ASX Announcement

19 August 2014

Dick Smith beats FY14 Prospectus[1] NPAT by 5.3%

- **Total sales[2] grew 4.2% to $1,227.6m, 0.1% ahead of Prospectus. Q4 FY14 total sales grew 10.2%.**
- **Australian LFL[2] sales up 0.8%, +4.0% in Q4 FY14. Q4 FY14 Australian total sales grew 15.4%.**
- **EBITDA $74.4m, beating Prospectus by 3.6%, despite challenging market conditions.**
- **NPAT $42.1m, 5.3% above Prospectus forecast.**
- **Dividend 8cps for the seven months to June 2014, representing a 66% payout ratio.**

Dick Smith's delivers strong growth

Dick Smith today reported pro forma net profit after tax (NPAT) of $42.1 million, 5.3% better than its Prospectus forecast, for the 52 weeks to 29 June 2014. The Company's strong growth and trading focus delivered results ahead of the Prospectus forecasts, with EBITDA 3.6% stronger. EBITDA was more than three times higher than that achieved in FY13 and NPAT more than six times stronger.

Total sales[2] grew 4.2% and Australian sales[2] grew 7.8% in FY14, with like-for-like (LFL) Australian sales growth of 0.8%. Sales growth improved in the second half, with total sales[2] growth of 9.5%, led by Australian sales[2] growth of 13.6% and Australian H2 FY14 LFL sales[2] up 3.2%.

Nick Abboud, Dick Smith Managing Director and CEO, said "We are pleased to have delivered strong growth across all aspects of the business. Particularly pleasing is the improving trend in Australian sales during the year, with growth accelerating from 2.4% in Q1 to 3.3% in Q2, 11.7% in Q3 and 15.4% in Q4."

"Our strategy is simple," said Mr Abboud. "Drive sales growth by providing customers with a compelling offer and unparalleled convenience. We achieve this through providing our customers with an extensive range of products at competitive prices and leveraging our multiple omni-channel platforms across our 377 conveniently located and growing store network. The benefits of this strategy are being realised, with strong sales growth in FY14, particularly in the last quarter, continuing into FY15."

"Leading the Australian sales growth during the year were our key core categories of office and mobility," said Mr Abboud.

Dick Smith grew market value share in its core categories in FY14, with strong growth in mobility and computer hardware growing over 50%, gaining over 6 percentage points of market share in Q4 FY14[3].

Gross margin was consistent with the Prospectus, improving 140bp to 25.1% in the year (FY13: 23.7%). Cost of doing business (CODB) improved 290bp to 19.0% (FY13: 21.9%), which was 20bp ahead of the Prospectus. Pro forma EBITDA was $74.4 million, 3.6% ahead of Prospectus.

"The strength and quality of the result is testimony to the successful and significant transformation the Dick Smith business has undertaken during the past 18 months. We have stayed focused on our core growth strategy which includes new stores and store formats, a compelling omni-channel offer, private label and accessories. This continues to drive customer engagement," said Mr Abboud.

Private label continues to offer a point of differentiation for our customers. It now represents over 11.5% of company sales and is well on its way to achieving our target of 15% of sales," said Mr Abboud.

Dividend

The Directors have declared a final dividend of 8 cents per share, fully franked, to be paid on 21 October 2014. The dividend represents approximately a 66% payout of NPAT earned for the seven months from the date of listing to 29 June 2014, which is within the Board's 60-70% range. The record date for determining entitlement to the dividend is 5 September 2014.

FY14 HIGHLIGHTS

	Actual pro forma	Prospectus pro forma	Growth relative to Prospectus pro forma	Growth relative to FY13 pro forma
Sales (A$m)	**1,227.6**	**1,226.0**	**0.1%**	**4.2%**[2]
Gross Profit (A$m)	308.0	307.8	0.1%	1.5%
Gross Margin	25.1%	25.1%	0bp	138bp
CODB (A$m)	233.6	236.0	(1.0)%	(16.6)%
CODB/Sales	19.0%	19.2%	(20)bp	(285)bp
EBITDA (A$m)	**74.4**	**71.8**	**3.6%**	**217.4%**
EBITDA Margin	6.1%	5.9%	20bp	423bp
Depreciation (A$m)	12.8	13.1	-2.3%	2.7%
EBIT (A$m)	**61.6**	**58.7**	**5.0%**	**462.8%**
EBIT Margin	5.0%	4.8%	23bp	416bp
Interest expense (A$m)	1.4	1.4	(2.2)%	(2.2)%
Profit before tax (A$m)	**60.2**	**57.3**	**5.1%**	**531.1%**
Tax expense (A$m)	18.0	17.2	4.8%	544.5%
NPAT (A$m)	**42.1**	**40.0**	**5.3%**	**525.5%**
EPS (cps)	17.8	16.9	5.3%	
Dividend (cps)	8.0	(66% payout ratio)		

New Stores

During the year, Dick Smith opened a net 21 Dick Smith stores and four Move stores and commenced managing the David Jones' electronics department, operating 29 David Jones Electronics Powered by Dick Smith stores. With 377 stores across Australia (283 Dick Smith, four Move, 29 David Jones Electronics Powered by Dick Smith) and New Zealand (61 Dick Smith) at 29 June 2014, Dick Smith has Australasia's most diverse and convenient consumer electronics store network.

"We are very pleased with the initial performance of our two new formats. Catering for a diverse demographic not fully serviced by Dick Smith stores, Move and David Jones complement our market leading network of Dick Smith stores," Mr Abboud said.

"Our Move stores continue to be recognised as one of the most innovative retail formats globally. More satisfying is our customers' adoption of the concept that fashion and electronics can coincide and integrate in technologically functional fashion products," said Mr Abboud.

Sales at David Jones Electronics Powered by Dick Smith stores benefited from the integration of David Jones Electronics into the Dick Smith catalogues and assimilation of what was largely a new sales team.

"Week on week we are achieving strong sales growth in our David Jones Electronics Powered by Dick Smith stores," said Mr Abboud.

Omni-channel

"Our omni-channel performance was a significant highlight during the year," said Mr Abboud.

Online sales grew 55% to represent more than 4% of total retail sales. Dick Smith significantly expanded its online platforms and offers during the second half of the year into Westfield, eBay and Catch of the Day. This drove sales in the fourth quarter to more than 5% of retail sales.

"This expansion, combined with our existing websites and online capability, gives us a wide-ranging omni-channel offer and allows us to compete strongly with pure online retailers," said Mr Abboud.

Dick Smith continues to expand its store fulfillment capability. At June 2014, more than 60 stores could fulfill online orders, providing customers with the flexibility of quicker and cheaper local delivery in addition to the Click & Collect capability in each of the Company's 377 stores.

Balance sheet
Dick Smith's balance sheet remains strong, with no debt at 29 June 2014. "Inventory quality and quantity strengthened during the year, allowing us to get the new year off to a flying start," said Mr Abboud.

Outlook
Dick Smith is well placed to deliver further strong profit growth in FY15. Sales are expected to benefit from continued LFL sales growth, the full year impact of the 54 stores which were opened in FY14, approximately 20 new stores management anticipates opening in FY15 (with 13 stores confirmed as opening) and other initiatives.

"It is particularly pleasing to see the strong sales growth performance experienced in the second half of the year continuing in to this year," said Mr Abboud. "Consumers continue to respond well to our strong offers, despite challenging market conditions."

Sales for the first seven weeks continue to grow strongly, with total sales increasing low double digit and LFL sales growth of 1.8%. The strong sales performance has benefited from the enhanced inventory position.

Further improvements in Dick Smith's offer include:

- The Dick Smith marketing relaunch, which will grow our heartland and attract new consumers;
- New and growing ranges including an expanded post paid offer, wearable technology and private label products in pet care, baby monitors, tablets and security;
- A 40% expansion of the private label product range, driving our share growth expectations;
- The introduction of Pay & Collect in August. This evolution of our Click & Collect offer will enable customers to pay online and collect, at their convenience, from their local Dick Smith store;
- Pick and ship online fulfilment from more than 100 stores offered across all our and our partners' websites by Christmas. This allows consumers to purchase online and receive their goods faster and more cost-effectively; and
- A new transactional Move website.

"Our focus on continuously improving cost efficiencies is unwavering." said Mr Abboud "We anticipate our CODB to sales ratio to decline with structural improvements in supply chain and the New Zealand restructure as well as reduced procurement across all facets of the business and lower support office costs."

"Dick Smith's result demonstrates that we can achieve sales growth and improve margins. With an underlying sales improvement, further store growth, an integrated omni-channel experience and ongoing cost management, Dick Smith is well positioned for another year of strong performance," said Mr Abboud.

For further information please contact:
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Analyst and investor briefing:
A briefing will be held for analysts and investors at 10:30am (AEST) today, with the presentation available at dicksmithholdings.com.au.

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1 Numbers are on a pro forma basis, unless otherwise stated
2 Adjusted for excessive promotional and inventory clearance activity in FY13, as outlined in the Prospectus dated 21 November 2013.
3 GfK Retail Panelmarket data, period ending June 2014