Super Cheap Auto Group

Presentation to Macquarie Securities
2007 Australian Emerging Leaders Conference

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3 May 2007

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

BOATING • CAMPING • FISHING

FY 06/07 2nd Half Trading Update

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

BCF

- 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 though 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