Briscoe Group Limited (NZX/ASX code: BGP)

Highlights for the full year ended 26 January 2025:

- Total sales $791.5 million, 99.94% of last year's record sales
- Gross profit margin 40.37%
- Online sales as mix of total Group sales 19.69%, (LY 18.72%)
- Total costs only 1.11% increase on last year
- Total inventory $5.2 million below last year
- $58.2 million capital expenditure made during the period
- Strategic initiatives remain on track and to budget
- Net profit after tax (NPAT[1.]) $68.0 million

Board Chair, Dame Rosanne Meo said, "In this marketplace to be within 0.06% of last year's record sales, to manage costs to be only 1.11% higher than the previous year and to reduce inventory by a further $5 million is frankly, a remarkable performance."

The current year's result includes a tax adjustment of $7.4 million that the Group is required to book as a result of tax changes announced by the government in early 2024. This deferred tax liability adjustment is a one-off, non-cash accounting entry which has no impact on Briscoe Group's underlying profitability or dividend policy. Excluding this adjustment NPAT[1.] for the year ended 26 January 2025 was $68.01 million. After including the tax adjustment, the directors of Briscoe Group report a net profit after tax of $60.6 million.

Directors have resolved to pay a final dividend of 10.0 cents per share (cps). The dividend is fully imputed and, when added to the interim dividend of 12.5cps, brings the total dividend for the year to 22.5 cps. The final dividend will be paid on 27 March 2025. The share register will close to determine entitlements to the dividend at 5pm on 20 March 2025.

"Dame Rosanne Meo said, "The total dividend reflects the Group's increased focus on a number of innovative strategic initiatives, our substantial investment programme across the next two years as well as the impact on profit from the economic headwinds. The Company's dividend policy is to pay out at least 60% of NPAT when calculated on a full-year basis and although lower in absolute terms than recent years, this year's total dividend represents a payout ratio of 83% of reported NPAT and 74% when the one-off tax adjustment is excluded."

Rod Duke, Group Managing Director, said: "To drive full year sales to 99.94% of last year's record Group sales is a terrific achievement. Three of the quarters produced positive sales growth and while there was an inevitable margin deterioration to deliver those sales, it's important to bring context to what has been an incredibly challenging year."

Relating this year's result to the year immediately prior to Covid impacts (year ended January 2020):

Group Sales	+21.20%	$791.5 million vs $653.0 million
Gross Profit Margin %	+ 0.94%	40.37% vs 39.43%
NPAT[1.]	+ 8.67%	$68.0 million vs $62.6 million

1. Reported NPAT excluding the impact of the one-off deferred tax expense.

The Group’s online business continues to produce strong results and represented 19.69% of Group sales as at 26 January 2025. Rod Duke said, “We’re excited for the year ahead in relation to our online business. Re-platforming its front-end to the *Adobe* system will bring significant functionality and performance improvements whilst the simultaneous launch of the new *Marketplacer* platform will enable us to rescale our ability to connect customers with many different suppliers and products through increased direct-to-consumer options. In addition to working towards these new implementations the team has also introduced a number of other initiatives this year including; enhancements to our coupon offerings, an express delivery service, Apple Pay and a suite of AI tools to optimise product data management. Ensuring our customers always have the best possible access to online as well as bricks and mortar is an important driver for us.”

As expected, gross margin percentage declined for the period from 42.40% to 40.37%. Rod Duke said, “Like all retailers we faced margin pressure from a number of factors as the impacts of the ongoing economic downturn continued to be felt. Whilst we expect margin pressure to be continue, including from a weaker New Zealand dollar, our goal this year is to at least stabilise Group gross profit margin % and we have a number of initiatives to assist with this. These include; lower levels of clearance product, the introduction of deeper analysis of promotion planning and monitoring, and the implementation of a new merchandise planning tool (*Impact Analytics*) which will improve the quality of product purchasing and sell-through. As previously highlighted, this year’s gross profit margin percentage still represents a 94-basis point improvement on the Group’s margin produced for the year immediately prior to covid (year-ended January 2020).

“Cost control continues to be an integral part of managing the business and the year has closed with the total of store and overhead costs only 1.11% higher than the previous year. This is a significant achievement considering the 6% wage rate increase for our in-store hourly-paid team made in May 2024 as well as substantial increases absorbed throughout the business including for power, occupancy, warehousing and IT.

“The Group’s full-year result was negatively impacted from KMD Brands Limited’s decision to not pay any dividends during the year. Last year the Group received $2.9 million (pre-tax) from its investment in KMD Brands.

Inventories totaled $99.7 million at year-end, $5.2 million below the $104.9 million reported for last year. Rod Duke said, “Inventory management remains a key focus for us and despite intense sales pressure the team has improved both stockturn and the quality of closing inventory. We’re happy with the inventory we are currently holding but realise continued inventory improvements will be critical in enabling us to deliver future sales and margin growth. With the introduction of *Impact analytics* and further inventory optimisation across categories, we have set a goal to further reduce inventory levels by the end of this financial year. Control of inventory continues to be a key factor of our performance.”

The Group’s balance sheet remains strong, with cash and bank balances of $142.4 million as at 26 January 2025 and no term debt. Approximately $30 million of creditor payments included in the trade payables balance were subsequently paid on or before 31 January 2025. Rod Duke said, “With the significant investment the Group will make across the next 18 months in establishing the new distribution centre, combined with the seasonality of our operational cashflow, the Group expects to establish a funding facility for initial utilisation during the second half of this year.”

During the year $58.2 million of capital investment was made by the Group of which $40.0 million represents expenditure in relation to the new distribution centre project at South Auckland, including purchase of land and preliminary payments in relation to building construction and automation contracts. The roll-out of electronic labelling throughout the Group network accounted for around a further $10.0 million of capex with the balance of capital investment being for store refurbishments, store essential expenditure and enhancements to system software and hardware.

The Group progressed a number of store development projects during the year. Rod Duke said, “As reported at half year, refurbishments were completed at both Rebel Sport and Briscoes Homeware stores in Invercargill and then the Briscoes Homeware store at Hornby was subsequently refurbished during the second half.

“The successful rollout of electronic labelling across the store network was a significant achievement for the team and we believe it is already producing positive results in relation to incremental sales, improved in-store standards and clarity of pricing for customers.

“We are also very excited about the progress made during the year in relation to the design of new flagship stores for both Briscoes Homeware and Rebel Sport. We are thrilled with the work done and the potential to be unlocked by these next generation stores which we hope to deliver by the end of this financial year. We believe these new formats will revitalise the look and consolidate the relevancy of our value proposition.

“Significant progress has been made during the year in relation to establishing the new distribution centre in South Auckland. A key milestone was the implementation during the first half of the year of a new Warehouse management System – *Manhattan.* This has enabled the team to upskill before transitioning to the new facility when it becomes operational towards the end of 2026. Earthworks are now well underway, and the shell of the new complex should begin to take shape towards the end of this current first half.

“At a time when other companies may very well be looking to refrain or defer significant strategic expenditure, we remain committed to investing in the Group’s future through a number of both current and new initiatives including; the new distribution centre which, when operational, will transform our ability to control the flow of inventory right across our network, the new online platforms which will step-change the way we manage and present our online offering, the launch of new flagship stores, and our new merchandise planning tool which will provide us a level of analysis and ordering capability that we have not had before.

“Looking forward we do not underestimate just how tough trading will continue to be with the first half expected to be especially challenging. We expect this will see second half profitability exceed that produced for the first half in a return to a more noramlised shape of profitability. We are hopeful that the economic recovery will gradually emerge as the year continues, which will assist us to achieve our goal of protecting this year’s level of profitability.

“Looking further out we are excited about the benefits and profit growth potential from the initiatives already mentioned which we believe will drive growth across the next three to four years.”

Group Chair Dame Rosanne Meo said, “On behalf of the Board I would like to acknowledge the outstanding work done by the entire Briscoe Group team. They continue to weather the most challenging retail environment we have seen for many years but collectively continue to produce some of the finest results delivered across New Zealand retail.”

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Briscoe Group Limited is a company incorporated in New Zealand and registered in Australia as a foreign company under the name Briscoe Group Australasia Limited (ARBN 619 060 552). It is listed on the NZX Main Board and also the Australian Securities Exchange as a foreign exempt entity. (NZX/ASX code: BGP).