



SHRIRO HOLDINGS LTD (SHM)

INVESTOR PRESENTATION
2019 Annual Results
27th of February 2020

BLANCO CASIO

EVERDURE.
EASY DECISION.

everdure
by heston blumenthal

Always serves you well
omega

omega
altise

Pioneer

 Robinhood

2019

Full Year Highlights

- NPBT, \$9.4M (down 1.1% on 2018)
- Underlying NPAT of \$6.5M (down 5.8% on 2018)
- Strong balance sheet, zero debt, cash position of \$6M (Net cash inflows of \$12M for year end CY19)
- The anticipated downturn in the property development cycle, resulted in a 5% revenue drop. Operating costs reduced by 5.6%, streamlined and more productive
- New 10 year BBQ agreement with the Fat Duck Group. Based on current sales, ongoing collaboration cost will be \$1M less per annum
- Gross margin stable despite currency devaluation
- Final dividend 3 cents per share, fully franked (annual CY19 dividends 7 cents per share)



REVENUE SPLIT

2019

AUSTRALIA

74%



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NEW ZEALAND

24%



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*Appliances Only

EXPORT MARKETS

2%



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EXPORT TERRITORIES

- USA
- Canada
- Germany
- Scandinavia
- South Africa*
- Benelux
- UK
- France
- Israel

*New markets



PROFIT & LOSS STATEMENT

Year Ended 31st December 2019

\$ Million	CY19 Actual	CY18 Actual	Δ	
Revenue from ordinary activities	172.1	181.1	(5.0%)	<ul style="list-style-type: none"> Revenue was negatively impacted by a decline in the Appliances sales, and export sales performed below expectations
Gross Margin %	39.1%	39.4%		<ul style="list-style-type: none"> Gross margin held up, despite currency headwinds
Operating expenses	(49.3)	(52.2)	(5.6%)	<ul style="list-style-type: none"> Operating expenses reduced and streamlined
EBITDA	18.0	19.2	(6.3%)	
Depreciation	(6.3)	(7.0)	(10.0%)	<ul style="list-style-type: none"> Depreciation and interest were impacted by the new lease standard AASB16. Both costs were lower as a result of CY18 showroom closure
Interest	(2.3)	(2.7)	(14.8%)	
NPBT	9.4	9.5	(1.1%)	<ul style="list-style-type: none"> NPBT decreased 1.1% protected by cost cutting.
NPAT	6.5	7.3	(11.0%)	
One-off tax benefit	-	(0.4)		<ul style="list-style-type: none"> There was a one-off bonus paid in cash to the former CEO in the prior year, the underlying NPAT decreased 5.8% if you remove this non-reoccurring benefit
Underlying NPAT	6.5	6.9	(5.8%)	



BALANCE SHEET

As at 31 December 2019

	31 Dec 19	31 Dec 18
	\$M	\$M
Current Assets		
Cash and cash equivalents	6.0	1.4
Trade and other receivables	26.2	32.9
Inventories	34.8	38.9
Other Assets	1.9	3.8
Total Current Assets	68.9	77.0
Non-current assets		
Right use of assets	17.2	19.8
Property, plant and equipment	6.8	7.7
Deferred tax assets	6.9	6.0
Total non-current assets	30.9	33.5
Total assets	99.8	110.5
Current liabilities		
Trade and other payables	16.5	17.1
Borrowings	-	1.3
Lease Liability	3.5	2.3
Provisions and other liabilities	6.1	6.1
Total current liabilities	26.1	26.8
Non-current liabilities		
Borrowings	-	6.0
Lease Liability	20.6	23.6
Provisions	2.5	2.9
Total Non-Current Liabilities	23.1	32.5
Total Liabilities	49.2	59.3
Net Assets	50.6	51.2

- Cash on hand of \$6M, no debt. This is a \$12M better position than the prior year, despite paying 7 cents per share dividends in CY19
- Debtors are lower at year end, as some sales were brought forward to November for the Black Friday and Cyber Monday weekend
- Stock is in a better position despite having a subsidiary in the US holding \$1.7M of stock. The stock obsolescence provision is greater than the combined 2+ year old stock, as most aged stock was cleared
- \$50.6M of net assets, no intangibles, hence the movements in the balance sheet resulted in good cash flows as outline in the next slide
- The new lease standard reflected in the balance sheet, reduced equity by \$2.8M as at 31 Dec 18, which will be recovered in future periods



CASH FLOWS

Year Ended 31 December 2019

	CY19 \$M	CY18 \$M
Cash Flows from Operating Activities	23.5	11.6
Net Property, Plant & Equipment	(2.4)	(2.3)
Lease Repayments	(2.5)	(2.8)
Dividends	(6.7)	(10.5)
Net Cash Increase / (Decrease)	11.9	(4.0)

- Correction of inventory levels to the current sales run-rate and the lower debtors balances resulted in Cash Flows from Operating Activities being significantly higher than the previous year and NPAT
- Continued investment in PPE, the majority relating to retailer displays and tooling for new products
- Dividends reduced to be prudent in the current housing market, this has left Shriro with a \$6M cash position as at 31 Dec 19



AUSTRALIAN MARKET Breakdown

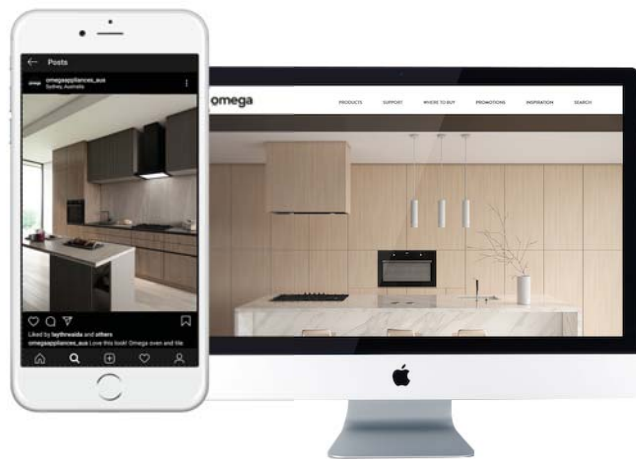
- Australian Group revenue down 5.1% on CY18, due mostly to lower appliances & cooling products categories
- Record GShock watch sales, driven by premium product and strong online retailer growth
- 40th Anniversary of Casio musical instruments, resulted in increased new product releases. Revenue +16% on CY18
- Everdure by Heston BBQ range experienced solid growth despite difficult weather factors in south east Australia.



AUSTRALIAN MARKET

Breakdown Cont.

- Appliance sales revenue down 16% on CY18. As market headwinds remain, operating costs have been reduced to match market conditions
- New Omega Range, to be released 2nd quarter CY20 with a more contemporary, synchronised look and feel
- Increased investment in new operational & digital marketing strategies developed. Expected positive growth in market share for both retail + commercial appliance sectors in CY20



Digital marketing



New product range

omega



NEW ZEALAND MARKET Breakdown

- New Zealand Group revenue +3.0%, margins up despite market competition, & currency devaluation
- Strong growth on the back of digital marketing in company owned Robinhood brand. Revenue up 20% on CY18
- Continued G Shock watch growth of +8% on CY18. Auckland international airport and online retailers driving expansion
- Market leader Pioneer is capitalising on youth DJ growth. Sales revenue +62% on CY19



 Robinhood



G-SHOCK



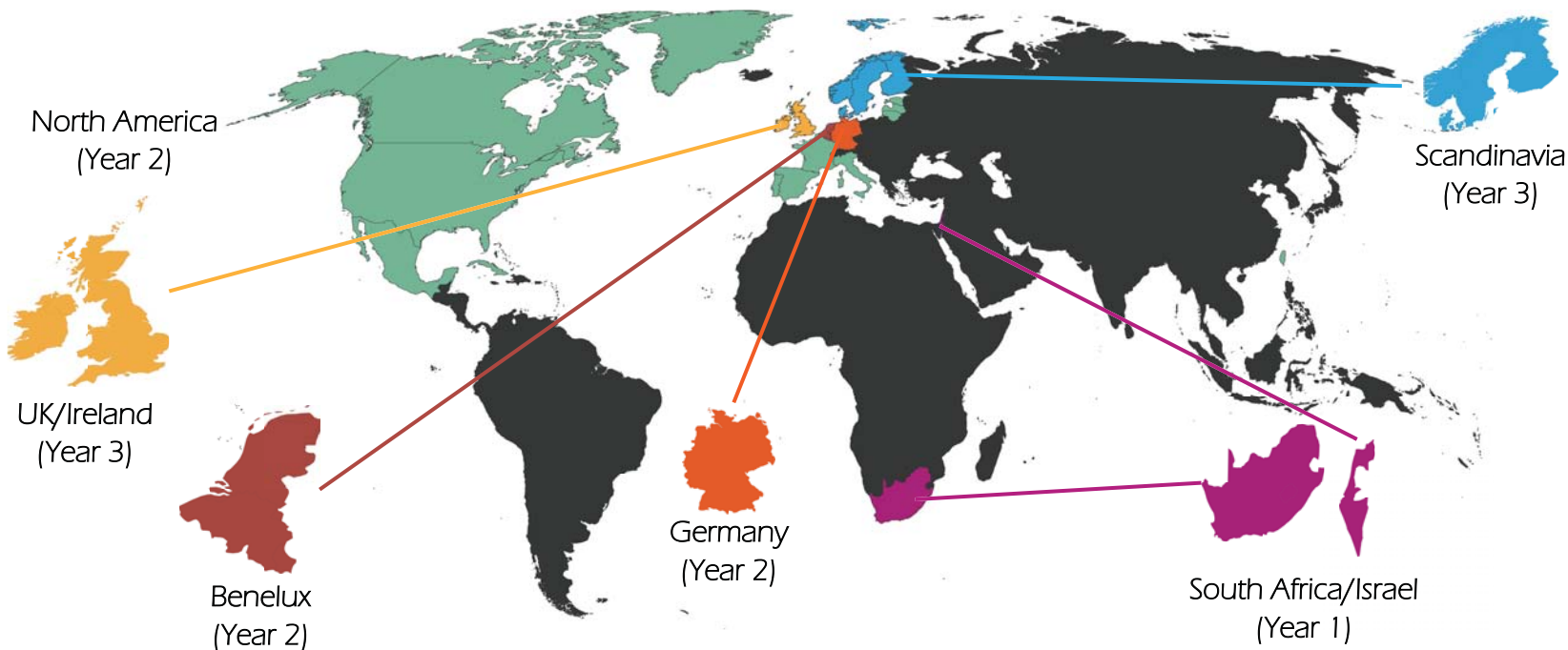
Pioneer



EXPORT - MARKETS EUROPE & OTHER

Breakdown

- Export revenue declined to \$3.4m, this was as a result of a delay in establishing key retail partnerships, impact of tariffs on product pricing and brand marketing execution.
- North American distributor was replaced with a subsidiary resulting in a timing difference in sales out.
- South African & Israel market sales to commence in CY20.
- New 10 year agreement with Fat Duck Group, saving \$1M p/a on current sales.



*Year = Number of sales seasons

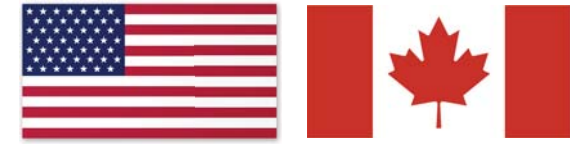
Strategy for key regions:

- Expansion of local dealer base
 - Increase number of store displays across traditional brick and mortar specialists
 - Partner closely with key online & omni-channel retailers
- Localise marketing activity & promotional campaigns
 - Content-specific for region
 - Geo-targeted brand campaigns
 - Updated websites assist in local market engagement (Search Engine Optimisation)



EXPORT MARKET – NORTH AMERICA

Digital Market Strategy












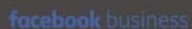




Example of North American marketing strategy

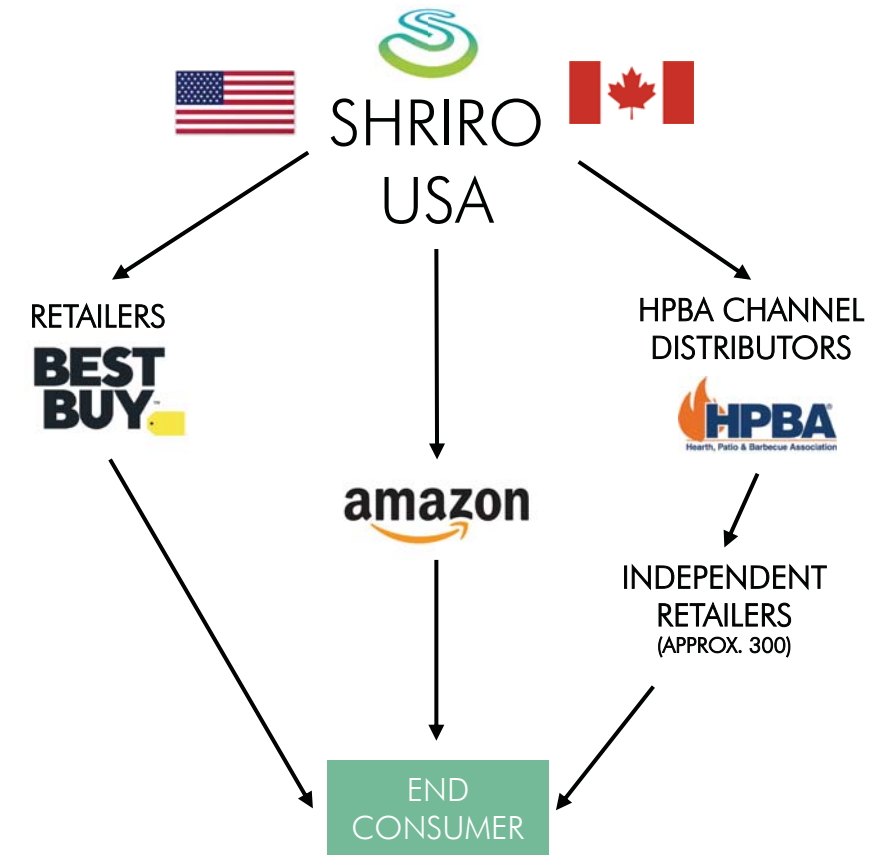
- Utilise digital analytic tools to identify our key target markets within key regions of North America to better focus our marketing efforts
- Website optimisation (SEO) – Increased site traffic
- Digital ad campaigns:
 - Google AdWords
 - Google Display
 - Facebook Business
- Product reviews
- E-Commerce transactional data
- Social media analytics
- Focus on developing the customer experience/journey
 - Post-purchase engagement with consumer



EXPORT MARKETS- NORTH AMERICA

"Developing strong foundations for future growth"

	2018 PHASE 1	2019 PHASE 2	2020 PHASE 3	FUTURE PHASE 4
PHASE	ESTABLISHED DISTRIBUTION NETWORK	ESTABLISHED SUBSIDIARY	DIVERSIFY CUSTOMER BASE	PRODUCT MIX & CHANNEL DIVERSIFICATION
CHANNEL STRATEGY	HEARTH PATIO & BBQ CHANNEL 	APPOINTED SALES AGENTS 	LOCAL STAFF TO SUPPORT  amazon BEST BUY MAJOR ONLINE RETAILERS	APPLIANCE HARDWARE ONLINE MARKETPLACES COMMERCIAL/CORPORATE E-COMMERCE
DISTRIBUTION STRATEGY	 - EXCLUSIVE DISTRIBUTOR - 5 REGIONAL (HEARTH) DISTRIBUTORS	 CALIFORNIA 3PL + REGIONAL DISTRIBUTORS	 ADDITIONAL 3PL + ADDITIONAL DISTRIBUTORS	 MULTIPLE 3PL'S + MULTI-CHANNEL DISTRIBUTION NETWORK
MARKETING STRATEGY	- DEVELOP TRADE CHANNELS - BRAND LAUNCH	INFLUENCER ADVOCACY PR  	DIGITAL MARKETING facebook business  Google Ads  	- ENHANCED CONTENT - BUILD CONSUMER ADVOCACY - INVEST IN DIGITAL & SOCIAL MEDIA ADVERTISING  



- The creation of a subsidiary in California that is acting as a sales support office for direct retailers and regional distributors.
- The expectation for the supply of stock in 2020 will not be impacted by the Coronavirus issues in China due to healthy stock coverage.



NEW PRODUCT DEVELOPMENT

Breakdown Cont.



- Developed new product with innovation
- Widening product portfolio compliant for larger markets, such as USA to capitalise on Shriro's developing distribution channels
- 1st sales are forecast to be 2nd half CY20

15MJ



25MJ



Gas heating range (USGA Approved)

omega
altise



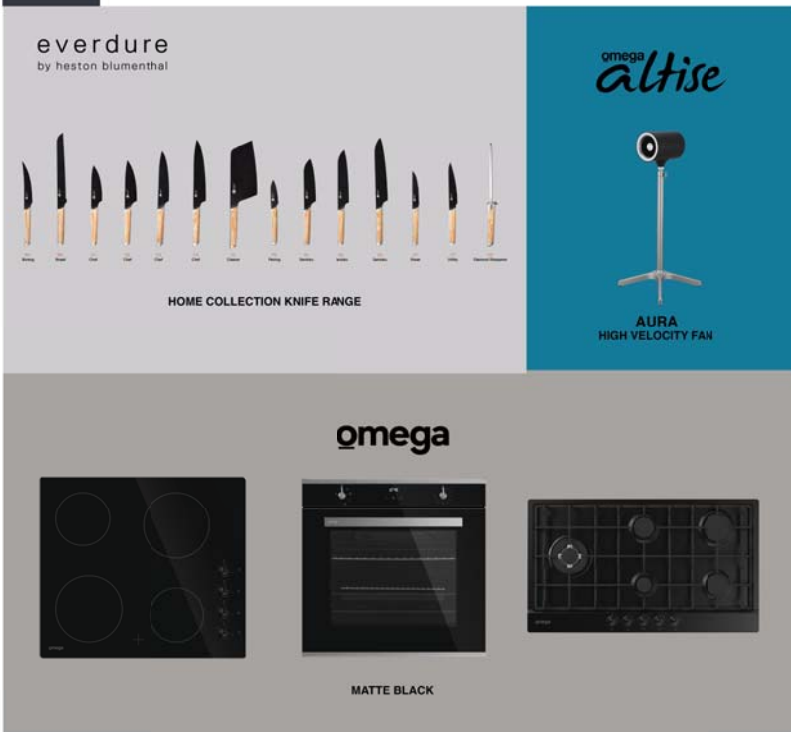
AURA Fan

USA "Outdoor Rated" for Summer Sales



INNOVATION Roadmap

20
19/20



20
20/21



20
21/22

CURRENT

FUTURE

Focus on innovation to continue. However, 2020 will see some new product release consolidation.



OUTLOOK

- Lower more productive operating cost base now established.
- New company wide digital marketing/e-commerce infrastructure in place. Shriro is now well positioned to connect to global consumer base and supply more via the expanding e-commerce market
- BBQ business to benefit from the new lower cost agreement with the Fat Duck team and infrastructure in place to supply to USA, via e-commerce leaders such as Amazon, Best Buy and BBQ Guys stockists
- Macro risks – Coronavirus impact on supply chain is developing, property development market remains subdued.
- The strong balance sheet, \$10M cash on hand 21 February 2020 to support management's strategy to drive short term growth via potential accretive acquisitions, or mid-longer term via revenue growth utilising the established export infrastructure now in place

