



**19 May 2016**

Thanks Rosanne.

I would like to add my welcome to you all and thank you for attending our 2016 Annual General Meeting.

I told you last year that I was in a buoyant mood and proud of the fact that we had produced another strong result. Well this year I am equally as proud of yet another great year and another great result for Briscoe Group.

After breaking through the \$500 million sales barrier the previous year, we have now managed to kick through \$550 million while increasing net profit after tax by 20%, delivering just over \$47 million on the bottom line.

While these results do contain an additional week compared to the previous year they are still outstanding and a credit to my team at Briscoe Group.

In addition to these headlines:

- Total sales increased by 9.04% with same store sales increasing by 5.44%
- Gross margin increased from 38.9% to 40.5% in a very competitive marketplace. A very creditable achievement.
- Earnings Before Interest and Tax (EBIT) grew from \$53.1 million to \$65.9 million – an increase of 24.1%

And the good news has continued into the first quarter of this year as well.....

Group sales for the quarter ended 1 May 2016 were \$133.0 million, 11.02% higher than the \$119.8m reported for the same quarter last year. On a like for like same store basis, sales for the quarter were up 7.69% on the year prior.

Sales for Briscoes Homeware increased by 8.80% to \$79.5 million while Rebel Sport sales increased by 14.51%.

We were pleased with these results, especially considering the continued high level of competition in the homewares market and the unseasonably warm weather during the quarter.

As Rosanne said, our relentless focus on inventory and promotional management is a key part of Briscoe Group's success.

For Briscoes and Rebel Sport to maintain their attractiveness to our customers we know that we need to continually review the ranges of product we offer.

Every product in every category goes through a review process regularly with sales, GP% and stock-turn used to identify the products performing well and those that don't meet our requirements. The merchandise team use this information to increase or decrease stock levels and to identify products to be deleted. By maintaining stability in our merchandise team the ongoing use of this information helps the team to build a thorough understanding of the types of products that work best for our customers.

While the range review process is central to success we know that it's not the most glamorous part of a buyer's role and unless it gets done frequently it's easy for stocks to build and for ranges to get boring, so that's why we put so much effort into looking after our stock and see this as a central pillar of our success and the key driver for the improvement in Gross Margin.

At the last AGM I talked about the need to enhance gross margin and I am very happy with the results the team has delivered.

This process has worked well over the last year for Briscoes Homeware and Rebel Sport, resulting in the buying team constantly adding new, exciting products to the range, maximising performance from the best sellers and taking aggressive action to quit slower sellers.

Rebel Sport has continued to benefit from the alignment of sport and fashion. At last year's AGM I talked about how sporting brands like Under Armour, adidas and Nike were part of everyday wear for many people. I'm happy to report that the trend has continued with this style of clothing and footwear now known as 'Athleisure'.

With many apparel and footwear retailers looking to cash in on the trend by offering lookalike products it's important that we continue to work closely with our supply partners to ensure we continue to innovate and offer our customers the widest range of the best authentic sportswear.

While the apparel and footwear categories have been buoyed by this trend we have also benefited from the exit of FCO from the New Zealand market which has helped grow our fishing and outdoor categories.

Across the vast majority of categories Rebel Sport performed well throughout the year and is well positioned to continue to drive growth this year.

Our development programme last year delivered a number of large strategic projects. The year started with the completion of the extension and refit of our Briscoes Homeware store in Invercargill resulting in a state of the art store for our Southland customers. During April the team relocated the Briscoes Homeware store at Taupo to a larger store with better parking and visibility. In May we relocated our Central Hamilton store to a new location adjacent to the existing site creating a more attractive retail offer with improved back of house and storage facilities. Store refits at Briscoes

Homeware and Rebel Sport stores in Gisborne were completed during July and Rebel Sport Tauranga in August before the teams travelled to Queenstown to fit out and open our new Briscoes Homeware and Rebel Sport stores in Queenstown. These openings were extremely successful with customers telling us they had waited a long time for the stores and that they were delighted to have them open.

During the year the Board and senior team spent a considerable amount of time researching, analyzing and preparing our bid for Kathmandu and as Rosanne told you, while the bid was not successful we are comfortable with the position we have established as the major shareholder. After meetings with the MD and CFO of the business, we look forward to seeing the benefits of the plans they have outlined to us.

At the close of the year we were happy to pay out a record amount in bonuses and profit share which included a discretionary payment to every employee in the Group. We firmly believe that rewarding hard work and success in this way keeps our teams clearly focused on the generation of incremental profit.

The exciting thing about retail is that every year brings new challenges and opportunities and this year will be no different. As customers evolve and choose to shop differently, competitors change strategies and vie for market share. New competitors from overseas enter the market (both bricks and mortar and online) and the way people choose to consume media is changing at an ever increasing rate.

Against this challenging backdrop the successful retailers will be those who continue to understand what their customers want and find the most efficient ways to connect and transact with them.

To help us succeed we have recently undertaken a major piece of market research through IPSOS, an international research company, for Briscoes Homeware, to ensure that our understanding of our customer stays accurate and a little later Pete Burilin, our

COO, will summarise the results of that research and share with you what we plan to do as a result.

Later in the year we will undertake a similar exercise at Rebel Sport and the senior team is currently refining the research brief to ensure we extract maximum value from the exercise.

For the coming year we will continue to focus on executing the retail basics well through a focused and motivated team.

Good people are central to our success and we have recently made a couple of senior appointments to our business. At this point I'd like to hand over to Geoff Scowcroft, our CFO, to talk to you about these new appointments we have made in HR and Loss Prevention and the benefits these new positions will bring to the business. He'll also cover off the need for prudent FX management, especially during a period of low inflation.

Over to you Geoff.

Thanks Geoff

We will continue to focus on improving the service we offer to our customers both in stores and online. We know that store sales growth has been consistent for many years and that online growth has been spectacular since we launched the channel. To keep growing we need to continually improve the offer and experience for our customers and this is probably a good point to hand over to Pete to cover of what we learned from the market research.

Over to you Pete.

Thanks Pete.

Having talked about people, product and service I'd now like to move on to marketing. We need to ensure that our promotional and marketing programmes deliver attractive messages to our customers efficiently and cost- effectively.

We constantly review our marketing messages and media strategy to ensure that the most effective mix of media is used to focus our messaging on the customer groups we have identified as most important to us. Media continues to fragment at an ever increasing speed and we are committed to continue to learn more about our customers and about the effectiveness of specific promotional techniques to ensure our brands remain relevant and our promotions successful.

During the coming year we will trial different media options and use measurement techniques we are developing to establish the most effective ways to deliver our messages.

The combination of improvements in these areas is powerful.

When we couple improved product availability with a wide range of quality products at the right price and support this proposition with effective promotions and marketing we are confident that we will continue to grow sales and profitability.

Online continues to grow at a faster pace than our bricks and mortar sales and as you know last year accounted for 4.5% of total Group sales. With the plans in place to further develop this channel we are targeting continued growth supported by additional fulfillment hubs geographically positioned to help deliver quickly and cost-effectively to our customers.

Our goal remains to transact with our customers in the way they prefer.

During the coming year the development team will focus on a mix of large and smaller projects.

We will upgrade the security camera systems in 14 of our stores. The improved functionality of the systems will help our new LP Manager to minimize loss in these locations.

Just prior to Easter we opened new Rebel Sport and Briscoes Homeware stores at Westgate, Northwest of Auckland. These were the first new stores in Auckland in nearly 9 years and will help the group to maximize sales from the growing Greater Auckland region.

We have gained additional space in Dunedin which will allow us to increase retail space for Briscoes Homeware, add a fulfillment hub for the lower South Island and extend the storage capacity to support the profit centre.

During the second half of the year we will increase the storage capacity at The Base, in Te Rapa. This is one of our top performing Briscoes Homeware stores and continued sales growth has put pressure on existing facilities. This addition will support sales growth and improve product availability for our customers.

During September and October we will extend and refit our Taranaki St. store in Central Wellington. This project will increase retail space and storage capacity while improving car parking which is a huge benefit in Wellington.

The merchandise team will continue to focus on protecting gross margin while providing our customers with great deals on attractive branded products.

Working in conjunction with our system specialists the team has developed improved systems to help optimize product allocations which is the best way to improve product availability and therefore sales. The project has been supported by team members from many functions and the achievement of the improved functionality typifies the spirit of cooperation within teams at Support Office.

The world economy remains unstable and analysts struggle to forecast trends accurately – even in the short term.

With China and Europe experiencing problems, low oil prices, fluctuating dairy prices, an election in the USA and rocketing house prices back at home it would be a brave person to forecast the future.

The only definite is 'change' and against this back drop I believe our best course of action is to continue to look after our customers to the best of our ability.

Thank you.