Super Cheap Auto Group

Results for the 26 weeks to 26 December 2009

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Gary Carroll, Chief Financial Officer
18th February 2010

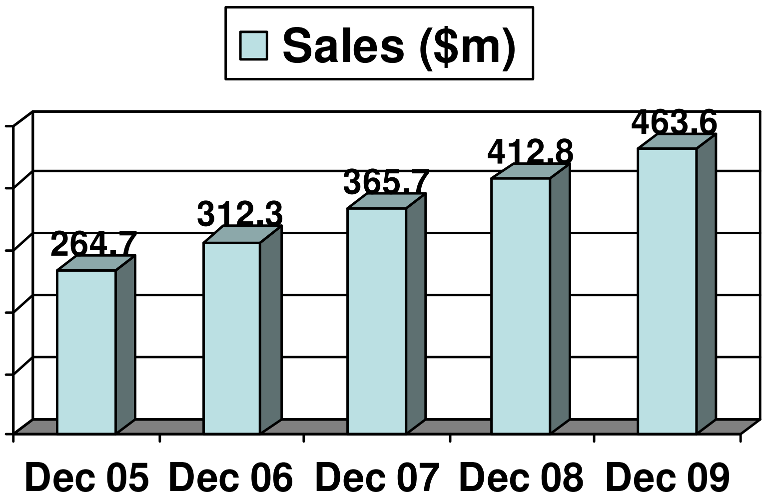
Super Cheap Auto Group Limited

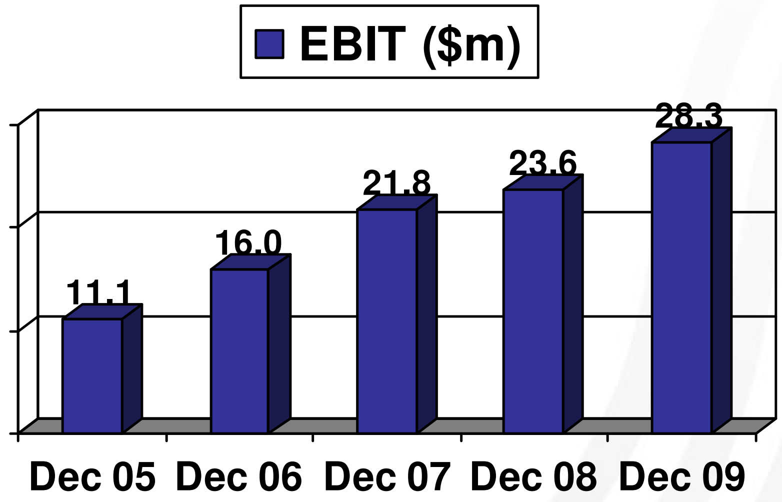
Group Highlights

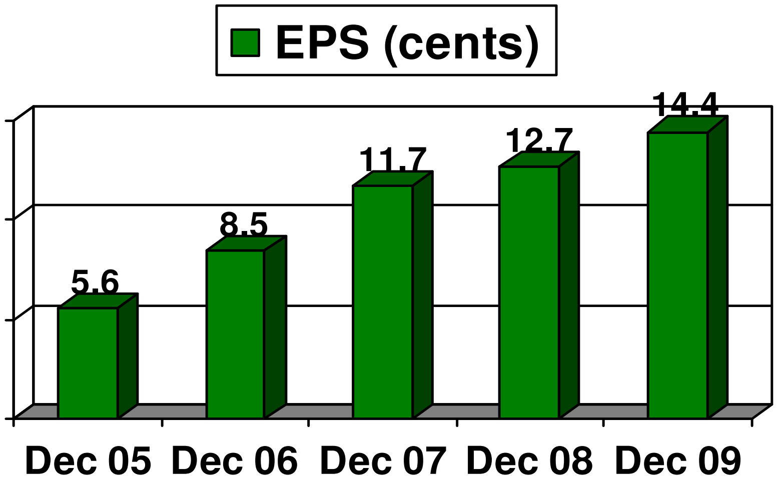
- Group Net Profit After Tax up by 14.5% over PCP
- Group EBIT up by 20.1% over PCP before goodwill impairment
- Group Sales up by 12.3% over PCP

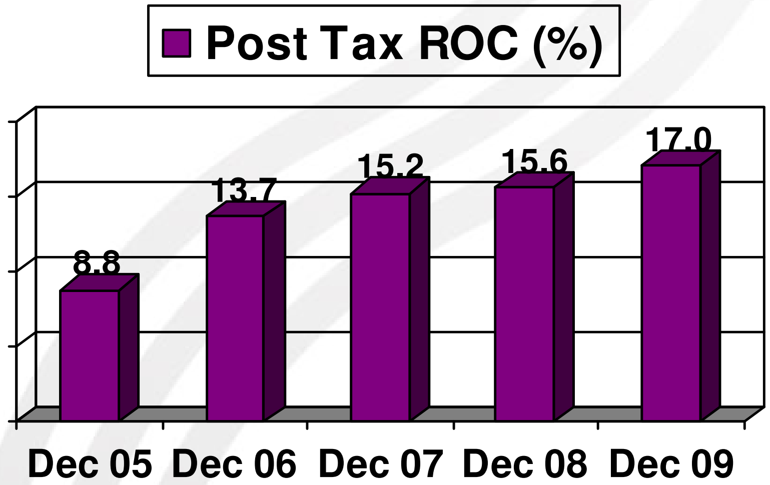
- Supercheap Auto and BCF operational performance
  - Strong like for like sales growth
  - Growth in gross margins
  - Strong cost management
- Goldcross Cycles performance below business plan forecasts
- Logistics performance in safety, accuracy, service and CODB
- $21 million invested in new and refurbished stores
- Strong operating cash flow performance leading to $20m net debt reduction
- Continued improvement in Team Member retention

Performance Trends









Group Results

- Strong performance driven by top-line growth and gross margin improvement
- Solid sales growth in both SCA and BCF through both new store and LFL growth
- EBIT margin growth in SCA and BCF
- Group NPAT impacted by
  - $2.0m Goldcross Cycles impairment charge (post-tax)
  - $0.9m Interest rate swap positive mark to market adjustment (post-tax)
- Strong Operating Cash Flow generation driven by working capital management
- Net Debt decreased by $20m despite continued investment in new and refurbished store development
- Half Year Dividend increased to 8.5cps, representing 59% payout ratio

	2009/10 $m	**Change on pcp**
Sales	463.6	12.3%
EBITDA	38.3	18.9%
EBIT * * Excl goodwill impairment	28.3	20.1%
NPAT	15.5	14.5%
Operating Cash Flow	49.0	5.2%
Net External Debt	94.7	-$19.9m (since June)
Dividend	8.5c	+2.0c

Business Unit Results

	2009/10		2008/09	
	Sales $m	EBIT * $m	Sales $m	EBIT $m
Supercheap Auto	326.0	22.4	302.6	19.5
BCF Boating Camping Fishing	125.5	11.4	101.6	7.9
Goldcross Cycles	12.2	(3.5)	8.6	(1.6)
Group Costs **		(1.9)		(2.2)
Total Group	463.6	28.3	412.8	23.6

** - excludes goodwill impairment*

*** - Group Costs include $0.2m bad debt provision and $1.7m public company costs*

- 15.3% EBIT growth due to LFL sales growth and gross margin improvement
- LFL growth solid across Australia and New Zealand – builds on LFL growth of 4.5% in PCP
- Store Development:
  - 25 stores refurbished, including 1 superstore
  - 9 new stores opened
- Continued improvement in gross margin %:
  - Own brand development
  - Local and overseas sourcing
  - Reduction in supply chain costs
  - Trading terms
- Improvement in profit margins despite continued investment in:
  - store manning levels
  - learning and development
  - refurbishment activity
  - business improvement projects

	2009/10 $m	**change on pcp**
Sales	326.0	7.7%
LFL Sales		6.1%
Gross Margin %	*39.8%*	*+0.1%pts*
EBITDA	29.6	12.7%
EBITDA Margin %	*9.1%*	*+0.4%pts*
EBIT	22.4	15.3%
EBIT Margin %	*6.9%*	*+0.5% pts*

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- 4 stores opened and one acquired during the year to bring total stores to 64
- Strong LFL growth across all regions as BCF continues to build its standing as the destination store in each market – builds on LFL growth of 6.8% in PCP
- Continued focus on localised ranging and marketing and increased own brand development
- Strong growth across all categories
- Strong gross margin performance driven by sourcing and supply chain:
  - Increase in directly sourced product
  - Improved trading terms
  - Expanded use of DC network
- Gross margin improvement diluted slightly at EBIT level, due to impact of operating smaller format stores

	2009/10 $m	change on pcp
Sales	125.5	23.4%
LFL Sales		8.8%
Gross margin %	*43.7%*	*+1.4%pts*
EBITDA	13.7	39.7%
EBITDA margin %	*10.9%*	*+1.2%pts*
EBIT	11.4	44.1%
EBIT Margin %	*9.1%*	*+1.3%pts*

GOLDCROSS cycles

- 3 stores were fully refurbished and 6 stores undertook layout/flow changes during the half
- Sales performance below expectations:
  - Melbourne stores were particularly challenged, given prior year boost through clearance of discontinued brands
  - Queensland stores exhibiting good sales growth
  - High level of discounting in the market
  - Feedback from suppliers and independent bike dealers points to a decline in retail sales over the prior year
- Gross margin impacted by unbudgeted discounting
- Other costs and inventory controlled in line with plan

	2009/10 $m	2008/09 $m
Sales	12.2	8.6
Gross margin %	*35.1%*	*40.2%*
EBITDA	(3.1)	(1.4)
EBIT	(3.5)	(1.6)

Results incorporate Oceania Bicycles

Group Cash Flow

- Operating cash flow continues to be ahead of EBITDA through focus on working capital management
- Total growth investment of $27m being fully funded out of operating cash flows
- New and Refurb Store Set Up Investment:
  - SCA : $5.9m
  - BCF : $4.2m
  - Goldcross : $0.2m
- Store fit-out:
  - $2.3m SCA new stores
  - $5.1m in SCA refurbs/relocations
  - $1.6m in BCF new stores
  - $0.7m in Goldcross new/refurb stores
- Other Capex:
  - IT - $3.5m vs $1.9m last year, reflecting increased investment in store terminals, CRM and inventory systems
  - Supply Chain - $0.1m vs $0.2m
  - General maintenance – $2.0m vs $1.8m

	2010 $m	2009 $m
Operating cash flow (pre store set up investment)	59.2	59.4
New store set up investment (costs & inventory)	(10.2)	(12.8)
Operating cash flow	**49.0**	**46.6**
Investing activities:		
- Store fitout	(9.7)	(12.6)
- Other capex	(5.6)	(3.9)
- Business Acquisition	(1.3)	(4.6)
Financing activities:		
- Dividends & interest	(13.6)	(13.9)
- Ext Debt repay/proceeds	(5.5)	10.1
- Equity Issues	1.4	-
Net cash flow	**14.7**	**21.7**

Group Balance Sheet

- SCA average inventory of $567k per store down by 3.4% compared to PCP, with continued focus on supply chain efficiencies offsetting the increased stock weight of higher value products
- BCF average inventory per store in line with PCP
- Increase in Plant & Equipment primarily as a result of capital expenditure in new and refurbished stores
- Net Debt decreased by $19.9m as a result of continued focus on working capital management, as well as reduction in acquisition and new store expenditures

	Dec 09 $m	Jun 09 $m
Inventory		
- SCA	150.3	142.5
- BCF	76.2	64.5
- Goldcross Cycles	18.5	15.8
Total	245.0	222.8
(Trade creditors)	(154.6)	(116.6)
Net inventory investment	90.4	106.2
Plant and Equipment	93.3	87.9
Net External Debt	94.7	114.7

Returns & Capital Ratios

- Improvement in EPS and fixed charge coverage ratio reflect the improved profit performance
- Fixed charge cover ratio calculation excludes benefit of mark to market interest rate swap adjustment
- All cover ratios are well within covenanted levels
- Sufficient capacity available within existing debt facility to meet forecast growth requirements. Currently documenting a club bank facility with maturities of 2011 and 2012
- Effective FX rate for first half was in line with prior year (around 0.78). Based on existing hedging position, 2009/10 full-year FX rate expected to be around 0.82
- *All ratios are calculated on underlying results (pre goodwill impairment and interest rate swap MTM adjustment)*
- *Adjusted capital includes leases capitalised into debt at 6x annual charge*

	2010	**2009**
EPS – reported	14.4c	12.7c
Fixed charge cover	1.95x	1.90x
Average Net Debt	$135m	$135m

	2010	**2009**
Net debt : capital		
- Headline	36.7%	42.2%
- Adjusted	75.4%	76.4%
Annualised post tax ROC		
- Headline	17.0%	15.6%
- Adjusted	14.5%	14.0%

Super Cheap Auto Group

Group Strategy Update

(5 year goal)

NETWORK EXPANSION (300 STORES)	LFL SALES GROWTH (> 3% PA)	MARGIN GROWTH (8% EBIT)	ROC GROWTH (> 30%)

Multi Format New Store Program : Circa 5 stores pa

New Channel Development

Refurbishment Program
- Circa 40 stores pa
- Up to $7 m cap ex

Own Brand Development

High Growth Categories
- Travel and Touring
- Garage Storage

Value Added Services
- Fitment Services
- Trade Offer

Team Member Knowledge and Skills Development

Multi Channel Marketing Development

Direct Sourcing

Inventory Optimisation

Supply Chain Development:
- E-Commerce
- Master Data Mgt
- Supply Chain Methods

Productivity Initiatives:
- Business Efficiency
- Store Manning
- Space Planning

Trade Partner Collaboration
- Data Sharing
- Forecasting
- Inventory Funding
- Performance Mgt

BCF
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(5 year goal)

NETWORK EXPANSION (80 STORES)

LFL SALES GROWTH (> 5% PA)

MARGIN GROWTH (9% EBIT)

ROC GROWTH (> 25%)

New Store Program :
- 16 New BCF Stores
- New Formats

Category Opportunities
- Water Sports / Kayak
- Trailer Camping
- Ski / Hiking
- Apparel

Direct Sourcing

Inventory Optimisation

Supply Chain Development:
- E-Commerce
- Master Data Mgt
- Supply Chain Methods

New Channel Development

Own Brand Development

Regional Ranging

Productivity Initiatives:
- Business Efficiency
- Store Manning
- Space Planning

Special Order Capability

BCF Club Initiatives

Team Member Knowledge and Skills Development

Trade Partner Collaboration
- Data Sharing
- Forecasting
- Consignment

Multi Channel Marketing Development

GOLDCROSS cycles

(5 year goal)

NETWORK EXPANSION (50 STORES)	LFL SALES GROWTH (> 5% PA)	MARGIN GROWTH (8% EBIT)	ROC GROWTH (> 21%)

- New Store Program :
- New Channel Development
- Range Development
- Own Brand Development
- Store Format Development
- Marketing Mechanics Development
- Team Member Knowledge and Skills Development
- Direct Sourcing
- Supply Chain Development:
  - E-Commerce
  - Master Data Mgt
  - Supply Chain Methods
- Productivity Initiatives:
  - Business Efficiency
  - Store Manning
  - Space Planning
- Multi Channel Marketing Development

Goldcross Cycles Business Development Plan

Target Business Model

- Core Customers:
  - Get Fit
  - Family activity – kids growing up
  - Get outside / social activity
- Differentiators:
  - Range
  - Service
  - Value
- Store Size : 400 – 600 sqm
- Key Financials:
  - Expected Turnover : $1.5m
  - Stock Investment : $0.4m
  - Fitout : $0.25m
  - Store EBITDA contribution : 11% of sales (pre support office costs)

Action Plan

- Store Development
  - Relocate or reduce space in 8 of 18 existing stores
  - Complete store refurbishment rollout in 10/11
  - Commence store rollout in 2010/11
- Range Management
  - Range reviews completed – some depth reduction
  - Own brand development
- Team Member training / operating model
  - Training roadmap from orientation through to Area Manager completed
  - Revised operating procedures to ensure greater focus on customer service & relationship building
  - Improving & driving workshop services / expertise
- Marketing and Customer Development
  - Increase investment in targeted activity – reduce mass media & catalogue numbers
  - Development of CRM / Social media / Local community events
- Driving Profitability
  - Supply chain opportunities
  - Promotions management
  - Operating cost productivity

Team Member Development

(5 year goal)

ATTRACTION (<4 weeks vacancies)	RETENTION (>75%)	SATISFACTION (>77.5%)	SAFETY (LTIs < 0.15%)	SUCCESSION (> 70%)

Team Member Knowledge and Skills Development

Business Leadership Academy

Team Member Value Proposition Development

Human Resource Information Systems Development

Health and Safety Initiatives

Environmental and Social Initiatives

Super Cheap Auto Group

Looking Forward

Looking Forward

Supercheap Auto

- Expect to open two new stores and refurbish 5 stores during the 2nd half
- LFL sales growth in the first 7 weeks of 2nd half circa 8%
- Full year EBIT margins expected to be up on PCP

BCF Boating Camping Fishing

- Expect to open four new stores during the 2nd half
- LFL sales growth in the first 7 weeks of 2nd half circa 5%
- Full year EBIT margins expected to be up on PCP

Goldcross Cycles

- Current focus is on finalising a profitable business model before further roll out in 10/11
- Expect an EBIT loss for the second half of circa $2m to $3m

Net Debt

- Planned full year capital expenditure circa $30m
- Underlying closing net debt to be approximately the same as H1 balance

2009/10 is a 53 week year

- Sales benefit circa $15m
- EBIT benefit circa $1m
- Additional trade creditor payment at start of July will increase headline Net Debt by circa $35m