

Dick Smith reports 1H2014 pro forma EBITDA of \$41.7 million, up 4% on Prospectus¹

1H2014 Highlights			
	Actual pro forma	Actual pro forma vs FY2014 Prospectus ²	Prospectus FY2014 Forecast ³
Sales	\$637.0m	52%	52%
EBITDA	\$41.7m	58%	56%
NPAT	\$25.0m	63%	

Overview

Dick Smith Holdings (ASX: DSH) today announced its maiden interim result which achieved its Prospectus forecast¹. With an EBITDA margin of 6.6%, pro forma EBITDA of \$41.7 million exceeded the Prospectus forecast 1H2014 of \$40.2 million by 4%, with 58% of the Prospectus FY2014 pro forma forecast achieved in 1H2014. Pro forma NPAT for the 26 week period to 29 December 2013 of \$25.0 million represents 63% of the Prospectus FY2014 forecast.

Dick Smith Managing Director and Chief Executive Officer, Nick Abboud, said, "A strong focus on sales, gross margin and reducing the cost of doing business drove our strong pro forma operating result."

"Dick Smith's range of private label and global brands enabled us to achieve our sales expectations without compromising our gross margin," Mr Abboud said.

"With our key profit metrics exceeding our Prospectus pro forma forecasts¹, highlighted by a 20 basis point improvement in gross margin to 25.3% and pro forma EBITDA at 6.6% of sales for the half, this is an excellent operating result."

"The 1H2014 pro forma result is testimony to the significant transformation Dick Smith has undertaken during the past year. We continue to adapt our business in line with customer expectations and to meet current and future challenges. The commencement of store growth for Dick Smith, the acquisition of David Jones' electrical department, the introduction of a new consumer electronics retailer concept in Move, a strong focus on our core categories including private label and accessories and considerable improvements in supplier relationships and operational efficiencies all contributed to the result."

¹ Based on forecasts which formed the basis of the Dick Smith Prospectus (dated 21 November 2013) FY2014 forecasts.

² 1H2014 actual as a proportion of FY2014 Prospectus forecast.

³ 1H2014 seasonality percentage of FY2014 as forecast in the Prospectus.

1H2014 PRO FORMA FINANCIAL HIGHLIGHTS

	1H2014	FY2014 Prospectus forecast	1H2014 Actual % of FY2014 Prospectus forecast	Prospectus forecast ³
Sales (A\$m)	637.0	1,226.0	52%	52%
Gross Profit (A\$m)	160.9	307.8	52%	
Gross margin	25.3%	25.1%		
CODB (A\$m)	119.2	236.0	50%	
CODB/Sales	18.7%	19.2%		
EBITDA (A\$m)	41.7	71.8	58%	56%
EBITDA margin	6.6%	5.9%		
Depreciation (A\$m)	5.5	13.1		
EBIT (A\$m)	36.2	58.7	62%	
EBIT margin	5.7%	4.8%		
Interest (A\$m)	0.5	1.4		
Profit before tax (A\$m)	35.8	57.3	62%	
Tax (A\$m)	10.8	17.3		
NPAT (A\$m)	25.0	40.0	63%	
EPS (c)	10.6	16.9	63%	

Dividends

Consistent with the Prospectus, Dick Smith intends to pay its maiden dividend in October 2014 reflecting a 60-70% payout ratio of the profit for the seven month period from the completion of the offer (December 2013) to 29 June 2014.

Growth strategy

The company continues to successfully implement its four pillar growth strategy, focusing on new stores, omni-channel, mobility and private label. The planned integration of our New Zealand and Australian support functions, particularly marketing and buying, has the support of our key suppliers and is expected to deliver significant 'go to market' benefits, as well as cost savings.

Stores

The company opened 46 new stores primarily in Q2 FY2014 with the addition of David Jones Electronics Powered by Dick Smith.

The business plans to open a further seven Dick Smith, three Move and one David Jones Electronics Powered by Dick Smith stores in 2H2014. With centre redevelopments expected to close two Dick Smith (Narellan and Werribee) and one (Miranda) of two David Jones Powered by Dick Smith stores, this represents a net addition of six Dick Smith stores and one Move store to those indicated in the Prospectus.

"Comparable store sales performed in accordance with our expectations," said Mr Abboud.

"With the Australian transformation largely complete, the adjusted comp store sales decline of 1.3% in 1H2014 reflects the level of underlying discounting experienced in 1H2013. The planned transformation



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in New Zealand is now underway, with the 25.9% decline in New Zealand adjusted comp store sales in 1H2014 a result of strong gross margin growth and the early stage of the New Zealand transformation," Mr Abboud said.

"The transformation of the New Zealand operations is now underway and we recently announced significant improvements through integrating the support functions, primarily Marketing and Buying, in Australia. This is designed to ensure Dick Smith has the most efficient, sustainable and successful 'go to market' model to support the future direction of the business, with the resulted sales benefit and cost efficiencies expected to be fully realised in FY2015," Mr Abboud said.

Omni-channel

Online sales continue to grow strongly and accounted for more than 3% of total sales during the half, with click and collect growing 50% compared to twelve months ago.

"Our omni-channel offer embraces the convergence of customer needs in convenience, fulfilment and mobility, with key metrics of online sales, page views, visits and transactions growing strongly."

Balance sheet

Dick Smith's healthy balance sheet, with no debt and an improvement in inventory quality at 29 December 2013, places the company in a strong financial position for future growth.

Guidance

"We anticipate further benefits should be realised in 2H2014 from initiatives already undertaken, particularly the new stores being open for the full period, further expansion of our store footprint, the continued transformation of the David Jones electrical department to Dick Smith, the restructure of the support function in New Zealand, other supply chain efficiencies and our ongoing transformation initiatives," said Mr Abboud.

"Dick Smith is well placed to deliver on our FY2014 Prospectus pro forma forecasts, provided there are no deterioration in consumer/market conditions," Mr Abboud said.

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Analyst and Investor briefing:

A briefing will be held for analysts and investors today at 10:30am (AEST time), with the presentation available at www.dicksmithholdings.com.au/investor. A recording of this briefing will be available afterwards at: www.dicksmithholdings.com.au/investor.