

# GODFREYS GROUP LIMITED

(ASX: GFY)

## ASX/Media Release

1 December 2017

### LEADERSHIP CHANGES AND TRADING UPDATE

Godfreys Group Limited (ASX: GFY) today announced leadership changes and provided an update on franchise store conversions, trading performance and the financial outlook for 2018.

#### New Chairman

Godfreys Group Limited Board Director, **Brendan Fleiter**, has been elected as the new Chairman to replace Rod Walker effective 1 January 2018. Mr Walker recently announced his intention to retire from the Board at the end of this calendar year.

Brendan has been a member of the Board since November 2014 and Chairman of the Company's Audit & Risk Management Committee and a member of the Remuneration & Nomination Committee.

Outgoing Chair Rod Walker said that Brendan is well positioned to navigate Godfreys through its next phase of growth and development.

#### New Chief Executive Officer

**Jason Gowie** has been appointed Godfreys Group Limited Chief Executive Officer (**CEO**) effective 4 December 2017 and will join the Board as an Executive Director. Current Managing Director, John Hardy, will remain with the business on a part-time basis, and will assist with product innovation. Mr Hardy will remain on the Board.

Incoming Godfreys Chairman Brendan Fleiter thanked John for his leadership of the business over the past 18 months.

"John Hardy's contribution to Godfreys and the Australian retail sector over the past 50 years is monumental. He stepped up for his second stint as Managing Director in July last year when the business needed him. I would like to take this opportunity to thank him for steadying the ship over the past 18 months and providing a solid foundation for the future.

"Jason Gowie joins Godfreys as CEO with 25-years' experience in management and sales roles in the financial services, retail and health sectors. He brings considerable experience working in customer focused environments and has strong leadership and cultural change capabilities.

“Jason stood out in a strong field of candidates for the CEO role in particular because of his customer centric focus” Brendan said.

Current Godfreys Managing Director John Hardy also welcomed Jason to the Company.

“I am excited by Jason’s appointment as Godfreys Group Limited CEO and am confident his extensive knowledge and experience will be well suited to take our Company forward. I look forward to working with Jason, focusing on product innovation.

I have thoroughly enjoyed my time at Godfreys over many years, but feel the time is right to transition to a new leader,” John said.

The Company has entered into an executive services agreement (**Agreement**) with Mr Gowie in relation to his appointment as CEO of the Company. A summary of the key terms of the Agreement is set out in the Appendix to this announcement.

### **Board refresh - Two new non-executive directors**

**Kathy Gramp** joins Godfreys as a non-executive director commencing on 1 January 2018.

Kathy, a chartered accountant, has significant experience across a range of sectors including media, health, property, technology, finance, tourism, government, education and primary industry.

Kathy brings a blend of leadership, strategy, finance risk, corporate governance and change management skills to the Godfreys Board.

She is currently a non-executive board/committee member with the Australian Institute of Company Directors, Codan Limited (CDA.AX), Flinders University, Bushfire & Natural Hazard Cooperative Research Centre, Royal Automobile Association SA and Silver Chain RDNS Group.

Previously Kathy held senior management roles at Austereo, including as Chief Financial Officer and Company Secretary.

Kathy will chair the Audit & Risk Management Committee following the appointment of Brendan Fleiter as Chairman.

**Penny Burke** joins Godfreys as a non-executive director commencing on 1 January 2018.

Penny has a 30+ year executive career in strategy, brand and marketing and is an experienced non-executive director having held a variety of board positions over the past fifteen years. She has been a board member of the Monash Institute of Reproduction and Development and Clemenger BBDO and is currently a non-executive director of Kennards Hire Pty Ltd, Hocking Stuart and Karrikins Group.

In the past 13 years, Penny has built a highly successful brand, research and marketing consultancy, Essence Communications, which undertakes strategic research and provides communications advice. Prior to that, Penny spent 12 years at Clemenger BBDO as Strategy Planning Director, overseeing strategic developments for major communications projects.

Penny will chair the newly formed Customer Committee for the Board that will focus on improving the customer experience and channel development.

The appointments of Jason Gowie, Kathy Gramp and Penny Burke bring the Board's membership to six.

### **Franchise conversions, trading update and outlook**

In August 2017 the Company said the FY18 contribution from initial franchise fees would reduce due to fewer, and lower value, conversions of company to franchise stores.

The conversion program will now be slowed further than initially expected as the Company continues its focus on improving its core business to maximise the sale value of future franchise conversions. Only 2 or 3 store conversions are now expected in FY18 contributing between \$0.5 - \$1.0 million of EBITDA, compared with the Company's initial expectations of more than 15 store conversions with an EBITDA contribution of approximately \$4.5 million. This compares with 22 store conversions in FY17 with an EBITDA contribution of \$5.7 million, including \$5.3 million from initial franchise fees.

As a result of this change, FY18 EBITDA is expected to be \$3.5 - \$4.0 million lower.

At the 2017 AGM in October 2017 the Company reported first quarter FY18 sales across like-for-like (**LFL**) stores were comparable with the same time last year. At the time this continued an improving trend in LFL store sales.

LFL store sales during October and November were volatile and weaker than expected, but the Company expects LFL sales performance to improve over the Christmas and New Year trading period.

In light of this the Company will wait for the results from the important Christmas and New Year trading period before re-setting the outlook for underlying FY18 EBITDA, with the half-year results in February 2018.

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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.

## APPENDIX

### Summary of terms of Mr Jason Gowie's employment as Chief Executive Officer (CEO)

The Company has entered into a service agreement (**Agreement**) with Mr Gowie in relation to his newly appointed role as CEO of Godfreys and its associated entities.

A summary of the key terms of the Agreement is as follows:

(a) **Duration of the agreement**

Mr Gowie's appointment as CEO is effective from 4 December 2017. The term of his employment will continue until terminated in accordance with the Agreement.

(b) **Remuneration and expenses**

- i. **Fixed remuneration** – Mr Gowie's base remuneration is \$550,000 per annum, including statutory superannuation contributions capped at a maximum of \$20,000 per annum.
- ii. **Short-term and long-term incentives** – The Company may, if the Board determines in its absolute discretion and subject to any relevant performance or other conditions, restrictions or requirements of the Board or of the ASX Listing Rules, provide a short term or long-term incentive to Mr Gowie. The Board has determined that Mr Gowie will be invited to participate in the Company's long-term incentive plan (**LTIP**), under which he will, subject to formal documentation, be entitled to receive performance rights to acquire ordinary shares in the Company (**Performance Rights**). The vesting of the Performance Rights will be subject to certain performance hurdles (which will be determined by the Board), including continuous employment, over the relevant performance periods. The proposed grant will be subject to shareholder approval and the notice of meeting at which approval will be sought will contain all relevant information in relation to the proposed grant.
- iii. **Expenses** – Mr Gowie will be entitled to claim from the Company reimbursement of reasonable out-of-pocket expenses properly incurred in the performance of his duties and responsibilities (and upon production of satisfactory receipts and signed claim forms).
- iv. **Review** – The Company may review Mr Gowie's performance periodically and may, following a review, elect at its discretion to increase his remuneration or vary his benefits (if any).

(c) **Termination of employment**

- i. **Termination by the Company** – Mr Gowie's employment may be terminated at any time by the Company giving him 6 months' written notice of termination (or payment in lieu of such notice). The Company may terminate Mr Gowie's employment immediately in certain circumstances including serious misconduct and material breach of the Agreement.
- ii. **Termination by Mr Gowie** – Mr Gowie may terminate his employment at any time by giving the Company 6 months' written notice of termination.

(d) **Non-competition and non-solicitation**

Mr Gowie must not, during his employment or for 6 months after cessation of his employment, except with the written consent of the Company, engage in (directly or indirectly) any undertaking or business of a similar nature to, or in competition with, the business of the Company within Australia or New Zealand. In addition, certain restraints apply to Mr Gowie after termination of his employment with the Company for any reason, including that for a period of 6 months post termination, Mr Gowie may not be involved in any business activities in Australia or New Zealand which are in direct competition with the Company's activities.