

# Corporate Express Australia Limited

Full Year Results 2009  
12 months to 31 January 2010

Paul Hitchcock, Managing Director and CEO  
Grant Logan, Finance Director and CFO

2 March 2010

# Agenda – Full Year Results Briefing

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- **Introduction** **Paul Hitchcock**
  - **Business overview**
  - **Performance update**
    - Summary
    - Business Score Card
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- **Analysis of 2009 result** **Grant Logan**
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- **Focus on 2010 and beyond** **Paul Hitchcock**
  - **Outlook for FY10 ending January 2011**
  - **Q & A** **Paul Hitchcock / Grant Logan**

## Overview: 2009 to January 31 2010

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- **Difficult 12 months – continuation of the difficult trading conditions, not seeing positive signs at this stage**
- **Short term strategy in place to manage downturn:**
  - Focus on the customer
  - Tight control of expenses
  - Continue project delivery
- **Discretionary products down 21%**
- **Consumable products down 2%**
- **Gross margin held**
- **Major projects now complete or in final stages**

## Overview (continued) – Projects

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- **Project Velocity – Sales restructure**
  - Customer focused sales teams now operating across all segments
- **Project Oxford complete**
  - Fast/slow inventory management
  - Reduced inventory by \$10m in states
  - Savings of \$4m pa
- **Project Proteus progressing**
  - Supply chain modelling in progress
- **Project nXtgen**
  - In progress

Delivering results on all key projects

# Summary to 31 January 2010

	2009 <sup>(1)</sup>	2008 <sup>(2)</sup>
Total revenue (\$m)	1,161.9	1,281.6
EBITDA (\$m)	108.2	114.6
Net Profit After Tax (\$m)	57.2	61.4
Basic earnings per share	34.0c	36.6c
Exclusive brand sales vs like sales	33.4%	32.0%
Order lines received by e-commerce	80%	76.5%
Final Dividend / fully franked	12.5c <sup>(3)</sup>	13.0c <sup>(3)</sup>

- 1) Financial Year – 12 months to January 2010
- 2) Financial Year – 12 months to December 2008 (per Appendix 4F – Unaudited);  
Note – Comparative in 2009 Annual Report is for 13 months to January 2009
3. Total dividends – 22.5c (2008: 26.5c)

# Business Scorecard Update

## 2009 Objectives

### Sales

Implement a customer focussed sales model



Customer focused sales team in place

Grow our mid market segment



Business Advantage now established

Increase E-commerce orders



Electronic order lines 80%, up 250 bps

Increase customer satisfaction



Stable

## Business Efficiency Programs

Project Velocity – Sales model



Benefits to be realised during 2010

Project Oxford – Fast/Slow inventory









Completed with savings of \$4.0m p.a.

Project nXtgen – ERP implementation



Progressing

# Business Scorecard Update

<u>2009 Objectives</u>	<u>YTD Result</u>	<u>Outcomes</u>
<u>Merchandise</u>		
Expand Exclusive Brand program		33.4% of like sales
Project Grey - rationalise SKU's		Reduced by 41%
Leverage Staples buying power		Progressing
<u>Corporate Social Responsibility</u>		
Build a sustainable supply chain		Winner of a number of Sustainability awards
Ensure the health & safety of our people		LTIFR improved
<u>Finance</u>		
Maintain a sound financial position		Operating cash flow \$81.6m

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- Focus on 2010 and beyond Paul Hitchcock
- Outlook for FY10 ending January 2011
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## Analysis Full Year Result - 12 months to 31 January 2010

\$ millions	2009		2008 <sup>(1)</sup>		Mvt
Total revenue	1,161.9		1,281.6		(9.3%)
Revenue from sale of goods	1,133.1		1,247.5		(9.2%)
Cost of sales of goods	(817.0)		(903.2)		9.5%
Gross profit from sale of goods <sup>(3)</sup>	316.1	27.9%	344.3	27.6%	(8.2%)
Revenue from sale of services/other	27.9		31.5		(11.4%)
Gross profit from sale of services/other	20.1		21.0		(4.3%)
Gross Profit <sup>(2)</sup>	336.2		365.3		(7.9%)
Operating expenses	(228.0)		(250.7)		(9.1%)
EBITDA	108.2		114.6		(5.6%)
Depreciation & Amortisation	(17.1)		(16.7)		2.2%
EBIT	91.1		97.9		(7.0%)
Net Interest	(10.3)		(10.2)		1.6%
Income Tax expense	(23.6)		(26.3)		10.3%
Net Profit	57.2		61.4		(6.9%)

1) Financial Year – 12 months to December 2008 (per Appendix 4F – Unaudited)

2) Catalogue revenue and expense has been adjusted line with AASB138R

3) Gross profit from sale of goods pre-catalogue adjustment 26.3% (2009) and 26.4% (2008)

# Opex -12 months to 31 January 2010

\$ millions	2009	2008 <sup>(1)</sup>	Mvt
Distribution	47.2	52.2	(9.6%)
Occupancy	19.6	21.6	(9.2%)
Selling / Marketing	93.5	106.2	(11.9%)
Other	67.7	70.7	(4.2%)
<b>Operating expenses <sup>(2)</sup></b>	<b>228.0</b>	<b>250.7<sup>(2)</sup></b>	<b>(9.1%)</b>
Depreciation	11.0	9.4	17.0%
Amortisation - acquisitions	1.8	2.2	(17.8%)
Amortisation - software	4.3	5.1	(16.5%)
<b>Depreciation and amortisation</b>	<b>17.1</b>	<b>16.7</b>	<b>2.2%</b>

(1) Financial Year – 12 months to December 2008 (per Appendix 4F – Unaudited)

(2) Includes one-off costs of \$5.7m (2008: \$6.5m)

**Operating Expenses down 9.1%**

## Balance Sheet - Key areas as at 31 January 2010

\$ millions	January 2010	December 2008 <sup>(1)</sup>
<b>Working Capital</b>		
-Receivables	195.6	208.8
- Inventories	102.0	106.6
-Payables	140.1	159.5
Intangibles <sup>(2)</sup>	171.7	158.7
Interest bearing liabilities	150.9	169.4

**(1) Financial Year – 12 months to December 2008 (per Appendix 4F – Unaudited)**

**(2) Includes capital expenditure on SAP project**

# Cash flow

\$ millions	January 2010	December 2008 <sup>(1)</sup>
Earnings before interest and tax	91.1	97.9
Depreciation and amortisation	17.1	16.7
Movement in working capital	0.7	(10.6)
Net interest payments	(11.3)	(10.5)
Tax payments	(17.0)	(34.2)
<b>Net operating cash flow</b>	<b>81.6</b>	<b>59.3</b>
<b>Net capital expenditure <sup>(2)</sup></b>	<b>(22.1)</b>	<b>(42.0)</b>
<b>Free cash flow</b>	<b>59.5</b>	<b>17.3</b>
Share issues	0.3	0.4
Dividends paid	(38.6)	(44.4)
Proceeds from / (repayment of) borrowings	(21.6)	25.5
<b>Financing cash flow</b>	<b>(59.9)</b>	<b>(18.5)</b>
Opening balance	6.4	14.5
<b>Net cash movement</b>	<b>(0.4)</b>	<b>(1.2)</b>
<b>Closing balance</b>	<b>6.0</b>	<b>13.3</b>

(1) Financial Year – 12 months to December 2008 (per Appendix 4F – Unaudited)

(2) Includes capital expenditure on software (SAP)

## Key Indicators

	2009	2008
Sales Increase / Decline <sup>(1)</sup>	Down 9.2%	Down 0.6%
Gross margin from sale of goods <sup>(2)</sup>	27.9%	27.6%
EBITDA margin to total revenue	9.3%	8.9%
EBIT margin to total revenue	7.8%	7.6%
NPAT	\$57.2m	\$61.4m
Operating cash flow	\$81.6m	\$59.3m
Basic earnings per share <sup>(3)</sup>	34.0c	36.6c

(1) Based on revenue from sale of goods

(2) Gross margin from sale of goods pre-catalogue adjustment 26.3% (2009) and 26.4% (2008)

(3) Calculated on a weighted average number of shares on issue

Gross margins held

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# Sales Growth Focus – Catalogue Business

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- **Sales by customer segment**
  - **Strategic and Large**
    - **Service & Build**
    - **Grow share of wallet**
  - **Govt/Education**
    - **Service & Build**
  - **Mid Market**
    - **Aggressively grow**
    - **Grow share of wallet**
  - **Regional**
    - **Service & Build**
- **Products**
  - **Grow Janitorial and Safety business**

## **Sales Growth Focus – Specialist Business & Acquisitions**

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- **Speciality Business – ITS, Print and Promotional Marketing**
  - Re-focused
  - Re-branded
  - Specialist teams
  - Focused on solution selling
- **Acquisitions**
  - Focus on office product acquisitions

# Operations Focus – 2010/11

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- **Merchandising**
  - Increase focus on strategic suppliers
  - Continue to build/leverage Staples opportunities
- **Business Transformation/ Productivity Improvements**
  - Project Oxford, Troy and Grey delivered
  - Continue rollout of nXtgen
  - Project Proteus – Supply chain improvements
    - Rollout 2010/11
- **CSR**
  - Strengthen leadership position
  - Support our communities program
- **People**
  - Build world class sales/operating organisation

## nXtgen Project Update

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### Process improvements and SAP rollout

-Enterprise Portal	<b>Completed</b>
-Employee Self Serve and Payroll	<b>Completed</b>
-Master Data Management	<b>Completed</b>
-Rollout New Zealand 2010	<b>In progress</b>
-Rollout Australia 2010 / 2011	<b>In progress</b>

# Sustainability Update

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- **Issued first Sustainability Report**
- **Submitted Carbon Disclosure Project questionnaire**
  - Named in the Carbon Disclosure Leaders Index (CDLI)
- **More than 2,000 environmentally preferable products**
  - Representing approximately 20% of catalogue sales
- **Indigenous Support Program**
  - Founding Member of the Australian Indigenous Minority Council (AIMSC)

# 2009 Sustainability Recognition

- 2009 Sustainability Awards



- Recent Recognition



- Certified Fair Trade Workplace



## Outlook

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- **Market outlook remains subdued**
- **Our focus is on growth - new customer focused sales team are in place**
- **Single Source model remains principal driver of shareholder value**
- **Well placed for market recovery**

# Thank You

*This announcement may include forward looking statements. There can be no assurance that the actual results will not differ from the company's expectations. Factors which could cause material differences include, among others, possible negative economic conditions, significantly increased competitive activity, uncertainties related to the implementation of new business growth activities, and the successful completion and integration of any acquisitions.*

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