

Super Retail Group

Results for the 26 weeks to 31 December 2011

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Gary Carroll, Chief Financial Officer
22nd February 2012

Super Retail
Group





- Group NPAT up by 40%
- Group EBIT up by 49%
- Group Sales up by 35%

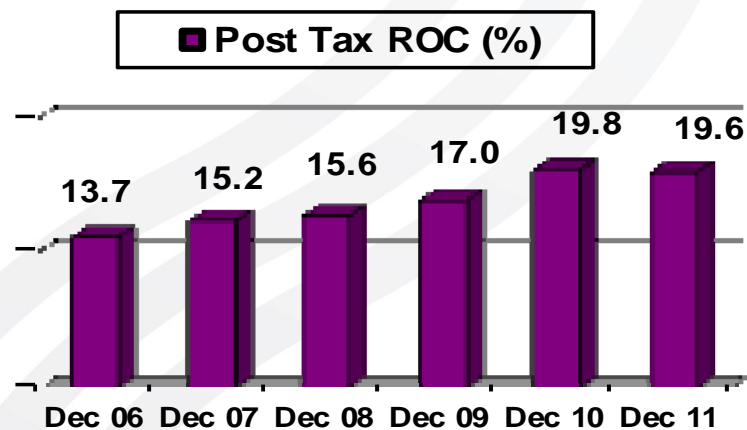
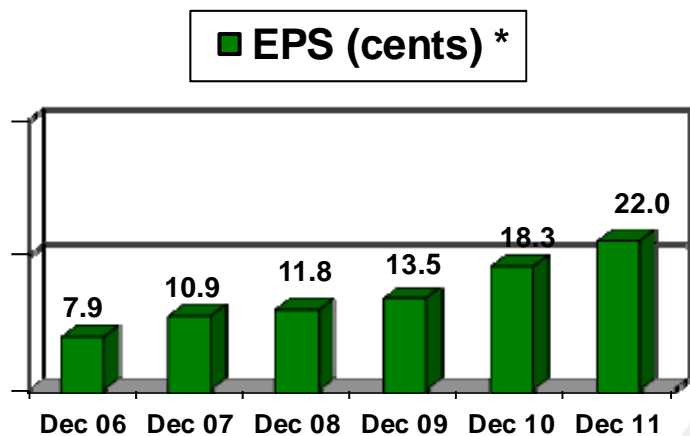
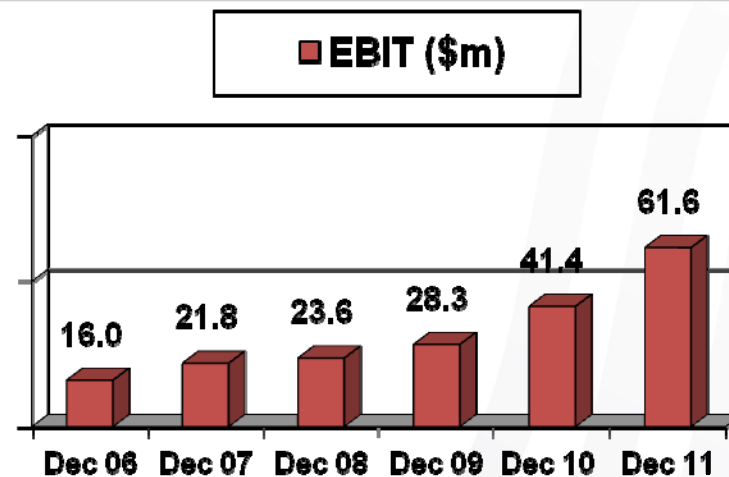
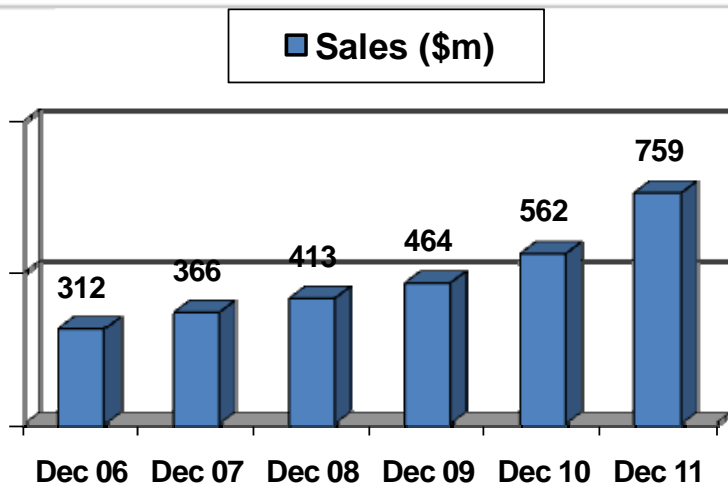
1st Half LFL Sales Growth

	11/12	10/11	09/10	08/09	07/08
SCA	3.5%	3.4%	6.1%	4.5%	4.7%
Leisure*	9.9%	1.5%	8.8%	6.8%	6.3%

* - Leisure is BCF only until 11/12

- Results continue to 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, an improved performance at Ray's Outdoors and nine weeks contribution from Rebel Sport/Amart All Sports
- Rebel/Amart initial performance ahead of expectation, integration and synergy benefit plan on track
- Strong operating cash flow performance driven by working capital management
- \$38 million invested in new and refurbished stores
- Continued improvement in Team Member retention

Performance Trends



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



- Solid sales growth in both SCA and BCF through both new store and LFL growth
- EBIT margin improvements across the Group
- 2011/12 Group NPAT impacted by:
 - \$10.3m transaction costs relating to the Rebel Group acquisition
 - \$1.5m FCO start-up costs
- PCP Group NPAT impacted by:
 - \$1.3m Ray's Outdoors integration costs
- Operating Cash Flow includes funding of \$31.3m for business acquisition costs and new and refurbishment store working capital and opening costs
- Net Debt increased due to Rebel acquisition, however capital structure remains conservative
- Half Year Dividend increased to 13.0cps, representing underlying 55% payout ratio

	2011/12 \$m	Change on pcp
Sales	759.2	35.1%
EBITDA	75.9	43.0%
EBIT	61.6	48.8%
NPAT	34.9	40.3%
Operating Cash Flow	75.5	+\$32.8m
Net External Debt	339.3m	+268.8m
Dividend	13.0c	+1.5c



	2011/12		2010/11	
	Sales	EBIT	Sales	EBIT
	\$m	\$m	\$m	\$m
Auto & Cycle Retailing	383.3	34.1	360.5	27.2
Leisure Retailing	247.1	23.6	201.4	18.2
Sports Retailing	128.8	17.7		
Group Costs*		(13.7)		(4.0)
Total Group	759.2	61.6	561.9	41.4

* - Group Costs include:

- \$10.3m transaction costs relating to the Rebel Group acquisition,
- \$1.1m in unutilised DC, store and support office space costs retained at Group level,
- \$0.4m in multi-channel development costs and
- \$1.9m public company costs



- Overall result reflects excellent Supercheap Auto contribution
- SCA maintained momentum in LFL sales growth through the year building on 3.4% growth in PCP.
- Growth driven by increase in customer numbers, average items per transaction and average item value
- Further improvements in gross margin driven by trading terms, overseas sourcing, own brand development, product quality, supply chain efficiencies and stronger A\$.
- 6 new stores, 2 closures, 27 stores refurbished including 2 as Superstores – 280 stores at 31 December
- Goldcross Cycles sales performance was in line with expectations
- Strong growth in gross margin through own brand bicycles and supply chain initiatives
- 1 store closure – 19 stores at 31 December

	2011/12 \$m	change on pcp
Sales	383.3	6.3%
LFL sales growth		3.5%
Gross margin %	42.7%	+1.4%pts
EBITDA	42.1	20.2%
EBITDA margin %	11.0%	+1.3%pts
EBIT	34.1	25.4%
EBIT margin %	8.9%	+1.4% pts



- Overall result reflected strong sales and margin growth at BCF and strong sales growth following the re-launch of Ray's Outdoors in August, partially offset by FCO start-up investment
- 9 new BCF stores and 3 new Ray's Outdoors stores opened during the year to bring total stores to 87 and 53 respectively, with FCO launch culminating in 10 stores by 31 December
- Gross margin reduction due to increased mix of branded products in Ray's Outdoors, partially offset by supply chain efficiencies and higher Australian dollar
- Implementation of common store and support office processes and realisation of Ray's Outdoors synergy benefits has generated improved EBIT margin performance
- Strong BCF LFL sales growth building on 1.5% growth in PCP – achieved with growth in customer numbers, average item value and average transaction value
- New product introductions across both BCF and Ray's Outdoors supported by generally more favourable weather conditions drove LFL growth
- FCO performing in line with expectations since launch of the business in November

	2011/12 \$m	change on pcp
Sales	247.1	22.7%
LFL sales growth		9.9%
Gross margin %	44.9%	-0.5%pts
EBITDA (pre-FCO start-up costs)	29.6	35.2%
EBITDA margin (pre-FCO start-up costs)	12.0%	+1.1%pts
EBIT	23.6	29.7%
EBIT margin	9.6%	+0.5pts
FCO set up costs of \$2.1m incurred during the half		



- Results consolidated from 30 October 2011.
- Sales performance has been strong in both Rebel and Amart All Sports since acquisition driven by improved in-stock position, team focus and clearance of aged stock
- Gross margin performance
 - Gross margin restated to be consistent with rest of Super Retail Group – supply chain costs included in gross margin
 - Underlying gross margin in line with prior comparative period despite the clearance of aged stock as part of Christmas promotional activity
- Aged stock reduced from 18% at acquisition to 9% at the end of January - further clearance activity planned in the 2nd half
- 9 week EBIT margin high due to cost leverage as a result of high seasonal sales peak during this period
- On track to achieve \$5m synergy target in 2011/12, with scale benefits in freight and marketing and savings in executive costs
- Integration program is proceeding in line with acquisition business case, with brand development work due to be completed by March 2012
- 2 Performance Sports stores reallocated to Rebel

	2011/12 \$m	change on pcp
Sales	128.8	
LFL sales growth		7.8%
Gross margin %	45.4%	
EBITDA	19.9	
EBITDA margin %	15.4%	
EBIT	17.7	
EBIT margin %	13.7%	



- New and refurbished store investment of \$38.2m being fully funded out of operating cash flows
- Operating Cash Flow -Store set up costs & inventory:
 - Auto & Cycle : \$5.2m
 - Leisure Retailing : \$15.1m
 - Sports Retailing : \$0.7m
- Investing Activities - New Store fit-out:
 - \$1.4m SCA new stores
 - \$5.8m in SCA and Goldcross refurbs/relocations
 - \$2.8m in BCF new and refurb stores
 - \$2.0m in Ray's Outdoors new and refurb stores
 - \$4.3m in FCO new stores
 - \$0.9m in new and refurbished Rebel stores
- Other Capex:
 - IT - \$3.0m vs \$3.6m last year
 - Supply Chain - \$0.8m vs \$0.4m
 - General capital projects – \$4.3m vs \$3.2m

	Dec 11 \$m	Dec 10 \$m
Operating cash flow (pre store set up investment)	106.8	59.7
Store set up investment	(21.0)	(17.0)
Business acquisition	(10.3)	-
Operating cash flow	75.5	42.7
Investing activities:		
- Store fitout	(17.2)	(11.3)
- Other capex	(8.1)	(7.2)
- Business Acquisition	(621.7)	-
Financing activities:		
- Dividends & interest	(21.8)	(17.1)
- Ext Debt repay/proceeds	296.7	(10.0)
- Equity Issues	328.2	1.5
Net cash flow	31.5	(1.4)



- SCA average inventory is 6% higher than PCP, with timing of shipments accounting for around half of the increase. The increased stock weight of higher value products accounts for the remaining balance, partially offset by supply chain efficiency savings
- Average inventory per store is flat in BCF despite the increased kayak range, while implementation of full range and increased branded products has increased Ray's Outdoors store inventory by 30% on PCP
- Increase in Plant & Equipment primarily as a result of Rebel acquisition and ongoing capital expenditure in new and refurbished stores
- Net Debt increased by \$265.8m as a result of the debt funding associated with the Rebel acquisition

	Dec 11 \$m	Jun 11 \$m
Inventory		
- Auto & Cycle Retailing	179.2	165.1
- Leisure Retailing	162.8	127.8
- Sports Retailing	90.3	-
Total	432.3	292.9
(Trade creditors)	(239.9)	(122.4)
Net inventory investment	192.4	170.5
Plant and Equipment	157.6	109.3
Net External Debt	339.3	73.5



- Improvement in EPS and fixed charge coverage ratio reflect the improved profit performance
- All cover ratios are well within covenanted levels
- As a result of the Rebel acquisition, the club bank facility has been increased to \$500m, split between 2, 3, 4 and 5 year tranches
- While headline debt to capital and ROC ratios were impacted by timing of Rebel acquisition, underlying adjusted ratios improved. ROC remains above targeted level
- Effective FX rate for the period was 1.01, up from 0.91 in pcp. Based on existing hedge position, 2011/12 full year FX rate expected to be around 1.03
- *All ratios are calculated on underlying results (pre Rebel Group acqn costs and FCO start-up costs)*
- *Adjusted capital includes leases capitalised into debt at 6x annual charge*

	2012	2011
EPS – reported	22.0c	18.3c
Fixed charge cover	2.14x	1.99x
Average Net Debt	\$185m	\$110m

	2012	2011
Net debt : capital		
- Headline	43.4%	20.0%
- Adjusted	63.8%	68.4%
Annualised post tax ROC		
- Headline	19.6%	19.8%
- Adjusted	15.6%	15.3%



The Group's Strategic Plan has two major components:

- Develop Existing Group Businesses
 - Primarily brand, store, merchandise and people development initiatives with the objective of growing Sales, EBIT and ROC at a business level
 - Channel and customer development
 - Range development
 - Rebel and Amart business development
- 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 engaging products, information and related services
 - Engaging and integrated multi channel customer offer
 - Integrated multi channel supply chain
 - Team development



Channel and Customer Development

- New stores
 - Auto and Cycle – Grow SCA to 320 stores
 - Leisure – Grow to 185 stores
 - Sports – Grow to 185 stores
- Store refurbishments
- Store resizing/relocation
- Store of the future
- On line channel development
- Customer development
 - Supercheap Auto: Trade
 - Group wide: Commercial and Wholesale

Range Development

- New product introduction
 - Circa 20 to 25% of product renewed annually
 - Focus on growing categories
- Own brand development
 - SCA up to 40%
 - BCF and Rebel/Amart up to 20%
 - Rays Outdoors up to 50%
- Overseas Sourcing
 - Rebel/Amart sourcing integration
- Tailoring the range to local demand



Rebel Sport and Amart All Sports Business Development

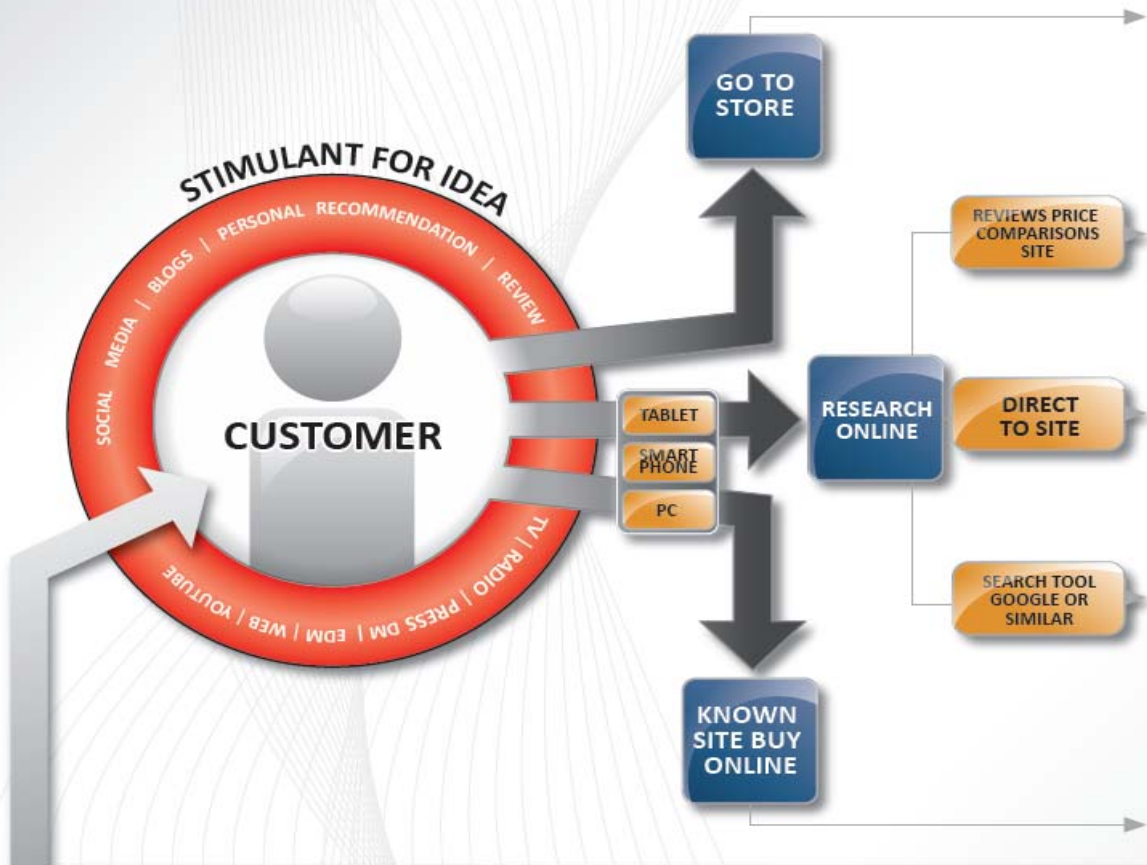
- Brand development to be completed by end March
- Aged inventory clearance
 - Target 5% of total inventory
- Trade partner relationship development
- Team member engagement
- Integration and synergies
 - Annualised savings of \$10 million by FY13
- Store development plan
 - New stores – 8 stores per year
 - Refurbishments – 30 stores per year
- Finance system replacement underway

Future Integrated Multi Channel Model



Customer Path To Purchase

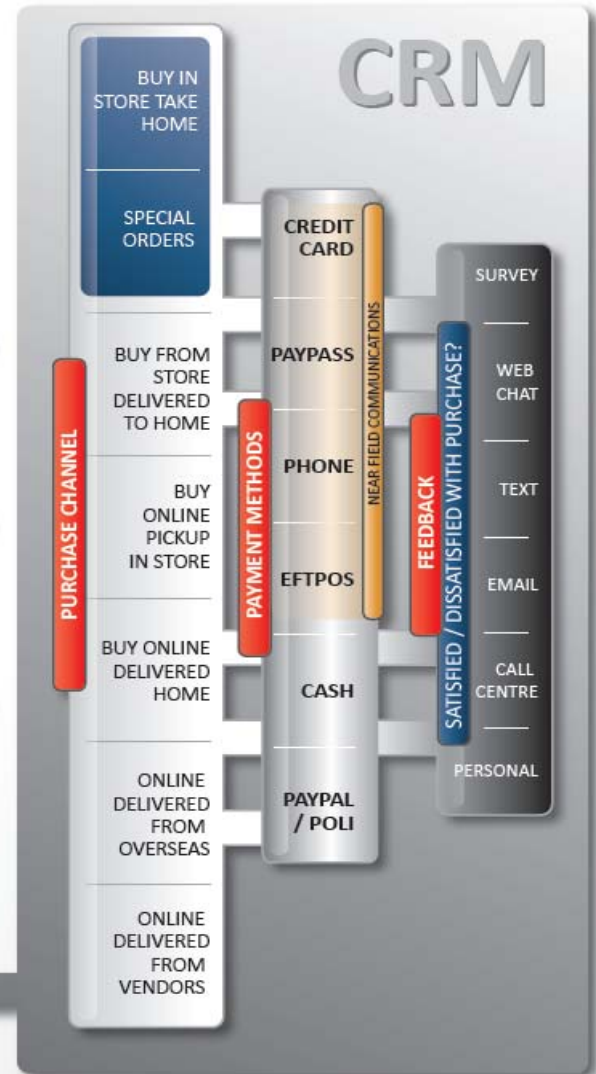
Super Retail Group 



Relevant Communications

LOYALTY LOOP

Data Management & Analysis





Integrated Multi Channel Customer Offer

Capabilities developed in last 6 months:

- Brand websites designed for mobile devices
- Click and collect service successfully trialled in New Zealand
- Integrated on line catalogue system to order products not available in store trialled in SCA
- Group wide customer interaction centre

Key initiatives:

- CRM system development and implementation
- CRM analytics and direct marketing
- Supercheap Auto loyalty program launch
- Store of the future

Integrated Multi Channel Supply Chain

Capabilities developed in last 6 months:

- Growth in on-line business underpinned with hub and spoke distribution model
- Specific on-line channel logistics arrangements – partnership with Temando
- Scan pack supply channel developed for flow of product from China to store
- Pan China QI

Key initiatives:

- Multi channel logistics network to support future growth in stores and other channels
 - NZ DC relocation
- Group wide forecasting and replenishment
 - JDA pilot
 - GAINS development



Current Performance:

- Attraction tracking ahead of internal targets
- Retention continues to be significantly above retail industry average and in line with internal target
- Engagement above retail industry average but below internal target
- Safety above retail industry average but below internal target
- Succession tracking in line with internal target

Key initiatives:

- 2012 Workplace Agreement
- On line performance management system
- Candidate testing – over 100,000 applications per annum
- Team member value proposition development
- Employer branding and communications
- Succession planning system development
- Learning and development content update



Auto & Cycle Retailing

- LFL sales growth in the first 7 weeks of 2nd half 11/12 circa 3.5%
- SCA store development : plan to open 4 new stores, close 2 stores, reconfigure 2 stores as Superstores and refurbish 13 stores during 2nd half 11/12
- Full year gross and EBIT margins expected to show small improvement in 11/12

Leisure Retailing

- LFL sales growth in the first 7 weeks of 2nd half 11/12 circa 7.5%
- Plan to open 6 stores across the division in 2nd half 11/12
- Full year EBIT margins expected to show small improvement in 11/12

Sports Retailing

- LFL sales growth in the first 7 weeks of 2nd half 11/12 circa 3.5%
- Plan to open 2 stores across the division in 2nd half 11/12
- Expect to deliver 11/12 EBIT slightly ahead of acquisition business case

Net Debt

- Planned full year capital expenditure circa \$45m
- Net debt expected to be circa \$350m at June 2012