



ASX Announcement

22 February 2007

Super Cheap Auto Group (SUL) reports 51% Growth in Net Profit after Tax for the 26 weeks to 30 December 2006

Super Cheap Auto Group Limited today announced its financial results for the 26 weeks to 30 December 2006. The highlights for the period were:

- Group Net Profit after Tax at \$9.0 million which was 51% higher than the prior comparative period.
- Group EBIT at \$16.0 million which was 44.1% higher than the prior comparative period
- Group Sales at \$312.3 million growing by 18% over the prior comparative period
- Net Debt increasing by only \$1.9 million during the 26 weeks despite the \$37.5 million investment in new and refurbished stores across the Group.

The Directors have declared an interim dividend of 4.0 cents per share, which is a 33% increase on the prior year interim dividend. The dividend will be paid on 4 April 2007 to shareholders who are recorded on 13 March 2007.

Commenting on the results, Mr. Peter Birtles, Managing Director, said, "At the start of 2006, we set ourselves an ambitious agenda of initiatives to build and strengthen our Group. Our team members have tackled these initiatives with their customary commitment and creativity and it is particularly pleasing to see their contribution rewarded with such a strong set of results."

"The improvement in sales performance at Supercheap Auto reported at the end of the 1st quarter was maintained during the 2nd quarter whilst BCF had a particularly successful half with strong underlying like for like sales growth augmenting the sales generated from new store openings. Our Group Logistics and Shared Services functions also made an important contribution to the overall result through reducing the cost of doing business."

Supercheap Auto

Sales at \$267.9 million were 8.8% higher than the prior comparative period with like for like sales growth of 3.1%. EBITDA at \$21.6 million and EBIT at \$16.0 million were respectively 14.3% and 12.7% higher than the prior comparative period.

Supercheap Auto opened 11 stores during the half to take total store numbers to 245. In addition the store at Noosa was relocated to larger premises.

Three of the new stores at Wynnum, Armidale and Ballina were in the new 400 format, a 400m² store with reduced depth of range when compared to the standard 700m² store. The existing store at Sunbury was also converted to a 400 format. The new 400 format stores have performed well, which generates confidence for a network of 400 format stores in smaller regional towns and higher rental cost metro locations.

The business also opened a trial 200 format store under the sub brand of Supercheap Auto – Pitstop, a 200m² store aimed at shopping centre locations. This store was opened in December at the Pines Shopping Centre on the Gold Coast. A further 200 format trial store is planned for the 2nd half in a higher traffic flow shopping centre.

11 higher trading stores have now been refurbished and 6 of the new stores built with the new fixtures and store livery trialled at the Chermside concept store. Albeit at an early stage, the sales performance at the refurbished stores is very promising. For example, sales at our two most established refurbished stores, Chermside and Burleigh, have been growing by more than 10% post refurb when compared to pre refurb.

The business launched a new TV advertising campaign at the start of the half and this has been favourably received by customers. The Bathurst 1000 event was particularly successful for the business as it leveraged the sponsorship to drive sales as well as a brand building opportunity.

Promotional events have continued to be important opportunities to drive sales as overall demand remains subdued in the auto-aftermarket. Christmas trading started slowly but both the immediate pre Christmas and post Christmas weeks were particularly strong.

Sales of traditional auto categories such as lubricants, batteries and car-care were very strong during the half as the company continues to build market share. The decision to increase the exposure and investment in car audio, navigation and performance products also proved successful with strong growth in these categories. Sales performance across the electrical and leisure and outdoor categories was disappointing as the result of supply problems.

The stronger performance of a number of lower gross margin categories which feature national brands held back overall gross margin growth across the business despite improvements on a category by category basis. This underlying improvement was also boosted by a 20% reduction in product returns reflecting the business' greater focus on product quality.

Overall stock investment per store increased to \$555,000 reflecting:

- the traditional stock build for the Christmas / New Year period.
- increased stock weight of higher value car audio, navigation and performance products,
- a decision to forward buy lubricant products ahead of market cost price increases
- \$3 million stock of batteries, previously held on consignment
- \$5.8 million of stock in transit as at 30 December 2006, an increase of \$4.2 million from June; and

Supercheap Auto is planning to open a further five stores in the 2nd half of the year, including one new 400 format store and one new 200 format store. Two existing stores will be relocated to superior locations and two underperforming stores will be closed. A further 5 stores will be refurbished during the 2nd half. Operating margins will improve in the 2nd half (as in the prior year) with a lower level of investment in advertising and promotion.

Mr. Birtles said, “At the start of the year, we established a plan to reinvigorate the Supercheap Auto business and David Ajala and his team can be very proud of what has been achieved. We have established a strategy that balances a range of new store growth options with a focus on driving sales and profitability in our existing store network. We can now turn our attention to growing the business through developing a deeper understanding of our customers, extending our service and range offerings and looking to increasingly tailor our offer at a local level.”

BCF – Boating Camping Fishing

Sales at \$44.4 million were 140.6% higher than the prior comparative period with double digit like for like sales growth. EBITDA at \$1.4 million and EBIT at \$0.8 million were respectively \$3.7 million and \$3.4 million higher than the prior comparative period. Pre-opening costs were \$3.6 million which compares to \$4.0m million incurred in the prior comparative period.

BCF opened 14 stores during the half to take total store numbers to 27 with 17 in Queensland, five in New South Wales, one in the Northern Territory and four in Western Australia. A further store was opened at Balcatta in Western Australia in January 2007.

At the date of this announcement, a further 3 stores have been secured for the 2nd half of the year.

The business has recognised the opportunity for a smaller store model of around 1,200m² for regional centres. This model has been successfully trialled in Noosa and will be used for the upcoming store at Gladstone.

A number of the new stores were opened ahead of schedule with 10 of the new stores opened in the period from mid November to mid December. The brand has been accepted by customers in each state with overall store sales performance ahead of expectations. All categories performed well.

Gross Margin was 39.8% up from 35.5% in the prior comparative period with the improvement exceeding targets set at the launch of the business in October 2005. Operating costs were maintained in line with target.

Mr. Birtles said, “We continue to be very pleased with the performance of BCF. Steve Doyle and his team have built a business from scratch that already, within 15 months of launch, has

annualised sales of more than \$100 million. It is especially pleasing that we have been able to generate a positive profit contribution from the business so quickly despite expensing over \$3.5 million of pre opening costs. We will continue to expand the business in its existing markets during the 2nd half of the financial year and will commence work on fine tuning the offer for a launch into markets across the southern states of Australia and into New Zealand during the 2007/08 financial year.”

Group Logistics and Shared Services

Group Logistics and Shared Services costs are recharged to the two retail businesses. The continuing focus on cost of doing business resulted in a reduction in Group Logistics costs as % of sales by 0.1% when compared to the prior comparative period. This saving was achieved at the same time as maintaining stronger in stock presence through the major sales events.

The establishment of larger Distribution Centre operations in Melbourne and Auckland has proven to be a major contributor to the improvement in Group Logistics operations relieving pressure on the Brisbane distribution centre and facilitating a more efficient distribution network. The Group intends to increase the scale of its Melbourne operation during 2007.

The Group overseas sourcing office was established in October 2007 and has begun to work alongside the Group’s existing supply partners to source new and lower cost product whilst improving quality, packaging and supply chain efficiencies.

Group costs reflect the costs associated with operating as a public company and also include \$400,000 of non recurring advisory costs incurred on a corporate development opportunity.

For further information contact Peter Birtles, Managing Director or Gary Carroll, Chief Financial Officer on 07 3205 8511.

Peter Birtles and Gary Carroll will be presenting the results by teleconference today at 10.30 am (Brisbane time). To listen to this presentation simply click on the link below:

<http://www.brr.com.au/event/SUL/1454/19264/wmp/tma690tfaf>