

Super Cheap Auto Group

Presentation to Macquarie Securities
2008 Australian Emerging Leaders Conference

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Agenda

- 2007/08 Trading Update
- Group Strategy Update



2007/08 Trading Update



FY 07/08 1st Half Results - Highlights

Group

- Total sales up by 17.1%
- EBIT up by 36.3%
- NPAT up by 37.8%

Capital

- Interim dividend up by 37.5%
- \$30.9m invested in new stores & refurbishments
- Net Debt up by \$9.3m

Supercheap Auto

- Total sales up by 7.3%
- LFL sales up by 4.7%
- EBIT margin up by 0.3% pts

BCF

- Total sales up by 76.4%
- LFL sales up by 6.3%
- EBIT margin (pre set up costs) up by 0.1% pts



FY 07/08 2nd Half Trading Update

Supercheap Auto

- Store Development
 - 249 stores trading today
 - 1 new store planned for June
 - 30 refurbishments will be completed this year
 - Superstore continuing to trade well
- LFL sales up by 6% so far this half (18 weeks to 3 May)
 - Consistent performance across Australia and NZ
 - Anticipate minor slowing in remaining 9 weeks
 - Performing strongly in hero categories (lubricants, car care, batteries), high growth categories (sat nav) and new lines (travel & touring, garage storage)
- EBIT margins on track to be slightly ahead of last year
 - Gross margin in line with PCP
 - Maintaining savings in operating costs



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FY 07/08 2nd Half Trading Update

BCF

- Store Development
 - 48 stores trading today
 - 1 more anticipated in June
- LFL sales up by 5% so far this half (18 weeks to 3 May)
 - Qld/NSW back to trend after weaker January/February as a result of weather
 - Anticipate full year sales of around \$160m
- EBIT margin (pre set up costs) tracking in line with plan
 - Full year margin (pre set up costs) expected to be circa 7.5%
 - Set up costs expected to be around \$4m



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FY 07/08 2nd Half Trading Update

Group Costs

- Distribution Centre Network Reorganisation
 - Around \$5m invested in establishing new Melbourne DC in line with budget
 - Operating Expenditure - \$2m, Capital Expenditure - \$3m
- Corporate Costs
 - Expected to be around \$1m in line with prior year



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FY 07/08 2nd Half Trading Update

Capital

- Inventory
 - Closing inventory investment per store expected to be in line with prior year
 - SCA inventory on track to be around \$515k per store
 - BCF inventory expected to be around \$1.1m to \$1.2m per store
- Capital Expenditure
 - Full Year forecast at around \$40m
 - Store Development (new/refurbs/relocations) circa \$20m
 - BCF Acquisitions - \$8m
- Debt
 - Tracking in line with expectations
 - Net debt circa \$85m at June 28 – circa \$30m timing benefit due to earlier year end close
 - Net debt comfortably within existing facility limits of \$165m – term debt maturity October 2009
 - Increase in facilities to \$200m to support corporate development plans – additional cost 40 to 45 basis points – term debt maturity October 2010



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Group Strategy Update



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Key Strategic Issues

- Low growth Retail Auto Aftermarket
- Sources of growth - Store network reaching maturity across both brands
- Impact of demographic changes on our employment practices – attraction, motivation and retention of our team members
- Growth plans require an increasingly efficient and flexible supply chain
- Opportunities to reduce cost of goods and build own brands
- Impact of increased regulatory and compliance requirements



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Group Strategic Initiatives

- Driving Sales Growth in Supercheap Auto
- Driving Sales Growth in BCF
- Developing Procurement and Supply Chain Capabilities
- Developing our People
- Developing Future Sources of Growth



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Driving Sales Growth in Supercheap Auto

- New Store Opportunities and Store Formats
 - Target to open up to 9 stores in 2008/09
 - Potential remains for 300 store
 - 2 stores to be converted to Superstores in 2008/09
 - Ongoing development of country model
- Refurbishment program continues to deliver strong results
 - 49 stores will have been refurbished by year end
 - Going forward around 30 stores per year will be refurbished
- Range development in higher growth categories and value added services
 - Ongoing development of own brand
 - Keeping the offer fresh - Ongoing new line and new range introduction
 - Fitment services – 750 fitments per week
- Customer Service Development
 - Rebalance operating model from task focus to mix of task and service & sales focus
 - Improving efficiency of store administration
 - Trial of night fill and different store labour models
 - Incentives linked to driving units per transaction
- Brand Development
 - Motorsport
 - Safe Driving Campaign
 - In Store Communication



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Driving Sales Growth in BCF

- New Store Opportunities and Store Formats
 - Target to open 7 to 10 new stores in FY 09/10
 - Potential for over 60 stores: 40+ '2000m2' stores; 20+ '1200m2' stores
 - Move into South Australia in FY09/10
- Range Development
 - Own brand development and direct sourcing
 - Local ranging
 - Extending the range into higher growth categories (Water Sports, Trailer Campers)
 - Building the apparel offer
- Specialist Formats
 - Ongoing trial of specialist fishing and tackle format
- Brand Development
 - Leveraging BCF Club – 160,000 members
 - Supporting SES
 - Local Marketing Initiatives



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Developing Procurement and Supply Chain Capabilities

- Continuing focus on cost of doing business through Group Logistics
 - Goal is to reduce Logistics costs as a % of sales by 1.0% pt between FY05 and FY10
- Developing Distribution Centre network to support planned growth
 - Expanded Melbourne distribution centre fully operational by end of April
 - Distribution Centres in Brisbane, Melbourne, Perth and Auckland will support growth through to 2011
- Inventory Optimisation and Master Data Management
 - Forecasting and replenishment process and system redesign
 - Master Data Management system implementation
 - Trade Partner Management
- Developing supply chain methods
 - Port splitting capability to trial in June
 - Trial of Ecommerce solution with 6 suppliers
 - Warehouse Management Systems upgrade in FY09 will facilitate development of cross dock and flow through methodologies
 - Ongoing development of BCF logistics model : direct to store vs DC to store
- Overseas sourcing team
 - Circa 12% of SCA overseas purchases direct sourced – opportunity to take this to around 50%
 - BCF in early stages of direct sourcing
 - Extending sourcing throughout Asia



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Developing our People

- Our team members are the key to delivering our strategic agenda
 - People costs will increase as a % of sales
 - Improved customer service will drive customer loyalty => opportunity to continue to reduce marketing spend as a % of sales
- Learning and Development
 - Year 3 of Business Leadership Academy rollout
 - Sales based training
- Team Member Attraction and Retention
 - Greater flexibility in workplace arrangements
 - New 3 years certified agreement in June 2009
- HR Information Systems
 - Upgrade to current systems to provide platform for Employee Self Service solutions
 - Improved management information
 - Reduction in administrative workload
- Labour Management Systems
 - New labour rostering and recording system fully implemented by end of June
 - Improved planning capability
- Corporate Social Responsibility
 - Social initiatives at a Group and Business level to be implemented in FY09
 - 6 environmental initiatives to be implemented in FY09



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Developing Future Sources of Growth

- Organisation has been built to support future growth opportunities
 - Common systems and processes across retail businesses
 - Scalable systems and logistics infrastructure
 - Group shared services model for non customer facing activities
- Growth Opportunities within existing categories
 - Assessed and discounted a number of opportunities in Automotive
 - Some opportunities across Outdoor Leisure but vendor expectations are unrealistic
 - Continue to assess single / double store opportunities
- Growth Opportunities in new categories
 - Clear focus on retail opportunities
 - Fragmented Markets – No leading retailer
 - Market size ideally greater than \$1bn
 - Focus across Automotive, Tools and Leisure related categories
 - Similar product characteristics, e.g., Not fashion / Not Perishable
- Opportunities must leverage Group's Core Competencies
 - Store Development
 - Retail Operations
 - Range Management
 - Overseas Sourcing
 - Own Brand Development
 - Marketing and Promotion



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