Briscoe Group Posts Record Half Year Sales

Briscoe Group Limited (NZX/ASX code: BGP)

The directors of Briscoe Group Limited (NZX/ASX code: BGP) announce a net profit after tax (NPAT) of $42.75 million for the half-year ended 30 July 2023 compared to $45.62 million achieved for last year's first half. The half-year results are unaudited.

Dame Rosanne Meo, Briscoe Group Chair said, "This half-year result represents a very solid performance considering the continued headwinds faced by the retail sector and to post record sales for the half is a significant achievement. The ability of the leadership team to positively drive the business despite the enduring negative economic factors is impressive and reassuring for the entire Group."

The directors have resolved to pay an interim dividend of 12.50 cents per share (cps). This compares to last year's interim dividend of 12.00 cps. Books will close to determine entitlements at 5pm on 20 September 2023 and payment will be made on 11 October 2023. The company's dividend policy is to pay out at least 60% of NPAT when calculated on a full year basis.

Rod Duke, Group Managing Director, said, "To produce an NPAT of $42.75 million in this economic environment is very pleasing. The team have done a great job in continuing to advance initiatives important for future growth while, at the same time, maintaining focus on the "business-as-usual" imperatives of driving sales and controlling costs."

The earnings were generated on sales revenue of $369.24 million, an increase of 0.35% on the same period last year. Rod Duke said, "Whilst only a modest increase, to deliver positive sales across both the homeware and sporting goods segments in this current environment, is a significant achievement. It's also worth noting that this half-year result represents an increase of 51% on the NPAT produced for the half-year immediately before Covid (July 2019; $28.27 million) on 22% (+$66 million) higher sales."

Gross margin percentage declined for the period from 45.64% to 43.73%. Rod Duke said, "Like all retailers we are facing margin pressure from a number of factors as the impacts of the ongoing economic downturn are felt. As previously reported, our goal for the full year remains to be able to show that the Group can protect around half of the 633-basis gross profit margin points gained during the 2 years ended January 2021 and January 2022. With the plans we have in place we do not expect the same amount of decline for the second half of this financial year as was experienced for the first half.

“We were pleased earlier this year to be able to repeat last year’s wage rate increase for our in-store hourly-paid team of 7.0%. We are very mindful of the impact on all our team from the declining economic factors in an employment market which continues to be very competitive. The effort and commitment demonstrated by the entire team is truly outstanding and greatly appreciated.”

The Group received a dividend of $1.44 million from its investment in KMD Brands Limited during the six months, matching the amount received for the same period last year.

Interest income booked by the Group increased by $2.0 million, predominantly as a result of significantly increased interest rates.

Homeware sales for this first half increased in relation to last year by 0.28% from $228.74 million to $229.39 million and sporting goods sales by 0.46% from $139.21 million to $139.85 million.

The Group’s online business continues to perform well and represented 18.33% of Group sales as at 30 July 2023. Rod Duke said, “We continue to invest in both the front and back-end platforms with a number of initiatives completed including; implementation of a new product information system, introduction of enhanced online buying guides connected through QR codes for instore customers, improved experience of the reviews platform and integration of the ‘*Starshipit*’ shipping platform to improve both courier and fulfilment productivity efficiency.”

Inventory levels as at 30 July 2023 were $120.21 million, up from $113.00 million at the same time last year. Rod Duke said, “While this includes inventory for the new Rebel Sport store opened by the Group in April 2023 as well as additional inventory purchased in relation to major sporting events during 2023, the majority of the increase reflects significant supply chain cost increases – the actual increase in units held was less than 1%. We continue to work closely with our supply partners in relation to optimising the Group’s inventory position.”

The Group’s balance sheet remains strong with cash balances of $126.90 million at the close of the period, compared to $97.58 million held at the same time last year. Approximately $18 million of creditor payments included in the trade payables balance were subsequently paid on 31 July 2023.

Despite the difficult trading conditions, the Group progressed a number of store development projects during this first half. Rod Duke said, “We were delighted to open a brand-new Rebel Sport store in Ashburton during April in conjunction with the relocation of the existing Briscoes Homeware store. Both stores have been received extremely well within the local catchment and we are very pleased with how they are trading. In addition, three full-store refurbishments were completed during the period at; Briscoes Homeware Whangarei, Rebel Sport Taupo and Rebel Sport Manukau. There are at least another three store refurbishments planned for the second half of the year.

“A number of other projects also continue to grow and benefit the Group’s profitability. A great example of this is the ongoing introduction of new products online which are shipped direct from suppliers. Sales continue to build from this initiative from which we expect sales to exceed $10 million this year and we’re excited about the future opportunity from the momentum it’s generating.

“Opportunities to expand product and category ranges are also emerging in the current tightening market and we are extremely pleased to have secured a number of new market-leading, quality brands for the Group. Varying product ranges from Dyson, Samsung and Ecoya will be available from Briscoes Homeware by the end of the year. During the first half we also successfully launched the Huffer brand into eleven Rebel Sport stores and we plan to continue the rollout during the second half.

“Leveraging retail media across the in-store network and online platform is another opportunity for the Group to grow revenue. During the first half we successfully deployed digital marketing screens across all Briscoes Homeware and Rebel Sport stores. This initiative provides existing and new supply partners with the opportunity to showcase a range of product communications direct to our customers. This approach also encompasses our online channel where we see great opportunity to enhance value across our customer database and also web traffic.

“We remain cautious as to the retail environment with ongoing uncertainty in relation to economic conditions, customer sentiment, cost pressures, higher interest rates and political uncertainty given the upcoming election. As previously reported, we expect it to be difficult for the Group to replicate last year’s full-year record net profit after tax (NPAT) result of $88.4 million. However, this first-half performance against the widely reported retail slow-down gives me great confidence about our ability to produce a solid second half result.”

The Group’s next planned market release will be shortly after its 3rd quarter which closes on 29 October 2023.

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