



1H 2015 Results Briefing

Nick Abboud

Managing Director & CEO

Michael Potts

Finance Director & CFO

17 February 2015

Financial highlights – *Growth Strategy delivering*

- ✓ Total sales up 8.9% (\$694m vs 1H 2014 \$637m)
- ✓ Comparable sales up 2.0%; Australia up 4.0%
- ✓ Gross profit up 6.7% & gross margin 24.7%
- ✓ CODB¹ down 41bp to 18.3%
- ✓ EBITDA up 7.1% to \$44.7m; Australian EBITDA up 16.1%
- ✓ NPAT \$25.2m, up 0.8%
- ✓ Dividend 7.0cps, fully franked (record date 12 March 2015)

1. Growth rates and comparatives are based on pro forma 1H 2014 numbers.

Growth strategy momentum accelerates and delivers results

Profit and Loss – *trading focus intact*

(A\$m)	1H 2015	1H 2014 Proforma	% change
Sales	693.8	637.0	8.9%
Gross Profit	171.7	160.9	6.7%
Gross margin	24.7%	25.3%	(51)bp
CODB	127.0	119.2	6.6%
CODB/Sales	18.3%	18.7%	(41)bp
EBITDA	44.7	41.7	7.1%
EBITDA margin	6.4%	6.6%	(11)bp
Depreciation	7.0	5.5	27.4%
EBIT	37.7	36.2	4.0%
EBIT margin	5.4%	5.7%	(26)bp
Interest	1.5	0.5	219.2%
Profit before tax	36.2	35.8	1.2%
Tax	11.0	10.8	2.2%
NPAT	25.2	25.0	0.8%
EPS	10.7	10.6	0.8%
DPS	7.0	N/A	

- Foot traffic & transactions growing
- Comparative sales growth 2%; 2Q 2015 +2.7%
- Online sales >7% of retail sales; up from >5% in 1H 2014
- Key categories performed well, particularly office

- Australian Gross margin remains strong at 25%
- NZ gross margin impacted by tougher retail conditions & increased competition

- Strong focus on efficiency improvements, with underlying CODB growth (wages & rent) below inflation
- NZ transformation delivered expectation cost savings
- Store cost leverage benefit of online sales

- Strong EBITDA growth, particularly Australia at +16.1%
- NZ sales decline impacted EBITDA margin by ~23bp

- Invested in 65 stores in last 2 years
- Invested in 6 online trading platforms in past 2 years

- Significant investment in stores and stock to drive growth strategy

- Effective tax rate 30.3%, reflects higher Australian mix

- Impacted by investment for growth & NZ performance

- 66% payout ratio consistent with 60-70% guidance

Profit and Loss – *Country segment*

1H 2015	AUS (A\$m)	NZ (NZ\$m)	NZ (A\$m)	DSG (A\$m)
Sales	606.1	96.7	87.7	693.8
Comp Sales Growth	4.0%	(12.7)%	(9.3)%	2.0%
Gross Profit	151.2	22.6	20.5	171.7
Gross Profit margin	24.9%	23.4%	23.4%	24.7%
Cost of doing business	109.0	19.8	18.0	127.0
CODB % of sales	18.0%	20.5%	20.5%	18.3%
EBITDA	42.2	2.8	2.5	44.7
EBITDA margin	7.0%	2.9%	2.9%	6.4%
Depreciation	6.0	1.1	1.0	7.0
EBIT	36.1	1.7	1.5	37.7
EBIT Margin	6.0%	1.8%	1.8%	5.4%

- Australia performing strongly
- NZ challenging during half. Likely to continue in 2H 2015

- Group comp sales growth at top end of management guidance of 1-2%

- Gross margin impacted by market conditions & promotions
- NZ gross margin particularly impacted, down 201bp

- Underlying CODB/sales reduction 64bp, impacted 23bp by NZ sales deleverage
- Centralised cost base into Australia benefited NZ and added cost to Australia

- EBITDA impacted by level of NZ mix & promotional activity

- Increased investment in Australian stores & online

- Strong Australian margin performance

Profit and Loss – *Australia performing well*

	AUS (A\$m)		
	1H 2015	1H 2014	% diff
	Pro forma		
Sales	606.1	540.3	12.2%
Comp Sales Growth	4.0%	(1.3)%	
Gross Profit	151.2	136.4	10.9%
Gross Profit margin	24.9%	25.2%	(29)bp
Cost of doing business	109.0	100.0	9.0%
CODB % of sales	18.0%	18.5%	(53)bp
EBITDA	42.2	36.3	16.1%
EBITDA margin	7.0%	6.7%	23bp
Depreciation	6.0	4.6	30.7%
EBIT	36.1	31.7	13.9%
EBIT Margin	6.0%	5.9%	9bp

- Fastest growing sales in consumer electronics
- Strong sales growth in all key categories & formats

- Australian comp sales strengthened during 1H 2015
- +5% in 2Q 2015 on cycling David Jones & MOVE launches

- Competitive market with increased promotional activity
- Private label underpinned gross margin

- Underlying CODB growth below inflation on stores & occupancy efficiencies driving strong fixed cost leverage

- Strong leverage of sales growth

- Full half impact of 54 stores opened in 2014 & 11 in 1H 2015
- Timing of David Jones store openings benefited 1H 2014 leverage

Profit and Loss – *NZ remains work in progress*

	NZ (NZ\$m)			NZ (A\$m)		
	1H 2015	1H 2014	% diff	1H 2015	1H 2014	% diff
	Pro forma			Pro forma		
Sales	96.7	110.7	(12.7)%	87.7	96.7	(9.3)%
Comp Sales Growth	(12.7)%	(25.9)%		(9.3)%	(17.4)%	
Gross Profit	22.6	28.1	(19.6)%	20.5	24.5	(16.5)%
Gross Profit margin	23.4%	25.4%	(201)bp	23.4%	25.4%	(202)bp
Cost of doing business	19.8	21.9	(9.7)%	18.0	19.2	(6.1)%
CODB % of sales	20.5%	19.8%	68bp	20.5%	19.8%	69bp
EBITDA	2.8	6.2	(54.9)%	2.5	5.4	(53.3)%
EBITDA margin	2.9%	5.6%	(269)bp	2.9%	5.6%	(271)bp
Depreciation	1.1	1.0	5.9%	1.0	0.9	10.1%
EBIT	1.7	5.2	(66.9)%	1.5	4.5	(65.8)%
EBIT Margin	1.8%	4.7%	(289)bp	1.8%	4.7%	(290)bp

- NZ 2Q 2015 consumer confidence declined 5% pcp
- NZ market declined 7.6%¹ pcp v DSH down 9.9%¹
- NZ rate of sales decline halved to -12.2% in 2Q 2015
- NZ sales trend improving through 1H 2015

- New Zealand comp sales impacted by market decline & increased competitive activity

- Gross margin impacted by competitive activity
- Expected to continue through FY2015

- Centralised cost base benefits realised
- CODB/Sales impacted by sales reduction deleverage

- Strategy in place to sustainably improve performance

- Deleverage reflects Gross Margin contraction

- Drive sales improvement through NZ specific marketing activity eg Dick Smith Auckland 9s, interest free
- Well positioned for recovery as the New Zealand market improves
- Likely to be medium to longer-term turn around

1. GfK Retail Management NZ Summary, Period ending December 2014

1H 2015 Sales Performance – *accelerated in 1H 2015*

- Group**
- Stronger performance through 1H 2015, despite market conditions
 - Comprehensive omni-channel experience
 - Multiple platforms , store fulfilment and click & collect
 - Key categories strong (Computers, Mobility & Accessories)
 - Solid growth in Private Label; Dick Smith and MOVE branded products

- Australia**
- Strong sales momentum through 1H 2015 on improved comp sales & new stores
 - 2Q 2015 comp sales +5% on strong offers, resonating with consumers
 - Roll out of Store-in-Store concept continues to drive strong branded sales
 - Strong growth in Office, with 2Q 2015 computer share over 15%
 - Strong sales improvements in MOVE & David Jones
 - David Jones Comp sales +20% 2Q 2015
 - 9 MOVE stores by FY2015 & 5 'MOVE by Dick Smith' locations

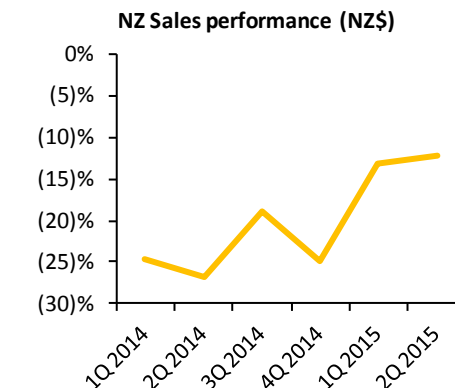
- NZ**
- Increasingly challenging & competitive sales environment (consumer sentiment -5%)
 - Comp sales down 12.7% (NZ\$) representing loss of 30bp of market share¹
 - Good growth in TVs & computers (margin mix impact)
 - Anticipate further improvement in sales run rate in 2H 2015 from sales structure

- Sales growth initiatives**
- New product ranging, sales initiatives to continue driving positive comp sales
 - New products include post paid, fitness
 - Private label range increased by 40%
 - 11 new stores opened in 1H 2015, with a further 9 to open in 2H 2015
 - 'MOVE by Dick Smith' at Sydney Airport (in partnership with Heinemann)

Group	Sales growth	
	Total	Comp
1Q 2015	10.2%	0.9%
2Q 2015	7.9%	2.7%
1H 2015	8.9%	2.0%

Australia	Sales growth	
	Total	Comp
1Q 2015	13.7%	2.6%
2Q 2015	11.1%	5.0%
1H 2015	12.2%	4.0%

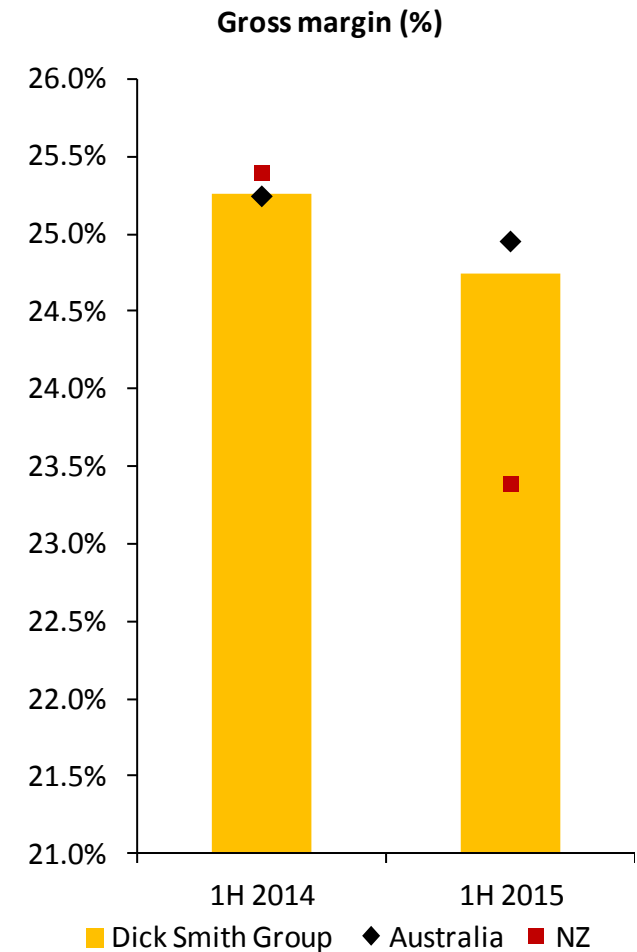
New Zealand (NZ\$)	Sales growth	
	Total	Comp
1Q 2015	(13.3)%	(13.3)%
2Q 2015	(12.2)%	(12.2)%
1H 2015	(12.7)%	(12.7)%



1. GfK Retail Management NZ Summary, Period ending December 2014

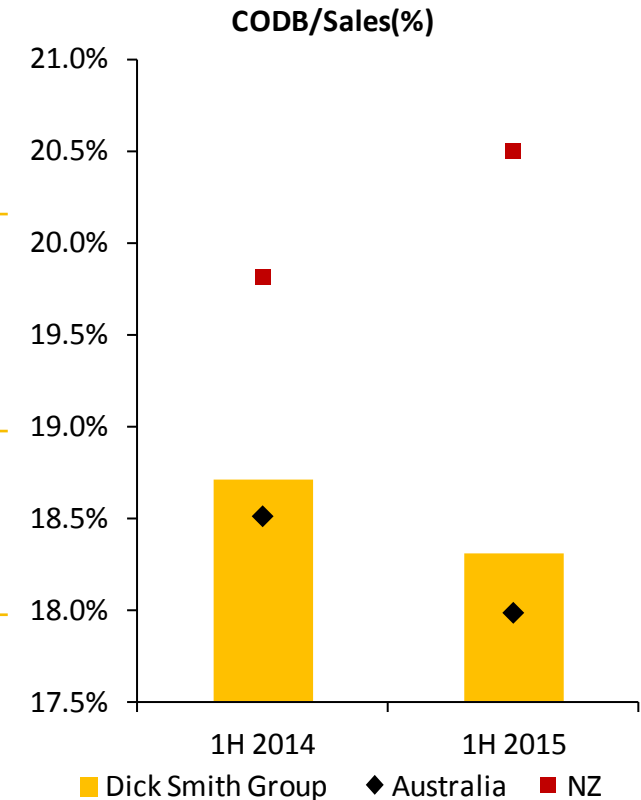
Gross Margin – *impacted by sales mix & activity*

- | | |
|---------------------------------|---|
| Group | <ul style="list-style-type: none"> ▪ New Zealand impact ~30bp (half the decline) ▪ Competitive markets in Australia & New Zealand ▪ Higher level of promotional activity |
| Australia | <ul style="list-style-type: none"> ▪ Gross margin 24.9%, despite heightened competition ▪ Private Label performance underpinned gross margin |
| NZ | <ul style="list-style-type: none"> ▪ Gross margin of 23.4%, -201bp y-y ▪ Competitive market, particularly in 2Q 2015 ▪ Market dynamics slowed in 2Q 2015, with consumer confidence down 5% ▪ Anticipate market dynamics to continue in 2H 2015 |
| Gross margin initiatives | <ul style="list-style-type: none"> ▪ Private label availability significantly improved <ul style="list-style-type: none"> ▪ Expected to be margin enhancing ▪ Improved NZ merchandising, including computer, mobility & fitness SIS rollouts ▪ New products & categories likely GM enhancing |



CODB – *benefits gained, more to be realised*

Group	<ul style="list-style-type: none"> Continued focus on productivity efficiencies delivered 41bp improvement NZ sales decline impacted Group CODB by 23bp Further support office and supply chain savings potential
Australia	<ul style="list-style-type: none"> Investment in marketing & store wages funded by strong cost control particularly in supply chain Sub-inflation increase in underlying wages and occupancy costs
NZ	<ul style="list-style-type: none"> Underlying costs down NZ\$2.1m on support office restructure & improved occupancy cost performance Benefit negated by sales decline
CODB reduction initiatives	<ul style="list-style-type: none"> NZ support office savings achieved expectations Anticipate sales growth leverage in 2H 2015, pcp FY2015 CODB up to 50bp lower than FY2014



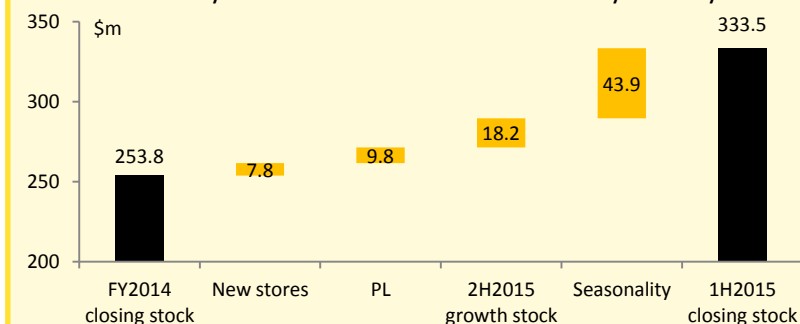
Balance Sheet – *Positioning for sustainable growth*

\$m	28 Dec 2014	29 Jun 2014	Variance
ASSETS			
Current assets			
Net cash	17.9	29.9	(12.0)
Receivables	81.5	46.7	34.8
Inventories	335.0	253.8	81.1
Other current assets	10.2	5.5	4.8
Total current Assets	444.7	335.9	108.8
Non-current assets			
Net property, plant and equipment	86.7	78.8	8.0
Deferred tax assets	28.7	36.5	(7.8)
Total non- current assets	115.5	115.3	0.2
TOTAL ASSETS	560.2	451.2	109.0
LIABILITIES			
Current liabilities			
Trade and other payables	338.9	249.0	89.9
Other current liabilities	19.3	17.8	1.6
Total current liabilities	358.3	266.8	91.5
Non-Current Liabilities			
Borrowings	-	-	-
Other	22.8	17.4	5.4
Total non- current liabilities	22.8	17.4	5.4
TOTAL LIABILITIES	381.1	284.2	96.9
NET ASSETS	179.1	166.9	12.1
EQUITY			
Contributed equity	346.1	346.1	-
Reserves	(333.4)	(339.2)	5.8
Retained profits	166.3	160.0	6.3
TOTAL EQUITY	179.1	166.9	12.1

▪ Net cash. Investment in driving sustainable growth in 2H 2015

▪ Improved David Jones sales (received in arrears) & vendor rebates

▪ Clean inventory with clearance stock 40% lower year on year



▪ Improved in-stock position drove strong January/February sales

▪ Private label stock to increase as PL mix improves

▪ Foreign exchange contracts revalued

▪ \$14.9m capex, largely driven by new stores & online investment

▪ Depreciation \$7.0m

▪ Improved supplier trading terms, higher inventory, timing of creditor payments

▪ No drawn debt as at 28 December 2014, consistent with expectations

Cash Flow – *Investing for future growth*

\$m	1H 2014	
	1H 2015	Pro forma
EBITDA	44.7	41.7
Movement in Working Capital	(21.3)	55.7
Net Interest Paid	(1.7)	(0.5)
Income Tax Payment	0.0	0.0
Share-based Payments	0.0	0.0
Net Cashflow form Operating Activities	21.7	96.9
Capital Expenditure	(14.9)	(15.6)
Net Cashflows from Investing Activities	(14.9)	(15.6)
Repayment of borrowings	0.0	(26.5)
Other items	0.0	(3.6)
Payment of dividend	(18.9)	0.0
Net Cashflow from Financing Activities	(18.9)	(30.1)
Net Increase/(Decrease) in Cash Held	(12.1)	51.3
Effects of exchange rate on cash	0.1	0.9
Cash at the beginning of the period	29.9	13.0
Cash at the end of the period	17.9	65.2

- Working capital impacted by timing of creditor payments, enhanced inventory quantity and quality, new store openings and improved supplier terms
- Higher inventory reflects conscious decision to strengthen stock levels to drive January sales
- Increase in sundry receivables on improved supplier terms

Working Capital	1H 2015
(Increase)/decrease in current assets	
Receivables	(34.8)
Inventory	(81.1)
Increase/(decrease) in current liabilities	
Trade payables & accruals	89.9
Other	4.8
Net movement in Working Capital	(21.3)

- Mainly new stores & online platform integration

- Payment of FY2014 final dividend of 8cps (reflecting 7 months of FY2014 EPS).

Growth Strategy – *strong performance in focus areas*

- ✓ **Store growth**
 - Fastest growing consumer electronics retailer with largest number of stores.
 - 11 stores opened in 1H 2015. Now 385 conveniently located stores in Australia & NZ
 - 'MOVE by Dick Smith' debuts today at Sydney Airport
 - Sustainable network of approx. 450 stores in FY2017, with 15-25 new stores annually

- ✓ **Online**
 - Sales over 7% of retail sales, up from over 5% in 2H 2014, continuing strong growth profile
 - Comprehensive omni-channel platform integrating 7 websites with extensive store network

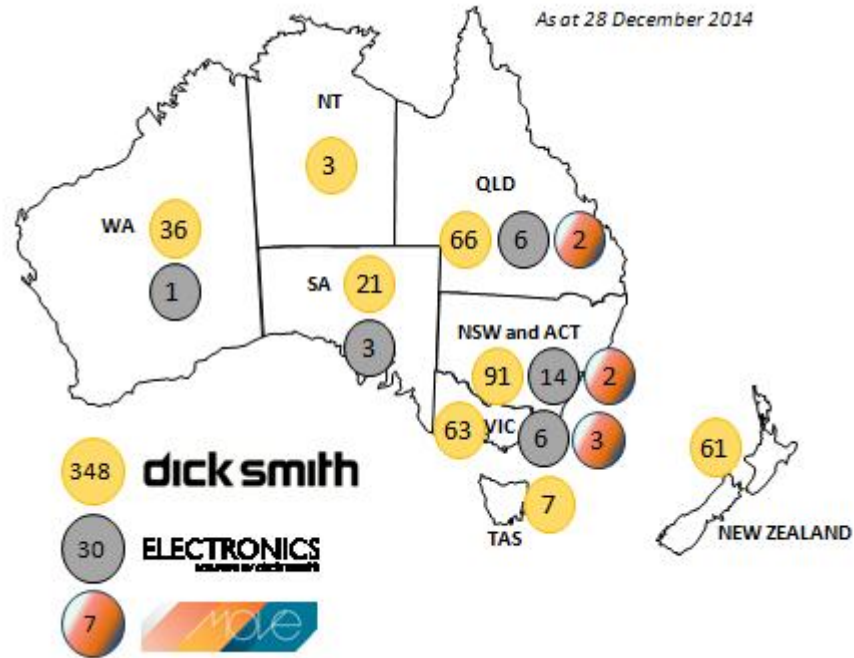
- ✓ **Private Label**
 - Penetration >12% of sales
 - Good, Better, Best ranging attracting customers
 - 40% increase in product range, reflecting consumers' strong desire for quality Private Label

- ✓ **Mobility**
 - Performance consistent with expectations
 - Attractive longer-term opportunity

- ✓ **Branding**
 - Improving consumer perception on brand, price & product
 - Apple commercial imminent launch - first of its kind in Australia

Building a sustainable platform for enhanced performance

Largest store network – ~400 stores by FY2015



	FY14	As at 28 December 2014			FY15F
	29-Jun	Opened	Closed	Total	Indicative
Australia					
Dick Smith	283	7	3	287	290-295
Electronics Powered by DS	29	1	0	30	30
MOVE	4	3	0	7	9-12
Duty Free	0	0	0	0	5
	316	11	3	324	336-339
New Zealand					
Dick Smith	61	0	0	61	61
	61	0	0	61	61
TOTAL	377	11	3	385	397-400

- Opening 9 new stores in 2H 2015 and 5 'MOVE by Dick Smith' locations at Sydney Airport
- Potentially close some stores where rent dynamics aren't conducive

Comprehensive store network with unparalleled expansion profile

Key initiatives – *Omni-channel*

Online sales now more than 7% of retail sales (2H 2014: >5%)

- Well placed to achieve 10% of sales by FY2017

Comprehensive footprint active through multiple platforms

- DS AU & NZ; David Jones; MOVE; eBay; Catch of the Day; Westfield
- Leveraging online customer base into in-store repeat sales

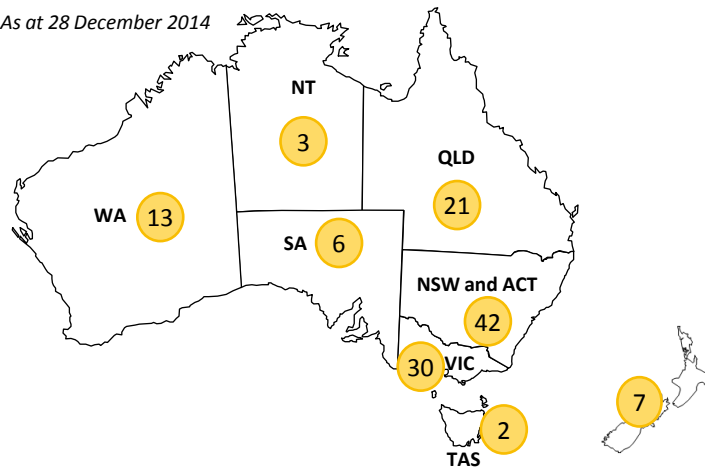
Competitive and sustainable advantage

- Leveraging Australasia's largest consumer electronics store network
- Lower freight, fulfilment costs and speedier delivery

Click & Collect available in all stores; online fulfilment from 124 locations

- Further fulfilment locations in NZ from February

As at 28 December 2014



dick smith
DO MORE SAVE MORE

BACK TO IT VIEW DEALS >

HALF PRICE DEALS ONLINE ONLY VIEW DEALS >

30% OFF SELECTED TV AND AUDIO ACCESSORIES

30% OFF SELECTED COMPUTER ACCESSORIES

30% OFF SELECTED CABLES

30% OFF SELECTED CAMERA ACCESSORIES

30% OFF SELECTED BAGS AND CASES

30% OFF SELECTED OFFICE ACCESSORIES

30% OFF SELECTED TRAVEL ACCESSORIES

30% OFF SELECTED MOBILE PHONE ACCESSORIES

TOP 4 DEALS - ONLINE ONLY

- eneloop AA Chocolate 8pk use **\$14.98** RRP \$24.98
- eneloop AAA Chocolate 8pk use **\$14.98** RRP \$24.98
- eneloop AA Tropical 8pk use **\$17.98** RRP \$24.98
- eneloop AAA Tropical 8pk use **\$19.98** RRP \$24.98

dick smith
DO MORE SAVE MORE

dick smith
DO MORE SAVE MORE

Valentine's HEART PUMPING DEALS
ONLINE ONLY VIEW DEALS >

RRP \$349
\$279

RRP \$499
\$349

RRP \$549
\$379

RRP \$149
\$149

RRP \$49.98
\$49.98

RRP \$39.98
\$39.98

RRP \$78
\$78

RRP \$74.98
\$74.98

RRP \$518
\$518

PERFECT PAIRS ONLINE ONLY VIEW DEALS >
TWO FOR THE PRICE OF ONE

2 FOR \$79.98 RRP \$159.98

2 FOR \$69.98 RRP \$139.98

2 FOR \$29.98 RRP \$59.98

2 FOR \$35.98 RRP \$71.98

2 FOR \$19.98 RRP \$39.98

dick smith
DO MORE SAVE MORE

Key initiatives – *Private Label & Mobility*

Private Label

- Private Label penetration >12% of sales
 - TVs, Audio & MOVE accessories strong growth
- Pricing hierarchy introduced with MOVE range of premium product
- On track to drive penetration to >15% of sales by FY2017

Mobility

- Post-paid performance consistent with expectations
- New product accessibility benefited outright sales & prepaid



FY2015 Outlook – *sustainable growth*

- ➔ Strong start to 2H 2015 with total and comparable sales growth accelerating compared to 1H FY2015. January sales grew 17% and February sales exhibiting double-digit growth, despite continued challenges in New Zealand.
- ➔ Further store openings (9 planned in 2H 2015), 'MOVE by Dick Smith' at Sydney Airport drives our expectation of approximately 10% total sales growth for FY2015.
- ➔ Continued focus on growth pillars of new stores, omni-channel, computers, mobility & private label.
- ➔ Continued competitive market likely to require some gross margin flexibility.
- ➔ CODB/sales expected to decline up to 50bp in FY2015.
- ➔ Anticipate 7-9% EBITDA and 3-5% NPAT & EPS growth in FY2015 on continued investment for future growth in new stores, new categories and online and anticipated cost efficiencies (subject to prevailing market conditions continuing).

Appendix: 1H 2014 Statutory to Pro forma Reconciliation

(A\$m)	Sales	EBITDA	EBIT	NPAT	Net Cash Flow
1H 2014 statutory results	637.0	13.4	7.9	(4.9)	17.8
Restructuring costs		1.6	1.6	1.6	1.6
Other costs		1.4	1.4	1.4	(2.0)
Share based payments		4.4	4.4	4.4	
Impact of the Offer		20.9	20.9	20.9	20.9
Repayment of borrowings					(26.5)
Repayment of Woolworths liability					24.0
Acquisition price adjustment to Existing Owners					15.0
Tax adjustment				1.7	
Interest Cost				(0.2)	0.5
1H 2014 pro forma results	637.0	41.7	36.2	25.0	51.3



Questions

Disclaimer

Forward looking statements: This presentation contains certain forward-looking statements, including with respect to the financial condition, results of operations and businesses of Dick Smith Holdings Limited (**DS**) and certain plans and objectives of the management of DS. Forward-looking statements can generally be identified by the use of words including but not limited to “project”, “foresee”, “objectives”, “plan”, “expect”, “aim”, “intend”, “anticipate”, “believe”, “estimate”, “may”, “should”, “will” or similar expressions. Indications of plans, strategies and objectives of management, sales and financial performance are also forward looking statements.

All such forward-looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of DS, which may cause the actual results or performance of DS to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements apply only as of the date of this presentation.

Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian, New Zealand and global economic environment and capital market conditions, the cyclical nature of the retail industry, the level of activity in Australian and New Zealand retail industries, fluctuation in foreign currency exchange and interest rates, competition, DS’s relationships with, and the financial condition of, its suppliers and customers, legislative changes, regulatory changes or other changes in the laws which affect DS’s business, including consumer law, and operational risks. The foregoing list of important factors and risks is not exhaustive.

No representation or warranty (express or implied) is given or made by any person (including DS) in relation to the accuracy, likelihood of achievement or reasonableness of any forward looking statements or the assumptions on which the forward looking statements are based. DS does not accept responsibility or liability arising in any way for errors in, omissions from, or information contained in this presentation.

DS disclaims any obligation or undertaking to release any updates or revisions to the Information to reflect any new information or change in expectations or assumptions after the date of this presentation, except as may be required under applicable securities law.

Disclaimer and third party information: To the fullest extent permitted by law, no representation or warranty (express or implied) is or will be made by any legal or natural person in relation to the accuracy or completeness of all or part of this document, or any constituent or associated presentation, information or material (collectively, the **Information**). The Information may include information derived from public or third party sources that has not been independently verified.

Investment decisions: Nothing contained in the Information constitutes investment, legal, tax or other advice. The Information does not take into account the investment objectives, financial situation or particular needs of any investor, potential investor or any other person. You should take independent professional advice before making any investment decision.

All statutory numbers referred to in this presentation have been audited.

Adjustments made between statutory and pro forma results were made in accordance with ASIC Guidance Statement RG230.