

Macquarie Securities 2015 Australian Conference

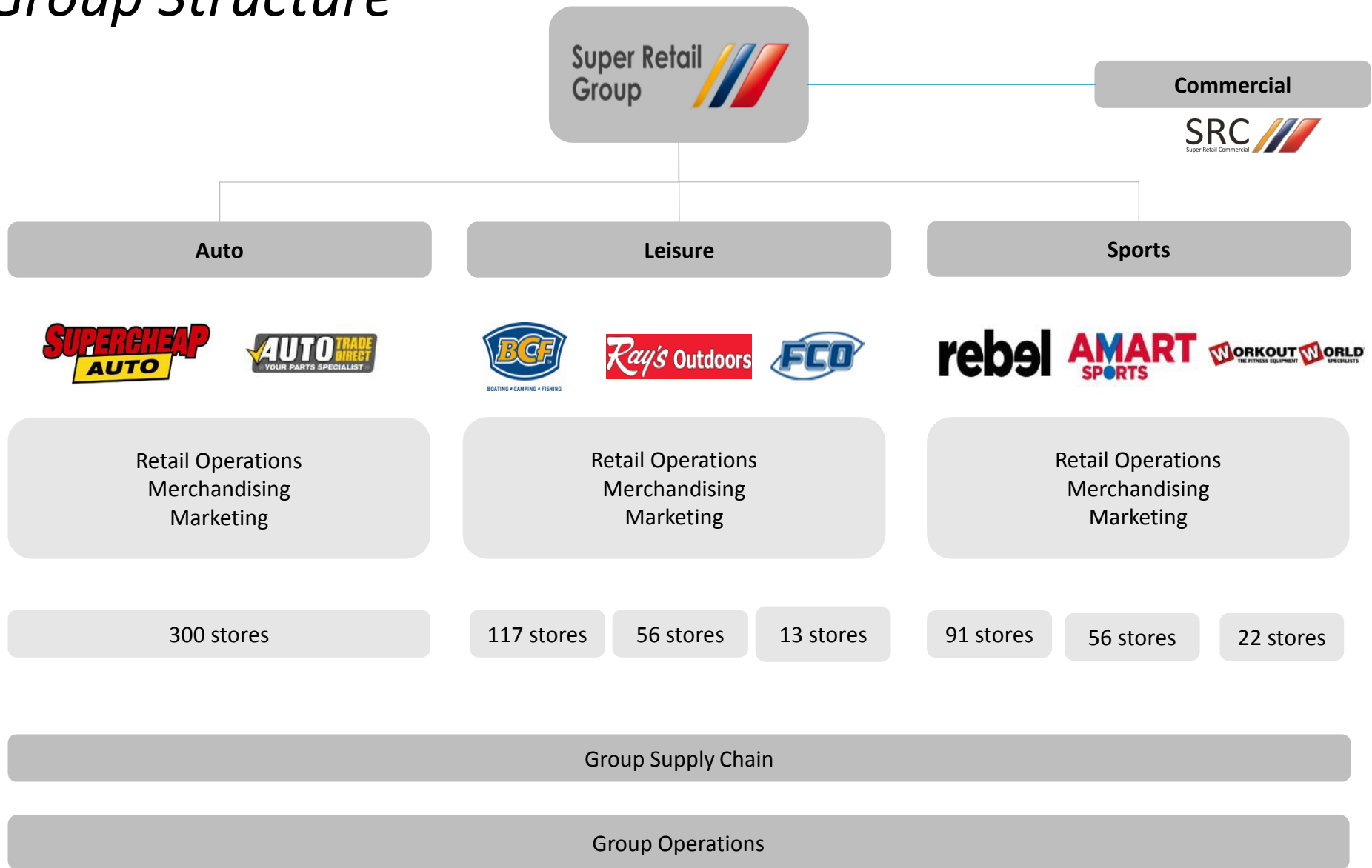
Peter Birtles

Group Managing Director and Chief Executive Officer

8th May 2015



Group Structure



Trading and Restructuring Update

Trading Update

Auto

Total sales up by 3.5% in the 44 weeks to 2 May

LFL sales up by 2.0% in the 44 weeks to 2 May (up by 1.9% in the 18 weeks to 2 May)

Gross margin tracking slightly above PCP

EBIT margin tracking around 11.2%

Leisure (excl FCO)

Total sales up by 1.5% in 44 weeks to 2 May

LFL sales down by 1.3% in the 44 weeks to 2 May (up by 4.1% in the 18 weeks to 2 May)

Gross margin tracking below PCP due to BCF competitive realignment

EBIT margin tracking around 5.9%

Sports

Total sales up by 15% in the 44 weeks to 2 May

LFL sales up by 7.4% in the 44 weeks to 2 May (up by 9.2% in the 18 weeks to 2 May)

Gross margin tracking below PCP due to lower margin Infinite Retail and WOW businesses , Amart expansion and promotional volumes

EBIT margin tracking around 8.2%

Group Costs

Supply Chain restructure costs projected at circa \$12m

Group project costs projected at circa \$5m

Corporate costs projected at circa \$7m

Restructure Update

Total restructuring costs expected to be in line with the \$27m recognised in the half year financial statements

Rays Outdoors

Detailed new format, branding , design and ranging development work continuing on track
New format to be trialed in 5 stores (3 existing and 2 new) commencing in September 2015
4 stores to be closed by 31 July
Inventory clearance program commenced
Rays Outdoors restructuring costs expected to be circa \$9m

FCO

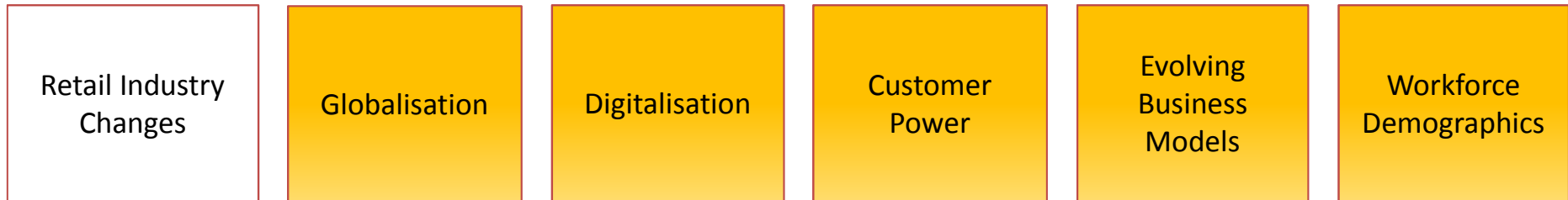
Closure program progressing ahead of plan with all stores to close by 31 May
Inventory clearance has delivered better value than expected at the half year results
FCO trading losses will be reported as a discontinued business in the FY15 results
FCO restructuring costs expected to be circa \$16.5m

Workout World

Plan being developed to integrate Workout World into the Rebel business with a combined buying and marketing team
Workout World will be rebranded as a fitness brand
5 stores will close by 31 May with a further 5 closing by 31 December.
Workout World restructuring costs expected to be circa \$1.5m

Strategy Update

External Environment



Implications for Super Retail Group	Historical levers of differentiation will no longer succeed
	Building a stronger emotional connection with customers is a must
	Organisational capabilities have to be 'World class' not 'Australasian class'
	Private and exclusive brands represent a strong opportunity
	Aligning team member behaviour and culture with customer offer will be a sustainable advantage

Key Internal Challenges

Change Agenda

Change Management capability
Developing the required multi channel capabilities quickly enough and at a reasonable cost
Immature multi channel management systems

Business Performance

Driving improvement in performance of Rays Outdoors, (FCO) and WOW
Stock turns across all divisions
Gross margin maintenance in Leisure and Sports divisions
Operating costs control while investing in customer service
Return on capital below target

Supply Chain

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

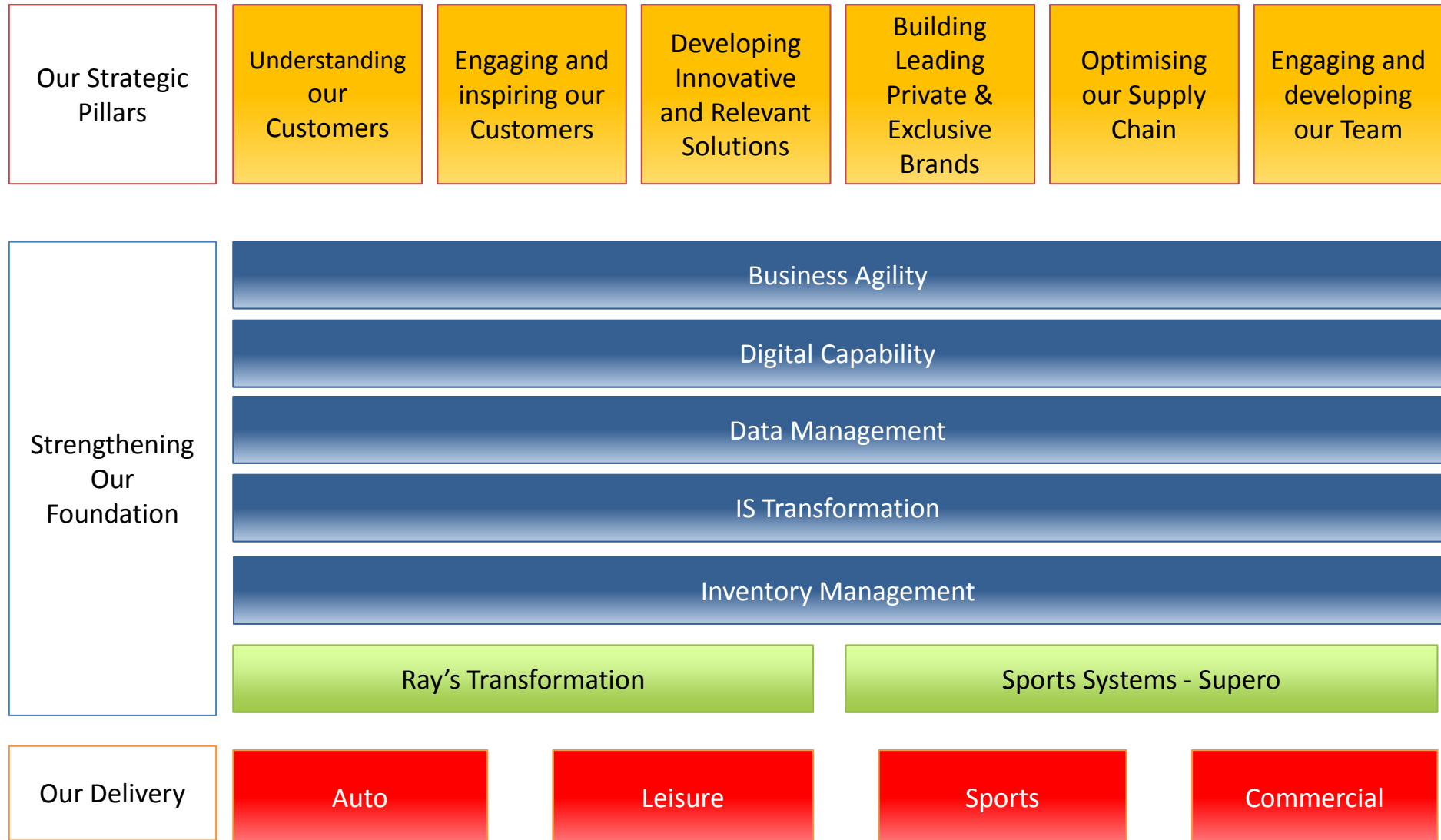
Culture and Team

Maintaining our culture as we grow
Focus on customer as well as product and channel
Adopting a digital mindset

Our Strategic Roadmap



Our Strategic Programs



Auto Retailing – Key Strategic Initiatives

(5 year goal)

**NETWORK
EXPANSION
(350 STORES)**

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

**EBIT
MARGIN
(12%)**

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

Understanding our Customers

- SCA club + membership now at over 1.3 million - 1.1 million active
- 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 and Inspiring our Customers

- 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
- Auto Trade Direct being more closely integrated with Supercheap Auto

Innovative and Relevant Solutions

- Maintaining 25% of range being refreshed each year
- JDA planning and replenishment system benefits realisation
- 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
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Leisure Retailing – Key Strategic Initiatives

(5 year goal)

**NETWORK
EXPANSION
(220 STORES)**

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

**EBIT
MARGIN
(11%)**

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

Understanding our Customers

- BCF / Rays club membership now at 3.0 million - 1.4 million active
- Developing Rays Outdoors offer to meet the needs of the target customer groups – the ‘Traditionalist’, the ‘Socialiser’, the ‘Progressive’
- Use of customer analytics to drive marketing and ranging

Engaging and Inspiring our Customers

- Ray’s restructure pilot new concepts and rollout through whole network
- BCF new store formats – test at Virginia, QLD
- Further development of on line offer and content
- Continued move from traditional media to direct marketing

Innovative and Relevant Solutions

- 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 30% 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 2.6 million – 1.4 million active
- Use of customer analytics to drive marketing and ranging

Engaging and Inspiring our Customers

- Amart store rollout and Rebel store refurbishments
- Testing new formats – ‘Rebel ‘ high street format and Amart Sports local
- Rebranding Workout World and integrating with Rebel
- Further development of on line offer and content – targeting 10% of sales
- Continued move from traditional media to direct marketing

Innovative and Relevant Solutions

- Development of athletic footwear, football, training apparel, supporter wear, cycling and fitness
- Implementation of 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
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Commercial

(5 year goal)

B2B INTERFACE

**SALES TARGET
\$50M +**

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

Wholesale

- Opportunities across all Group categories
- Centred around Group's private label products

Insurance

- \$15m opportunity
- Providing gift cards or replacement products to major insurers to assist in claims settlement

Petrol and Convenience

- \$100m accessible market
- Targeting 25% market share
- Ramp up of BP pilot

Rewards and Incentives

- Providing gift card solutions for corporates developing reward and incentive programs
- Benefits in results of brand issuing the gift cards

Digital models

- Fixed Price Car Service
 - Camping services
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Supply Chain and Inventory Management

SUPPLY CHAIN
COSTS REDUCED
BY 1% OF SALES

STOCK TURNS
OF >3 ACROSS
THE GROUP

IN STOCK
LEVELS >
96.5%

(3 year goal)

Inventory Management

- Bedding down of JDA systems in Auto and Leisure and implementation of JDA into Sports
- Clear, time-phased inventory reduction targets as part of enhanced sales & operational planning process

Optimising our Supply Chain

- Optimising multi-user DC network – productivity and utilisation
- Freight optimisation – network, primary and secondary freight
- Direct to store conversion to DC replenishment
- International store ready
- Supply methods including integrated offshore logistics hubs
- Enhanced management systems for inventory and supply chain to provide greater visibility of cost and performance
- Development of multi channel fulfilment capability

Supply Chain and Inventory Management

	FY14	FY15	FY16	FY17
Logistics Investment	Sydney DC developed	Brisbane DC developed	New network implemented	Network optimised
Systems Development	Sports SAP implemented WMS developed	Sports SAP optimised WMS rollout		
Trade Partner engagement	Leisure DTS New Zealand	Leisure DTS Sydney	Leisure DTS Australia Primary Freight Sports 3PL migration	Freight optimisation Sports exclusive & private label
Inventory Planning JDA	F&R rollout Leisure & pilot in Auto	F&R rollout in Auto	JDA modules implemented all brands	JDA fully supporting S&OP
P&L cost (Program & excess DC)	\$10m	\$12m	\$10m	\$10m
Net working capital \$ per store reduction	Leisure 10%	Leisure 10% Auto 5% Sports 10%	Leisure 10% Auto 5% Sports 5%	Leisure 10%

DTS – Direct to store; WMS – Warehouse management system; S&OP – Sales and Operational Planning;
F&R – Forecasting and Replenishment ; 3PL – Third Party Logistics; DC – Distribution Centre

Engaging and Developing our Team

(5 year goal)

ENGAGEMENT >70%	RETENTION > 75%	SUCCESSION > 70%	SAFETY 10% ↑ pa	ATTRACTION < 4 weeks	DIVERSITY > 40%
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Engaging and Developing our Team

- Cultural Paradigm shifts – Customer Centricity, Collaboration, Change Leadership
 - Attraction: Group wide opportunities, remuneration structures, social media, cultural
 - Engagement: Engagement survey actions, reward and recognition, communication
 - Safety: Active leadership, risk management, reporting, education, wellbeing program
 - Capability and Succession: learning and development programs, performance management and succession planning systems, learning management system
 - Diversity: recruitment, flexibility, internal development
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Delivering our Financial Targets

To deliver compound annual growth in EPS of greater than 15%

To grow return on capital to greater than 15%

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
- Reposition Ray's
- Amart Sports scale and profitability in new markets
- 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

- Lower domestic growth
- Consumer confidence
- Weakening Australian dollar
- Competitive intensity
- Investment in in-store customer experience
- Investment in digital capability