



## **Chairman's Address to Annual Shareholders Meeting - 23 May 2017**

We are proud and delighted to once again be able to announce a record profit for the year ending January 2017. While it is the sixth record result in succession, one should not and cannot afford to be blasé about it: these are hard won results based on hard work, consistent planning and careful execution.

It is also worth noting that they come at a time when the economic tailwinds are still reasonably brisk.

GDP grew 3.1 percent in 2016, and factors including stable prices for agricultural commodities (notably dairy), soaring tourism, and improving global growth generated robust consumer confidence and strong business expectations. That in no way diminishes the quality of our results, or the effort that has gone into achieving them; however, it is perhaps a reminder that we need to plan carefully and consider all contingencies as we look to the future.

Over the past three years, our Compound Annual Growth Rate has been 21 percent; our gross profit margin has also increased year-on-year during that time. Those numbers describe a remarkable success.

It is said that while failure is an orphan, success has many parents. And it is true that this success has been driven by a number of factors, including a strong emphasis on inventory management and cost control, and a constant focus on the relationship we have with our customers – both in-store and, increasingly, online.

I believe it is also a further demonstration of the value in having two separate brands, each focused on a particular segment, rather than taking a department store approach and lumping everything under the one roof – and yet again, both Briscoes Homeware and Rebel Sport improved earnings on the previous year.

### **Supporting our People**

Perhaps the most important element, however, is the commitment and dedication of our staff. The Board fully endorses the Managing Director's

decision to once again pay a special bonus to all staff who are not part of a formal bonus scheme, in recognition of the fact that it is our retail staff that are our real shop window.

We also remain strongly committed to providing our workers with the opportunity to up-skill, to get the education and training they need to fulfil their potential. We recognise the benefits of having well-educated people in all areas of our operations. The benefits to the business, of course, but also the benefits to them as individuals – and to their families and their communities.

To that end, we have helped a number of our support staff complete a Graduate Certificate in Retail through Auckland University of Technology, and have established relationships with AUT and with Massey University that will provide a pathway for our people to gain a Bachelors Degree in Retail and Business Management.

Briscoe Group also continues to support the First Foundation as a Scholarship Partner; I encourage those of you who are not familiar with their work to have a look online at [firstfoundation.org](http://firstfoundation.org).

## **Financial Position**

Rod will detail the financial highlights in his review of the past year and the current outlook, but I am pleased to say that the strong momentum the company has built up over the past few years shows no sign of slackening: results for the first quarter, released earlier this month, represented a strong start to 2017/18, although we have a lot of work to do yet to ensure the current financial year's results live up to our recent achievements.

We are, however, in an excellent financial position, with net assets of more than \$200 million, including more than \$60 million in cash, at the end of the past financial year and no interest-bearing liabilities.

## **Looking Ahead**

We continue to look for ways to add value to the business – either organically (and Rod will talk more about the \$18 million we have invested in our store network) or by acquisition – and are well-resourced to pursue any appropriate opportunities we may identify.

To that end, you would also be aware from our announcement on Friday that we are intending to seek listing for Briscoe Group Limited on the ASX as a foreign exempt entity. During 2015, the Australian Securities Exchange

amended the ASX Listing Rules to facilitate the dual listing of companies listed on the main board of the NZX. We like a number of other companies have already done, intend to take advantage of these amended regulations.

Our motivation to seek the listing does not reflect any immediate expansion initiative.

We believe that the greater visibility from a dual-listing will contribute to increased investor interest and a broader shareholder base which will increase our ability to take advantage of fresh opportunities that we identify.

Overseas markets represent an opportunity to take our business up a level. However, we are very aware of the many New Zealand companies that over the years have looked across the Tasman – and further afield – and returned home somewhat chastened. Any expansion will be very carefully planned and thoroughly assessed.

Kathmandu is an example of our disciplined and patient approach to investment – in the heat of the takeover we did not get talked up on price by major Kathmandu shareholders, let alone market commentators – informed or otherwise: we held steadfast to where we saw value at the time.

The Kathmandu initiative also showed Rod's willingness to reduce his shareholding if it would enhance shareholder value – had Kathmandu accepted our offer, Rod would have held about 50 percent of the merged entity.

Kathmandu has been a good investment for us, contributing \$4.4 million in dividends to our bottom line for the year ended January 2017. We continue to monitor its performance closely.

While our eyes might be across the Tasman, the investment we are making in our domestic store network demonstrates that we still see potential for growth here in New Zealand.

We are not alone in seeing potential for growth here and in Australia. Recently, both Amazon and European retailer Decathlon have announced plans to expand into Australia. They and others will provide us with a stern test of our capabilities and the full range of products and services we provide – online and in-store.

At the same time, their presence confirms that significant opportunities exist, and Rod will talk in more detail about how we are preparing to exploit those opportunities.

## **Dividend Payments**

The directors resolved to pay a final dividend of 11.00 cents per share, fully imputed, which was paid to shareholders at the end of March. When added to the interim dividend of 7.00 cps, the total dividend for the year was 18.00 cps, an increase of 16.13 percent over last year's total dividend of 15.50 cps.

## **Executive Share Options**

The Board continues to believe that all shareholders benefit from the issue to key senior executives of long-term, appropriately-priced share options that crystallise only on delivery of increased shareholder value, and intends to issue up to a further 1,700,000 options in the current financial year to selected senior executives. Including this new issue and previously issued but unexercised options, the total number of share options still exercisable would represent 2.9 percent of the current issued share capital.

More information about this plan can be found in the Annual Report.

The Board continues to monitor the relevance of performance based share and option schemes, and compare our model with others that are effective in the marketplace. We are proud to have our executives participating and being Briscoe shareholders.

## **Community Sponsorships**

We place considerable importance on supporting not only our own community, as I have already mentioned, but also the communities in which we live and work.

Our main sponsorship continues to be of Cure Kids, for whom we have raised more than \$5.6 million, including some \$765,000 in the past year. In supporting their vision of a healthy childhood for everyone, we are also realising our shared values and strengthening our own team culture.

We also provide significant funding to the Westpac Rescue Helicopter and the NZME Special Children's Christmas Parties, and support the fund-raising activities of a wide variety of local community-based charities, sports clubs and others.

## **Closing remarks**

Briscoe Group is widely recognised as one of the biggest and best retailers in the country. Two people who played a major part in the company achieving the status it has today are Stuart Johnstone and Alaister Wall, both of whom retired from the Board during the past year. Stuart's investment banking background was of particular value when Briscoe joined the NZX in 2001, while Alaister's 15 years as a director is only one element of the significant contribution he has made to the company over the past 47 years. We thank them both for all they have done.

I would also like to thank Tony for his leadership of the Board Audit and Risk Committee and for my fellow Directors' involvement in the Board HR Committee. There is some exciting new work in our talent development and ensuring the ongoing progression of the Briscoes executive and operational team.

With Andy and Tony joining Rod and Mary and me on the Board, we feel that Briscoe Group has an excellent balance of the skills and talents required to meet the future needs of the business. On behalf of my fellow directors, I thank you all for your continued support as we look to continue to represent your interests as well as we possibly can.

I now ask Rod to give you his perspective on the past year and the Group's plans for the future.

Thank-you