

## SHRIRO HOLDINGS LIMITED (ASX: SHM) (“Shriro” or “the Company”)

### RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2022

#### Shriro results are:

- EBITDA for H1 FY23 is \$12.4M. The cost saving measures relating to the Blanco exit were completed. However, the Covid-related tailwinds have eased, resulting in a 14.5% reduction in EBITDA compared to the previous corresponding period ('pcp').
- Revenue of \$84.4M, down 11.7% pcp, largely because of the Blanco exit and subdued demand for seasonal goods with a cooler than anticipated start to summer, although, Blanco’s exit has resulted in higher gross margins of 43.1%.
- Export revenue continued to grow 82% pcp, with most of the export sales expected to occur in H2 FY23.
- Cash on hand as at 31 December 2022 was \$6.4M (pcp: \$7.1M). Supply chain constraints are easing, so holding buffer stock is no longer required. With inventory reducing, the cash balance will increase significantly over the next quarter.
- Interim dividend declared of 3.5 cents per share fully franked.

RESULTS SUMMARY			
	H1 FY23 Reported \$M	H1 FY22 Reported \$M	Change
Revenue	84.4	95.6	(11.7%)
Gross Margin	43.1%	42.5%	
Operating Expenses	(24.0)	(26.2)	(8.4%)
<b>EBITDA<sup>1</sup></b>	<b>12.4</b>	<b>14.5</b>	<b>(14.5%)</b>
Profit Before Tax	9.5	11.6	(18.1%)
<b>Profit After Tax</b>	<b>6.3</b>	<b>8.2</b>	<b>(23.2%)</b>

<sup>1</sup> EBITDA for the half-year ended 31 December 2021 includes \$1,144,968 of New South Wales Government JobSaver subsidies

## **GROUP PERFORMANCE**

EBITDA for the half year ending 31 December 2022 was \$12.4m (pcp: \$14.5m) and net profit after tax for the half year was \$6.3m (pcp: \$8.2m).

Shriro's revenue was \$84.4m which was down 11.7% pcp. The exit of the Blanco brand represented 10% of the downturn in revenue and the remainder was largely a result of the cooler weather impacting the sale of seasonal products and home builder delays impacting the fulfilment of commercial appliance orders.

The majority of Shriro's export sales are in the second half of the year which is the European and USA summers. However, the Everdure by Heston Blumenthal products continued to grow with export sales increasing by 82% pcp.

Shriro's gross margin lifted to 43.1% (pcp: 42.5%) primarily due to the Blanco exit which had a lower gross margin compared to other brands. Other factors included currency tailwinds, increased product prices and the easing of container costs.

Operating expenses decreased to \$24.0m, down 8.4% pcp. Shriro reduced expenses in the first half of FY23, to counter the lower revenue without the Blanco brand, cost inflation and fuel price increases resulting in increased freight costs. The efficiency focus has been on reducing consulting costs, absorbing vacant roles and consolidating the Brisbane third party logistics warehouse stock into the NSW Chullora warehouse. These cost saving initiatives were finalised in the first half of FY23.

Shriro declared a fully franked interim dividend of 3.5 cents per share, with a record date of 16 March 2023 and payable on 7 April 2023. Shriro has reduced the interim dividend amount per share pcp to capitalise on anticipated opportunities and due to the uncertain economic conditions.

## **BALANCE SHEET AND CASH FLOWS**

Net operating cash outflows for the period were \$1.3 million. The group had built up working capital in response to supply chain constraints which are now expected to normalise.

Shriro values any returned stock at nil in its accounts, it has cleared a portion of this stock resulting in \$0.3m profit for the half, with a further \$0.2m of stock to be cleared in the second half. Shriro has received all monies owing from Blanco and all related assets and liabilities have now been settled, sold, or disposed in the first half of FY23. Shriro's balance sheet has no debt and has strengthened further with \$70.6 million of net assets and tangible asset backing of 69.5 cents per share.

## OUTLOOK

The FY23 outlook is consistent with guidance previously provided to the market. EBITDA is expected to be \$18.5m which is down 25% on the prior year due to macroeconomic conditions and reduced consumer demand for our goods.

The following factors may have a bearing on the FY23 outlook:

- Casio G-Shock is celebrating its 40<sup>th</sup> anniversary in 2023. The G-Shock 40th anniversary models are anticipated to continue to strengthen demand for the iconic brand.
- The export division is expected to show growth in FY23 due primarily to the new pizza oven being added to the product range. Conversely, growth in BBQ sales will be impacted by the cooler than usual weather in the US and during the Australian summer and retracting consumer demand. The export business is still expected to grow in FY23 in an environment where other major global competitors' revenue has declined.
- The new pizza oven is an early success, higher than expected orders have been placed by our overseas distributors. Based on current information, factory production capacity indicates that the orders will be produced and sold within the second half of FY23.
- The correction of elevated inventory levels will result in the release of cash into the balance sheet over the next six months.
- Shiro is committed to investigating opportunities for growth and has employed a dedicated resource to focus on strategic EBITDA accretive acquisitions and attracting new third-party brands for distribution. At least one new brand will be added in FY24.

Shiro will continue to place a high priority on organic and inorganic growth opportunities, reviewing capital allocation and identify any potential opportunities for rationalisation and savings to maximise shareholder returns.

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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 by Heston and Omega Altise) and third party owned brands (such as Casio and Pioneer). Products include calculators, watches, musical instruments, audio products, kitchen appliances, laundry products, consumer electronics, car audio, amplifiers, professional DJ, Hi-Fi/speakers, gas heaters, gas barbeques, charcoal barbeques, electric heaters, and cooling products.