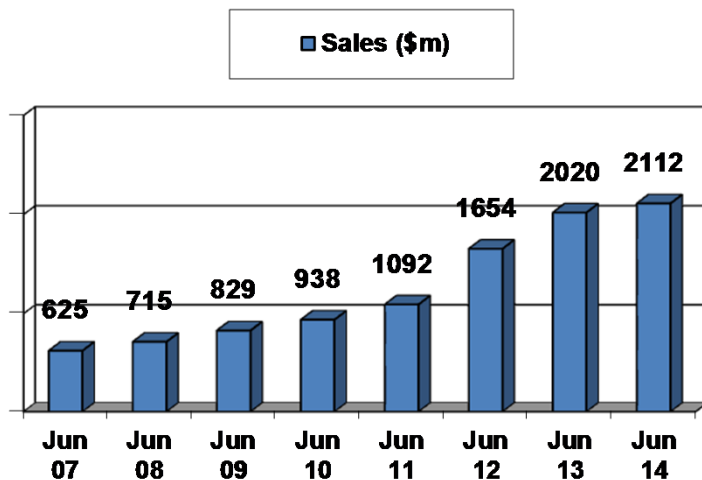
2013/2014 Financial Results

Group Highlights

- Group NPAT up by 5.6%
- Group EBIT up by 6.0%
- Group Sales up by 4.6%
- Dividends up by 5.3%

- Solid overall result but below our expectations
- Continued strong performance of Auto Retailing Division
- Leisure and Sports Retailing Divisions impacted by both internal and external factors
- Underlying NPAT decline of 7% after excluding current year tax benefit of \$2.2m and prior year restructuring provisions of \$11.3m
- Operating cash flow of \$167m up by 11% on prior year on an underlying basis
- \$65.3 million invested in new and refurbished stores and a further \$47.9 million invested in supply chain network and multi channel platforms
- Depreciation costs have increased from multi-channel investment
- Continued improvement in Team Member retention and engagement

Performance Trends



* - historical EPS adjusted to take into account the bonus element in the 2011 entitlement offer

Auto Retailing

- Divisional result includes Supercheap Auto and Auto Trade Direct
- Sales growth delivered from both solid LFL sales growth and new stores.
- All categories have grown LFL sales with the exception of a subset of Tools and all states have grown with the exception of Tasmania
- Sales growth underpinned by increase in customer numbers and average transaction value
- Loyalty club membership now at over 1 million
- Gross margin expansion has been achieved in all categories driven by trading terms, overseas sourcing, own brand development and quality improvements
- Cost of doing business has improved due to general efficiency measures. Marketing costs have reduced year on year.
- 5 new stores, 2 closures, 12 stores refurbished including 7 as Superstores – 291 stores at 28 June

	2013/14 \$m	change on pcp
Sales	818.2	3.7%
LFL sales growth		2.4%
Gross margin %	44.5%	+0.7% pts
EBITDA	115.7	10.6%
EBITDA margin %	14.1%	+0.8% pts
EBIT	94.5	8.5%
EBIT margin %	11.5%	+0.5% pts

Leisure Retailing

- Total sales growth driven by new stores in BCF and Ray's Outdoors stores
- BCF LFL sales decline has been driven by lower transactions due to new store cannibalisation and lower activity attributable to regional and mining service areas.
- BCF gross margins have increased in the second half compared to pcp.
- Rays Outdoors LFL sales growth has been achieved in key categories. Exit of Outdoors and BBQ products and lower winter apparel sales has tempered sales growth
- FCO repositioning has delivered 18% LFL NZD sales growth for the period. Strategy has increased customers and average transaction value. Repositioning strategy for FCO will continue over the next 18 months
- EBIT impacted by higher depreciation costs attributable to store rollout and investment in Group programs
- 9 new BCF stores and 3 new Ray's Outdoors stores opened and 1 closed during the period to bring total stores to 114 and 57 respectively. No new stores for FCO

	2013/14 \$m	change on pcp
Sales	552.5	5.7%
LFL sales growth		-0.2%
Gross margin %	44.8%	-0.9% pts*
EBITDA	47.9	-3.4%*
EBITDA margin	8.7%	-0.8% pts*
EBIT	33.0	-15.8%*
EBIT margin	6.0%	-1.5 %pts*
*Excludes \$6.0m Ray's Outdoors repositioning costs		

Sports Retailing

- LFL sales growth driven by increased traffic and average transaction value. LFL sales performance has been weaker in second half in both Rebel and Amart Sports.
- Total sales growth supported by thirteen new stores opened in the year including two Rebel, ten Amart Sports stores and one Rebel Fit store. Two Rebel and one Amart Sports stores closed.
- Amart Sports brand continues to establish itself in Victoria and NSW through new store openings. EBIT contribution not yet meaningful
- Division converted onto the Group SAP platform in the period with disruption to operating performance
- Gross margin performance was below prior period, impacted by SAP transition
- Included in the result are Goldcross Cycles store losses prior to closure circa \$1m (pcp circa \$5m). All Goldcross standalone stores are now closed.
- Workout World acquired in late November, contributing trading loss of \$2m
- December 2013 elevated stock levels from SAP implementation not reduced due to lower sales performance. Aged stock maintained below 5%

	2013/14 \$m	change on pcp
Sales	734.0	4.3%
LFL sales growth		2.6%
Gross margin %	45.7%	-0.4%pts**
EBITDA	80.6	-6.8%*
EBITDA margin%	11.0%	-1.3%pts*
EBIT	62.8	-14.7%*
EBIT margin %	8.6%	-1.9%*
<i>*Excludes \$10.2m to close GX standalone stores</i>		
<i>**PCP restated to reflect reallocation of back of store costs from cost of goods into operating costs</i>		

Group & Unallocated

- Group and Unallocated includes Group public company costs, smaller business investments & new initiatives and Group costs not allocated to segments
- Multi-channel development & unutilised storage include DC space not being utilised and allocated to business units and costs relating to the Group multi-channel development initiatives
- Increase in Multi-channel development costs is due to the transition costs for the Sydney DC and the broader multi-channel program
- Commercial & other includes SRG Commercial, consolidated investment in Oceania Bicycles, equity accounted investment in Infinite Retail (formerly VBM Retail) and other Corporate Development projects
- A Group tax review has resulted in the net receipt of GST claims and other revenue adjustments. Offsetting this benefit is indirect tax expenses plus additional income tax adjustments totalling \$7.7m included in the income tax expense line. Total net after tax benefit is \$2.2m.

	2013/14 \$m	change on pcp
Sales	7.4	48%
		<u>\$m</u>
EBITDA	(6.7)	+3.0
EBIT	(7.7)	+3.7
Comprising:		
Public company	(5.8)	(1.3)
Multi channel development & unutilised storage	(9.8)	(4.2)
Commercial & other	(3.0)	(2.1)
Rebel acquisition costs	0.0	0.4
Net tax and Revenue adjustments	10.9	10.9

Group Cash Flow

- Operating cash flow performance has been sound.
- Elevated inventory levels to manage systems implementation risk in Sports Retailing have been carried forward from December due to lower sales performance
- PCP operating cash flow benefitted from timing benefits of year end creditor payments (\$75m)
- New and refurbished store investment of \$65.3m is fully funded out of operating cash flows
- Investment in new and refurbished store Capex is split:
 - \$12.7 in SCA
 - \$11.6 in Leisure
 - \$21.3 in Sports
- Investment in other capital projects relates to DC network expansion (Sydney), inventory management capability (JDA) and IT projects including Sport SAP migration
- Business acquisition in the period is Workout World
- Related party loan to VBM Retail to fund recent growth

	Jun 14 \$m	Jun 13 \$m
Operating cash flow (pre store set up investment)	186.9	250.0
Store set up investment	(19.7)	(24.9)
Operating cash flow	167.2	225.1
Investing activities:		
- Store fitout	(45.6)	(43.6)
- Other capex	(65.0)	(59.8)
- Business Acquisition	(4.4)	(6.0)
- Loan to related party	(3.7)	0.0
Financing activities:		
- Dividends & interest	(105.6)	(95.4)
- Ext Debt (repayment)/proceeds	58.7	(45.7)
- Equity Issues	0.0	0.6
Net cash flow	1.6	(24.8)

Group Strategy

Challenges impacting the Retail Industry

Global competition	International retailers setting up stores, acquiring domestic businesses and targeting their on-line offer to Australia/New Zealand
Multi-channel	Customers increasingly researching and transacting on-line. Consumers have the power. Development of more agile low cost internet specialist retailers
Marketing effectiveness	Proliferation of media channels leading to fragmentation of audience. Customers increasingly using search and social media. Declining benefit from traditional marketing and catalogues – increasing focus on direct marketing
Evolving business models	Suppliers/brand owners becoming retailers, retailers developing their own brands. Retailers competing with their suppliers
Workforce demographics	Fewer young people coming into the workforce – retailers need to look at the structure and cost of their workforce
Supply chain complexity	Increased volume and shorter lead times of multi-channel retailing and international sourcing increase cost and complexity of supply chain
Increased regulation	Cost and complexity arising from increased regulation of business

Implications for Super Retail Group

Historical levers of differentiation will no longer succeed

Increasingly difficult to differentiate through product and price when customers can access product from many retailers across the globe

Building a stronger emotional connection with customers is a must

The Retail brands need to have clear identities which must be presented consistently across all customer touch points
Engaging and inspiring customers around their passions can be a sustainable lever of differentiation
This will require significantly enhanced CRM capabilities

Organisational capabilities have to be 'World class' not 'Australasian class'

Capabilities need to be benchmarked against global competitors
An agile, low cost, responsive supply chain will be a pre-requisite to compete with best in class global peers and to support global sourcing of both branded and private brand product

Private and exclusive brands represent a strong opportunity

Private brands to be developed and managed as true brands – not just taking a low price lower quality position – there needs to be investment in design and brand management capabilities

Aligning team member behaviour and culture with customer offer will be a sustainable advantage

Building a culture in which our team are focused on inspiring and engaging our customers around their passions
Building a culture in which our team members can share our customers passions

Key Internal Challenges

Change Agenda

One Group wide aligned and focussed strategic agenda
Developing the required multi channel capabilities quickly enough and at a reasonable cost and managing change effectively
Immature multi channel management systems

Business Performance

Rays Outdoors and FCO Business review
Sales per square metre across the Leisure division
Stock turns across all divisions
Gross margin maintenance in Leisure and Sports divisions

Supply Chain

Effective sales and operational planning
Effective inventory management
Implementation of new logistics network and methods
Transparency of cost drivers across channels

Team Members

Maintaining our culture as we grow
Attracting, engaging and retaining the team we need to deliver our plans

How are we going to win?

Understanding our Customers

Developing a clear understanding of our customer's leisure passions, their search patterns, their buying behaviour and their opinion of our offer
Customer relationship management increasingly driving our store and website design, ranging, pricing, promotions and marketing

Engaging Customers across all Channels

Providing a consistent engaging and inspiring experience that reflects our brand personality for our customers across all channels and interactions

Innovative and Relevant Ranging

Consistent new product introduction. Tailoring the range at a store level
Extended ranging available on line through working with trade partners

Leading Private and Exclusive Brands

Designing, developing and marketing a strong portfolio of private and exclusive brands that can compete with international branded product on features and benefits but provide protection against direct price competition

Optimising our Supply Chain

Agile, cost efficient supply chain supporting growth in international sourcing of 3rd party and private branded product and growth in on-line business
Optimised inventory management across the Group

Engaging and Developing our Team

Developing and maintaining a culture that is consistent with our brand values, facilitates a solutions focus and attracts and engages motivated team members who share our customer's leisure passions

Group Vision, Mission and Goals

Our Vision

INSPIRING YOU TO LIVE YOUR PASSION

Our Mission

**TO PROVIDE SOLUTIONS AND ENGAGING EXPERIENCES THAT ENABLE
OUR CUSTOMERS TO MAKE THE MOST OF THEIR LEISURE TIME**

Our Goals

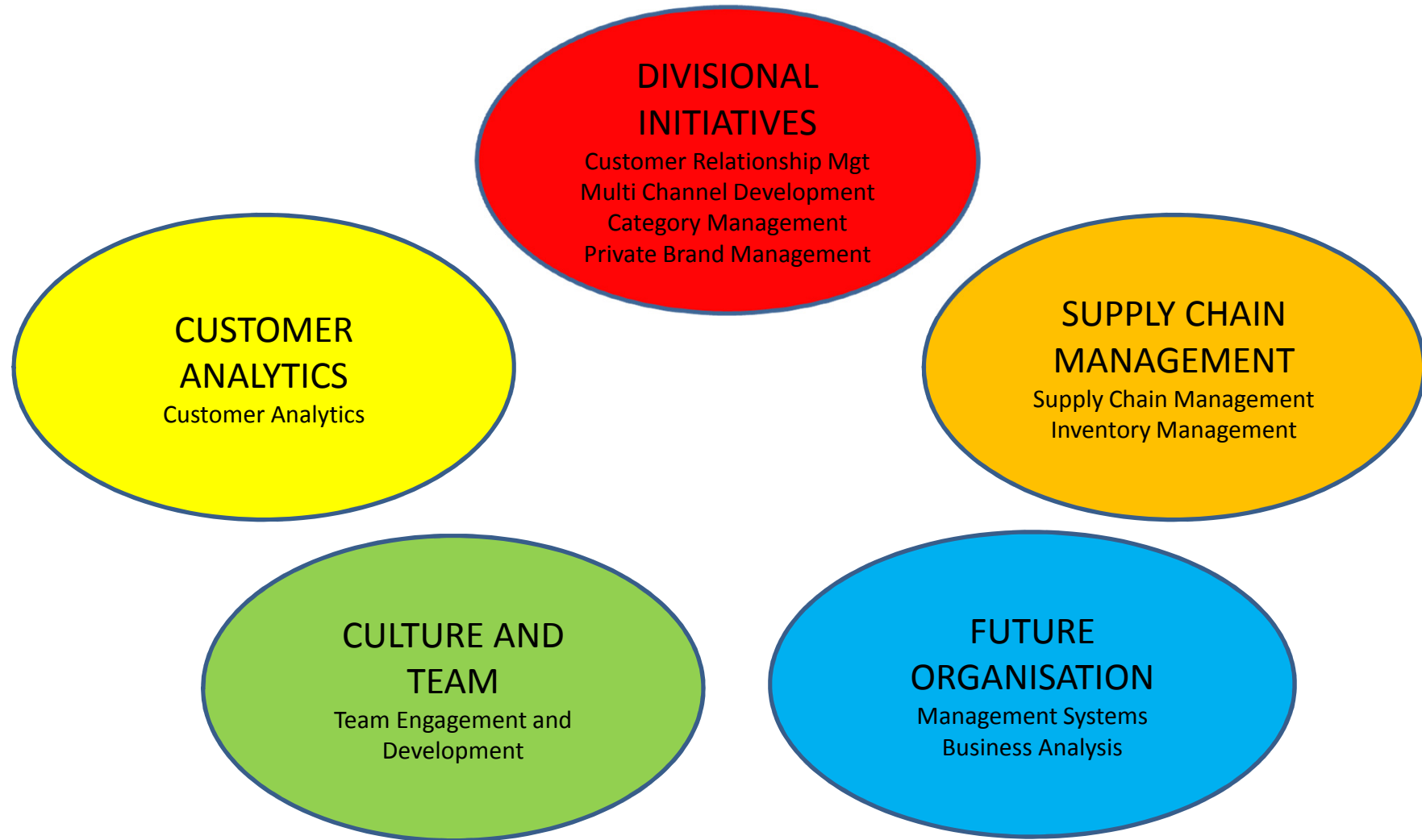
To be one of the 5
largest Australasian
retail companies

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%

Group Strategic Initiatives



Auto Retailing – Key Strategic Initiatives

(5 year goal)

**NETWORK
EXPANSION
(325 STORES)**

**LFL SALES
GROWTH
(> 3% PA)**

**EBIT
MARGIN
(12%)**

**PRE TAX
ROC
(> 40%)**

Understanding our Customers

- SCA club + membership now at 1 million – target 1.5 million plus
- 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 Customers across all Channels

- 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
- Trials of trade offers

Innovative and Relevant Ranging

- Maintaining 25% of range being refreshed each year
- Rollout of JDA planning and replenishment system
- Targeting inventory turns of 3x

Leading Private and Exclusive Brands

- 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
(225 STORES)**

**LFL SALES
GROWTH
(> 3% PA)**

**EBIT
MARGIN
(11%)**

**PRE TAX
ROC
(> 30%)**

Understanding our Customers

- BCF / Rays club membership now at 2.5 million
- Developing Rays Outdoors/FCO offer to meet the needs of the conflicting demands from their customers – the ‘Traditionalist’ vs the ‘Adventurer’
- Use of customer analytics to drive marketing and ranging

Engaging Customers across all Channels

- Rollout of store of the future – pace to be determined
- Further development of on line offer and content
- Continued move from traditional media to direct marketing

Innovative and Relevant Ranging

- 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

- Targeting up to 25% 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

- Rebel / Amart club membership now at 2.1 million
- Relaunch of loyalty programs
- Use of customer analytics to drive marketing and ranging

Engaging Customers across all Channels

- Amart store rollout and Rebel store refurb
- Testing new formats – Rebel Fit and Amart local
- Further development of on line offer and content – targeting 10% of sales
- Continued move from traditional media to direct marketing

Innovative and Relevant Ranging

- Development of athletic footwear, football, training apparel, supporter wear, cycling and fitness
- Implementation of JDA assortment planning system
- Targeting inventory turns of 3x

Leading Private and Exclusive Brands

- 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

2014/2015 Outlook

2014/2015 Outlook

Auto Retailing

- LFL sales growth in the first 16 weeks of 14/15 circa 4% (PCP 3%)
- SCA store development: circa 10 new stores, 45 refurbishments, extensions and relocations (including 2 super stores)

Leisure Retailing

- LFL sales growth in the first 16 weeks of 14/15 circa negative 8% (PCP 5%)
- Plan to open 4 new stores, close 2 stores and complete 3 BCF super stores

Sports Retailing

- LFL sales growth in the first 16 weeks of 14/15 circa 3% (PCP 6%)
- Plan to open circa 14 new stores, close 5 stores and refurbish up to 15 stores

Group

- Gross margins tracking below PCP in the year to date but expected to be in line over the full year
- Full year EBITDA margin expected to be in line with PCP (after excluding prior year one off tax and revenue adjustments benefits)
- Depreciation costs tracking in line with a 20% full year increase over PCP

Net Debt

- Planned full year capital expenditure circa \$90m
- Net debt expected to be circa \$350m at June 2015