



# 2016 Annual General Meeting

24 October 2016

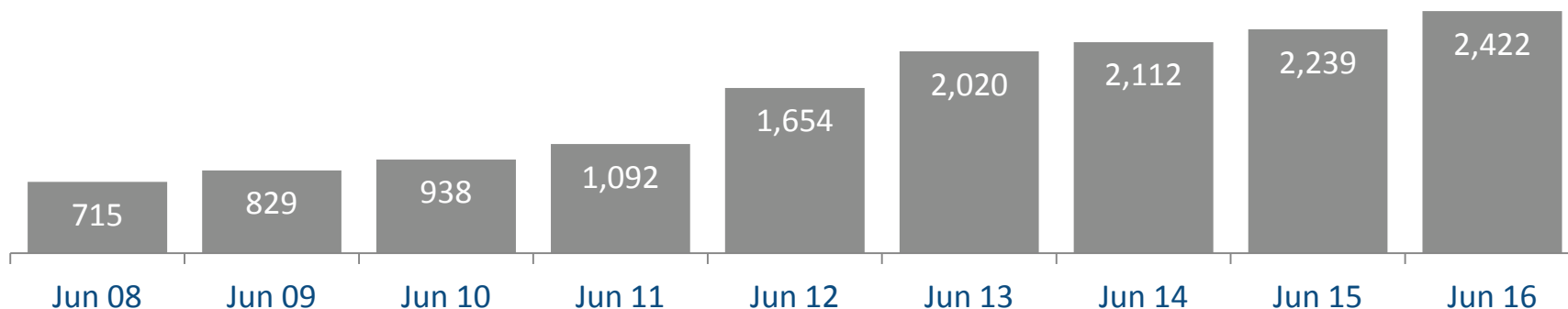


# Annual General Meeting – Chairman's Presentation

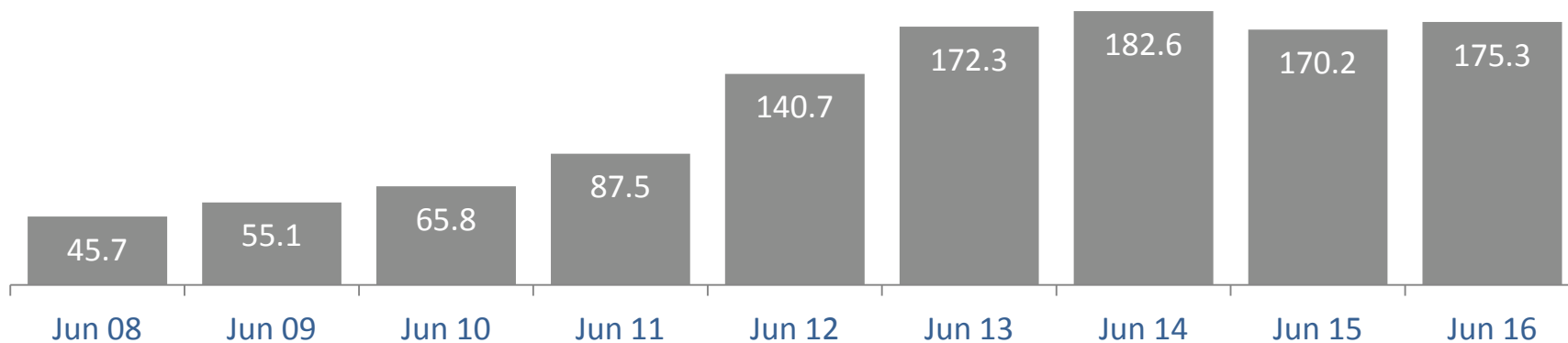
Robert Wright

24 October 2016

## Reported Sales (\$m)

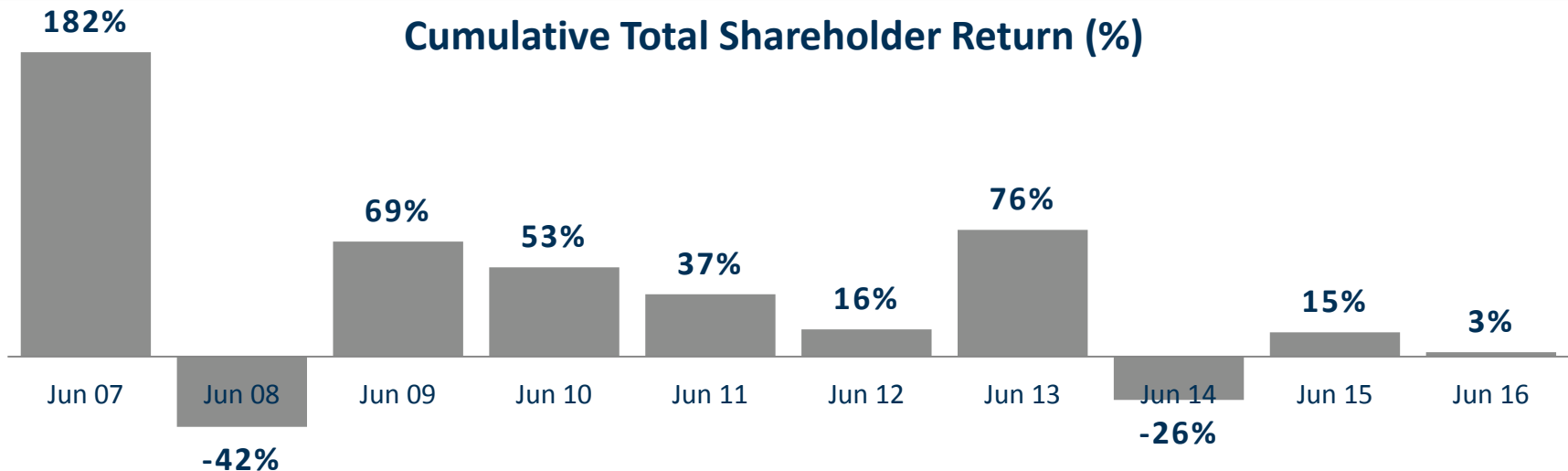


## Reported Total Segment EBIT (\$m)

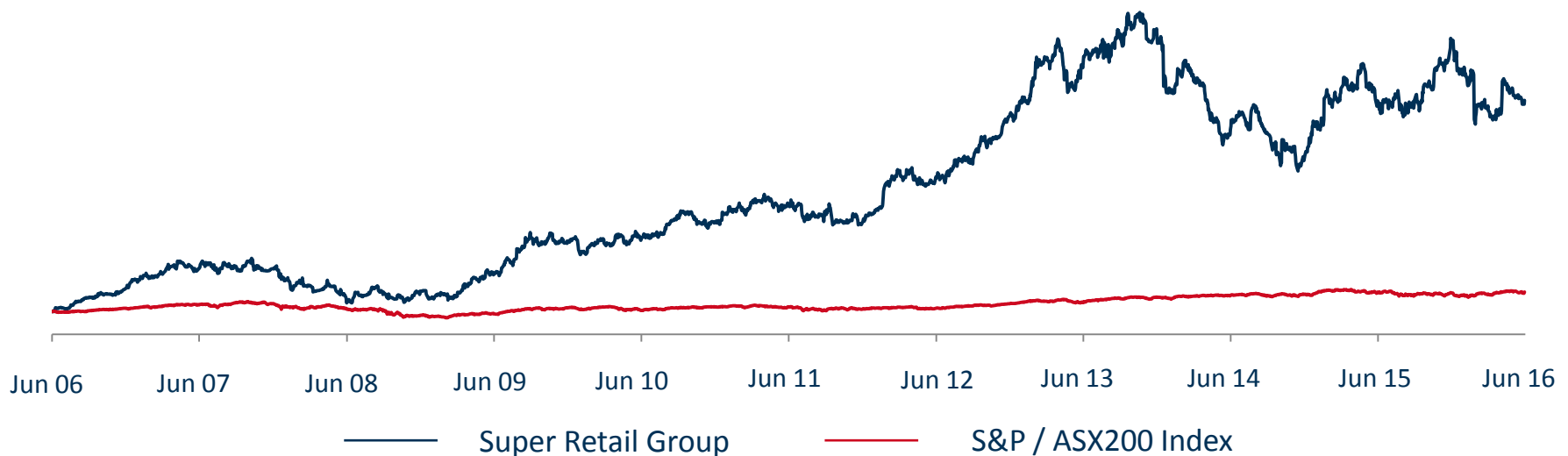


# Performance Trends

## Cumulative Total Shareholder Return (%)



## Value of \$1000 invested on 30 June 2006



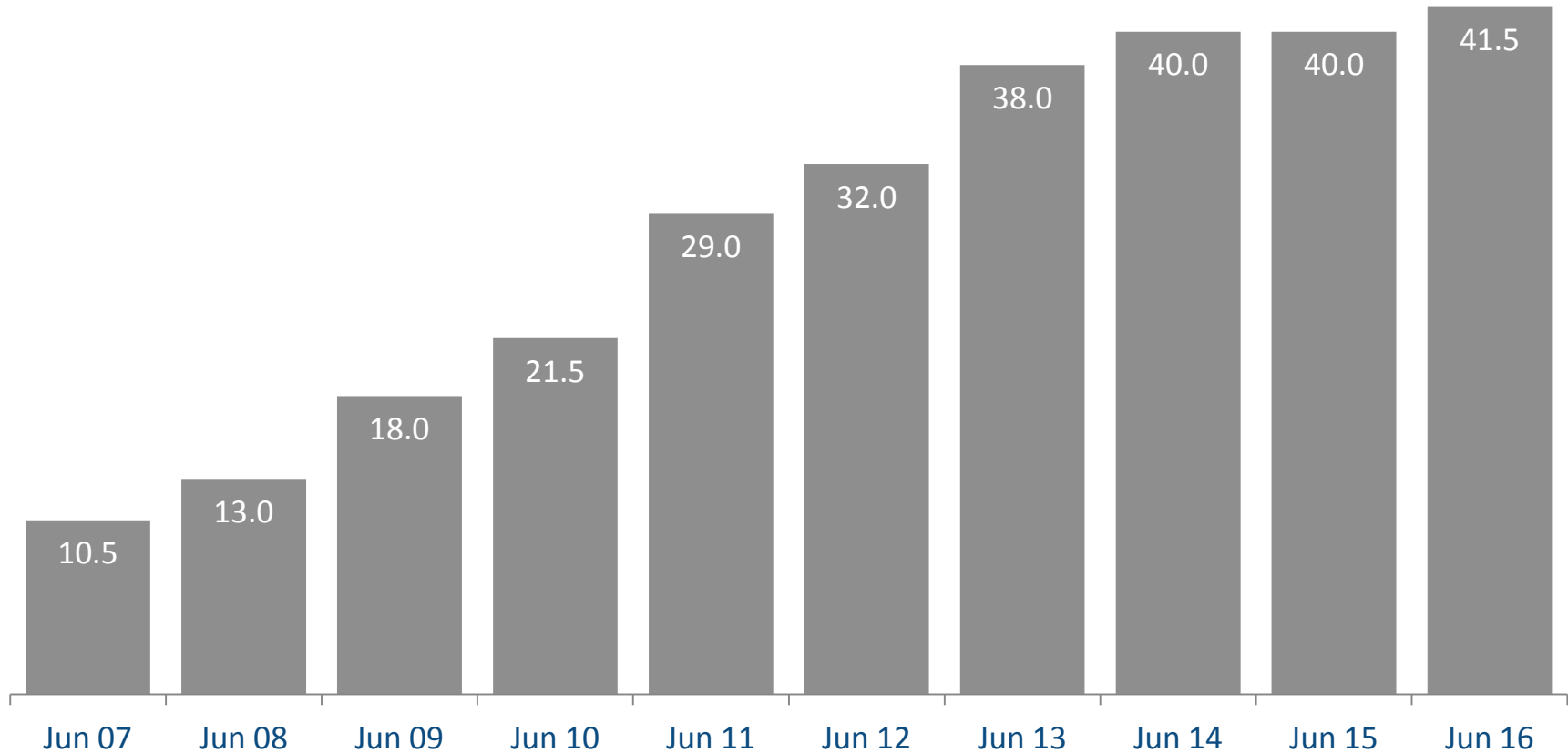
# Group Results

	2015/16 \$m	2014/15 \$m	Change on PCP
Normalised Net Profit after Tax (NPAT)	108.6	106.3	2.2%
Other items not included in Normalised NPAT	(45.8)	(25.2)	-
Profit attributable to owners – continued operations	62.8	81.1	(22.6%)

# Group Results

	2015/16 \$m	2014/15 \$m	Change on PCP
Operating Cash Flow (excluding week 53 net payments)	197.1	182.0	8.3%
Capital Expenditure	(79.9)	(71.9)	11.1%
Financing Cash flows	(77.0)	(121.1)	NA
Net Cash Flow	2.3	(11.0)	NA

## Reported DPS (c)

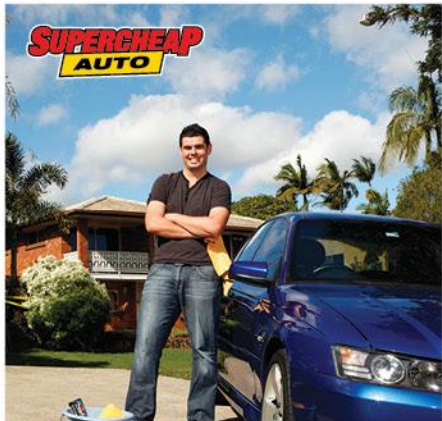




# Annual General Meeting – Group MD & CEO Presentation

Peter Birtles

24 October 2016



# Contents

2015/16 Financial Results

2016/17 Trading Update

Group Strategy

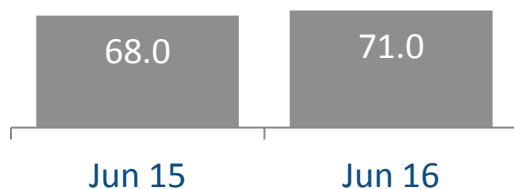
# Group Results

	2015/16 \$m	Change on PCP
Total Sales	2,422.2	8.2%
Total Segment EBITDA	245.7	6.4%
Total Segment EBIT	175.3	3.0%
Normalised NPAT	108.6	2.2%
Operating Cash Flow	159.2	(\$22.8m)
Net External Debt	400.2	\$21.3m
Dividend	41.5c	1.5c

# Performance Trends

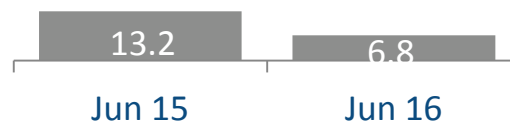
## Team

### Team Engagement

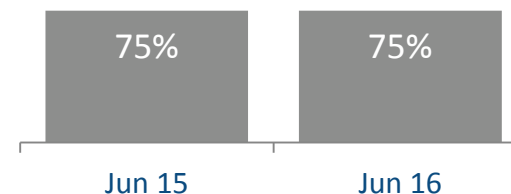


### Safety

#### Lost Time Injury Frequency Rate

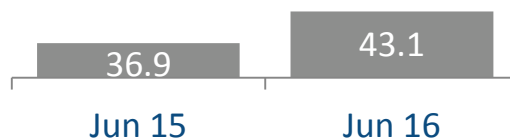


### Team Retention

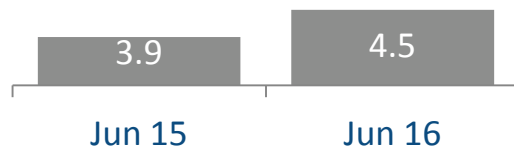


## Customer

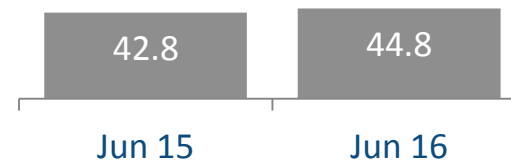
### Average Net Promoter Score (%)



### Active Club Members (m)



### Customer Transactions (m)



- Average of NPS scores of each Division

# Segment Results

	2015/16		2014/15	
	Sales \$m	Segment EBIT \$m	Sales \$m	Segment EBIT \$m
<b>Auto Segment</b>	<b>922.8</b>	<b>104.6</b>	<b>854.3</b>	<b>96.0</b>
<b>Leisure Segment</b>	581.9	18.6	543.2	32.3
<b>Sports Segment</b>	910.2	77.8	835.0	65.6
<b>Group &amp; Unallocated</b>	7.3	(25.7)	6.2	(23.7)
<b>Total Segment Result</b>	2,422.2	175.3	2,238.7	170.2

Segment Results are net of non-controlling interests (EBIT only) and excludes the business restructuring costs for Ray's Outdoors and Infinite Retail. Refer the segment notes below.

# Segment Results

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# Leisure Performance Plan Update



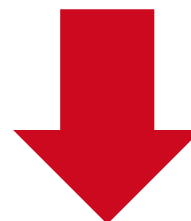
**RAY'S**

## BCF

	1 <sup>st</sup> half	2 <sup>nd</sup> half
LFL Sales growth	3.1%	8.2%
Gross margin vs pcp	-3.6%	-1.2%
EBITDA vs pcp	-\$6.2m	+\$0.6m
EBITDA margin vs pcp	-3.5%	-0.9%



**55**  
Stores



**17**  
Stores



# Segment Results

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# Segment Results

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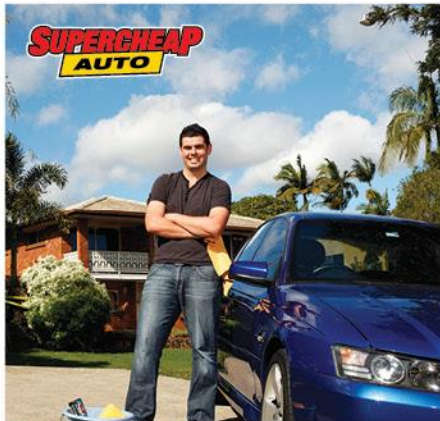
Segment Results are net of non-controlling interests (EBIT only) and excludes the business restructuring costs for Ray's Outdoors and Infinite Retail. Refer the segment notes below.

# Group Cash Flow

	2015/16 \$m	2014/15 \$m
Operating cash flow (pre store set up investment)	184.4	196.2
Store set up investment	(25.2)	(14.2)
Operating cash flow	159.2	182.0
Stores	(56.1)	(38.8)
Other Capex	(23.8)	(33.1)
Investing Cash flow	(79.9)	(71.9)
Dividends & interest	(100.3)	(100.5)
Ext Debt (repay)/proceeds	23.3	(20.6)
Financing Cash flow	(77.0)	(121.1)
<b>Net Cash flow</b>	<b>2.3</b>	<b>(11.0)</b>

# Group Balance Sheet

	Jun 16 \$m	Jun 15 \$m
Inventory		
- Auto Retailing	188.7	183.3
- Leisure Retailing	145.8	153.8
- Sports Retailing	162.7	161.8
- Group & Unallocated	4.7	6.7
Total Inventory	501.9	505.6
Trade and other payables	(251.1)	(268.6)
Net inventory investment	250.8	237.0
Property, Plant and Equipment & Computer Software	315.2	311.2
Net External Debt	400.2	378.9



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## Auto Retailing

- LFL sales growth in the first 16 weeks of 2016/17 circa 2.5%
- Auto categories performing solidly but Tools categories impacted by competitive clearance activity, which is expected to conclude in December
- SCA store development: plan to open 15 new stores and close two stores, 45 refurbishments, extensions and relocations

## Leisure Retailing

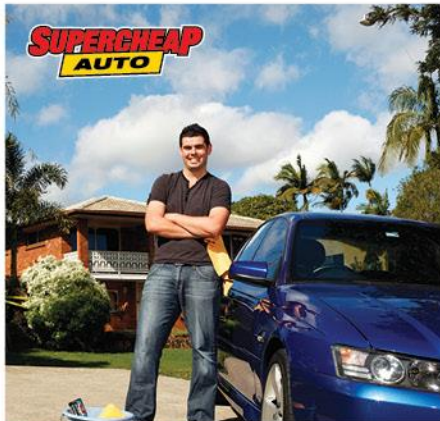
- LFL sales growth in the first 16 weeks of 2016/17 circa 6%
- 1st quarter Rays Outdoors clearance has boosted its LFL sales growth but dampened BCF's LFL sales growth
- Rays Outdoors clearance activity and store closures are complete
- Store development plan to open 14 BCF stores (3 new sites and 11 conversions for Rays Outdoors sites)

## Sports Retailing

- LFL sales growth in the first 16 weeks of 2016/17 circa 4.5%
- Store development: plan to open two new Rebel stores and 12 Amart Sports stores (including 5 conversion of Rays Outdoors sites)

## Group

- Group Unallocated costs to be circa \$21m, including Corporate \$8m, unutilised DC storage \$5m, Digital \$5m, and Other \$3m
- Planned capital expenditure of circa \$110m to support the larger store development program, RAYS transformation and investment in information systems



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Group Strategy

# Changing Retail Market

*How are external market forces shaping our strategy?*

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 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%

## OUR VALUES

Passion

Openness

Integrity

Care

Discipline

# Our Strategic Roadmap

## OUR VISION

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## 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 and Efficient  
Supply Chain

Engaged and Capable  
Team

Strong, Sustainable  
and Efficient  
Foundations

## TODAY

Solutions that engage and inspire our customers

Market leading retail brands in all our categories (apart from outdoor adventure)

Strong portfolio of existing stores in the right location for our target customers

In store experience that benchmarks strongly against best in class for our categories

First to market access to the best products through our strong partnerships with our trade partners and our sourcing and supply chain capabilities

Market leading digital engagement with our retail brands – conversion currently below par

Extension of our offer into physical services to provide customer solutions

Early exploration of digital business models extending service offering

## 5 YEAR PLAN

Group wide focus on driving customer endorsement through team and customer engagement

Opening circa 150 new stores over the next 5 years

Continual focus on improving customer experience through the store refurbishment program – circa 80 stores per annum

Continual focus on developing our trade partner partnerships

Developing ecommerce customer experience and fulfilment capabilities

Increasing range of services provided in store and out of store through partnering with 3<sup>rd</sup> party providers

Continued development of digital businesses and in developing interactive digital communities based around leisure passions

## TODAY

### Customer Understanding and Insight

Deep understanding of our target customers across all categories

Large active membership of loyalty programs:

Auto – 1.2 million active  
Leisure – 1.5 million active  
Sports – 1.8 million active

Basic in-house customer analytics capability

## 5 YEAR PLAN

Growing active membership and lifetime value

Strengthening in-house capabilities to generate insights to improve the customer experience and maximise customer lifetime value

## TODAY

### Leading Private and Exclusive Brands

Strong portfolio of private brands:

Auto circa 42% of sales  
Leisure circa 36% of sales  
Sports circa 14% of sales

Exclusive access to selected international brands

## 5 YEAR PLAN

Strong portfolio of differentiated private brands:

Auto circa 50% of sales  
Leisure circa 40% of sales  
Sports circa 25% of sales

Secure additional exclusive international brands

## TODAY

### Agile and Efficient Supply Chain

Distribution centre and freight network to support business plans are built and operational

Best of breed warehouse management and forecasting and replenishment systems

Some Sports logistics managed by 3PL

## 5 YEAR PLAN

\$20m cost savings driven through productivity, freight efficiencies and sports integration

Further \$55m to \$80m net inventory reduction delivered from existing capabilities and new allocations management systems

Multi channel fulfilment capability that meets customer expectations

## TODAY

### Engaged and Capable Team

Strong corporate culture built around core values and vision

High levels of team member engagement and retention

Improving performance across safety and diversity

## 5 YEAR PLAN

Evolving culture to support changing business model and team member expectations - customer centricity, collaboration and agility

Enhanced leadership and capability development

Sustained engagement and retention with improved safety and diversity

## TODAY

### Strong, Sustainable and Efficient Foundations

Strong cost control disciplines  
across the Group

Strong performance framework  
and IT infrastructure that supports  
traditional product and physical  
channel business model

Compliant sustainability and  
ethical sourcing practices

## 5 YEAR PLAN

\$10m group wide procurement and  
productivity savings program

Developing performance  
management framework to support  
evolving business model

IT Transformation:

- Establish 3<sup>rd</sup> party managed data centre
- Implementation of a new digital platform, middleware, business analytics and allocations systems
- Enhanced cyber security management

Enhanced sustainability and ethical  
sourcing governance

# Delivering our Financial Targets

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



# 2016 Annual General Meeting

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