



Dick Smith Holdings Limited 2014 AGM – Chairman's Address

I would like to take this opportunity to introduce your Directors. On my left is your Managing Director & CEO, Nicholas Abboud, next to him is Bill Wavish, chair of the Finance and Audit Committee, and moving down the table, Lorna Raine, head of the Remuneration Committee, Rob Murray, Robert Ishak and Michael Potts, your Finance Director & CFO. Brief bios for the Directors can be found in the Annual Report and, for those Directors nominated for election today, in the Notice of Meeting.

Also joining us today in the audience is our Auditor, Mr David White from Deloitte, who is available to answer questions about the audit of the accounts and representatives from Link Market Services, our share registry, who will supervise the conduct of the poll if one is required during the meeting.

2014ⁱ was an impressive year for Dick Smith. We completed our transformation and have progressed well and on our innovative growth agenda. We listed on the Australian Stock Exchange on 4 December, and despite significant macro-economic headwinds, exceeded our pro forma Prospectus forecasts.

TRANSFORMATION AGENDA

During the two years since November 2012, when Dick Smith became an independent entity, your Company has significantly transformed all aspects of its business.

We now buy our product significantly better and we move it and sell it more efficiently than last year, which has allowed us to sell our product at competitively lower prices and achieve better margins.

Dick Smith now has the operational and cost structure necessary to achieve sustainable profitable growth.

GROWTH AGENDA

Your Board believes sustained profitable growth is integral to achieving our strategy of being the leading consumer electronics retailer in Australia and New Zealand.

Our growth agenda over the next three years has four main components: new formats, new stores, an integrated omni-channel platform and to be at the forefront of new products and innovation.

New formats

Dick Smith has four formats catering for different demographics: the epitomes Dick Smith, David Jones, Move, both introduced in October 2013 and from early next calendar year, Duty Free with Move by Dick Smith.



ASX Announcement

15 October 2014

New stores

Providing our customers with opportune shopping opportunities is integral to our growth strategy. With our convenient store footprint, your board believes there is considerable scope for at least 450 stores in Australia and New Zealand.

We are pleased to have moved to a store opening phase, following a number of store closures in recent years. In 2014, we opened 21 Dick Smith stores in addition to David Jones and Move, with all stores profitable.

Comprehensive omni-channel platform

With online shopping increasingly an integral part of consumers' shopping habits, our leading online offer complements our store network, providing conveniently located and efficient Click & Collect and store fulfillment capabilities.

By Christmas, customers will have 8 distinct online platforms from which they can purchase our product. These include the Dick Smith transactional websites and apps, as well as Dick Smith stores on Westfield, ebay, Catch of the Day, David Jones and Trade Me in New Zealand, with the Move transactional website to be operating before Christmas.

Our extensive platform capability is integrated with a compelling distribution network. Customers can order online and collect from their most conveniently located store or arrange delivery from over 125 stores with fulfillment capability.

Our distribution reach saves customers time and freight cost, whilst improving Dick Smith's store productivity and maximizing our inventory utilisation.

Reflective of our capability and focus, online sales grew 55% in 2014 and presently represent over 5.5% of retail sales.

2014 FINANCIAL PERFORMANCE

Financially, 2014 was an exciting year for your Company. We successfully listed on the Australian Stock Exchange on 4 December 2013 and despite headwinds from softer consumer confidence since listing, exceeded our pro forma Prospectus forecasts on all measures. Pro forma EBITDA of \$74.4m was 3.6% higher than forecast in the Prospectus and triple that achieved in 2013. Pro forma net profit after tax available to shareholders was 5.3% higher than indicated in the Prospectus, at \$42.1m and over six times better than that achieved in 2013.

Our EBITDA margin of 6.1% is comparable to the best consumer electronics retailers in the world and we believe there are still significant margin expansion opportunities.

At the same time, Dick Smith has strengthened its balance sheet, repaid the debt incurred at the time of our initial public offering and fully funded our growth.



ASX Announcement

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Cash flow during the year was also pleasing. Operating cash leverage was 110%, despite the increased investment in inventory during the year as a result of the significant store rollout. This strong cash generation has allowed us to maintain a strong balance sheet.

The pleasing result allowed your Directors to declare an 8 cent per share fully franked dividend, which will be paid on 21 October, 2014. This dividend is consistent with the Board's policy of paying out 60-70% of profit available to shareholders and relates to the Company's performance for the seven months from listing to 29 June 2014.

Your Board is confident the strong operational performance experienced in 2014 will continue in 2015, despite the continuing challenging market conditions.

Financial performance is only one part of the equation. We take our corporate and social responsibilities, including ethical trading, environmental practices and employee welfare equally as seriously.

Ethical Trading

As a significant retailer of private label product, we have developed a detailed ethical sourcing policy, in which the Company is committed to upholding human rights, fair working conditions and environmental protection.

Our suppliers must commit to complying with a number of requirements, many of which are drawn from the Ethical Trading Initiative and International Labour Organisation Conventions. Dick Smith conducts audits of all private label suppliers, at least annually. These audits cover requirements incorporating bribery and corruption, labour rights, freedom of association, working conditions, child labour, living wages, working hours, discrimination, harsh and inhumane treatment, entitlement to work and environmental compliance. During 2014, our suppliers were in compliance.

Environmental practices

Dick Smith promotes sustainable environmental practices throughout our stores and supply chain, which is embodied in our Code of Conduct. Sustainable practices include Mobile Muster, Cartridges 4 Planet Ark, store recycling, sustainable recycling of televisions and computers and energy efficient store design.

Employee welfare

Your Board understands that none of this growth would have been achievable without the hard work and dedication of our 3,300 staff. We are committed to attracting and retaining top quality staff throughout the organisation.

We are pleased to be the recipient of the 'Best New Employee Share Plan 2014' award, issued by Employee Ownership Australia and New Zealand and that over 1100 staff own over 10% of the company.



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We are also proud that the Company achieved a lost time incident frequency rate significantly below that of the broader retail trade rate. I would like to take this opportunity to thank our employees for their dedication and hard work.

I would like to take this opportunity to thank my fellow Board members and you, our shareholders, for your ongoing support.

The Board extends its thanks to the Managing Director for his leadership and all Dick Smith employees for their commitment and strong contributions during what has been an intense and rewarding year. We would also like to thank our suppliers and other stakeholders for their support during 2014 and look forward to it continuing in 2015.

I now invite Nick to provide additional commentary on the Dick Smith 2014 performance and outlook.

For further information please contact:

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ⁱ The financial year ended 29 June 2014