



# *Super Retail Group*

Results for the 52 weeks to 2 July 2011

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18th August 2011

**Super Retail  
Group**



# Group Highlights

- Group NPAT up by 46%
- Group EBIT up by 37%
- Group Sales up by 16%

## LFL Sales Growth

	10/11	09/10	08/09	07/08	06/07
SCA	4.8%	5.0%	7.3%	4.8%	4.1%
BCF	4.6%	4.8%	12.5%	5.7%	13.5%

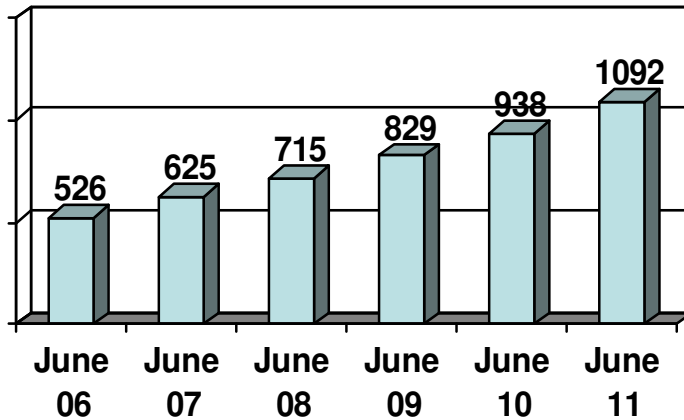
- Results demonstrate the strength of the Group's resilient business model – consistently delivering high earnings growth in both strong and weak retail markets
- Results driven by contribution from new stores, solid like for like sales growth and strong improvement in gross margins
- Results reflected continued strong performance of Supercheap Auto and BCF Boating Camping Fishing and a full year's contribution from Ray's Outdoors
- Strong operating cash flow performance driven by working capital management
- \$48.3 million invested in new and refurbished stores
- Continued improvement in Team Member retention
- Supercheap Auto recognised as Oracle Retail World Australian Retailer of the Year



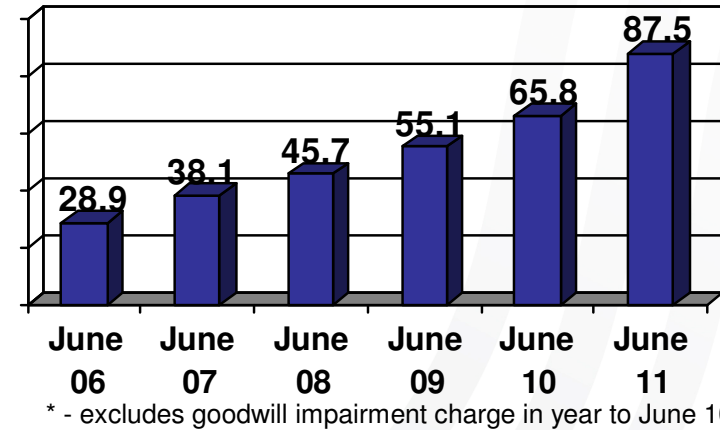
# Performance Trends



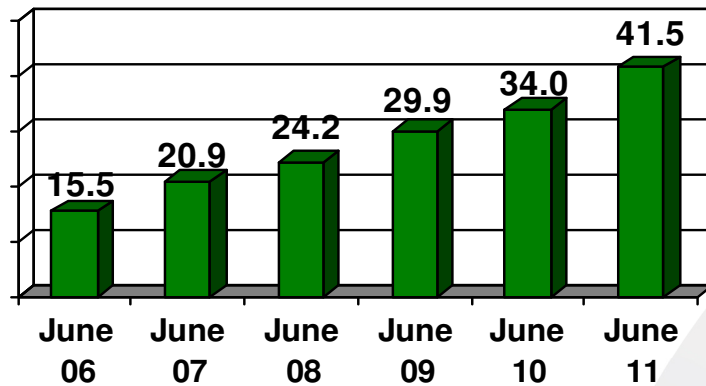
■ Sales (\$m)



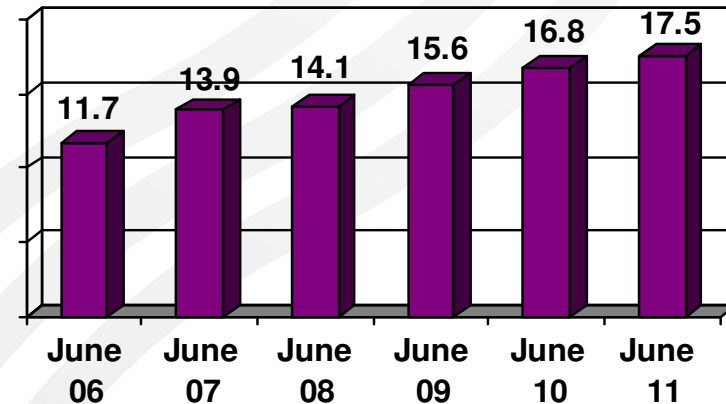
■ EBIT (\$m) \*



■ EPS (cents)



■ Post Tax ROC (%)



# Group Results



- Solid sales growth in both SCA and BCF through both new store and LFL growth
- Gross margin improvements across the Group
- 2010/11 Group NPAT impacted by:
  - \$1.3m Ray's Outdoors integration costs
  - \$0.6m one off corporate development costs
- PCP Group NPAT impacted by:
  - \$2.0m Goldcross Cycles impairment charge
  - \$1.7m Ray's Outdoors acquisition costs
  - \$1.5m interest rate swap positive mark to market adjustment
  - \$0.8m benefit from extra trading week
- Operating Cash Flow includes funding of \$24.4m working capital and opening costs for new stores and refurbishments
- Net Debt decreased by \$5m due to strong cash flow generation
- Full Year Dividend increased to 29.0cps, representing underlying 65% payout ratio

	2010/11 \$m	Change on pcp
Sales	1,092.3	16.4%
EBITDA	110.3	27.6%
EBIT excl pcp goodwill w/o	87.5	37.3%
NPAT	55.6	46.1%
Operating Cash Flow	70.9	\$18.3m
Net External Debt	73.5m	-\$5.3m
Dividend	29.0c	+7.5c

# Business Unit Results

	2010/11		2009/10	
	Sales	EBIT	Sales	EBIT *
	\$m	\$m	\$m	\$m
<b>Auto &amp; Cycle Retailing</b>	708.2	63.6	684.8	48.2
<b>Leisure Retailing</b>	384.1	32.0	253.2	21.3
<b>Group Costs**</b>		(8.1)		(3.7)
<b>Total Group</b>	1,092.3	87.5	938.0	65.8

\* - 2009/10 EBIT excludes Goldcross Cycles goodwill impairment charge

\*\* - Group Costs include:

- \$1.9m integration costs relating to the Ray's Outdoors acquisition,
- \$2.1m in unutilised DC, store and support office space costs retained at Group level,
- \$0.9m in corporate development project costs,
- \$0.7m in multi-channel development costs and
- \$2.5m public company costs



# Auto & Cycle Retailing



- Overall result reflects excellent Supercheap Auto contribution
- After accounting for additional week's trading in PCP, underlying total sales growth for SCA was approximately 6%
- SCA maintained momentum in LFL sales growth through the year building on 5% growth in PCP. Growth driven by increase in both customer numbers and average items per transaction
- Further improvements in gross margin driven by trading terms, overseas sourcing, own brand development, product quality, supply chain efficiencies and stronger A\$.
- 9 new stores, 2 closures, 35 stores refurbished including 3 as Superstores – 274 stores at 2 July
- Goldcross Cycles sales performance continued to be impacted by widespread discounting in an over-supplied market
- Strong growth in gross margin through own brand bicycles and supply chain initiatives despite discounting and clearance actions

	2010/11 \$m	change on pcp
<b>Sales</b>	708.2	3.4%
<b>LFL Sales (SCA)</b>		4.8%
<b>LFL Sales (GX)</b>		(14.1)%
<b>Gross Margin - SCA</b>	42.9%	+1.7%pts
<b>Gross Margin - GX</b>	34.8%	+3.0%pts
<b>EBITDA</b>	79.4	27.2%
<b>EBITDA Margin %</b>	11.2%	2.1%pts
<b>EBIT</b>	63.6	31.9%
<b>EBIT Margin %</b>	9.0%	+2.0% pts



- Overall result reflected strong sales and margin growth at BCF and full year contribution from Ray's Outdoors
- 9 new BCF stores and 12 new Ray's Outdoors stores opened during the year to bring total stores to 78 and 50 respectively
- Strong gross margin performance driven by trading terms, increase in direct overseas sourcing and supply chain efficiencies and higher Australian dollar
- Higher cost to sales ratio reflects relative increase in number of lower turnover smaller format stores, as well as impact of apparel and footwear requirements for Ray's Outdoors
- \$2m synergy benefits from Ray's Outdoors acquisition realised – forecast for 2011/12
- Strong BCF LFL sales growth building on 4.8% growth in PCP – driven by growth in both customer numbers and average item value
- Ray's Outdoors sales fell short of expectations as a result of legacy stock supply issues and an uncompetitive offer in some product ranges – gross margins strongly ahead of expectations

	2010/11 \$m	change on pcp
<b>Sales</b>	384.1	51.7%
<b>LFL Sales - BCF</b>		4.6%
<b>Gross margin %</b>	45.7%	+2.0%pts
<b>EBITDA</b>	38.9	49.9%
<b>EBITDA margin %</b>	10.1%	-0.1%pts
<b>EBIT</b>	32.0	50.5%
<b>EBIT Margin %</b>	8.3%	-0.1%pts

# Group Cash Flow



- New and refurbished store investment of \$48.3m being fully funded out of operating cash flows
- Operating Cash Flow -Store set up costs & inventory:
  - SCA : \$7.7m
  - BCF : \$8.7m
  - Ray's Outdoors : \$7.2m
  - Goldcross : \$0.8m
- Investing Activities - New Store fit-out:
  - \$2.3m SCA new stores
  - \$8.5m in SCA refurb/relocations
  - \$4.6m in BCF new stores
  - \$2.2m in BCF refurb
  - \$5.6m in Ray's Outdoors new stores
  - \$0.7m in Goldcross new and refurb stores
- Other Capex:
  - IT - \$6.7m vs \$4.5m last year
  - Supply Chain - \$0.4m vs \$0.6m
  - General capital projects – \$5.5m vs \$4.4m

	2011 \$m	2010 \$m
Operating cash flow (pre store set up investment)	95.3	70.0
Store set up investment (costs & inventory)	(24.4)	(17.4)
<b>Operating cash flow</b>	<b>70.9</b>	<b>52.6</b>
Investing activities:		
- Store fitout	(23.9)	(17.6)
- Other capex	(12.6)	(9.5)
- Business Acquisition	-	(52.9)
Financing activities:		
- Dividends & interest	(30.7)	(25.1)
- Ext Debt repay/proceeds	(10.1)	(22.4)
- Equity Issues	2.0	88.4
<b>Net cash flow</b>	<b>(4.4)</b>	<b>13.4</b>

# Group Balance Sheet



- SCA average inventory of \$546k per store is in line with PCP, with continued focus on supply chain efficiencies offsetting the increased stock weight of higher value products
- Average inventory per store is up by 6% in BCF due to increased kayak range, while implementation of full range and increased branded products has increased Ray's Outdoors store inventory by 37% on PCP
- Increase in Plant & Equipment primarily as a result of capital expenditure in new and refurbished stores
- Net Debt decreased by \$5.3m as a result of continued focus on working capital management

	Jun 11 \$m	Jun 10 \$m
Inventory		
- Supercheap Auto	150.1	144.9
- Boating Camping Fishing	78.0	65.3
- Goldcross Cycles	15.0	15.8
- Ray's Outdoors	48.8	27.1
- FCO	1.0	-
Total	292.9	253.1
(Trade creditors)	(122.4)	(99.6)
Net inventory investment	170.5	153.5
Plant and Equipment	109.3	105.3
Net External Debt	73.5	78.8

# Returns & Capital Ratios



- Improvement in EPS and fixed charge coverage ratio reflect the improved profit performance
- All cover ratios are well within covenanted levels
- Club bank facility has been maintained at \$190m, split between \$100m 2-year term debt and \$90m working capital
- Headline debt to capital ratio continues to improve and ROC continues to grow above target level
- Effective FX rate for the year was 1.00, up from 0.83 in pcp.
- *All ratios are calculated on underlying results (pre goodwill impairment, Ray's Outdoors acqn costs and interest rate swap MTM adjustment)*
- *Adjusted capital includes leases capitalised into debt at 6x annual charge*

	2011	2010
EPS – reported	43.1c	34.0c
Fixed charge cover	2.03x	1.96x
Average Net Debt	\$110m	\$130m

	2011	2010
Net debt : capital		
- Headline	19.5%	22.6%
- Adjusted	67.2%	65.9%
Annualised post tax ROC		
- Headline	17.5%	16.8%
- Adjusted	14.0%	13.7%



# *Group Strategy Update*



# Group Strategic Plan Overview

The Group's Strategic Plan has 3 components:

- Develop Existing Group Businesses
  - Primarily store development and merchandise development initiatives with the objective of growing Sales, EBIT and ROC at a business level
- Develop Group Integrated Multi Channel Capabilities
  - Initiatives with the objective of developing the Group's capabilities (People, Process, Systems) to operate as an integrated multi channel provider of products, information and related services
- Potential New Group Businesses
  - Opportunities to organically grow and/or acquire businesses to expand the Group's operations into adjacent retail categories





(5 year goal)

**NETWORK EXPANSION (320 STORES)**

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

**EBIT MARGIN (10%)**

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

Multi Format New Store Program : Circa 5 - 10 stores pa

Refurbishment Program - Circa 40 stores pa

Direct Sourcing

Inventory Optimisation

Multi Channel Development

Own Brand Development

Inventory and Supply Management:

- Demand Forecasting
- Ecommerce/Master Data Mgt
- Supply Chain Methods

Range Development

- Higher growth categories
- New product introduction

Productivity Initiatives:

- Business Efficiency
- Store Manning
- Space Planning

Value Added Services

- Fitment Services
- Trade Offer

Team Member Knowledge and Skills Development

Trade Partner Collaboration

- Data Sharing
- Forecasting
- Inventory Funding
- Performance Mgt

Loyalty and CRM



(3 year goal)

**NETWORK  
EXPANSION  
(20 STORES)**

**LFL SALES  
GROWTH  
(> 5% PA)**

**STORE  
CONTRIBUTION  
(7.5%)**

**PRE TAX  
ROC  
(> 21%)**

Store Relocations

Range Development

Direct Sourcing

Inventory Optimisation

New Channel  
Development

Own Brand Development

**Inventory and Supply Management:**

- Demand Forecasting
- Ecommerce/Master Data Mgt
- Supply Chain Methods

Store Format Development

**Productivity Initiatives:**

- Business Efficiency
- Store Manning
- Space Planning

Marketing Mechanics  
Development

Team Member Knowledge  
and Skills Development and Incentive Model

Loyalty and CRM

Plan options evaluated:

- Grow store network
- Maintain store network
- Close business
- Sell business



Ray's Outdoors



(5 year goal)

NETWORK EXPANSION (185 STORES)

LFL SALES GROWTH (> 4% PA)

EBIT MARGIN (10%)

PRE TAX ROC (> 30%)

New Store Program :  
- 3 Brands  
- 10 to 15 stores pa

New Channel Development

Range Development  
- Water Sports / Kayak  
- Trailer Camping  
- 4WD accessories  
- Apparel

Own Brand Development

Direct Sourcing

Inventory Optimisation

Inventory and Supply Management:  
- Demand Forecasting  
- Ecommerce/Master Data Mgt  
- Supply Chain Methods

Store Refresh program

Regional Ranging

Team Member Knowledge and Skills Development

Productivity Initiatives:  
- Business Efficiency  
- Store Manning  
- Space Planning

Trade Partner Collaboration  
- Data Sharing  
- Forecasting  
- Consignment

Loyalty & CRM

Store Systems Development

FCO Business Development





*"I love FCO Fishing Camping Outdoors because..*

*....it's the kind of store that inspire me to get into the great outdoors!*

*The product range is so big, I can get everything from the basics I need to the top of the range gear that I really want.*

*Their prices are great and the team is passionate about the outdoors, they know the product and the best places to use it."*

We will be famous for:

Fishing – Camping – Kayaks - Value Outdoors Apparel and Footwear

Leading brands will be stocked - supported by appropriate private level brands

Initial focus to develop 10 to 12 stores in the North Island in FY12

Plan to develop 20 stores in the next 3 years

Standard Format : 1,500m2

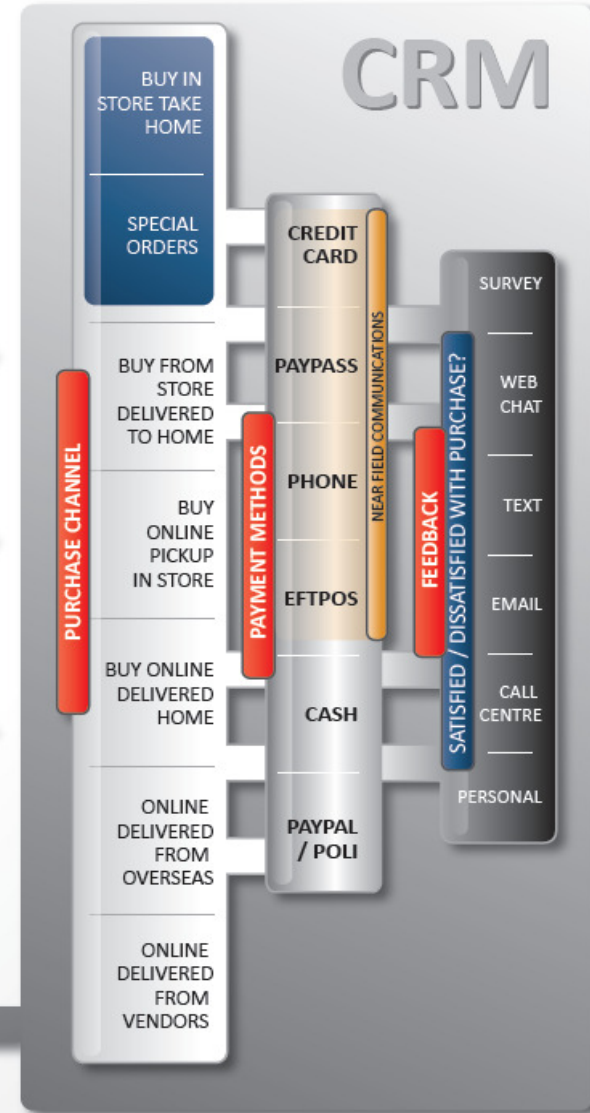
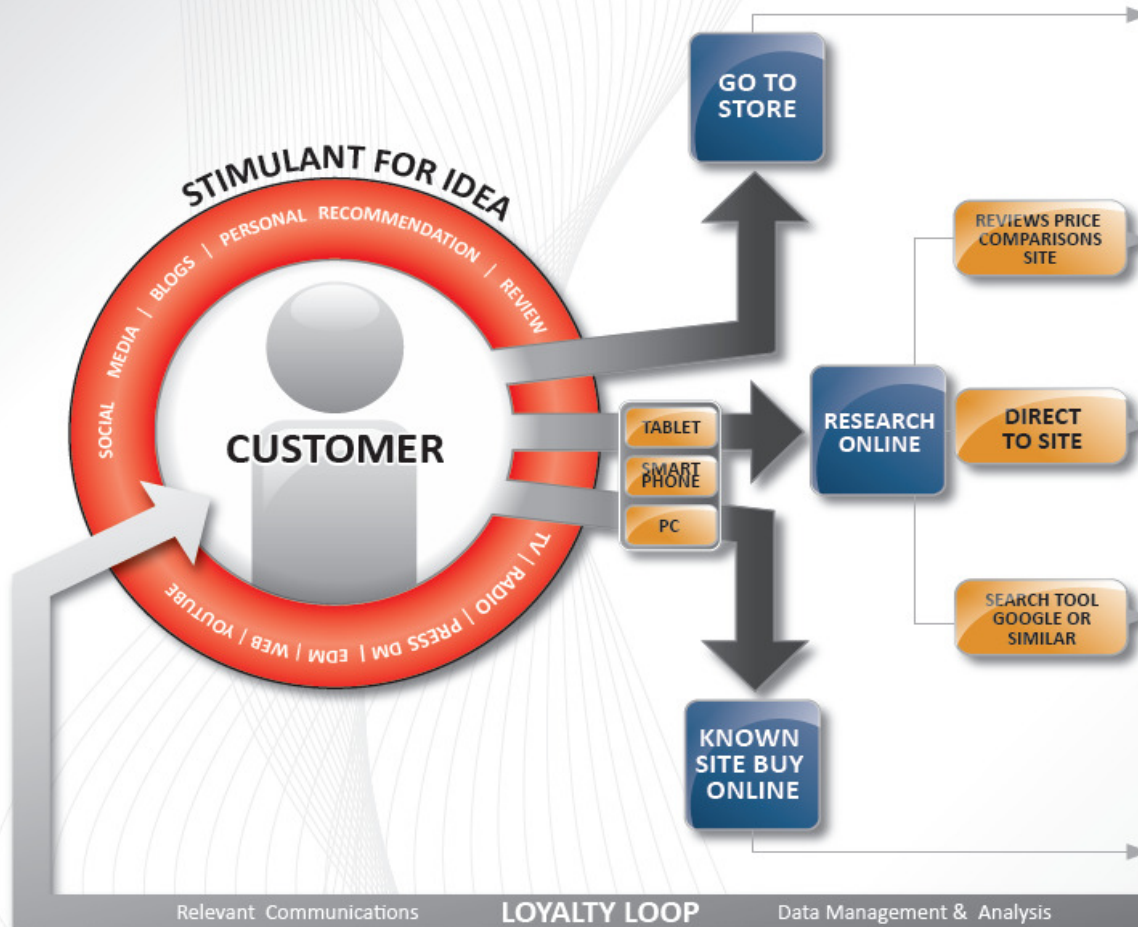
Net capital investment circa \$1m per store

Year 1 EBIT investment circa \$2.5m

# Future Integrated Multi Channel Model



## Customer Path To Purchase



# Integrated Multi Channel Development Programs

## CUSTOMER OFFER

- SAP CRM implementation
- CRM analytics & direct marketing
- Website mobilisation
- Website content development
- Customer feedback
- Customer forums
- Social media

## SUPPLY CHAIN

- Channel supply methods
- Cost to serve analytics
- WMS upgrade
- NZ DC expansion
- On line fulfilment model
- International logistics development
- Demand forecasting development
- China QI capability
- Group wide purchasing
- Time phased replenishment development

## INFORMATION SYSTEMS

- Multi channel POS development
- Cross channel fulfilment
- POS / SAP restructure
- On line cataloguing system
- Customer 3<sup>rd</sup> party orders / delivery

2011/12 Capital Expenditure - \$7m

2011/12 Revenue Investment - \$2m

# Team Member Development



(5 year goal)

<b>ATTRACTION</b> (<4 weeks vacancies)	<b>RETENTION</b> (>75%)	<b>ENGAGEMENT</b> (>75%)	<b>SAFETY</b> (TWI > 99.8%)	<b>SUCCESSION</b> (> 70%)
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# *Looking Forward*

## Auto & Cycle Retailing

- SCA LFL sales growth in the first 6 weeks of 11/12 circa 5%
- SCA store development : Plan to open 5 new stores, close 1 store, reconfigure 2 stores as Superstores and refurbish 30 stores during 11/12
- SCA gross and EBIT margins expected to show further small improvement in 11/12
- Goldcross Cycles: Focus is on sales and profit improvement and working capital reduction across a footprint of 20 stores. Plan to relocate a number of existing stores

## Leisure Retailing

- BCF LFL sales growth in the first 6 weeks of 11/12 circa 5%
- Ray's Outdoors LFL sales in the first 6 weeks of 11/12 below last year reflecting planned re-phasing of marketing and promotion support for late August / September brand relaunch
- Plan to open 20 to 25 stores across the division in 11/12
- Full year gross and EBIT margins expected to show small improvement in 11/12
- First FCO stores have soft opening in late August / early September

## Net Debt

- Planned full year capital expenditure circa \$37m
- Continued working capital improvements will contribute to further small net debt reduction