



Results Briefing

Results for the year ended
31 March 2014

30 May 2014



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- ▶ **Executive summary**
 - ▶ Financial highlights
 - ▶ Dividend policy for FY2015
 - ▶ Operational updates

Executive summary



- 1 Sales for FY2014 at \$830.3 million, up 4.6% and S\$36.5 million higher than FY2013
- 2 Pre-tax profit and net profit for FY2014 at \$38.0 million and \$28.3 million respectively
- 3 Final cash dividends of 0.76 cents per ordinary share proposed for current financial period, payable on 19 August 2014. Total 1.52 cents dividends per ordinary share for FY2014
- 4 Healthy balance sheet with strong cash position of S\$115.0 million as at 31 March 2014
- 5 Malaysia business reports a 5.1% increase in sales for FY2014; measures implemented to recover credit sales continue to yield results. Singapore revenue up 4.4% in FY2014 in spite of soft consumer sentiment. Our first 'Big-Box' Megastore to open in Bekasi, Indonesia by Q2 FY2015. Courts remains optimistic on the long-term fundamentals for Asia, with its rising middle class and growing disposable income. We will continue to build on the foundation of our existing business while exploring other opportunities in the region

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Financial summary and key financial ratios

(\$m unless otherwise stated)				
Income statement	Q4 FY2014	Q4 FY2013	FY2014	FY2013
Sales	207.0	188.5	830.3	793.8
Gross profit	67.2	60.6	256.2	250.3
Basic EPS (cents)	1.43	2.26	5.08	7.85
Fully diluted EPS (cents) ¹	1.42	2.25	5.08	7.83

Balance sheet	As at 31 March 2014	As at 31 March 2013
Cash and bank balances	115.0	89.0
Trade and other receivables	488.2	446.3
Borrowings	308.0	224.3
NAV per ordinary share (cents) ²	53.8	51.7

Statement of cash flows	Q4 FY2014	Q4 FY2013	FY2014	FY2013
Net cash provided by/(used in) operating activities	16.6	5.8	(7.6)	(2.5)
Net cash used in investing activities	(3.7)	(3.6)	(17.6)	(14.4)
Net cash (used in)/provided by financing activities	(7.6)	5.7	52.8	50.2

Notes:

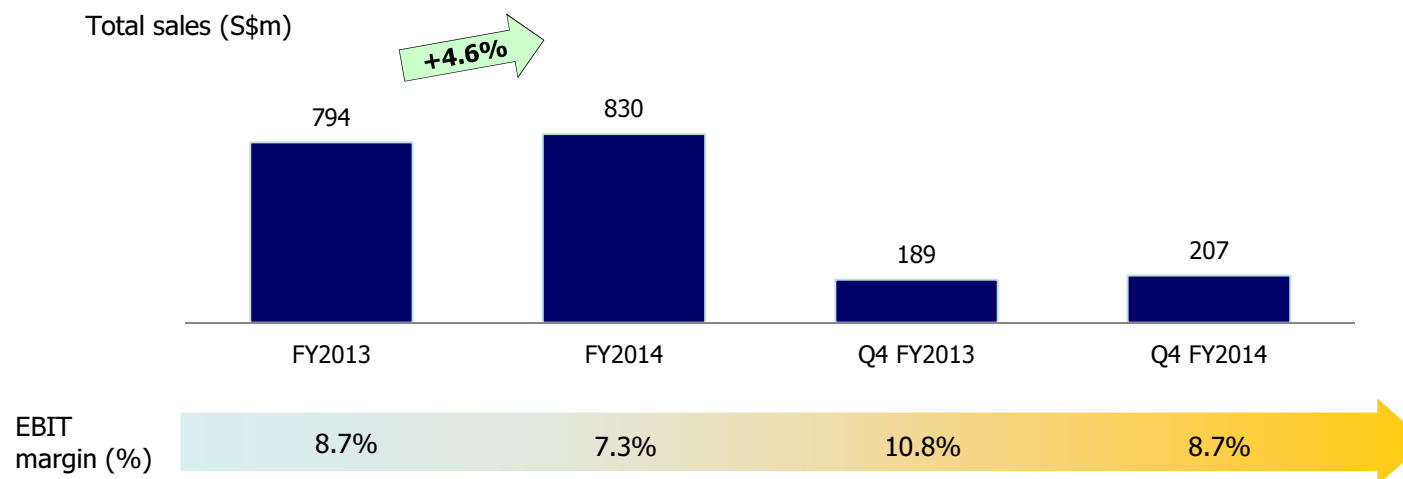
Q4, FY: Refer to the fourth (4th) quarter from 1 April to 31 March and financial year from 1 April to 31 March respectively

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 31 March 2014 and the same period last year of 550,113,945 and 560,000,000 respectively. The weighted average ordinary shares for the twelve months ended 31 March 2014 and the same period last year were 556,777,904 and 527,500,000 respectively.

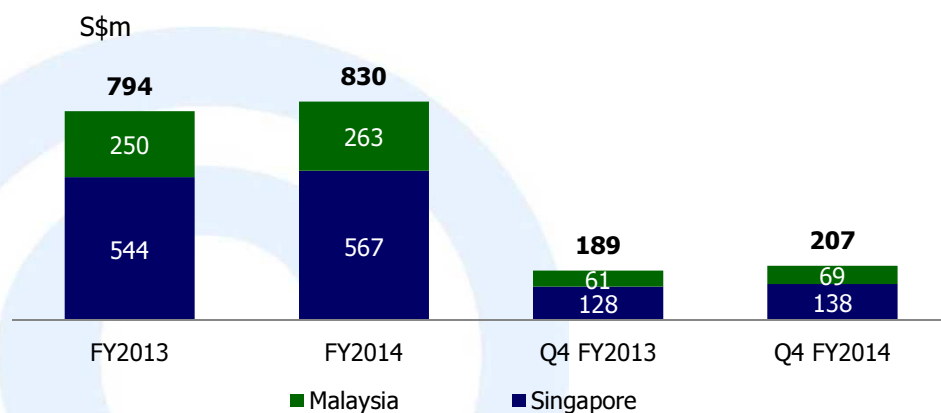
2: Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the current financial period reported on and immediately preceding financial year

Total sales

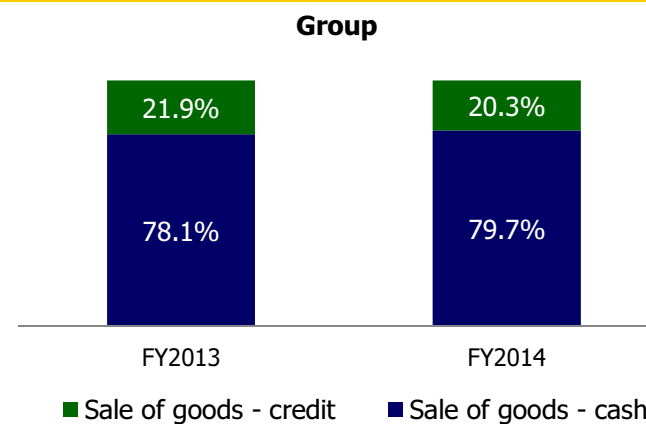
Total sales and EBIT margin



Net sales by geography



Sale of goods – cash/credit mix



Notes:
 Q4: Refers to the fourth (4th) quarter from 1 January to 31 March
 FY: Refers to the financial year from 1 April to 31 March

Product range focused on 4 key segments

Electrical Products

% of FY2014 sale
of goods

43.2%

- Major White Goods
- Vision
- Small appliances
- Audio

IT Products

34.0%

- Computers
- Accessories
- Photography
- Mobile

Furniture

17.5%

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

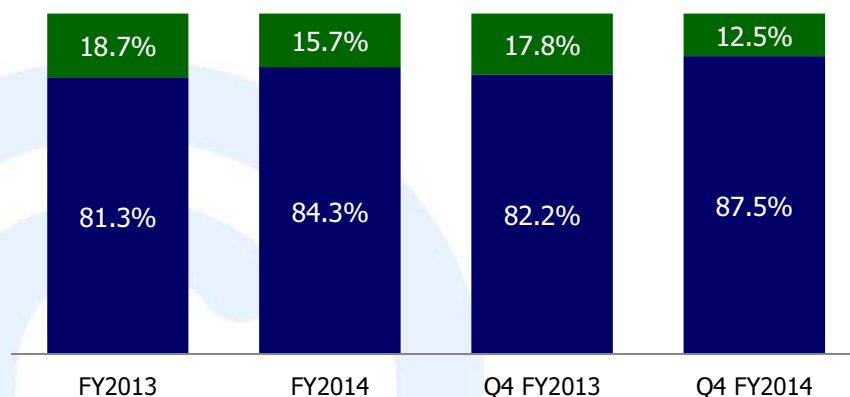
Services & Others

5.3%

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

Total sales – cash/credit mix

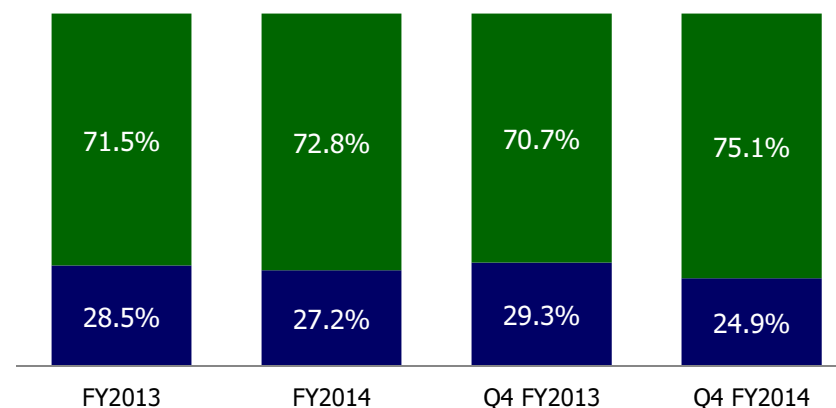
Singapore



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

Total sales – cash/credit mix

Malaysia



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

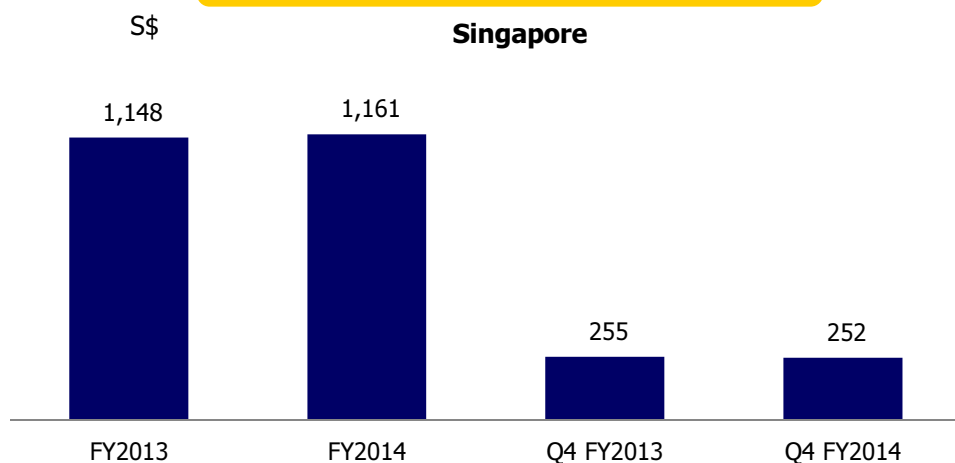
Notes:

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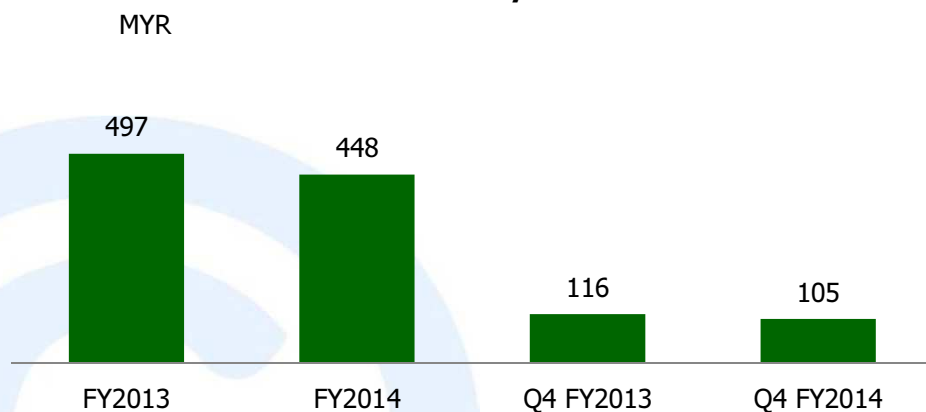
FY: Refers to the financial year from 1 April to 31 March

Operating metrics

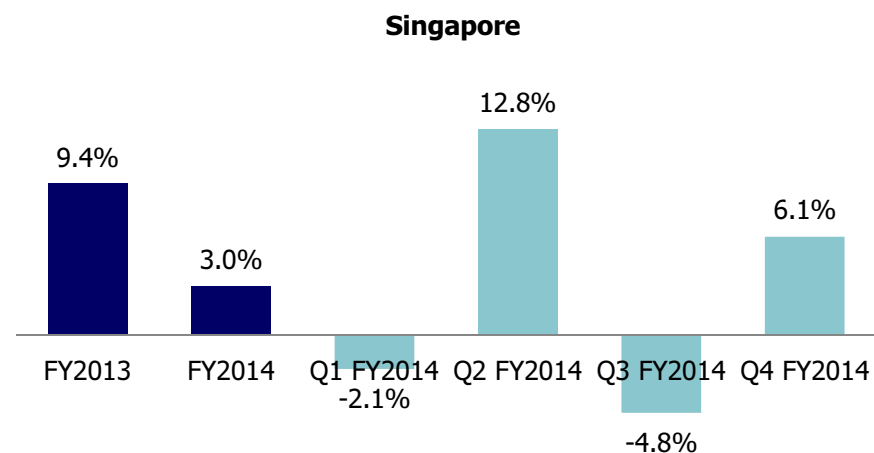
Sales per sq. ft.¹



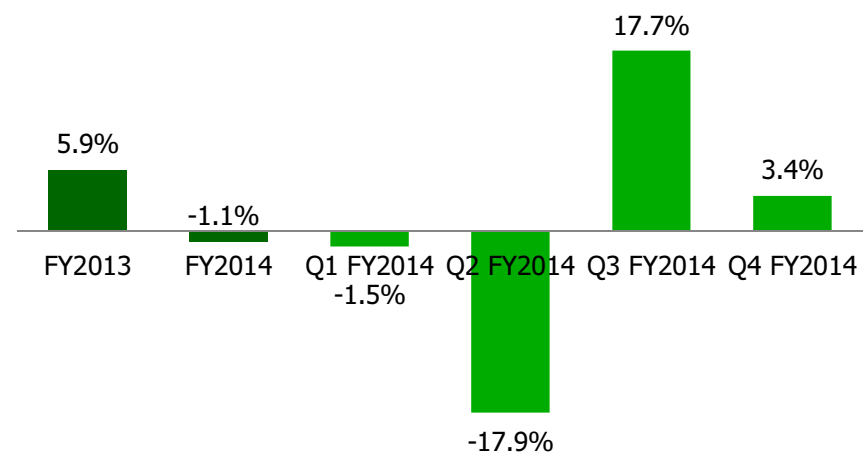
Malaysia



Like-for-like sales growth²



Malaysia



Notes:

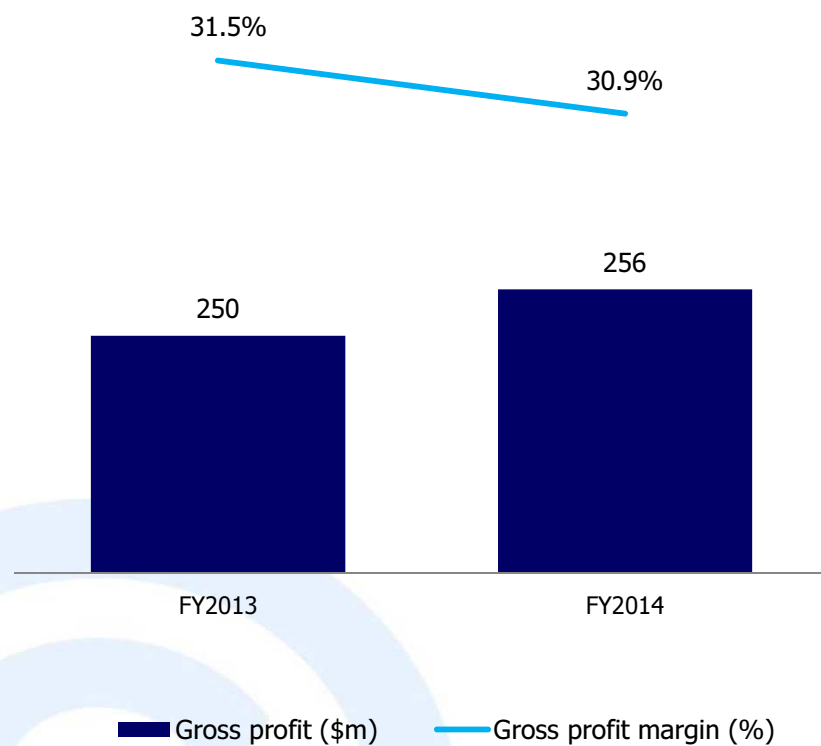
FY: Refers to the financial year from 1 April to 31 March

1: Based on weighted average retail square footage and sale of goods from stores for each period, excluding sales from events held outside stores

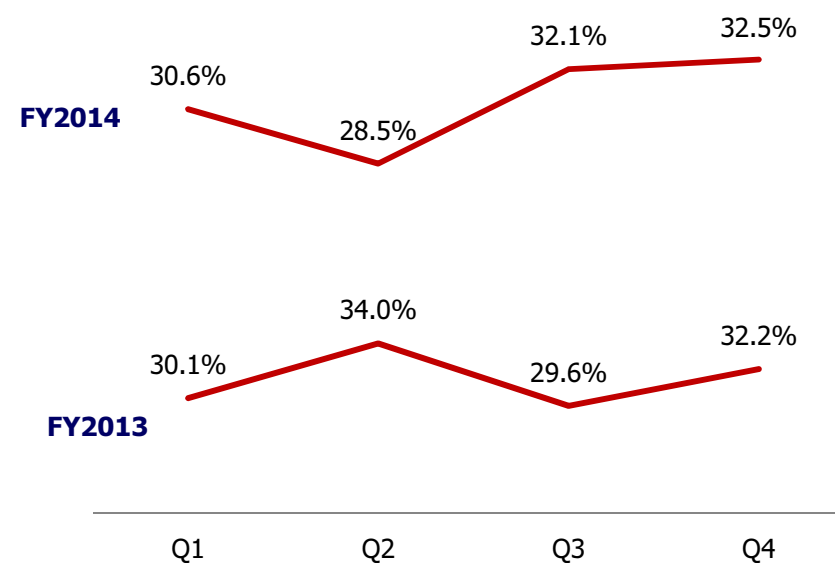
2: Like-for-like sales (net merchandise sales and current quarter/year service charge income generated) growth for a financial quarter/year is calculated based on stores which had been operating for the entire quarter/year over that particular quarter/year and the entire same period over the preceding year

Operating metrics

Gross profit

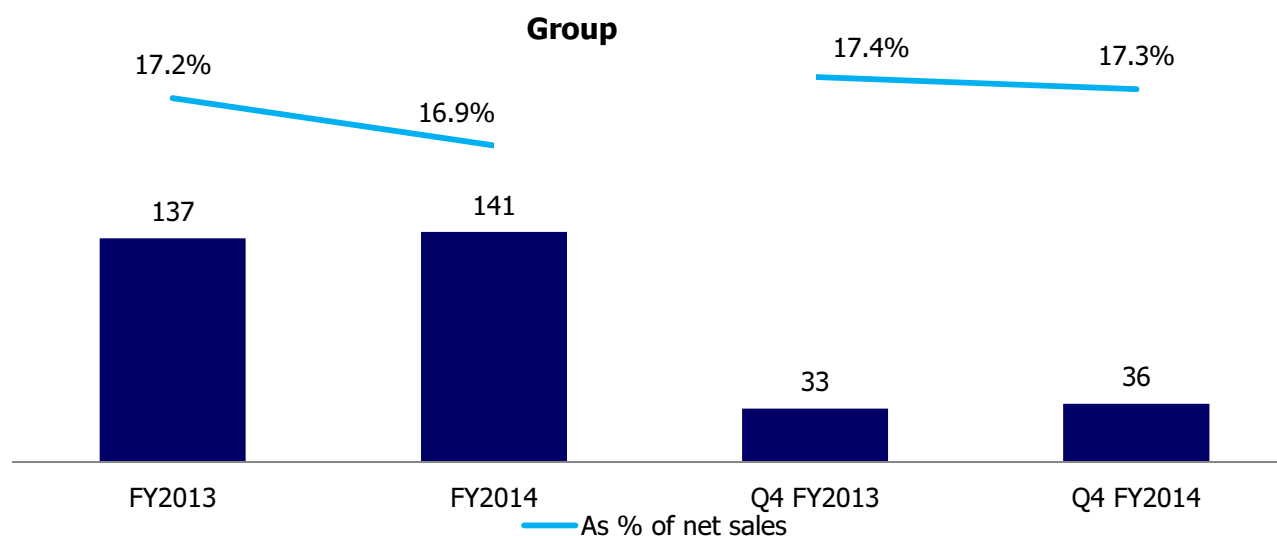


Gross profit margin



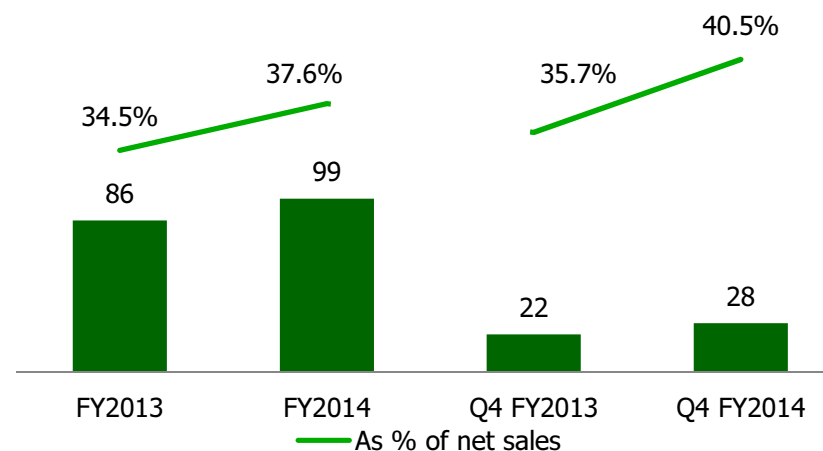
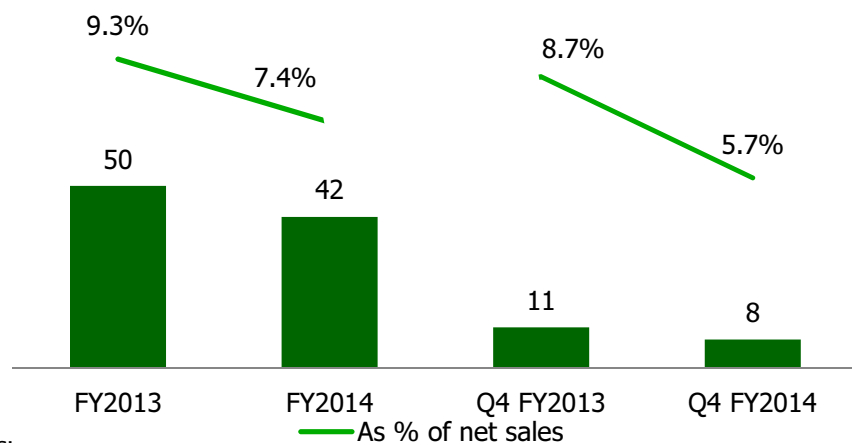
Note:
FY: Refers to the financial year from 1 April to 31 March

Earned service charge income



Singapore

Malaysia



Notes:

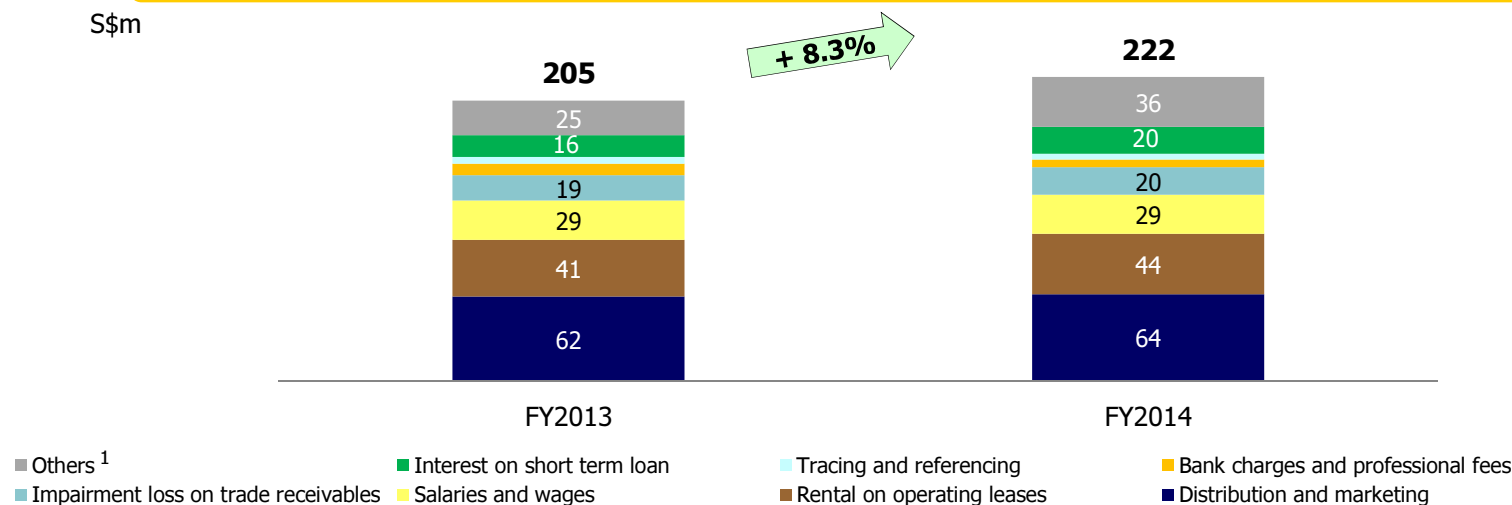
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Breakdown of expenses and EBITDA

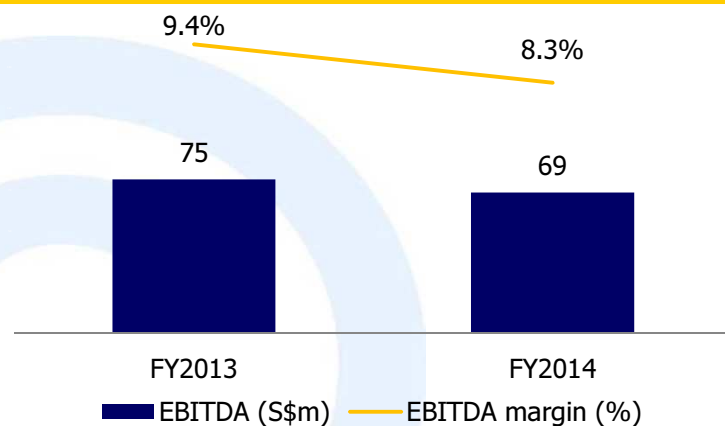
Breakdown of expenses

S\$m



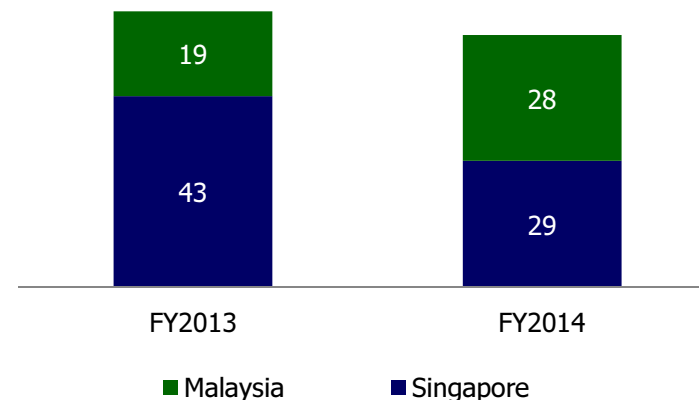
Notes:
Tracing and referencing
FY2013: \$5m; FY2014: \$4m
Bank charges and professional fees
FY2013: \$8m; FY2014: \$6m

EBITDA²



Notes:
FY: Refers to the financial year from 1 April to 31 March
1: "Others" include head office costs, depreciation and other expenses
2: EBITDA calculated as profit before tax add finance expense and depreciation and amortisation expense

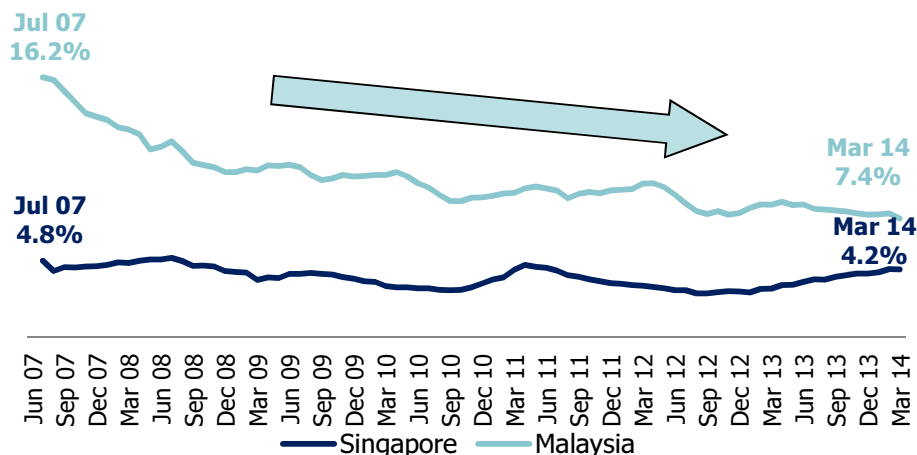
Segment Result by Geographical Location³



3: Segment results are profit before other income, income tax and finance expense. Indonesia incurred pre-operating expenses of \$0.1m and \$0.9m in FY2013 and FY2014 respectively

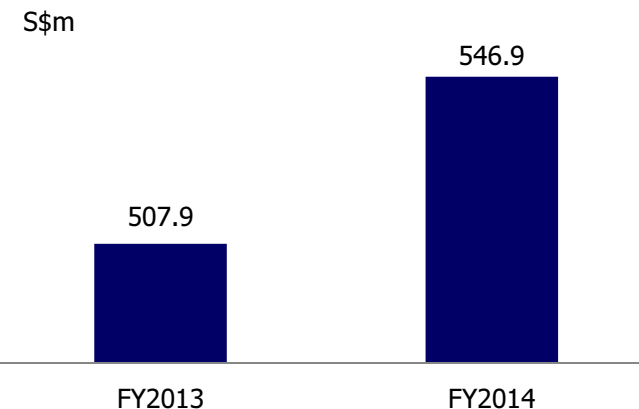
Delinquency rates and allowance for impairment loss on trade receivables

180+ days delinquency rates



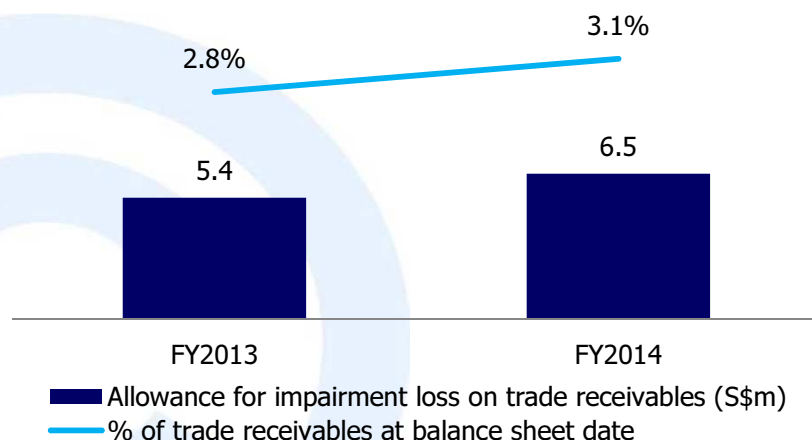
The initiatives taken in terms of tighter credit sanctioning measures since Q2 FY2014 were maintained and further supplemented with more concerted collections efforts targeted at higher delinquent accounts as we remain diligent on the local economic conditions and the global developments

Credit book assets - Gross

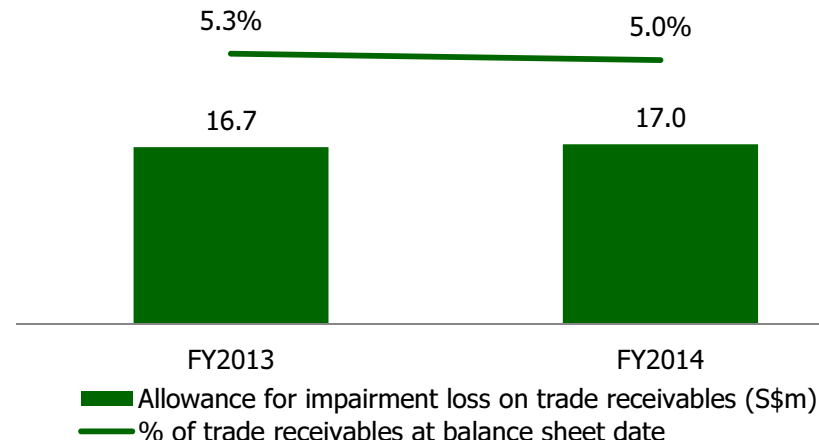


Allowance for impairment loss on trade receivables

Singapore



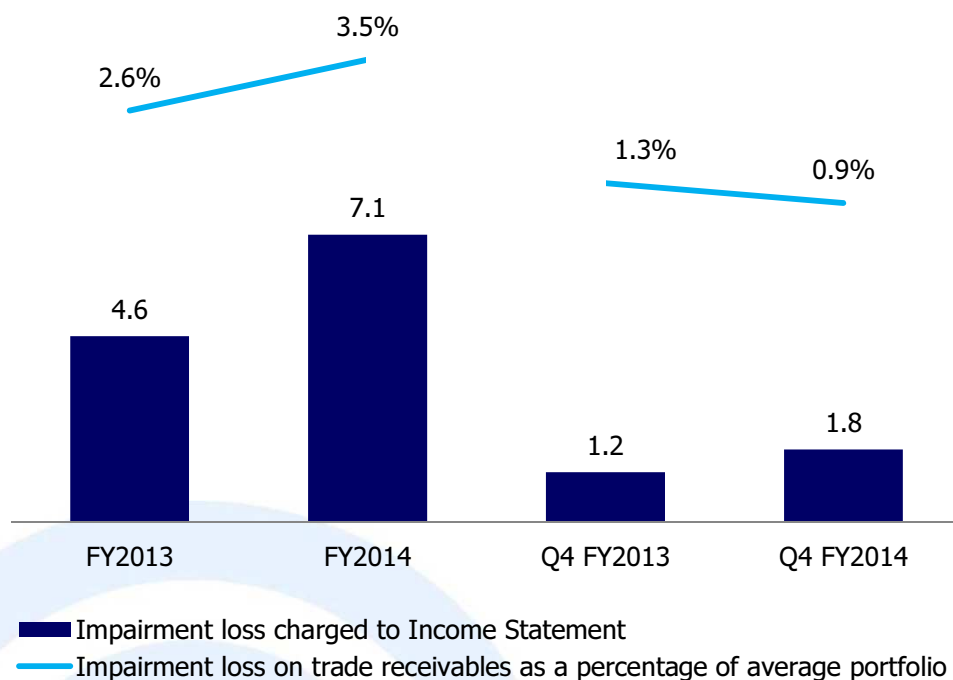
Malaysia



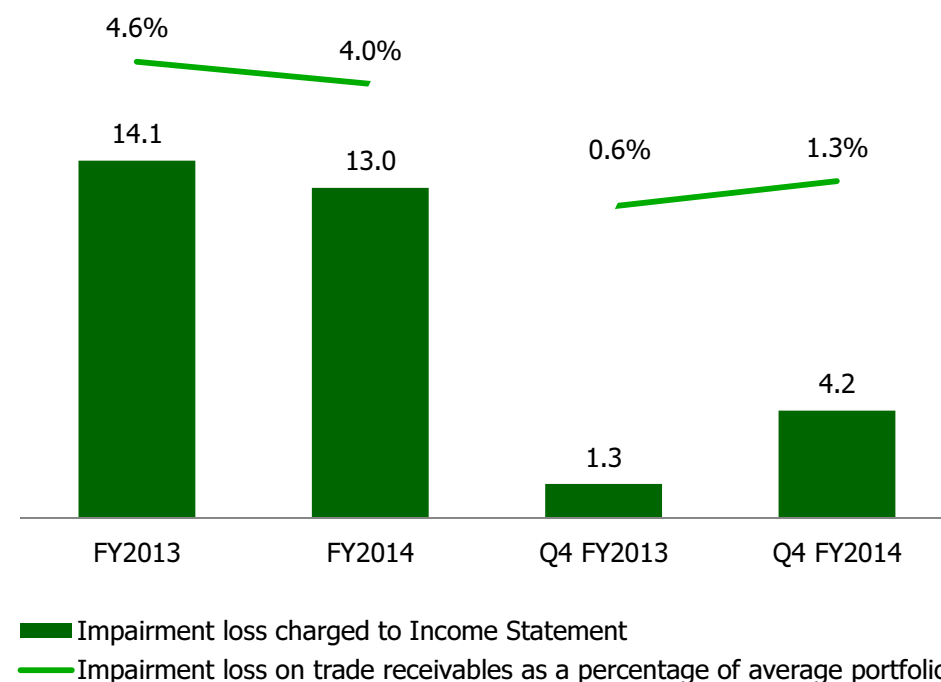
Notes:
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Impairment loss on trade receivables charged to Income Statement

Singapore



Malaysia



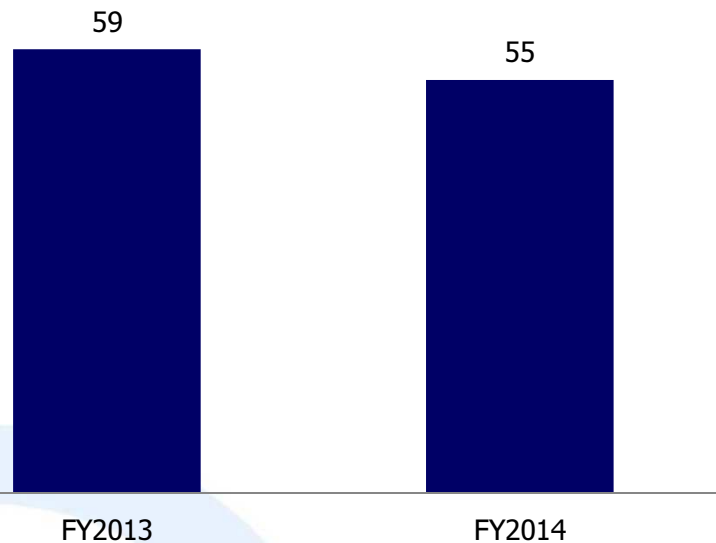
Notes:

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Working capital management

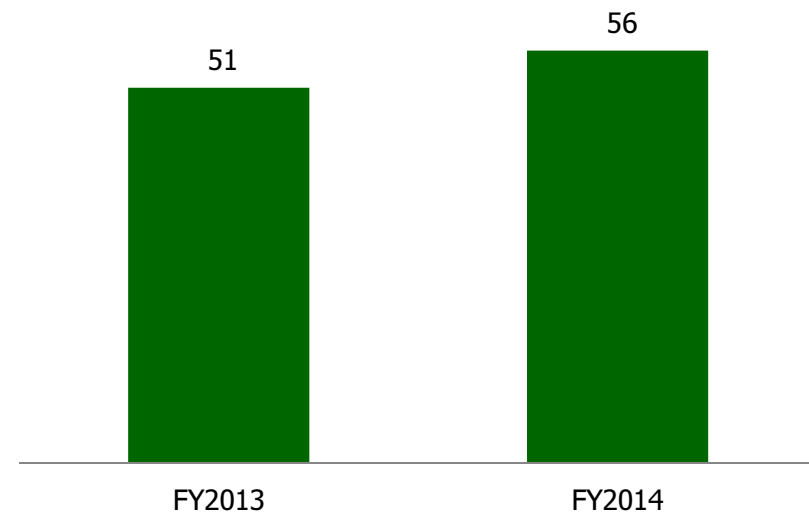
Trade payable days

Days



Inventory days

Days



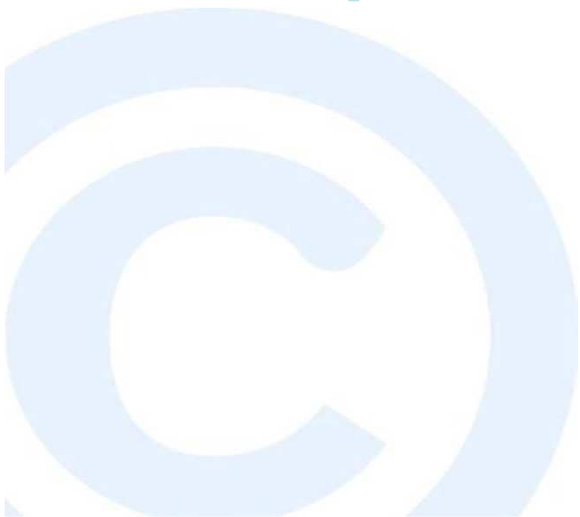
Note:
FY: Refers to the financial year from 1 April to 31 March

Borrowings

Facility	Facility amount	Interest rate	Amount drawn down as at 31 Mar 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\$62.5 mil	S\$87.5 mil
Syndicated Senior Loan (Malaysia)	RM430 mil	RM250 mil EIR 6.6% p.a. ¹ Balance floating	RM323 mil	RM107 mil
Bank guarantee facility (Indonesia)	US\$8.5 mil	N.A.	US\$3.3 mil	US\$5.2 mil

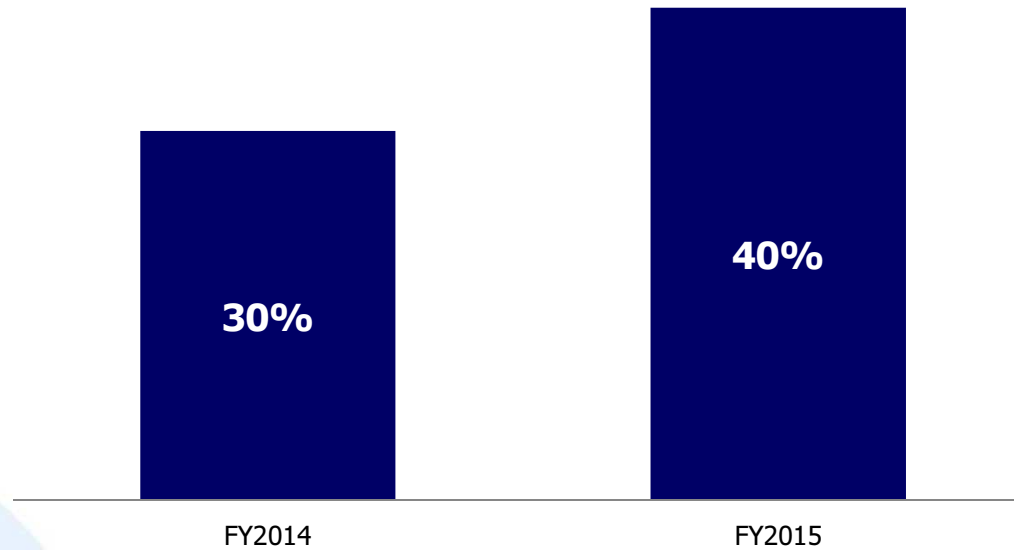
¹ The Syndicated Senior Loan carries an interest rate of KLIBOR plus a spread. Pursuant to a floating-to-fixed interest rate swap, the KLIBOR has been fixed for borrowings up to RM250 mil and as such, the resulting effective rate of interest (EIR) for borrowings up to RM250 mil is 6.6% p.a.

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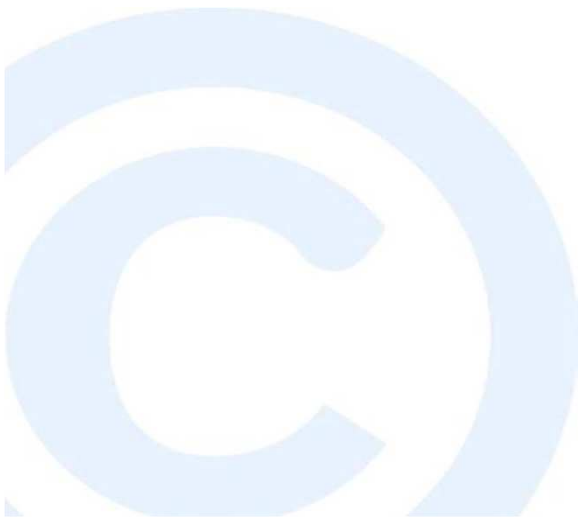
Dividend policy for FY2015

Dividend payout based on net profit of the Group



- Dividend policy will be reviewed yearly

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Malaysia: FY2014 in review



Store expansion: Opened 4 stores, 2 Megastores



- Store portfolio increased by 20%. Now, 64 stores at over 1 mil sq. ft
- 'Big-Box' Megastores performing within expectation
- Expanded into Sabah, East Malaysia with Pavilion
- Closed under-performing stores, Mines and Sentul
- Refurbished and relaunched 7 stores

Credit recovery measures put in place since Q3 FY2014 are yielding results

- CRM/Telemarketing to target best paymasters and media-remix gaining traction
- 3rd party credit projects with Celcom and motorcycles tracking well
- Malaysia's revenue rose 5.1% in FY2014, 18.7% (in RM) in Q4 FY2014
- YOY increase in credit sales, from 54.4% to 58.2% in Q4 FY2014
- Boosted Group's earned service charge income YOY from S\$32.7m to S\$35.8m



FY2015: Focus areas



Store expansion program continues

- Plan to add 6 more new stores totalling 120,000 sq. ft. in FY 2015
- Grow presence in East Malaysia – spread central costs and achieve economies of scale
- Drive sales uplift with 11 store refurbishments (up from 7 in FY2014)



Category re-invention

- Digital range size overhaul; 100% increase in digital range since May
- Drive growth in aircon category through services and ad dominance
- Renewed focus in furniture category to increase margin contribution



FY2015: Focus areas



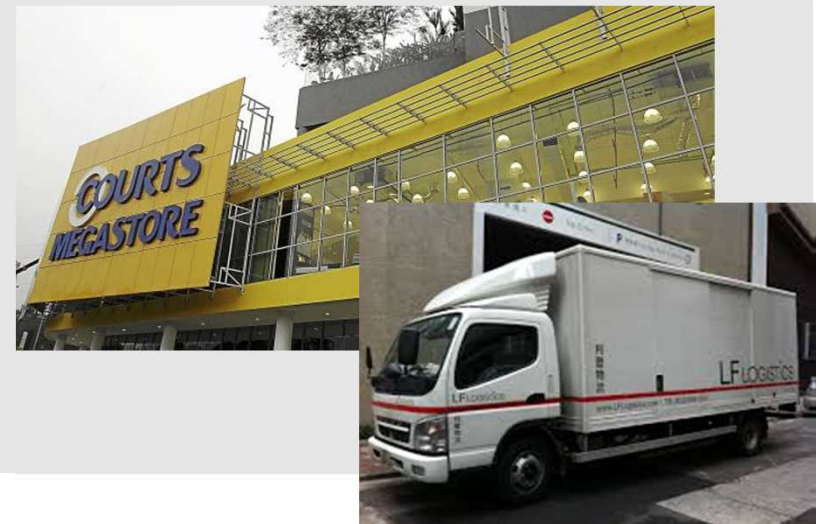
Maintain momentum for credit marketing

- Increase press ads and CRM activities
- Expand FlexiPlans



Invest in building Courts brand

- Roll out successful Big Box Megastore store formats to reach new customer base
- Improve customer experience with the newly appointed 3rd party logistics service provider



Singapore: FY2014 in review



Challenging macro environment given SG's economic restructuring and lacklustre retail sales

Productivity focused initiatives to alleviate rising cost of doing business



- High density store format trial in Westgate store
- Merging of Courts Connect and IT frontline workforce
- Deployment of omni-channel strategy to encourage self-help in stores and offline

Introduction of new categories



Mobile + Broadband + TV under one roof



FY2015: Focus areas



Drive margin-enhancing credit initiatives

- Increase credit ATV through bundle deals
- Relaunch and promote Flexi Plans to reach out to new customers



Grow key categories

- Create new “Ultimate Screen” category for large screen TVs
- Relaunch aircon through Cool Zone Plus
- Launch Photo Bar for high end camera models
- Renewed focus in furniture category to increase margin contribution
- Private labels and exclusive brands opportunities



FY2015: Focus areas



Cost-focused

- Improve margins by reducing trade-shows days
- Invest in low-cost media
- Close/turn around under performing stores



Continue to invest in omni-channel

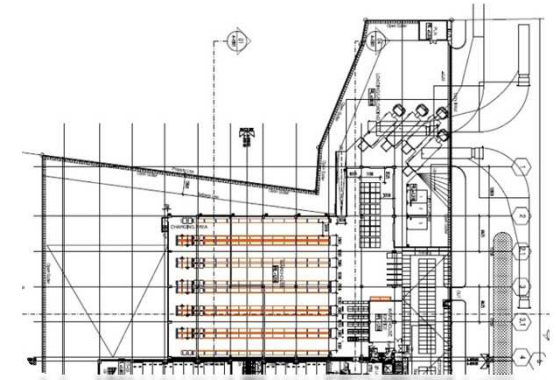
- Increase range and depth



Indonesia: First Megastore in Bekasi operational by Q2 FY2015



- Flagship Megastore in Bekasi will be largest Courts outlet to date, with 140,000 sq. ft. retail space
- Base building is now 75% complete, expected handover in June
- Warehouse completed and handed over



Indonesia: First Megastore in Bekasi showcasing new and exciting retail design



LIVE SLEEP
RELAX PLAY



Plan to have 3 stores in Jakarta by 2015



- Three stores to be operational by 2015



Business development opportunities

M&A opportunities in SEA



Franchising opportunities

Franchising Opportunities



Strategic revenue enhancing collaborations



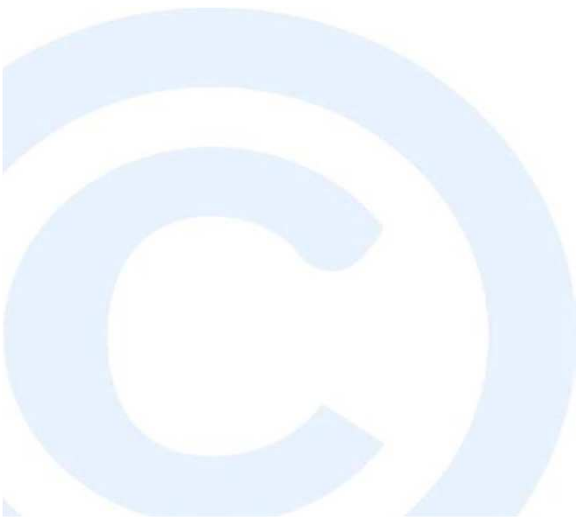
In closing...

Despite the difficult environment in the near term, we are more sanguine in the medium term given the positive developments we see on the horizon

- Singapore: Positive of the medium term with the delivery of 28,000 HDB units this year, boosting demand for home furnishings and electronics
- Malaysia: Maturity of new stores and Big Box Megastores, and a more aggressive Hari Raya campaign contribute more meaningfully to the Group's revenue and profit in FY2015
- Indonesia: Untapped opportunities, starting with our flagship Megastore opening in Q2 FY2015



► **Appendix**



Unaudited results for the year ended 31 March 2014

	Group			Group		
	Q4	Q4	%	YTD Mar14	YTD Mar13	%
	FY13/14	FY12/13	Change	FY13/14	FY12/13	Change
	S\$'000	S\$'000		S\$'000	S\$'000	
Sales	206,952	188,502	9.8	830,263	793,768	4.6
Cost of sales	(139,749)	(127,860)	(9.3)	(574,098)	(543,510)	(5.6)
Gross profit	67,203	60,642	10.8	256,165	250,258	2.4
Other income and other gains - net	1,205	1,342	(10.2)	4,310	6,541	(34.1)
Expenses						
- Distribution and marketing	(15,657)	(14,044)	(11.5)	(63,675)	(61,899)	(2.9)
- Administrative	(34,687)	(27,631)	(25.5)	(136,448)	(126,086)	(8.2)
- Finance	(6,236)	(4,467)	(39.6)	(22,351)	(17,451)	(28.1)
Profit before income tax	11,828	15,842	(25.3)	38,001	51,363	(26.0)
Income tax expense	(3,987)	(3,203)	(24.5)	(9,691)	(9,958)	2.7
Net profit	7,841	12,639	(38.0)	28,310	41,405	(31.6)

The Group's **sales** of \$830.3 million for FY13/14 was 4.6% or \$36.5 million higher compared to FY12/13.

Singapore's sales, which contributed to 68% of the Group's sales, registered a 4.4% increase in FY13/14. The increase was mainly due to higher bulk sales of digital products and higher electrical sales contributed by air systems and major white categories. Sales were boosted by 2 new stores, JEM and Westgate, which opened in June 2013 and December 2013 respectively.

Malaysia's sales, which contributed to 32% of the Group's sales, increased by 5.1% (7.7% in RM term) in FY13/14 compared to FY12/13. Growth was mainly attributable to higher credit sales from a successful credit campaign launched during the year. The opening of 6 new stores also contributed to overall growth.

Gross profit increased by 2.4% or \$5.9 million whilst gross profit margin decreased from 31.5% in FY12/13 to 30.9% in FY13/14. This was mainly due to the shift in the Group's sales mix towards the electrical category and increased bulk sales of digital products, both carry a lower margin. The decrease was partially offset by higher service charge income in Malaysia.

Other income and other gains - net decreased by \$2.2 million or 34.1% mainly due to a write back of impairment on overdue debtors in Malaysia and Singapore in FY12/13, there was no such write back in FY13/14.

Distribution and marketing expenses increased from \$61.9 million in FY12/13 to \$63.7 million in FY13/14. The increase was mainly due to additional cost incurred in distribution cost due to migrating to a new third party logistic service provider in Malaysia, partially offset by lower advertising spend in Malaysia. As a percentage of sales, distribution and marketing expenses decreased marginally from 7.8% in FY12/13 to 7.7% in FY13/14.

Administrative expenses for the year were \$136.4 million, an increase of \$10.3 million from FY12/13 of \$126.1 million. The increase was mainly due to higher impairment allowance on trade receivables of \$1.4 million arising from higher credit portfolio and higher occupancy costs such as branches' rental costs and depreciation amounting to \$8.1 million attributable to the opening of new stores in Singapore and Malaysia.

Finance expenses increased by \$4.9 million from \$17.5 million in FY12/13 to \$22.4 million in FY13/14, mainly due to higher interest on borrowings, which increased from \$15.8 million in FY12/13 to \$19.5 million in FY13/14. The increase arose from the \$125 million fixed rate notes, partially offset by lower interest expense from the Asset Securitisation Loan resulting from loan repayment in Singapore. The increase was also due to an unrealized exchange loss captured in Malaysia's books arising from a Singapore dollar denominated inter-company loan.

The **tax expense** of \$9.7 million for FY13/14 was based on taxable profit from Singapore and Malaysia operations. The effective tax rate for FY13/14 was higher than the Singapore statutory tax rate mainly due to non-tax deductible expenses and higher profit contribution from Malaysia which is subject to a higher corporate tax rate.

Unaudited Balance Sheet as at 31 March 2014

	Group	
	31 Mar 2014 S\$'000	31 Mar 2013 S\$'000
ASSETS		
Current assets		
Cash and bank balances	114,951	88,985
Trade and other receivables	227,983	200,140
Inventories	89,784	73,065
Current income tax recoverable	1,106	1,744
	433,824	363,934
Non-current assets		
Trade and other receivables	260,181	246,160
Investments in subsidiaries	-	-
Property, plant and equipment	28,846	22,535
Intangible assets	23,856	23,710
Deferred income tax assets	-	1,284
	312,883	293,689
Total assets	746,707	657,623
LIABILITIES		
Current liabilities		
Trade and other payables	127,433	129,534
Current income tax liabilities	4,105	5,590
Borrowings	1,200	5,506
Deferred income	3,664	3,697
	136,402	144,327
Non-current liabilities		
Derivative financial instruments	55	83
Trade and other payables	163	166
Borrowings	306,831	218,806
Deferred income	3,290	4,766
Deferred income tax liabilities	1,178	-
	311,517	223,821
Total liabilities	447,919	368,148
NET ASSETS	298,788	289,475
EQUITY		
Share capital	265,332	265,332
Treasury shares	(2,544)	-
Other reserves	(17,031)	(10,489)
Retained profit	53,031	34,632
Total equity	298,788	289,475

Cash and bank balances were at \$115.0 million as at 31 March 2014 (31 March 2013: \$89.0 million). The increase was mainly due to proceeds from the issue of fixed rate notes of \$125 million offset by repayment of term loan and Asset Securitisation Programme, cashflow used in operating activities, payment of dividends of \$9.9 million and capital expenditure incurred for new stores and refurbishment of existing stores totaling \$18.5 million during the twelve months ended 31 March 2014.

The Group's **trade and other receivables (current and non-current)** increased by 9.4% from \$446.3 million as at 31 March 2013 to \$488.2 million as at 31 March 2014 due to increase in credit sales.

Allowance for impairment of trade receivables as at 31 March 2014 was \$23.5 million, representing 4.3% of trade receivables, as compared to \$22.2 million as at 31 March 2013, which represents 4.4% of trade receivables.

The Group's **inventories** increased from \$73.1 million to \$89.8 million due to opening of new stores in Singapore and Malaysia and additional stock up to support new retail initiatives in Malaysia.

Property, plant and equipment increased from \$22.5 million to \$28.9 million mainly due to additions for new stores in both Singapore and Malaysia such as renovations and fittings, partially offset by the depreciation charge.

Intangible assets increased marginally from \$23.7 million as at 31 March 2013 to \$23.9 million as at 31 March 2014. It comprises of trademark and computer software costs and licenses.

The **deferred income tax assets** as at 31 Mar 2014 arose mainly from future deductible expenses net of deferred tax liabilities on intangible assets. The decline as at 31 Mar 2014 is mainly due to realisation of the deferred tax assets on deductible expenses recognised in prior years.

The Group's **trade and other payables (current and non-current)** decreased by 1.6% from \$129.7 million as at 31 March 2013 to \$127.6 million as at 31 March 2014 due to shorter average payment terms to suppliers.

The total **borrowings** of \$308.0 million (31 March 2013: \$224.3 million) represent the amount received from the issue of fixed rate notes, the Asset Securitisation Programme 2012 in Singapore, Syndicated Senior Loan in Malaysia and finance lease liabilities. The increase was mainly due to net proceeds from the fixed rate notes issue of \$125 million and net proceeds from both Asset Securitisation Programme 2012 and Syndicated Senior Loan. This was partially offset by full repayment of HSBC term loan of \$13.8 million and partial repayment of the Asset Securitisation Programme of \$41.1 million in Singapore.

Unaudited Statement of cash flows for the financial year ended 31 March 2014

Cash flows from operating activities:

	Group Q4 FY13/14 S\$'000	Group Q4 FY12/13 S\$'000	Group YTD Mar14 FY13/14 S\$'000	Group YTD Mar13 FY12/13 S\$'000
Net profit	7,841	12,639	28,310	41,405
Adjustments for:				
Income tax expense	3,987	3,203	9,691	9,958
Depreciation and amortisation	3,343	2,603	12,611	9,748
Amortisation of deferred income	(973)	(1,143)	(4,376)	(3,641)
Interest expense	4,886	4,022	19,547	15,832
Interest income	(432)	(555)	(2,154)	(4,187)
Amortisation of borrowing costs	446	248	1,698	1,608
Loss on disposal of property, plant and equipment (net)	49	7	86	22
Share-based compensation	131	100	1,323	401
Placement and listing expense	-	237	-	237
Changes in fair value of derivative financial instruments	2	(309)	(25)	(93)
Operating cash flow before working capital changes	19,280	21,052	66,711	71,290
Changes in working capital				
Inventories	380	(49)	(16,719)	(6,454)
Trade and other receivables	(5,672)	(12,861)	(41,868)	(56,505)
Trade and other payables	3,979	(1,458)	(1,531)	(510)
Cash generated from operations	17,967	6,684	6,593	7,821
Income tax paid (net)	(1,476)	(1,479)	(8,159)	(7,663)
Foreign currency translation differences	79	619	(6,038)	(2,617)
Net cash provided by/(used in) operating activities	16,570	5,824	(7,604)	(2,459)

Cash flows from investing activities

Additions to property, plant and equipment	(3,524)	(3,451)	(18,508)	(15,331)
Acquisition of intangible assets	(551)	(566)	(1,474)	(1,671)
Acquisition of a subsidiary	-	- *	-	- *
Proceeds from sale of property, plant and equipment	(48)	273	273	189
Interest received	426	137	2,158	2,393
Net cash used in investing activities	(3,697)	(3,607)	(17,551)	(14,420)

Cash flows from financing activities

Proceeds from bond issue	-	-	123,661	-
Proceeds from/(repayment of) syndicated senior loan - net	5,360	(716)	11,558	5,251
Additions to/(repayment of) finance lease liabilities - net	369	(47)	1,608	526
Proceeds from term loan	-	-	-	15,000
Repayment of term loan	-	(1,250)	(13,750)	(30,190)
(Repayment of)/proceeds from loan received on asset securitisation	(5,909)	(3,979)	(41,054)	29,924
(Increase)/decrease in fixed deposits pledged as securities for banking	(106)	3,201	1,370	3,114
Decrease in deposits for asset securitisation	-	12,046	-	11,025
Purchase of treasury shares	(913)	-	(3,545)	-
Proceeds from placement and listing - net	-	463	-	43,966
Interest paid	(6,414)	(4,022)	(17,123)	(15,832)
Dividend paid	-	-	(9,911)	(12,582)
Net cash (used in)/provided by financing activities	(7,613)	5,696	52,814	50,202
Net increase in cash and cash equivalents	5,260	7,913	27,659	33,323
Cash and cash equivalents as at beginning of period/financial year	103,977	73,931	81,898	48,973
Effects of currency translations on cash and bank balances	(3)	54	(323)	(398)
Cash and cash equivalents as at end of period/financial year	109,234	81,898	109,234	81,898

* Less than \$1,000

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

	31 Mar 2014 S\$'000	31 Mar 2013 S\$'000
Cash and bank balances	79,812	82,507
Fixed deposits	35,139	6,478
	114,951	88,985
Less: Fixed deposits pledged as securities for banking facilities	(5,717)	(7,087)
Cash and cash equivalents per consolidated statement of cash flows	109,234	81,898



► Q&A

To view the results presentation and briefing, please visit <http://ir.courts.com.sg/events.cfm> which will be available by 2 June 2014.

