







Results Briefing

Results for the first quarter ended 30 June 2014

14 August 2014







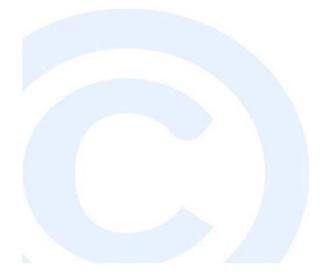
- **Executive summary**
- **Financial highlights**
- Operational updates

Executive summary

- Sales for Q1 FY2015 at \$194.1 million, down 1.5% from Q1 FY2014
 - Pre-tax profit and net profit for Q1 FY2015 at \$5.8 million and \$5.1 million respectively
- COURTS

- Healthy balance sheet with strong cash position of S\$101.2 million as at 30 June 2014
- 4 Singapore long-term fundamentals remain robust
- Malaysia macro environment has been subdued
- 6 On track in Indonesia

- **Executive summary**
- Financial highlights
- Operational updates



Financial summary and key financial ratios

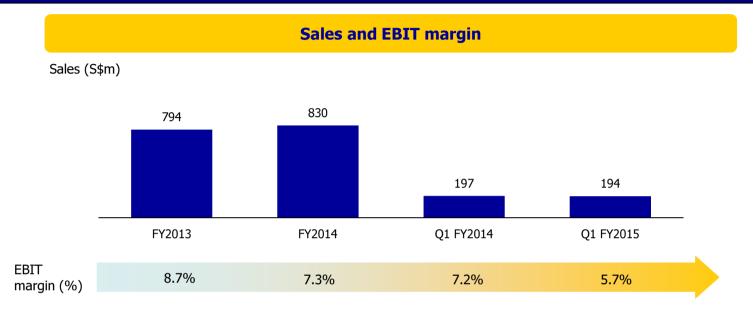
| (S\$m unless otherwise stated) | | |
|--|-----------|-----------|
| Income statement | Q1 FY2015 | Q1 FY2014 |
| Sales | 194.1 | 197.1 |
| Gross profit | 63.5 | 60.2 |
| Basic EPS (cents) ¹ | 0.91 | 1.26 |
| Fully diluted EPS (cents) ² | 0.91 | 1.26 |

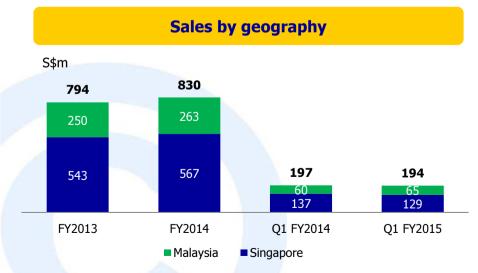
| Balance sheet | As at 30 June 2014 | As at 31 March 2014 |
|---|--------------------|---------------------|
| Cash and bank balances | 101.2 | 115.0 |
| Trade and other receivables | 503.9 | 488.2 |
| Borrowings | 317.5 | 308.0 |
| NAV per ordinary share (cents) ³ | 54.8 | 53.8 |

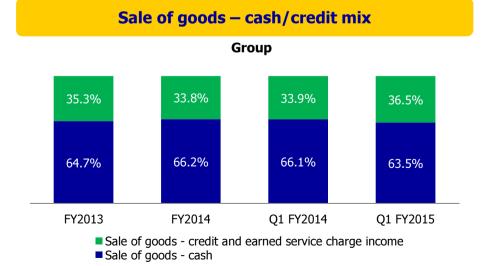
| Statement of cash flows | Q1 FY2015 | Q1 FY2014 |
|---|-----------|-----------|
| Net cash used in operating activities | (16.5) | (1.6) |
| Net cash used in investing activities | (1.9) | (4.0) |
| Net cash provided by financing activities | 5.1 | 102.4 |

- Q1, FY: Refer to the first (1st) quarter from 1 April to 30 June and financial year from 1 April to 31 March respectively
- 1: Basic earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders by the weighted average ordinary shares during the three months ended 30 June 2014 and the same period last year of 555,716,945 and 560,000,000 respectively.
- 2: Diluted earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders by the weighted average ordinary shares during the three months ended 30 June 2014 and the same period last year of 556,517,000 and 561,040,000 respectively.
- 3: Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the current financial period reported on and immediately preceding financial year

Sales







Notes:

Product range focused on 4 key segments

% of Q1 FY2015 sale of goods

Electrical Products

48.4%

- Major White Goods
- Vision
- Small appliances
- Audio

IT Products

28.3%

- Computers
- Accessories
- Photography
- Mobile

Furniture

17.7%

- Mattresses
- Bedroom furniture
- Dining room furniture
- Living room furniture
- Home office products

Services & Others

5.6%

- Warranty sales
- Other services
 - Product replacement services
- Connect telecommunications subscription plans

Sales – cash/credit mix

Singapore

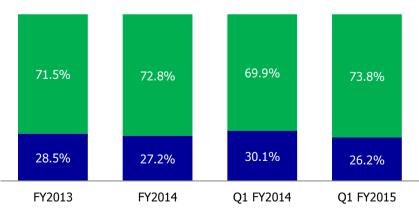


■ Sale of goods - credit and earned service charge income

■ Sale of goods - cash

Sales - cash/credit mix

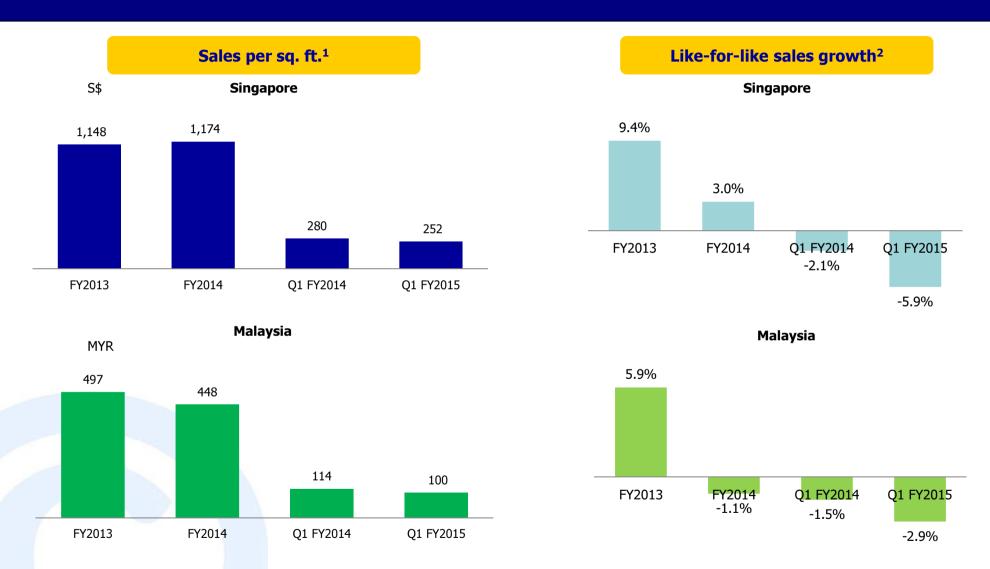
Malaysia



- Sale of goods credit and earned service charge income
- Sale of goods cash

Notes:

Operating metrics

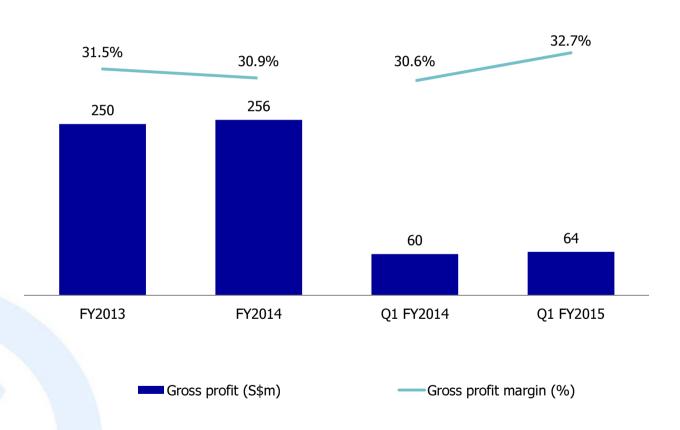


Notes:

- Q1: Refers to the first (1st) quarter from 1 April to 30 June
- FY: Refers to the financial year from 1 April to 31 March
- 1: Based on weighted average retail square footage and sale of goods from stores for each period, excluding sales from events held outside stores
- 2: Like-for-like sales (net merchandise sales and current quarter/year service charge income generated) growth for a financial quarter/year is calculated based on stores which had been operating for the entire quarter/year over that particular quarter/year and the entire same period over the preceding year

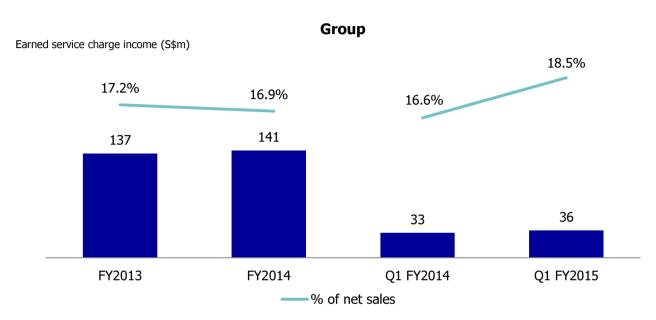
Operating metrics

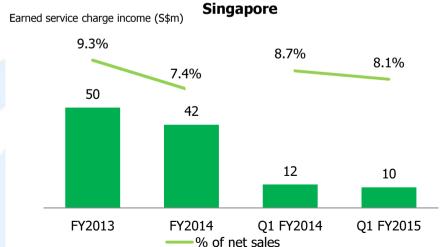
Gross profit and margin

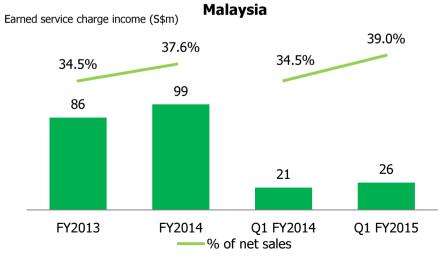


Note:

Earned service charge income

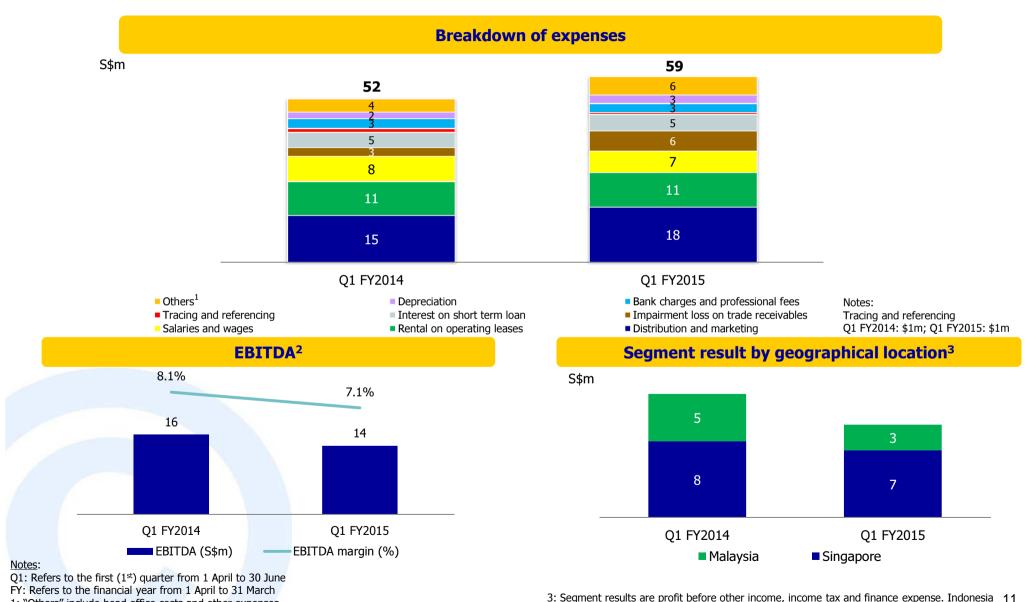






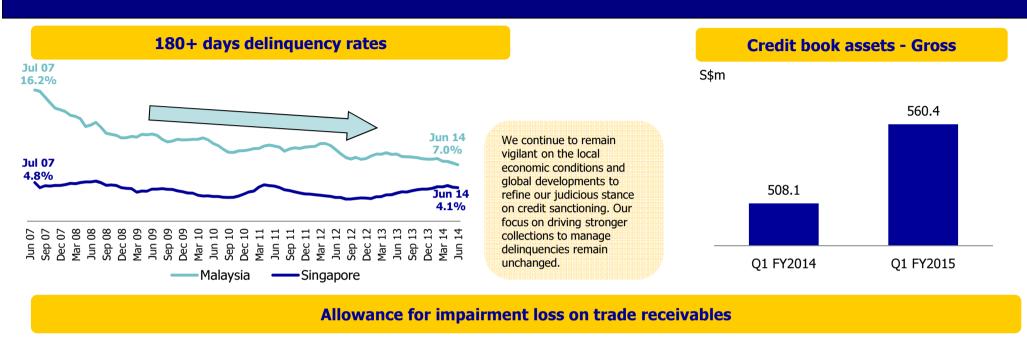
Notes:

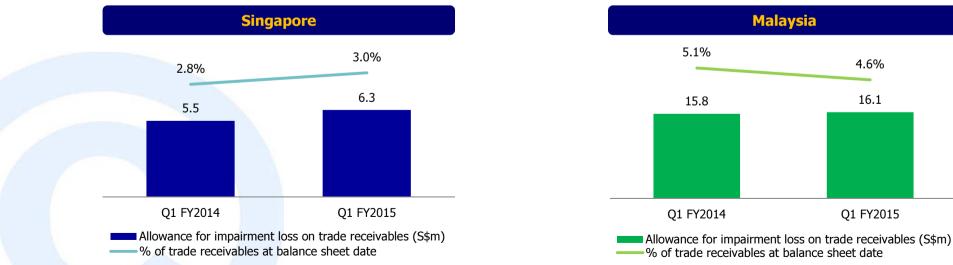
Breakdown of expenses and EBITDA



1: "Others" include head office costs and other expenses
2: EBITDA calculated as profit before tax add finance expense and depreciation and amortisation expense
3: Segment results are profit before other income, income tax and finance expense. Indonesia 11 incurred pre-operating expenses of \$0.3m and \$0.6m in Q1 FY2014 and Q1 FY2015 respectively

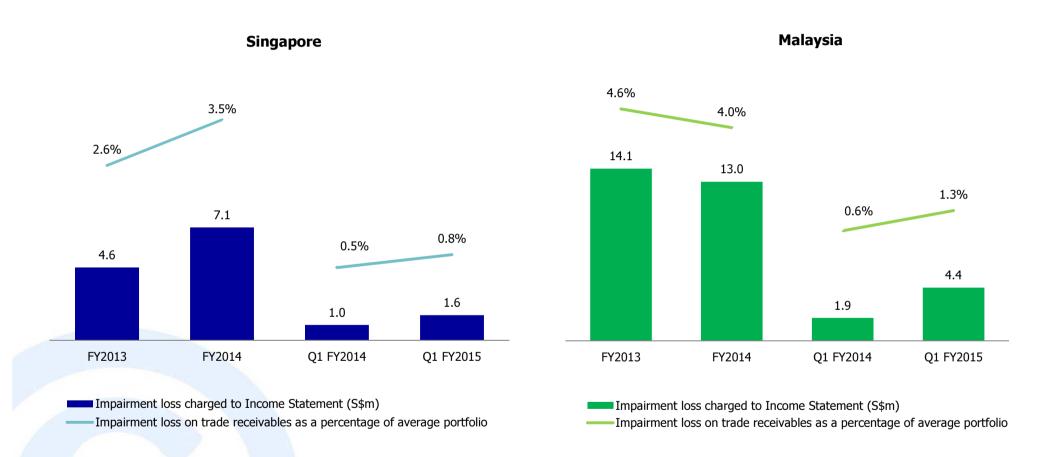
Delinquency rates and allowance for impairment loss on trade receivables





Notes:

Impairment loss on trade receivables charged to Income Statement



Notes:

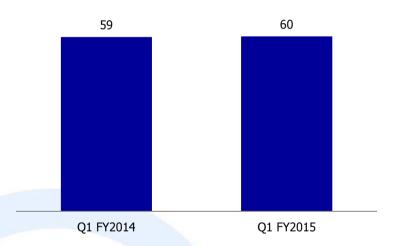
Working capital management

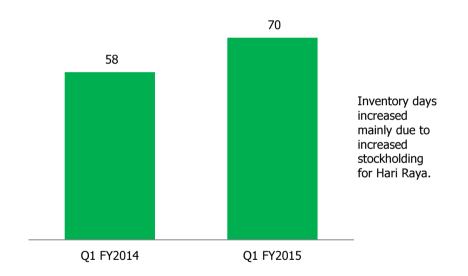
Trade payable days

Inventory days

Days

Days



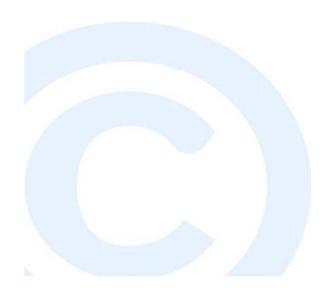


Borrowings

| Facility | Facility amount | Interest rate | Amount drawn down as at 30 June 2014 | Available headroom |
|---|--------------------|---|--|-----------------------|
| Multicurrency Medium Term Note (Singapore) | S\$500 mil | Fixed 4.75% p.a. | S\$125 mil | S\$375 mil |
| Asset Securitisation Programme 2012 (Singapore) | S\$150 mil | S\$50.2 mil fixed 5.50% p.a. Balance floating | S\$59.3 mil | S\$90.7 mil |
| Syndicated Senior Loan (Malaysia) | RM430 mil | RM250 mil EIR 6.6% p.a. ¹ Balance floating | RM351 mil | RM79 mil |
| Bank guarantee facility (Indonesia) | US\$8.5 mil | N.A. | US\$3.3 mil | US\$5.2 mil |

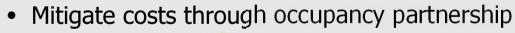
¹ The Syndicated Senior Loan carries an interest rate of KLIBOR plus a spread. Pursuant to a floating-to-fixed interest rate swap, the KLIBOR has been fixed for borrowings up to RM250 mil and as such, the resulting effective rate of interest (EIR) for borrowings up to RM250 mil is 6.6% p.a.

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Focus on margin enhancing and cost efficiency initiatives

- Adopt measured approach to new store openings to avoid cannibalisation to existing stores. Stronger focus on store relaunches
- Continue to invest in under-penetrated markets e.g. Sabah to spread central costs
- Furniture launch in Singapore and Malaysia in Q2 FY2015
- Launch wide ranging cost review exercise in anticipation of sustained soft external environment





Malaysia new store opening and makeovers in Q1 FY2015

New store opening







COURTS

Selayang, Selangor re-launched on 4 April 2014



Store relaunch



Melaka re-launched on 25 April 2014



Kluang, Johor re-launched on 16 May 2014



Cheras, Selangor re-launched on 9 May 2014



Nilai, Negeri Sembilan re-launched on 30 May 2014



Kajang, Selangor re-launched on 6 Jun 2014

Invest in omni-channel: Courts is the top multi-channel retailer in Singapore*

- Q1 FY2015 vs. Q1 FY2014: 38% growth in delivered sales
- From 7,000 SKUs to over 13,000 today
- #1 multi-channel retailer based on traffic*
- Roll out of 75 digital kiosks island-wide
- Investing in infrastructure to improve capabilities



*Source: UBS ASEAN eCommerce Global Research, 13 June 2014

On track in Indonesia

- Flagship 140,000 sq. ft. Bekasi Megastore opening in September 2014
- Fitting out works started in July 2014. Expected completion early September 2014
- BSD opening is pushed back. Looking for another site, which will be our 2nd store

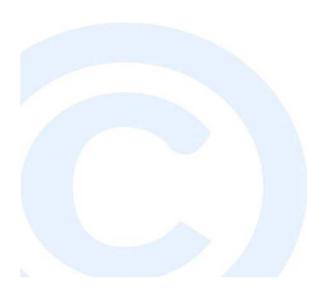








▶ Appendix



Unaudited results for the quarter ended 30 June 2014

| | Group | | |
|------------------------------------|--------------------|--------------------|--------|
| | Q1 | Q1 | % |
| | FY14/15 S\$'000 | FY13/14 S\$'000 | Change |
| | | | |
| Sales | 194,104 | 197,127 | (1.5) |
| Cost of sales | (130,597) | (136,882) | 4.6 |
| Gross profit | 63,507 | 60,245 | 5.4 |
| Other income and other gains - net | 1,181 | 1,022 | 15.6 |
| Expenses | | | |
| - Distribution and marketing | (17,807) | (15,161) | (17.5) |
| - Administrative | (35,776) | (31,869) | (12.3) |
| - Finance | (5,317) | (5,187) | (2.5) |
| Profit before income tax | 5,788 | 9,050 | (36.0) |
| Income tax expense | (708) | (2,007) | 64.7 |
| Net profit | 5,080 | 7,043 | (27.9) |

The Group's sales of \$194.1 million for Q1 FY14/15 was 1.5% or \$3.0 million lower than Q1 FY13/14.

Sales in Singapore, which contributed to 66.3% of the Group's sales, registered a 5.9% decrease in Q1 FY14/15 compared to Q1 FY13/14. The fall in sales was mainly due to reduced participation in tradeshow days to focus on margin improvement and lower bulk sales from digital product.

Sales in Malaysia, which contributed to 33.7% of the Group's sales, registered an 8.2% (12.7% in RM term) increase as compared to Q1 FY13/14 mainly due to sales contribution from new stores opened in the second half of last FY13/14.

Gross profit increased by 5.4% or \$3.3 million and gross profit margin increased from 30.6% in Q1 FY13/14 to 32.7% in Q1 FY14/15. This was mainly due to a higher service income in Malaysia and a shift in Singapore's sales mix towards electrical and furniture categories which carry a higher gross profit margin.

Other income and other gains (net) increased by \$0.2 million or 15.6% mainly due to higher bank interest received.

Distribution and marketing expenses for the quarter was \$17.8 million, an increase of \$2.6 million from Q1 FY13/14 of \$15.2 million. As a percentage of sales, it increased from 7.7% in Q1 FY13/14 to 9.2% in Q1 FY14/15. The increase is primarily attributable to an increase in advertising expenditure as a result of more aggressive marketing campaign.

Administrative expenses for the quarter were \$35.8 million, an increase of \$3.9 million from Q1 FY13/14 of \$31.9 million. The increase was a result of a combination of higher occupancy costs due to higher stores' rental costs and depreciation charge of \$1.8 million arising from the opening of new stores in Singapore and Malaysia and higher impairment allowance on trade receivables of \$3.1 million arising from higher credit portfolio. The increase was partially offset by lower bonus provision for Q1 FY14/15.

Finance expenses remained constant at \$5.3 million. Interest on borrowings increased from \$4.7 million Q1 FY13/14 to \$5.2 million in Q1 FY14/15 mainly due to accrued interest payable on the \$125 million fixed rate notes, partially offset by an unrealised exchange gain captured in Malaysia's books arising from a Singapore dollar denominated intercompany loan.

The **tax expense** of \$0.7 million for Q1 FY14/15 was based on taxable profit from the Singapore and Malaysia operations. The effective tax rate for Q1 FY14/15 was lower than the Singapore statutory tax rate mainly due to recognition of deferred tax assets on Indonesia's pre-operating losses during the period.

Unaudited Balance Sheet as at 30 June 2014

| | Group | | |
|----------------------------------|-------------------------|------------------------|--|
| | 30 Jun 2014 S\$'000 | 31 Mar 2014 S\$'000 | |
| ASSETS | | | |
| Current assets | | | |
| Cash and bank balances | 101,233 | 114,951 | |
| Trade and other receivables | 234,805 | 227,983 | |
| Inventories | 95,177 | 89,784 | |
| Current income tax recoverable | 1,632 | 1,106 | |
| | 432,847 | 433,824 | |
| | | | |
| Non-current assets | | | |
| Trade and other receivables | 269,125 | 260,181 | |
| Investments in subsidiaries | - | - | |
| Property, plant and equipment | 27,492 | 28,846 | |
| Intangible assets | 24,463 | 23,856 | |
| Deferred income tax assets | - | | |
| | 321,080 | 312,883 | |
| Total assets | 753,927 | 746,707 | |
| | | | |
| LIABILITIES | | | |
| Current liabilities | 440.070 | 407 400 | |
| Trade and other payables | 119,973 | 127,433 | |
| Current income tax liabilities | 3,818 | 4,105 | |
| Borrowings Deferred income | 1,294 | 1,200 | |
| Deletted income | 3,489 128,574 | 3,664 | |
| | 120,574 | 136,402 | |
| Non-current liabilities | | | |
| Derivative financial instruments | 41 | 55 | |
| Trade and other payables | 163 | 163 | |
| Borrowings | 316,227 | 306,831 | |
| Deferred income | 3,141 | 3,290 | |
| Deferred income tax liabilities | 1,113 | 1,178 | |
| | 320,685 | 311,517 | |
| Total liabilities | 449,259 | 447,919 | |
| Total habilities | | 447,313 | |
| NET ASSETS | 304,668 | 298,788 | |
| EQUITY | | | |
| Share capital | 265,332 | 265,332 | |
| Treasury shares | (2,544) | (2,544) | |
| Other reserves | (16,231) | (17,031) | |
| Retained profit | 58,111 | 53,031 | |
| Total equity | 304,668 | 298,788 | |
| | | _00,100 | |

Cash and bank balances were at \$101.2 million as at 30 June 2014 (31 March 2014: \$115.0 million). The decrease was mainly due to capital expenditure incurred for new stores and refurbishment of existing stores totaling \$2.7 million and cashflow used in operating activities during the period ended 30 June 2014, partially offset by net proceeds from borrowings.

The Group's **trade and other receivables (current and non-current)** increased by 3.2% from \$488.2 million as at 31 March 2014 to \$503.9 million as at 30 June 2014 due to higher credit sales.

Allowance for impairment of trade receivables as at 30 June 2014 was \$22.4 million, representing 4.0% of trade receivables, as compared to \$23.5 million as at 31 March 2014, representing 4.3% of trade receivables.

The Group's **inventories** increased from \$89.8 million to \$95.2 million due to the stocking up of new stores in Singapore and Malaysia and for the Hari Raya festive season.

Property, plant and equipment decreased from \$28.8 million to \$27.5 million mainly due to depreciation charge.

Intangible assets increased from \$23.9 million as at 31 March 2014 to \$24.5 million as at 30 June 2014. It comprises trademark and computer software costs and licences.

The Group's **trade and other payables (current and non-current)** decreased by 5.9% from \$127.6 million as at 31 March 2014 to \$120.1 million as at 30 June 2014 due to reduction in bonus provision and payment of bonus and incentive for FY13/14 during the period.

The total **borrowings** of \$317.5 million (31 March 2014: 308.0 million) represent the proceeds from the issue of fixed rate notes, the Asset Securitisation Programme 2012 in Singapore and Syndicated Senior Loan in Malaysia. The increase was mainly due to additional Syndicated Senior Loan of \$12.2 million in Malaysia partially offset by repayment of the Asset Securitisation programme of \$3.2 million in Singapore.

Unaudited Statement of cash flows for the quarter ended 30 June 2014

Group

| | 01 | |
|---|----------|----------|
| | Q1 | Q1 |
| | FY14/15 | FY13/14 |
| | S\$'000 | S\$'000 |
| Cash flows from operating activities: | | |
| Net profit | 5,080 | 7,043 |
| Adjustments for: | | |
| Income tax expense | 708 | 2,007 |
| Depreciation and amortisation | 3,488 | 2,960 |
| Amortisation of deferred income | (896) | (1,239) |
| Interest expense | 5,188 | 4,741 |
| Interest income | (798) | (544) |
| Amortisation of borrowing costs | 427 | 317 |
| Loss on disposal of property, plant and equipment (net) | - | 2 |
| Share-based compensation | 129 | 72 |
| Placement and listing expense | _ | _ |
| Changes in fair value of derivative financial instruments | (15) | (12) |
| Operating cash flow before working capital changes | 13,311 | 15,347 |
| | , | , |
| Changes in working capital | | |
| Inventories | (5,393) | (13,872) |
| Trade and other receivables | (15,766) | (699) |
| Trade and other payables | (7,893) | 95 |
| Cash generated from operations | (15,741) | 871 |
| Income tax paid (net) | (1,581) | (1,706) |
| Foreign currency translation differences | 795 | (764) |
| Net cash used in operating activities | (16,527) | (1,599) |
| Cash flows from investing activities | | |
| Additions to property, plant and equipment | (2,260) | (4,314) |
| Acquisition of intangible assets | (424) | (282) |
| Proceeds from sale of property, plant and equipment | 26 | (202) |
| Interest received | 798 | 564 |
| Net cash used in investing activities | (1,860) | (4,030) |
| Not oddin docum invosting dotivities | (1,000) | (4,000) |
| Cash flows from financing activities | | |
| Proceeds from bond issue | - | 125,000 |
| Proceeds from/(repayment of) syndicated senior loan - net | 12,244 | (3,501) |
| Additions to finance lease liabilities - net | 12 | 472 |
| Repayment of term loan | - | (13,750) |
| Repayment of loan received on asset securitisation | (3,194) | (3,525) |
| Decrease in fixed deposits pledged as securities for banking facilities | 230 | 1,534 |
| Interest paid | (4,212) | (3,781) |
| Net cash provided by financing activities | 5,080 | 102,449 |
| Net (decrease)/ increase in cash and cash equivalents | (13,307) | 96,820 |
| Cash and cash equivalents as at beginning of financial period | 109,234 | 81,898 |
| Effects of currency translations on cash and bank balances | (181) | (51) |
| Cash and cash equivalents as at end of financial period | 95,746 | 178,667 |
| | | |

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:-

| | 30 Jun 2014 | 30 Jun 2013 S\$'000 | |
|--|-------------|------------------------|--|
| | S\$'000 | | |
| Cash and bank balances | 62,180 | 114,140 | |
| Fixed deposits | 39,053 | 70,080 | |
| | 101,233 | 184,220 | |
| Less: Fixed deposits pledged as securities for banking facilities | (5,487) | (5,553) | |
| Cash and cash equivalents per consolidated statement of cash flows | 95,746 | 178,667 | |
| | | | |

▶ Q&A

To view the results presentation and briefing, please visit http://ir.courts.com.sg/events.cfm which will be available by 15 August 2014.