Results Briefing

Results for the Financial Year ended 31 March 2018

Better Living
Better Prices

Agenda

1. Executive Summary
2. Financial Highlights
3. Operational Updates

EXECUTIVE SUMMARY

Executive Summary

1. Steady revenue of S$713.1m and PAT of S$8.1m for FY17/18. PAT decline is mainly attributable to Malaysia's business performance

2. Singapore delivered a strong performance, with EBIT at S$25.2m; Group continues to drive leadership in category solutions selling and invest in an omni-channel approach in Singapore

3. Malaysia formed dedicated transformation taskforce to look into business processes and operations. Execute transformation initiatives and focus on productivity drive

4. Indonesia reported improving EBIT YoY; put temporary halt on store expansion to focus on managing credit collections cost; 9 stores and 23 'pop-up' locations to date

FINANCIAL HIGHLIGHTS

Financial summary and key financial ratios

(S$m unless otherwise stated)				
Income statement	**Q4 FY1718**	**Q4 FY1617**	**YTD FY2018**	**YTD FY2017**
Revenue	163.3	180.5	713.1	740.5
Gross profit	59.6	63.7	256.2	268.4
Net profit	(3.0)	4.0	8.1	23.7
Basic EPS (cents)[1]	(0.59)	0.78	1.56	4.59
Fully diluted EPS (cents)[2]	(0.58)	0.77	1.54	4.52

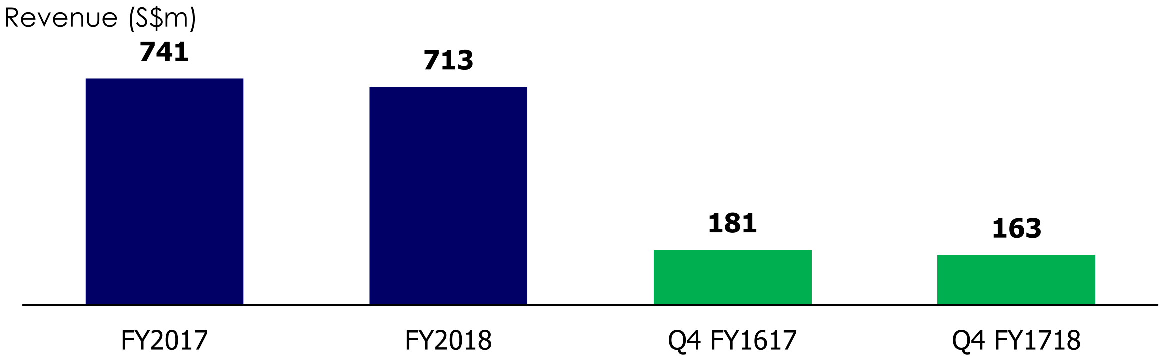
Balance sheet	As at 31 Mar 2018	As at 31 Mar 2017
Cash and bank balances	108.6	98.7
Trade and other receivables	469.0	487.0
Unearned service charges	117.9	121.5
Deferred revenue (net)	47.3	45.2
Borrowings	298.3	304.0
NAV per ordinary share (cents)[3]	44.7	42.5

Statement of cash flows	Q4 FY1718	Q4 FY1617	YTD FY2018	YTD FY2017
Net cash generated from operating activities	49.6	42.9	59.3	45.5
Net cash used in investing activities	(0.4)	(0.6)	(7.4)	(6.6)
Net cash used in financing activities	(17.6)	(10.3)	(42.3)	(85.7)

Notes:
Q4, FY: Refers to the fourth(4th) quarter from 1 January 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 12 months ended 31 March 2018 and the same period last year of 514,614,439 and 516,847,856 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 12 months ended 31 March 2018 and the same period last year of 523,611,739 and 525,363,956 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 year reported on and immediately preceding financial year of 515,144,979 and 513,722,888 for respective period ends.

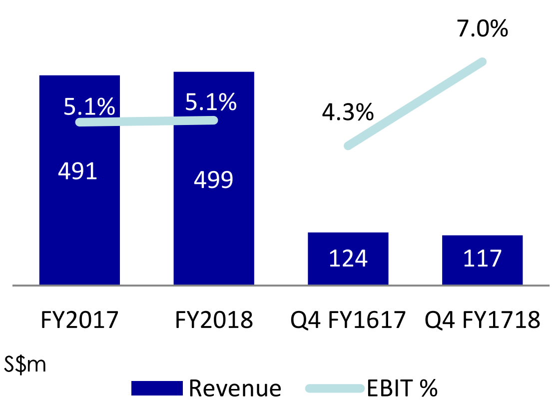
Revenue

Revenue and EBIT margin

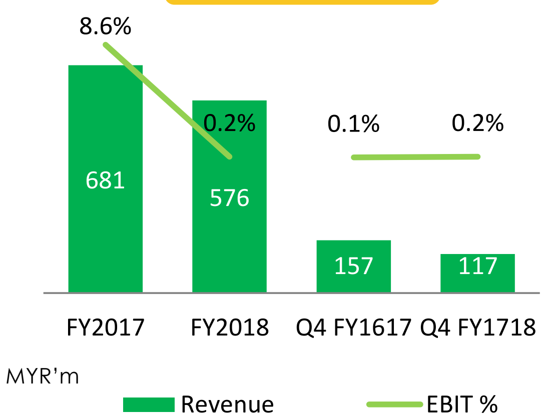


EBIT margin - %	7.1%	5.5%	5.7%	1.0%

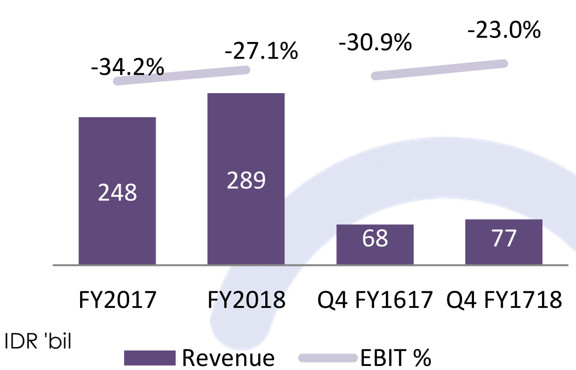
Singapore[1]



Malaysia



Indonesia[2]

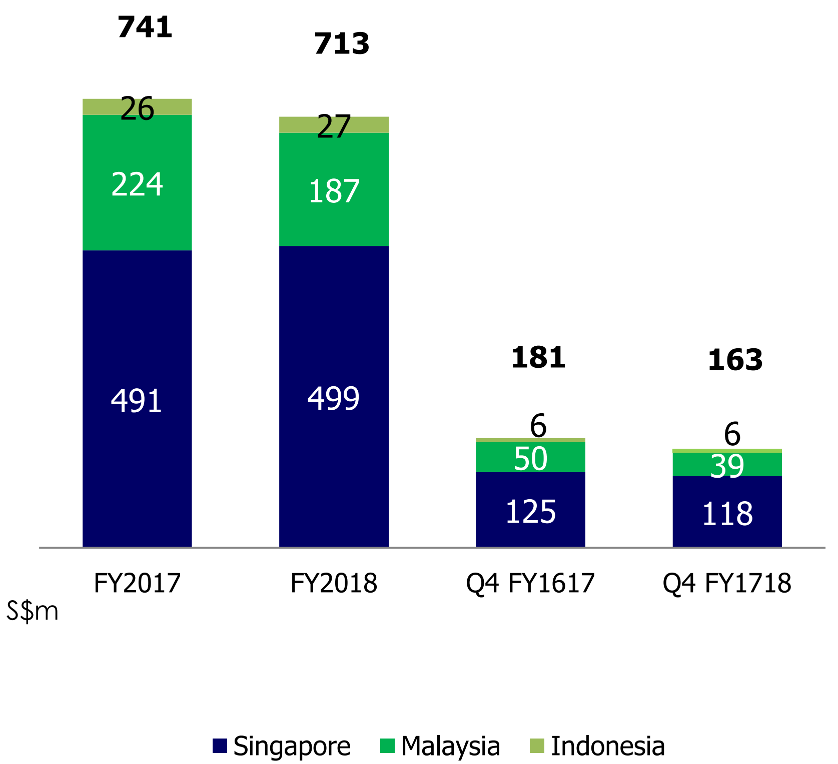


Notes:
Q4: Refers to the fourth(4th) quarter from 1 January to 31 March. FY: Refers to the financial year from 1 April to 31 March
1. Singapore Revenue and EBIT margin includes COURTS Singapore and Home Lifestyle

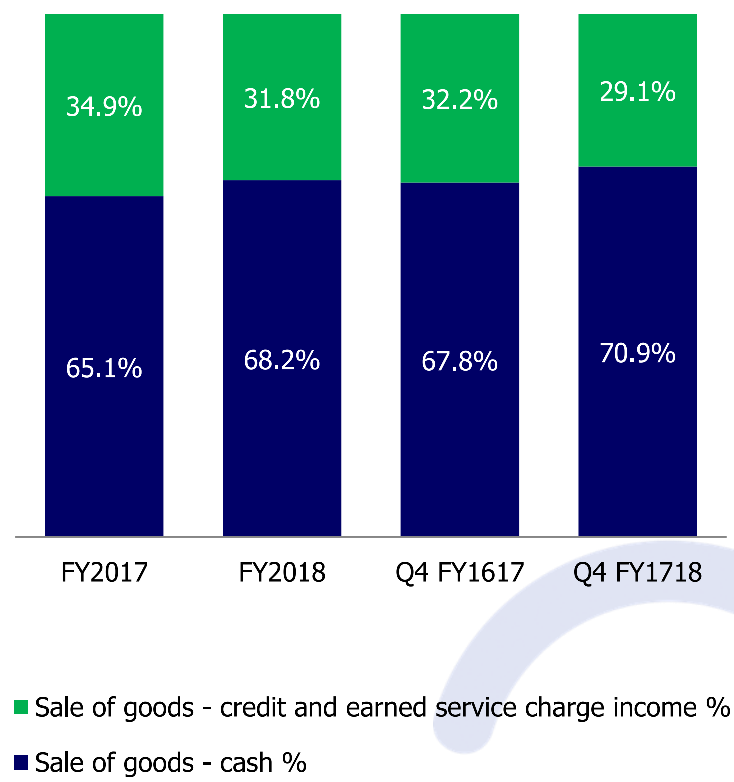
2. Indonesia has yet to announce the adoption of FRS115 Revenue from Contracts with Customers. Adjustment is only made at Group consolidation level to be aligned with the Group's accounting standards.

Revenue

Revenue by geography



Revenue – 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

% of Q4 FY1718 sale of goods

Electrical Products	IT Products	Furniture	Other Services
50.8%	**25.1%**	**18.4%**	**5.7%**

Electrical Products
- Major White Goods
- Vision
- Small appliances
- Audio

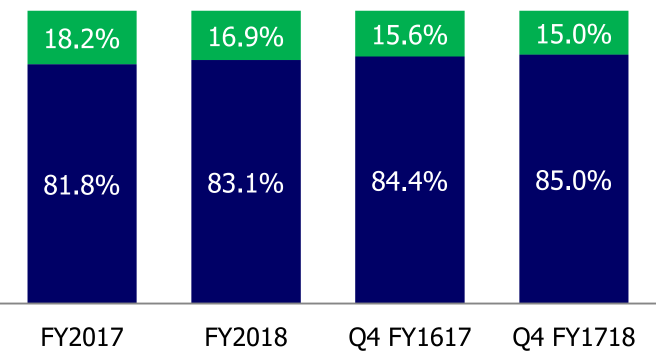
IT Products
- Computers
- Accessories
- Photography
- Mobile

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

Other Services
- Other services
  - Product replacement services
  - Cleaning
  - Installation
  - Repairs
- Warranty sales
- Connect
  - Telco subscription plans

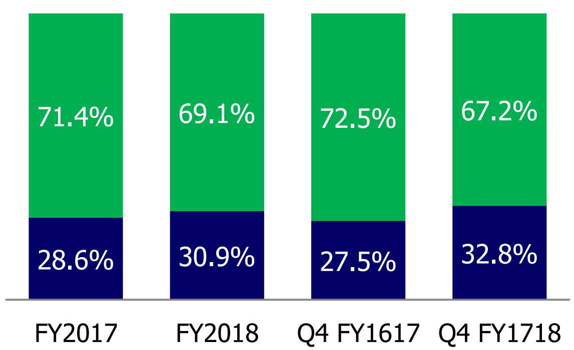
Revenue – cash/credit mix

Singapore



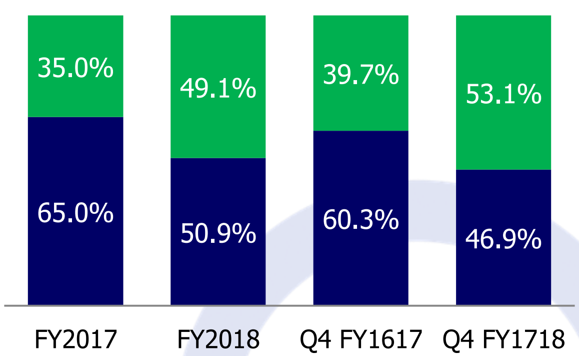
■ Sale of goods - credit and earned service charge income %
■ Sale of goods - cash %

Malaysia



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

Indonesia



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

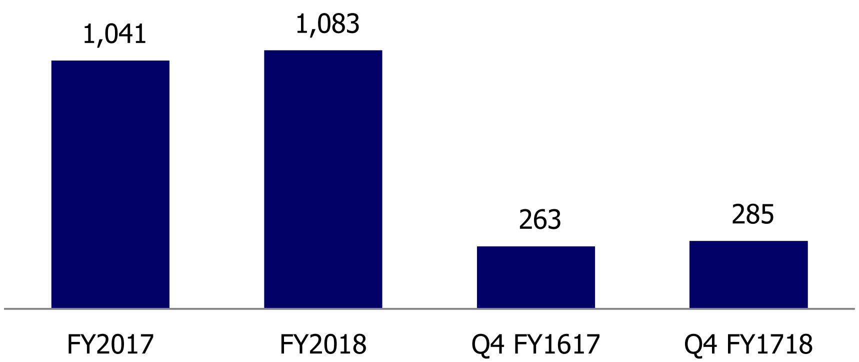
Notes:
Q4: Refers to the fourth(4th) quarter from 1 January to 31 March. FY: Refers to the financial year from 1 April to 31 March

Operating metrics

Sales per sq. ft.[1]

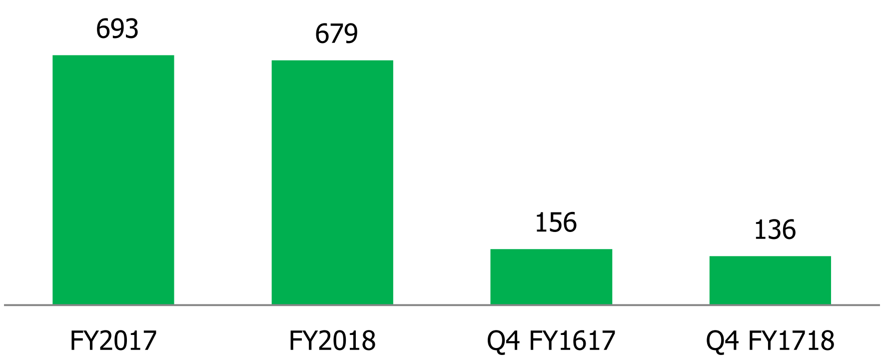
S$

Singapore



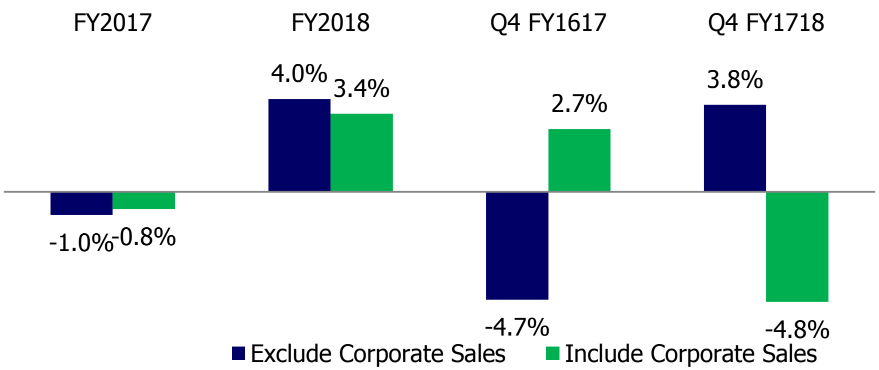
MYR

Malaysia

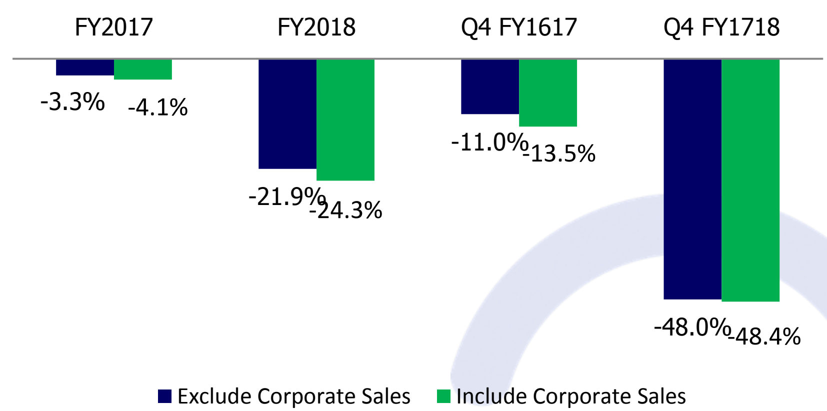


Like-for-like sales growth[2]

Singapore



Malaysia



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

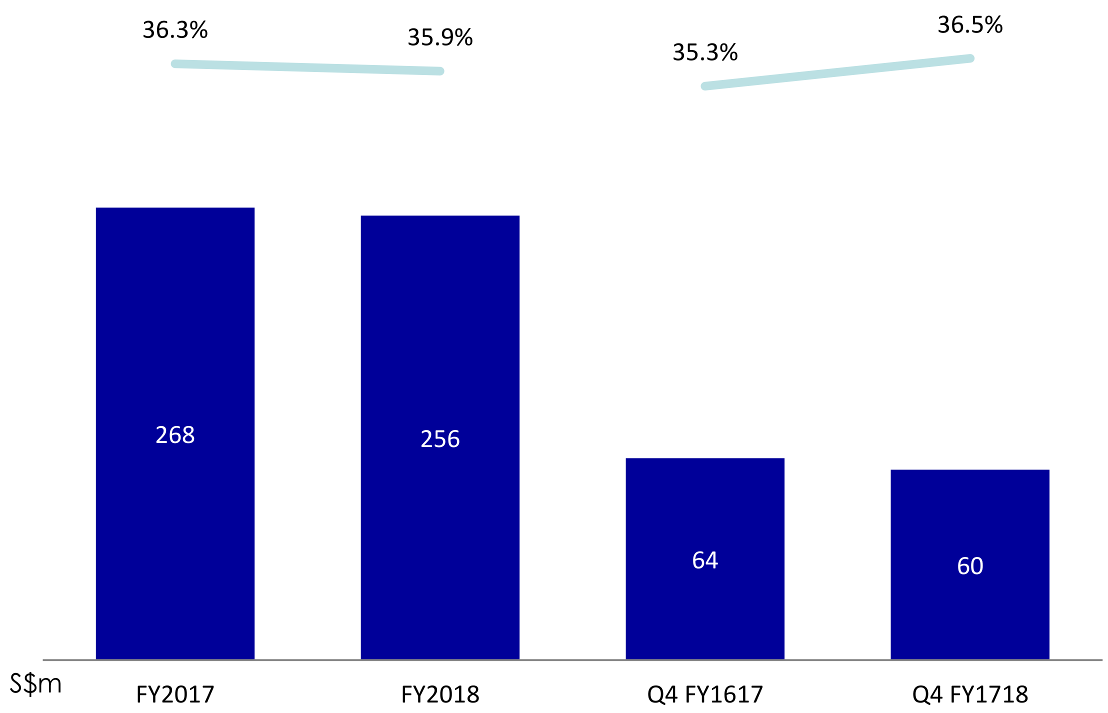
1: Based on weighted average retail square footage and total net sale for each period

2: Like-for-like sales growth (comprising of net merchandise sales and current year service charge income generated) for a financial year is calculated based on stores which have been operating for the entire year/period over that preceding year/period. Q4 FY1617 like-for-like sales is based on previously reported sales figures of Q4FY1617 and Q4FY1516. Q4FY1718 like-for-like sales is based on Q4FY1718 sales figures compared with Q4 FY1617 restated sales figures.

Indonesia – not significant

Operating metrics

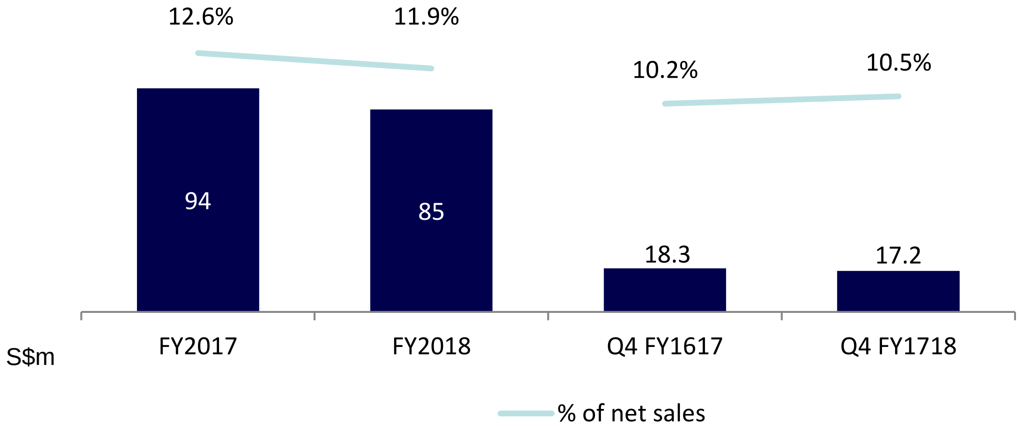
Gross profit and margin



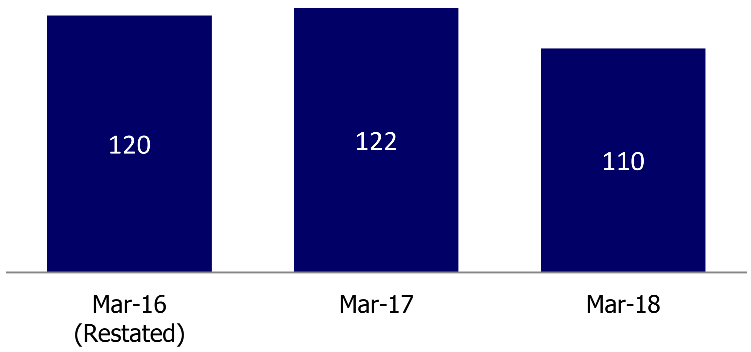
Note:
Q4: Refers to the fourth(4th) quarter from 1 January to 31 March. FY: Refers to the financial year from 1 April to 31 March

Service charge income

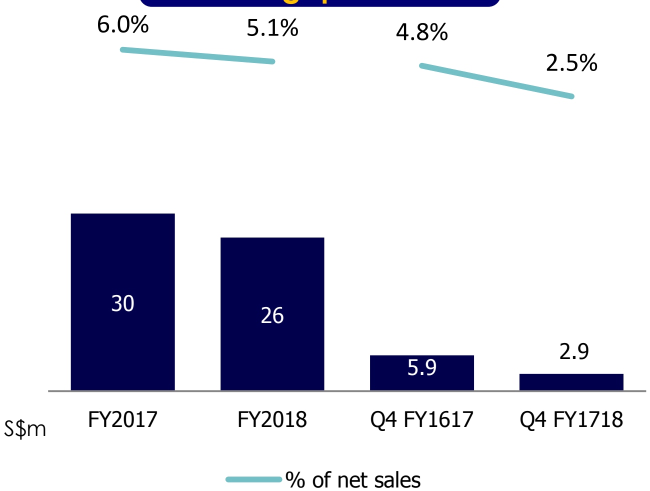
Earned SCI Group



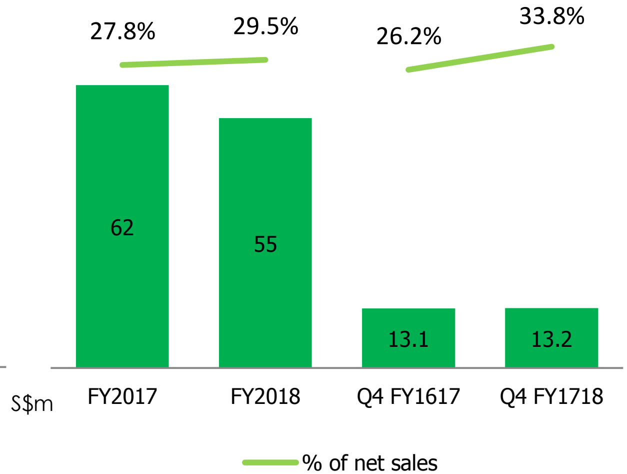
Unearned SCI Group



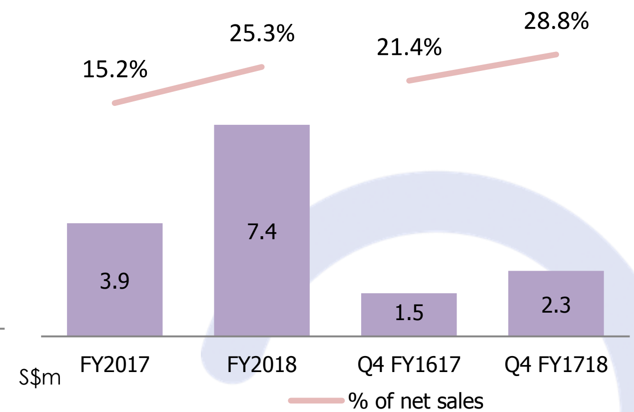
Earned SCI Singapore[1]



Earned SCI Malaysia



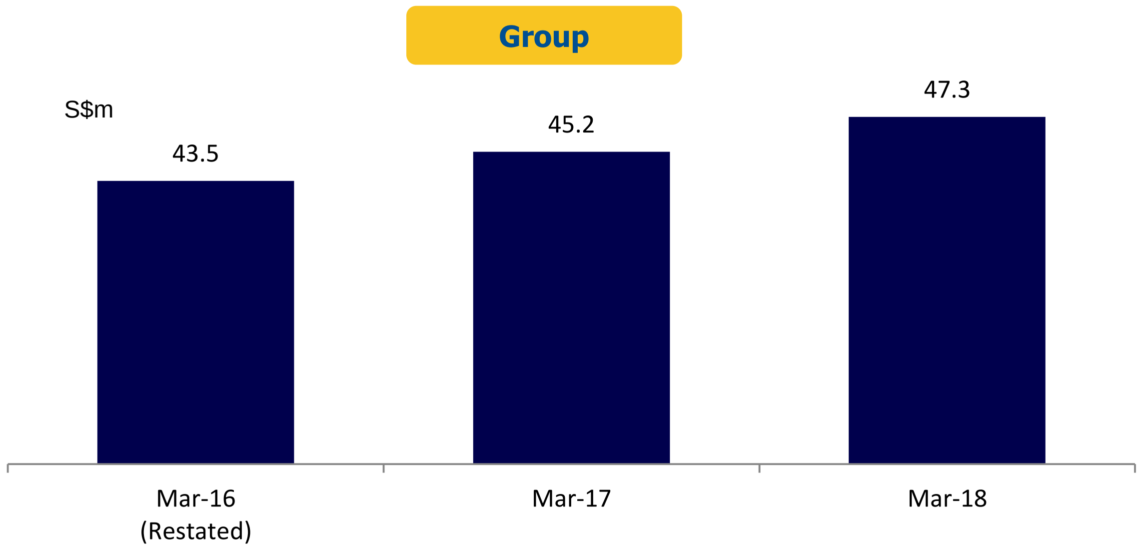
Earned SCI Indonesia [2]

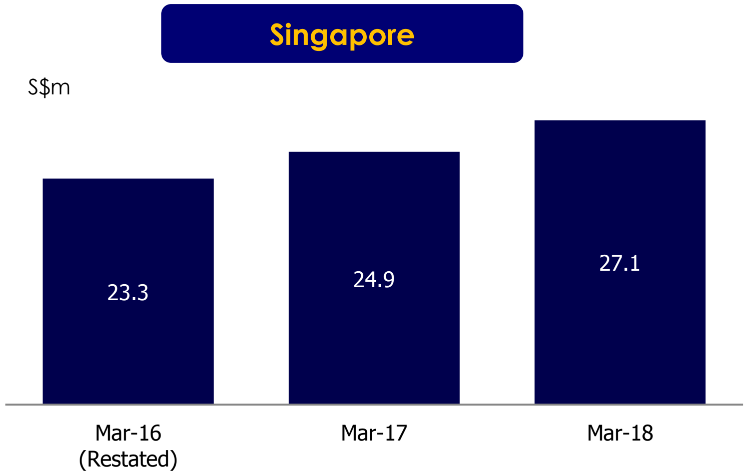


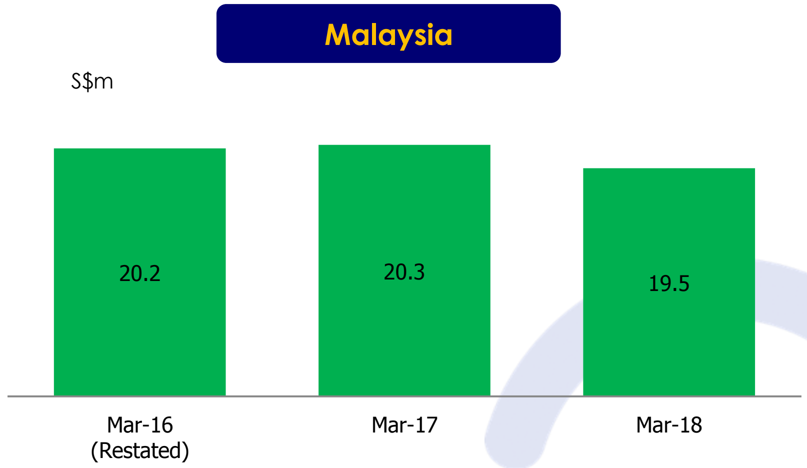
Notes:
Q4: Refers to the fourth(4th) quarter from 1 January to 31 March.
FY: Refers to the financial year from 1 April to 31 March
1. Excludes Net Sales from Home Lifestyle as there is no earned service charge income for Home Lifestyle

2. Indonesia has yet to announce the adoption of FRS115 Revenue from Contracts with Customers. Adjustment is only made at Group consolidation level to be aligned with the Group's accounting standards.

Deferred revenue (net)



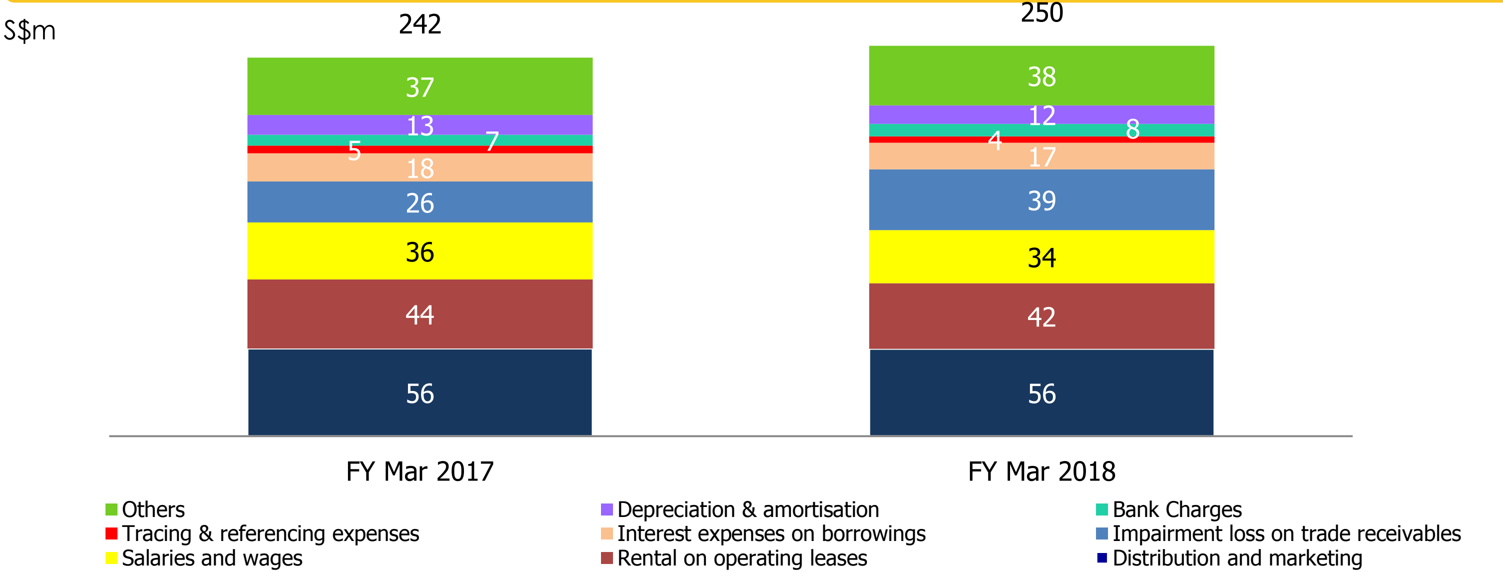




Notes:
Month-Year: Refers to the financial position of each balance sheet item as at each period end
Indonesia's deferred revenue (net) is not significant

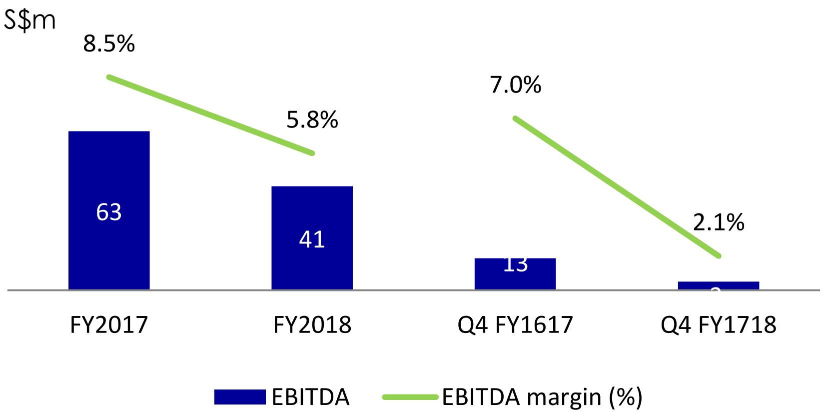
Breakdown of expenses and EBITDA

Breakdown of expenses

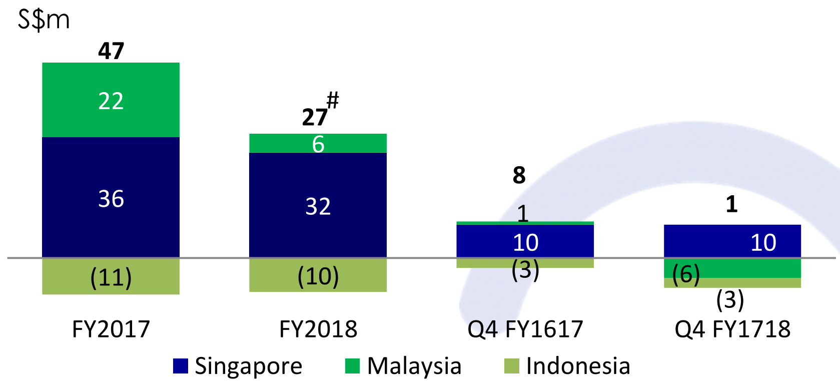


Note: There is reclassification of expense line items in prior year which has no impact on Group's profit before tax or net profit arising from these reclassification

EBITDA²



Segment result by geographical location³

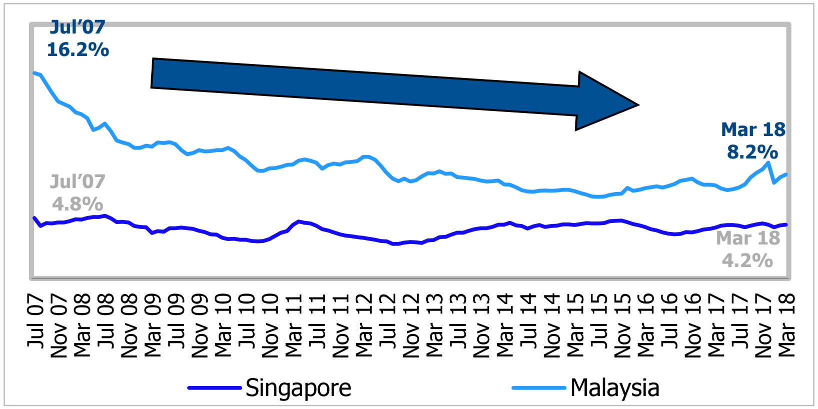


Notes:
Q4: Refers to the fourth(4th) quarter from 1 January to 31 March.
FY: Refers to the financial year from 1 April to 31 March
#: Differences due to rounding

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.

Delinquency rates and allowance for impairment loss on trade receivables

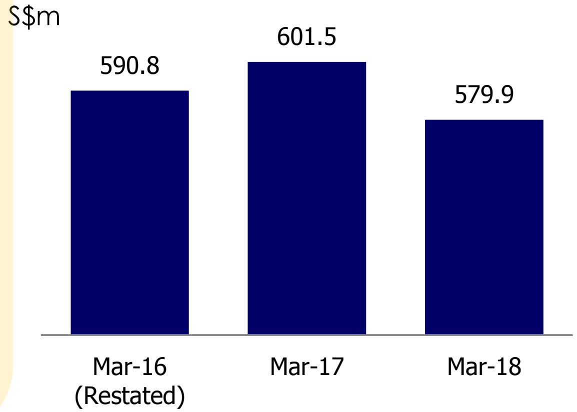
180+ days delinquency rates



Note: PTCRI – not significant

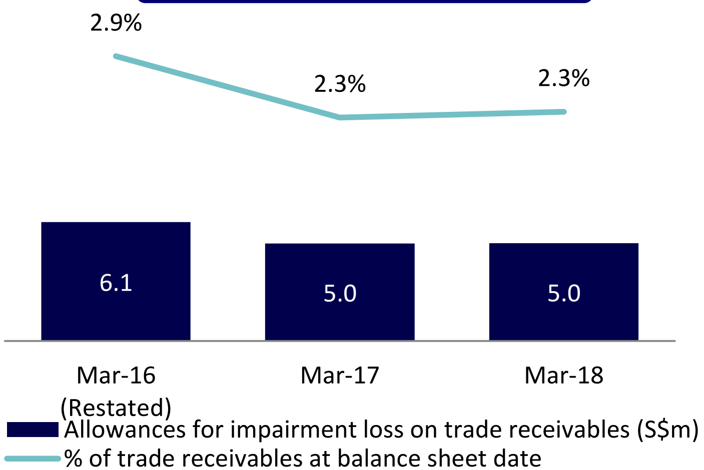
The local credit environments in Malaysia and Indonesia remain challenging. We have intensified our collection efforts and have tightened the credit policies to manage the overall portfolio risk and mitigate the impact from higher impairment losses.

Credit book assets - Gross

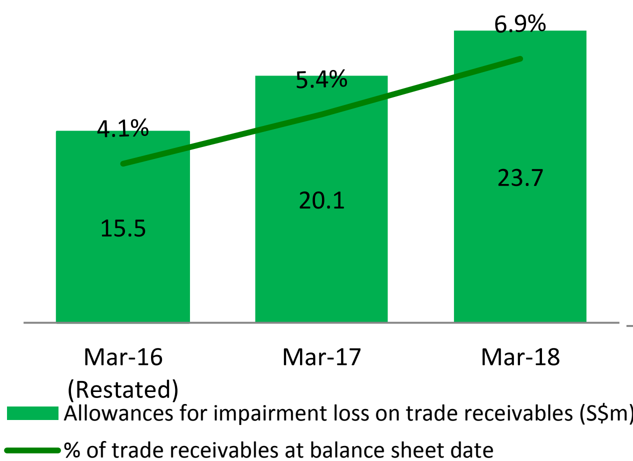


Allowance for impairment loss on trade receivables

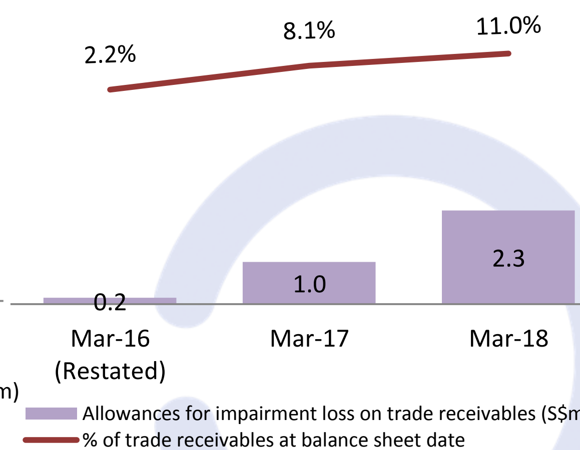
Singapore



Malaysia

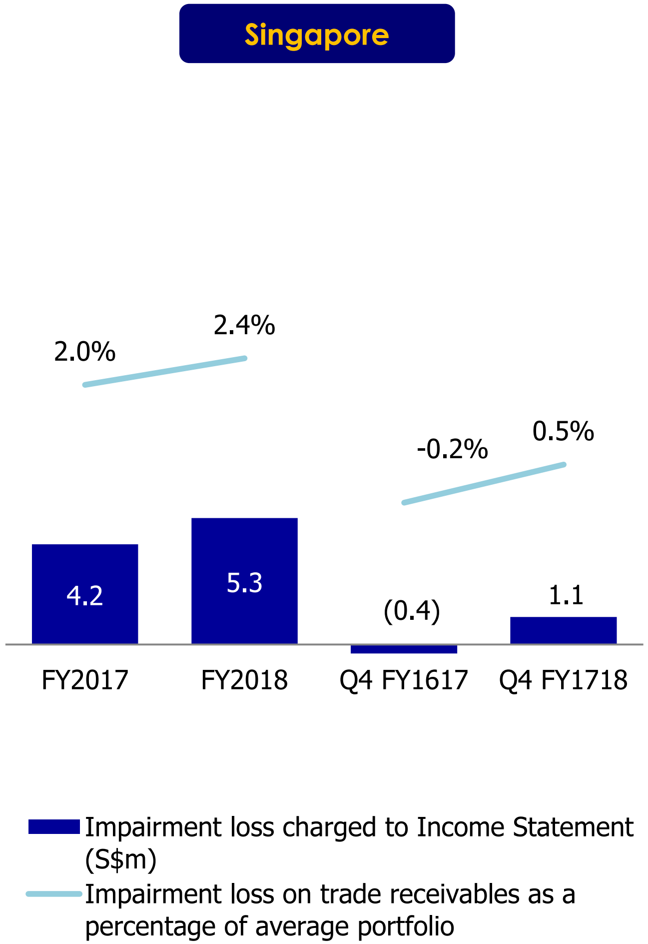


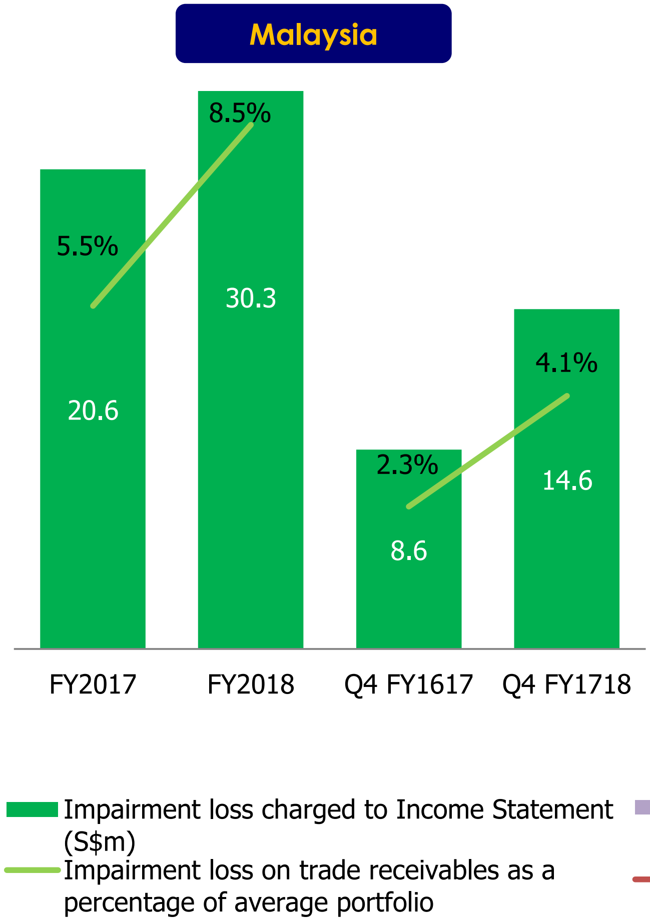
Indonesia

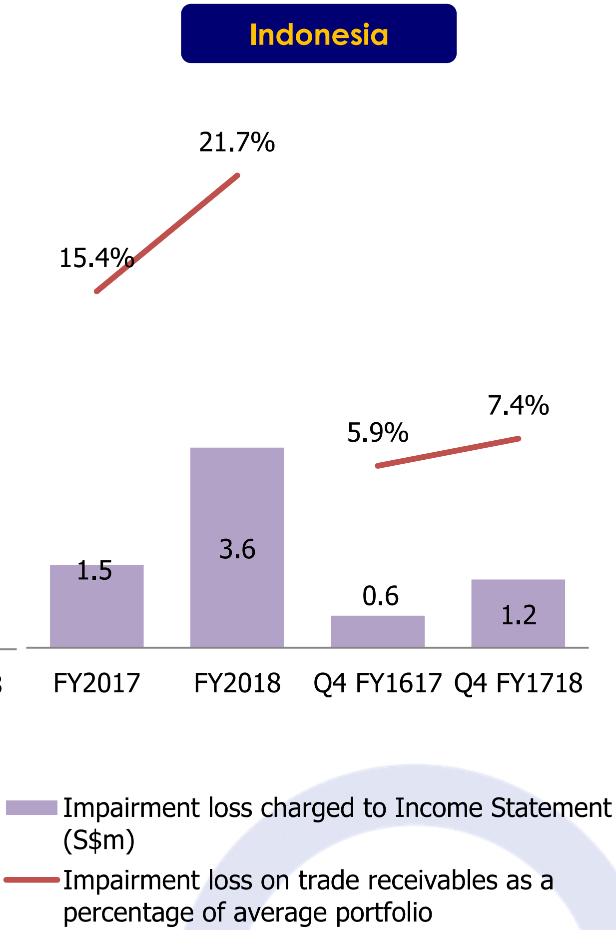


Notes:
Month-Year: Refers to the financial position of each balance sheet item as at each period end

Impairment loss on trade receivables charged to Income Statement







Notes:
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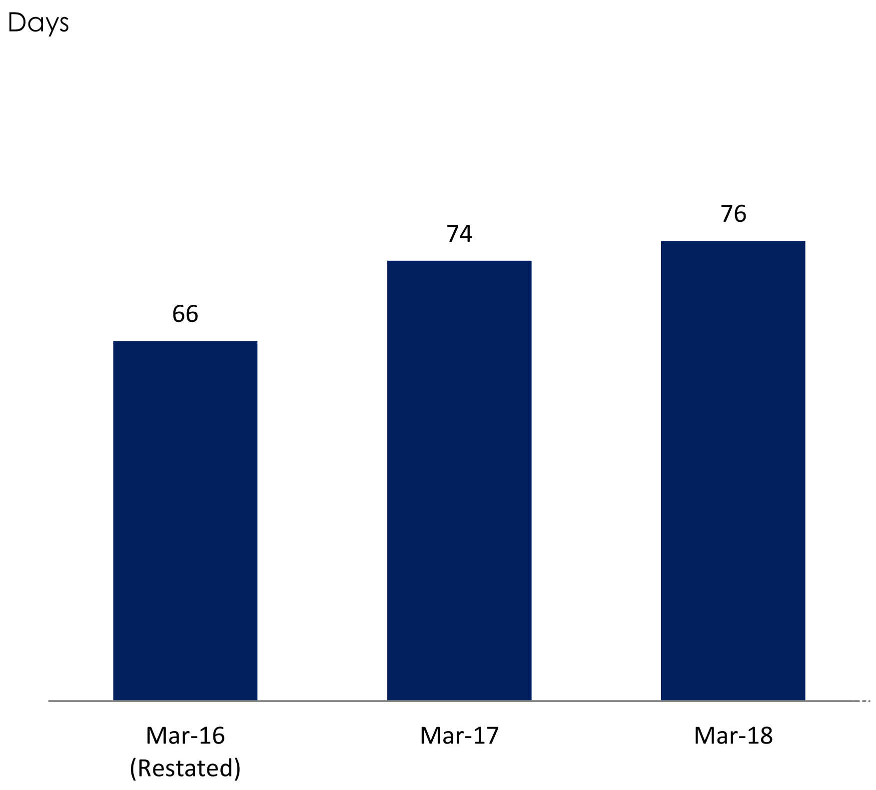
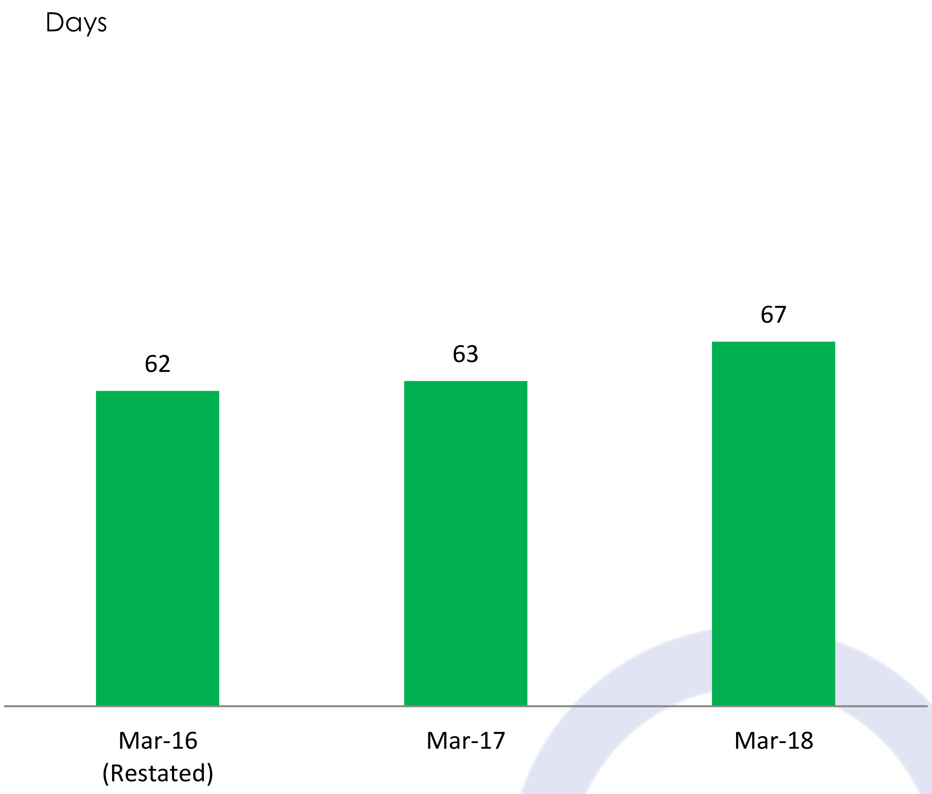
Working capital management

Trade payable days



Inventory days



Notes:
Month-Year: Refers to the turnover days for each period end

Borrowings

Facility	Facility amount	Amount drawn down as at 31 Mar 17	Amount drawn down as at 31 Mar 18	Available headroom As at 31 Mar 18
Multicurrency Medium Term Note (CAL) Expiry: 15th Mar 2019	S$ 500 mil	S$ 75 mil @ 5.75%p.a.	S$ 75 mil @ 5.75%p.a.	S$ 425 mil
Asset Securitisation Programme (CSPL) (1) Revolving Period expiring: Jan 2019 (with possibility of 1 year extension at lenders' option) Amortisation Period: 2 years after end of Revolving Period	S$ 150 mil	S$ 59.4 mil	S$ 55.3 mil	S$94.7 mil
Syndicated Senior Loan (CMSB) (2) Revolving Period expiring: Feb 2019 Amortisation Period: 3 years after end of Revolving Period	RM 553 mil	RM 456 mil	RM 425 mil	RM 128 mil
Various Term Loans (PTCRI) Various expiry dates ranging from 2019 to 2020	IDR 269.8 bil	IDR263.7 bil	IDR269.8 bil	–

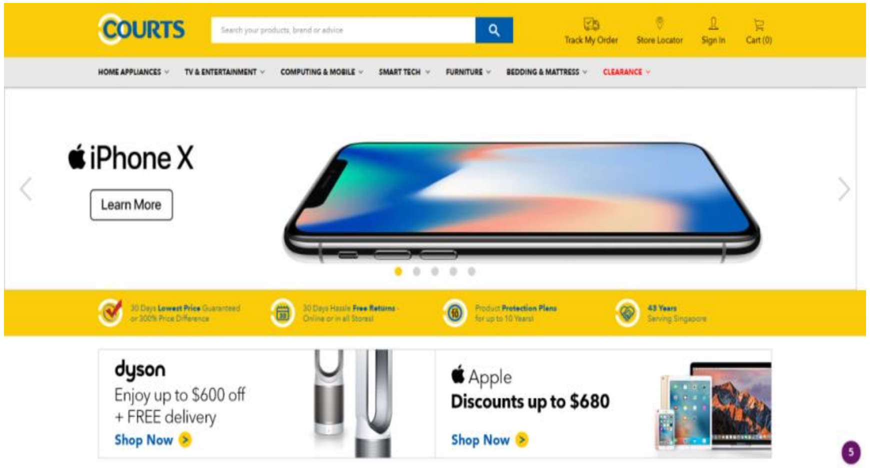
[1] CSPL Asset Securitisation : 1-mth SOR is hedged with Interest Rate Cap (strike rate of 2.5%) for notional amount of SGD70M

[2] CMSB Syndicated Senior Loan: RM300M is fixed at 6.3% p.a

OPERATIONAL UPDATES

Singapore in FY17/18:
Driving Omni-Channel, Solutions, Furniture With Customer At Heart

- Strong store performance with LFL increase of 3.4%
- Closed 1 store, refurbished 3 including flagship Megastore, landing at 14 stores



Relaunched COURTS online as largest store with over 17,000 SKUs; > 50% YoY sales increase

Drove solutions selling with launch of GURU and expansion of Design Studio

Embarked on transformation of furniture category and range

Attained 70% Smile Score for the first time in history

Malaysia in FY17/18:

Business Transformation Amid New Regulatory Environment and Challenging Market Conditions

- Challenging year driven by new regulatory changes and challenging market conditions
- Focused on transformation, formed taskforce to look into business processes and operations
- Closed 7 underperforming stores, targeted expansion in East Malaysia with opening of 3 stores

Indonesia in FY17/18:
Tepid Store Expansion With Pop-Up Formats

Improving EBIT YoY; margin expansion to 40.4% in FY17/18

Opened COURTS Tamini Square, bringing total to 9 stores

Pop-up store expansion temporarily halted until credit collections improve, operating with 23 to date

Continued to build Megastores as retail destinations, with opening of second Ramayana store in COURTS BSD

Looking Ahead to FY18/19

Singapore

Continue to drive leadership in category solutions-selling and omni-channel experience

Malaysia

Execute business transformation with pace; refine business processes and operations

Indonesia

Cautiously expand store network whilst managing credit collections costs

APPENDIX

Unaudited Results for the Financial Year ended 31 March 2018

	Group YTD FY17/18 S$'000	Group YTD FY16/17 S$'000	% Change
Revenue	713,139	740,539	(3.7)
Cost of sales	(456,961)	(472,090)	3.2
Gross profit	**256,178**	**268,449**	**(4.6)**
Other income and other gains/(losses) - net	4,644	5,628	(17.5)
Expenses			
- Distribution and marketing	(56,477)	(56,181)	(0.5)
- Administrative	(172,523)	(165,391)	(4.3)
- Finance	(20,776)	(20,826)	0.2
Profit before income tax	**11,046**	**31,679**	**(65.1)**
Income tax expense	(2,995)	(7,936)	62.3
Net profit	**8,051**	**23,743**	**(66.1)**

Group's revenue of $713.1 million for FY17/18 was 3.7% or $27.4 million lower than FY16/17.

Singapore revenue which contributed 69.9% of the Group's revenue in FY17/18, reported an increase of 1.5% compared to FY16/17, mainly due to higher sales of goods from the re-launch of its online platform and the re-opening of COURTS Megastore at Tampines in November 2017.

Malaysia revenue, which contributed to 26.2% of the Group's revenue, reported a 16.7% (in presentation currency) and 15.4% (in RM currency) decrease in FY17/18 as compared to FY16/17 mainly due to lower sales of goods and earned service charge income.

Indonesia revenue, which contributed to 3.9% of the Group's revenue, registered a 9.9% (in presentation currency) and 13.7% (in Rupiah currency) increase in FY17/18 compared to FY16/17 mainly due to contributions from newly opened stores.

Gross profit for FY17/18 decreased by 4.6% or $12.3 million mainly from lower gross profit margin and lower revenue compared to FY16/17. Gross profit margin decreased from 36.3% in FY16/17 to 35.9% in FY17/18 mainly due to lower earned service charge in Singapore and Malaysia and offset by higher earned service charge in Indonesia.

Distribution and marketing expenses remained relatively stable at $56.5 million in FY17/18. As a percentage of revenue, distribution and marketing expenses is at 7.9% in FY17/18.

Administrative expenses increased by $7.1 million to $172.5 million in FY17/18 due to higher allowance for impairment of trade receivables and offset by lower branch occupancy costs in Singapore and Malaysia.

Finance expenses remained stable at $20.8 million in FY17/18 with lower interest expenses in Indonesia offset by higher borrowing costs in Malaysia.

Income tax expenses decreased by $4.9 million to $3.0 million in FY17/18 from $7.9 million in FY16/17, this was mainly due to lower taxable profits in Singapore and net income tax credits arising from losses in Malaysia and Indonesia.

Unaudited Balance Sheet as at 31 March 2018

	Group	
	31 Mar 18	31 Mar 17 *
	S$'000	S$'000
ASSETS		
Current assets		
Cash and bank balances	108,596	98,728
Derivative financial instruments	30	-
Trade and other receivables	186,938	181,800
Deferred costs	7,883	8,284
Inventories	82,691	78,780
Current income tax recoverable	3,568	-
	389,706	**367,592**
Non-current assets		
Derivative financial instruments	1,009	139
Trade and other receivables	282,043	305,246
Deferred costs	12,360	11,271
Investments in subsidiaries	-	-
Property, plant and equipment	18,037	20,906
Intangible assets	22,768	23,231
Deferred income tax assets	23,122	20,662
	359,339	**381,455**
Total assets	**749,045**	**749,047**
LIABILITIES		
Current liabilities		
Derivative financial instruments	-	276
Trade and other payables	144,316	148,336
Deferred revenue	26,883	27,167
Current income tax liabilities	1,637	5,347
Borrowings	75,228	547
Deferred income	2,198	2,569
	250,262	**184,242**
Non-current liabilities		
Derivative financial instruments	-	100
Trade and other payables	588	482
Deferred revenue	40,695	37,604
Borrowings	223,085	303,468
Deferred income	1,371	1,733
Deferred income tax liabilities	2,842	2,888
	268,581	**346,275**
Total liabilities	**518,843**	**530,517**
NET ASSETS	**230,202**	**218,530**
EQUITY		
Share capital	265,332	265,332
Treasury shares	(19,065)	(19,669)
Other reserves	(34,692)	(44,350)
Retained profits	18,627	17,217
Total equity	**230,202**	**218,530**

Cash and bank balances increased by $9.9 million to $108.6 million as at 31 March 2018 from $98.7 million as at 31 March 2017. The increase is mainly as a result of strong operating cash flows and offset by the repayment of borrowings as well as payment for additions to fixed assets, dividends and interest expenses.

The Group's trade and other receivables (current and non-current) decreased by $18.0 million to $469.0 million as at 31 March 2018 from $487.0 million as at 31 March 2017 mainly due to repayment of receivables and lower credit sales in FY17/18. Allowance for impairment of trade receivables as at 31 March 2018 was $31.0 million, representing 5.4% of gross trade receivables, as compared to $26.1 million as at 31 March 2017 representing 4.3% of gross trade receivables.

The Group's inventories increased to $82.7 million as at 31 March 2018 from $78.8 million as at 31 March 2017 mainly due to expansion of product ranges post re-opening of COURTS Megastore at Tampines.

Deferred costs relate to the incremental costs incurred by the Group to obtain or fulfil other services contracts which are capitalised as assets. The deferred costs balance would be amortised and recognised as expenses on a basis consistent with the revenue recognition of the other services to which the costs relate. Costs which are not incremental to the other services contracts are expensed as incurred. Total deferred costs increased to $20.2 million as at 31 March 2018 from $19.6 million as at 31 March 2017 due to sales of other services during the financial year.

Deferred revenue relates to unearned revenue on other services contracts for which the other services have yet to be rendered. The deferred revenue balance would be recognised as revenue as the related services are rendered. Total deferred revenue increased to $67.6 million as at 31 March 2018 from $64.8 million as at 31 March 2017 due to sales of other services during the financial year.

Derivative financial instruments represent the carrying amount of interest rate cap and currency swaps that the Group has entered into to hedge its exposure to floating interest rate and exchange rate fluctuations on its bank borrowings. The Group has adopted hedge accounting in respect of the currency swaps. The derivative financial instruments is in a net asset position with fair value gain in FY17/18 mainly attributed to the strengthening of Singapore dollar against Indonesia rupiah during the financial year and settlement of interest rate swap of its Malaysia subsidiary.

The total borrowings decreased to $298.3 million as at 31 March 2018 from $$304.0 million as at 31 March 2017. The total borrowings mainly consist of S$75 million three-year unsecured fixed rate notes and term loans in COURTS Asia Ltd ("CAL"), the Asset Securitisation Programme 2016 in Singapore, Syndicated Senior Loan in Malaysia, and term loans in Indonesia.

The increase in net **deferred income tax assets** as at 31 March 2018 was mainly due to the recognition of tax losses from Malaysia.

* The 31 March 2017 comparative figures differs from the balances as previously announced in the Q4 FY16/17 announcement due to reclassification of trade and other receivables between current and non-current assets.

Unaudited Statement of Cash Flows for the Financial Year ended 31 March 2018

	Group	
	YTD FY17/18 S$'000	YTD FY16/17 S$'000
Cash flows from operating activities:		
Net profit	8,051	23,743
Adjustments for:		
Income tax expense	2,995	7,936
Depreciation and amortisation	11,636	12,745
Amortisation of deferred income	(2,379)	(2,573)
Interest expense	17,498	18,066
Interest income	(2,438)	(3,173)
Borrowing costs	3,181	2,642
Loss on disposal of property, plant and equipment and intangible assets (net)	1,440	510
Share-based compensation	761	688
Changes in fair value of derivative financial instruments	(67)	374
Foreign currency translation differences	701	(860)
Operating cash flow before working capital changes	41,379	60,098
Changes in working capital		
- Inventories	(2,412)	(3,187)
- Trade and other receivables	37,156	(22,597)
- Deferred costs	(236)	(1,180)
- Trade and other payables	(4,464)	13,927
- Deferred revenue	847	4,546
Cash generated from operations	72,270	51,607
Income tax paid (net)	(12,942)	(6,113)
Net cash generated from operating activities	**59,328**	**45,494**
Cash flows from investing activities		
Additions to property, plant and equipment	(8,895)	(8,528)
Acquisition of intangible assets	(997)	(1,356)
Proceeds from sale of property, plant and equipment	96	131
Interest received	2,418	3,130
Net cash used in investing activities	**(7,378)**	**(6,623)**
Cash flows from financing activities		
Repayment of bond issue	-	(125,120)
Repayment of finance lease liabilities	(68)	(595)
Proceeds from term loan	-	7,894
Repayment of term loan	(463)	(469)
(Repayment of) / proceeds from syndicated senior loan	(11,548)	4,327
(Repayment of) / proceeds from loan on asset securitisation	(4,075)	57,378
Increase / (decrease) in fixed deposits pledged as securities for banking facilities	(68)	828
Purchase of treasury shares	-	(3,693)
Payment of borrowing cost	(2,135)	(1,664)
Interest paid	(17,298)	(17,865)
Dividends paid	(6,641)	(6,671)
Net cash used in financing activities	**(42,296)**	**(85,650)**
Net Increase / (decrease) in cash and cash equivalents	**9,654**	**(46,779)**
Cash and cash equivalents as at beginning of financial period	**93,817**	**141,770**
Effects of currency translation on cash and bank balances	**146**	**(1,174)**
Cash and cash equivalents as at end of financial period	**103,617**	**93,817**

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

	31-Mar-18 S$'000	31-Mar-17 S$'000
Cash and bank balances	74,526	74,680
Fixed deposits	34,070	24,048
	108,596	98,728
Less: Fixed deposits pledged as securities for banking facilities	(4,979)	(4,911)
Cash and cash equivalents per consolidated statement of cash flows	**103,617**	**93,817**

Q & A

To access the results presentation and briefing which will be available by 5 June 2018, visit: http://ir.courts.com.sg.