

SHRIRO HOLDINGS LIMITED
RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017

HIGHLIGHTS

- Revenue increased by 9.0% compared to the CY16 first half
- NPAT up 6.5% on the CY16 first half
- Strong operating cash flows - net debt down \$9.1M to \$2.7M at 30 June 17
- Interim dividend declared of 4 cents per share, fully franked

RESULTS SUMMARY			
	1H17	1H16	Change
	\$m	\$m	
Revenue	86.3	79.2	9.0%
Gross Margin	41.2%	43.0%	
Operating Expenses	(28.5)	(27.3)	4.4%
EBITDA	7.0	6.8	2.9%
Depreciation	(1.9)	(1.8)	5.6%
Interest	(0.3)	(0.5)	(40%)
Profit Before Tax	4.8	4.5	6.7%
Profit After Tax	3.3	3.1	6.5%

Shriro Holdings Limited (“Shriro”) (ASX: SHM) today announced Net Profit After Tax for the half year ended 30 June 2017 of \$3.3 million, a 6.5% increase over the previous corresponding period. This result was generated from Sales Revenue of \$86.3 million, 9.0% above the first half of CY16. This increase was due mainly to the benefits from a re-alignment of the sales channel for some products within the Kitchen Appliance division, a strong cooling appliance season and the commencement of export sales of the new ‘everdure by heston blumenthal’ range of barbeques.

Gross Margins decreased slightly during the period to 41.2%, primarily from changes in product mix and was within Shriro’s historical range. However, price management occurred in some product segments to ensure market share was protected or increased where an opportunity was present. The Australian dollar remained relatively constant against most of Shriro’s supply currencies of YEN, USD and EUR and thus currency did not materially impact the results.

Shriro’s EBITDA for the six months increased 2.9%, to \$7.0 million, driven mainly by the increased sales revenue and continued tight control of operating expenses. Interest expense declined 40.0% to \$0.3 million compared to 1H16, reflecting the strong cash generation in the period which ensured an even lower-gearred balance sheet at 30 June 2017 compared with the previous corresponding period.

The Directors have declared an interim fully franked dividend of 4 cents per share, with a record date of the 14th of September 2017 and payable on the 29th of September 2017.

CONSUMER PRODUCTS

The Consumer Products segment achieved sales revenue growth of 7.5% to \$44,5m compared with 1H16, during a period of more subdued timepiece sales. Strong sales performance from portable cooling, calculators and barbeques contributed to the sales growth although the product mix change led to a decline in this segment’s EBITDA for the six months.

Product development, an essential component of Shriro’s strategy, continues and the Company has a number of new products planned for launch late in CY17. In particular, the ‘everdure by heston blumenthal BBQ range is to be expanded, with the additional products expected to be released to the Australian market in the first half of 2018.

The global release of ‘everdure by heston blumenthal’ is progressing well, with volumes so far in line with expectations.

KITCHEN APPLIANCES

The Kitchen Appliances segment performed well and generated sales revenue of \$41.8 million, an increase of 10.6% on 1H16. Blanco sinks and taps continued to perform strongly and the six months began to see the benefits from a change in the sales channel for Blanco kitchen appliances. The Commercial division also increased revenue and GP as compared to the prior year, an encouraging result in a difficult market for new residential developments.

The Omega appliances product range performed in line with the prior year, which consolidated the growth it achieved in 2016. Sales of the “Neil Perry by Omega” range increased over the prior year, although not to the extent expected. An improved store presence, initiated in the first half, is expected to contribute to further growth for this brand.

EBITDA from the Kitchen Appliances segment increased by 82% to \$3.1M, compared to 1H16. The recouped sales from the Blanco appliances sales channel switch, the increased commercial sales and the strong performance of sinks and taps were the main contributors.

BALANCE SHEET AND CASH FLOWS

Operating cash flow for the six months was \$11.1M which was 41.3% higher than 1H16. A reduction in working capital flowed from further improvements in accounts receivable, lower inventory levels and export sales requiring minimal working capital. Net Debt at 30 June 2017 was \$2.7 million, a significant reduction on the \$11.8 million at June 2016 and \$2.8 million lower than at December 2016. The Company’s gearing is low at 5%, measured as Net Debt to Net Debt plus Equity.

The strength of Shriro’s balance sheet remains underpinned by the low gearing and the absence of intangibles, with net assets at 30 June 2017 of \$49.9 million. As a result, the Company remains well placed to pursue appropriate growth opportunities in the future.

OUTLOOK

Seasonal influences result in the Company’s financial performance being heavily biased toward the second half of the calendar year and so visibility on the likely results for the full CY17 12 months is unclear at this stage. Consumer confidence currently appears to be somewhat fragile and in this environment growth in customer demand is likely to remain modest through the second half. Whilst Shriro will be expanding into new markets and introducing new products and marketing programmes in the current year, including participation in timepiece marketing initiatives planned for implementation globally by Casio Japan, the returns from these initiatives are expected to provide profit growth gradually over the next two to three years.

Directors currently believe however that the benefits of Shriro’s product diversity and its focus on efficiency will generate a net profit after tax for CY17 that is above CY16.

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ABOUT SHRIRO

The Group is a leading kitchen appliances and consumer products marketing and distribution group operating in Australia and New Zealand.

The Group markets and distributes an extensive range of company-owned brands (including Omega, Robinhood, Everdure and Omega Altise) and third party owned brands (such as Casio, Blanco and Pioneer). Products include calculators, watches, cash registers, musical instruments, audio products, kitchen appliances, sinks & taps, laundry products, consumer electronics, car audio, amplifiers, professional DJ, Hi-Fi/speakers, fashion, lighting, gas heaters and gas barbeques, electric heaters and cooling products.