Super Retail Group

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ASX/Media Announcement

Super Retail Group reports half year results for the period ended 31 December 2022

Record first half sales result delivers Segment Profit Before Tax of $218 million, at top of previously announced guidance range

First half highlights:

- Sales up 15 per cent to $1.96 billion - driven by strong Black Friday and peak Christmas trading performance
- Group like-for-like sales growth of 11 per cent[1]
- Group gross margin 46.2 per cent – reflecting price discipline and promotional effectiveness
- Segment PBT up 36 per cent to $218 million, at the top of previously announced guidance range[2]
- Statutory NPAT up 30 per cent to $144 million and normalised NPAT up 36 per cent to $154 million
- Statutory EPS of 63.9 cents and normalised EPS of 68.0 cents
- Fully franked interim dividend of 34.0 cents per share
- The Group has increased its provision to recognise amounts potentially payable as a consequence of proceedings filed by the Fair Work Ombudsman in January 2023
- Strong cashflow generation – EBITDA cash conversion of 108 per cent
- Continued growth in active club members – up 11 per cent to 9.7 million[3]
- Store network expansion – eight new store openings plus successful launch of BCF superstore format in Townsville
- Conservative balance sheet - no drawn bank debt and $212 million cash balance

Group Managing Director and Chief Executive Officer Anthony Heraghty said "We are pleased to report a net profit before tax at the top end of the previously announced guidance range, following record first half sales. Once again, I would like to thank our team members whose tireless efforts and passion in serving our loyal customers have been instrumental in achieving this outcome.

[1] No adjustments have been made to like-for-like sales growth numbers for COVID-19 related store closures in the prior period. FY23 is a 52-week year compared to FY22 which was a 53-week year. Like-for-like sales growth is calculated from week 2 of FY22 to provide for a more meaningful comparison.
[2] Refer to ASX trading update announcement dated 16 January 2023.
[3] Active club member is a club member who purchased in the last 12 months. Growth represents 12-month increase in membership.

"This result is a testimony to the strength of our four core brands, all of which delivered record first half sales off the back of strong peak period trading. The success of our new store formats (including rebel rCX and the new BCF superstore) and our club member programs, which have added one million members in the past 12 months, have helped to deliver a strong first half performance."

GROUP RESULT

Group sales of $1.96 billion were 15 per cent higher than the prior comparative period and segment PBT increased by 36 per cent.

$m	H1 FY23	H1 FY22	% Change vs H1 FY22
Total Sales	1,958	1,705	15
Segment EBITDA	405	329	23
Segment EBIT	241	183	32
Segment PBT	218	161	36
Normalised NPAT	154	113	36
Statutory NPAT	144	111	30

The Group delivered 11 per cent like-for-like sales growth in the first half.

	H1 FY23 Total sales growth	H1 FY23 Like-for-like sales growth[1]
SCA	18%	15%
rebel	13%	11%
BCF	7%	(2)%
Macpac	55%	54%
Group Total	15%	11%

Group gross margin of 46.2 per cent was 50 bps below the prior comparative period but remains above pre-COVID levels.

Cost of doing business (CODB) as a percentage of sales decreased by 160 bps to 34.4 per cent reflecting increased operating leverage from record first half sales and cost control initiatives underway relating to supply chain, sourcing and procurement, and store development and operating efficiency.

Group inventory was $33 million lower than at the end of H1 FY22. The Group's inventory balance as at December 2022 reflects lower inventory volumes, which have been partly offset by inflation in COGS and an increased weighting of higher value items in the product mix. Inventory is being well managed and the Group expects inventory will continue to normalise in the second half as purchase orders are adjusted to reflect current stock levels.

ONLINE

Group online sales were $236 million, representing 12 per cent of Group sales. Click & Collect sales comprised 49 per cent of Group online sales.

SUPERCHEAP AUTO

Total sales increased by 18 per cent to $729 million, driven by like-for-like sales growth.

Like-for-like sales increased by 15 per cent, reflecting growth in transaction volumes and higher average transaction value (ATV).

Auto maintenance was the strongest performing category, reflecting a growing shift to do-it-yourself.

Segment PBT margin improved by 250 bps as lower operating expenses offset an 80 bps decline in gross margin.

Segment PBT of $108 million was 42 per cent higher than H1 FY22.

Online sales of $58 million represented 8 per cent of total sales and Click & Collect represented 73 per cent of online sales.

Active club membership grew by 23 per cent and club members represented 63 per cent of total sales.

SCA opened one store taking total store numbers to 330 at the end of the period.

REBEL

Total sales increased by 13 per cent to $682 million driven by like-for-like sales growth.

Like-for-like sales increased by 11 per cent reflecting higher ATV driven by double digit growth in transaction volumes.

rebel traded strongly over the peak Christmas trading period. December was a record month delivering the highest ever monthly sales for rebel.

Peak sales benefitted from growth in foot traffic and higher inventory levels in seasonal categories which were well stocked compared to the prior comparative period.

Performance sports (basketball and football) was the strongest performing category. In particular, the men’s Football World Cup drove strong sales growth in licensed football products.

Segment PBT margin improved by 100 bps reflecting stable gross margin and an improvement in operating expenses as a percentage of sales.

Segment PBT of $84 million was 23 per cent higher than the prior comparative period.

Active club membership grew by 1 per cent and club members represented 71 per cent of total sales.

Online sales of $107 million represented 16 per cent of total sales. Click & Collect represented 34 per cent of online sales.

rebel had 155 stores at period end, including 13 rCX stores.

BCF

Total sales increased by 7 per cent to $448 million, driven by contribution from new stores and the expanded Townsville superstore which opened in October 2022.

Like-for-like sales fell by 2 per cent. Transaction volumes increased however ATV declined as BCF responded to aggressive mark down activity from competitors.

Camping and fishing were the strongest performing categories.

Sales from private and strategic brands represented over 49 per cent of sales.

Dometic, Shimano, Weber, Engel and Yeti were some of the strongest performing brands.

Segment PBT margin declined by 60 bps as lower operating expenses partly offset a 210 bps decline in gross margin.

Segment PBT of $31 million was 1 per cent lower than the prior comparative period.

Active club membership grew by 6 per cent and club members represented 88 per cent of total sales.

Online sales of $52 million represented 12 per cent of total sales. Click & Collect represented 63 per cent of online sales.

BCF opened four stores and closed one store resulting in 150 stores at period end.

MACPAC

Total sales increased by 55 per cent to $101 million driven by like-for-like sales growth and new store openings.

Like-for-like sales increased by 69 per cent in Australia and by 32 per cent in New Zealand.

La Niña weather conditions helped drive strong growth in insulation and wet weather apparel sales.

Sales in key travel categories including backpacks, thermals and luggage benefitted from growth in outbound tourism.

Segment PBT margin reflected a 500 bps improvement in gross margin and higher operating leverage from record sales.

Macpac delivered Segment PBT of $16 million compared to a prior period loss.

Active club membership grew by 35 per cent and club members represented 74 per cent of total sales.

Online sales of $19 million represented 18 per cent of total sales. Click & Collect represented 17 per cent of online sales.

Macpac opened three stores and closed one store resulting in 87 stores at period end.

GROUP AND UNALLOCATED

Group and unallocated includes corporate costs not allocated to segments and customer, omni, digital and loyalty development costs.

Group and unallocated costs at $19 million were $9 million higher than the prior comparative period.

The increase primarily reflected the inclusion of $10 million of operating expenses relating to investment in capability to launch new loyalty programs and make personalised offers to individual customers utilising first party data. As previously flagged, these costs which were historically allocated to the brands will now be included in Group and unallocated. The Group will continue to include these establishment costs in the unallocated cost line to provide transparency on the underlying performance of each of the brands prior to the impact of this investment.

Unallocated costs also included an adjustment for approximately $2 million of proceeds received from the sale of all of the Group's shares in Autoguru following the write down of the Group's investment in that business in the second half of FY22.

CASH FLOW

The Group has delivered operating cash flows of $439 million, an increase of $282 million over the prior comparative period. This represented EBITDA cash conversion of 108 per cent.

These cash flows reflect strong first half trading, especially over the peak Christmas trading period. Group cashflows also reflect a shift in the timing of Boxing Day, which occurred in the first half in FY23 as compared to the second half in FY22.

Total capital expenditure of $38 million was $25 million lower than the prior comparative period and included $9 million spent on omni-retail and IT projects and $29 million spent on new stores and refurbishments. Investment in store capex comprised $11 million in Supercheap Auto, $10 million in rebel, $6 million in BCF and $2 million in Macpac.

INTERIM DIVIDEND

The Directors have determined to pay a fully franked interim dividend of 34.0 cents per share.

The Group confirms its dividend policy is to pay out total annual ordinary dividends of between 55 per cent and 65 per cent of underlying NPAT, fully franked. Total ordinary dividends in FY23 are currently expected to be more weighted to the interim dividend than in FY22 to be consistent with pre-COVID practice and reflect the strength of H1 FY23 trading.

BALANCE SHEET AND CAPITAL MANAGEMENT

At the end of the period, the Group had no drawn bank debt and a cash position of $212 million.

Given the current uncertain macroeconomic environment the Group intends to maintain a conservative debt position.

The Group is targeting a long-term net debt / EBITDA position (pre AASB 16) of between 0 and 0.5x.

The strength of the Group's balance sheet provides the capacity to support organic growth and flexibility, including future capital management initiatives, such as special dividends and/or on-market buybacks.

FWO PROCEEDINGS

The Group has increased the provision to recognise amounts potentially payable as a consequence of the Fair Work Ombudsman (FWO) proceedings by $8.8 million, bringing the total provision to $14.6 million.

TRADING UPDATE

The Group has delivered 10 per cent like-for- like (LFL) sales growth for weeks 1 to 32.

	H1 total sales growth	H1 LFL sales growth[1]	H2 LFL sales growth YTD[1]	YTD LFL sales growth[1]
SCA	18%	15%	8%	14%
rebel	13%	11%	13%	11%
BCF	7%	(2%)	3%	(1%)
Macpac	55%	54%	30%	50%
Group	15%	11%	9%	10%

Strong year to date sales momentum has extended into January with positive like-for-like sales in each of the four core brands:

- Supercheap Auto is performing well in auto maintenance and do-it-yourself categories including car care, lubricants and tools
- rebel executed a successful back to school promotional program
- BCF has seen continued strength in fishing, supported by the introduction of new brands and regional ranges
- Macpac launched an expanded summer range and is outperforming in travel related categories

Group Managing Director and Chief Executive Officer Anthony Heraghty said "Pleasingly, the strong sales momentum we saw in the first half has continued into January, with all brands trading well."

"In the second half, the Group is targeting the opening of 18 new stores across our four core brands, plus two rebel rCX store upgrades, which will bring our total rebel rCX store count to 15. We will also continue to progress our BCF personalisation trial and complete our go-to-market plan for rebel's new loyalty program which is expected to launch later this year.

"Low unemployment and accumulated savings are continuing to support consumer spending, however rising interest rates are expected to dampen consumer demand later in the second half.

"We remain optimistic that the business will continue to perform throughout the economic cycle, supported by our customer base of 9.7 million active club members, the strength of our brands, ongoing network expansion and roll-out of new store formats, and our leading market positions in attractive and growing lifestyle categories."

The Group expects to incur $125 million of capital expenditure in FY23 to fund its store development program and investment in omni, loyalty and digital capability.

Group and unallocated costs in the second half are expected to be $26 million.

RESULTS BRIEFING - TELECONFERENCE DETAILS

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

Investors and analysts can access the teleconference via the following link:

https://s1.c-conf.com/diamondpass/10028333-lpiue4.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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