Results for the 26 weeks to 31st December 2016

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Super Retail Group

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Super Retail Group

Group Highlights

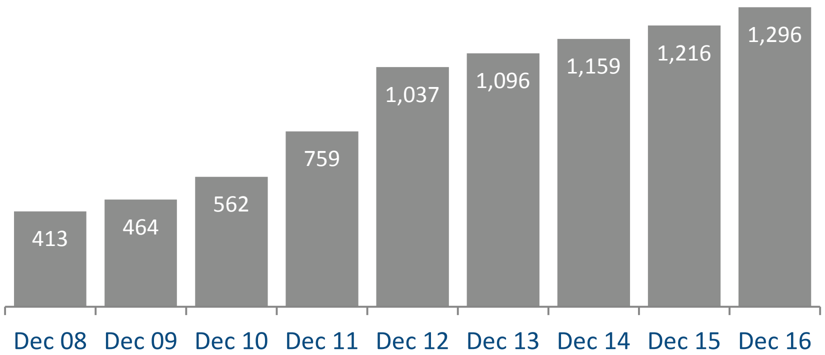
- **Total Group sales of $1.3 billion up by 6.6% on pcp**
- **Total Segment EBIT of $115.2 million up by 23.7% on pcp**
- **Normalised NPAT of $74.4 million up by 26.3% on pcp**

- Net profit attributable to owners from continued operations of $74.4 million up by 65.7% on pcp
- Auto segment sales up by 6.9%, EBIT up by 10.1% to $53.6 million
- Leisure segment sales up by 2.9%, EBIT up by 53.7% to $20.6 million
- Sports segment sales up by 8.5%, EBIT up by 19.5% to $50.9 million
- Operating cash flows of $252.0 million up by $75 million
- $48.7 million cash invested in future growth in new stores and refurbishments
- Interim Dividend of 21.5 cents, an increase of 7.5%

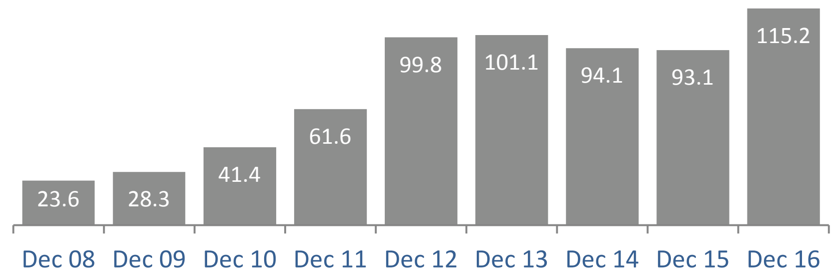
It should be noted that the Group's results are for the 26 weeks to 31 December 2016, while the prior comparative period results were for the 26 weeks to 26 December 2015. First half timing benefits contribute circa $28 million to Sales, circa $7 million in EBIT and $45 million in Operating Cash Flow compared to the prior comparative period. The sales and EBIT timing benefit will reverse in the second half.

Performance Trends

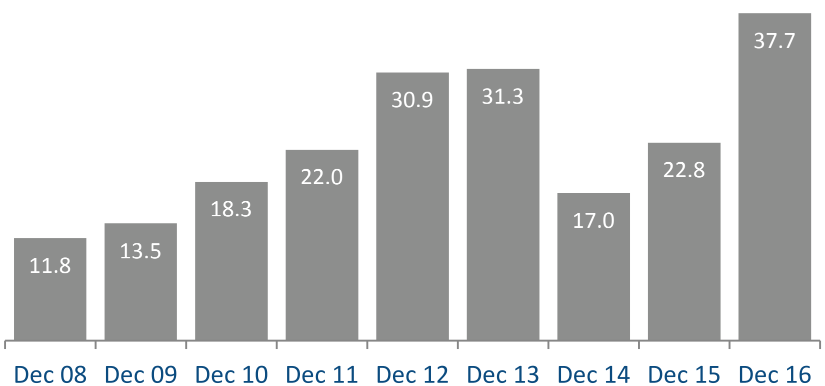
Reported Sales ($m)



Reported Total Segment EBIT ($m)

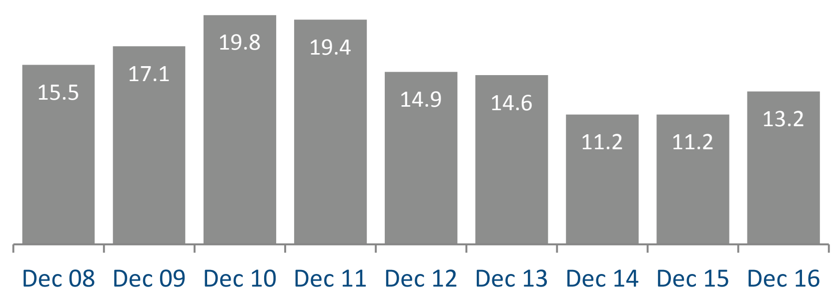


Reported EPS (c)



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

Reported Post Tax ROC (%)



- Post Tax ROC adjustment due to capital calculation reclassification
- Dec 14 Post Tax ROC for continuing operations only

ROC Drivers: Progress Report

Ongoing work and initiatives well underway to exceed ROC target:

- Growing store numbers to over 800
- Delivering like for like growth of 3% to 4%
- Range management and sourcing initiatives
- $20 million in supply chain costs savings
- Address loss making small businesses
- Eliminate Group transformation costs
- Private Brand profit contribution
- Amart Sports scale and profitability
- Transformation of Rays
- Group Costs efficiency targeting $10 million
- $75 to $100 million working capital saving

Group Results

- Total Sales growth of 6.6% supported by new stores, like for like growth and timing benefits partially offset by Ray's Outdoors store closures
- Group segment EBITDA increase as a result of the positive impact of the strategic initiatives, including the ongoing transformation of the Rays and Infinite Retail businesses
- Total Segment EBIT of $115.2m after adjusting for H1 timing effect of $7m, results in $108.2m which is slightly ahead of market consensus
- Normalised NPAT improvement on pcp supported by reduced net financing costs of $1m
- Operating cash flow circa $75m higher than pcp driven by Sales growth and timing
- Interim dividend of 21.5 cents, targeting a full year payout ratio of 65% of underlying net profit after tax

	2016/17 $m	Change on PCP
Total Sales	1,295.5	6.6%
Total Segment EBITDA	150.8	20.7%
Total Segment EBIT	115.2	23.7%
Normalised NPAT	74.4	26.3%
Other items not included in Normalised NPAT	-	$14.0m
Profit attributable to owners – continued operations	74.4	65.7%
Operating Cash Flow	252.0	$75.0m
Net External Debt	242.9	($54.3m)
Dividend	21.5c	1.5c

Segment Results

	2016/17		2015/16	
	Sales $m	Segment EBIT $m	Sales $m	Segment EBIT $m
Auto Segment	489.2	53.6	457.7	48.7
Leisure Segment	311.0	20.6	302.3	13.4
Sports Segment	490.5	50.9	452.0	42.6
Group & Unallocated	4.8	(9.9)	3.5	(11.6)
Total Segment Result	1,295.5	115.2	1,215.5	93.1

Segment Results are net of non-controlling interests (EBIT only) and exclude Ray's Outdoors brand name impairment in 2015/16. Refer the segment notes on pages 15 and 16.

Auto Retailing

- Solid result with strong like for like sales growth of 3.7 per cent, driven by strong transaction growth as the business continues to benefit from expanding its customer offering into services and new lines
- Like for like sales growth was achieved in Auto Accessories and Auto Maintenance with Tools and Outdoors impacted by the Masters closure
- Strong sales growth in Digital channel with a 48% increase on pcp driven by customer engagement with click & collect
- Club membership continues to grow, now at 1.3m active members
- EBITDA margin driven by supply chain cost improvement and operating cost control
- Seven new stores, two store closures, 14 stores refurbished including 3 super stores
- Network of 312 stores

	2016/17 $m	Change on PCP
Sales	489.2	6.9%
LFL Sales growth		3.7%
Segment EBITDA	67.9	11.1%
EBITDA margin %	13.9%	0.6%
Segment EBIT	53.6	10.1%
Segment EBIT margin %	11.0%	0.4%

Sales LFL	16/17	15/16	14/15	13/14
Auto	3.7%	3.9%	2.1%	2.3%

Leisure Retailing

- Sales performance through the half was distorted by closure of Ray's Outdoors stores and conversions to BCF. BCF LFL sales growth of 3.6% post Ray's Outdoors closure. Digital sales more than doubled
- BCF like for like driven by increased average transaction growth from improved pricing and promotional management
- Converted Rays stores have achieved like for like growth excluding the fishing category, which has been removed in line with the new brand focus
- BCF EBIT improvement has been driven by improved gross margin from the successful delivery of the revised pricing and promotional strategy
- The Rays transformation is progressing in line with plan and restructuring provision
- Two new BCF stores opened, eleven Ray's Outdoors converted to BCF, Ray's Outdoors closure stores finalised
- Network BCF 133 and Rays at 17 stores

	2016/17 $m	Change on PCP
Sales	311.0	2.9%
LFL Sales growth		5.8%
Segment EBITDA	29.1	34.7%
EBITDA margin %	9.4%	2.3%
Segment EBIT	20.6	53.7%
Segment EBIT margin %	6.6%	2.2%

Sales LFL	16/17	15/16	14/15	13/14
Leisure	5.8% (1)	2.6%	-4.7%	0.5%

(1) – boosted by Ray's Outdoors clearance in first 10 weeks

Sports Retailing

- Like for like sales growth in Rebel and Amart Sports driven by total transaction and average transaction value growth
- Strong LFL growth across all major categories with particularly strong performance in apparel
- Strong sales growth in Digital channel with a 73% increase on pcp
- Rebel and Amart Sports EBIT margin increase has been driven by gross margin improvements and operating cost control
- Infinite Retail contract restructuring and integration project is on track with a significant improvement in EBIT
- One Amart Sports and two Rebel stores opened, two Rebel stores closed, three Amart Sports stores converted from Ray's Outdoors
- Network 101 Rebel and 64 Amart Sports stores

	2016/17 $m	Change on PCP
Sales	490.5	8.5%
LFL Sales growth (1)		6.0%
Segment EBITDA	63.0	17.5%
EBITDA margin %	12.8%	1.0%
Segment EBIT (2)	50.9	19.5%
Segment EBIT margin %	10.4%	1.0%

Sales LFL	16/17	15/16	14/15	13/14
Sports(1)	6.0%	6.1%	6.1%	5.5%

(1) Rebel and Amart Sports only
(2) Infinite Retail EBIT contribution – 16/17 - $(0.1)m; 15/16 - $(3.1)m net of non-controlling interests

Group & Unallocated

- Group and Unallocated includes:
  - Corporate costs not allocated to segments
  - Commercial Operations
    - Super Retail Commercial
    - Oceania Bicycles
  - Digital Businesses
    - Fixed Price Car Service
    - Youcamp
    - Auzzie Outdoors
- Corporate costs have increased reflecting incentive provisions in line with improved company performance
- Unutilised storage costs reducing over time reflecting business growth and lease expiries
- Investment in the Group's digital initiatives have been expensed rather than capitalised due to the early development phases of the projects/investments and the uncertain return

	2016/17 $m	Change on PCP
Sales	4.8	37.1%
		$m
EBIT	(9.9)	1.7
Comprising:		
Corporate costs	(4.8)	(2.0)
Unutilised storage	(2.1)	2.0
Digital	(2.7)	0.7
Other Group costs	(0.3)	1.0

Group Cash Flow

Super Retail Group

- Operating cash flow (pre store set up investment) is circa $77m higher than pcp driven by Sales growth and creditors cycle
- Strong underlying operating cash flow performance has funded investment in new stores and operational capital expenditures
- New and refurbished store investment of $48.7m is fully funded out of operating cash flows
- Investment in new and refurbished store capex is split: $6.3m in Auto, $8.6m in Leisure and $12.0m in Sports
- Other capital expenditure cash flow is higher due to Information systems and inventory transformation programs
- Strong operating cash flow and period end timing benefits have resulted in reduced external debt

	2016/17 $m	2015/16 $m
Operating cash flow (pre store set up investment)	273.8	197.2
Store set up investment	(21.8)	(20.2)
Operating cash flow	252.0	177.0
Stores	(26.9)	(33.0)
Other Capex	(15.4)	(12.0)
Investing Cash flow	(42.3)	(45.0)
Dividends & interest	(52.1)	(50.4)
Ext Debt (repay)/proceeds	(144.4)	(26.8)
Financing Cash flow	(196.5)	(77.2)
Net Cash flow	13.2	54.8

Group Balance Sheet

- Inventory performance has been sound accommodating an increased cost base from Australian dollar weakening and growth in private brand volumes
- All Brands have improved average $ inventory per store by circa 3% compared to December 2015
- Trade and other payables lower than December 2015 reflecting lower total inventory. Net inventory investment of $126.4m is $8.1m below December 2015
- Increase in PP&E and computer software primarily relates to ongoing capital expenditure in new and refurbished stores
- Net debt decreased by $54.3m compared to December 2015 due to strong operating cash flow management

	Dec 16 $m	Jun 16 $m
Inventory		
- Auto Retailing	208.8	188.7
- Leisure Retailing	149.1	145.8
- Sports Retailing	181.5	162.7
- Group & Unallocated	3.6	4.7
Total Inventory	543.0	501.9
Trade and other payables	(416.6)	(251.1)
Net inventory investment	126.4	250.8

	Dec 16 $m	Jun 16 $m
Property, Plant and Equipment & Computer Software	324.4	315.2

	Dec 16 $m	Jun 16 $m
Net External Debt	242.9	400.2

Returns & Capital Ratios

- Normalised EPS of 37.7c an increase of 26% on pcp
- Normalised Fixed charge cover ratio, calculated on a rolling 12 month basis
- Average net debt improvement is due to working capital improvements through the year
- All debt funding is compliant with financial covenants
- $560m of bank debt facilities were extended on the 13th January 2017 with maturities of 1, 3, 4 and 5 years
- Return on Capital remains below targeted level of 15%, but above WACC
- Effective AUD/USD rate for the period was 0.73, down from 0.76 in pcp. The AUD/USD hedge rate for next 12 months circa 0.73

	2016/17	2015/16
Normalised EPS	37.7c	29.9c
Basic EPS	37.7c	22.8c
Fixed charge cover – normalised EBITDAL	1.98x	1.88x
Average Net Debt	$395m	$400m
	Dec 16	**Jun 16**
Net Debt Capital Ratio		
- Headline	23.9%	35.3%
- Adjusted(1)	53.5%	71.6%
Reported Annualised Post Tax Return on Capital (ROC)(2)	13.2%	10.7%

(1) Adjusted capital includes leases capitalised into debt at 6x annual charge

(2) Based on Normalised Net Profit After Tax

Segment Note 2016/17

For the period ended 31 December 2016	Auto $m	Leisure $m	Sports $m	Total continuing operations $m	Inter-segment eliminations/ unallocated $m	Consolidated $m
Segment Revenue and Other Income						
External segment revenue[1]	**489.2**	**311.0**	**490.5**	**1,290.7**	**5.2**	**1,295.9**
Inter segment sales	-	-	-	-	**(0.4)**	**(0.4)**
Other income	**0.1**	**0.1**	**0.4**	**0.6**	**0.5**	**1.1**
Total segment revenue and other income	**489.3**	**311.1**	**490.9**	**1,291.3**	**5.3**	**1,296.6**
Segment EBITDA[2]	**67.9**	**29.1**	**63.0**	**160.0**	**(9.2)**	**150.8**
Segment depreciation and amortisation[3]	**(14.3)**	**(8.5)**	**(12.1)**	**(34.9)**	**(0.7)**	**(35.6)**
Segment EBIT result	**53.6**	**20.6**	**50.9**	**125.1**	**(9.9)**	**115.2**
Net finance costs[4]						**(9.1)**
Profit before income tax						**106.1**
Income tax expense						**(31.7)**
Profit for the period						**74.4**
Profit for the period attributable to:						
Owners of Super Retail Group Limited						**74.4**
Non-controlling interests						**(0.6)**
Profit for the period						**73.8**

[1]Includes non-controlling interest (NCI) revenue of $0.7 million.

[2]Adjusted for NCI operating result of $0.6 million.

[3]Adjusted for NCI depreciation of nil.

[4]Adjusted for NCI interest of nil.

Segment Note 2015/16

For the period ended 26 December 2015	Auto $m	Leisure $m	Sports $m	Total continuing operations $m	Inter-segment eliminations/ unallocated $m	Consolidated $m
Segment Revenue and Other Income						
External segment revenue[1]	457.7	302.3	452.0	1,212.0	3.8	1,215.8
Inter segment sales	-	-	-	-	(0.3)	(0.3)
Other income	-	-	0.7	0.7	0.1	0.8
Total segment revenue and other income	457.7	302.3	452.7	1,212.7	3.6	1,216.3
Segment EBITDA[2]	61.1	21.6	53.6	136.3	(11.4)	124.9
Segment depreciation and amortisation[3]	(12.4)	(8.2)	(11.0)	(31.6)	(0.2)	(31.8)
Segment EBIT result	48.7	13.4	42.6	104.7	(11.6)	93.1
Net finance costs[4]						(10.1)
Total segment NPBT						83.0
Segment income tax expense						(24.1)
Normalised NPAT						58.9
Other items not included in the total segment NPAT[5]						(14.0)
Profit for the period attributable to:						
Owners of Super Retail Group Limited						44.9
Non-controlling interests						(3.4)
Profit for the period						41.5

[1]Includes non-controlling interest (NCI) revenue of $4.3 million.

[2]Adjusted for NCI operating result of $2.6 million and the tax effected impairment charge for the Ray's Outdoors brand.

[3]Adjusted for NCI depreciation of $0.8 million.

[4]Adjusted for NCI interest of nil.

[5]Includes tax effected impairment charge for the Ray's Outdoors brand.

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Super Retail Group

2nd Half Trading Updte

Auto Retailing

- LFL sales growth in the first 7 weeks of second half circa 4%
- SCA store development: plan to open 8 new stores and close 2 stores, 39 refurbishments, extensions and relocations

Leisure Retailing

- LFL sales growth in the first 7 weeks of second half circa 9%
- Store development plan for BCF is to open 1 new store, 8 refurbishments and 1 relocation; Rays 2 refurbishments

Sports Retailing

- LFL Rebel and Amart Sports sales growth in the first 7 weeks of second half circa 2%
- Store development: plan to open 3 new Amart Sports stores, 1 Rebel relocation and 1Amart Sports refurbishment

Group

- Group Unallocated costs to be circa $22m, including Corporate $8m, unutilised distribution centre storage $4m, Digital $6m, and Other $2m
- Planned capital expenditure of circa $105m to support the larger store development program, Rays transformation and investment in information systems

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Super Retail Group

Our Strategic Roadmap

Super Retail Group

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 Five Year Vision

PILLAR	PRIORITY	CURRENT STATE	FIVE YEAR ASPIRATION
Customer understanding and insight	• Customer insight to maximise profitable sales Insights to support commercial decisions	Basic in-house customer analytics capability	The capability to generate insights that improve the customer experience and maximise customer lifetime value
Private Brand 'end to end' development	• Build an 'end-to-end' private brand capability	Strong portfolio of private brands and exclusive access to selected international brands	Strong portfolio of differentiated private brands and secure additional exclusive international brands
Agile and efficient supply chain	• Low cost supply chain meeting customer expectation and working capital goals	Distribution centre and freight network to support business plans are built and operational	Distribution centre and freight network providing efficient, productive and flexible support to equip the business to meet customer expectations across all channels
Multi channel capability	• Develop a profitable market leading multi channel capability	Progress towards improved eCommerce solutions	Integrated multi channel capability that meets customer expectations
Engaged and capable Team	• Leadership alignment • People and leadership capability • Build an achievement culture and talent pipeline	High levels of team member engagement and retention	Accelerated development of our team members to have 'an achievement edge' to deliver against the changing needs of the business and customer expectations
Strong, sustainable and efficient foundations	• A stable, secure and efficient IS Foundation • CSR and ethical sourcing capability • Organisational model and cost efficiency • Group information management	Fragmented business and IT infrastructure that supports traditional product and physical channel business model	Group infrastructure supporting multi-channel, customer-centric business model and meet increasing business risk and stakeholder expectations around ESG norms

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%
- Range management and sourcing initiatives
- Deliver $20m saving in supply chain costs
- Address loss making small businesses
- Eliminate Group transformation costs
- Private brand profit contribution
- Amart Sports scale and profitability
- Successful transformation of Rays
- Group costs efficiencies targeting $10m
- $75m to $100m working capital savings
- Omni retail capability
- 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