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# Super Retail Group Limited

July 22, 2024

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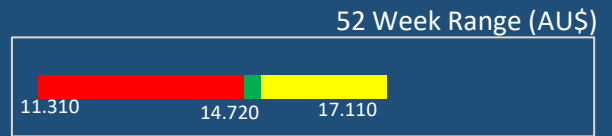
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Super Retail Group Limited

Equity Analysis

**Kapitales Research Rating** ★★★★★  
**Recommendation** Buy  
**Current Market Price** AU\$14.720  
**Risk** Moderate



Average volume	0.407 million	52 Week Range (AU\$)	11.310 - 17.110
Shares outstanding	225.83 million	Dividend amount (AU\$)	0.320
Free float	154.53 million	Dividend Yield	6.95%
P/E (TTM)	12.70	Ex-date	06 Mar 2024
Market cap (AU\$)	3.27 billion	Record date	07 Mar 2024
EPS (TTM)(AU\$)	1.151	Pay date	12 Apr 2024
ROE	21.33%	Franking	100%

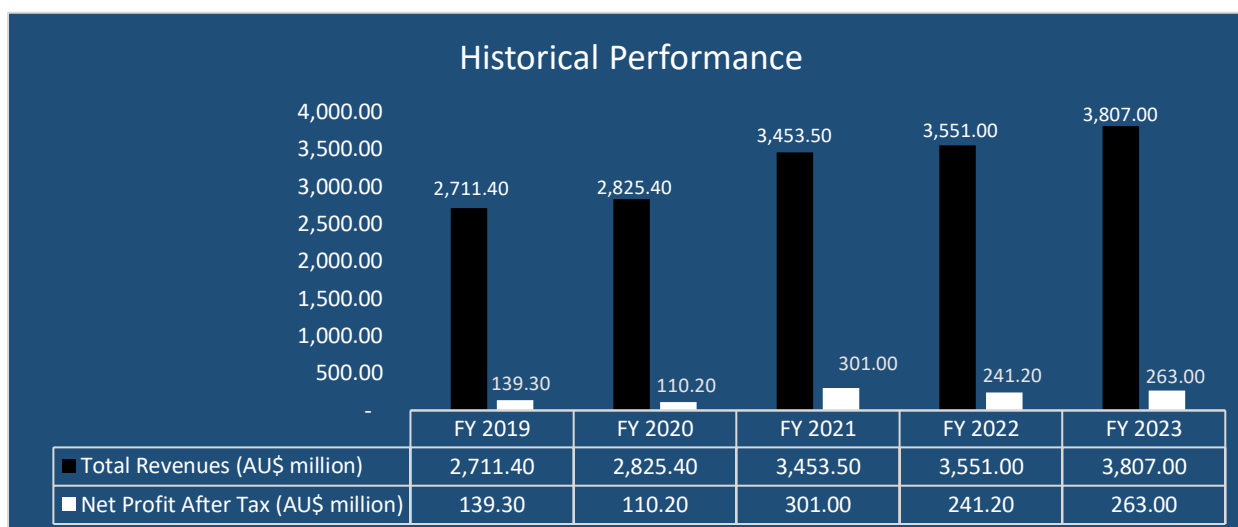
Source: (ASX and Koyfin), Analysis by Kapitales Research

Super Retail Group Limited (ASX :SUL) engages in the retail of auto, sports, and outdoor leisure products in Australia and New Zealand. It offers automotive parts and accessories, handyman items, and tools and equipment, and marine and motorbike products, including batteries, car care products, exterior accessories, hand and power tools, in-car navigation systems, in-car stereo equipment, lighting and electrical products, oils, filters and additives, outdoor equipment and accessories.

SWOT Analysis

<p><b>Strength</b></p> <p>The company experienced a 4% increase in total sales, amounting to AU\$760 million, driven by a surge in like-for-like sales, which grew by 3%. This growth was attributed to higher transaction volumes and an increased average transaction value. The auto maintenance category notably excelled, with robust lubricants, batteries, and car detailing sales. Revenue growth was primarily fueled by heightened sales of low-ticket consumables such as parts, wipers, electrical, and car comfort products. Online sales of AU\$61 million represented 8% of total sales, with Click &amp; Collect accounting for 79% of online sales.</p>	<p><b>Weakness</b></p> <p>Total debt stood at AU\$1,089.20 million, which is 5.24% higher in 1HFY24 than AU\$1,035.00 million in 2HFY23, indicating weak capital management.</p>
<p><b>Opportunity</b></p> <p>Super Retail Group Limited had no drawn bank debt and a substantial cash position of AU\$321 million. It focuses on optimizing margins and driving cost efficiencies in the business despite inflationary pressures. In FY24, it is investing AU\$140 million in capital expenditures to fund its store development program, the construction of a new distribution centre, and the enhancement of its omnichannel, loyalty, and digital capability. With the strength of its balance sheet, it has the flexibility to consider future capital management initiatives.</p>	<p><b>Threat</b></p> <ol style="list-style-type: none"> <li>Operational risk</li> <li>Strategic risk</li> <li>Changing in economic conditions</li> <li>Global supply chain</li> <li>Financial risk</li> </ol>

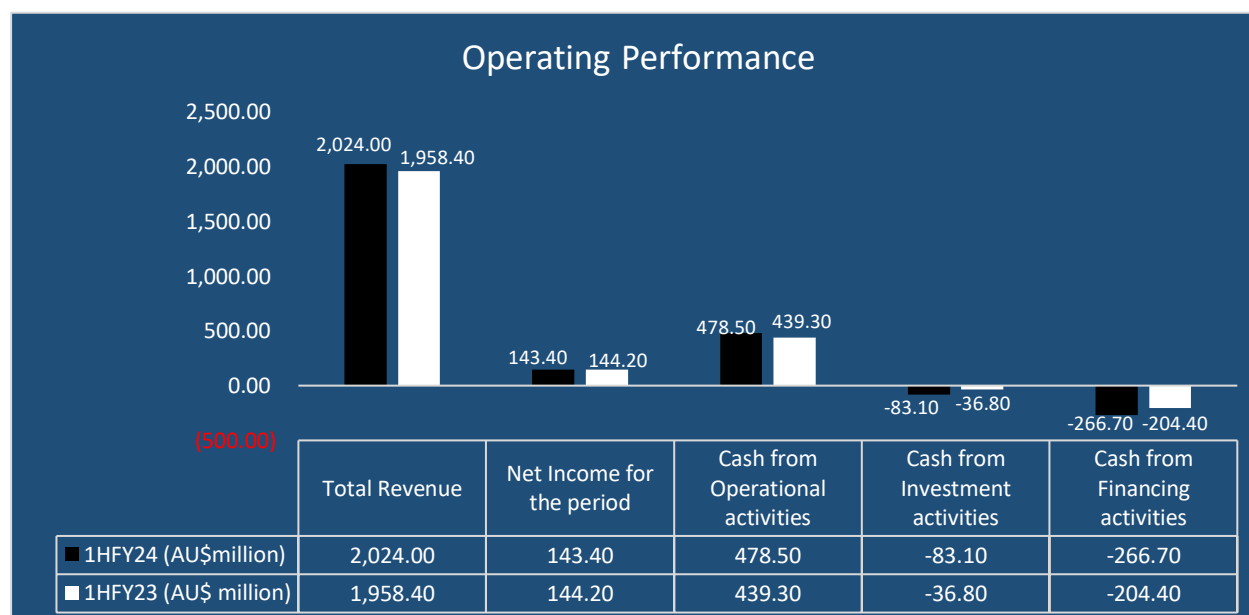
## Historical Performance



Source: Koyfin, Analysis by Kapitales Research

The company's revenue stood at AU\$3,807.00 million in FY23, compared to AU\$2,711.40 million in FY19, indicating a CAGR of 8.9%. Its net profits stood at AU\$263.00 million in FY23 versus a net profit of AU\$139.30 million in FY19.

## Operating Performance (period ended 31 December 2023)



Source: Company Reports, Chart Prepared by Kapitales Research

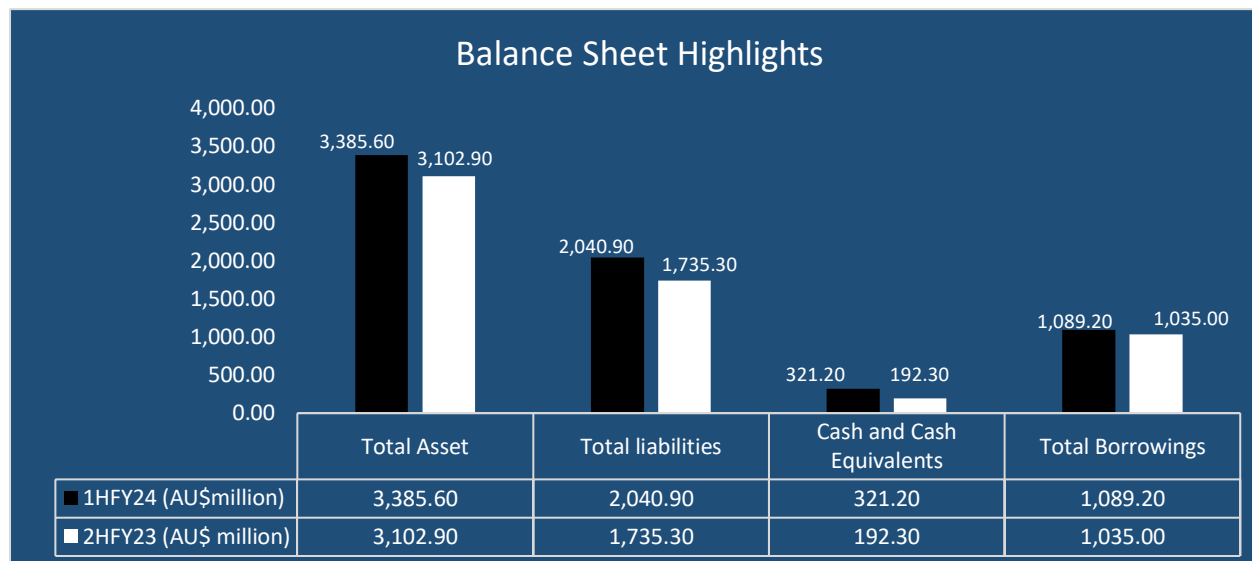
- The noteworthy surge in customer cash receipts resulted in a significant 3% increase in total revenue, demonstrating impressive revenue growth alignment.
- Despite the increasingly challenging consumer environment, the company's net profit after tax of AU\$143 million is impressive.

Sector: Consumer Discretionary

Industry: Specialty Retail

22 July 2024

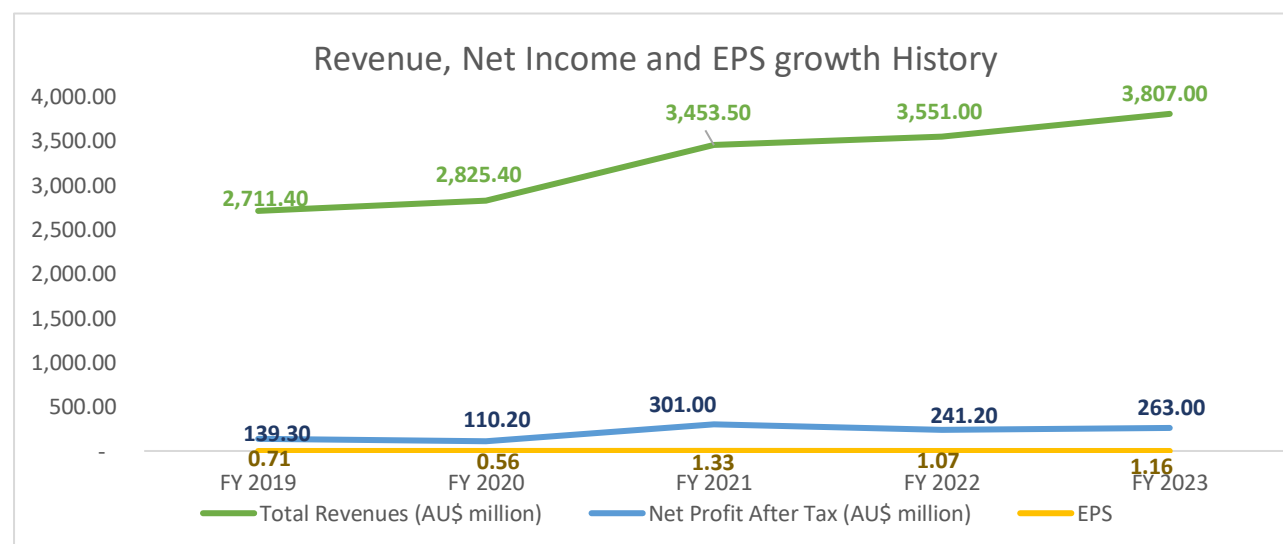
Balance Sheet Highlights (period ended 31 December 2023)



Source: Company Reports, Chart Prepared by Kapitales Research

1HFY24 total assets surged by 9.11% to AU\$3,385.60. Total liabilities increased to AU\$2,040.90 million. There is a higher cash balance of AU\$321.20 million in 1HFY24, compared to AU\$192.30 million in 2HFY23. Total debt stood at AU\$1,089.20 million, which is 5.24% higher in 1HFY24 than AU\$1,035.00 million in 2HFY23, indicating weak capital management.

Revenue, Net Income and EPS growth History



Source: Koyfin, Analysis by Kapitales Research

Fiscal Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Growth Trend
Total Revenues (AU\$ million)	2,711.40	2,825.40	3,453.50	3,551.00	3,807.00	
Net Profit After Tax (AU\$ million)	139.30	110.20	301.00	241.20	263.00	
EPS	0.71	0.56	1.33	1.07	1.16	

Source: Koyfin, Analysis by Kapitales Research

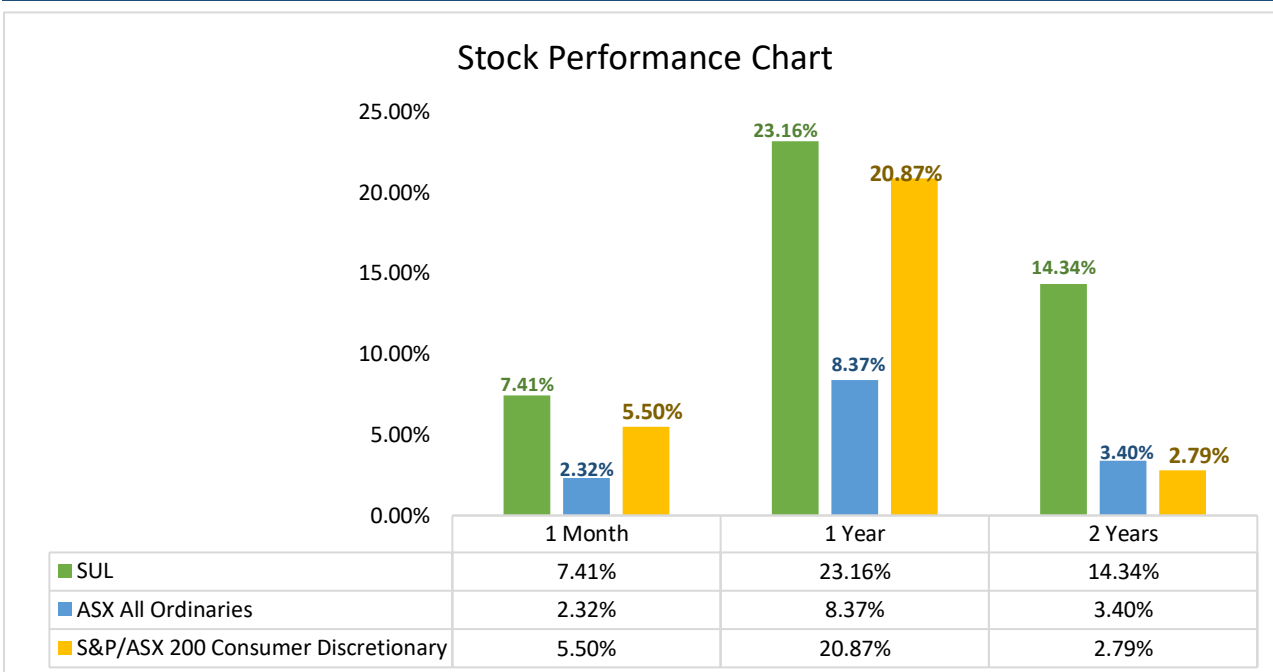
### Ratio Analysis

Fiscal Quarters	1Q FY2023	2Q FY2023	3Q FY2023	4Q FY2023	1Q FY2024	2Q FY2024
Return on Assets (ROA) %	9.5%	9.1%	7.8%	7.9%	8.7%	8.4%
Return On Equity %	22.1%	21.8%	17.7%	17.4%	21.2%	21.3%
Return on Common Equity (ROCE) %	22.1%	21.8%	17.7%	17.4%	21.2%	21.3%
EBITDA Margin %	13.6%	13.6%	12.7%	12.7%	13.2%	13.2%
Gross Profit Margin %	46.2%	46.2%	46.4%	46.4%	46.5%	46.5%
Net Income Margin %	7.4%	7.4%	6.4%	6.4%	7.1%	7.1%
Fixed Assets Turnover (Average Fixed Assets)	3.4	3.4	3.1	3	3.3	3.2
Inventory Turnover (Average Inventory)	2.5	2.4	2.4	2.5	2.6	2.4
Current Ratio	1.2	1.2	1.3	1.3	1.2	1.2
Quick Ratio	0.3	0.3	0.3	0.3	0.3	0.3

Source: Koyfin, Analysis by Kapitaless Research

- The company’s Gross Profit Margin from the previous quarter stood at 46.5%, indicating that the company can generate profits from its products or services with a high margin of revenue left after deducting the direct costs.

### Price Performance



Source: Investing.com, Analysis by Kapitaless Research

### Outlook

The company experienced a 4% increase in total sales, amounting to AU\$760 million, driven by a surge in like-for-like sales, which grew by 3%. This growth was attributed to higher transaction volumes and an increased average transaction value. The auto maintenance category notably excelled, with robust lubricants, batteries, and car detailing sales. Revenue growth was primarily fuelled by heightened sales of low-ticket consumables such as parts, wipers, electrical, and car comfort products.

Sector: Consumer Discretionary  
 Industry: Specialty Retail  
 22 July 2024

Online sales of AU\$61 million represented 8% of total sales, with Click & Collect accounting for 79% of online sales. Membership in the active club surged by 19%, constituting 68% of total sales. During the period, SCA opened seven stores and closed one, resulting in 337 stores at the end. Company's online sales also increased by 10% to AU\$ 260 million, making up 13% of the company's sales. Click & Collect sales represented 47% of its online sales. Moreover, the first half saw record sales of over AU\$2 billion and a net profit after tax of AU\$143 million, achieved against an increasingly challenging consumer environment. The first half saw the accomplishment of several pivotal milestones in the execution of the corporate strategy, including the successful re launch of the rebel active loyalty program, the commencement of construction of a new automated distribution centre, and the inauguration of the 750th retail store.

## Key Risks and Uncertainties

- Operational risk
- Strategic risk
- Changing in economic conditions
- Global supply chain
- Financial risk

## Technical Analysis



Source: TradingView, Analysis by Kapitaless Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Super Retail Group Limited	SUL	Consumer Discretionary	14.720	22 July 2024	Buy	17.110	18.620	12.290

Sector: Consumer Discretionary  
Industry: Specialty Retail  
22 July 2024

The stock of specialty retail company SUL settled at AU\$14.720 on 22 July 2024 after a gain of nearly 1.37% from previous day's closing. It is currently trading between its 52-week price levels.

The stock is trading above the significant exponential moving averages (EMA) of 20, 50, and 200 weeks on a weekly time frame, indicating bullishness for the midterm.

The stock is trading above its central pivot (AU\$14.040), holding a bullish momentum on a weekly time frame chart.

RSI (14 weeks) is at 56, holding a bullish momentum in the index.

**Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$17.110 (previous swing support) and AU\$18.620 (~25% upside) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).**

**Investors are advised to keep a strict stop loss at or below AU\$12.290 (pivot support S1) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.**

**Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.**

### Investment Summary

Super Retail Group Limited had no drawn bank debt and a substantial cash position of AU\$321 million. It focuses on optimizing margins and driving cost efficiencies in the business despite inflationary pressures. In FY24, it is investing AU\$140 million in capital expenditures to fund its store development program, the construction of a new distribution centre, and the enhancement of its Omni channel, loyalty, and digital capability. With the strength of its balance sheet, it has the flexibility to consider future capital management initiatives.

Hence, after considering the facts mentioned above facts, investors are advised to have a "Buy" rating on the stock of SUL at the closing price of AU\$14.720 on 22 July 2024.

*Note: Kapitales Research Rating Star has been decided over the quantitative analysis of the stock. Maximum number of stars can be 5, with 5 for the top rating and 1 for the lowest rating.*



## Technical Indicators Defined:

**EMA:** Exponential Moving Average is the moving average that puts more weight on the most recent data points.  $EMA = \text{Closing price} * \text{multiplier} + \text{EMA (previous day)} * (1 - \text{multiplier})$ . For a 200-day exponential moving average, the multiplier can be calculated with the formulae i.e.  $[2/(200+1)] = 0.0095$ .

**RSI:** Momentum indicator, Relative Strength Index is used to evaluate the overbought or oversold nature of an asset by measuring the magnitude of its recent price changes.

**Bollinger Band:** A technical analysis tool that uses two parameters i.e. period (default is 20) and standard deviations, forming a kind of price envelope depicting a range of upper price band and lower price band. This price band shifts according to the volatility swings, and it helps in identifying whether the underlying asset is in the overbought zone or oversold zone.

**Support:** This is a level or zone where the stock finds good demand indicating the buyer's strength.

**Resistance:** This is a level or zone where the stock finds a good supply indicating the seller's strength.

**Stop-loss:** This is the level from where the investors should exit their positions to prevent any further losses in case of unfavorable movement in the stock prices.

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*Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e., Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.*

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