



Super Cheap Auto Group

Results for the 53 weeks to 3 July 2010

Peter Birtles, Managing Director
Gary Carroll, Chief Financial Officer
24th August 2010

Super Cheap Auto
Group Limited 



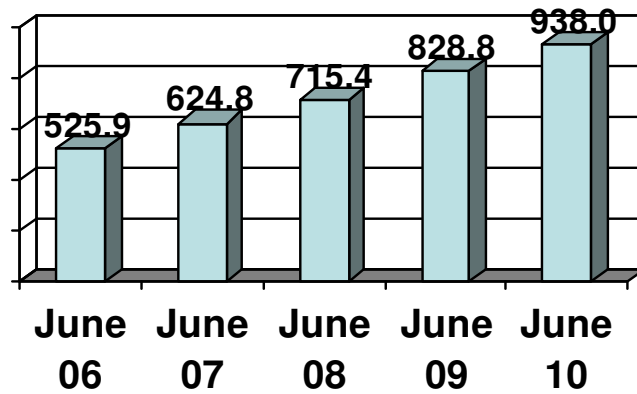
Group Highlights

- Group Net Profit After Tax up by 18.4% over PCP
- Group EBIT up by 19.3% over PCP on an underlying basis
- Group Sales up by 13.2% over PCP

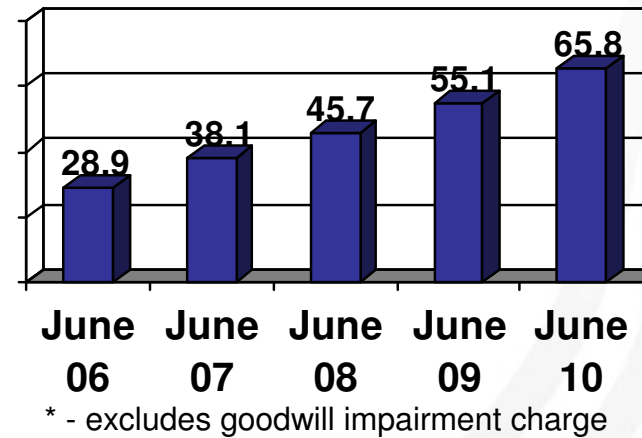
- Continued growth in EBIT margins in Supercheap Auto and BCF Boating Camping Fishing
 - Maintaining solid like for like sales growth
 - Strong growth in gross margins
- Goldcross Cycles performance below launch targets – revised business plan in place – sales performance improving in the 2nd half in line with revised plan
- Strong operating cash flow performance driven by working capital management
- \$32.9 million invested in new and refurbished Supercheap Auto and BCF stores
- Continued improvement in customer research brand tracking surveys
- Continued improvement in Team Member retention
- Acquisition of Ray's Outdoors

Performance Trends

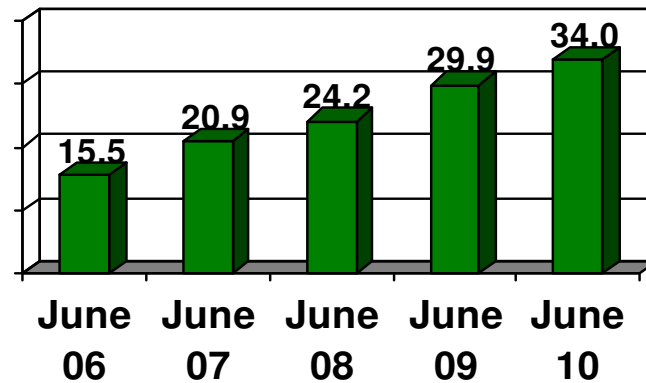
■ Sales (\$m)



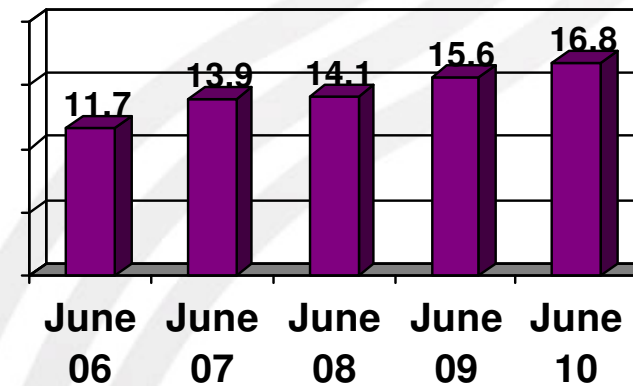
■ EBIT (\$m) *



■ EPS (cents)



■ Post Tax ROC (%)



Group Results

- Strong performance driven by top-line growth and gross margin improvement
- Solid sales growth in both SCA and BCF through both new store and LFL growth
- EBIT margin growth in SCA and BCF
- Group NPAT impacted by
 - \$2.0m Goldcross Cycles impairment charge (post-tax)
 - \$1.5m Interest rate swap positive mark to market adjustment (post-tax)
 - \$1.7m acquisition costs relating to Ray's Outdoors (post-tax)
 - \$0.8m benefit relating to extra trading week (post-tax)
- Operating Cash Flow, after excluding impact of extra months additional creditor payments falling in week 53, was approximately \$25m ahead of PCP
- Net Debt decreased by \$36m due to equity issuance and strong cash flow generation
- Full Year Dividend increased to 21.5cps, representing underlying 64% payout ratio

	2009/10 \$m	Change on pcp
Sales	938.0	13.2%
EBITDA	86.5	17.8%
EBIT excl goodwill w/o	65.8	19.3%
NPAT	38.1	18.4%
Operating Cash Flow	52.6	\$(10.1m)
Net External Debt	78.8	-\$35.9m
Dividend	21.5c	+3.5c

Business Unit Results

	2009/10		2008/09	
	Sales	EBIT *	Sales	EBIT
	\$m	\$m	\$m	\$m
Auto & Cycle Retailing	684.8	48.2	623.3	42.4
Leisure Retailing	253.2	21.3	205.5	16.4
Group Costs**		(3.7)		(3.7)
Total Group	938.0	65.8	828.8	55.1

* - excludes goodwill impairment charge

** - Group Costs include \$1.8m costs relating to the Ray's Outdoors acquisition and \$1.9m public company and bad debt costs



Auto & Cycle Retailing



- Supercheap Auto delivering an excellent result
- Maintained momentum in LFL sales growth through the year building on 7.3% growth in PCP. Growth driven by new products, own brand range development, supply performance and marketing and promotion
- Further improvements in gross margin driven by trading terms, overseas sourcing, own brand development, supply chain efficiencies and stronger A\$.
- 11 new stores, 30 stores refurbished including 2 as Superstores – 267 stores at 3 July
- Goldcross Cycles performance below launch expectations
- 2nd half like for like sales performance was positive driven by very high growth in Queensland stores
- High level of discounting reflecting bike market conditions had a significant impact on gross margin – reducing aged stock
- Revised business plan – key factor impacting on results will be timing of store relocation – 18 stores at 3 July

	2009/10 \$m	change on pcp
Sales	684.8	9.9%
LFL Sales (SCA)		5.0%
LFL Sales (GX)		(4.2)%
Gross Margin - SCA	41.2%	+0.8%pts
Gross Margin - GX	31.8%	-10.7%pts
EBITDA	62.4	10.0%
EBITDA Margin %	9.1%	-%pts
EBIT	48.2	13.5%
EBIT Margin %	7.0%	+0.2% pts

Leisure Retailing



- BCF delivered strong sales and profit growth
- 9 stores opened and one acquired during the year to bring total stores to 69
- Solid LFL growth building on 12.5% growth in PCP – 2nd half LFL growth lower but cycling 18% LFL growth in PCP
- LFL growth consistent across the 3 major categories with stronger growth in apparel – higher LFL growth in southern markets but Queensland stores delivering lower LFL growth reflecting broader retail slowdown
- Strong gross margin performance driven by trading terms, increase in direct overseas sourcing and supply chain efficiencies and higher Australian dollar
- Higher cost to sales ratio reflects relative increase in number of lower turnover smaller format stores
- Ray's Outdoors acquired on 31 May 2010 so only small contribution to results (\$8m of sales)

	2009/10 \$m	change on pcp
Sales	253.2	23.2%
LFL Sales		4.8%
Gross margin %	43.7%	+1.3%pts
EBITDA	25.9	28.4%
EBITDA margin %	10.2%	+0.4%pts
EBIT	21.3	30.2%
EBIT Margin %	8.4%	+0.4%pts

Group Cash Flow

- Headline Operating Cash Flow was impacted by the additional creditor payment. On a like-for-like basis, operating cash flows increased by approximately \$25m in 2010
- Total organic growth investment of \$35m being fully funded out of operating cash flows
- New and Refurb Store Set Up Investment:
 - SCA : \$7.1m
 - BCF : \$10.1m
 - Goldcross : \$0.2m
- Store fit-out:
 - \$3.1m SCA new stores
 - \$7.9m in SCA refurb/relocations
 - \$4.7m in BCF new stores
 - \$1.9m in Goldcross refurb stores
- Other Capex:
 - IT - \$4.5m vs \$3.2m last year, reflecting increased investment in store terminals, CRM and inventory systems
 - Supply Chain - \$0.6m vs \$0.4m
 - General capital projects – \$4.4m vs \$5.1m

	2010 \$m	2009 \$m
Operating cash flow (pre store set up investment)	70.0	81.6
New store set up investment (costs & inventory)	(17.4)	(18.9)
Operating cash flow	52.6	62.7
Investing activities:		
- Store fitout	(17.6)	(19.8)
- Other capex	(9.5)	(8.7)
- Business Acquisition	(52.9)	(4.6)
Financing activities:		
- Dividends & interest	(25.1)	(26.8)
- Ext Debt repay/proceeds	(22.4)	5.4
- Equity Issues	88.4	-
Net cash flow	13.4	8.1

Group Balance Sheet



- SCA average inventory of \$543k per store down by 2.5% compared to PCP, with continued focus on supply chain efficiencies offsetting the increased stock weight of higher value products
- BCF average inventory per store down by 5% compared to PCP, due to increased number of smaller stores and focus on supply chain improvements
- Increase in Plant & Equipment primarily as a result of capital expenditure in new and refurbished stores
- Net Debt decreased by \$35.9m as a result of equity issuance tied to Ray's Outdoors acquisition, as well as continued focus on working capital management

	Jun 10	Jun 09
	\$m	\$m
Inventory		
- SCA	144.9	142.5
- BCF	65.3	64.5
- Goldcross Cycles	15.8	15.8
- Ray's Outdoors	27.1	-
Total	253.1	222.8
(Trade creditors)	(99.6)	(116.6)
Net inventory investment	153.5	106.2
Plant and Equipment	105.3	87.9
Net External Debt	78.8	114.7

Returns & Capital Ratios



- Improvement in EPS and fixed charge coverage ratio reflect the improved profit performance
- All cover ratios are well within covenanted levels
- CBA and HSBC have joined ANZ to provide \$190m club debt facility, split between \$100m term debt and \$90m working capital
- Equity issue has improved debt to capital ratio and ROC continues to grow above target level
- Effective FX rate for the year was 0.83, up from 0.78 in pcp. Based on existing hedging position, 2010/11 full-year FX rate expected to be around 0.87
- *All ratios are calculated on underlying results (pre goodwill impairment, Ray's Outdoors acqn costs and interest rate swap MTM adjustment)*
- *Adjusted capital includes leases capitalised into debt at 6x annual charge*

	2010	2009
EPS – reported	34.0c	29.9c
Fixed charge cover	1.96x	1.92x
Average Net Debt	\$130m	\$140m

	2010	2009
Net debt : capital		
- Headline	22.6%	42.3%
- Adjusted	65.9%	75.9%
Annualised post tax ROC		
- Headline	16.8%	15.6%
- Adjusted	13.7%	13.3%



Group Strategy Update





- Channel Development
 - Potential for over 300 stores including 20 superstores
 - Refurbishment program at circa 30 stores per year
 - Ongoing development of on-line
 - Ongoing development of trade offer
- Merchandise and Marketing
 - Rollout of extended tools offer
 - Trade partnership program
 - Own brand range development
 - Space planning initiative
- Team Development
 - Learning and development programs
 - Store manning models



- Channel Development
 - Potential for around 150 stores across Australia and New Zealand
 - Relocating 8 existing stores
 - Web site & online sales development
- Merchandise and Marketing
 - Customer centric range development
 - Own brand range development
 - Supply chain development
 - Goldcross Club
 - Targeted marketing
- Team Development
 - Learning and development programs
 - Store manning models



BOATING • CAMPING • FISHING

- Channel Development
 - Potential for around 90 stores
 - Store refresh program
 - Ongoing development of on-line
- Merchandise and Marketing
 - Regional ranging
 - Range extensions
 - Trade partnership program
 - Own brand range development
 - BCF Club
- Team Development
 - Learning and development programs



- Business Integration
 - Rollout of SCA Group POS and ERP
 - Group Logistics
 - Team and Culture
- Channel Development
 - Potential for around 75 stores across Australia and New Zealand
 - Web site & online sales development
- Merchandise and Marketing
 - Confirmation of Customer Value Proposition
 - Own brand range development
 - Supply chain development
 - Ray's Outdoors VIP Club

Group Initiatives

Team Development

- Learning and Development
- Health and Safety
- Performance & Succession Management
- Recruitment, Engagement & Communication
- Recognition, Reward and Remuneration
- HR Information Systems

Store Information Systems

- POS review/development
- Store portal
- Special order management

Inventory and Supply Management

- Demand forecasting systems
- Strategic supply modelling
- Supply chain methods
- Store stock level review
- Trade partner performance reporting
- Master data management

Multi Channel & Customer Relationship Management

- Business loyalty programs
- CRM database and analysis
- On Line sales, marketing and customer engagement
- Catalogue production efficiencies



Looking Forward

Looking Forward

Auto & Cycle Retailing

- Expect to open between 5 and 10 new SCA stores, 3 and 5 Goldcross Cycles stores, close 2 SCA stores and refurbish 30 SCA stores during 10/11
- SCA LFL sales growth in the first 7 weeks of 10/11 circa 4%
- SCA Gross Margins expected to show further small improvement in 10/11
- Goldcross Cycles Gross Margin improvement driven by own brand and supply chain initiatives

Leisure Retailing

- Expect to open between 5 and 10 new stores for both BCF and Ray's Outdoors during 10/11
- BCF LFL sales growth in the first 7 weeks of 10/11 circa 2% building on circa 17% in PCP
- Full year EBIT margins expected to be up on PCP
- Ray's Outdoors Integration is on track
- Forecast 10/11 synergy benefits and profit levels are in line with business plan

Net Debt

- Planned full year capital expenditure circa \$35m
- Closing net debt for June 2011 forecast to be circa \$70m

Corporate identity

- Proposed Company name change to Super Retail Group Limited
- Reflects the Company's role as manager and provider of shared services to its retail brands

