

SHRIRO HOLDINGS LIMITED
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

- NPAT of \$13.2M, up 6.5% on normalised CY15 NPAT, despite significant new Everdure BBQ launch costs
- Sales Revenue impacted by disruption from a change in an Appliance sales channel and if excluded, sales grew 2.1%
- Sales of ‘everdure by heston blumenthal’ BBQs are tracking to plan
- Disciplined Operating Expense control assisted a 3.2% increase in EBITDA
- Working capital initiatives and solid trading performance underpinned strong cash flows, reducing Net Debt to \$5.5 million (0.2x EBITDA)
- NPAT represents a 24.8% return on year end Shareholders Funds
- Final dividend declared of 7.0 cents per share, fully franked, to be paid in March 17

RESULTS SUMMARY			
	CY16	CY15	Change
	Reported	Normalised	
	\$m	\$m	
Revenue	183.5	186.3	-1.5%
Gross Margin	42.6%	42.6%	
Operating Expenses	(55.4)	(57.3)	-3.3%
EBITDA	22.8	22.1	3.2%
Depreciation	(3.6)	(3.4)	5.9%
Interest	(1.0)	(1.4)	-28.6%
Profit Before Tax	18.2	17.4	4.6%
Profit After Tax	13.2	12.4	6.5%

NOTES:

Shriro Holdings Limited was listed on the ASX on 23 June 2015. Normalised financial information for prior period ended 31 December 15, reflects the full year effect of operating and capital structure as at the completion of the IPO, but excludes the costs of the IPO and other non-recurring items – See Appendix A for details. The CY16 numbers above are all actual reported statutory results.

GROUP PERFORMANCE

Shriro Holdings Limited (“the Company”) (ASX: SHM) today announced pleasing results for the calendar year ended 31 December 2016, its first full year as a listed company. The Company achieved growth in Net Profit after Tax of 6.5% and retains a strong balance sheet, free of any intangible assets and with low debt.

Sales were down slightly, mainly as a result of the change in an Appliance sales channel and the late arrival of hot weather in most states this year, which affected some seasonal product categories. Despite this the diversity of the Company’s product suite ensured that if the impact of the sales channel change is excluded, sales grew 2.1%. The Company successfully launched the BBQ brand ‘everdure by heston blumenthal’ in Australia and Europe during the year and achieved some early sales, with orders received from the UK, Germany, Holland, Norway, Denmark, Sweden, Finland and Iceland, for CY17 delivery. The initial response from international buyers has been positive. The Company expensed almost all costs, totaling \$2.4 million in relation to this project in CY16, of which approximately \$700K is non-reoccurring and this represents an investment in future growth.

Operating expenses were reduced from the prior year by 3.3%, mainly due to a restructure that occurred early in CY16 following the change in sales channel in the Kitchen Appliances division. This expense control assisted in achieving a 3.2% increase in EBITDA over the previous year, to \$22.8 million. The Company achieved a Gross Margin of 42.6%, despite the Australian dollar weakening against Shriro’s main import currencies throughout the year.

Net Debt was reduced from \$9.4 m to \$5.5 m during the year, a 42% reduction, positioning the Company with a lowly geared balance sheet to assist in future growth.

Shriro’s New Zealand subsidiary Monaco Corporation Limited performed very well and achieved double digit NPAT growth compared to the prior year.

The Directors have declared a fully franked final dividend of 7.0 cents per share, with a record date of 21st February 2017 and payable on 9th March 2017. This dividend, combined with the interim dividend of 3.0 cents per share paid in September 2016, results in a total dividend of 10.0 cents per share for the year and represents a payout ratio of 72 percent.

CONSUMER PRODUCTS

The Consumer Products segment had a solid year, with Revenue growing by 1.8% to \$101.9 million. Calculators performed strongly, likely as a result of the Howard Government’s 2004 baby bonus payments, as these children are now 12 years old and entering high school. Timepiece sales were flat after three years of high growth and strategies are being implemented to drive the next phase of growth for this division. The seasonally late arrival of hot weather negatively impacted sales of some seasonal lines such as Omega Altise cooling products.

Shriro’s new BBQ products range was well received by customers and BBQs was Shriro’s strongest growing product category.

CONSUMER PRODUCTS (CONT'D)

Non-recurring costs associated with the global launch of the 'everdure by heston blumenthal' range of BBQs were expensed in the year and impacted the division's profit, which overall was down 3.8%. This investment however is expected to underpin sales growth in future years.

Everdure Award

The new 'everdure by heston blumenthal' range of barbeques have recently been internationally acknowledged for their exceptional form, functional design and aesthetic quality with both the charcoal and gas ranges receiving a coveted 2017 global iF Design Award in the Product Category.

Heston Blumenthal commented, "I'm absolutely delighted that the Everdure by Heston range has won two iF Design Awards. Over the past two years a serious amount of thought went into every aspect of development, with both teams working closely together, designing and testing prototypes to make sure the range was just right. I was thrilled with the end result so it's great to have that internationally celebrated," said Heston Blumenthal.

Mike Westrup, Shriro's Managing Director, said "the two prestigious iF Design Awards relate to all five barbeques within the 'everdure by heston blumenthal' product offering and demonstrate the Company's strength in product development and innovation".

KITCHEN APPLIANCES

The Kitchen Appliances segment generated revenue of \$81.5 million, which was 5.4% lower than the prior year as the segment was adversely impacted by a change in the sales channel for Blanco kitchen appliances and the roll-out in the new channel was later than anticipated. The benefit of this channel switch started to be realised in November 2016 and the roll-out will continue through CY17. Operating costs associated with the Blanco kitchen appliances product range were restructured early and significantly mitigated the impact of the lower sales. As a result of this and other measures, EBITDA generated by the Kitchen Appliances segment increased 17.4% over the previous corresponding period and the lower costs achieved should continue into CY17.

The 'Commercial Sales' operation and the 'sinks and taps' sector achieved strong sales in CY16, reflecting the continued strength of both the home building and renovation markets. In an overall sense, the Company's Kitchen Appliances segment is not materially sensitive to new building construction activity due to the importance of the renovation market in most of its products.

BALANCE SHEET AND CASHFLOW

Operating cash flow was strong, reflective of the underlying trading performance and tight control of working capital. Net Debt reduced to \$5.5 million from \$9.4 million at December 2015. The Company's gearing remains low with Net Debt to EBITDA at only 0.2 times.

The strength of the balance sheet is underpinned by both the low level of debt and the absence of Intangibles. This places the Company well for taking advantage of growth opportunities as they present themselves or are identified 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 CY17 is unclear this early in the calendar year. It is currently expected that growth in local customer demand will continue to be modest, however export sales of BBQs should begin to benefit the Company later in CY17, and further in CY18.

As a result of the current environment and the expected returns from the global expansion, the Directors currently believe that net profit after tax will be higher in CY17 with the amount of growth influenced by the uptake of the 'everdure by heston blumenthal' products in the Northern Hemisphere.

For more information, contact:

Mike Westrup

(02) 9415 5000

mikew@shriro.com.au

Shane Booth

(02) 9415 5000

shaneb@shriro.com.au

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.

APPENDIX A

NORMALISATION– NPAT CY15	
	ACTUAL CY15
NPAT Statutory	7.1
IPO Costs	5.0
Employee Share Plan	0.2
MEP	0.4
ASX Costs	(0.2)
Interest	0.2
Property	0.0
Tax	(0.3)
NPAT Normalised	12.4

NORMALISATION– EBITDA CY15	
	ACTUAL CY15
EBITDA Statutory	16.8
IPO Costs	5.0
Employee Share Plan	0.2
MEP	0.4
ASX Costs	(0.2)
Property	(0.1)
EBITDA Normalised	22.1