



Briscoe Group Posts Record Profit and Sales

Briscoe Group Limited (NZX/ASX code: BGP)

Highlights for the full year ended 30 January 2022:

- Total sales \$744.4 million, +6.08%
- Gross profit \$340.6 million, +10.92%
- Gross profit margin 45.76% vs 43.76% last year
- Online sales growth, +21.01%
- Online sales as mix of total Group sales, 21.47%
- Net profit after tax (NPAT) \$87.9 million, +20.10%
- Final Dividend 15.5 cps
- Total Dividend for the year 27.0 cps, +20.0% (excluding the special dividend paid in December 2020).

The directors of Briscoe Group Limited announce a record net profit after tax (NPAT) of \$87.91 million for the year ending 30 January 2022, a 20.10% increase on the \$73.20 million reported for the previous year.

Board Chair, Dame Rosanne Meo announced that the directors have resolved to pay a final dividend of 15.5 cents per share (cps). The dividend is fully imputed and, when added to the interim dividend of 11.5cps, brings the total dividend for the year to 27.0cps, an increase of 20.00% on the previous year (excluding the special dividend paid in December 2020). The final dividend will be paid on 31 March 2022. The share register will close to determine entitlements to the dividend at 5pm on 24 March 2022. The Company's dividend policy is to pay out at least 60% of NPAT when calculated on a full-year basis. "We were delighted to be able to reward our shareholders by increasing our interim dividend earlier this year and also now with this final dividend announcement.

"The results the team continue to produce are quite remarkable. Their ability to navigate the business through the ongoing uncertainty and disruption this year has been exemplary and has certainly differentiated Briscoe Group from other retailers."

Rod Duke, Group Managing Director, said: "We're thrilled to announce record sales and profit for Briscoe Group in a year which has, incredibly, proved just as tumultuous as the previous. After posting very strong first-half results, it was extremely pleasing to be able to consolidate the full year with a solid second-half performance. Not only were our Auckland stores shut for a total of 84 days during this period (and all others for at least 21), but last year's second half also contained an additional week of trading as well as experiencing a resurgence in sales from the retail recovery post the first national lockdown.

"I'm immensely proud of the commitment and effort shown by the entire Briscoe Group team. We have a strong core business and with our strategic plan initiatives now contributing to profitability, we have a solid foundation to continue the strong performance achieved this year."

The earnings were generated on sales revenue of \$744.4 million, an increase of 6.08% on the \$701.8 million generated for the previous year which included an additional week of trading. Adjusting for this additional week, Group sales grew by 7.97% for the year ended 30 January 2022.

Gross Margin dollars increased 10.92% for the period with gross margin percentage increasing from 43.76% to 45.76%. Rod Duke said, "To improve again on last year's step-change in gross margin percentage is a massive highlight for us and a result of both external conditions and internal initiatives. As previously reported, the disruptions to trading from the pandemic accelerated our plans in relation to optimising margin and these combined with the opportunities identified from our ongoing strategic programme have significantly enhanced the Group's margin performance. We have made significant improvements in relation to optimising ordering as well as the allocation of inventory and its flow into and through our stores."

This year's result includes \$1.7 million (after tax) of dividends received from the Group's investment in Kathmandu Holdings Limited. No dividend was received last year as a result of Kathmandu's response to the COVID-19 situation

Inventories totaled \$119.51 million at year-end, \$28.04 million higher than the \$91.47 million reported for last year reflecting both cost and volume increases. Rod Duke said, "Part of this year's success has been our focus on ensuring the business has had sufficient inventory to satisfy demand. With the uncertainty around national and international supply chains we committed to a strategy of securing product often months in advance of traditional timings, to minimise the wide-spread and widely reported, supply chain disruptions. This deliberate approach has resulted in a high level of inventory being carried during the year and we expect this to continue throughout 2022, but it has unquestionably delivered in terms of sales and profit. This was particularly true during this fourth quarter which contained the significant Black Friday and Christmas promotional events which produced very pleasing results. Having sufficient inventory in the current retail environment is a distinct competitive advantage, as is the strength of our supplier relationships which have significantly assisted us to secure supply of product.

During the year \$19.90 million of capital investment was made by the Group of which \$9.66 million represents development of property owned by the Group in Auckland and Silverdale. The balance of the capital investment was for the fit-out of new and refurbished stores, online platform improvements, security system upgrades and enhancements to system software and hardware.

Work also continued on a number of projects in relation to Group owned properties. The construction of a new concept Briscoes Homeware store at 36 Taylors Road, Auckland was completed and the store opened in early March. This allowed the introduction in April of a brand-new Rebel Sport store in the retail space on the ground floor of the Support Office building at 1 Taylors Road, Morningside.

In addition, the Group's development at Silverdale was completed and the new Briscoes Homeware and Rebel Sport stores opened in November. Rod Duke said, "Trading results from both the Silverdale stores have significantly exceeded expectations and feedback has been overwhelmingly positive. We're extremely pleased with all of the new stores opened this year and their success gives us confidence for further network growth opportunities in relation to the refurbishment and/or establishment of new stores. In fact, work has now started on upgrades to our Rebel Sport stores in Te Rapa and Albany which will incorporate many of the ideas and concepts introduced in the new generation Silverdale and Morningside stores.

The Group's online business again experienced significant growth especially with the move to the second national lockdown in August and the subsequent prolonged closure of Auckland, Northland and Waikato stores. During the second half of the year with the disruption of store closures, online sales represented 26.39% of total Group sales compared to 16.16% for the first half. Online sales for the full year accounted for 21.47% of total Group sales, 21.01% above those for the previous year. Rod Duke said, "While the full year mix was clearly influenced by store closures, we are confident that the "normalised" online portion of our business is continuing to increase. This year we have implemented a number of system developments and process improvements which have significantly improved both our fulfilment productivity and front-end functionality.

"We continue to focus on progressing our strategic initiatives, which we see as critical to protecting the foundation for growth moving forward. The programme of work focused on supply chain improvements has progressed well this year with benefits to gross margin percentage very evident in this year's result. Optimising quantity and frequency of ordering, redirection of imported product landings between North and South Island ports as well as smarter and more efficient reallocation of slow-moving product are all examples of initiatives focused on optimising the availability and flow of the Group's inventory.

“During the year we continued and commenced a number of other projects which have also contributed to this year’s result. In relation to our online business, stage one of our digital picking initiative has significantly improved the efficiency of in-store fulfilment and the introduction of the *Emarsys* customer engagement platform has allowed us to communicate in a much more personalised way with our online customers.

“Extending our product range with the introduction of new online products which are shipped direct from suppliers has now been introduced across 15 suppliers. We are excited about the growth potential of this initiative and the opportunity for us to offer additional products not held in-store or part of our traditional range.

“The introduction of *givex* gift cards late last year replaced our paper-based gift card system giving us greater flexibility and control around our gift card offer, including online redemption and also e-voucher deployment. We have seen incremental sales of gift cards since their introduction. Easy-to-use in-store kiosks have enabled customers to purchase products online that may be out of stock in-store and the introduction of queue-busting mobile cashiers in stores during big sales events have been a welcome addition to assisting customers to minimise their checkout wait-time.

“With the Omicron variant of COVID-19 now widespread throughout New Zealand we have seen a recent decrease in footfall across our bricks and mortar network. As expected, we have also seen a significant increase in the mix of Group sales being fulfilled online, although the transfer to online has not entirely matched the decline experienced in our store network. However, from previous experiences, pandemic-related constraints on trading have invariably led to a strong recovery from pent-up consumer demand and we have no reason to believe that this won’t be the case again as the Omicron variant subsides.

“New Zealand retail in general remains highly sensitive to ongoing uncertainty and disruption whether it be fallout from the ongoing pandemic, supply chain delays, currency fluctuations, interest rate hikes, labour shortages, unpredictable consumer confidence etc. However, what is certain is the talent of our leadership team and its focus on the continued success of the business. Notwithstanding the challenges ahead I’m confident that we have the right programmes, initiatives and team in place to do just that.”

Group Chair Dame Rosanne Meo said, “Briscoe Group has proved its ability to navigate these uncertain times, producing incredible results while at the same time balancing the interests of its team, customers, suppliers and shareholders alike. This year’s results highlight yet again the Group’s ability to perform and deliver improved performance during difficult trading conditions. On behalf of the Board, I would like to acknowledge the great work done by the entire Briscoe Group team.”

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