



14 May 2015

Thanks Rosanne.

I too would like to welcome you all to our 2015 Annual General Meeting. Thank you for coming.

I stand before you in a buoyant mood, proud of the fact that we have produced another strong result for the fifth year in a row and have every reason to feel optimistic for the future of the Briscoe Group.

I'm happy to report that the great results we reported to the market, included the fact that we broke through the half billion dollar barrier, growing sales to \$507.06 million, a major milestone for the Group.

In addition:

- Same store sales increased by 4.94%
- Gross margin increased from 38.5% to 38.9% in a very competitive marketplace. A very creditable achievement.
- NPAT grew to \$39.3m (including \$1.34m business interruption settlement). Even when this settlement is removed NPAT grew by 14.19%

Group sales for the quarter ended 26 April 2015 were \$119.8m, 4.33% higher than the \$114.8m reported for the same quarter last year. On a like for like same store basis, sales for the quarter were up 3.24% on the year prior.

Sales for Briscoes Homeware increased by .52% to \$73.1m, reflecting an increasingly competitive environment while sales for Rebel Sport increased 8.44%. We were delighted with both results. Briscoes is going through a tough time due in the main to competitors coming at us from everywhere yet we still

managed to post and YOY sales increase while Rebel Sport is quite literally on fire.

We believe Rebel Sport's ongoing success is attributable to three key factors:

1. We own the sporting goods market in New Zealand in terms of stocking the leading, most sought after brands, offering the biggest range and at the best overall value.
2. The size of the market has expanded as popular sporting goods brands like adidas and Nike have become part of every day wear. We believe this is the single biggest factor in Rebel Sport's sales growth.
3. We have positioned Rebel Sport as a sporting goods brand in its own right, encapsulated by these lines in all of our advertising...no-one gets sport like us, no-one's got more sports gear than Rebel Sport. Both powerful and irrefutable statements that demonstrate our strong market position.

Many people ask me how is it that Briscoe Group delivers such a compelling financial performance year after year. Indeed, I happen to know, that a great many of our competitors are asking themselves the same question. My answer is always the same. The key to our success is that we know how to compete. We pride ourselves on being the toughest of competitors and to be brutally honest with you, we don't like failing. Going backwards for us is not an option.

But don't make the mistake of assuming that our competitiveness comes entirely from our discount strategy, even though our customers love the way we make our sought after products so affordable and accessible.

We're tough competitors because we have so much in our armoury. Together with Geoff Scowcroft our CFO and Pete Burlin, COO my aim today, is to outline how it is that we've created an extraordinarily successful retail business and more importantly, how we plan to keep it that way. In particular we intend to present to you the key pillars that drive our performance;

1. An ambitious store roll out plan, taking our retail brands into new and substantial catchments, reaching out to new customers and new sales.
2. Our focus on presenting our customers with a strong value proposition through the well-known, global and local brands we stock, as well as our almost obsessive focus on inventory management, which as many of you will know is the key to profitability in retail. Pete Burilin will explain in more depth how, by way of example, we worked with our supply partners to grow the Royal Doulton brand in Briscoes.
3. Improved stock management will always be a focus for the Group and getting the balance right between stock turn and stock availability will continue to be the major focus for the merchandise team.
4. In a year where media fragmentation has gathered pace, we are pleased with the way our marketing team has kept our retail brands to the forefront. As media continues to fragment we look for new opportunities to communicate with our customers in different ways.
5. Our people have always been the key to our consistently improving results, and I'm proud of the way my team has responded to the challenging market conditions of the last year. We have continued to invest in training and developing our people. Our goal has been to involve as many people as possible from the shop floor through to our Business Managers. We aim to help our people to improve their skills which will help them to provide our customers with better experiences each time they shop.

As Rosanne told you earlier, online sales continued to grow by over 50% for the year, in line with expectation. While we're pleased with the growth of our online store, I know only too well that this is an area of our business where we can and will do better. I have charged my management team to do everything possible to ensure we see growth in our online sales as a percentage of our total sales. That's where the rubber hits the road in terms of impacting our financial performance.

Our development team had another busy year focused on driving projects which resulted in improvements for our customers. This year we improved stockroom facilities in 11 Briscoes stores which has allowed these stores to process stock more efficiently. Coupled with the new scanning technology the speed of stock flow from back door to shop floor has improved massively.

Replacement Briscoes and Rebel Sport stores were opened in Wanganui in October. At Coastlands in Wellington we replaced the Briscoes store with a bigger store adjacent to the existing site then added a new Rebel Sport store into the original Briscoes location.

These major projects have resulted in attractive, modern stores with shared services and back of house functions which allow us to optimize the use of our resources.

During the year a major refit was completed at the Rebel Sport store at Manukau which included the creation of the first Under Armour 'store-in-store' concept area, in New Zealand. This is in line with our goal to develop and grow the strength of brands in our stores. Under Armour is an exciting brand which has gained major market share in the US and is showing strong growth in NZ with big plans for further expansion.

Four Rebel Sport stores benefitted from reformatting which improved customer flow and increased the linear footage available, to expand merchandise ranges.

Now onto the important question of Gross Margin, a critical profit driver. Last year you may recall that I talked to you about Gross Margin being eroded due to competitive pressure and that we were totally committed to improve margin. As I have just outlined, we did manage to reverse the decline in Gross Margin and I'm happy to advise that we have started this financial year with encouraging Gross Margin gains in both Homewares and Sporting goods.

So what are we planning for the next period?

We have another exciting year for the Development team as we look to optimize the quality and location of our bricks and mortar network.

These are our planned developments. We're planning to open Briscoes and Rebel Sport stores in the new Westgate development in Auckland scheduled to open March 2016. Westgate is a modern, high quality retail facility to meet the shopping needs of this fast growing and under-served catchment.

I am also able to tell you that we have just purchased 1 ha in Silverdale, earmarked as the future commercial heart of Hibiscus Coast, catering to a significant forecast population growth in the former Rodney District, a growth rate faster than the adjacent North Shore and the overall Auckland region. We will build a Briscoes and Rebel Sport stores adjacent to each other and expect them to trade their socks off.

The planned refit at Briscoes Invercargill, the new Rebel Sport store at Hornby and the relocated Briscoes store at Taupo have already been completed to plan and are trading well. The relocation of the Briscoes store in Hamilton is near completion and will this month giving us the key Xmas trading period and our Hamilton based customers a fantastic new offer.

Major developments are in the planning stage for the Briscoes store in Tauranga, one of our top turnover stores, and for our Briscoes store at Gisborne. The Briscoes store at Taranaki St. in Wellington will be extended and refitted providing our central Wellington customers with a bigger store and much improved car parking. The development at Queenstown remains on track and we are still planning to open new Briscoes and Rebel stores before the key Christmas trading period.

Planning is continuing on other major projects which will come on stream over the next couple of years. Due to the size of the investment involved and the strategic importance of these developments I'd like to ask our CFO, Geoff Scowcroft, to share some detail with you about our plans and the potential impact of them.

Geoff, over to you.

For the coming year the merchandise and marketing teams will be focused on protecting the Gross Margin percentage as we start to experience the effects of the weakening NZ\$. It is inevitable that importers' margins (including our own) will be adversely affected over time by the impact of the weaker NZD in relation to the USD and it would be unreasonable to expect the gross margin gains we have experienced in the first part of the year to continue at the same level.

The Group has carried out extensive analysis and modeling to simulate various price-cost-quantity scenarios to ensure we optimise margin opportunities and challenges.

A key method of protecting and enhancing margin is to range strong brands and now is probably a good time to hand over to our COO, Pete Burilin to give you some insight to how we have worked to build the Royal Doulton brand at Briscoes.

Pete, over to you.

Our HR plan will continue to offer training and development to support our business initiatives. Our online training tools will be used to target all team members with participation and achievement monitored, encouraged and rewarded by the HR and Operations teams. Our focus will remain on equipping our people to serve our customers better.

Growing online sales will remain a focus for the Group.

Improvements in search functionality and other marketing initiatives will continue to make it easier, and more likely for customers to use the web to research and purchase online. We will continue to improve and expand our fulfillment capacity to keep pace with anticipated growth.

Gaining a better understanding of our customers remains a key objective for us. Rather than adopt a traditional loyalty scheme, we believe that the best way to increase customer loyalty is to understand more about what customers want, then design our stores, our ranges and our promotions, to deliver it.

Increasingly we will make use of non-specific customer data currently available to us to drive insights and actions, to benefit bricks and mortar customers. Customer specific data from our

online customers will be used to understand more about customer behavior and identify opportunities to personalize communication and promotion.

By the close of this year we aim to be in a position where we are collecting and analysing customer specific data from our bricks and mortar stores and using the insights we generate to tailor the ranges, service and promotional offers we present to our customers.

There are many differing views as to the outlook for the NZ economy over the next year. Our view is that the retail environment will remain very challenging. Oil prices are currently low. While the NZ\$ has strengthened against the AU\$ it has significantly weakened against the US\$ and economies worldwide are nervously viewing the future.

During periods of uncertainty we believe it is best to focus our energies, on looking after the things we can influence, and on implementing initiatives which support profitable growth for the Group.

We are happy with the way we have started the new financial year and I'm confident that the team at Briscoe Group is totally focused on delivering our customers even better range, better quality and better value as we move through the year.

Thank you.

Thursday 14 May 2015

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