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ASX/Media Announcement

Super Retail Group reports half year results for the period ended 28 December 2024

First half highlights:

- Sales up 4 per cent to $2.1 billion
- Group like-for-like sales growth of 1.8 per cent
- Group gross margin decreased by 70 bps to 45.6 per cent
- Statutory PBT of $184.4 million
- Statutory NPAT of $129.8 million and normalised NPAT of $130.8 million
- Statutory EPS of 57.5 cents and normalised EPS of 57.9 cents
- Fully franked interim dividend of 32 cents per share
- Continued momentum in online sales – up 10 per cent to $286 million
- Continued growth in active club members – up 8 per cent to 12 million[1]
- Successful full year implementation of the rebel active loyalty program - 4 million club members have earned loyalty points in the last 12 months, with targeted KPIs met or exceeded
- Store network - 19 new store openings and 14 store refurbishments
- No drawn bank debt and $168 million cash balance

Group Managing Director and Chief Executive Officer Anthony Heraghty said “Super Retail Group delivered solid first half sales growth of four per cent - a pleasing outcome considering the challenging consumer conditions throughout the period, especially in New Zealand.

“Our brands maintained pricing and promotional discipline amidst pockets of elevated promotional activity in the market. The business successfully navigated the peak trade period through strategic initiatives across supply chain, stock availability, merchandising and ranging. These efforts drove accelerated growth in the second quarter at BCF and rebel.

“I would like to recognise the hard work of our 16,000 team members who have been instrumental in achieving this solid outcome. Our strong team member engagement scores are reflected in customer outcomes, such as continued growth in active club members, store NPS, and club member percentage of total sales for all four brands. Safety is a key focus for the business - I would note a 3.4% reduction in the total recordable injury frequency rate from FY24 and re-iterate our strong commitment to continuing to provide a safer working environment for our team members.

“We successfully cycled our first full year of the rebel active loyalty program, meeting or exceeding targeted KPIs, and continued to deliver on the strong pipeline of new store openings for FY25.

“Ongoing inflationary pressures on the cost of doing business have impacted PBT growth and margins in the period. While some of those pressures may be easing, we remain focused on actively managing our cost base in this environment.”

1. Active club member is a club member who purchased in the last 12 months. Growth represents 12 month increase in membership.

GROUP RESULT

Group sales of $2.1 billion were 4.0 per cent higher than the prior comparative period (pcp).

$m	H1 FY25	H1 FY24	Change vs H1 FY24
Total Sales	2,107	2,026[2]	4%
Segment EBITDA	393	402	(2%)
Segment EBIT	218	233	(7%)
Normalised Segment PBT	186	206	(10%)
Normalised NPAT	131	145	(10%)
Statutory NPAT	130	143	(9%)

The Group delivered 1.8 per cent like-for-like sales growth in the first half.

	H1 FY25 Total sales growth	H1 FY25 Like-for-like sales growth
SCA	1.7%	(0.1)%
rebel	4.4%	2.6%
BCF	6.9%	3.9%
Macpac	1.7%	0.1%
Group Total	4.0%	1.8%

Group gross margin of 45.6 per cent was 70 bps below the pcp although remains above pre-COVID levels.

Cost of doing business (CODB) as a percentage of sales increased by 30 bps to 35.5 per cent reflecting the impact of inflation on wages, occupancy costs and network expansion.

Statutory NPAT of $130 million was 9 per cent lower than pcp.

Group inventory is $69 million (or 8 per cent) higher than pcp and reflects the expansion of the store network and a strategic decision to increase stock availability over the key Christmas trading period. Inventory quality remains high, with aged inventory levels below target.

ONLINE

Group online sales increased by 10 per cent to $286 million and represented 14 per cent of Group sales. Click & Collect sales comprised 46 per cent of Group online sales. Ninety-two per cent of all sales were completed in store.

2. Prior year sales have been updated for a reclassification in the current year to include revenue from freight recovery which was previously reported as an offset to cost of goods sold.

SUPERCHEAP AUTO

Total sales increased by 1.7 per cent to $774 million, driven by network expansion.

Like-for-like sales declined by 0.1 per cent, with modest declines in transaction volumes mostly offset by higher average transaction value.

Like-for-like growth of 0.4 per cent in Australia was offset by a 3.5 per cent decline in New Zealand.

Auto maintenance performed well, driven by higher sales in batteries and lubricants. Higher sales of consumables (including wipers and car comfort products) were also a driver of revenue growth.

Competitive intensity was notably elevated in the period.

Gross margin was in-line with the prior year, as the business prioritised promotional discipline in key trading periods. Segment PBT margin reduced due to inflationary pressure on wages and rent, combined with network expansion activity.

Segment PBT declined to $98 million.

Online sales of $64 million represented 8.2 per cent of total sales and Click & Collect represented 81 per cent of online sales.

Active club membership grew by 12 per cent and club members represented 72 per cent of total sales.

Supercheap Auto opened seven stores resulting in 348 stores at period end.

REBEL

Total sales grew by 4.4 per cent to $706 million, with growth accelerating in the second quarter culminating in a record Christmas trading period.

Like-for-like sales grew by 2.6 per cent with growth in both number of transactions and average transaction value.

Footwear and licenced (e.g. NRL apparel) delivered strong growth in the Performance Sports category. All Apparel and Health & Wellbeing categories delivered growth, with fitness tech the standout.

Gross margin declined 150 bps, due to a combination of mix shift to lower margin items, elevated stock loss activity and the full period impact of establishing the loyalty program.

Segment PBT declined to $60 million. PBT margin fell by 110 bps reflecting the lower gross margin, partially offset by a favourable movement in the cost of doing business as a percentage of sales, as operating costs were well managed in the half.

Active club membership grew by 4 per cent and club members represented 80 per cent of total sales.

Online sales of $138 million represented 20 per cent of total sales. Click & Collect represented 28 per cent of online sales.

rebel opened four stores resulting in 163 stores at period end.

BCF

Total sales increased by 6.9 per cent to $518 million driven by like-for-like sales growth and network expansion. Customers responded well to key ranging and merchandising initiatives.

Sales were further supported by a strategic investment in stock availability across key trading periods.

Like-for-like sales increased by 3.9 per cent driven by growth in transaction volumes.

Camping was the primary contributor to growth, with solid demand also experienced in touring and water sports.

Gross margin decreased by 40 bps in the half, due to the additional investment in logistics and inventory availability enabling the stronger sales performance.

Segment PBT increased to $45 million. Segment PBT margin improved by 10 bps as the investment in gross margin was more than offset by a reduction in cost of doing business as a percentage of sales.

Active club membership grew by 8 per cent and club members represented 90 per cent of total sales.

Online sales of $65 million represented 12 per cent of total sales. Click & Collect represented 58 per cent of online sales.

BCF opened one store and closed one store resulting in 162 stores at period end.

MACPAC

Total sales increased by 1.7 per cent to $107 million driven by new store openings.

Like-for-like sales increased by 0.1 per cent in the period. Growth in the number of transactions was offset by lower average transaction value.

Like-for-like growth of 2 per cent in Australia was offset by a decline of 4 per cent in New Zealand, consistent with the broader consumer weakness being observed in that market.

Footwear and base layers performed well. In insulation, consumer preference trended toward lower price points within the range.

Continued to gain market share in Australia over the past six and 12 month periods amidst subdued overall category growth.

Gross margin declined by 20 bps due to investment in logistics and negative mix. Promotional discipline was maintained despite the softer market conditions.

Segment PBT declined to $2 million. Segment PBT margin decreased to 1.6 per cent reflecting the lower gross margin and higher operating expenses due to the impact of inflation and ongoing expansion of the network ahead of the seasonally important Q4 trading period.

Active club membership grew 8 per cent and club members represented 75 per cent of sales. Online sales of $20 million represented 18 per cent of total sales.

Macpac opened seven stores, closing three resulting in 101 stores at period end.

GROUP AND UNALLOCATED

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

Group and unallocated costs increased by $3 million to $18.3 million, largely due to the movement in net financing costs.

Loyalty costs relating to rebel are now reflected in the rebel segment result rather than Group and unallocated. Other project costs including activity associated with the new Victorian distribution centre, as well as some technology projects, were incurred in the current period.

Interest revenue was lower in H1 FY25, in part reflecting the higher cash dividend paid in the period.

CASH FLOW

The Group delivered operating cash flows of $389 million, a decrease of $89 million over the pcp as a result of payment cycle timing. The prior year base of $478 million benefited from one less payment cycle in H1 FY24 of approximately $98 million.

EBITDA cash conversion[3] remained strong at 94 per cent in H1 FY25, in line with the prior period after adjusting for the timing of payables. Cash conversion including the timing benefit in 1H FY24 was 118 per cent.

Investment in store capex of $48 million is split: $17 million in Supercheap Auto, $12 million in rebel, $11 million in BCF and $8 million in Macpac.

Other capital expenditure of $51 million includes investments in the new distribution centre and customer loyalty projects as well as expenditure on omni-retailing capabilities, data networking and core information systems.

Lease principal payments were $25 million higher than the prior year. The difference is attributable to the same payment cycle dynamic in operating cash flows above.

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 $168 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.

3. EBITDA cash conversion is measured as free cash flow compared to EBITDA. Free cash flow is defined as pre tax operating cash flow less stores and other capex.

TRADING UPDATE

	LFL sales growth FY25 v FY24 (Wk 27-33)	Total sales growth FY25 v FY24 (Wk 27-33)
Supercheap Auto	0%	2%
rebel	7%	8%
BCF	11%	14%
Macpac	5%	13%
Group	**5%**	**7%**

Like-for-like sales momentum has been positive in the first 7 weeks of trading in 2H FY25, reflecting ongoing benefits from our execution of the peak trade period, pockets of improvement in New Zealand, and some timing benefits from Boxing Day falling closer to period end – particularly in the online channel.

Group gross margins for the 7-week period are tracking above the prior year. The outlook for gross margins will be influenced by the level of ongoing competitive activity in the market and movements in foreign exchange rates. While the Group remains confident in its ability to recover adverse foreign exchange movements with price increases over time, the magnitude and timing of recent exchange movements may result in a lag of this recovery in the shorter term.

Conditions in the Auto category are consistent with those experienced in the first half, with ongoing competitor discounting, and softer overall demand levels, particularly in New Zealand. The team remains focused on achieving the right balance between promotional discipline and volume growth whilst managing operating costs in the lower growth environment.

rebel and BCF continue to deliver strong sales momentum, with a further acceleration in like-for-like growth over the first 7 weeks supported by the strategic investment in inventory availability during the second quarter.

Similarly, Macpac has seen an improved start to 2H FY25, as it prepares for its peak winter trade season in the fourth quarter.

Group Managing Director and Chief Executive Officer Anthony Heraghty said "We are pleased with the start to the second half of FY25, with like-for-like growth of 5 per cent and improved gross margins, highlighting the benefit of operating a portfolio of brands.

Despite an ongoing subdued consumer environment, we remain relatively well positioned given our customer value proposition, the strength of our brands and our loyalty programs, as well as the resilience of the lifestyle and leisure categories in which we operate.

The Group is targeting capex in FY25 of $165 million to fund its store development program, a new distribution centre, enhancements to its customer loyalty programs and cyber, omni and digital capability.

As previously flagged, the Group expects to incur duplicated operating expenses associated with the transition from existing distribution centre facilities to the Group's new Victorian distribution centre. These duplicated expenses are now expected to result in an increase to Group and unallocated costs in FY25 of $10 million. Total Group and unallocated costs in FY25 (including this $10 million) are expected to be $42 million, compared to $36 million in FY24.

While inflation appears to be gradually easing, the Group expects continued upward pressure on its cost base in FY25.

The Group plans to open 28 new stores in FY25 (Supercheap Auto 11, rebel 5, BCF 4, Macpac 8).

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/10045160-xm63zu.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.