

Supercheap Auto Case Study

- Working Capital (Inventory) & Service Level Optimisation

Super Cheap Auto
Group Limited



- reduced inventories by 17% (or improved operating cash flow by \$23 million) whilst increasing service levels via advanced demand management, inventory optimisation & replenishment planning
- increased margins and gained market share in a depressed sales environment
- In FY06, added 30 new stores or \$60 million in revenue with no additional investment in inventory
- **\$100m invested in opening new stores over three (3) years with only \$40m increase in net debt**
- **avoided need for additional DC (fixed asset) investment due to inventory and operating efficiency improvements**

GRA helped us reduce inventories and improve operating cash flow by \$12 million within 12 months whilst improving stock availability in stores.

All the more impressive considering we were growing rapidly but experiencing tough retail trading conditions at the time.

Pleasingly, we've been able to sustain and improve on these results since then.

Peter Birtles
Managing Director
Super Cheap Auto Group



**SUPERCHEAP
AUTO**

Super Cheap Auto
Group Limited



Super Cheap Auto (SCA)



what we did

- working capital & service level optimisation
- fact-based analysis
- enhanced planning processes & systems
- up-skilled the SCA team through coaching & mentoring
- delivered “what if” / scenario planning capability to SCA management



Group Limited





- "Super Cheap Auto through the year certainly has gained market share and has been successful in growing both its gross and net margins in what certainly have been difficult trading conditions. We are also very pleased that our average inventory investment across Super Cheap Auto has reduced by 10% but we've been able to achieve that reduction in stock levels at the same time as increasing inventory presence on shelf in-store. So it's been a case of taking inventory out of our distribution centres and supply chain and increasing investment in on-shelf availability."
Peter Birtles, Managing Director, Super Cheap Auto Group, Full Year Results presentation to the Australian Stock Exchange, August 2006.
- "From a balance sheet perspective, the key take-aways are our significant reduction in inventory per store number, down to below \$500,000 per store, and that's resulted from our continuous improvement in relation to our supply chain area and in particular our forecasting and replenishing systems. The key point to note there is that we've actually improved our in-stock position while managing down our overall inventory level."
Gary Carroll, Chief Financial Officer, Super Cheap Auto Group, Full Year Results presentation to the Australian Stock Exchange, August 2006
- "The work that we've done on inventory and the control that we've shown in the businesses has meant that we have very strong operating cash flow during the year, and that allowed us to fully cover the investment that we have made in our new stores in both Super Cheap Auto and in BCF. We have been able to fully fund the investment we have made in fixed assets and in inventory in those businesses."
Peter Birtles, Managing Director, Super Cheap Auto Group, Full Year Results presentation to the Australian Stock Exchange, August 2006.
- "The positive results the Group has achieved in terms of gross margin and working capital control has really shone through in terms of the cash flow statement where our operating cash flow has enabled us to fully fund the roll out of the entire Group both from a fixed asset and working capital perspective. Breaking that down in a little more detail, the tight control on stock, while improving our in-store stock position, has generated in itself a \$12 million benefit from an operating cash flow perspective."
Gary Carroll, Chief Financial Officer, Super Cheap Auto Group, Full Year Results presentation to the Australian Stock Exchange, August 2006

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background



SUPERCHEAP
AUTO

- parts, tools and accessories importer, distributor & retailer
- 250 stores, 5 DCs across Australia & New Zealand with consolidation points in China
- 14,000 products
- ~3 million item/location combinations
- SAP user
- rapid growth, fast company
- putting pressure on existing infrastructure
- GRA engaged pre stock exchange listing to 'ensure successful trading over peak period' & deliver sustainable benefits

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- tenuous link between merchandising, finance & supply chain
- need to balance capital, costs, customer service and capacity successfully across supply chain
- product behaviour
 - fast & slow movers, long “tail”
- high promotional activity
- import and local supply

SALE STARTS 07/04/05 **SUPER CHEAP AUTO** **SALE ENDS 24/04/05**

TOOL SELL OUT!

BIG SAVINGS ON TOOLS

- 1500KG TROLLEY JACK** • Safe Working Load 1500kg • Complies to AS/NZS3012-1995 • Double • P/N 2411 • **Each \$29.99** • **SAVE \$20** • **HUGE SAVING!**
- 125MM BENCH GRINDER** • 1.50 WATTS • 2 1/2" x 3" • 2 1/2" x 3" • 2 1/2" x 3" • **Each \$19.99** • **SAVE \$20**
- HIGH PRESSURE SPRAY GUN** • 4.8 OHM average air consumption • Air inlet 1/4" • 1/2" pressure, easy to clean • 100 PSI (max) construction • P/N 1011 • **Each \$29.99** • **WOW!** • **SAVE \$20**
- BEST BUY** • **500 WATTS** • **320 WATTS** • **140 WATTS** • **550 WATTS** • **Each \$14.99** • **SAVE \$10**

V8 Muscle Car Mania! 5 Race Bred Beasts to be won! **WIN ONE OF 5 OF THE BEST V8 MUSCLE CARS HOLDEN HAS EVER PRODUCED - FROM THE LEGENDARY TO THE LATEST, ALSO TO BE WON ARE 8 V8 DREAM EXPERIENCES THAT INCLUDE TRIPS TO INDY, SHANGHAI AND THE SUPER CHEAP AUTO BALHARD 1000. THERE'S A MAJOR PRIZE TO BE WON WITH EACH OF THE 13 ROUNDS IN THE 2005 V8 SUPERCAR SERIES. SEE PAGE 2 FOR MORE DETAILS.**

HSV **SPORT** **HOLDEN**

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- need to maintain store presence for customer experience
- existing demand & replenishment planning processes not delivering desired inventory, service and cost results
- need to establish optimal service level, inventory and replenishment policies for 5 DCs & 250+ stores
- logistics efficiencies & constraints

SALE STARTS 07/04/05 **SUPER CHEAP AUTO** **SALE ENDS 24/04/05**

TOOL SELL OUT!

BIG SAVINGS ON TOOLS

- 1500KG TROLLEY JACK** • Safe Working Load 1500kg • Lockdown to 60°/120°/180° • Standard • P/N 1024 • **Each \$29.99** • **SAVE \$20** • **HUGE SAVING!**
- 125MM BENCH GRINDER** • Half speed • 2 belt unit • Wheel guard • 2 inch work rest • 2 Year Warranty • P/N 1024 • **Each \$19.99** • **SAVE \$20** • **HALF PRICE!**
- HIGH PRESSURE SPRAY GUN** • 4.4 GPM average air consumption • Air inlet 1/4" • All pressure, easy to clean, with 12 piece (included) • P/N 1011 • **Each \$29.99** • **WOW!** • **SAVE \$20**
- BEST BUY** • **12V CORDLESS DRILL** • 500 RPM • 1/2 inch chuck • 3.5 hour charger • 18 step clutch • Forward/Reverse • P/N 10485 • **Each \$14.99** • **SAVE \$10**
- 500 WATTS** • 1.5MM ANGLE GRINDER • 320 WATTS • 1.5MM ANGLE GRINDER • 550 WATTS • 1.5MM ANGLE GRINDER • 550 WATTS
- 140 WATTS** • 1.5MM ANGLE GRINDER • 550 WATTS

V8 Muscle Car Mania! • 5 Race Bred Beasts to be won! • Win one of 5 of the best V8 Muscle Cars Holden has ever produced - from the legendary to the latest, also to be won are V8 dream experiences that include trips to Indy, Shanghai and the Super Cheap Auto Bathurst 1000. There's a major prize to be won with each of the 13 rounds in the 2005 V8 SuperCar series. SEE PAGE 2 FOR MORE DETAILS.

HSV **SPORT** **HOLDEN**

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- skill levels and knowledge
- organisational structure
- lack of visibility and ability to diagnose
- several sets of numbers
- master data quality
- day-to-day business pressures



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- fact based opportunities assessment
- simulation & analysis to define service level, inventory & supply chain policies from vendor to DC to store
- development of enhanced demand & replenishment planning processes, including:
 - forecasting, promotions planning, new line, new store opening, store replenishment, DC replenishment (local & import), stock rebalancing, vendor scheduling, Christmas pre build, etc



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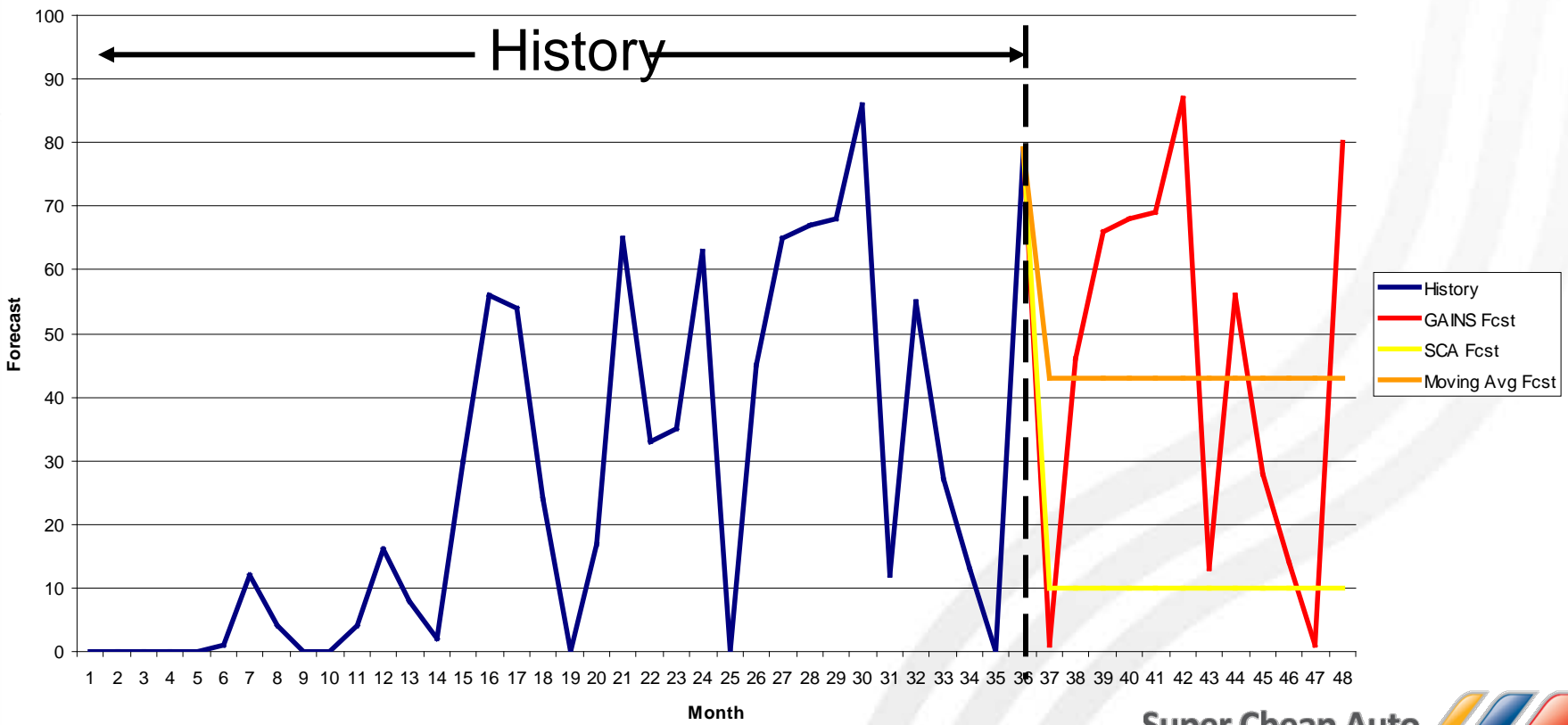


SCA vs. GAINS Fcst Comparison



Seasonal Demand

Item 12369 @ 4020



category XYZ forecast technique summary

Forecast Technique Family

	<u>SKULs</u>	<u>%</u>
• Moving Average	13,935	2
• Zero or Simple Trend/Seasonal	92,511	14
• Smoothing	16,306	2
• Linear Regression	9,596	1
• Double Smoothing	5,458	1
• Significant Trend/Seasonal	36,278	5
• Sporadic Demand	372	1
• Low Volume	<u>506,383</u>	<u>74</u>
Total	680,869	100

Conclusion – current forecasting approach only appropriate for 2% of the items



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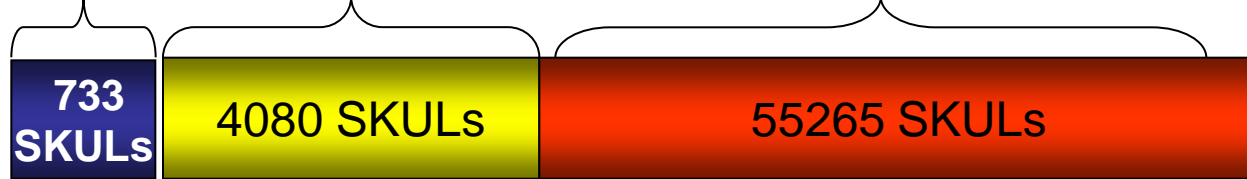


Safety Stock – an item-by-item analysis

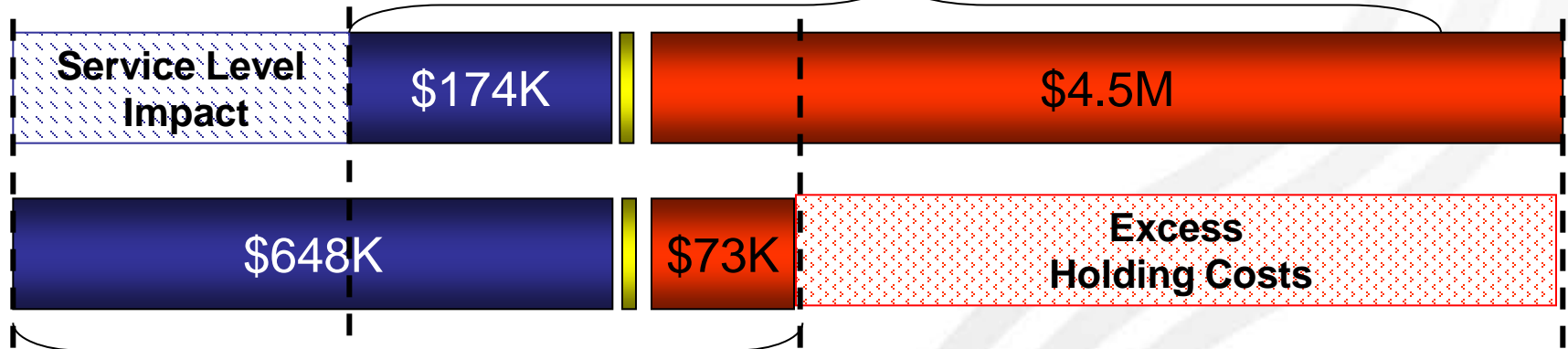
SCA SS < Optimal SS

SCA SS = Optimal SS

SCA SS > Optimal SS



SCA Safety Stock \$4.7M



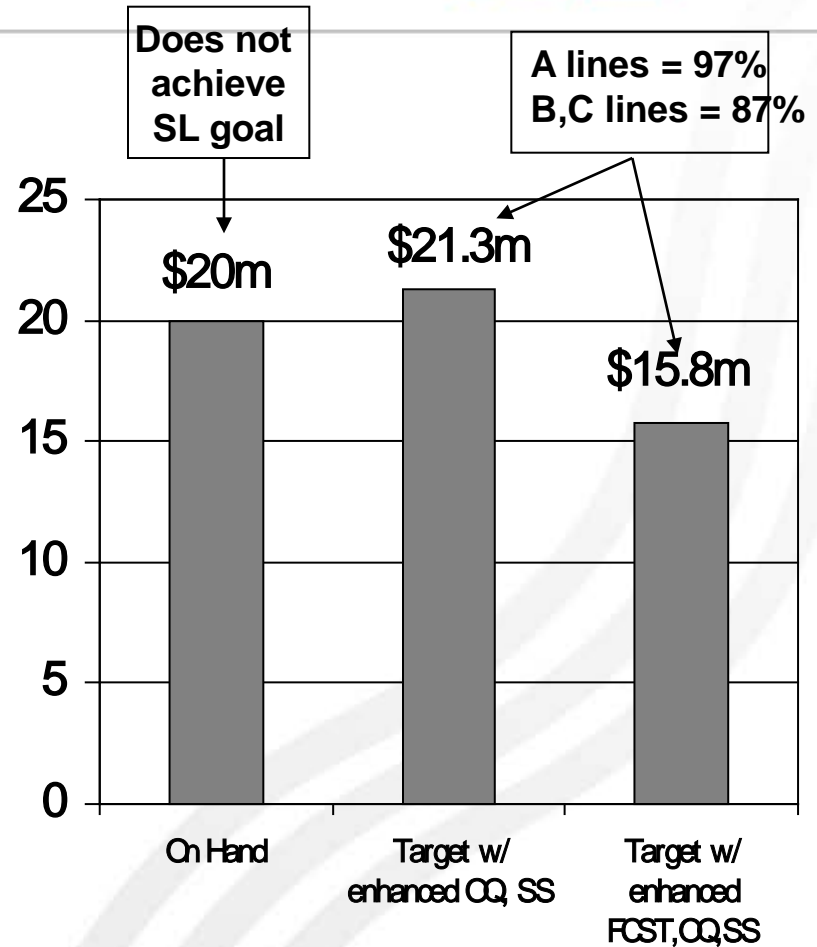
Optimal Safety Stock \$725K

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Inventory Investment @ DCs

- there is an opportunity to improve service levels and reduce inventories
- enhanced forecast reduces safety stock requirements from \$8.4 to \$4.2m and will improve closing stock position



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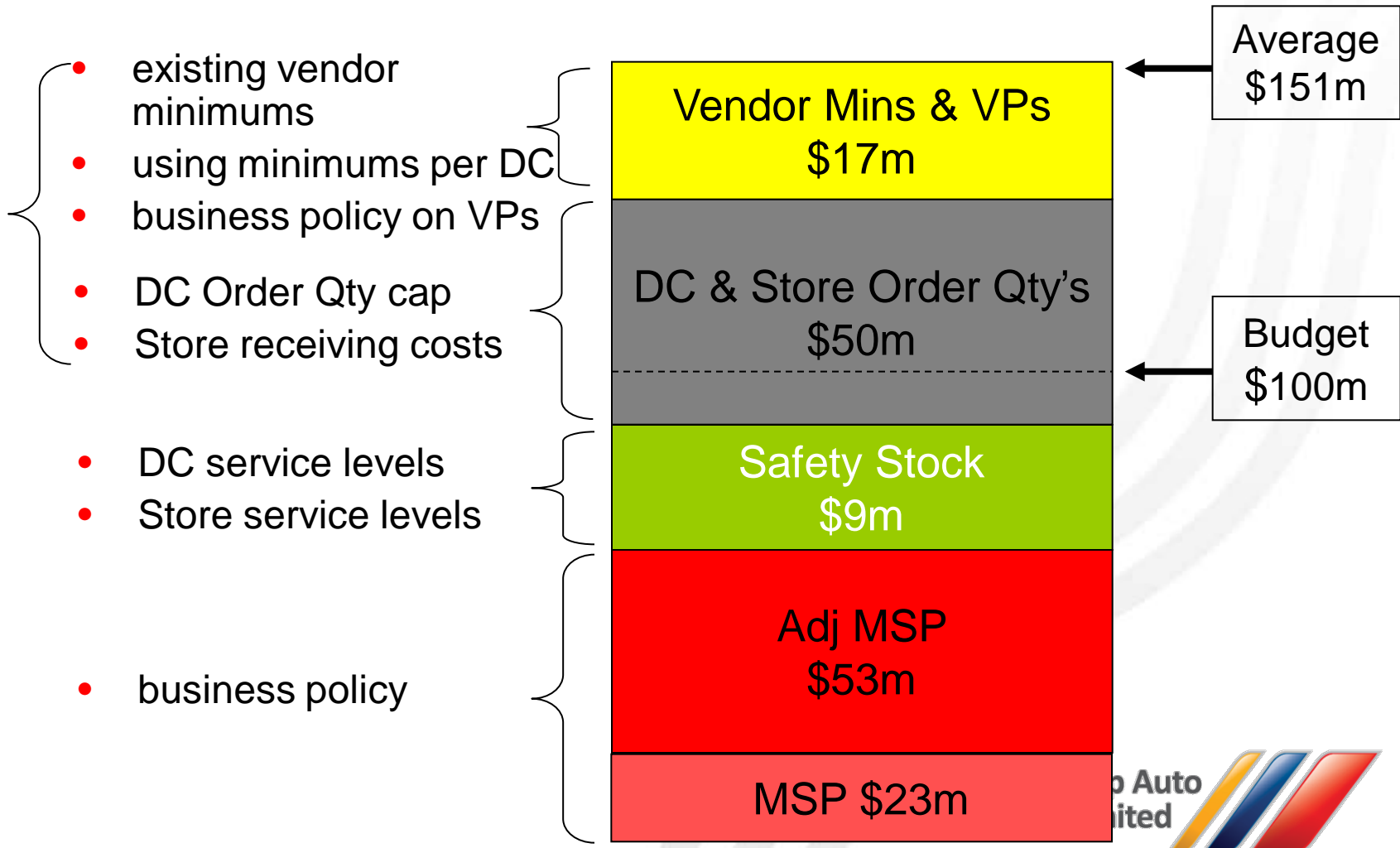


Using Service Levels Strategically

Inventory Investment / Service Level Trade-off (Dollars)

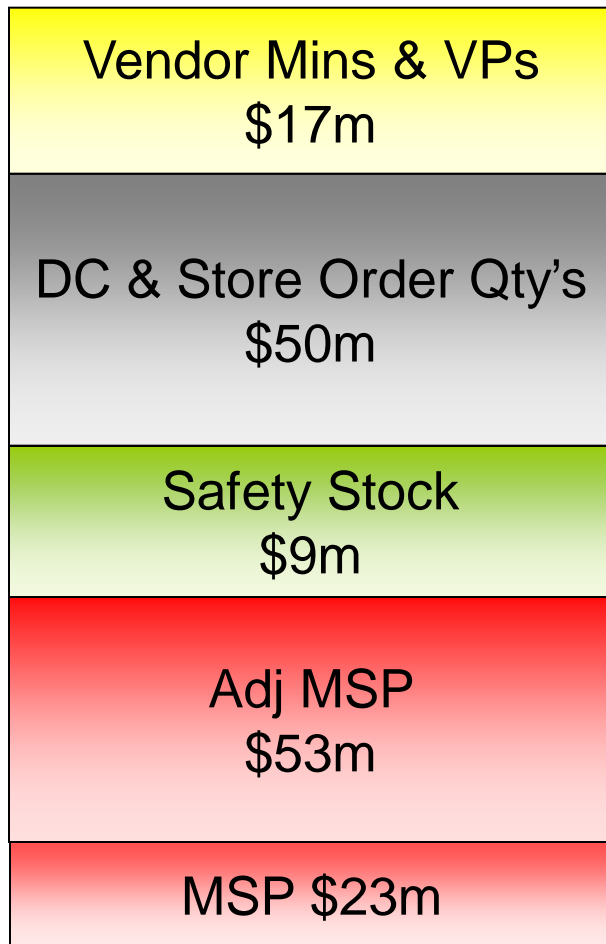


Inventory Profile – why do we have the stock we have?



developing inventory targets

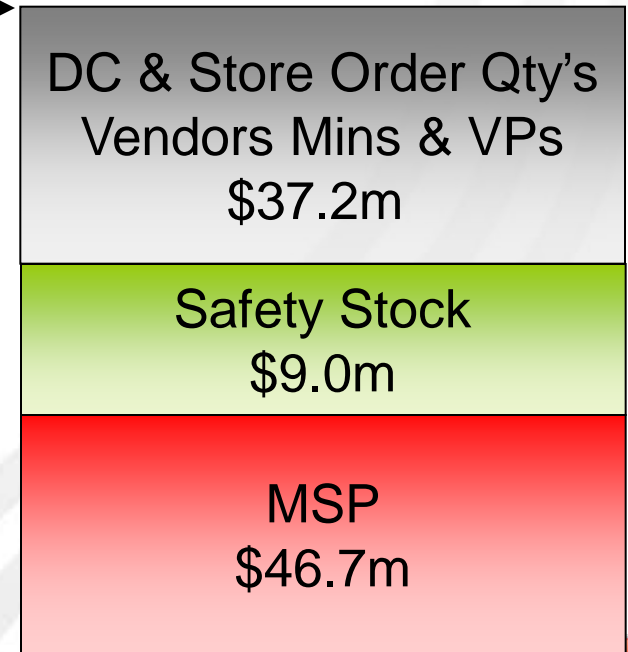
example



Average
\$151m

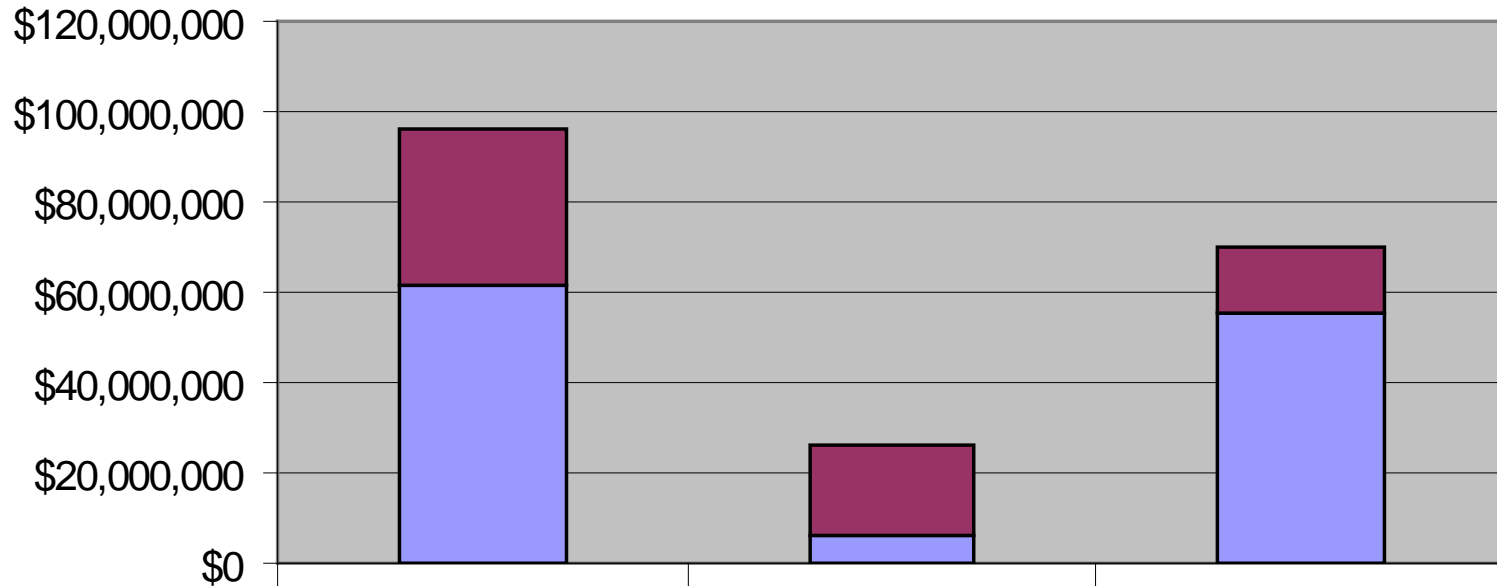
Average
\$93.1m

Revised Inventory
Policies



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Target Stock



■ Cycle Stock	\$34,602,061	\$19,782,340	\$14,819,721
■ MSP/ Safety Stock	\$61,815,656	\$6,468,651	\$55,347,005

Total
Current On Hand

\$96,417,717
\$101,832,409

\$26,250,991
\$31,331,993

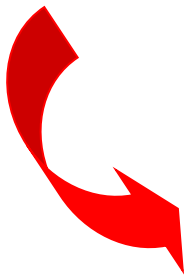
\$70,166,727
\$70,500,416
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Inbound Projection – Units

Bow Wave / Capacity Planning



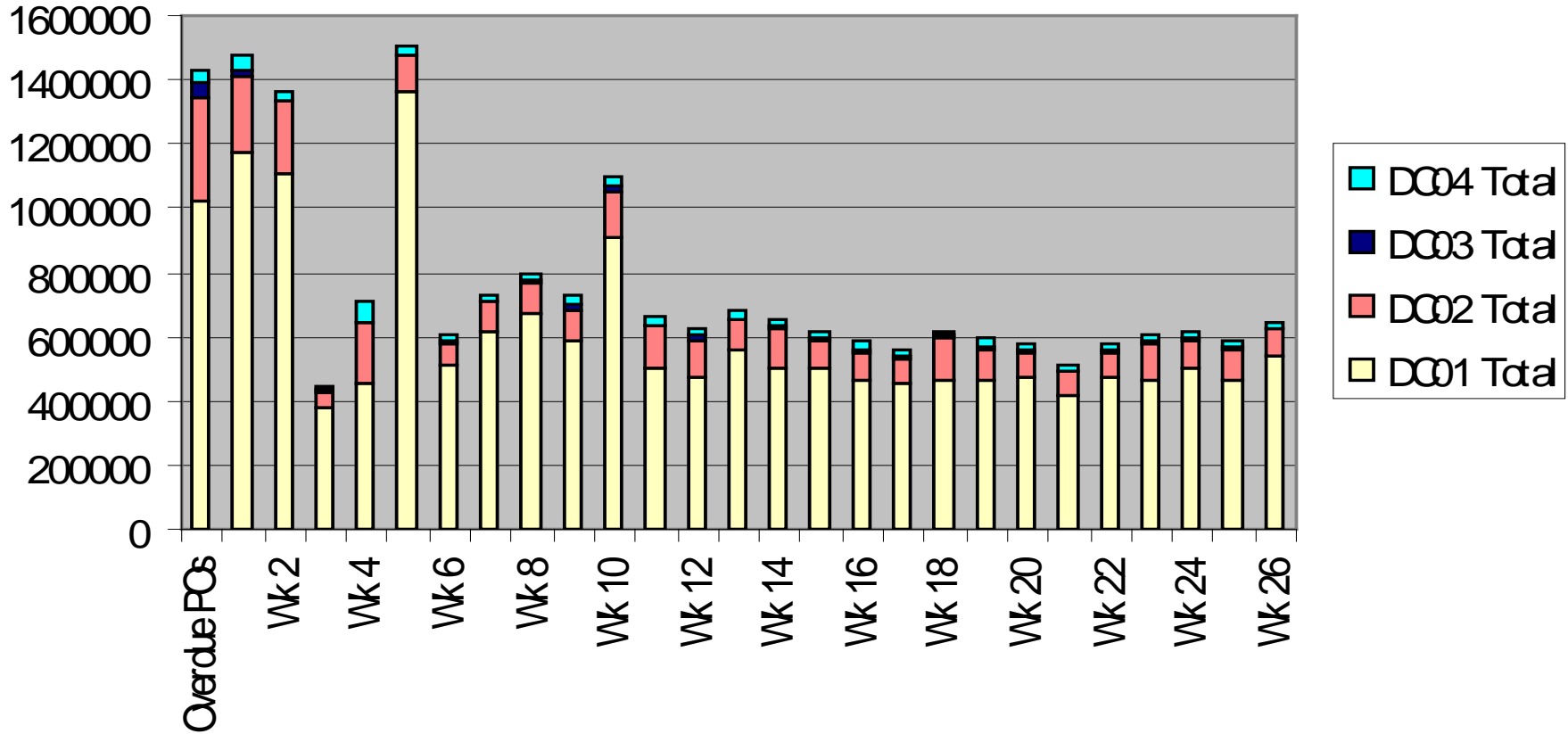
		Overdue POs	Current Week	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	Wk 9	Wk 10	Wk 11	Wk 12	Wk 13
DC01	REQs		0	0	13,583	367,807	1,093,358	411,723	438,900	381,531	383,534	399,665	469,636	420,258	542,551
	POs	1,020,024	1,177,427	1,108,925	369,461	90,709	266,962	100,799	174,527	292,278	204,771	513,501	32,916	48,836	19,582
	Total	1,020,024	1,177,427	1,108,925	383,044	458,516	1,360,320	512,522	613,427	673,809	588,305	913,166	502,552	469,094	562,133
DC02	REQs		0	144	24,030	163,726	91,934	53,557	66,014	53,150	60,872	85,228	124,128	105,559	87,216
	POs	319,798	236,914	223,444	22,158	18,915	22,174	14,033	26,535	43,842	29,349	55,429	6,805	9,539	2,508
	Total	319,798	236,914	223,588	46,188	182,641	114,108	67,590	92,549	96,992	90,221	140,657	130,933	115,098	89,724
DC03	REQs		0	0	0	0	3,359	667	444	0	20,575	5,544	3,474	12,141	5,100
	POs	50,685	18,582	0	5,860	2,240	2,240	3,567	0	7,339	5,985	14,188	1,902	7,847	0
	Total	50,685	18,582	0	5,860	2,240	5,599	4,234	444	7,339	26,560	19,732	5,376	19,988	5,100
DC04	REQs		0	0	2,046	67,936	28,386	18,940	24,499	20,546	22,572	19,126	23,630	19,914	23,797
	POs	42,157	45,214	27,982	4,867	3,270	0	0	1,240	0	1,150	1,230	1,344	0	0
	Total	42,157	45,214	27,982	6,913	71,206	28,386	18,940	25,739	20,546	23,722	20,356	24,974	19,914	23,797
Grand Total	1,432,664	1,478,137	1,360,495	442,005	714,603	1,508,413	603,286	732,159	798,686	728,808	1,093,911	663,835	624,094	680,754	



Wk 14	Wk 15	Wk 16	Wk 17	Wk 18	Wk 19	Wk 20	Wk 21	Wk 22	Wk 23	Wk 24	Wk 25	Wk 26
443,879	490,634	462,118	453,849	468,362	461,957	470,591	412,854	474,473	461,728	501,288	468,075	542,468
59,418	12,322	4,624	0	0	0	0	0	0	0	0	0	0
503,297	502,956	466,742	453,849	468,362	461,957	470,591	412,854	474,473	461,728	501,288	468,075	542,468
113,277	79,586	81,003	77,378	124,239	96,861	77,029	75,973	71,399	112,699	84,105	90,049	81,485
8,687	1,956	0	0	0	0	0	0	0	0	0	0	0
121,964	81,542	81,003	77,378	124,239	96,861	77,029	75,973	71,399	112,699	84,105	90,049	81,485
9,767	7,848	12,397	6,014	9,286	9,371	9,644	1,300	11,346	8,700	8,927	11,074	5,297
0	1,380	0	0	0	1,380	0	0	0	0	0	0	0
9,767	9,228	12,397	6,014	9,286	10,751	9,644	1,300	11,346	8,700	8,927	11,074	5,297
21,993	21,905	25,296	20,312	18,027	23,381	17,258	20,989	19,010	20,068	18,028	22,001	18,133
0	0	0	690	0	0	0	0	0	0	0	0	0
21,993	21,905	25,296	21,002	18,027	23,381	17,258	20,989	19,010	20,068	18,028	22,001	18,133
657,021	615,631	585,438	558,243	619,914	592,950	574,522	511,116	576,228	603,195	612,348	591,199	647,383

Inbound Projection – Units

Bow Wave / Capacity Planning



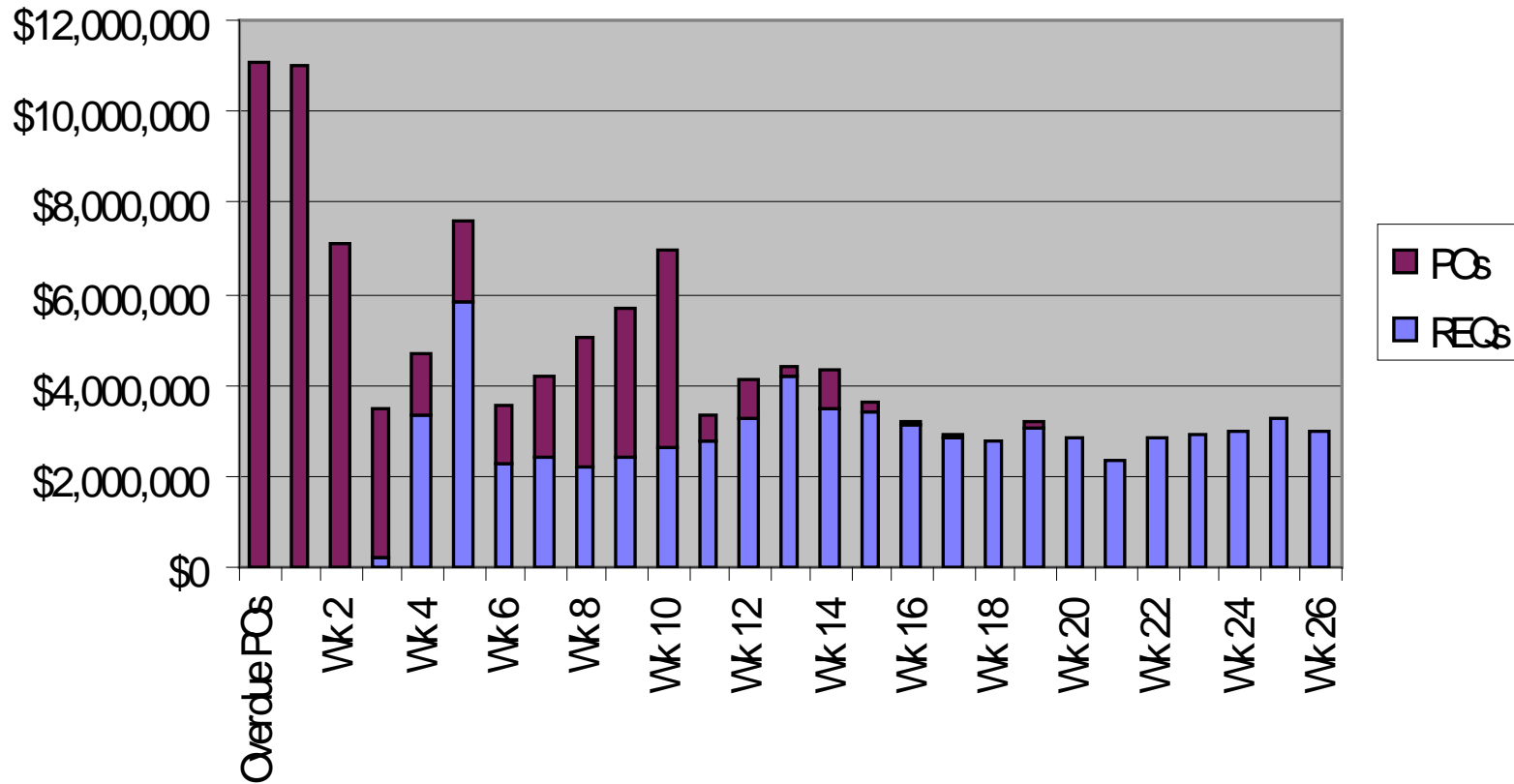
314,255 additional units recommended to plug gaps

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Inbound Projection – \$'s

Financial / OTB Planning

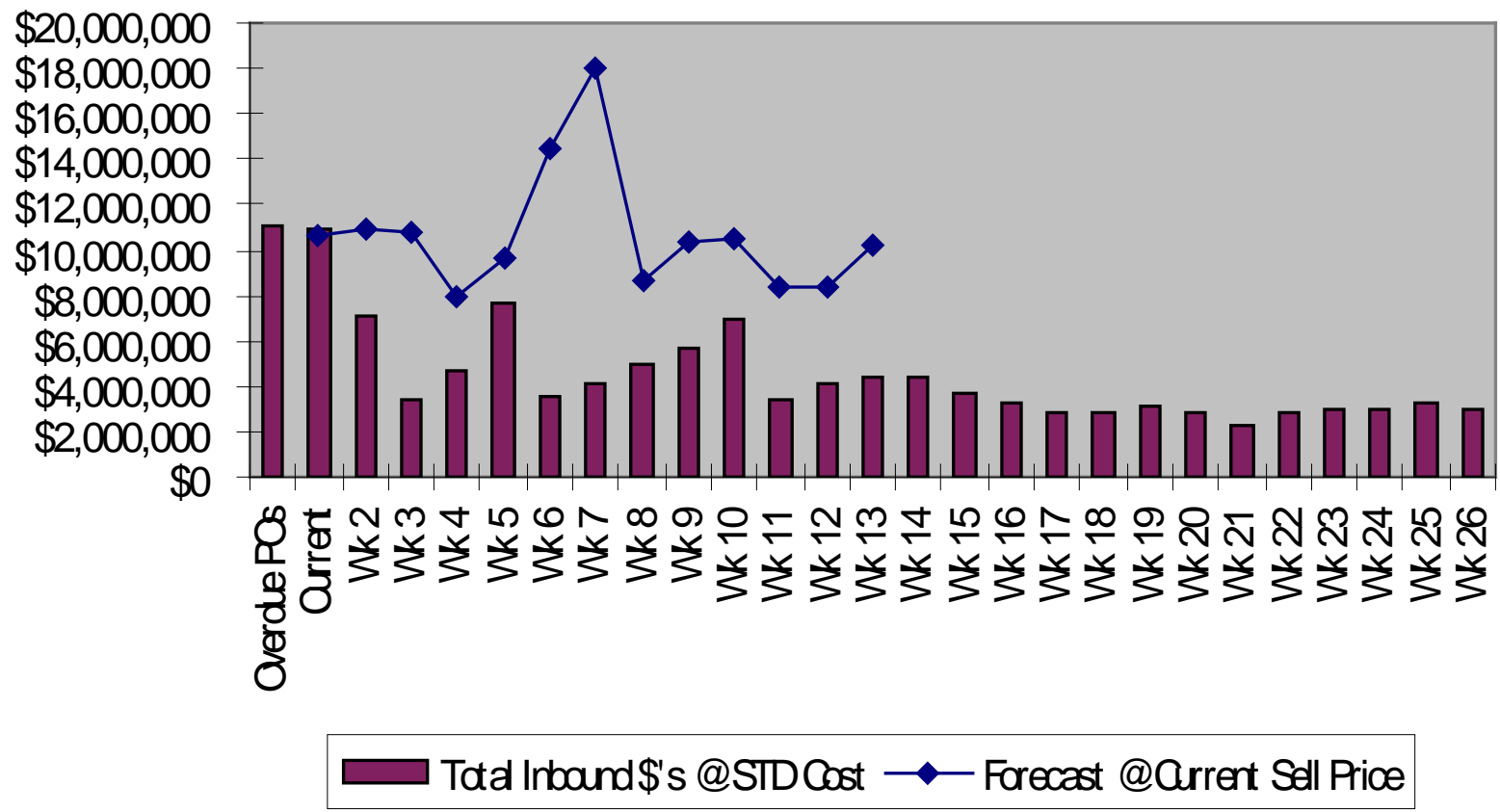


\$2,787,624 in additional purchases recommended to plug gaps

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Forecast Sales vs Inbound @ STD Cost



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Super Cheap Auto approach cont

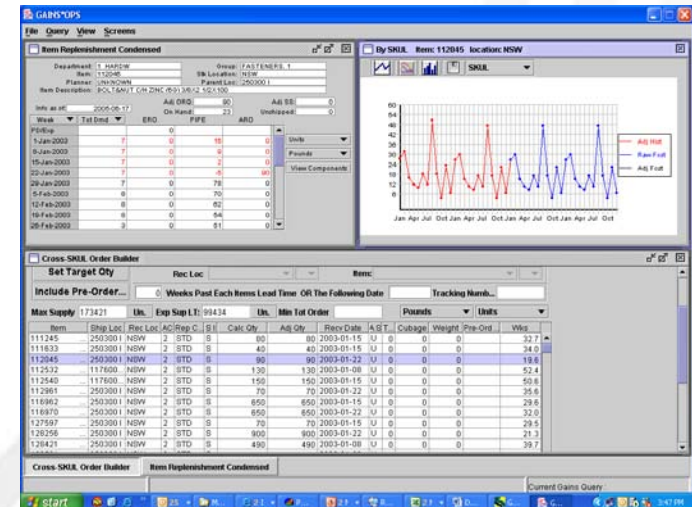
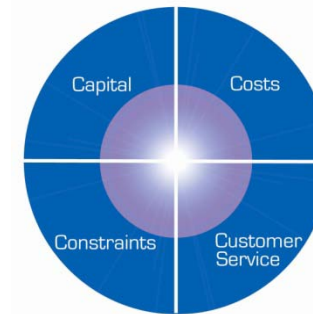
- implementation of GAINS demand planning, inventory optimisation & supply
- SAP reconfiguration
- new management / organisational structure
- performance management framework, directly linked to operational activities
- master data improvements
- coaching & mentoring at all levels of the business to embed processes, establish disciplines and transfer knowledge
- foundations for sustainability



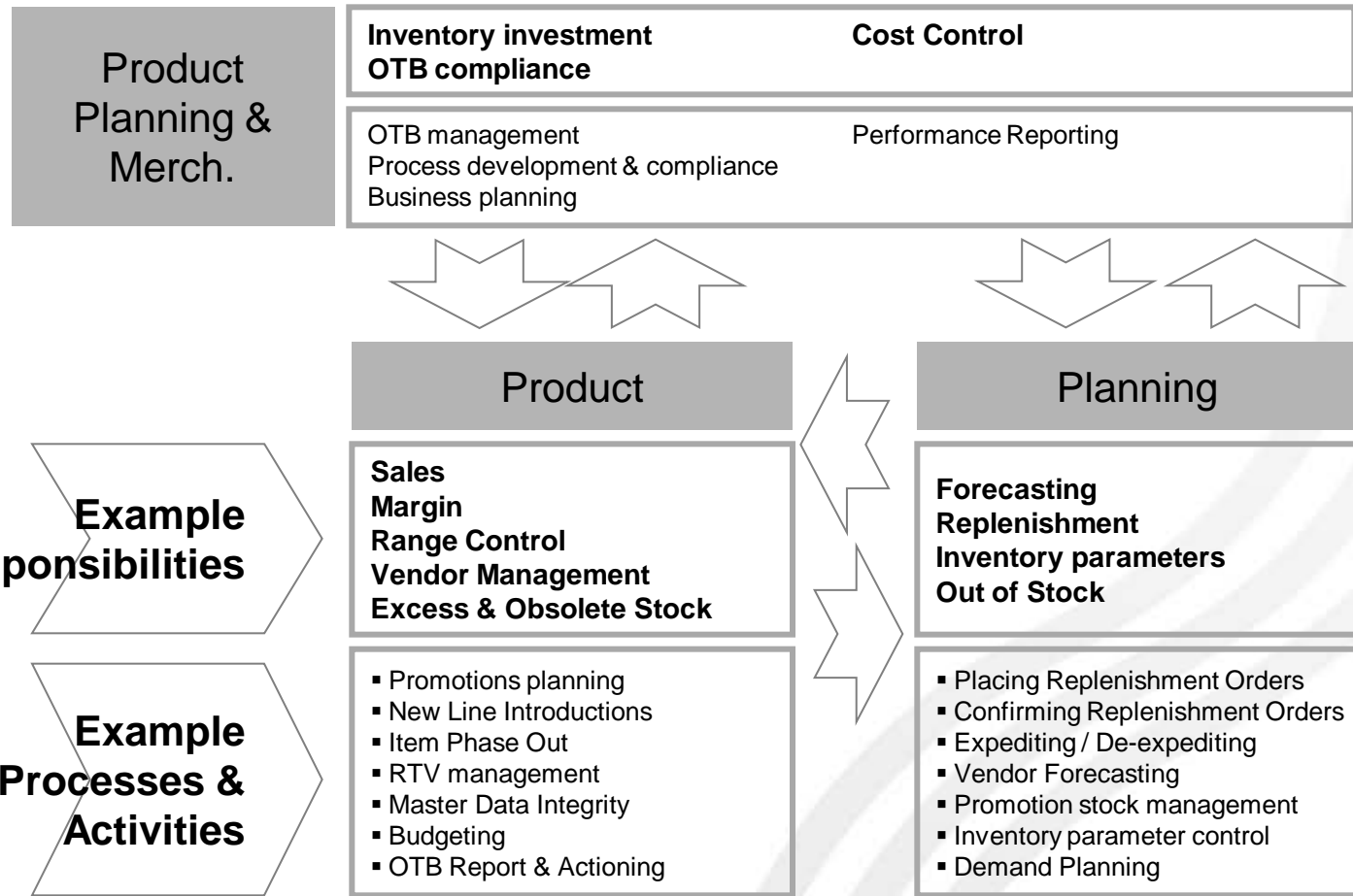
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- GAINS re-generates “best fit” forecasts from a comprehensive battery of statistical algorithms for all ~3 million item/location combinations every week
- Planners review forecasts by exception and input market intelligence, such as promotions, into the forecast to create an approved demand plan
- GAINS automatically calculates optimal inventory policies for each item/location based on factors including service level targets, forecast error, lead time, costs, supply chain variability and constraints – to ensure inventories are constantly optimised
- GAINS calculates requirements for external purchases, redistributions and store replenishments, and these are passed to SAP for execution
- Planners review recommended replenishments by exception, as required
- Planner and Business Manager activities documented via Daily Weekly Routines (DWRs) to provide clarity and accountability regarding what needs to be done when by whom
- GAINS generates KPIs including forecast error, inventory mix, future inventory balance, financial projections and capacity projections which are used in S&OP meetings



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Daily Weekly Routine (DWR)



Monday	Tuesday	Wednesday	Thursday	Friday
Demand Forecast Adjustments			Out of Stock Management	
Demand - Promotional Planning			Excess Stock Management	
	Demand - New Stores			Performance Reporting
	Demand - New Products			
		Inventory Redistribution		
		PO Exception Management	Release PO's	Confirm PO's
				Vendor Management

Super Cheap Auto Group Limited



Results Within 12 Months

- **2% absolute reduction in inventory, whilst supporting ~30 additional stores and a new warehouse**
 - a 17% or \$23 million 'like for like' inventory reduction whilst improving in-stock position
 - \$60 million sales increase with no additional inventory investment
- **\$12 million improvement in operating cash flow within 12 months**
- **40% improvement in in-stock position**
 - Out of Stocks reduced below target level of 3%
- **capacity management through peak periods**
 - 'business as usual' for warehousing & logistics departments during Christmas
- **30% reduction in inventory holdings at warehouses, including a new warehouse**
 - alleviating 'bulging at the seams' issues
- **integrated sales forecast, capital expenditure and inventory holding budget**
 - regularly beating budget
- **store level forecasting & planning of over 3 million item/locations managed centrally by a team of 8 planners**

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Super Cheap Auto

Media Quotes

- *“New software will be used to slice the cost of supplying products to 194 Super Cheap Auto stores under a project to extract greater profits from the retail group's \$382.7million in annual sales. The software, to be put into action next month, will be used to forecast sales of key vehicle parts and other products in order to drive inventory levels down to new lows. Sales could also grow as Super Cheap executives use the software to ensure fewer customers walk into a store to find items are out of stock.”*
 - *“Super Cheap Sets Supply Reform”, Financial Review 26 October 2004*
- *“Christmas came late for Retailers this year as many Customers delayed their shopping until the last few days before Christmas Day. The Post Christmas period was also quieter than last year. As a result, we have seen unprecedented discounting across the Market throughout the Christmas and New Year trading period. We are particularly pleased that despite these tough retail conditions, we have been able to maintain margins and reduce our inventory investment whilst improving our in-stock position in store.”*
 - *Super Cheap Auto ASX announcement 5 January 2006*



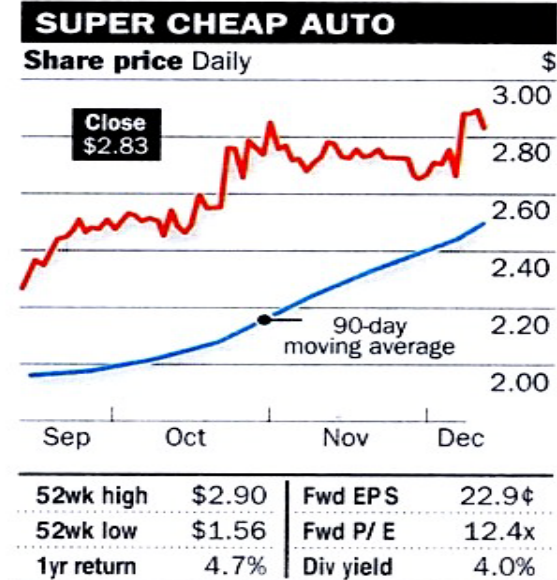
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Super Cheap Auto

Share Price Impact

- *Announced inventory reductions, service level improvements and profit increases in depressed retail sales environment*
- *Funded expansion from operating cash flow*
- *Other industry players and competitors issued profit downgrades citing excess inventories as a contributor*
- *Share price tripled (3x) within 12 months, from ~\$1.50 to ~\$4.50*



Broker Credit Suisse has increased its target price for automotive parts retailer Super Cheap Auto from \$2.40 to \$3.40, prompting it to lift the company's rating from "underperform" to "outperform". The increase was related to commentary from Super Cheap's annual meeting when it said that first-quarter sales had risen 19.4 per cent to \$141.1 million from a year ago, and to progress by management in addressing key retailing and supply chain issues. Super Cheap rival Repco Corp is subject to a takeover bid by private equity that may boost its competitiveness. But Credit Suisse said Super Cheap was "several laps in front in a race where it is not clear that Repco can be truly competitive without substantial reorientation".

Fiona Tyndall

Super Cheap Auto Group

Results for the 52 weeks to 1 July 2006

Peter Birtles, Managing Director

Gary Carroll, Chief Financial Officer

24 August 2006





Group Highlights

- Underlying Group EBIT increasing by 11%
 - Supercheap Auto gaining market share and at the same time growing gross and net margins in difficult trading conditions
 - Average inventory investment across Supercheap Auto stores reducing by over 10% whilst improving on shelf availability
 - Supercheap Auto strategic initiatives on track
 - The successful launch of BCF with sales and profit exceeding launch expectations
 - New store investment of \$37m fully funded by operating cash flow
- ✓ *demonstrating the strength of the business model*
- ✓ *reaping the benefits of our investment in developing our expertise and our systems in merchandising and supply chain management*



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Group Cash Flow

- Strong cash flow performance driven by the reduction in net inventory investment per store in the SCA business
 - This has delivered a cash flow benefit of \$12.1m
- New Store Fit-out includes \$4.6m in SCA and \$5.2m in BCF
- Other Investing Activities is lower than 2005 due to inclusion of Camp Mart acquisition in 2005
- SCA and BCF business expansion has been fully funded through operating cash flow
- 2005 operating cash flow negatively impacted by \$21.8m of additional trade creditor payments due to timing of year end balance date – no effect on 2006
- Cash flow and Balance Sheet data has been adjusted to remove equity plan SPV

	2006 \$m	2005 \$m
Operating cash flow (pre store set up)	45.9	15.2
New store set-up costs & working capital	(19.1)	(11.2)
Operating cash flow	26.8	4.0
Investing activities:		
- New store fitout	(9.8)	(5.6)
- Other capex		
-Maintenance	(3.4)	(3.4)
-IT & Supply Chain	(7.8)	(7.7)
- Other Investing Activities	0.2	(8.0)
Financing activities:		
- Dividends & interest	(11.9)	(10.9)
- Ext Debt repay/proceeds	6.0	24.2
Net cash flow	0.2	(7.2)

Group Balance Sheet

- SCA average inventory per store reduced from \$568k at June 2005 to \$499k at 1 July 2006
 - Improved inventory management resulting from supply chain focus and investment in forecasting and replenishment systems
 - Has been achieved whilst improving the in stock position in store
- BCF average inventory investment per store of \$1.3m is \$0.2m below original projections
- Increase in Plant and Equipment as a result of capital expenditure of \$9.8m in new stores
- Increase in Net Debt of \$5.7m, with operating cash flows being used to fund:
 - \$13.8m investment in new SCA stores
 - \$23.8m investment in BCF business including fixtures, stock and set up costs
- Capitalised computer software now disclosed as an intangible asset

	2006	2005
	\$m	\$m

Inventory		
- SCA	117.8	120.5
- BCF	17.2	2.7
Total	135.0	123.2
(Trade creditors)	(49.4)	(46.3)
Net inventory investment	85.6	76.9

Plant and Equipment	49.8	41.5
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Net External Debt	80.9	75.2
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CASE STUDY SUPER CHEAP AUTO

Stock push makes order of chaos

Getting a huge stock of car parts under control was no small task, says Ben Woodhead

FOUR years ago Super Cheap Auto decided it could reap millions of dollars in savings if it established order among the chaotic piles of stock in its network of automotive retail stores.

The company launched a technology overhaul dubbed Project Fuel (Focus on Supply, Inventory and Logistics) and set about updating its core business systems and installing new forecasting software aimed at giving it greater control over its supply chain.

Last month, Super Cheap Auto Group managing director Peter Birles revealed the fruits of that labour: \$12 million in savings on inventory in the 2005 financial year, with another \$6 million to come next year.

The savings outstrip the less than \$20 million project price tag.

Birles and Super Cheap are now refining the systems that have been installed over the past four years and are preparing to install software that will shift the focus from cost-cutting to generating revenue.

"Our focus has been getting the inventory in store right, and that's where the investment has been to this point," Birles says. "Going forward, we see an opportunity for a customer loyalty scheme."

The foundations of a customer loyalty program are already being laid and Birles says Super Cheap could draw on the experience of retail giants such as Britain's Tesco.

Alongside US heavyweight Wal-Mart, Tesco is considered a world leader in retail customer relationship management.

The foundations of the car parts specialist's system include leveraging business intelligence ap-



Payoff Peter Birles says a software overhaul has yielded \$12 million in savings, with more to come

Picture: Tony Phillips

plications on top of Super Cheap's procurement, supply chain and finance systems, which use software from German vendor SAP.

"We're now working on getting more intelligence out of the SAP systems to support the business," Birles says. "We're looking at areas such as sales (track-

ing and trying to understand which products sell with which."

The information would allow Super Cheap to put together more targeted special offers for its already heavy roster of marketing campaigns.

Super Cheap's reliance on special marketing was also behind Project Fuel and a new forecast-

ing and demand management system using GAINS software.

According to Birles, the promotions pump up sales by percentages that run into the double and triple digits, putting pressure on stores to precisely forecast demand and ensure their shelves are properly stocked. Promotions aside, he also says Super Cheap's

strategy of filling stores with products created a big challenge that needed to be tackled daily.

"In our stores we very much have a philosophy that the merchandise is the hero.

"We carry a relatively high investment in stock in our stores and that's done deliberately so our customers walk in and see the

level of inventory," he says. "The supply chain has to be able to cope with a whole range of dynamics for products, in size and volume."

Until recently, Birles says, Super Cheap was carrying millions of dollars worth of excess stock in its stores and warehouses and could not guarantee products

THE PROBLEM

Car parts supplier Super Cheap Auto had millions of dollars worth of working capital tied up in excess inventory in its stores and supply chain.

THE PROCESS

Staff were trained in managing inventory, business systems were updated and demand management software was installed.

THE RESULT

The group freed up \$12 million in working capital last financial year and expects to reap another \$6 million in extra revenue next year.

were on shelves when needed. It expected to reap big savings and boost sales by upgrading its SAP software, installing GAINS and retraining staff so that no more than 3 per cent of items were out of stock at any time.

Super Cheap spent \$6 million on SAP upgrades and "a couple of million" on its forecasting and replenishment system and expects cost savings of \$8 million over two years.

The money saved can be ploughed back into the aggressive acquisition of Super Cheap's national network of stores.

"We're investing back into our business to grow the network with more stores. The more we can do that by funding it out of operating cash flows we generate from our existing stores the better," Birles says.

"It's important that we keep inventory under control because it's the main working capital asset in the business," he says.

- reduced inventories by 17% (or improved operating cash flow by \$23 million) whilst increasing service levels via advanced demand management & inventory optimisation
- increased margins and gained market share in a depressed sales environment
- In FY06, added 30 new stores or \$60 million in revenue with no additional investment in inventory
- *\$100m invested in opening new stores over three (3) years with only \$40m increase in net debt*
- *avoided need for additional DC (fixed asset) investment due to inventory and operating efficiency improvements*

SUPERCHEAP
AUTO

Super Cheap Auto
Group Limited



Supercheap Recognised as Market Leader



- excellent example of what's possible
- improved operating cash flow via inventory optimisation and self-funded growth during difficult times
- reduced costs whilst improving service levels and market share
- turned their supply chain capabilities into a sustained competitive advantage and now recognised as both retail and supply chain market leaders
 - 2009 'Australia's Best' Platinum Award For Supply Chain Excellence
 - 2008 'Australian Retailer of the Year' (Australian Retailers Association Awards)
 - 2007 'Supreme Award for Best Retailer and Innovation in Retail' (National Retail Association Awards)

'Smaller names big performers'

Australian Financial Review

11 March 2009

Super Cheap Auto

The diversified retailer is another example where strong management helped to deliver a solid result. Net profit for the 26 weeks to December 27 increased by 8.7 per cent to \$13.6 million, ahead of analyst forecasts. The group also increased its fully franked interim dividend to 6.5¢ from 5.5¢ in the previous corresponding period.

What impresses most market watchers is the group's control of working capital and inventory, which has helped cash flow increase by 74 per cent to \$46.6 million.

"They managed inventory spectacularly and that was a standout that came through the cash flow and the operating cash flow," Perennial's Oshry says.

- Implementing “Event Management” functionality to manage Promotional forecasting separately
- Drive Inventory to World Class standards to achieve a less than 9% “Stock to Sales ratio
- Work with Trade Partners to reduce Excess stock
- Move to a Cross dock method of supply where applicable

Super Cheap Auto
Group Limited

