



## ASX Announcement

11 July 2006

# Super Cheap Auto Group Limited (SUL) – The Growth Continues

The growth story continues at Super Cheap Auto Group with:

- Unaudited sales in 2005/6 passing through the half billion dollar mark to record a 12% increase on the prior year.
- Successful launch of the BCF business with sales and gross profit exceeding expectations.
- Improved gross margins in the Supercheap Auto business.
- Continued enhancements to inventory forecasting and supply chain processes enabling the average inventory investment per Supercheap Auto store to be reduced from \$550,000 to less than \$500,000 during the year. BCF inventory levels were also well controlled at below budgeted levels.

Further detail on the 2005/6 results and the current strategic initiatives is set out below. As a result of the continued growth, Group EBITA is expected to be between \$28.5m and \$29.0m for 2005/6 year, a 9% to 11% increase on the prior year after adjusting for non comparative items, being change in inventory valuation in the prior year and BCF set-up costs. The Group anticipates that cash dividends will grow at least in line with underlying profit growth.

### **Supercheap Auto**

Sales increased from \$465m to \$481.8m during the year. This is a good result in a challenging market where higher fuel prices have had a negative influence on consumer spending in the auto after-market. Supplier data has confirmed that the business has been successful in growing market share in a number of key categories such as lubricants, car care and interior accessories.

Furthermore, the commitment to a consistent and planned marketing and buying strategy has led to an improvement in gross margins and in the business achieving its targets for a 10+% reduction in inventory investment per store whilst improving in-stock positions in store.

Work on the new store formats is continuing with two new formats expected to be trialled during the 2007 year. These new formats are aimed at providing the Group with a flexible footprint to suit the prevailing market and demographic conditions, thereby enabling sustainable growth to be maintained. This will be achieved by reductions in inventory levels and rental costs as well as creating conditions for entry into smaller markets.

A concept store was recently opened at Chermside to trial various initiatives for the current store format. The concept store has proved to be encouraging with a significant sales uplift, a reduction in inventory levels and positive customer reaction to the new store layout, new ranges and improved customer service levels. The business expects to refurbish 10 of its highest trading stores in the 2007 year utilising the most successful attributes of the Chermside concept store.

Management are confident that the business has strengthened its position as the leading retailer of automotive parts and accessories across Australia and New Zealand and that current strategies will further consolidate this position over the coming year.

23 stores were opened during 2005/6 and management are progressing plans to open between 10 to 15 new stores during the next financial year, covering the existing and new formats.

## **BCF**

BCF has continued to trade very promisingly during the second half of the year. Although the business opened one store during the half as opposed to the planned two, sales for the business at \$44.2m exceeded the launch target of \$40m.

Gross margins have been slightly ahead of original expectations and inventory has been controlled to below original targets. Management are confident that improvements in gross margin will be achieved as the business grows and leverages scale and own brand opportunities.

Underlying operating costs are in line with original expectations, although reported EBITA will be impacted by un-forecasted non-cash provisions of \$0.7m which have been incurred as a result of the impact of accounting for property costs in accordance with AIFRS.

Management are progressing plans to open between 10 to 15 new stores during the 2007 financial year, with the business launching its first store in Perth in July and its first store on the NSW central coast in August.

**SALES SUMMARY**

|                        | <b>Total Sales</b> | <b>Total Sales Growth</b> |
|------------------------|--------------------|---------------------------|
| <b>Supercheap Auto</b> |                    |                           |
| Australia              | \$428.7m           | 2.6%                      |
| New Zealand            | \$53.1m            | 12.1%                     |
| Total                  | \$481.8m           | 3.6%                      |
|                        |                    |                           |
| <b>BCF</b>             |                    |                           |
| Total                  | \$44.2m            | 870.1%                    |
|                        |                    |                           |
| <b>Total Group</b>     | \$526.0m           | 11.9%                     |

For further information contact Peter Birtles, Managing Director on 07 3205 8511.