

Super Cheap Auto Group

Presentation to Macquarie Securities
2007 Australian Emerging Leaders Conference

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Agenda

- 2006/07 Trading Update
- Group Strategy Update



2006/07 Trading Update



FY 06/07 1st Half Results - Highlights

Supercheap Auto

- Total sales up by 8.8%
- LFL sales up by 3.1%
- EBIT margin up by 0.2% pts

07 Target: 1 – 2 % LFL sales growth and achieve double digit EBIT growth over 05/06

BCF

- Total sales up by 141%
- Double digit LFL sales growth
- EBIT margin (pre set up costs) up by 2.3% pts

07 Target: Sales > \$80m and achieve 2% pt growth in EBIT margin (pre set up costs)

Capital

- Interim dividend up by 33%
- \$37.5m invested in new store & refurbishments
- Net Debt up by \$1.9m



FY 06/07 2nd Half Trading Update

Supercheap Auto

07 Target : 1 -2 % LFL sales growth and achieve double digit EBIT growth over 05/06

- Store Development
 - 245 stores trading today
 - 1 store opened so far; 1 more anticipated this half
 - 2 stores relocated so far; 1 more planned this half
 - 1 store closed so far; 1 more planned this half
 - 3 refurbishments completed so far; 2 more in progress
- LFL sales up by over 3% so far
 - Australian stores maintaining 1st half performance (3.3% in 1st half)
 - NZ stores up by 5% (1.4% in 1st half)
- EBIT margin improvement maintained at 0.2% pts
 - Gross margin higher in 2nd half than 1st half as in FY06
 - Maintaining savings in logistics costs
- Remain on target to achieve double digit EBIT growth



FY 06/07 2nd Half Trading Update

BCF

07 Target : Sales > \$80m and achieve 2% pt growth in EBIT margin (pre set up costs)

- Store Development
 - 30 stores trading today
 - 3 stores opened so far; 1 more anticipated this half
- Total Sales growth ahead of target
 - Double digit LFL growth maintained so far
 - Anticipate full year sales of \$95m to \$100m
- EBIT margin (pre set up costs) improvement ahead of target so far
 - Maintaining stronger than expected gross margin
 - Anticipate EBIT margin (pre set up costs) improvement of 2.5% pts to 3% pts
- Anticipate exceeding both sales and EBIT margin (pre set up costs) target



FY 06/07 2nd Half Trading Update

Capital

- Inventory
 - SCA inventory on track to be around \$530k per store, including;
 - \$12k batteries previously held on consignment
 - \$20k imports goods in transit reflecting change in sourcing arrangements
 - BCF inventory expected to be around \$1.1m to \$1.2m per store
- Capital Expenditure
 - Full Year forecast at around \$30m
 - New Stores - \$12m
 - Refurbs/Relocations - \$5m
 - IT/Supply Chain projects - \$7.5m
 - Maintenance - \$5.5m
- Debt
 - Tracking in line with expectations
 - Net debt circa \$100m at June 30



Group Strategy Update



Key Strategic Issues

- Changing Customer Expectations in relation to the shopping experience
- Low growth Retail Auto Aftermarket
- Fewer opportunities to expand Supercheap Auto network in the current format
- Evolution of BCF from a regional business to a national business
- Impact of demographic changes on our employment practices
- Growth plans require an increasingly efficient and flexible supply chain
- Opportunities to reduce cost of goods and build own brands



Group Strategic Initiatives

- Driving LFL sales growth in Supercheap Auto
- Expansion of the Supercheap Auto network
- Expansion of the BCF network
- Developing procurement and supply chain capabilities
- Developing our People



Driving LFL Sales Growth in SCA

- Refurbishment program continues to deliver strong results
 - Established refurb stores generating around 9% growth compared to pre-refurb period
 - Going forward around 30 stores per year will be refurbished
- Range development in higher growth categories and value added services
 - Increased ranging of Motorbike, Performance and Navigation
 - Fitment services trial across 22 metro Brisbane stores
 - New category opportunities to be introduced
- Event marketing and promotional campaigns increasingly important
 - Themed events; Bathurst, Christmas, Easter
- Own brand development
 - 3 tier own brand strategy
 - Best Buy
 - SCA
 - Calibre/Ridge Rider/Rampage
 - Quality focus reducing returns
- Developing an increased focus on Service & Sales
 - Developing our management systems to have a greater focus on the drivers of sales, ATVs and store profit
 - Rebalance operating model from task focus to mix of task and service & sales focus



Expansion of SCA Network

- 245 stores trading today
 - 13 stores to be opened this year
 - 9 '700' format stores
 - 3 '400' format stores
 - 1 '200' format store
- '400' Format Performing Well
 - 3 new 400 format stores – Wynnum, Armidale and Ballina
 - Sunbury store converted to a 400
- '200' Format launched as Supercheap Auto – Pitstop
 - 1st store opened at the Pines Shopping Centre, Gold Coast in December
 - 2nd trial store to be opened at Hurstville Westfield in July
 - Too early to draw conclusions
- Superstore model to be developed in the 2nd half
 - Circa 1,200m² providing the opportunity for extended ranges
 - Opportunity to test service offerings
- Multi format approach provides opportunity to open over 300 stores and achieve internal ROC hurdles
- Anticipate around 10 new stores in 2007/08



Expansion of BCF Network

- 30 stores trading today
 - 18 in Qld, 5 in NSW, 1 in NT and 6 in WA
 - 1 additional Qld store scheduled for opening during the 2nd half
- Successful trial of 1,200m² format at Noosa and Gladstone
 - generates opportunity for a smaller store format in regional locations
 - opportunity to skew the range offer to suit local demographics
 - results in lower average turnover per store but maintains ROC
- Expansion into Sydney market being constrained by site availability
- Commencing work on developing the range offer to suit the Southern Australian markets
 - Anticipate expansion into these markets in FY08
- Further assessment of the right business model for the NZ market
- Will continue to investigate acquisition and organic growth opportunities
- Anticipate 10 to 15 new stores in 2007/08
- Anticipate sales to grow by around 50% in 2007/08



Developing Procurement and Supply Chain Capabilities

- Continuing focus on cost of doing business through Group Logistics
 - Logistics costs as a % of SCA sales are running at 0.2% pts lower than FY06 on top of 0.2% pt saving achieved in FY06
 - Potential for further improvement over the medium term
- Developing Distribution Centre network to support planned growth
 - Expanded Melbourne distribution centre to open in 2nd half 2007/08
- Developing supply chain methods
 - Development of port splitting capability to facilitate flow of product from China DC direct to store
 - Development of EDI trading with suppliers
 - Development of cross dock and flow through methodologies
 - Opportunity for DC to store model rather than direct to store model for certain BCF lines
- Overseas sourcing team established – commenced operating out of Hangzhou offices in October
 - Cost improvements will start to be recognised in cost of sales in FY08
 - Improvements in quality, packaging and supply chain
- Ongoing development of Core Business Systems
 - SAP upgrade on track for go live in June 07
 - Improved management of master data
 - Forecasting & Replenishment capability



Developing our People

- Our team members are the key to an increased sales and service focus
- Greater focus on team retention
 - SCA Store Manager turnover has improved by over 10% but is still too high
- Ageing workforce will require the Group to adapt its people policies
 - Greater flexibility
 - Non monetary benefits
 - Current workforce heavily skewed towards younger team members
 - 17% of SCA retail team members are over the age of 26
 - 38% of BCF retail team members are over the age of 26
- Increased investment in training
 - Dynamic leadership and coaching
 - Product Knowledge
 - Customer Service & Selling
 - Business skills
- Ongoing development of remuneration arrangements
 - Linking incentive arrangements to drivers of sales and store profit
- People costs will increase
- Improved customer service will develop increased customer loyalty => opportunity for lower marketing costs



Thank You

