



Thank you Rosanne.

Welcome

Let me also welcome our shareholders along today, and thank you for joining us in reviewing what was quite a year.

### **Looking back at 2016**

November gave us the Kaikoura earthquake, which affected Briscoe Group stores in the Wellington region and the upper South Island, in particular the Living & Giving store at Queensgate Shopping Centre, which was unable to reopen for a considerable period of time and has now closed at the end of its lease.

It also affected road and rail networks, which created challenges across the supply chain, but we worked closely with our supply partners to minimise the effects on customers.

We are thankful none of our staff were injured, and grateful for the work put in by our experienced store and support teams to get us back in business as soon as possible.

Other disruptions include the fragmentation of the media which continues at pace, and is forcing us to constantly evaluate and employ new ways to communicate with our customers – although the success of campaigns such as “What’s My Why” shows that traditional channels have their place as well. On that, we will be rolling out advertising featuring other athletes and sporting codes as the year progresses.

Perhaps the most talked-about disruptor is the rise and rise of online retailing, most notably in the form of Amazon, which recently announced plans to set up shop in Australia.

Amazon’s move into this part of the world provides a challenge, but it’s a challenge we are well-prepared to meet – in part by taking hold of the new, and in part by keeping hold of the traditional.

So while we embrace the opportunities that our own online capability gives us to extend and enhance the relationships we have with our customers, we do it in a way that builds on our commitment to excellent service, our deep knowledge of our customers and their needs, and our determination to make quality homeware products and sporting goods available to a broad range of customers.

Predictions of the imminent demise of traditional retail have not yet come to pass; however, it is a fast-changing environment that requires us to move and think equally quickly.

## **Responding to the Challenge**

I continue to believe that success lies in combining our bricks-and-mortar network with our online channels. In the past year, we have managed to do that well, as demonstrated by the fact we increased EBIT at Rebel Sport and Briscoes Homeware by 11 percent and 15 percent, respectively, while increasing online sales by more than 40 percent for the second successive year.

The challenge to effectively integrate the physical and virtual aspects of our business puts even greater emphasis on the importance of inventory management. Two markers of our success in this area during the past year are the improvement in Gross Profit Margin (from 40.49 percent to 41.07 percent) and the reduction in year-end inventory levels (from \$80.2 million to \$78.9 million).

In the second half of the year, we improved our ability to identify product availability across the network. I am confident these improvements will continue to generate a better customer experience and increased sales as well as improved margins – and of course we continue to test and evaluate new processes that will enhance those gains.

## **Financial Performance**

Across the Group, while sales revenue was up five percent to \$582.8 million, earnings before interest and tax were up 21 percent to \$79.8 million and net profit after tax was up 26 percent to \$59.4 million – or, if you remove the one-off gains from the sale of some land following the redevelopment of our Hastings stores, up just over 20 percent to \$56.7 million.

Of course, future growth and development is funded through cash, and, as Rosanne has already said, our cash position is extremely strong.

## **The New Year So Far**

Rosanne also mentioned that the momentum we have built up in recent years shows no sign of slackening.

Group sales for the quarter ended 30 April 2017 were \$141.3 million, 6.30% higher than the \$133.0 million reported for the same quarter last year. On a like-for-like same store basis, sales for the quarter were up 5.83% on the year prior.

Sales for the Homeware segment increased by 8.80% to \$86.5 million while Rebel Sport sales increased by 2.58%.

We were pleased with these results, especially considering the continued high level of competition across both sectors, and I'm pleased to report that profit is also tracking ahead of last year.

## **Looking Forward**

Rosanne also quite rightly said, in referring to the first quarter results, that we had a lot of work ahead of us. We also have a few challenges old and new, and I'd like to talk to you about how we intend to meet those challenges.

## **Understanding the Customer**

If you are going to successfully appeal to your customer, you need to know who the customers are, what they want, what they don't want, and what they might like, but are happy to do without.

Some time ago, we introduced SmartFeedback into our stores. This system lets customers go online after their store visit, rate the service they have received, and make specific comments about things they liked and/or disliked. The information is collated to produce a Net Promoter score, by store and by brand.

I'm happy to tell you that our ratings have continued to improve as the team have improved their understanding of our customers through the feedback they have provided.

We have continued to improve our ability to source and analyse purchase behaviour from our online and bricks and mortar customers. Our online database is now a significant sub set of our total customer base, and analysis of purchasing patterns through this channel help us to refine offers for our bricks and mortar stores.

In addition we are continuing to improve our analysis of price elasticity. By doing this we are able to help the merchandise team to better understand the effect that different price levels have on sales.

As our biggest city, Auckland is a key market for all retailers. We put a lot of emphasis on understanding the best ways to serve this rapidly evolving customer base.

## **Employer of Choice**

In an increasingly tough recruitment market we believe it is more important than ever that Briscoe Group is somewhere potential employees want to work.

As a base requirement, that means rewarding people properly for the contribution they make to the Group's success and we have continued to ensure that we do this across the store and Support Office teams.

It also means giving people more than just a job for the short-term. We are committed to providing opportunities for all employees to learn and develop and we are continually improving the quality of the training-modules available to our people.

And perhaps most importantly, we are intently focused on providing a work environment that ensures our people return home safely every day. A little later you'll hear from one of our Business Managers, Sherryn Tamblyn who recently received the top performer award at our conference, and you'll hear first-hand about the importance we place on looking after our people.

## **Improving the Digital Offering**

The growth in our online capability has been reflected in our sales figures. The team are totally focused on continuing that growth, and doing it better, faster and more profitably.

In the coming year, we will be adding more fulfilment hubs to build capacity, improving order routing to cut costs and speed up deliveries and trialling a click and collect initiative in preparation for a broader rollout.

## **Best Brands**

The success of Briscoes Homeware and Rebel Sport is in large part built on famous brands.

The merchandise team continues to seek out opportunities to enhance the range of brands we offer, and I would urge you to look instore or online to reacquaint yourself with the world-leading brands our customers have access to.

In Rebel Sport we have adidas, Asics, Berlei, Canterbury, Everlast, Gilbert, Head, Hi Tec, Icebreaker, Jockey, Kookabura, Mizuno, New Balance, Nike, Oakley, Prince, Puma and the list goes on...

In Briscoes Homeware, Bodum, Brabantia, Breville, Churchill, Cloud 9, De Longhi, Fieldcrest, George Foreman, Goldair, Gordon Ramsay, Habitat, Hampton and Mason, Jamie Oliver, Joseph and Joseph, Royal Doulton, Panasonic, Russell Hobbs and again the list goes on...

We are committed to providing our customers easy and affordable access to high-quality brands; brands that they know and trust.

## **Best Processes & Systems**

Doing the basics well has been a common theme at Briscoe Group and will continue to be so. This year we will continue to focus on increasing the speed with which we move products from the supplier to the customer. A project to create the “ideal day” for the storeroom and admin office is already helping us to streamline processes further and identify ways to speed up product flow.

Reporting showing product availability has been enhanced and rolled out to the store and merchandise teams, helping inventory management, while the Allocation Workbench, which we talked about last year, continues to add value by helping the merchandise team order and allocate stock as efficiently as possible.

As a company, and as shareholders, we are fortunate to have some outstanding people working for us, and the teams who work on driving these initiatives on a daily basis continue to add value to our business.

We recently held our annual conference and a key part of that event was celebrating and recognising the success of our business managers, who had created outstanding results over the previous year.

The top performing Business Manager over a full range of key performance measures was Sheryn Tamblyn, and I'm delighted to be able to introduce her to you now.

Sherryn is a great example of how we try to provide our people not just a job, but a viable career path. Sherryn, would you please tell us something of your experience as part of the Briscoe Group.

## **Sherryn**

Thank you Sherryn. As I said earlier, we want to be an Employer of Choice: we are working hard to achieve that. No doubt we have more to do, but if we can attract and keep people of Sherryn's calibre we must be doing something right.

## **Our Store Network**

You will perhaps be aware of the improvements and additions we have made to our store network during the past year.

In March 2016, we opened new Briscoes Homeware and Rebel Sport stores in Auckland's new Northwest shopping centre. This development has had some well-publicised teething problems, but we remain confident that as the remaining stages are completed and population in the surrounding catchment increases these stores will be a valuable addition to our portfolio.

In May 2016 our Briscoes Homeware store at Wairau Park in Auckland closed temporarily due to fire damage. We took the opportunity to completely re-fit the store, which reopened in July of that year and has traded strongly since.

June saw extensions to our facilities at The Base in Te Rapa, Hamilton and in Dunedin, and I have already mentioned the relocation of our Hastings stores, which freed up some surplus land and allowed us to integrate back-office facilities.

Our Briscoes Homeware store at Taranaki Street in down-town Wellington has been extended, earthquake strengthened and re-roofed and now offers a larger retail area and a much improved shopping environment.

In March this year we opened new Briscoes Homeware and Rebel Sport stores on a Group owned site in Petone to replace the 2 Briscoes Homeware and 1 Rebel Sport at Lower Hutt and Petone.

Demolition and site works have begun at 1-5 Taylors Road, Auckland, which will be the location for a new Support Office and temporary Briscoes Homeware store. When the existing 36 Taylors road site is redeveloped as a new Briscoes homeware store, Rebel Sport will be established at 1-5 Taylors Road. We expect this major project to be completed next year.

Planning is also underway for new Briscoes Homeware and Rebel Sport stores at Silverdale, in the Rodney District and also for a new Briscoes Homeware store at Rangiora, Christchurch.

We are always on the lookout for opportunities that may arise to enhance the store portfolio and the team are ready and willing to take advantage of those opportunities should they arise.

### **Closing Remarks**

We have talked a lot about change, and there is no doubt that it is a retailer's constant companion. However, it has been that way for the 30 years I have been with the company – and, indeed, for the 155 years Briscoe has been in New Zealand.

Over the past few years, we have, in the midst of considerable change, created a pattern of steady, secure, and sustainable growth, and we intend to continue that pattern.

For example, I see our increasing online presence as an adaptation to the changing environment, rather than a radical change to the way we do business.

In the same way, I see our plans to list on the ASX as the next logical step for a company such as ours, that is looking to take its business to the next level.

I am excited by the opportunities ahead of us.

As we commence the second quarter of the new financial year, our balance sheet is robust, our inventories are in good shape and our team has the tools and the support to further improve sales and profitability across the Group.

I am confident we have the people and the plan to strengthen our position as New Zealand's leading retailer of homeware and sporting goods.

Thank-you.