



## CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING – 28 OCTOBER 2009

It is now nearly six years since I was introduced to Super Cheap Auto, and Reg Rowe by the then Chief Executive, Bob Thorn. Super Cheap Auto was a private company that had enjoyed great growth over a relatively short period of time. It had 165 stores, \$85 million in inventories \$12 million capex and was forecast to produce EBITDA of \$31 million in the 2004 financial year.

There was no BCF, no Goldcross, just stores in Australia and New Zealand and an under-developed distribution and logistics capability. This capability now reaches well beyond Brisbane to Perth, Auckland, Melbourne and China.

Since then EBITDA has reached \$73.4 million from \$32 million in FY2004. NPAT has risen to \$32.1 million from \$13.2 million. There are 261 Supercheap Auto stores, 61 BCFs and 18 Goldcross or 340 rather than 165 stores in total. Inventories to support this larger network have increased to \$230 million and annual capex is nearer to \$30 million. Sales from all of this have risen from \$380 million to \$830 million.

The expansion and growth recorded by the Super Cheap Auto Group has been funded internally and through debt. Shareholders have not had to contribute additional funding during this period. Until the recent dividend, there was not even an opportunity to forego dividends for a greater interest in the company.

It is against this backdrop that I am addressing shareholders for the last time. But the Super Cheap Auto story from listing until today is more than a story about the growth in numbers and shareholder value. I have seen the company and its management grow and develop while adjusting to the rigours imposed in a listed company environment.

As I head for the door and become a shareholder without portfolio, I would like to repeat some of things I have learned about Super Cheap Auto.

Super Cheap Auto is the product of ideas and commitment. The commitment shown to developing and then delivering the idea requires constant innovation, continuous improvement and a deep belief in a common purpose.

At no stage since I have been at Super Cheap Auto have I seen the management and the team they rely on shrink from developing new ideas, challenging the status quo, adjusting to shifts in the market and enthusiastically telling the story. Nobody sits still and assumes that the Super Cheap Auto story is near the end. The relentless quest to develop better outcomes has seen BCF, new store lay outs, better logistics and systems go with the renewal that comes from searching for the new in-store ranges that keep customers coming back year in and year out.

The performance of Super Cheap Auto is no accident. Neither is it a temporary phenomenon. The brand, the systems and the people provide investors with a stake in the future. Not all years will deliver superior outcomes. However, the years where profits are impacted by an investment in the future have proven to be the seed years for the growth we saw in the 2009 financial year.

The satisfaction of seeing outcomes like those achieved in the 2009 financial year are no more or no less important than the years when investments in new concepts temporarily hold back the growth in profits. The benefits from these years are not just about future profits. They are an important part of retaining motivated and successful managers who feel empowered to develop new concepts and set goals that others wouldn't dare suggest. All of this while managing a complex and far flung business operation.

Mistakes will be made. The willingness to tolerate the odd mistake or two is greater where they are quickly recognised and adjustments are made to the initial strategy. This is a natural response by good managers who are always mindful that they need to respond to continual shifts in the market. The Board continues to take the view that its role is to question and test ideas and business processes while monitoring both the performance of the business and the responses taken.

The Board is also conscious of the impact of the wider economic environment on Super Cheap Auto. While the like for like sales growth is a good measure of how well the business is travelling, it doesn't always predict the future. Understanding the drivers of the growth and adjusting for anticipated changes in consumer behaviour test managers and boards.

The results achieved by Super Cheap Auto last financial year are remarkable and indicate that these circumstances have largely suited Supercheap Auto and BCF. Care needs to be taken when looking into the future. The exposure of the group to debt and its dependence on a relatively large inventory of goods for sale mean constant balance sheet scrutiny.

We cannot let ourselves think that the recently introduced dividend reinvestment plan alone will change the shape of the balance sheet. It is as much about offering shareholders a convenient way to secure a little more of the company as it is about retaining cash.

The Board will carefully watch the balance sheet. We do not want the company to lose opportunities to invest in growth. It is vitally important that the balance sheet supports the opportunity to access the capital required to maintain and grow the business in a way that stimulates the interest and commitment of the management team lead.

Let me conclude by paying tribute to Peter Birtles and his executive team. They serve the wider Supercheap, BCF and Goldcross, logistics, IT and administration teams and their customers with distinction. All shareholders benefit from their knowledge, experience, skills and enthusiasm.

It is also appropriate for me to recognise the contribution of the directors over the last five and half years. I have enjoyed the stable, co-operative and friendly environment that has endured for a long period of time. It is great to be able to step away knowing that Super Cheap Auto Group is in wonderful hands. Thank you Reg, Robert, Darryl, Peter and more recently John!!

I will now invite Peter Birtles to address the meeting on the Group's operations and immediate prospects.

**Dick McIlwain**

Chairman

Super Cheap Auto Group Limited