



SHRIRO HOLDINGS
LIMITED (SHM)

2018 YEAR RESULTS



SPEAKERS

CEO | Tim Hargreaves

CFO | Shane Booth

26th February 2019

December 2018 Headlines

- Consumer Product Revenue grew 1.8%.
- Record watch sales in Australia.
- Global expansion of 'Everdure by Heston Blumenthal' continues.
- Strong operating cash flows of \$8.8M, with NPAT of \$7.7M in line with guidance.
- Action taken to address profit decline.
- Continuation of low gearing with net debt ending at \$6M.
- Dividends paid in CY18 of 11.0 cents per share, fully franked (CY17 11.0 cents per share). A final dividend declared for the CY18 year of 3.0 cents per share, fully franked.



SEGMENT REVENUE SPLIT

Financial Year 2018

Kitchen Appliances

(~41% of CY18)



NEILPERRY KITCHEN
by omega

BLANCO **omega**  Robinhood

Consumer Products

(~59% of CY18)



everdure
by heston blumenthal

CASIO omega *altise* **Pioneer**



Full Year Ended 31 December 2018

\$ Million	CY18 Actual	CY17 Actual	Δ
Revenue from ordinary activities	181.1	188.3	(3.8%)
Gross Margin %	39.4%	42.3%	
Operating expenses	(57.1)	(55.0)	3.8%
EBITDA	14.3	24.7	(42.1%)
Depreciation	(3.7)	(3.8)	(2.6%)
Interest	(0.6)	(0.5)	20.0%
NPBT	10.0	20.4	(51.0%)
NPAT	7.7	14.5	(46.9%)

PROFIT & LOSS STATEMENT

- Revenue decline of 3.8% in a difficult trading environment for appliances.
- Margin contraction due to market pressures in the appliances industry, and increased export sales.
- Expenses increased due to investment in marketing for global expansion of BBQs, and one-off rent savings of \$1.5 million in CY17.
- EBITDA declined by 42.1%. As a result management have made changes in the appliance division to address this. (See below)

Underlying CY18 EBITDA \$15.7M

NON-RECURRING COSTS	2018 \$'000
Closure of two showrooms	842
Relocation of Compliance and R&D team	146
Re-arrangements at Auckland Airport G-Shock store	127
Write-down of residual inventory	340
TOTAL	1,455



CONSUMER PRODUCTS

Full Year Ended 31 December 2018

\$ Million	CY18 Actual	CY17 Actual	Δ
Revenue from ordinary activities	106.8	105.0	1.8%
EBITDA	13.9	16.2	(14.2%)
EBITDA Margin	13.0%	15.4%	

- BBOs international expansion continues, meeting management's expectations. BBO marketing/investment remains high as a percentage of current sales.
- Consumer reaction to BBO design and innovation remains very positive.
- The seasonal categories of heaters and cooling performed below CY17, as a result of unfavourable weather conditions.
- Watches had a record year in Australia, aligning with the continued growth of G-Shock worldwide.





Auckland Airport

- G-Shock store Auckland international airport now operated by Shriro 1st Qtr CY19.
- Global strength of G-Shock combined with international visitor growth to NZ expected to continue to grow sales.

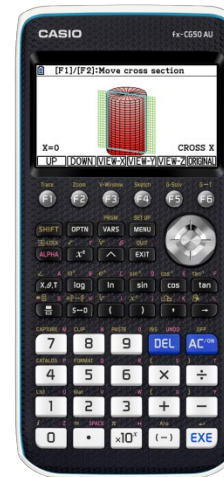
Australian Year 7 entrants

Year	Number
2018	298,495
2019	308,498
2020	314,530
2021	311,601
2022	314,502
2023	312,599
2024	314,533



Australian Bureau of Statistics

Modelled based on ABS statistics from
FEB 2018



CG50AU

Model specifications designed to match
Australian curriculum

- Student numbers are increasing, with the majority of Casio calculators bought by students entering into year 7.
- QLD has approved graphic calculators for its 2019 curriculum. (Pictured top right)

KITCHEN APPLIANCES

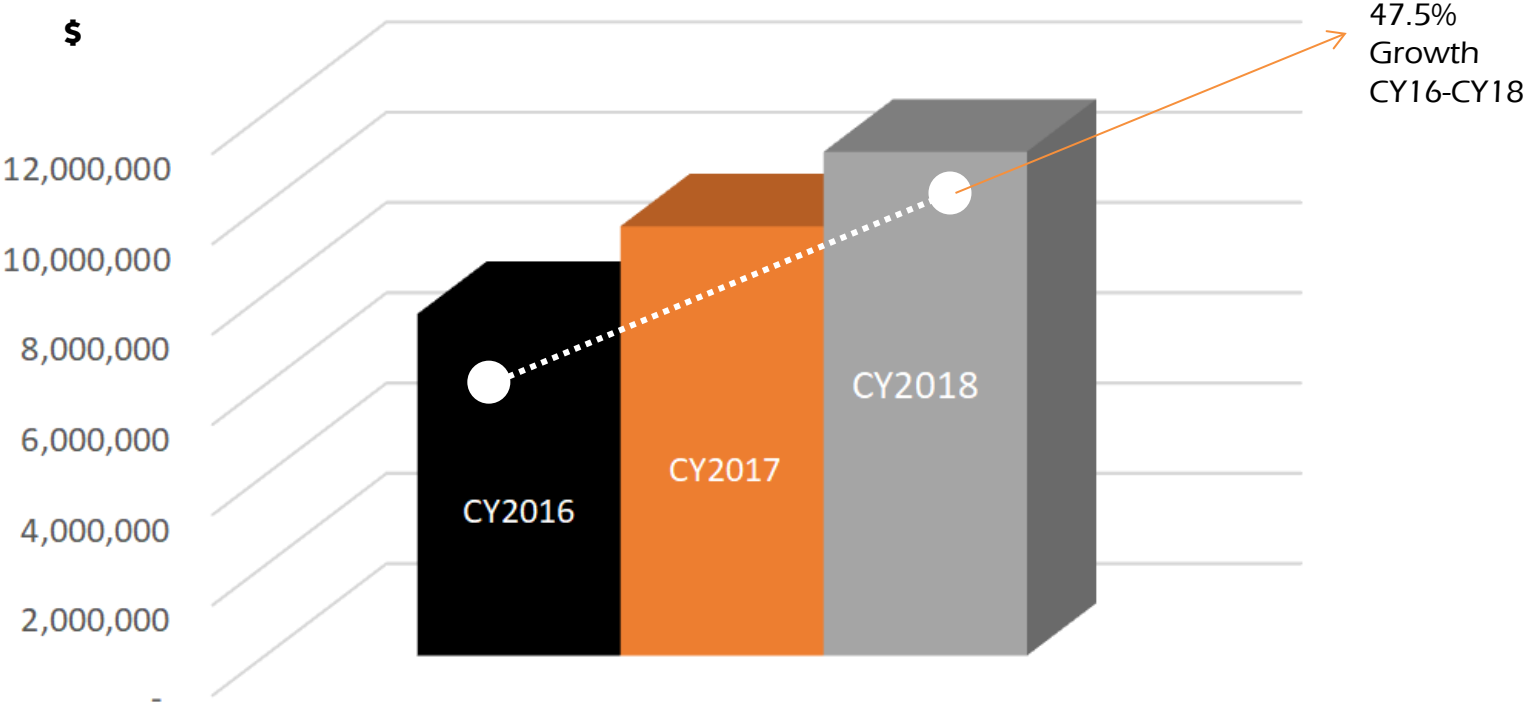
Full Year Ended 31 December 2018

	\$ Million	CY18 Actual	CY17 Actual	Δ
Revenue from ordinary activities		74.3	83.4	(10.9%)
EBITDA		0.4	8.5	(95.3%)
EBITDA Margin		0.5%	10.2%	

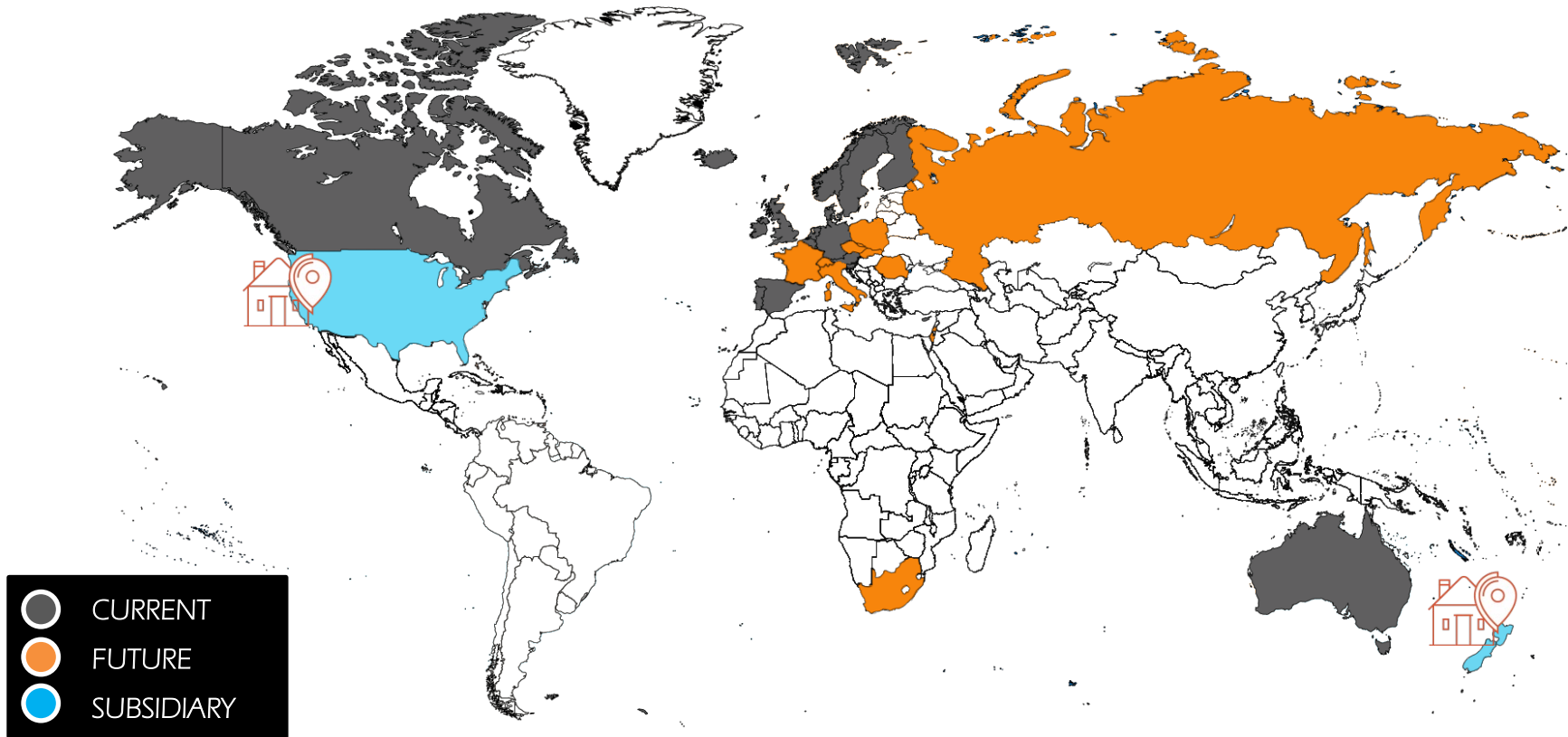
- Blanco retail appliances showed growth and was positive for CY18.
- Appliances sales in New Zealand lifted by 8%.
- The Australian appliances market was difficult, with cost pressures, overstock in the sector, commercial market decline all whilst Omega was updating much of its range. This negatively impacted the GP % and was the most significant factor in the lower company EBITDA.
- Management believe headwinds remain in this market and have lowered the cost base accordingly.
- CY19 key new employee additions and Omega product refresh will focus towards improving our performance in this category.

BBQ SALES

Full Year BBQ Net Sales



EXPORT MARKETS



- Subsidiaries
 - NZ
 - USA , newly established to focus sales expansion in the key BBQ market.
- Product development and new product categories to be added to the geographical expansion.

INNOVATION CONTINUES



HUB

1st generation.



HUB II

2nd generation.

Innovation

- Power control electronic rotisserie with touch control pole height adjustment ~ **World First.**



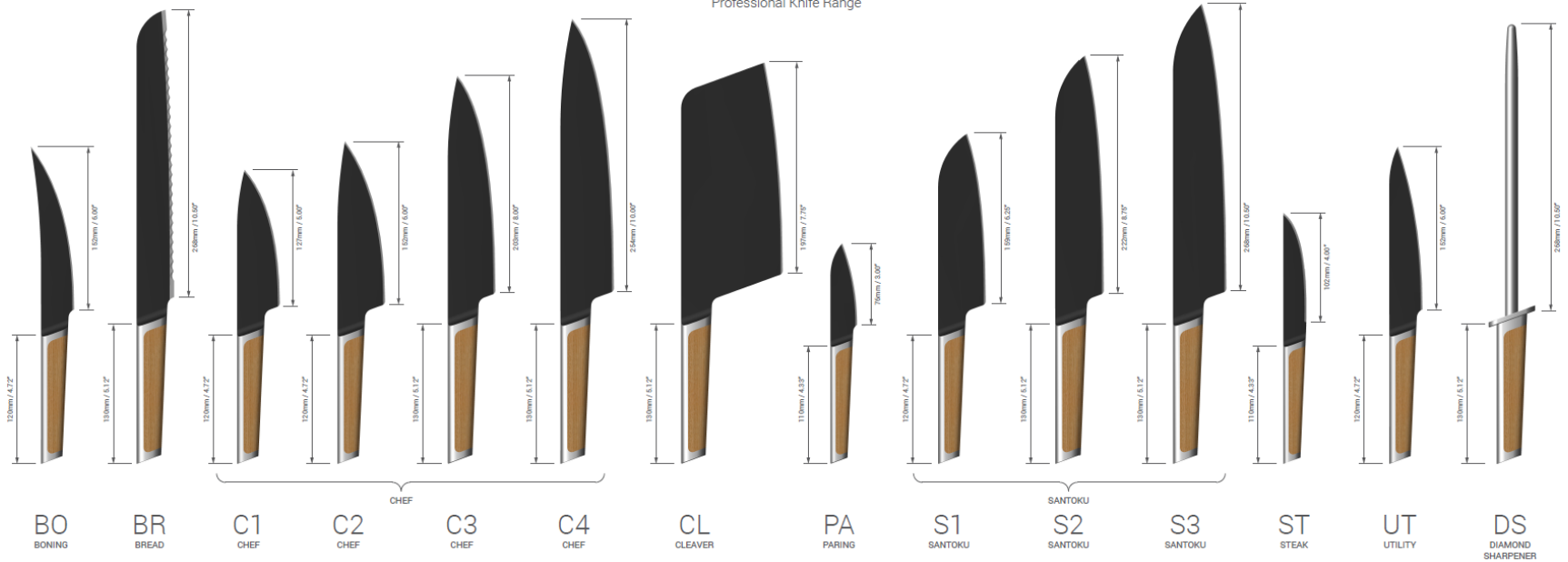
*Shriro global
patented utility technology



ACCESSORIES



Everdure by Heston Blumenthal
Professional Knife Range



Accessory range has been expanded to complement BBQ sales and supplement sales during low season (winter)

Robinhood

- New models
- Black range

 Robinhood
Install the future at your place



Smart Outdoor Watch
PRO TREK Smart



Wear OS
by Google

CASIO

Casio Pro Trek WSDF20A
Smart outdoor watch
powered by Google Wear



BALANCE SHEET

Full Year Ended 31 December 2018

	CY18 \$M	CY17 \$M
Current assets		
Cash and cash equivalents	1.4	3.5
Trade and other receivables	32.9	36.3
Inventories	38.9	42.1
Other assets	3.8	1.6
Total current assets	77.0	83.5
Non-current assets		
Property, plant and equipment	7.7	9.7
Deferred tax assets	4.9	5.0
Total non-current assets	12.6	14.7
Total assets	89.6	98.2

	CY18 \$M	CY17 \$M
Current liabilities		
Trade and other payables	17.1	23.2
Borrowings	1.3	4.5
Current tax liabilities	-	1.7
Provisions and other liabilities	6.1	6.9
Total current liabilities	24.5	36.3
Non-current liabilities		
Borrowings	6.0	1.0
Provisions	5.1	3.7
Total non-current liabilities	11.1	4.7
Total liabilities	35.6	41.0
Net assets	54.0	57.2

- Lowly geared, Net Debt increased a little to \$6.0M.
- Net Debt to Net Debt plus Equity of 10%.
- Working capital at sustainable levels, consistent with seasonality.
- Solid Net Assets of \$54.0M with no intangibles.
- Well positioned to take advantage of earnings accretive acquisitions.

CASH FLOWS

Full Year Ended 31 December 2018

	CY18 \$M	CY17 \$M
Cash flows from operating activities	8.8	17.2
Net property, plant & equipment	(2.3)	(3.4)
Dividends	(10.5)	(10.5)
Net debt (increase) / decrease	(4.0)	3.3

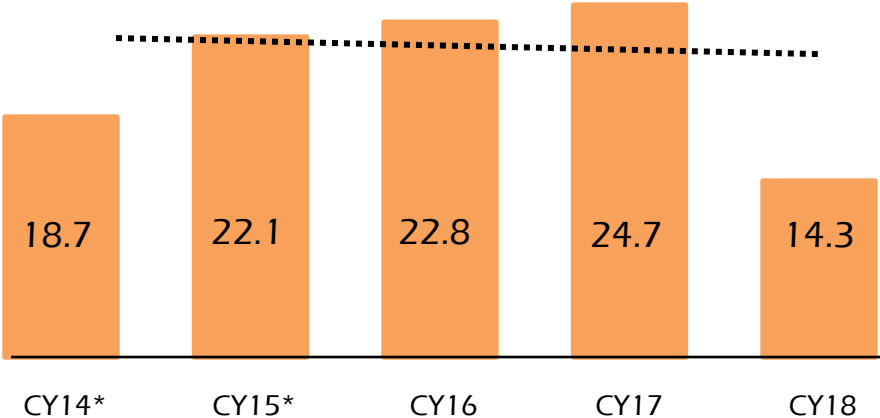
- Cash flows from operating activities sound:
 - Slow moving Appliance stock cleared.
 - Working capital adjusted down in line with lower sales rate.
- Continued disciplined investment in fixed assets.
- Excellent cash return to shareholders via fully franked dividends (11 cents per share paid in the year to 31 December 2018).

TRACK RECORD

Above mid point of CY18 market guidance

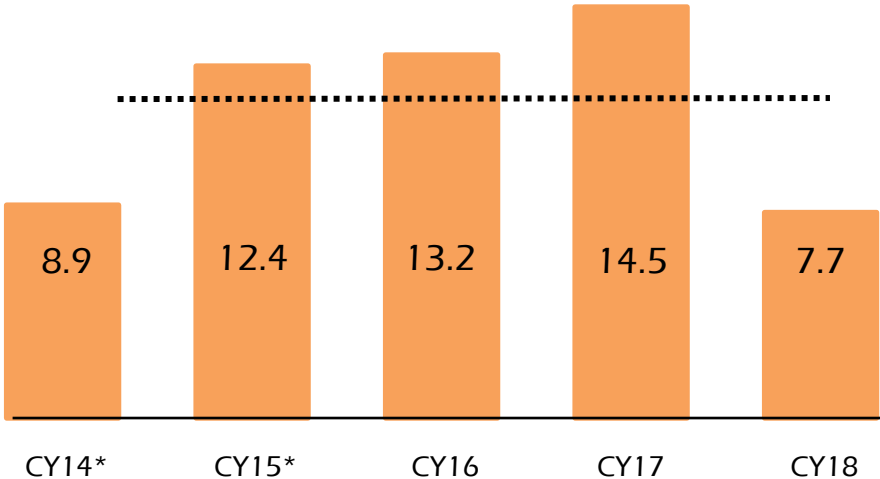
EBITDA RESULTS 5 YEARS

\$M



NPAT RESULTS 5 YEARS

\$M



*Pro-forma numbers



OPPORTUNITIES

- Product development is continuous in a number of Shriro's brands.
- Shriro has developed a global distribution network to maximise new product development returns. This network will continue to grow.
- US subsidiary established, Shriro will hold stock in the US to maximise its potential in the market, minimising the impact of the US tariffs.
- Global export manager to be appointed 1st half CY19.

Dividends

- Fully franked dividend of 3.0 cents per share, record date 19th March 2019, payable 5th April 2019.

Shriro's dividend policy is:

A target payout ratio of between 60% to 70% of NPAT subject to:

- Shriro's earnings, overall financial condition and requirements
- The outlook of the industry
- The taxation position of Shriro
- Future capital requirements

OUTLOOK

- Uncertainty in many macro market metrics continues and Shriro's performance is biased to the second half due to seasonal influences.
- Global expansion and investment in marketing to a large global BBQ market, with a long term view.
- The cost base of the business has been reduced annually by \$2M into the future. Shriro will reinvest part of these savings to drive revenue both domestically and internationally.
- Strong financial discipline means Shriro is well positioned for growth organically with company owned brands and through acquisitions.

