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ASX/Media Announcement

Super Cheap Auto Group (SUL) Announces 38% Increase in 1st Half Profit After Tax

This morning, Super Cheap Auto Group announced its trading results for the 26 weeks to 29 December 2007, and reported net profit after tax of \$12.5m, an increase of 38% over the prior comparative period.

Other highlights of the results included:

- Earnings per share increasing by 38% to 11.7 cents from 8.5 cents.
- EBIT increasing by 36% to \$21.8m.
- Group Sales increasing by 17% to \$365.7m.
- 16 new stores opened increasing the total number of stores to 292 (comprising 247 Supercheap Auto stores and 45 BCF stores).

The Directors have declared a fully franked interim dividend of 5.5 cents per share, an increase of 37.5% over the prior year. The dividend will be paid on 2nd April 2008 with a record date of 11th March 2008.

Super Cheap Auto Group Managing Director, Mr. Peter Birtles, said that this was a very pleasing result that demonstrated strong progress across all aspects of the Group's operations.

"The profit result reflects a combination of sales growth, gross margin improvement and cost control. At the same time, we have continued to invest in new stores and in systems and infrastructure. We are well set for continued top line and bottom line growth," said Mr Birtles.

SUPERCHEAP AUTO

Sales at \$287.4m increased by 7.3% with like for like sales growth of 4.7%. Two new stores were opened, one store was closed, one store was relocated, one store was reformatted as a Superstore and 20 stores were refurbished.

EBIT at \$18.1m grew by 13.1% with EBIT margin improving by 0.3% points.

“Supercheap Auto has maintained the momentum established in the previous year with a very good result driven by a clear focus on the customer, supported by range innovation, in-store execution, an effective marketing and promotional program and procurement and supply chain initiatives.”

“Sales performance has been consistently strong across all areas of Australia and New Zealand. We are particularly pleased with the improvement in overall gross margin despite continued higher sales growth in lower gross margin categories such as in-car entertainment and navigation,” said Mr Birtles.

BCF BOATING CAMPING FISHING

Sales increased by 76% to \$78.3m with the growth driven by 14 new stores and 6.3% like for like sales growth. Like for like growth was 12.2% after excluding the impact of sales cannibalisation by new stores.

EBIT increased by \$4.0m to \$4.8m, while EBIT, pre new store set up costs, increased by \$3.4m to \$7.8m.

“BCF has again been successful in accelerating its store opening program ahead of the key summer holiday period which boosted sales and profit performance during the first half.”

“Following the recent acquisition of two stores from JV Marine in Melbourne, the business now has 47 stores trading across Australia and has become the leading retailer of boating, camping and fishing products in the country. This has been achieved within two and a half years of launching the business,” said Mr Birtles.

GROUP LOGISTICS

The development of the new distribution centre in Melbourne is tracking to schedule and will be fully operational from the beginning of April. The business is also relocating its Perth distribution centre to larger and more suitable premises during February. These new facilities will contribute to the ongoing reduction in the cost of doing business. Non recurring relocation costs of \$0.5m have been recognised against Group costs in the results for the first half. A further \$0.5m will be incurred in the second half.

CASH FLOW AND NET DEBT

The Group invested \$30.9m in new and refurbished stores during the half and \$6.8m in supporting infrastructure and systems. Despite this significant investment in growth, Group net debt increased by only \$9.3m through effective working capital management.

LOOKING AHEAD

Mr. Birtles said that the Group continued to work on opportunities to grow the network of stores of both businesses. “It is anticipated that Supercheap Auto will open three to five stores and that BCF will open at least five further stores in the 2nd half.”

“Like for like sales growth at Supercheap Auto in the 1st seven weeks of the 2nd half has continued at the level experienced in the 1st half. BCF is continuing to deliver strong growth although the heavy rainfall experienced down the Eastern Seaboard during January and February has reduced the level of underlying like for like sales growth so far this half.”

“The work we have been doing in the areas of supply chain and procurement will continue to drive improvement in profitability in both of our businesses over the medium term. Both businesses are expected to achieve EBIT margins of around 7.5% for the full year – pre set up costs in the case of BCF.”

“Although the deterioration in wider economic conditions may slow general retail spending in the short term, the longer term outlook for retail sales growth remains positive. We also expect that both of our businesses will grow at a faster rate than the markets in which they operate.”

“The ongoing investment in new and refurbished stores and in supply chain infrastructure will result in capital expenditure of around \$40 million for the full year. Reported Net Debt is anticipated to be at \$85 million at the end of the financial year, reflecting a \$30m timing benefit as a result of the 28 June balance date. Net debt is comfortably within our facility limits of \$150 million,” said Mr. Birtles.

ENDS

Further information:

Mr Peter Birtles
Managing Director
Super Cheap Auto Group
07 3205 8511

Mr Gary Carroll
Chief Financial Officer
Super Cheap Auto Group
07 3205 8511

Released through:

Mr John Lamont
Associate Director
Phillips Group
0408 747 450