

Exercise 1: Answer

Record profit for Coast Sports

Shares in Coast Sports rose 4.2 per cent yesterday to \$1.94 after the outdoor equipment retailer announced a record profit and a sharp lift in its export performance.

Net profit was \$3.38 million, or 44 cents per share, for the 12 months ended March 31, up from \$2.45m, or 32 cents per share, a year earlier, the Napier-based company said.

The retailer boosted sales 12 per cent to \$45m.

Exports accounted for nearly two-thirds of that figure, chief executive Deb Tahana said.

"Our same-store sales growth in Australia was up nearly 20 per cent, despite the exchange rate working against us for most of the year.

"Our new wool-based clothing ranges and our focus on improving customer service are delivering solid sales and profit growth despite a tough environment."

Coast Sports would continue to roll out new stores in New Zealand and Australia over the next three years, Tahana said.

New stores were opened this year in New Plymouth, Whangarei, Nelson, Perth, Sydney and Brisbane.

Its UK footprint would be put on hold after sales there grew only 2 per cent last year, she said.

Simon Willis, an analyst with ABC Investment Partners, said Coast Sports had bucked the trend among local retailers, most of whom had suffered as households cut spending in favour of repaying debt in a low interest rate environment.

"Coast Sports has continued to invest in its product range while some of its competitors have battened down the hatches."

The board declared a final dividend of 5 cents per share, taking the total payment for the year to 9 cents.

The share is rated a 'buy' or 'outperform' by four analyst recommendations compiled by Reuters, with a median 12-month target price of \$2.20.

Exercise 2: Answers

1. The OCR is the interest rate set by the Reserve Bank. It is the basis for wholesale interest rates used in inter-bank transactions and it has a strong influence on all interest rates in the market.

2. A creditor person or company to whom money is owed.

3. A bull market is a rising financial market. A bull is an investor who believes the market is about to rise. A falling financial market is a bear market. A bear is an investor who believes the market will drop.

4. Companies presenting their financial results will often express their profit/loss performance in terms of profit before certain charges. EBIT (earnings before interest and taxes) is total profit before taking interest charges and corporate taxes into account. EBITDA is earnings before interest, taxes, depreciation and amortization. Depreciation is an annual charge that reflects the cost of tangible assets like machinery or buildings.

5. The Financial Markets Authority.

6. The Commerce Commission.

7. Changes in the Consumers Price Index (CPI).

8. *National Business Review*

9. Household Labour Force Survey

10. The Treasury