19 March 2015

ASX Announcement

Restructure supports Dick Smith's Growth Strategy

Dick Smith Holdings Limited (Dick Smith), Australasia's largest and fastest growing consumer electronics retailer, today announced a number of initiatives focused on improving the Company's capability to accelerate sustainable future growth.

These initiatives will generate savings of between $8 million to $12 million and are instrumental in management achieving its previously stated objective of reducing cash costs of doing business to 17.5% to 18% of sales by FY2017. The initiatives, which are expected to be implemented by June 2015, will incur an anticipated one-time cash cost of approximately $6.9 million to $7.9 million ($4.8 million to $5.5 million after tax).

These changes will:

- make it easier for our suppliers to do business with Dick Smith;
- improve efficiencies through the supply chain; and
- reduce complexity and costs.

The initiatives will result in structural changes impacting approximately 80 positions within our Support Office.

Nick Abboud, Dick Smith Managing Director and CEO, said "We have taken the difficult decision to streamline our structure, impacting positions at the Support Office. In addition, we are implementing further enhancements to our supply chain. These include a long term contract with a new Australian and international logistics provider which will improve our in-house efficiencies via an end-to-end approach to supply chain management."

"Cost efficiencies are not the key driver of these initiatives, however we anticipate annualised financial benefits from July 2015 of approximately $8 million to $12 million, which are instrumental in reducing our cash costs of doing business to 17.5% to 18% of sales by FY2017," said Mr Abboud.

"Our commitment and ability to serve our customers with the product they want, when they want it, from our 388 physical locations and seven online platforms is unabated and remains at the core of everything we do," said Mr Abboud.

The initiatives follow the successful implementation of a number of Support Office IT-related projects, enabling improving efficiencies across the business. They are consistent with the improvements made to the retail network structure, the integration of the New Zealand and Australian Support Offices and Auckland Distribution Centre, and are the logical next phase in improving the Company's operational efficiency and driving its Growth Strategy.

Dick Smith reaffirms its expectations for FY2015 sales growth of approximately 10%, EBITDA growth of approximately 7% to 9% and NPAT and EPS growth of approximately 3% to 5%, excluding the one-time cash costs outlined above. The growth profile for Dick Smith remains strong, with significant progress made to cement its position as Australasia's leading consumer electronics retailer.

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