Results Briefing

Results for the first quarter ended 30 June 2015

13 August 2015

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

Executive summary

1. Sales for Q1 FY2016 at $198.2 million, increase of 2.1% from Q1 FY2015
2. Pre-tax profit for Q1 FY2016 at $8.7 million, increase of 50% from Q1 FY2015, PAT increased 19.0% to $6.0 million
3. Healthy balance sheet with strong cash position of S$119.2 million as at 30 June 2015
4. Malaysia operations experienced business pick-up with higher service charge income
5. Singapore retail environment remains lacklustre; focus is on margin-enhancing initiatives
6. To open fourth new store in Indonesia by year-end with economies of scale and operational efficiency expected from Q4 FY15/16

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- **Financial highlights**
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Financial summary and key financial ratios

(S$m unless otherwise stated)		
Income statement	**Q1 FY2016**	**Q1 FY2015**
Sales	198.2	194.1
Gross profit	68.3	63.5
Basic EPS (cents) [1]	1.12	0.91
Fully diluted EPS (cents) [2]	1.12	0.91

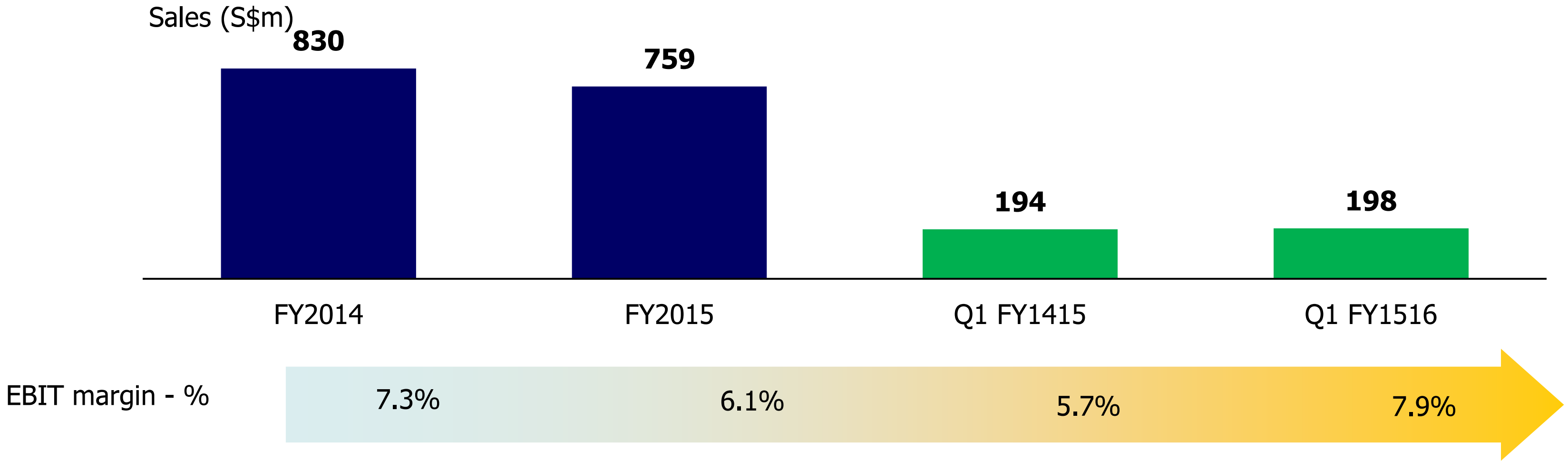
Balance sheet	As at 30 June 2015	As at 31 March 2015
Cash and bank balances	119.2	114.2
Trade and other receivables	519.5	507.4
Borrowings	346.4	329.2
NAV per ordinary share (cents) [3]	54.9	55.1

Statement of cash flows	Q1 FY2016	Q1 FY2015
Net cash used in operating activities	(8.1)	(16.5)
Net cash used in investing activities	(2.6)	(1.9)
Net cash provided by financing activities	16.4	5.1

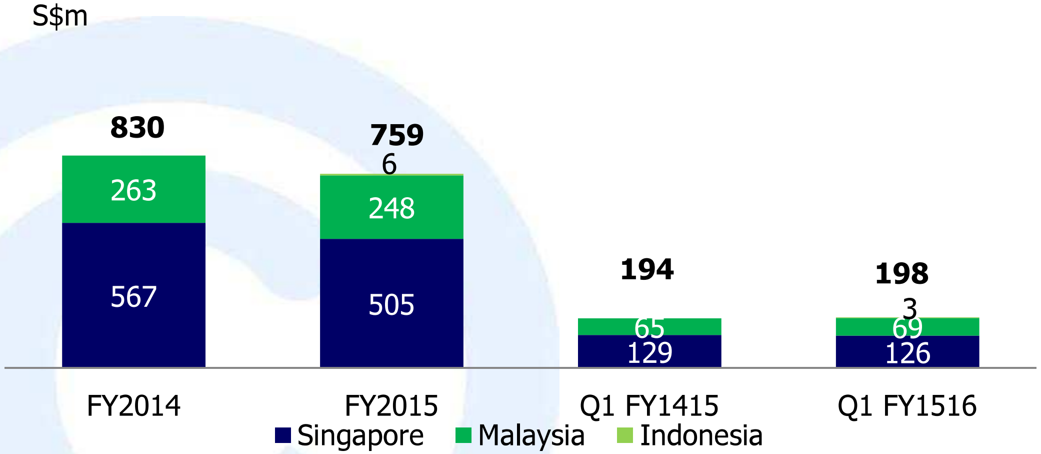
Notes:
Q1, FY: Refer to the first (1st) quarter from 1 April to 30 June and financial year from 1 April to 31 March respectively
1: Basic earnings per share is calculated by dividing the Group's profit after tax attributable to shareholders by the weighted average ordinary shares during the three months ended 30 June 2015 and the same period last year of 538,186,540 and 555,716,945 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 2015 and the same period last year of 538,678,940 and 556,517,000 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 year reported on and immediately preceding financial year

Sales

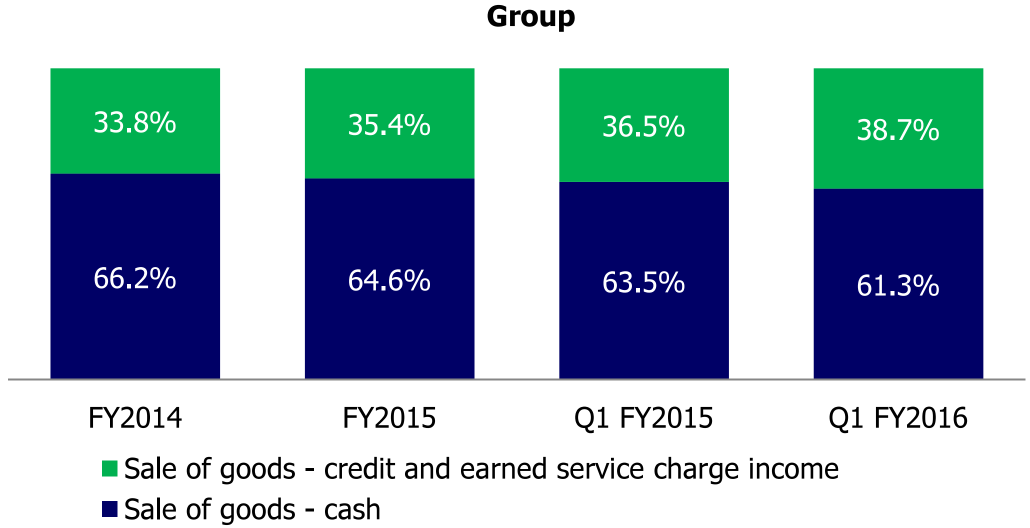
Sales and EBIT margin



Sales by geography



Sale of goods – cash/credit mix



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

Product range focused on 4 key segments

% of Q1 FY2016 sale of goods

	Electrical Products	IT Products	Furniture	Services & Others
% of Q1 FY2016 sale of goods	46.3%	29.7%	18.6%	5.4%

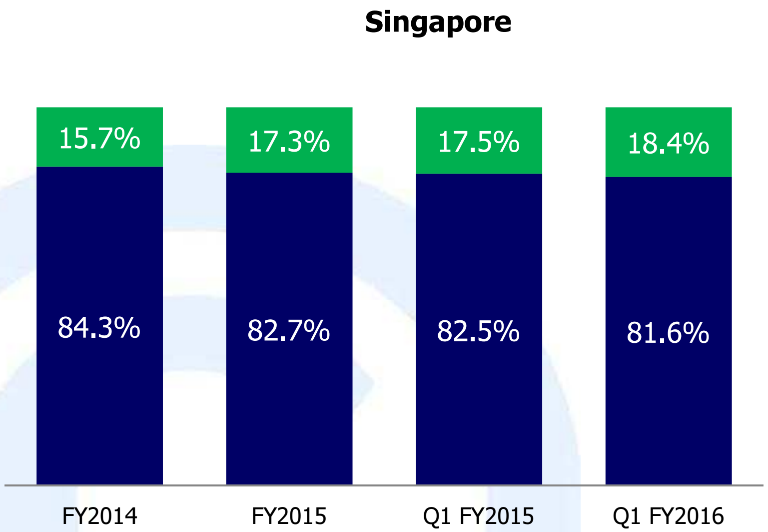
Electrical Products – 46.3%
- Major White Goods
- Vision
- Small appliances
- Audio

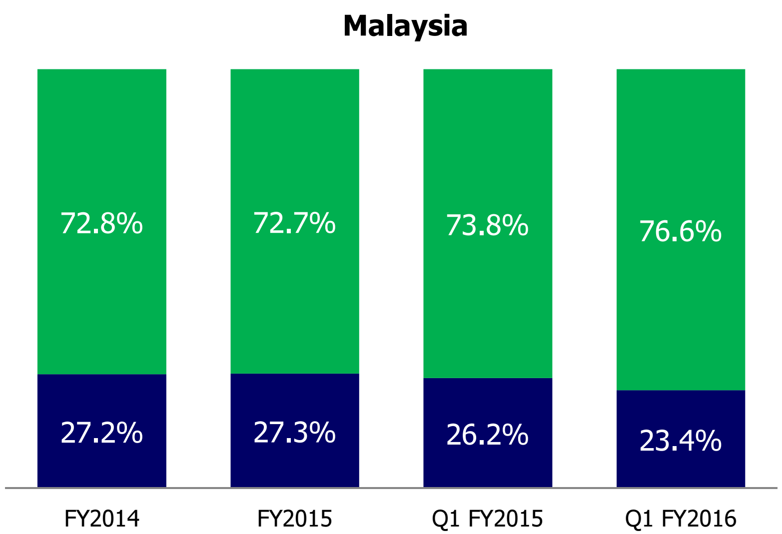
IT Products – 29.7%
- Computers
- Accessories
- Photography
- Mobile

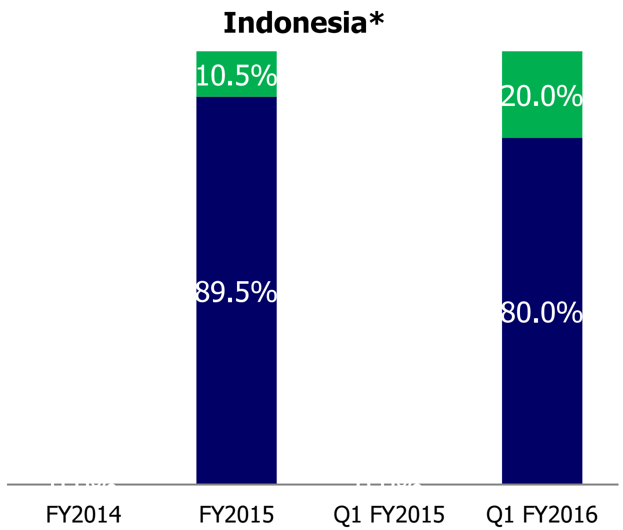
Furniture – 18.6%
- Mattresses
- Bedroom furniture
- Dining room furniture
- Living room furniture
- Home office products

Services & Others – 5.4%
- Warranty sales
- Other services
  - Product replacement services
  - Connect – telecommunications subscription plans

Sales – cash/credit mix







Notes:
Q1: Refers to the first (1st) quarter from 1 April to 30 June
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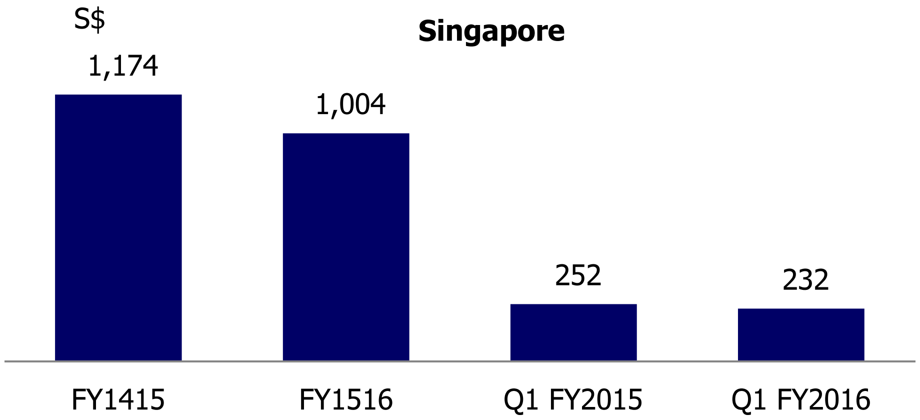
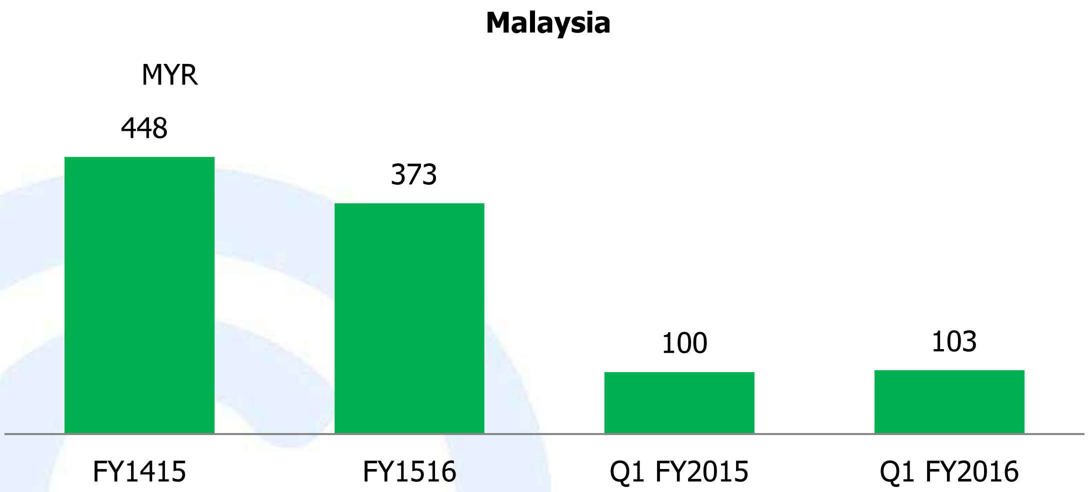
* Sales for Indonesia commenced in Q3 FY14/15.

Operating metrics

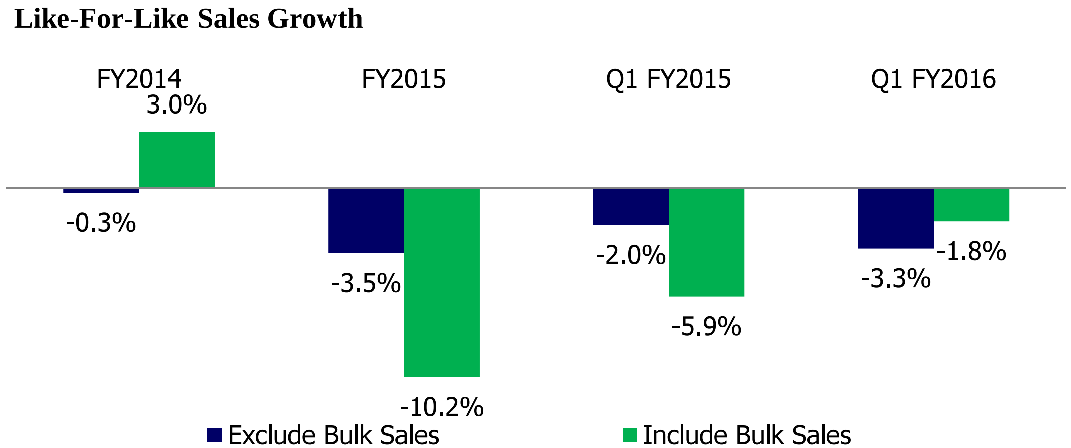
Sales per sq. ft.[1]

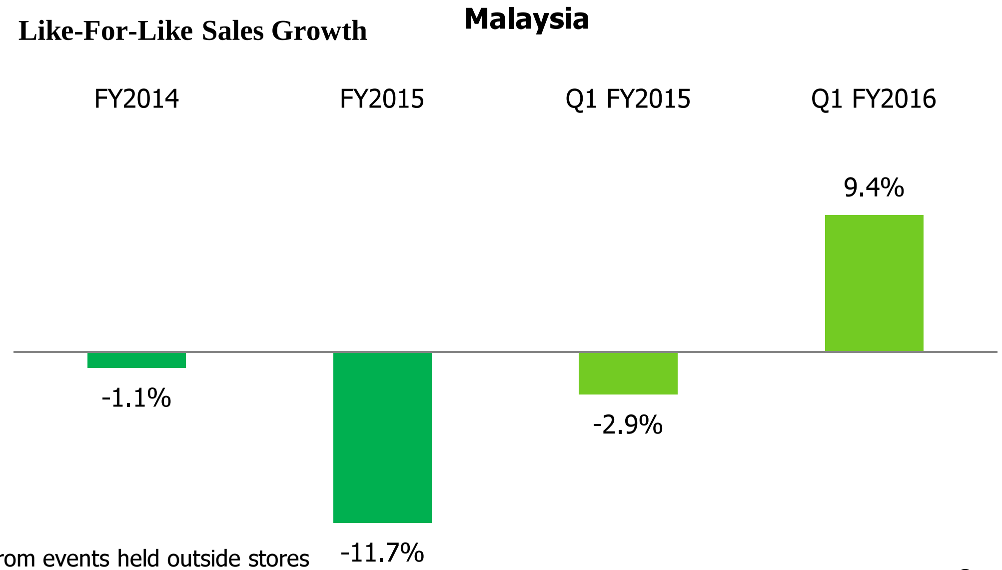




Like-for-like sales growth[2]

Singapore

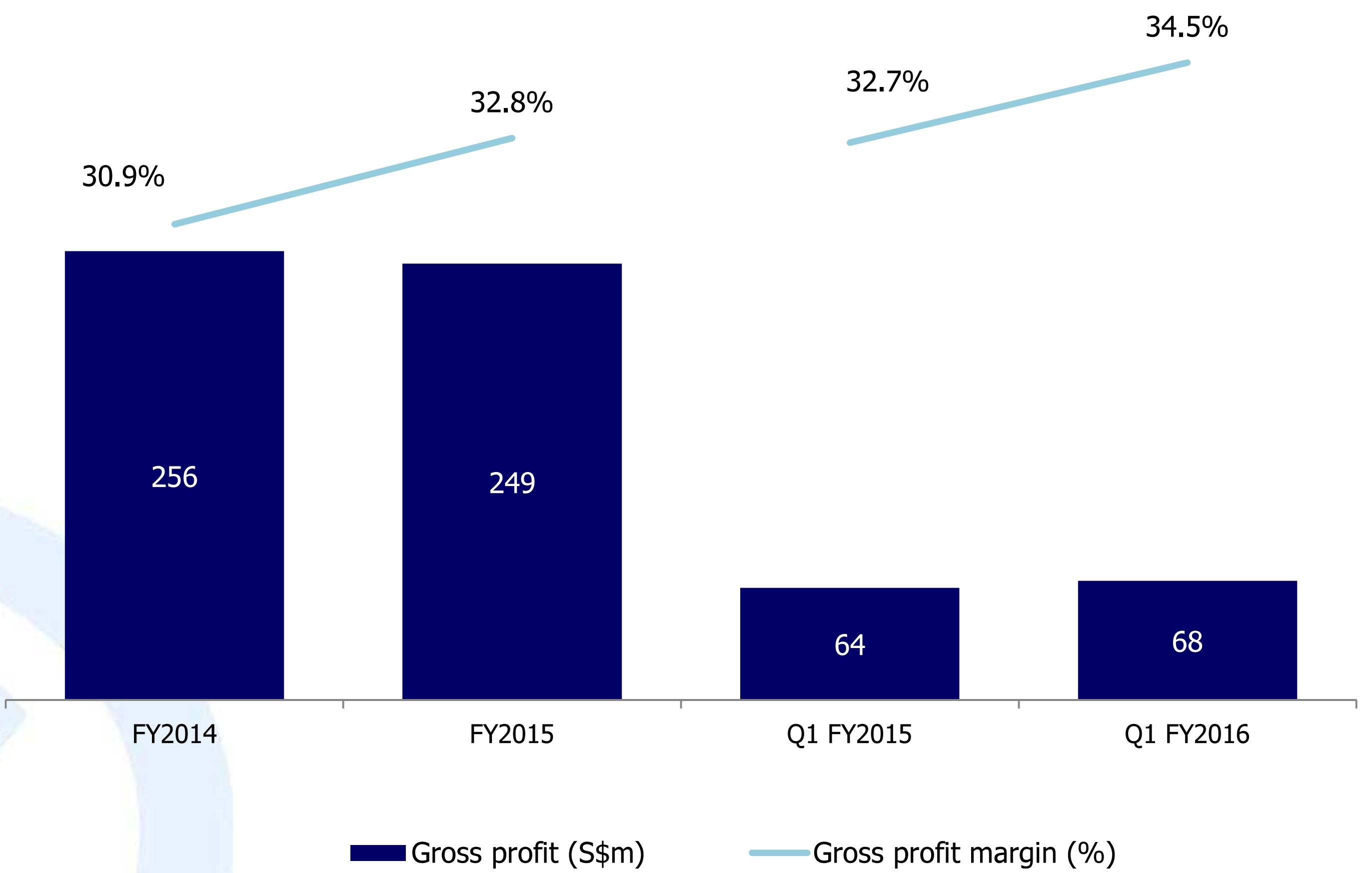




Notes:
Q1: Refers to the first(1st) quarter from 1 April to 30 June
FY: Refers to the financial year from 1 April to 31 March
1: Based on weighted average retail square footage and sale of goods from stores for each period, excluding sales from events held outside stores
2: Like-for-like sales (net merchandise 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



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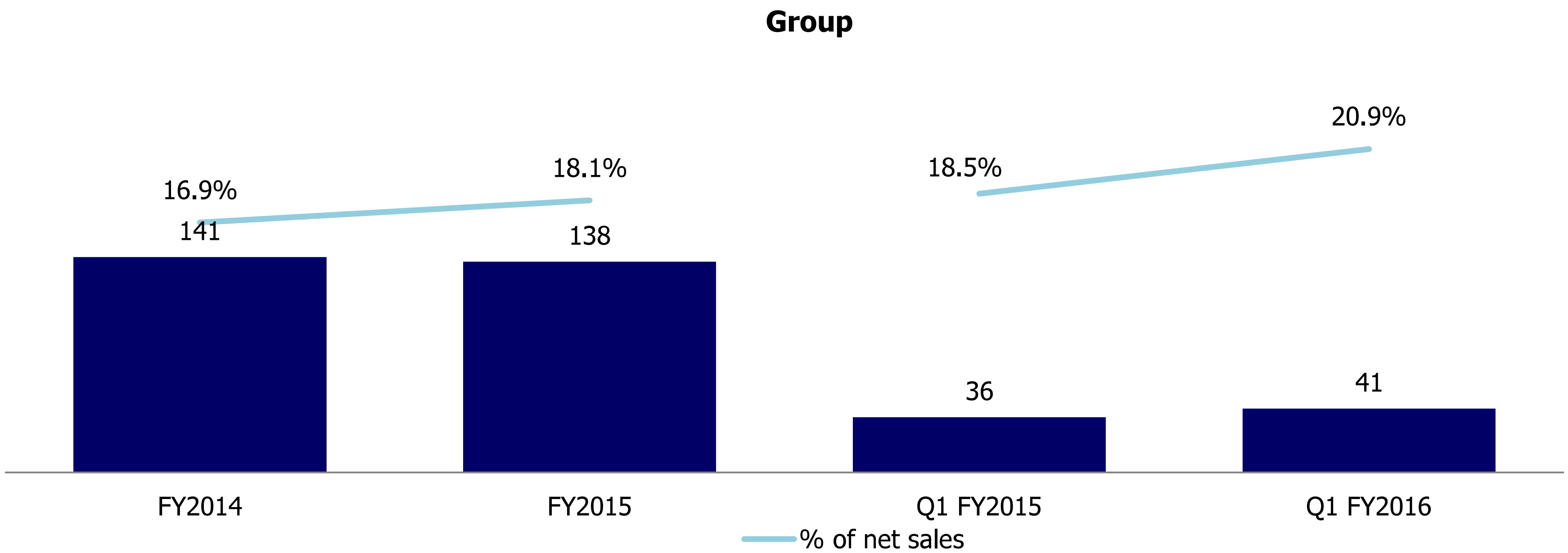
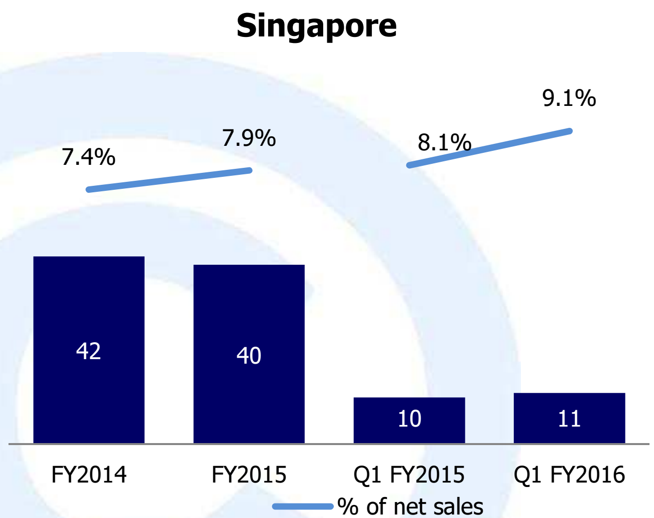
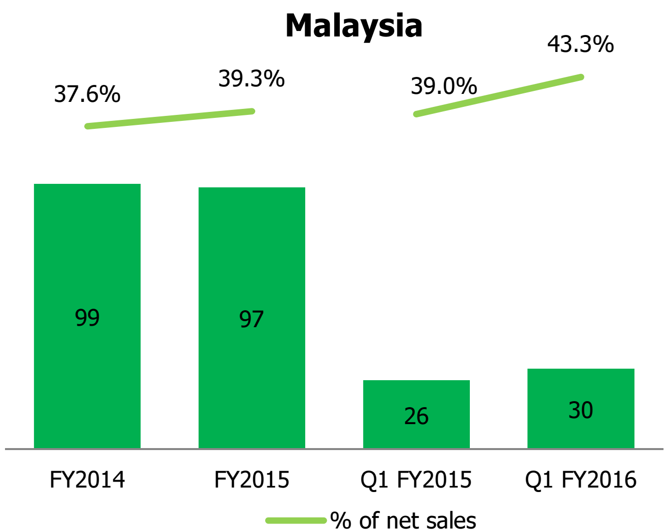
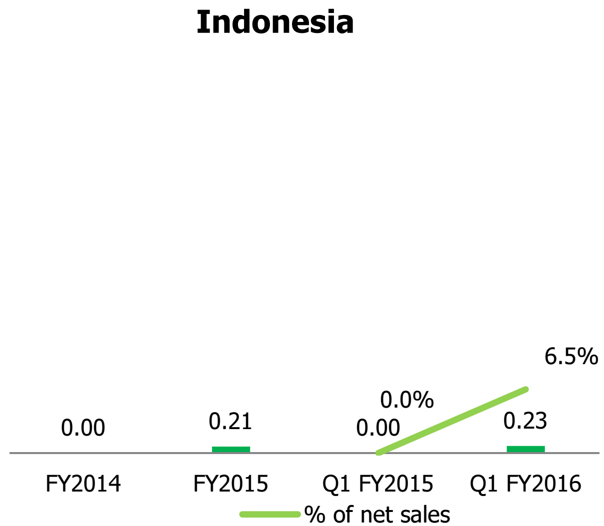
FY: Refers to the financial year from 1 April to 31 March

Earned service charge income









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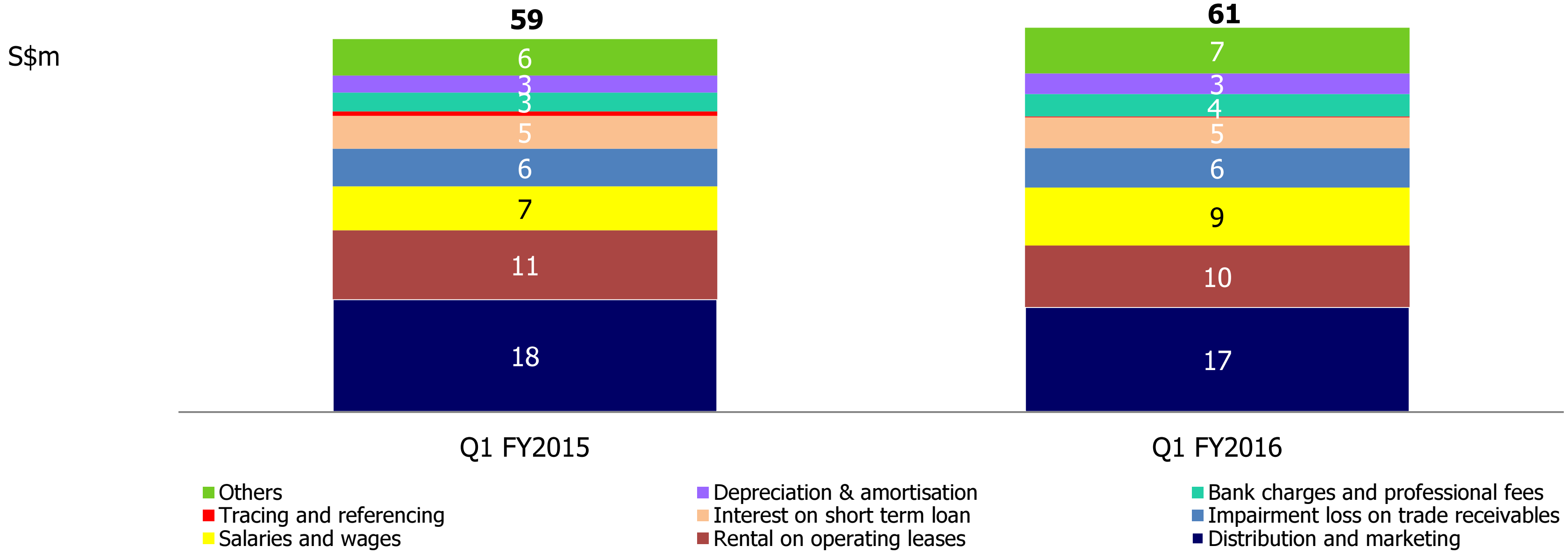
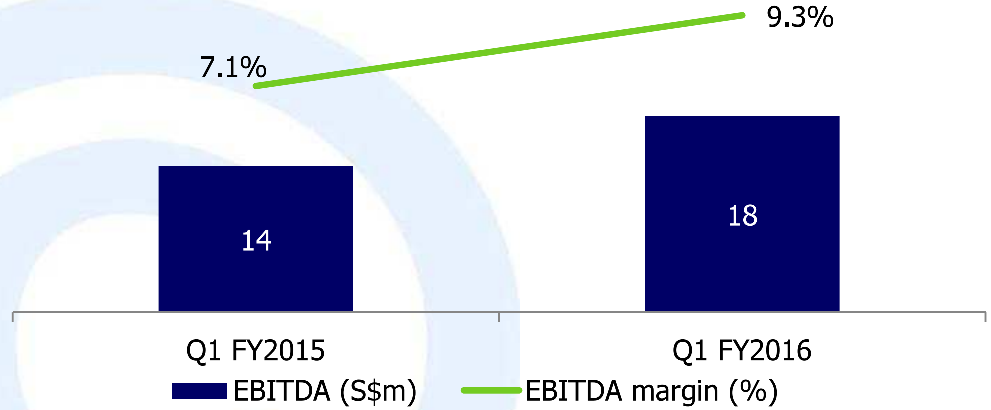
Breakdown of expenses and EBITDA

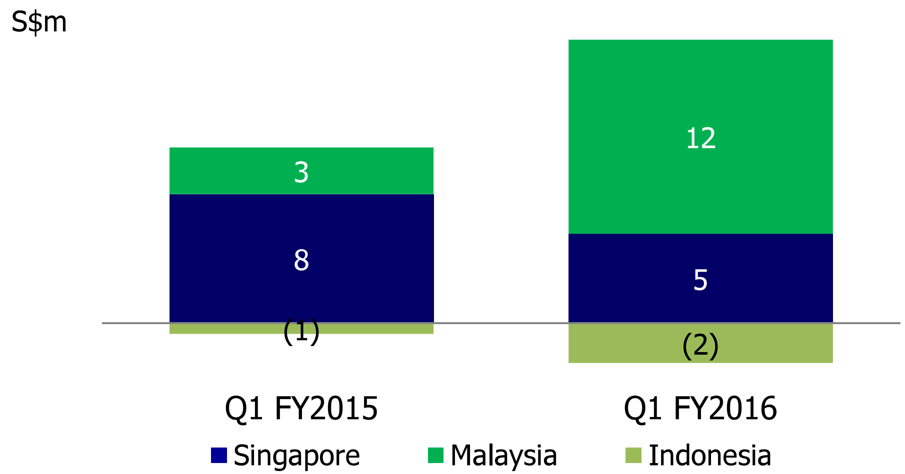
Breakdown of expenses



EBITDA[2]



Segment result by geographical location[3]

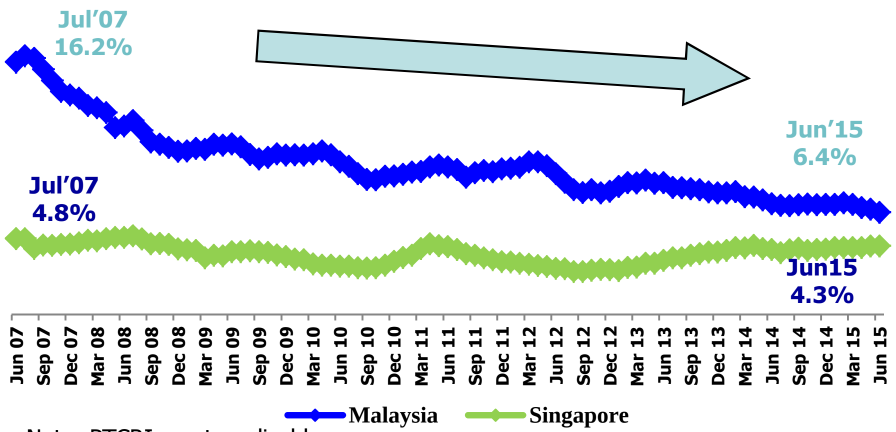


Notes:
Q1: Refers to the first (1st) quarter from 1 April to 30 June
FY: Refers to the financial year from 1 April to 31 March
1: "Others" include head office costs and other expenses
2: EBITDA calculated as profit before tax add finance expense and depreciation and amortisation expense

3: Segment results are profit before other income, income tax and finance expense.

Delinquency rates and allowance for impairment loss on trade receivables

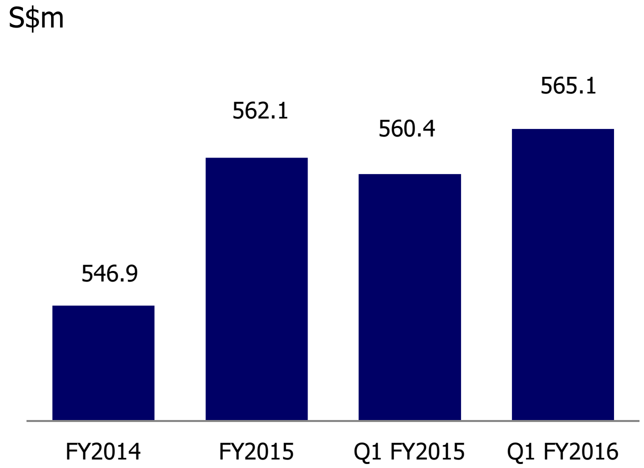
180+ days delinquency rates



➢Note: PTCRI – not applicable

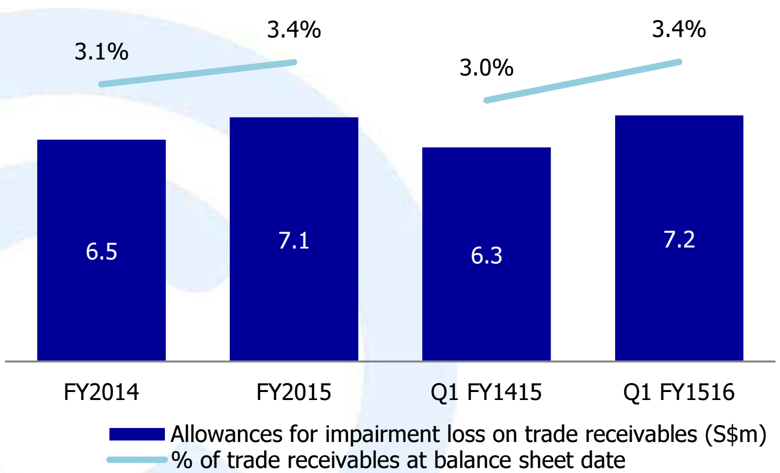
Our tight monitoring on risk management in respect to credit sanctioning and collections remains unchanged given the fluid economic and political operating environment in Singapore, Malaysia and Indonesia as well as global developments on China, European Union and the United States

Credit book assets - Gross

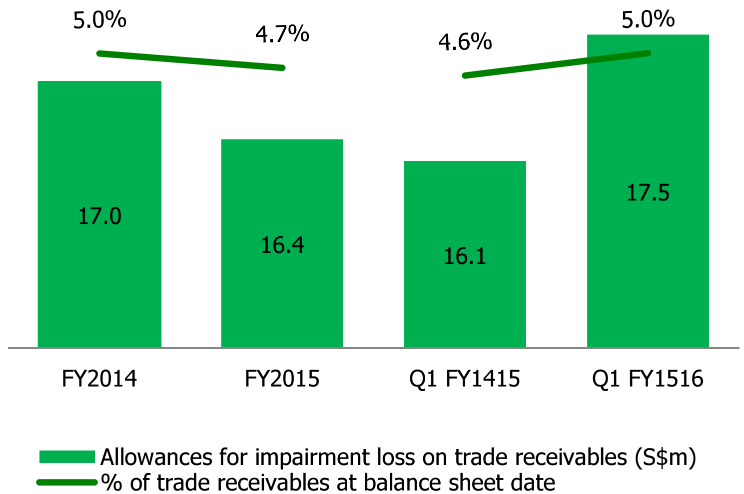


Allowance for impairment loss on trade receivables

Singapore



Malaysia



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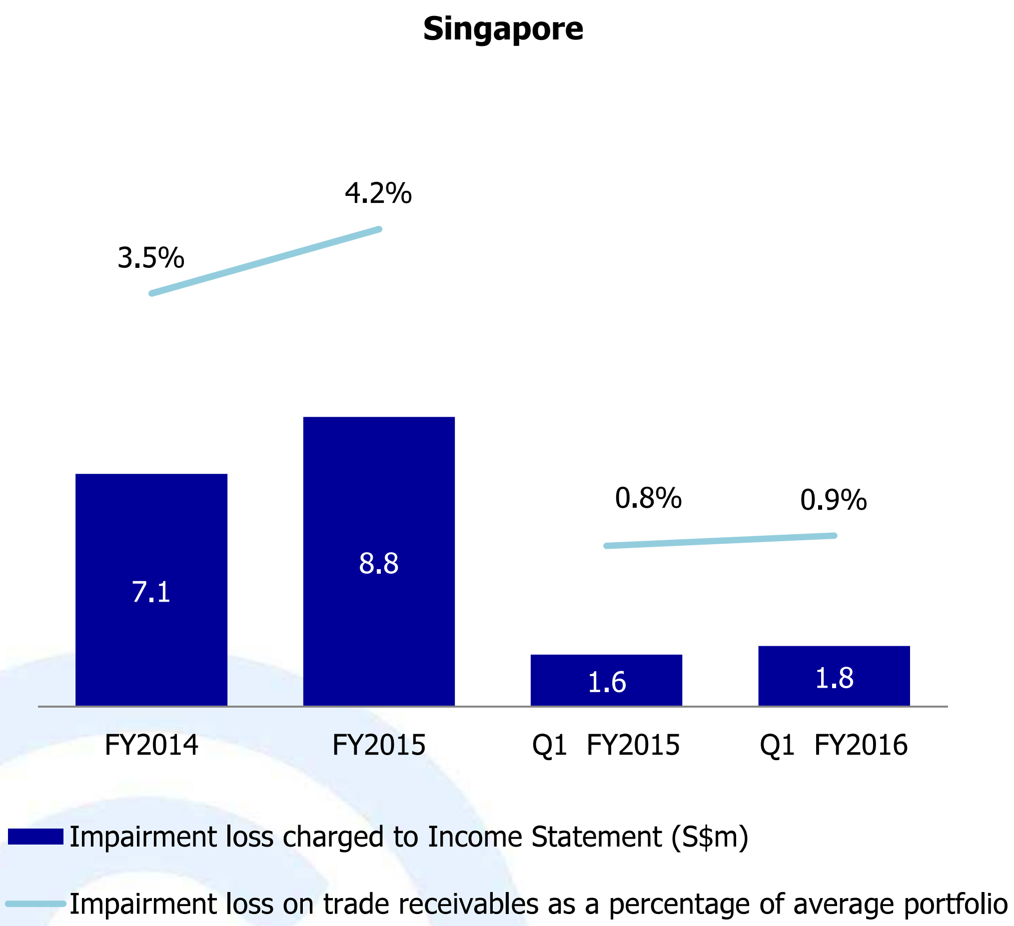
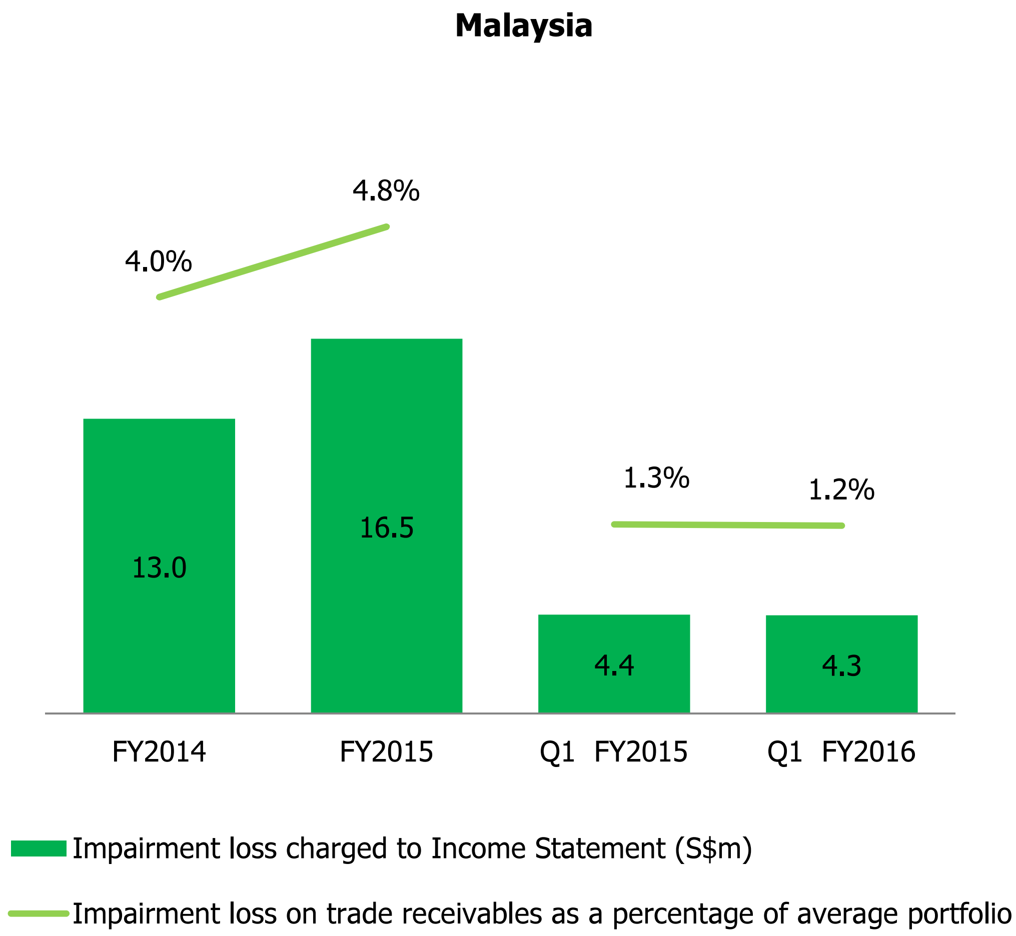
Impairment loss on trade receivables charged to Income Statement





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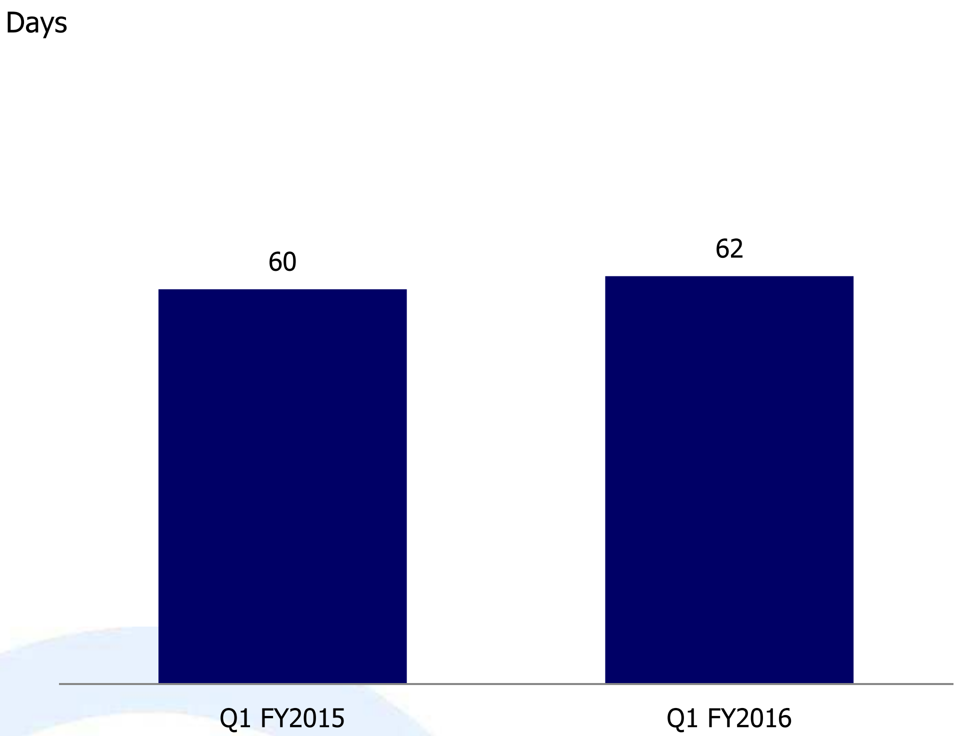
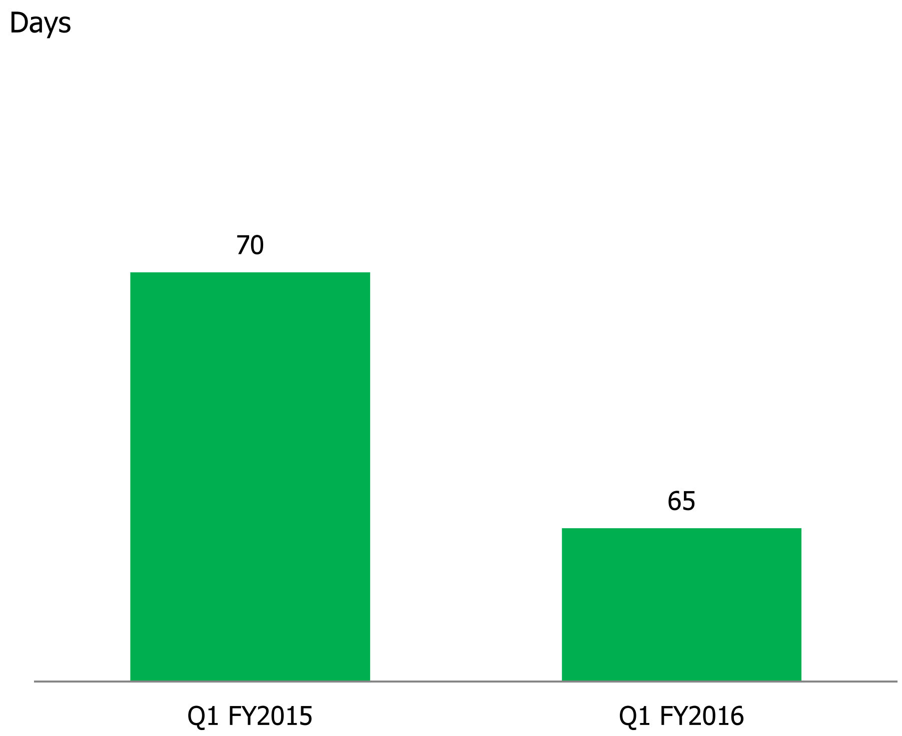
Working capital management

Trade payable days



Inventory days



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

Borrowings

Facility	Facility amount	Interest rate	Amount drawn down as at 30-June 15	Available headroom
Multicurrency Medium Term Note (CAL)	S$ 500 mil	Fixed 4.75% p.a.	S$ 125 mil Expiring May 2016	S$ 375 mil
Asset Securitisation Programme 2012 (CSPL) Revolving period expiring: Sept 2016	S$ 150 mil	S$50.2 mil fixed at 5.50% p.a. Balance floating	S$ 84.9 mil	S$65.1mil
Syndicated Senior Loan (CMSB) (2) Revolving Period expiring: Feb 2018 (with possibility of 1 year extension at lenders' option)	RM 535 mil (with higher advance rate of 70% as compared to previous programme's advance rate of 56%;	Reduced spread from 2.6% to 2.1%.(1) over 1-mth KLIBOR	RM 360 mil	RM 175 mil
Term Loan (2 years) (PTCRI) Expiring: 2017	IDR 185.2 bil	10.7% p.a.	IDR92.6 bil	IDR 92.6 bil
Term Loan (3 years) (PTCRI) Expiring: 3 years from 1st drawdown	IDR 100 bil	Bank's Term Lending rate minus 3.15% p.a. (i.e. 12.35% p.a. based on current Term Lending Rate)	0	IDR 100 bil

[1] The Syndicated Senior Loan carries an interest rate of 1-mth KLIBOR plus a spread. Pursuant to a floating-to-fixed interest rate swap, the KLIBOR has been fixed for 50% of total facility.

[2] Tenure has also improved from 3yr (revolving period) + 2yr (amortisation period) to 3yr (revolving period) + 1yr (extension at the discretion of lenders) + 3yr (amortisation period) compared to previous programme

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Courts NEX & Tampines Mall Makeovers

Courts NEX

New premises!

Courts Tampines Mall

2 international brands coming soon

JYSK

- **Leading Danish retailer of affordable home and bedding**
- **Pilot store-in-store programme in Bukit Timah**

ACE HARDWARE

- **Leading US retailer of home improvement and DIY products**
- **First store in Megastore**

Courts Design Studio

In partnership with Ciseern, Courts Design Studio is a one-stop solution to Home Interior renovation and furnishing needs through affordable monthly instalments with Courts Flexi Home

Malaysia new store makeovers in Q1 FY15/16

Store Makeovers

Miri, Sarawak
re-launched on 22 May 2015

Setapak, Selangor
re-launched on 27 June 2015

New credit product for the home

COURTS

Flexi home

Kini anda mampu lengkapi rumah impian

It's now easy to complete your dream home

- Maximum merchandise value of RM20,000
- Bundled with home insurance

On track in Indonesia

- 280,000 sq. ft. Megastore in BSD City opening by December 2015
- 130,000 sq. ft. dedicated to retail and subletting, and the site is also intended to house the regional distribution centre and support office

Appendix

Unaudited results for the quarter ended 30 June 2015

	Group Q1 FY15/16 S$'000	Group Q1 FY14/15 S$'000	% Change
Sales	198,152	194,104	2.1
Cost of sales	(129,832)	(130,597)	0.6
Gross profit	**68,320**	**63,507**	**7.6**
Other income and other gains - net	1,016	1,363	(25.5)
Expenses			
- Distribution and marketing	(16,554)	(17,807)	7.0
- Administrative	(37,103)	(35,958)	(3.2)
- Finance	(6,997)	(5,317)	(31.6)
Profit before income tax	**8,682**	**5,788**	**50.0**
Income tax expense	(2,638)	(708)	n/m
Net profit	**6,044**	**5,080**	**19.0**

Comparative figures for other income and other gains – net and administrative expenses have been reclassified to be consistent with the presentation of audited financial statements of the Group for the financial year ended 31 March 2015.

The **Group's sales** of $198.2 million for Q1 FY15/16 were 2.1% or $4.1 million higher than Q1 FY14/15.

Singapore sales, which contributed to 63.4% of the Group's sales, registered a 2.4% decrease in Q1 FY15/16 compared to Q1 FY14/15 mainly due to the lower sales from electrical and digital products.

Malaysia sales, which contributed to 34.8% of the Group's sales, registered a 5.4% (in presentation currency) and 11.8% (in RM currency) increase in Q1 FY15/16 mainly due to higher service charge income from successful credit campaign launched during the period and commencement of bulk sales for digital products.

Indonesia sales contributed to 1.8% of the Group's sales. Following the opening of the Group's first megastore in Bekasi in October 2014, the second and the third store had also been launched in Mega Bekasi Hypermall and Bogor in May 2015.

Gross profit increased by 7.6% or $4.8 million on the back of higher sales. Gross profit margin increased from 32.7% in Q1 FY14/15 to 34.5% in Q1 FY15/16. The increase in gross profit margin was mainly due to higher service charge income in Malaysia.

Distribution and marketing expenses decrease from $17.8 million in Q1 FY14/15 to $16.6 million in Q1 FY15/16. As a percentage of sales, distribution and marketing expenses decreased from 9.2% in Q1 FY14/15 to 8.4% in Q1 FY15/16. The decrease was primarily attributable to better warehouse and distribution cost management in Malaysia's operations.

Administrative expenses for the quarter were $37.1 million, an increase of $1.1 million from Q1 FY14/15 of $36.0 million. The increase was mainly due to higher operational expenses incurred in Indonesia following the opening of the three new stores as compared to only pre-operating expenses captured in Q1 FY14/15. The cost increase was also due to higher impairment allowance on trade receivables offset by lower general expenses achieved from the continuous cost saving initiatives.

Finance expenses increased by $1.7 million from $5.3 million in Q1 FY14/15 to $7.0 million in Q1 FY15/16 mainly due to an exchange loss captured in Malaysia's books arising from a Singapore dollar denominated inter-company loan. However the cost increase was offset by the lower interest expense, as a result of a lower interest rate negotiated for Malaysia's Syndicated Senior Loan renewal.

Income tax expense increased by $1.9 million for Q1 FY15/16 on the back of higher taxable profit from Singapore and Malaysia operations, partially offset by income tax credits from Indonesia's loss. The effective tax rate for Q1 FY15/16 was higher than the Singapore statutory tax rate of 17.0% mainly due to non-tax deductible expenses.

Total comprehensive (loss)/ income for Q1 FY15/16 was a loss of $1.2 million as oppose to a gain of $5.8 million in Q1 FY14/15. The shift was mainly due to translation losses arising from translating Malaysia's results and financial position into Singapore dollar (presentation currency). Excluding the effects of the translation gain on Syndicated Senior Loan, the currency translation differences were $12.5 million, which is reflected in the cash flow statement. The large exchange differences arose primarily from the depreciation of Malaysia ringgit in Q1 FY15/16.

Unaudited Balance Sheet as at 30 June 2015

	Group		Company	
	30 Jun 15	31 Mar 15	30 Jun 15	31 Mar 15
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Current assets				
Cash and bank balances	119,190	114,219	42,580	18,620
Trade and other receivables	267,236	260,489	36,581	49,128
Inventories	86,215	83,604	-	-
Current income tax recoverable	1,106	3,035	-	-
	473,747	**461,347**	**79,161**	**67,748**
Non-current assets				
Derivative financial instruments	617	-	-	-
Trade and other receivables	252,308	246,882	42,840	78,932
Investments in subsidiaries	-	-	254,630	228,114
Property, plant and equipment	26,103	26,778	-	-
Intangible assets	24,278	24,531	20,065	20,065
Deferred income tax assets	2,665	2,202	-	-
	305,971	**300,393**	**317,535**	**327,111**
Total assets	**779,718**	**761,740**	**396,696**	**394,859**
LIABILITIES				
Current liabilities				
Derivative financial instruments	205	225	-	-
Trade and other payables	122,701	122,213	1,736	3,406
Current income tax liabilities	4,693	4,011	3,156	2,474
Borrowings	126,180	1,650	125,142	464
Deferred income	3,175	2,144	-	-
	256,954	**130,243**	**130,034**	**6,344**
Non-current liabilities				
Derivative financial instruments	282	619	-	-
Trade and other payables	384	345	-	-
Borrowings	220,193	327,550	2,590	127,275
Deferred income	2,175	2,071	-	-
Deferred income tax liabilities	4,039	4,057	3,295	3,283
	227,073	**334,642**	**5,885**	**130,558**
Total liabilities	**484,027**	**464,885**	**135,919**	**136,902**
NET ASSETS	**295,691**	**296,855**	**260,777**	**257,957**
EQUITY				
Share capital	265,332	265,332	265,332	265,332
Treasury shares	(10,419)	(10,348)	(10,419)	(10,348)
Other reserves	(31,435)	(24,298)	(23,538)	(23,625)
Retained profit	72,213	66,169	29,402	26,598
Total equity	**295,691**	**296,855**	**260,777**	**257,957**

Cash and bank balances were at $119.2 million as at 30 June 2015 (31 March 2015: $114.2 million). The increase was mainly due to net proceeds from borrowings partially offset by cash flow used in operating activities and capital expenditure incurred for new stores and refurbishment of existing stores.

The Group's trade and other receivables (current and non-current) increased by $12.1 million from $507.4 million as at 31 March 2015 to $519.5 million as at 30 June 2015 due to higher credit sales.

Allowance for impairment of trade receivables as at 30 June 2015 was $24.7 million, representing 4.4% of trade receivables, as compared to $23.5 million as at 31 March 2015 which represented 4.2% of trade receivables.

The Group's inventories increased from $83.6 million to $86.2 million due to the stocking up for the Hari Raya festive season.

Derivative financial instruments represent the carrying amount of interest rate and currency swap 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 derivative financial instruments it has entered into in FY14/15.

The fair value gain in Q1 FY15/16 resulted in a net asset position for derivative instrument mainly attributed to the strengthening of Singapore dollar against Indonesia rupiah during the period.

The total borrowings of $346.4 million (31 March 2015: 329.2 million) represent the proceeds from the issue of fixed rate notes, the Asset Securitisation Programme 2012 in Singapore, Syndicated Senior Loan in Malaysia and DBS term loan in Indonesia. The increase was mainly from the additional drawdown of the loans in Singapore, Malaysia and Indonesia.

Unaudited Statement of cash flows for the quarter ended 30 June 2015

	Group	
	Q1 FY15/16 S$'000	Q1 FY14/15 S$'000
Cash flows from operating activities:		
Net profit	6,044	5,080
Adjustments for:		
Income tax expense	2,638	708
Depreciation and amortisation	3,277	3,488
Amortisation of deferred income	(590)	(896)
Interest expense	5,115	5,188
Interest income	(651)	(798)
Amortisation of borrowing costs	361	427
Loss on disposal of property, plant and equipment (net)	69	-
Share-based compensation	87	129
Changes in fair value of derivative financial instruments	-	(15)
Foreign currency translation differences	(10,510)	795
Operating cash flow before working capital changes	5,840	14,106
Changes in working capital		
Inventories	(2,610)	(5,393)
Trade and other receivables	(12,151)	(15,765)
Trade and other payables	1,382	(7,893)
Cash generated from/(used in) operations	(7,539)	(14,945)
Income tax paid (net)	(590)	(1,581)
Net cash used in operating activities	**(8,129)**	**(16,526)**
Cash flows from investing activities		
Additions to property, plant and equipment	(2,928)	(2,260)
Acquisition of intangible assets	(288)	(424)
Proceeds from sale of property, plant and equipment	-	26
Interest received	631	798
Net cash used in investing activities	**(2,585)**	**(1,860)**
Cash flows from financing activities		
Purchase of treasury shares	(71)	-
Proceeds from syndicated senior loan	1,652	12,244
Repayment of to finance lease liabilities	(408)	(336)
Additions to finance lease liabilities	-	348
Proceeds from term loan	4,983	-
Repayment of term loan	(115)	-
Proceeds from/(repayment of) loan received on asset securitisation	15,804	(3,194)
(Increase)/decrease in fixed deposits pledged as securities for banking facilities	(1,290)	230
Interest paid	(4,139)	(4,212)
Net cash provided by financing activities	**16,416**	**5,080**
Net increase/(decrease) in cash and cash equivalents	**5,702**	**(13,306)**
Cash and cash equivalents as at beginning of financial period	**112,383**	**109,234**
Effects of currency translations on cash and bank balances	**(2,021)**	**(181)**
Cash and cash equivalents as at end of financial period	**116,064**	**95,747**

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

	30 Jun 15 S$'000	30 Jun 14 S$'000
Cash and bank balances	62,179	62,180
Fixed deposits	57,011	39,053
	119,190	101,233
Less: Fixed deposits pledged as securities for banking facilities	(3,126)	(5,487)
Cash and cash equivalents per consolidated statement of cash flows	**116,064**	**95,746**

Q&A

To access the results presentation and briefing, please visit http://ir.courts.com.sg which will be available by 14 August 2015.