

## **GODFREYS GROUP LIMITED** (ASX: GFY)

### **ASX/Media Release**

12 October 2017

#### **2017 Annual General Meeting – Managing Director’s Address**

Good morning shareholders and visitors.

This morning I will share with you a quick recap of the 2017 results and our progress before moving onto our objectives and outlook for 2018.

Godfreys has been operating since the 1930s and now has a physical retail store footprint of 222 stores across Australia and New Zealand. We are a speciality retailer – the vacuum and cleaning specialists. We operate across all the key product categories in our sector. This includes vacuum cleaners through to shampooing and steam cleaning as well as parts and accessories, service and repairs and a range of commercial products.

#### **2017 Results**

In 2017, we generated \$174.1 million of sales revenue, which was 2.9% down on the prior year. This included a \$10 million contribution from The Service Company acquired in 2016. Comparable like-for-like sales stabilised at -7%, with improvement in the last quarter.

Underlying EBITDA was \$14.1 million NPAT was \$5.9 million and EPS 14.5 cps.

Our reported NPAT loss of \$18.4 million includes the \$24 million non-cash goodwill impairment charge recognised in the first half of FY17.

In May 2017, we established a new \$30 million senior debt facility on favourable terms providing Godfreys with funding certainty over the next 3 years. Pleasingly our net debt reduced by \$5.1 million to \$16.5 million, with leverage at 1.2x underlying EBITDA. This was due to improved working capital efficiency and strong operating cash flows.

The Board declared an unfranked dividend of 2.5 cents per share, in addition to the 2.5 cent unfranked interim dividend.

From an operating point of view, it was a busy and productive 12 months where we focused on improving the fundamentals of the business.

We are continually evolving our product range to ensure we remain relevant to our customers' needs. We now have a comprehensive range of stick vac's, and have introduced some exciting new products into the market, including the Wertheim 7 Series cleaner launched in August 2017, which is exclusive to Godfreys.

We continue to focus on our people, with our enhanced training program being an important element of our business model. We have also recently updated our store incentives framework to include individual and team targets that are linked to productivity.

Our advertising is now more efficient and effective and we have a good mix of TV, catalogue and importantly, a growing on-line exposure through social media and blogger sites.

We have also introduced features which make it easier for our customers to shop with us, including "click and collect" and "from warehouse to your house", and have made good progress on growing our customer database which now exceeds 160,000 subscribers.

It will take time for these benefits to be fully realised, and we have more work to do, but we are confident these changes will improve our competitive position.

### **First Quarter 2018 Performance**

The combination of an improving product range, our focus on sales training and differentiated customer experience is delivering improved results. We've seen our retail sales performance stabilise through FY17 and show signs of improvement in early 2018 with the first quarter of the financial year delivering like for like store sales comparable to the same time last year.

While we anticipate variability in our like-for-like sales across any given month, we are pleased with the improving trend and turnaround in our business performance.

We are continuing to focus on improving the fundamentals in FY18. We are excited by new product releases, as well as the benefits we expect from our refreshed training and incentive structures, and we will continue with our strategy of converting the right company stores to franchises.

A key metric for us is sales productivity per hour for each store employee. The operating leverage provided by our vertically integrated business model means we can deliver significant gains to the bottom line if we can lift the productivity of each employee in store and generate increased sales revenue.

We see further opportunities in our online and wholesale channels, for example partnering with cleaning franchise networks, and we are looking at simplifying our supply chain from factory to store.

### **2018 Outlook**

In the 2018 financial year, we expect to see improved performance across our retail network and wholesale business, although the contribution of franchise fees from our franchise strategy is expected to reduce from fewer and lower value conversions.

In all, underlying EBITDA is expected to be at similar levels to FY17.

We will continue our focus on working capital efficiency and cash generation to enable us to further reduce debt.

Finally, I would like thank all of our staff who are working hard and driving the needed changes in our business. 2017 was a challenging year and we have entered 2018 in better shape because of their continued passion and commitment.

To shareholders, investors and visitors attending today's Annual General Meeting, thank you for your interest and support.

John Hardy  
**Managing Director**

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**About Godfreys**

Godfreys Group (ASX: GFY) listed on the ASX in 2014 and is Australia's largest speciality retailer of domestic and commercial floorcare and associated cleaning products, offering an extensive range of company-owned brands, an exclusively licensed brand (Hoover) and a number of third party brands. Godfreys is regarded by Australians as the 'experts' in vacuum cleaners and cleaning products, accommodating consumers at all price points. Godfreys has its head office and a company-operated warehouse located in Victoria. Godfreys' multichannel offering is distributed via over 200 branded retail stores located in standalone 'superstores', and shopping centres and retail shopping strips.