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HARVEY NORMAN[®] ANNOUNCES RECORD BREAKING FULL-YEAR PROFIT RESULT

RESULTS FOR YEAR ENDED 30 JUNE 2017

NET PROFIT
AFTER TAX

\$448.98m

UP
BY **29%**

HIGHLIGHTS

- Profit before tax of \$664.82 million (excluding impairment losses), up 26.3% on the previous year
- Net profit after tax of \$448.98 million, up 28.8% on the previous year
- Company-operated retail segment profit of \$90.85 million, up 24.3% on the previous year
- New Zealand retail segment profit of \$79.43 million, up 15.6%
- Singapore and Malaysia retail segment profit of \$19.30 million, up 69.9%
- Franchising operations segment profit of \$304.53 million, up 13.6% on the previous year
- Franchisee aggregated headline sales of \$5.62 billion, up 5.4% on the previous year
- Property segment profit result of \$247.47 million, up 46.2% on the previous year
- Net property revaluation increment of \$108.05 million for investment properties
- Net property revaluation increment of \$20.11 million for owner occupied properties
- Balance sheet robust with net assets of \$2.81 billion and net debt to equity ratio low at 22.59%

Harvey Norman Holdings Limited (ASX:HVN) today announced a record breaking full-year result, with net profit after tax for the year ended 30 June 2017 reaching \$448.98 million. This figure is up \$100.37 million from the previous year's result of \$348.61 million, representing an impressive 28.8% increase.

Profit before tax was \$639.81 million, an increase of 29.6% from \$493.76 million in the previous year. Excluding net property revaluation increments, profit before income tax was \$531.76 million – an increase of 19.4% from \$445.41 million in the previous year, and representing the best results yet in the consolidated entity's history.

There are a number of standouts in this net profit before tax result. A \$17.74 million, or 24.3%, increase in the company-operated retail segment shows strong improvements in the results of retail operations in New Zealand, Singapore, Malaysia, Ireland, Northern Ireland, Slovenia and Croatia. Likewise, a \$36.38 million or 13.6% increase in the profitability of the franchising operations segment has led to a result of \$304.53 million. A net property revaluation increment of \$108.05 million has delivered an increase of \$59.69 million over the net property revaluation increment of \$48.36 million recognised in the previous year.

Harvey Norman Chairman, Gerry Harvey, is proud of this performance. "This is a record-breaking result that once again demonstrates the strength of our integrated retail, franchise, property and

digital business spanning eight countries. In an ever-changing retail environment, our model continues to adapt and be resilient.”

The company-operated retail segment profit before tax profit result increased 24.3% this year to \$90.85 million, compared to \$73.11 million in the previous financial year. This record result is built on strong performances in each of the offshore operations.

“This is a fantastic effort from our offshore operations,” said Mr Harvey. “The success of our Flagship strategy is clearly evident in these results. Each of our Flagship stores overseas are designed to provide an unrivalled customer experience in terms of store design, customer service and premium product offering. They really set the tone for the brand in each country, and represent where the future will take us.”

In Australia, franchisee headline aggregated sales revenue has increased by 5.4% to \$5.62 billion compared to the 2016 financial year. “Housing and renovation activity continues to be robust, and the large-store formats of the franchised complexes and their tech-savvy staff have really been able to showcase the integration of the latest innovations in home lifestyle technology that is really capturing the imagination and excitement of consumers,” said Mr Harvey.

This solid growth in franchisee sales reflects an economy where retail spending remains above decade averages, particularly in NSW and Victoria, underpinned by strong housing sector activity, lower levels in unemployment, a net increase in overseas migration, and the wealth flow-on effect from higher home prices. Consumer housing finance commitments remain a key factor when it comes to home and lifestyle retail spending, and are positive when looked at in comparison with decade averages, despite some moderation outside the eastern states from the levels of the previous year.

The strong growth in franchisee sales contributed to a 13.6% increase in the result from the franchising operations segment to \$304.53 million from \$268.15 million in the previous year. Higher franchise fee revenue has resulted in a franchising operations margin of 5.42% for the financial year 2017, up from 5.03% in the 2016 financial year and the highest return since the start of the global financial crisis.

“Franchisees continue to be the dominant players in the Home and Lifestyle market in Australia, delivering to consumers the range of products they’re looking for, with quality customer service and a brand they can trust,” said Mr Harvey. “Each franchisee owns and controls their own business, which gives them an uncapped potential to maximise their own earnings. We continue to encourage the entrepreneurial spirit of each of our franchisees”.

A diverse property portfolio continues to underpin the consolidated entity’s strength and stability, with a value of \$2.66 billion at 30 June 2017. This represents over 60% of the consolidated entity’s total asset base at the end of the financial year. The result before tax generated by the property segment was \$247.47 million, up 46.2% from \$169.29 million in the previous year. An increased net property revaluation increment and strong returns through rental and outgoings income contributed to the result.

The consolidated entity’s balance sheet continues to be strong, anchored by real property assets and a solid working capital position. The value of net assets increased 4.6%, or \$124.23 million, to \$2.81 billion at 30 June 2017, from \$2.69 billion as at 30 June 2016.

The Board has declared the payment of a fully-franked dividend of 12.0 cents per share, to be paid on 1 December 2017 to shareholders registered on 1 November 2017. The Board is undertaking a review of the Company’s capital management options, including a possible share buy-back, and continues to consider investment options for the core business.

The details of this announcement will be made available on our website www.harveynorman.com.au.

Yours faithfully,



Chris Mentis
Company Secretary