



27 August 2008

## ASX/Media Announcement

### Super Cheap Auto Group (SUL) Announces 2008 Full Year Results

Super Cheap Auto Group Limited (SUL) today released its 2008 full year results announcing a 20% increase in Group EBIT over the prior comparative period.

Highlights of the results included:

- Earnings per share increasing by 15.5% over the prior comparative period
- Supercheap Auto and BCF growing profits at a faster rate than sales through improvement in retail margins and control of support costs
- Strong like for like sales growth across both businesses
- \$44.1 million invested in new and refurbished stores
- The relocation and set up of three distribution centres across Australia
- The acquisition of the Goldcross Cycles business

In commenting on the results, SUL Managing Director, Peter Birtles, said he was pleased to be able to report another year of significant progress for the Super Cheap Auto Group.

“We have delivered record sales and profits at the same time as investing in growth opportunities and in building capability and infrastructure across the Group.

“The Supercheap Auto and BCF businesses are not only performing well but are set for further growth through new stores, merchandising and marketing initiatives and procurement opportunities. The acquisition of Goldcross provides the opportunity to develop the largest chain of bicycle retail stores across Australia and New Zealand.”

## **SUPERCHEAP AUTO**

Sales increased by 6.3% to \$558.8 million with like for like sales growth in existing stores of 4.8%.

EBIT at \$41.5 million was 9.8% higher than the prior comparative period. EBIT margins increased from 7.2% of sales to 7.4% through continued reduction in the cost of doing business.

Operating costs as a % of sales have fallen by 0.7% points over the last two years. Despite increased sales in lower gross margin categories such as in car navigation and lubricants, gross margins held steady at 39.3% largely due to cost benefits derived from sourcing initiatives.

Five new stores were opened during the year, one store was closed and two stores were relocated. 30 stores were refurbished during the year and the Caboolture store was refurbished and reformatted as a Superstore. At the end of June, there were 250 stores trading across Australia and New Zealand.

Mr. Birtles said “The business recorded the highest level of like for like growth for five years which was particularly pleasing, given the robust like for like growth of 4.1% in the prior comparative period. The refurbished stores continue to trade well delivering a lift in sales compared to trend prior to refurbishment. We intend to refurbish another 30 stores in the next financial year.

“We have continued to focus our product range selection around national brand leaders such as Castrol, Bosch, Amorall and Ferodo along with our three tier own brand strategy under our Best Buy, SCA and Calibre own brands. The strengthening performance of Supercheap Auto has attracted leading brands such as Ryco filters and Bendix brake pads which will in turn cement our position as the leading retailer of auto parts and accessories.”

## **BCF - BOATING CAMPING FISHING**

Sales at \$156.4 million were 58% higher than the prior comparative period. Like for like growth from stores trading for more than 12 months was 5.7%.

EBIT at \$7.9 million was \$6.1 million higher than the prior comparative period with EBIT pre new store set up costs at \$11.9 million was \$5.3 million higher. Underlying EBIT margins pre new store set up costs have increased from 6.7% to 7.6%.

17 new BCF stores were opened during the year including two stores acquired from JV Marine in Melbourne. A smaller specialist Fishing and Tackle store trading as Campbells Pro Tackle in Perth was acquired in December and continues to trade under the Campbells name.

At the end of June, BCF had 49 stores trading across Queensland, New South Wales, Victoria, Western Australia and the Northern Territory.

Mr. Birtles said “The like for like growth achieved by the business was particularly strong given that sales at a number of existing stores were cannibalised by the opening of new stores.

“A major driver of the improvement in profitability was an increase in gross margins which increased by 100 basis points to 41.6%. We are confident that we can continue to enhance

margins through working with our supply partners on exclusive product opportunities and new product development.

“BCF is still a very young business and although the business has performed very well we recognise that there remains an opportunity to better tailor the offer to local market demand. We are looking to build our business in Victoria and to launch the business in South Australia in the next 12 months.”

## **GOLDCROSS**

The Group completed the acquisition of Goldcross Cycles, an 11 store network of bicycle stores all based in suburban Melbourne, on 23 June 2008. The Group also acquired a 50 per cent interest in Oceania Bicycles, an importer and distributor of bicycles and bicycle parts and accessories.

Mr Birtles said. “The bicycle retail market is highly fragmented and we see an opportunity to develop a market leading category killer business. Over the next few years, we plan to grow Goldcross to a chain of around 50 stores across Australia.”

The Group incurred \$500,000 of due diligence and market research costs associated with the acquisition of Goldcross during the year.

## **GROUP LOGISTICS AND SHARED SERVICES**

During the year, the Group established new distribution centres in Melbourne and Brisbane and relocated the Perth distribution centre. As a result, the Group has exited all third party facilities.

Mr. Birtles said “We invested around \$5 million in establishing the new network of which \$2 million was expensed as part of operating costs and \$3 million of distribution centre fit-out was capitalised. The disruption to the supply chain through the relocation project has had a short term impact on the efficiency of our Group Logistics operations and led to a short term increase in working capital. These impacts will reverse in 2008/09.”

## **CASH FLOW AND NET DEBT**

During the year, the Group increased its debt facilities to an overall limit of \$200 million with only a minor increase in costs. \$80 million of the facilities are in the form of a working capital funding facility which is reviewed on an annual basis. \$120 million is in the form of a term debt facility which matures in April 2010.

Net external debt for the Group has increased from \$93.5 million to \$117.8 million.

Cash flow from operations was \$49.6 million, an increase of \$15.6 million compared to the prior year. Overall investment in working capital was \$7 million of which \$20.7 million related to new stores, \$10 million related to extra stock carried by the business through the supply chain reconfiguration, offset by a \$30 million benefit arising from the earlier period end balance date of 28 June.

Group capital expenditure was \$43.5 million with \$15.2 million invested in acquisitions, \$8.5 million in new store fit-out, \$7.9 million in the store refurbishment program, \$7.5 million in supply chain and IT projects and \$4.4 million in general maintenance projects.

## LOOKING AHEAD

Mr. Birtles said, “We anticipate that the trading environment will be challenging for the next few months reflecting the more general slowing of growth in retail spending. However, we believe that the medium term outlook for retail spending remains strong. Consequently, we will continue to invest in growth opportunities for the Group.

“In the first eight weeks of the new financial year we have generated solid sales growth across both of our businesses with like for like sales growth at Supercheap Auto of 2.7% and at BCF of 5.9%.

“Supercheap Auto is planning to open up to eight stores in the next year depending on property opportunities and will refurbish another 30 existing stores. It also is planning to reconfigure two existing stores as Superstores. Leveraging the reconfigured logistics network provides an opportunity to further improve profit margins.

“BCF will be targeting around 10 new stores including the first BCF stores in the ACT and South Australia. The increased scale and sourcing opportunities plus a reduced investment in store opening costs will further improve profit margins.

“The development of the Goldcross business will be dependent on property opportunities but the business has the capacity to open around eight stores in the next year. The business will also be refurbishing most of the existing 11 stores. The revenue investment in developing the Goldcross business will result in a negative EBIT contribution of around \$2 million in the 2008/09 year.”

Peter Birtles and Gary Carroll will be presenting the results by teleconference at 10.30 am AEST Thursday 28 August 2008. To listen to this presentation simply go to the Company’s website

<http://www.supercheapauto.com.au/corporate/investor-centre/boardroom-radio-audio-broadcasts>

## ENDS

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