



26 August 2009

## **ASX / Media Announcement**

### **Super Cheap Auto Group announces 25% increase in net profit**

Super Cheap Auto Group Limited (ASX:SUL) today released its results for the 52 weeks to 27 June 2009, reporting a 25% increase in net profit after tax to \$32.1m.

Super Cheap Auto Group Managing Director Mr Peter Birtles said 2008/09 had been very successful, with the business delivering the highest rate of like for like sales growth since the introduction of GST.

“Our results demonstrate the strength and resilience of our business and the benefit of our investment in growth,” he said.

“As well as delivering strong growth in sales and profits, we have also continued to make significant progress in our major strategic initiatives.

“The plan we put in place in 2006 continues to set the direction for our Group. Although this is updated on an annual basis, the core focus remains the same: customer service, store development, improving our retail operations, new product introduction, trade partnerships, improving our procurement and supply chain capabilities, developing our people and new business development.”

The Directors have declared a fully franked final dividend of 11.5 cents per share, bringing the full year dividend to 18.0 cents per share, an increase of 38.5% over the prior comparative period. The dividend will be paid on 13 October 2009 with a record date of 25 September 2009. The company has activated its Dividend Reinvestment Plan. This Plan will not be underwritten.

#### **Supercheap Auto**

Sales at \$604.2 million were 8.1% higher than the prior comparative period. Like for like sales growth was 7.3% for the year, which is the highest rate of like for like growth achieved in this decade. All States and Territories of Australia delivered strong like for like sales growth.

In New Zealand, the business achieved like for like sales growth of 3.2%, a very strong performance given the widely reported down turn in retail spending and the 6% like for like growth achieved in the prior year.

The business performed particularly well in both the ‘Car Maintenance’ and ‘Tools and Outdoors’ product categories. There has been an increase in the number of customers servicing their own vehicles. Growth in sales of products in the ‘Car

Accessories' category was not as strong, and reflected the slowdown in both new and used car sales.

EBIT at \$46.4 million was 11.7% higher than the prior comparative period with EBIT margins increasing by 0.3% points to 7.7%. Gross margins increased by 1.1% points, compared to the previous period through improvements in trading terms and efficiency gains in the supply chain.

Investment in store manning, store refurbishments, learning and development programs and a number of business improvement projects drove the increase in operating costs as a % of sales.

Six new stores were opened during the year, two stores were relocated and 30 stores were refurbished. The Albany store in New Zealand was reconfigured to become the second Supercheap Auto Superstore following the successful trial of this new format in Caboolture in South East Queensland. At the end of June, there were 256 stores trading across Australia and New Zealand.

### **BCF Boating Camping Fishing**

Sales grew by 31% over the prior comparative period to \$205.5 million. Like for like sales growth was a very strong 12.5%, benefiting from increased localised ranging, localised marketing and new products. The outdoor recreational industry has benefited from an increase in the number of Australian families taking low cost recreational vacations rather than travelling overseas or spending time in coastal apartments.

EBIT at \$16.4 million was more than double the \$7.9m achieved in the prior comparative period. EBIT margins increased from 5.1% to 8.0%, with gross margins increasing by 0.8% points through improved trading terms, the increase in sales of own brand products and localised ranging. Operating cost to sales reduced by 2.1% points through the benefits of scale and a reduction in the cost of opening new stores.

Ten new stores were opened during the year, with the business opening its first two stores in South Australia. At the end of June, the business had 59 stores trading with stores in all the mainland States and Territories of Australia. One of the new stores that opened during the year came through the acquisition of the Jurkiewicz Adventure Store in Fyshwick. This iconic store has a strong winter ski business which BCF has started to expand into other stores surrounding the ski fields.

### **Goldcross Cycles**

The Goldcross Cycles business, which had 11 stores trading in Melbourne, was acquired on 23<sup>rd</sup> June 2008. During the year, five new stores were opened and two independent bike stores were acquired in South East Queensland.

Sales for the year were \$19.1 million, with the business incurring an EBIT loss of \$4.0 million after business and new store development costs.

The long lead times associated with the bicycle supply chain resulted in the business experiencing some product supply challenges in the first half of the year as a number of changes were made to our supply partners. In the second half of the year, the 11 Melbourne stores traded broadly in line with expectations. Sales in the

Queensland stores have been below expectations as it has taken longer to build customer numbers than was originally expected.

“We have used our experience from the first 12 months trading to make a number of changes to the business model including our range offer, our marketing and promotion activity, our store design and our team member training program,” said Mr. Birtles.

“The Supercheap Auto management team has taken an active role in the management of the Goldcross Cycles business, providing more resources to support the ongoing development of the business.”

### **Group Costs**

Group costs of \$3.7 million include \$1.2 million of distribution centre rents that have not been charged to business units, a \$0.4 million write-off of debts from a sub lease tenant and \$2.1 million of ongoing public company costs.

### **Group Logistics**

The network of five distribution centres that we completed in 2007/08 performed very effectively during the year and delivered the expected efficiencies, with logistics costs to sales reducing by 0.5% points compared to the prior period.

The Group Logistics Team has also made significant progress towards their three key objectives of safety, accuracy and service. In particular, time lost to injury across the Group reduced by 0.04% points to 0.15% over the year.

### **Cash Flow and Net Debt**

Cash flow from operations was \$62.7 million, which represents an increase of \$13.1 million compared to the prior comparative period. The strong growth in earnings was augmented by working capital initiatives across the Group.

Group Capital Expenditure at \$33.1 million was \$10.4 million lower than the prior comparative period, which included the acquisition of Goldcross Cycles and JV Marine. The major areas of expenditure were \$14.1 million in new stores, \$10.3 million in refurbished stores, \$3.6 million in development projects and \$5.1 million in maintenance.

Despite the continued investment in growth, Group Net Debt reduced by \$3.1 million during the year to \$115 million. The global financial crisis has had an impact on the cost of our debt facilities and, as a result, facility limits were reduced from \$200 million to \$180 million. This provides sufficient head room to meet the Group's forecast requirements. The Group was operating comfortably within debt facility covenants at June 2009.

The Group has recorded an unrealised mark to market loss of \$2.2 million in finance costs relating to interest rate hedging arrangements in accordance with International Financial Accounting Standards. The Group's effective tax rate was 23.3% benefiting from investment allowances.

## Looking Forward

Mr Birtles said the new financial year had already started well and the business planned to continue to invest in growth throughout 2009/2010.

“Like for like sales growth in both Supercheap Auto and BCF has been circa 10% in the first eight weeks,” he said.

“Although the outlook for retail trading remains uncertain, we’ve managed to achieve excellent results to date and are positive about the future.

“We are confident our businesses will continue to grow faster than the markets they operate in, but we expect that there may be some slowing of market growth as unemployment and interest rates rise over the coming two years.

“We have been successful in increasing the operating margins of our two major businesses over the last three years and we expect further improvement over the next three years.

“Supercheap Auto will open between five and eight stores in the coming 12 months and will refurbish 40 stores including at least one more Superstore. In addition, BCF plans to open five stores in the next year.”

## ENDS

For further information:	Mr Peter Birtles Managing Director Super Cheap Auto Group 07 3205 8511	Mr Gary Carroll Chief Financial Officer Super Cheap Auto Group 07 3205 8511
--------------------------	---	--

Peter Birtles and Gary Carroll will be presenting the results by teleconference on 27 August at 10.30am (AEST). To listen to this presentation simply go to the Company’s website

<http://www.supercheapautogroup.com.au/investor-centre/boardroomradio.aspx>

Released through:	Miss Jo-Anne Modesti Consultant Phillips Group 07 3230 5000
-------------------	--