



Managing Director's Presentation Annual General Meeting – 28 October 2009

Thank you Dick. Good Morning Ladies and Gentlemen, I would like to take a few minutes to reflect on the 2008/09 financial year and then I will talk about our plans for 2009/10 and beyond and our progress to date.

Our vision is to be Australasia's most highly regarded specialty retailer. We see that this assessment needs to be considered from the perspective of all of our stakeholders: our shareholders, our team members, our customers, our trade partners and the wider community. We believe that during 2008/09, our stakeholders would judge that we are moving in the right direction.

Our financial results have been strong with Group Sales up by 16%, Net Profit after Tax up by 25% and Operating Cash Flow up by 26% when compared to the prior year. Group Net Debt reduced by \$3 million despite an investment of \$43 million in new and refurbished stores. Importantly, the post tax return on capital generated by the Group increased from 14.1% to 15.6%. The total return to shareholders since IPO in July 2004 up to the current date has been 22% per annum.

We have seen an improvement in all of the key performance indicators that we use to monitor our team members' perception of the business: Attraction, Retention, Satisfaction, Safety and Succession. Our team members are proud of what has been achieved but are also passionate for future growth. I would like to thank the whole team for their commitment and contribution.

Research indicates that our Customers view both Supercheap Auto and BCF as improving their offer across all of the key elements including range selection and product quality, value for money, convenience, expertise and in store experience. We continue to lead the market in range selection and value for money.

Our businesses are built upon a twin approach of providing our customers with a choice of own brand product and leading national and international brands. We place great value on our relationships with our trade partners and in working together to generate mutual business improvement. I would like to acknowledge our trade partners for their contribution to our progress.

Finally we have made good progress with our Corporate Social Responsibility initiatives. Supercheap Auto has established a safe driving campaign whilst BCF supports the SES in Queensland. At a Group level, we have been successful in supporting a number of important charitable causes most notably the McGuinness McDermott Foundation, Canteen, SIDs and Kids, Brash A-T and the Children's Hospital Foundations Australia. We have a number of environmental initiatives underway and have recently rolled out a car battery recycling program across all Supercheap Auto stores.

2008/09 has certainly been a successful year for the Group but I would now like to turn to our plans for the future.

The core focus of our plans across the Group has been in place since early 2006; 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.

Supercheap Auto continues to build towards 300 stores across Australia and New Zealand. Today, we have 261 stores, having opened five new stores since the end of June. Approximately half of the stores have now been refurbished or built with our updated branding and store presentation. We plan to refurbish a further 40 stores a year for the next three years.

We continue to look for opportunities to extend Supercheap Auto's product and service offering. We see opportunities in areas such as travel and touring, tools and garage storage to extend our product offer. We will continue to develop our product fitment offer which is now running at over 2,000 fitments per week. We will also further develop our trade offer. Supercheap Auto has now relaunched its internet site and all products, with the exception of dangerous goods, can be purchased through the web.

BCF Boating Camping Fishing has grown to 61 stores, having opened two stores so far this year. BCF has plans to grow to 70 stores across Australia in the current format. We are currently working on developing a strategy to further extend our BCF distribution network in the future.

BCF is also looking to broaden its product offering and has continued to extend its watersports and BBQ range whilst introducing Mountain Bikes. Membership of the BCF Club continues to grow and now stands at over 350,000. We have continued to develop the BCF web offer and have recently launched BCF TV which provides access to hundreds of product information videos through the web.

Our Goldcross Cycles business has 18 stores in Melbourne and South East Queensland. The current focus is to develop a profitable store business model. We have used our experiences from our first 12 months of ownership to make a number of changes to the business including our range offer, our marketing and promotion activity, our store design and our team member training program.

Early signs are promising but we have much to do before we are confident of further rollout. Once we have developed a profitable model, the business has the potential for around 100 stores across Australia and New Zealand.

We will also continue to develop our supply chain operations. We have made good progress over the past four years, with significant improvements in cost of doing business, reduced inventory holdings and improved in stock position in store. We have a distribution network that is capable of supporting the planned growth of our existing businesses over the next few years so our focus is on improving the efficiency of our operations.

We will also continue to make appropriate investment in IT to build our business capability. Current projects include the development of customer relationship management capability and the enhancement of our demand, replenishment and inventory planning capabilities.

We will also maintain our investment in our People Development Programs. We have in particular identified learning and development as an area in which the Group can provide a superior offer to its Team Members than our competitors and it was particularly pleasing that our in house program was recognised at the HR Leadership Awards last week as a leading program across all industries in Australia.

I would now like to report on progress so far this financial year. We have started well.

In the 17 weeks to 24th October, total sales growth across our businesses has been as follows: Supercheap Auto – 12%, BCF – 27% and Goldcross 50%. Meanwhile, like for like sales growth has been 10% at Supercheap Auto and 14.3% at BCF. We have also continued to deliver small incremental improvements in underlying gross margin.

This level of like for like growth is exceptional and we anticipate a slowing in growth back to long term trends as we move into the Christmas period and into the second half of the year as the benefits of the Governments stimulus package and low interest rates wash out of the market. We are confident that our businesses will continue to grow at a faster rate than the markets in which they operate.

Finally, I would like to pay tribute to the contribution of my leadership colleagues and fellow Directors. I am fortunate to work with a team of talented executives who have committed themselves to the plan we have developed and have delivered excellent outcomes collectively and in their own areas of responsibility.

I would also like to thank Dick for his contribution to the company over the last 6 years as we firstly transitioned from private to public ownership and more latterly developed from a single business with one format to multi businesses with multi formats. He has struck a good balance between encouraging an entrepreneurial approach whilst maintaining appropriate governance. I wish him all the very best for the future and I look forward to working with Robert as he steps up into the role of Chairman.

Ladies and Gentlemen there continue to be many opportunities to grow and develop the performance of our Company. I look forward to reporting on our progress at our next meeting in 12 months.

Thank you.

Peter Birtles
Managing Director
Super Cheap Auto Group Limited