



## Briscoe Group Sales to 31 July 2022

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The directors of Briscoe Group Limited (NZX/ASX code: BGP) announce unaudited sales for the thirteen-week second trading quarter ended 31 July 2022 (91 days) were \$191.7 million, being 3.49% higher than the \$185.3 million achieved for the same quarter of last year. The Group's homeware segment for the second quarter increased by 3.29% to \$121.9 million, while sporting goods sales increased by 3.84% to \$69.8 million.

Group Sales for the first half, 26-week period to 31 July 2022 were \$367.9 million, an increase of 2.66% on the \$358.4 million reported for the same period ended 1 August 2021. The Group's homeware segment increased sales by 2.74% to \$228.7 million, while sporting goods sales also increased by 2.51% to \$139.2 million.

Group Managing Director Rod Duke said, "We're pleased with this first half performance considering the ongoing pandemic and economic headwinds faced throughout the period. It's also worth remembering that the first half of last year recorded huge growth (+22.6%) as a result of the resurgence in retail spend experienced post the national lockdown during March to May 2020 of the previous year. So, to post increased sales on last year's impressive performance is a great achievement.

"Recognising this, we also note that this year's first half sales performance represents a significant increase of 21.44% on the more comparable first half period of February 2019 – July 2019, that is, before any impact of Covid.

"As previously reported, the first quarter was significantly influenced by the escalation of the Omicron outbreak and its impact on foot traffic to bricks and mortar stores. The impact was particularly noticeable during February and March as the outbreak took hold and spread through the country. The second quarter, particularly throughout July, was influenced by increasing negative economic sentiment on the back of significant cost of living increases including food and fuel price inflation, increased interest rates and falling house prices as well as the emergence of a second wave of Omicron cases.

"Our online channel continues to respond well and performed magnificently, recording sales growth in excess of 22% for the half and representing 19.4% of Group sales compared to 16.2% for the previous year's first half.

"The health and wellbeing of our team remains our highest priority and we continue to support them by providing paid leave for Covid-related absences, over-and-above existing entitlements and without application for the Covid-19 Leave Support Scheme. We are very mindful of the impact on all our team from the current public health situation as well as from declining economic factors in an employment market which is clearly under significant pressure. Once again, I'd like to thank the entire team for their commitment and outstanding efforts during this half. Their commitment and dedication are greatly appreciated and recognised by all the Group's directors.

"Supply chain disruptions have been widely reported now for some time, including factory delays, lack of shipping availability, port disruptions and increased costs. Our approach to secure inventory in advance continues to result in a relatively high level of stock compared to previous years. Although this means increased costs associated with storage and landing, it has definitely been beneficial for sales. We expect supply chain issues to impact for at least the remainder of this year.

“As we reported in the Group’s first quarter release, gross profit margin percentage is under increasing pressure as a result of supply chain disruptions, a weaker New Zealand dollar and the general decline in retail market conditions. We’ve done a tremendous amount of work in anticipation of increased margin pressure and believe we will be able to protect a large portion of the 633 basis points in margin gain delivered by the Group across the last 2 full-year financial periods. While gross margin percentage will be below last year for this first half, we expect it to be less than 1 percentage point under the 46.50% achieved for the same period last year.

“We also reported in our first quarter release, that while the Group was on track to overachieve last year’s full year net profit after tax (NPAT), the composition of NPAT between the first and second halves may fall differently given the significant impacts and timings associated with store closures, supply chain disruptions and team availability. This remains our view and whilst we expect to report a first half NPAT around 4% lower than last year’s \$47.5M, we remain optimistic of being able to produce a full year NPAT above last year’s \$87.9M.

“Notwithstanding the more recent deterioration in market conditions, we believe there is significant opportunity throughout the second half of the year, especially in the third quarter which last year was heavily impacted by the Auckland (and other) stores enforced shutdowns from mid-August to early November. These shutdowns resulted in more than 3500 store trading days being lost.

“We’re pleased with the Group’s current performance which once again proves the resilience of the business model we operate.”

Briscoe Group expects to release its half-year results on 14 September 2022, including declaration of an interim dividend.

Thursday 4 August 2022

Contact for enquiries:

Rod Duke  
Group Managing Director  
Tel: + 64 9 815 3737