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ASX/Media Announcement

Super Retail Group reports half year results for the period ended 30 December 2023

Record first half sales result delivers profit before tax of $204 million, above the previously announced guidance range

First half highlights:

- Sales up 3 per cent to $2.0 billion
- Group like-for-like sales growth of 1 per cent
- Group gross margin increased by 30 bps to 46.5 per cent
- Statutory PBT of $204 million, above the previously announced guidance range[1]
- Statutory NPAT of $143 million and normalised NPAT of $145 million
- Statutory EPS of 63.5 cents and normalised EPS of 64.3 cents
- Fully franked interim dividend of 32 cents per share
- Strong rebound in online sales – up 10 per cent to $260 million
- Increased customer transactions – transactions have grown across all four core brands[2]
- Continued growth in active club members – up 15 per cent to more than 11 million[3]
- Successfully relaunched rebel active loyalty program – more than two million club members have earned loyalty points[4]
- Store network expansion and upgrades – 17 new store openings and five rebel stores upgraded to rCX
- Conservative balance sheet - no drawn bank debt and positive cash balance

Group Managing Director and Chief Executive Officer Anthony Heraghty said "Super Retail Group is pleased to report first half profit before tax of $204 million, above the previously announced guidance range. I would like to recognise the hard work of our 15,000 team members who have been instrumental in achieving this positive outcome. To have delivered record first half sales of more than $2 billion and net profit after tax of $143 million is a very good result in the context of an increasingly challenging consumer environment. During the first half we reached a number of milestones in the execution of our corporate strategy including the successful relaunch of our rebel active loyalty program, the commencement of construction of our new automated distribution centre and the opening of our 750th retail store."

1. Refer to ASX trading update announcement dated 15 January 2024.
2. Based on number of transactions in H1 FY24 compared to H1 FY23.
3. Active club member is a club member who purchased in the last 12 months. Growth represents 12 month increase in membership.
4. As at week 33 of FY24.

GROUP RESULT

Group sales of $2.0 billion were 3 per cent higher than the prior comparative period (pcp).

$m	H1 FY24	H1 FY23	Change vs H1 FY23
Total Sales	2,020	1,958	3%
Segment EBITDA	402	405	(1%)
Segment EBIT	233	241	(3%)
Normalised Segment PBT	206	218	(5%)
Normalised NPAT	145	154	(6%)
Statutory NPAT	143	144	(1%)

The Group delivered 1 per cent like-for-like sales growth in the first half.

	H1 FY24 Total sales growth	H1 FY24 Like-for-like sales growth[1]
SCA	4%	3%
rebel	(1%)	(3%)
BCF	8%	2%
Macpac	4%	0%
Group Total	3%	1%

Group gross margin of 46.5 per cent was 30 bps above the pcp and remains well above pre-COVID levels.

Cost of doing business (CODB) as a percentage of sales increased by 90 bps to 35.3 per cent reflecting the impact of inflation on wages, rent and electricity.

Statutory NPAT of $143 million was 1 per cent lower than pcp.

Group inventory is $26 million (or 3 per cent) higher than pcp and reflects the expansion of the store network. Average inventory per store has declined compared to pcp.

ONLINE

Group online sales increased by 10 per cent to $260 million and represented 13 per cent of Group sales. Click & Collect sales comprised 47 per cent of Group online sales.

SUPERCHEAP AUTO

Total sales increased by 4 per cent to $760 million, driven by like-for-like sales growth.

Like-for-like sales increased by 3 per cent, reflecting growth in transaction volumes and higher average transaction value (ATV).

The auto maintenance category performed strongly driven by higher sales in lubricants, batteries and car detailing.

Higher sales of low ticket price consumables (including parts, wipers, electrical and car comfort products) were a key driver of revenue growth.

Segment PBT declined by 1 per cent to $107 million. Gross margin improved by 70 bps, however segment PBT margin declined by 70 bps due to higher operating expenses.

Online sales of $61 million represented 8 per cent of total sales and Click & Collect represented 79 per cent of online sales.

Active club membership grew by 19 per cent and club members represented 68 per cent of total sales.

SCA opened seven stores and closed one store, resulting in 337 stores at period end.

REBEL

Total sales declined by 1 per cent to $673 million as consumer spending softened in the second quarter.

Like-for-like sales declined by 3 per cent reflecting a decrease in units per transaction.

Football and licensed were the best performing categories, delivering strong growth.

Demand for high value items (running machines, home training & basketball systems) declined.

rebel's first half result includes the impact of a $5 million provision for deferred revenue as a result of loyalty credits issued to customers. The provision is expected to be approximately $8 million in total for the full year FY24, in line with previous disclosure. The introduction of the loyalty program had a 70 bps adverse impact on rebel's first half PBT margin.

Underlying gross margin was flat prior to the 70 bps adverse impact of the loyalty program as rebel maintained promotional discipline despite increased discounting from competitors.

Segment PBT declined by 23 per cent to $65 million. PBT margin fell by 260 bps reflecting higher operating expenses (due to the impact of inflation on rent and wages) and the deleveraging impact of lower sales.

Active club membership grew by 15 per cent and club members represented 76 per cent of total sales.

Online sales of $120 million represented 18 per cent of total sales. Click & Collect represented 31 per cent of online sales.

rebel opened one store and closed one store resulting in 159 stores at period end.

BCF

Total sales increased by 8 per cent to $484 million driven by like-for-like sales growth and store network expansion.

Like-for-like sales increased by 2 per cent driven by strong growth in transaction volumes.

Fishing was the fastest growing category, driven by higher sales in consumables (lures and tackle).

Sales in the camping category were in line with the pcp and reflected strong growth in caravan and camping accessories.

Gross margin increased by 190 bps as promotional intensity from key competitors decreased.

Segment PBT increased by 33 per cent to $41 million and segment PBT margin improved by 160 bps as higher operating expenses partly offset higher gross margin.

Active club membership grew by 12 per cent and club members represented 90 per cent of total sales.

Online sales of $61 million represented 12 per cent of total sales. Click & Collect represented 57 per cent of online sales.

BCF opened five stores resulting in 162 stores at period end.

MACPAC

Total sales increased by 4 per cent to $105 million driven by new store openings.

Like-for-like sales declined by 5 per cent in Australia following a warm, dry winter.

Like-for-like sales increased by 10 per cent in New Zealand driven by strong growth in packs, gear and accessories.

Following a challenging first quarter due to mild winter weather, sales momentum improved in the second quarter. Sales in key travel categories benefitted from increased outbound tourism.

Gross margin declined by 200 bps due to unfavourable exchange rate movements and mix shift to lower margin equipment and accessories.

Segment PBT fell by 50 per cent to $8 million. Segment PBT margin decreased to 7.5 per cent reflecting lower gross margin and higher operating expenses due to the impact of inflation and a larger store network.

Active club membership grew by 7 per cent and club members represented 74 per cent of sales.

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

Macpac opened four stores resulting in 93 stores at period end.

GROUP AND UNALLOCATED

Group and unallocated costs reduced by more than $5 million to approximately $15 million, benefitting from lower development costs and interest revenue.

Following the relaunch of the rebel active loyalty program, loyalty costs relating to rebel are now reflected in the rebel segment result rather than Group and unallocated.

The Group reported interest revenue of almost $4 million in H1 FY24, reflecting interest income earned on its positive cash balance.

CASH FLOW

The Group delivered operating cash flows of $479 million, an increase of $39 million over the pcp. The higher operating cash flow reflected:

- A 3 per cent increase in cash receipts from customers in line with revenue growth
- A decrease in payments to suppliers and employees as a result of timing of the monthly payment cycle. This resulted in $98 million of December month end expenses being paid in January 2024
- A $45 million increase in tax instalments compared to the prior year

Total capital expenditure of $83 million was $45 million higher than the pcp reflecting increased store network activity and $19 million of capex which was incurred in June 2023 but paid for in H1 FY24.

Investment in store capex of $45 million comprised $23 million in Supercheap Auto, $12 million in rebel, $4 million in BCF and $6 million in Macpac.

Other capital expenditure of $38 million includes investments in development and construction of a new distribution centre and customer loyalty projects as well as expenditure on omni-retailing capabilities, data networking and core information systems.

INTERIM DIVIDEND

The Directors have determined to pay a fully franked interim dividend of 32 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.

BALANCE SHEET AND CAPITAL MANAGEMENT

At the end of the period, the Group had no drawn bank debt and a cash position of $321 million.

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 flexibility to consider future capital management initiatives.

TRADING UPDATE

	H1 FY24 Total sales growth (Wk 1-26)	H1 FY24 LFL sales growth (Wk 1-26)	H2 FY24 LFL sales growth (Wk 27-33)	FY24 YTD LFL sales growth (Wk 1-33)
SCA	4%	3%	0%	3%
rebel	(1%)	(3%)	(4%)	(3%)
BCF	8%	2%	(5%)	0%
Macpac	4%	0%	5%	1%
Group	**3%**	**1%**	**(3%)**	**0%**

Like-for-like sales momentum slowed towards the end of the first half, and this trend has continued in the second half where the Group is cycling 8 per cent like-for-like sales growth in the first seven weeks:

- Demand in the auto category remains resilient, particularly for products that keep customers' cars on the road including batteries, lubricants and wipers. Supercheap Auto conducted less promotional activity in January 2024 than in the pcp, which has positively impacted margin
- rebel is cycling elevated sales in the pcp from the New South Wales back-to-school voucher program. Men's and women's apparel sales returned to growth in January, however footwear remains challenging
- BCF's fishing category is continuing to perform well. Second half trading has been disrupted by wet weather events (including Cyclone Kirrily) which impacted sales on the east coast
- Macpac has made a positive start to the second half driven by strength in travel-related categories

Group Managing Director and Chief Executive Officer Anthony Heraghty said "While there are signs of a more subdued consumer environment, we remain relatively well positioned given our customer value proposition, the strength of our brands and our loyalty programs and the resilience of the lifestyle and leisure categories in which we operate.

"The Group continues to focus on optimising margin and driving cost efficiencies in the business. Inflationary pressure on cost of doing business is expected to moderate but will continue to impact wages and rent in the second half."

The Group expects to invest $140 million of capital expenditure in FY24 to fund its store development program and construction of a new distribution centre, and enhance its omni, loyalty and digital capability.

Group and unallocated costs in the second half are expected to be approximately $22 million, which would result in a full year segment NPBT impact of $37 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/10036016-uiodlp.html

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

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IMPORTANT INFORMATION

This announcement contains general information about the Group and its activities, current as at the date of the announcement. It is information given in summary form and does not purport to be complete. It may contain forward-looking statements which are subject to uncertainty, risks, and assumptions, many of which are outside the control of the Group. The announcement should not be relied upon as advice or considered as a recommendation to investors or potential investors. Readers should consult their own legal, tax, business and/or financial advisors in connection with any investment decision.

Authorised for release by the Board of Super Retail Group Limited.