

Monday, 21 February 2022

ASX/Media Announcement

**Super Retail Group reports half year results for the period ending
25 December 2021**

***Record second quarter sales, supported by strong inventory position, deliver
\$1.7b in first half revenue***

First half highlights:

- Sales of \$1.7 billion (excluding Boxing Day) – reflects strong rebound in second quarter sales across all four core brands¹
- 46.7 per cent Group gross margin – maintained margin uplift above pre COVID-19 levels despite higher supply chain costs
- Record online sales – digital sales up 64 per cent to \$389 million
- Acceleration of growth in active club members – up 22 per cent to 8.7 million²
- Fortified inventory position – mitigated the impact of supply chain disruption, enabling the Group to capture strong consumer demand
- Investment in stores, digital and team to support future growth – resulting in normalisation of operating costs
- Successfully navigated extended period of store lockdowns via omni-retail execution – Click & Collect sales up 109 per cent
- Store network expansion – completed 15 new store openings and 28 refurbishments and relocations
- Conservative balance sheet – no bank debt and \$94 million cash balance
- Normalised EPS of 49.9 cents and fully franked interim dividend of 27.0 cents per share

Chief Executive Officer and Group Managing Director Anthony Heraghty said “We are pleased to have delivered a strong top line sales performance in the first half, despite the challenges of Omicron and a disrupted global supply chain. I would like to thank our team members, who have all contributed to this result, for their dedication and passion in what has been an extremely challenging period.”

“After COVID-19 lockdowns disrupted trade in the first quarter, we delivered a fast finish to the half, achieving a record second quarter sales result. Our omni-retail capability and execution has been key to meeting consumer demand, underpinning a record digital sales performance driven by uptake in Click & Collect.”

“We entered the second half with strong sales momentum, which has continued in the new calendar year. Looking forward, the Group will continue to reinvest in the business, including digital, loyalty and network to execute our strategic priorities and grow our four core brands.”

1. H1 FY22 sales exclude Boxing Day sales which fell within H2 in FY22 compared to H1 in FY21. Adjusting for Boxing Day, the net effect is that H1 sales would increase by \$27 million and H1 PBT would increase by \$7 million.
2. Active club member is a club member who purchased in the past 12 months.

GROUP RESULT

Group sales of \$1.7 billion were only 4.0 per cent lower than the record sales performance delivered in the pcp, despite the timing of Boxing Day, which fell in the second half in FY22 compared to the first half in FY21. Group sales were 18.1 per cent higher than H1 FY20.

\$m	H1 FY22	H1 FY21	% Change vs H1 FY21	% Change vs H1 FY20
Total Sales	1,705.1	1,776.3	(4.0)	18.1
Segment EBITDA	329.4	418.1	(21.2)	27.0
Segment PBT	161.0	250.8	(35.8)	60.7
Normalised NPAT	112.8	175.6	(35.8)	60.9
Statutory NPAT	110.8	172.8	(35.9)	93.0

Adjusted for Boxing Day, first half like-for-like sales were 4.8 per cent below H1 FY21 and 17.1 per cent above H1 FY20. There was a strong rebound in sales in the second quarter, with like-for-like sales growth of 3.6 per cent in the final 10 weeks.

Like-for-like sales growth (%)	Weeks 1 to 16	Weeks 17 to 26 Adjusted for Boxing Day	H1 Adjusted for Boxing Day vs H1 FY21	H1 Adjusted for Boxing Day vs H1 FY20
SCA	(13.1)	4.1	(6.2)	12.1
rebel	(10.3)	(0.3)	(5.4)	10.9
BCF	(12.4)	7.2	(2.4)	43.0
Macpac	(9.6)	13.7	(0.4)	(4.2)
Group Total	(11.9)	3.6	(4.8)	17.1

Group gross margin of 46.7 per cent was 100 bps below pcp but 170 bps above H1 FY20. Business improvements relating to improved sourcing, pricing and tailored ranging of inventory have enabled the Group to maintain some of the gross margin uplift delivered in the previous year. However, gross margin was impacted by higher freight and transport costs, growth in home delivery sales and some normalisation of promotional activity in the second quarter. While cost escalation associated with global supply chain disruption is expected to moderate over time, it will impact gross margin in the second half.

Cost of doing business (CODB) increased as the Group lifted its investments to support future growth and unwound previously implemented cost containment measures. The Group has also incurred additional costs associated with the pandemic. These included higher wages (relating to the cost of retaining team members during lockdowns and the impact of the pandemic on team member availability) and increased digital costs, reflecting higher online sales.

The Group has chosen to build a strong inventory position entering the second half given the risk of further supply chain disruption.

ONLINE

Group online sales increased by 64 per cent to \$389 million, representing 23 per cent of Group sales.

Click & Collect sales increased by 109 per cent to \$226 million and represented 58 per cent of Group online sales.

Home delivery sales increased by 26 per cent to \$163 million, with more than 1 million home delivery orders completed.

Mr Heraghty said ongoing investment in omni-retail had enabled the Group to adapt to changing consumer shopping habits during the first half, as store lockdowns and consumer caution about in-store shopping shifted demand to online channels.

SUPERCHEAP AUTO

Sales declined by 6.9 per cent on the pcp to \$616.1 million but increased by 11.9 per cent on a two year basis.

Adjusted for Boxing Day, like-for-like sales declined by 6.2 per cent on the pcp, however they increased by 12.1 per cent on a two year basis.

There was strong rebound in sales in the second quarter with 4.1 per cent like-for-like sales growth in the final 10 weeks (adjusted for Boxing Day), cycling a record pcp.

Segment normalised PBT declined by 26.2 per cent to \$75.9 million on a one year basis, however increased by 38.8 percent on a two year basis.

Online sales grew by 98 per cent to \$107.3 million and represented 17 per cent of total sales.

REBEL

Total sales declined by 2.9 per cent to \$605.6 million but increased by 11.6 per cent on a two year basis.

Peak Christmas trading was impacted by a reduction in footfall in CBD and large shopping malls. Delayed shipments also impacted the availability of new season stock from key global brands.

Adjusted for Boxing Day, like-for-like sales declined by 5.4 per cent on the pcp, however they increased by 10.9 per cent on a two year basis.

There was a strong rebound in sales in the second quarter, with like-for-like sales down 0.3 per cent in the final 10 weeks (adjusted for Boxing Day), cycling a record pcp.

Segment normalised PBT of \$68.3 million declined by 29.9 per cent on a one year basis and was 32.1 per cent higher on a two year basis.

Online sales grew by 56 per cent to \$187.4 million and represented 31 per cent of total sales.

BCF

Total sales declined by 2.2 per cent to \$418.5 million but increased by 47.6 per cent on a two year basis.

Adjusted for Boxing Day, like-for-like sales declined by 2.4 per cent on the pcp, however they increased by 43.0 per cent on a two year basis.

There was a strong rebound in sales in the second quarter, with 7.2 per cent like-for-like sales growth in the last 10 weeks (adjusted for Boxing Day), cycling a record pcp.

Segment normalised PBT of \$31.2 million excluded Boxing Day (which contributed over \$3.5m in PBT) and was 164.4 per cent higher on a two year basis.

Online sales grew by 51 per cent to \$76.0 million and represented 18 per cent of total sales.

MACPAC

Total sales increased by 4.0 per cent to \$65.5 million due to positive like-for-like sales in Australia and new store openings.

In Australia, like-for-like sales increased by 7.2 per cent (adjusted for Boxing Day) driven by growth in rainwear and insulation. In New Zealand, like-for-like sales fell 9.4 per cent (adjusted for Boxing Day) due to the impact of COVID-19 lockdowns and reduced tourism and travel.

There was a strong rebound in sales in the second quarter, with like-for-like sales growth of 13.7 per cent (adjusted for Boxing Day) in the final 10 weeks.

Segment normalised PBT loss of \$1.5 million reflected the impact of COVID-19 lockdowns on sales and incremental costs associated with new store openings. Over 30 per cent of store trading weeks were impacted by store closures due to COVID-19, with New Zealand, Victoria and NSW most affected.

Online sales grew by 45 per cent to \$18.7 million and represented 29 per cent of total sales.

GROUP AND UNALLOCATED

Group costs at \$9.7 million were \$3.5 million lower than the prior comparative period. Group costs include corporate activities, which have decreased mainly due to the one-off nature of the return of \$1.7 million of JobKeeper funds received during the previous period.

CASH FLOW AND NET DEBT

The Group has delivered operating cash flows of \$157.0 million, a decline of \$370.2 million on pcp. These cash flows reflect an investment in inventory to ensure stock availability and the unwinding of temporary adjusted trading terms with trade partners, increasing working capital requirements. The Group made a \$67.0 million tax payment in the first half as a result of its strong financial performance in FY21. Group cashflow also reflect a shift in the timing of Boxing Day, which fell in H2 FY22 as compared to H1 in FY21.

Capital investment was \$63.3 million, an increase of \$33.9 million on pcp. This reflects an increase in investment in new stores and refurbishments, up \$21.5 million. Capital investment in omni-retail and other IT projects increased by \$12.4 million.

BALANCE SHEET

An elevated inventory position across all brands reflects the Group's decision to invest in inventory to mitigate the impacts of disruptions to the global manufacturing and supply chain.

At the end of the period, the Group had no bank debt and a cash position of \$94.1 million.

INTERIM DIVIDEND

The Directors have determined to pay a fully franked interim dividend of 27.0 cents per share.

The Group confirms its dividend policy is to pay out total annual dividends of between 55 per cent and 65 per cent of underlying NPAT.

TRADING UPDATE

It has been a positive start to the second half with the Group delivering 6.0 per cent like-for-like sales growth.

Like-for-like sales in the table below have been adjusted for Boxing Day (where indicated) to allow for a more meaningful comparison with prior periods.

	H1 LFL sales Weeks 1 to 26 adjusted to include Boxing Day	H2 LFL sales Weeks 27 to 33 adjusted to exclude Boxing Day	YTD LFL sales Weeks 1 to 33 1 year growth	YTD LFL sales Weeks 1 to 33 2 year growth
SCA	(6.2)%	9.3%	(3.0%)	16.2%
rebel	(5.4)%	(2.4)%	(4.8%)	11.2%
BCF	(2.4)%	12.2%	0.8%	51.7%
Macpac	(0.4)%	8.0%	1.3%	(1.0)%
Group	(4.8)%	6.0%	(2.5)%	20.6%

January sales were impacted by lower foot traffic due to Omicron, particularly in rebel due to higher exposure to CBD locations and large shopping malls.

Recent sales trends have continued to improve:

- Supercheap Auto has executed a successful lubricants campaign
- rebel is benefitting from catch-up on back-to-school spending
- BCF delivered a record sales result in January, driven by continued strength in boating and camping
- Macpac achieved strong sales growth in summer apparel, equipment and accessories.

Chief Executive Officer and Group Managing Director Anthony Heraghty said "It has been a positive start to the year. We have seen an encouraging uplift in sales momentum as the second half has progressed, with consumer caution starting to recede. Supercheap Auto and BCF, in particular, have delivered strong sales with both brands benefitting from higher in-stock positions in key categories."

"While COVID-19 continues to cause disruption to our customers, team members and trade partners, the Group remains focused on executing our business strategy and investing for growth to deliver long-term value for our shareholders."

The Group expects to incur \$125 million of capital expenditure in FY22 to fund its store development program and investment in omni, loyalty and digital capability.

RESULTS BRIEFING - TELECONFERENCE DETAILS

Super Retail Group will conduct a results briefing teleconference for analysts and investors at 10.30am (Sydney time) today.

Investors and analysts can access the teleconference via the following link: <https://s1.c-conf.com/diamondpass/10019148-64I90v.html>.

Following pre-registration, participants will receive the teleconference details and a unique access passcode.

Authorised for release by the Board of Super Retail Group Limited

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