



Briscoe Group Posts Record Profit and Sales

Briscoe Group Limited (NZX/ASX code: BGP)

Highlights for the full year ended 29 January 2023:

- Total sales \$785.9 million, +5.56%
- Gross profit \$345.9 million, +1.55%
- Online sales as mix of total Group sales, 18.97%
- Net profit after tax (NPAT) \$88.4 million, (LY \$87.9M)
- Final Dividend 16.0 cps
- Total Dividend for the year 28.0 cps, +3.70%

The directors of Briscoe Group Limited announce a record net profit after tax (NPAT) of \$88.4 million for the year ending 29 January 2023, up on the \$87.9 million reported for the previous year.

Board Chair, Dame Rosanne Meo announced that the directors have resolved to pay a final dividend of 16.0 cents per share (cps). The dividend is fully imputed and, when added to the interim dividend of 12.0cps, brings the total dividend for the year to 28.0cps, an increase of 3.70% on the prior year. The final dividend will be paid on 30 March 2023. The share register will close to determine entitlements to the dividend at 5pm on 23 March 2023. 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.

"To produce results ahead of last year's record benchmark is a significant achievement and reinforces the team's ability to adapt quickly to an everchanging retail environment and to continue to differentiate Briscoe Group from other retailers."

Rod Duke, Group Managing Director, said: "We're delighted to have produced a second half performance which has not only made up the narrow profit deficit from half year but also enabled us to post another full year record sales and profit performance. To achieve this considering the continued deterioration in economic factors impacting consumer confidence and subsequent retail spending, is an outstanding achievement.

"We have a very strong core business which continues to prove its resilience amidst the varied challenges faced by the Group across recent years. Our incredibly talented team continues to exceed expectations to allow these results to be produced."

The earnings were generated on sales revenue of \$785.9 million, an increase of 5.56% on the \$744.4 million generated for the previous year.

Gross Margin dollars increased by \$5.3 million, +1.55%, for the period with gross margin percentage decreasing from 45.76% to 44.02%. Rod Duke said, "We are seeing margin pressure as the impacts of the economic downturn are felt and the tightening of the retail sector squeezes margins in order to be more competitive. As previously reported, we have invested a considerable amount of energy to protect as much

as possible of the 633 basis points gained in gross profit margin across the previous 2 years ended January 2021 and January 2022. We continue to see benefits from these initiatives and to close this year only 174 basis points below last year is a very reasonable result. Margin pressure is however ongoing, and we do not underestimate the challenge ahead in order to protect as much of the significant margin gains made during 2020 and 2021 as we can.”

The Group’s online business again performed exceptionally well, and we continue to invest in developing both the front and back-end platforms. Online revenue represents 18.97% of total Group sales for the year ended 29 January 2023 and while this is below what was achieved last year on the back of enforced store shutdowns, it is a significant step-change from the pre-Covid sales mix of around 11%. During the year the online team implemented a number of developments to enhance performance. These included: the implementation of a new product embellishment system to ensure there is great product content displayed online, the implementation of the global tool, *Fit Analytics*, to ensure customers can be assured of selecting the right garment size across all our sports apparel brands, introduction of same-day Click & Collect. In addition, enhanced fulfillment processes were introduced to increase the speed of picking online orders and improved order routing logic optimised speed of order to customer.

This year’s result includes \$2.1 million (after tax) of dividends from the Group’s investment in KMD Brands Limited compared to \$1.7 million for the same period last year.

Inventories totaled \$117.8 million at year-end, \$1.7 million below the \$119.5 million reported for last year. Rod Duke said, “Our focus on inventory is relentless given the pressure on costs during the previous year and the possible impact on margins if not managed properly. While the value of inventory has decreased around 1%, the volume of inventory we are holding has actually decreased by around 11%. This lower level of inventory is a significant advantage for the business as we enter a more subdued retail cycle than we have seen for a number of years. Initiatives in relation to our inventory ordering processes – refining how, when and what we purchase, as well as improving other inventory measures such as in-store availability, slow moving items and stock obsolescence are all critical to optimizing our inventory management as well as protecting the gross margin.

The Group’s balance sheet remains strong, with cash and bank balances of \$149.9 million as at 29 January 2023 and no term debt. Approximately \$26 million of creditor payments included in the trade payables balance were subsequently paid on or before 31 January 2023.

During the year \$16.5 million of capital investment was made by the Group of which \$8.99 million represents expenditure on the fit-out of refurbished stores. The balance of the capital investment was for online platform improvements, security system upgrades and enhancements to system software and hardware.

Despite the difficult trading conditions and constraints in relation to team availability the Group progressed a significant number of store development projects during the year. As reported at half year, five full-store refurbishments were completed during the first-half. During the second half of this financial year refurbishments were also completed at Briscoes Homeware Te Rapa as well as both the Briscoes Homeware and Rebel Sport stores at Dunedin and Whangarei. Upgrades to both Group stores at Manukau has commenced and are on track to be completed during the second quarter of 2023. We’re also very excited about the opening of a brand-new Rebel Sport store in Ashburton in conjunction with the relocation of the existing Briscoes Homeware store. These stores are due to open for Easter 2023. All the store upgrades result in a dramatic difference to the look and feel of the stores and include the latest ideas from the new-store design concepts including LED lighting, redesigned fixtures, personalized counters, click & collect storage zones and dramatic new in-store signage.

Rod Duke said, “We continue to focus on progressing our strategic initiatives, which we see as critical to protecting the foundation for growth moving forward. Many of the initiatives are now embedded as ‘business as usual’ contributing to sales, gross profit and the Group’s bottom line.

“An important piece of work undertaken during the second half, with external assistance, has been to complete a review of the Group’s warehousing and distribution requirements for the next decade. Current and future state scenarios, automation suitability, warehouse management system requirements and distribution centre design have all been assessed in order to produce a business case for Board approval. Once finalised this will represent a significant initiative for the Group across the next 2-3 years.

“A number of other initiatives also continue to benefit the Group’s profitability. Examples of these include; the ongoing introduction of expanded ranges of new products online which are shipped direct from suppliers to customers, continued development of our personalised database communication tool (Emarsys), the introduction of Tableau business intelligence dashboards throughout the Group’s network, the creation of a new on-shelf-availability tool for use across the store network, stock processing efficiencies in-store and at our distribution centre and e-receipts being trialed at a small group of stores. We have also commenced in-store trials in relation to electronic shelf labeling in both Briscoes Homeware and Rebel Sport.

“We expect New Zealand retail in general to remain highly sensitive to ongoing uncertainty in relation to deteriorating economic conditions, customer sentiment, cost pressures, higher interest rates and political uncertainty given the upcoming general election. We do not underestimate just how challenging trading could be and currently expect it to be difficult for the Group to replicate this year’s record profit result. However, what is certain is the talent and dedication across our entire team to offer New Zealanders the best shopping experience possible and to deliver continued strong performance.”

Group Chair Dame Rosanne Meo said, “Briscoe Group has again risen brilliantly to the challenges faced during this latest year and the results do highlight, yet again, the Group’s ability to perform and deliver strong performance during difficult trading conditions. However, we are acutely aware that these challenges remain ongoing and there continues to be a high level of uncertainty in the trading environment.

On behalf of the Board, I would like to acknowledge the great work done by the entire Briscoe Group team.”

Wednesday 15 March 2023

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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).