GODFREYS

1H FY18 Results and CEO Update

20 February 2018

Half-year results

Challenging sales performance

- LFL same store sales -6.2%
- Revenue $84.2m (-8.9%)
- Stick vacs +23%
- Steam cleaning +8%
- Extraction cleaning +8%

Positive free cash flow

- Operating + Investing cash $1.7m ($5.2m in PCP)
- Improved inventory management

Underlying EBITDA profit $3.6m

- $6.3m in PCP

Reported NPAT loss of $58.6m

- Includes impairment of intangibles and other assets for $75.2m ($59.3m after tax)

Debt reduced by $0.3m to $16.2m

- June '17 $16.5m
- December '16 $18.3m

Profit and loss statement

	Underlying (1)		
$ million	1H FY18	1H FY17	% Change
Sales	84.2	92.4	(8.9%)
Operating gross profit	42.2	47.0	(10.2%)
Operating gross profit / Sales (%)	50.1%	50.9%	(0.8pp)
Other income (2)	7.3	6.0	22.0%
CODB	(45.9)	(46.6)	(1.6%)
CODB / Sales (%)	54.5%	50.5%	4.0pp
EBITDA	3.6	6.3	(43.3%)
EBITDA margin (%)	4.3%	6.9%	(2.6pp)
Depreciation	(2.1)	(2.4)	(11.9%)
EBIT	1.5	4.0	(62.0%)
EBIT margin (%)	1.8%	4.3%	(2.5pp)
Interest	(0.4)	(0.5)	(9.0%)
Profit before tax	**1.1**	**3.5**	(68.8%)
Tax	(0.2)	(1.2)	(83.0%)
Net profit after tax	0.9	2.3	(61.8%)

Headline Statistics:	1H FY18	1H FY17
Underlying EPS (cents per share)(1)	2.2	5.8
Dividend (cents per share)	-	2.5
Total Stores	223	223

- LFL sales growth (6.2%)
- Increase in Other Income due to ongoing franchise fees from conversions of company to franchise stores
- CODB not reducing in proportion to lower sales revenue

(1) Refer Appendix 1 – Reconciliation of statutory to underlying results

(2) Includes revenue from initial franchise fees (1HFY18 $0.4m, 1HFY17 $0.6m)

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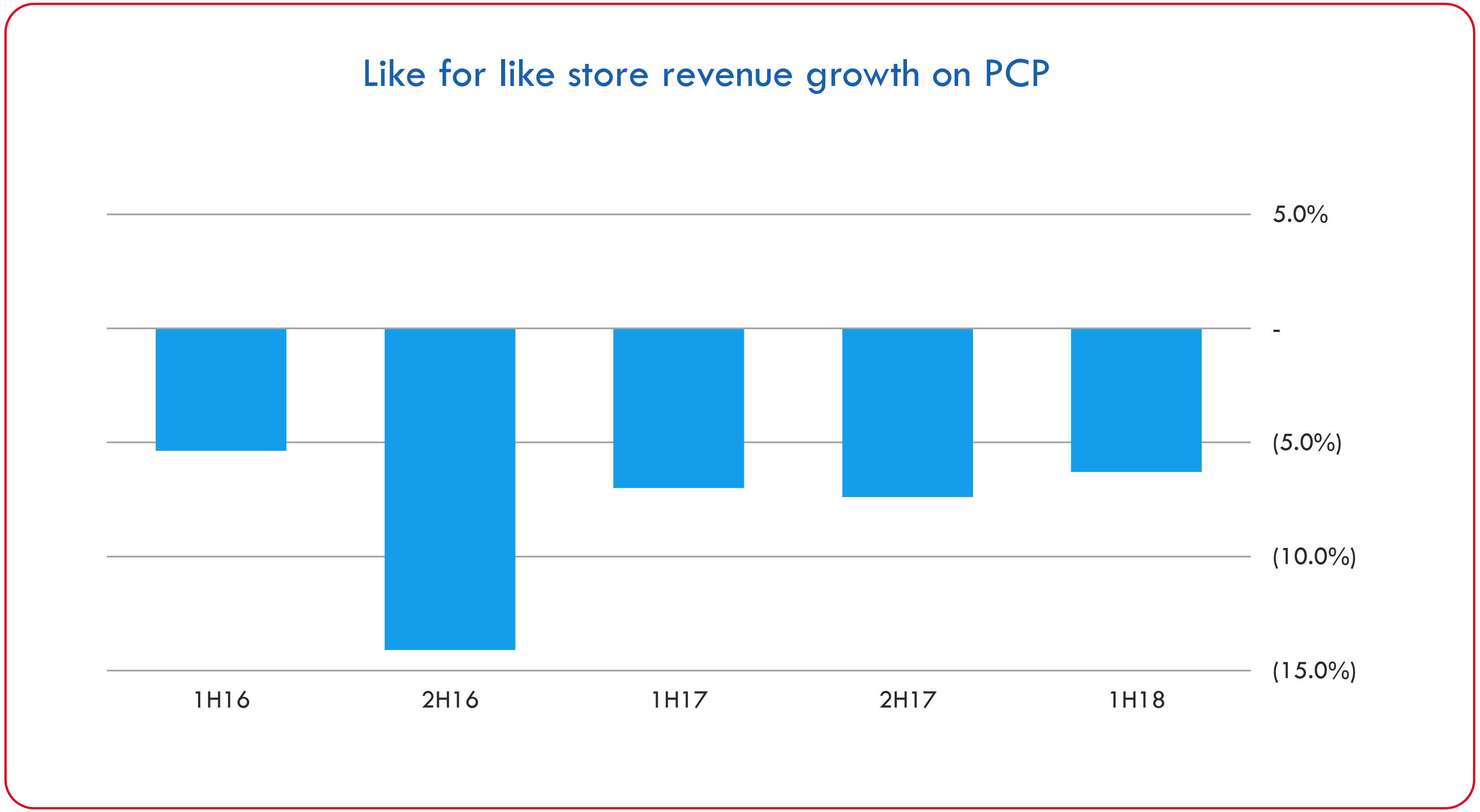
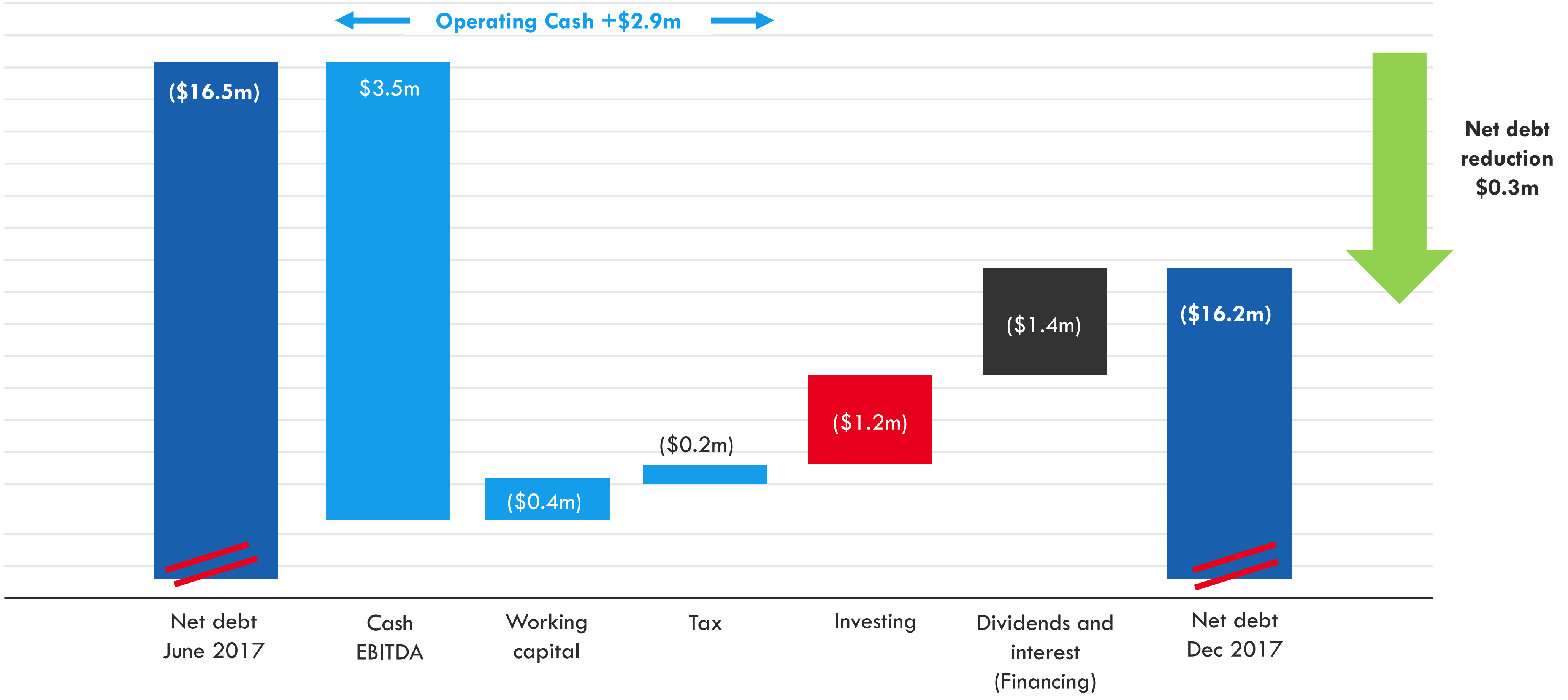
Sales performance



Strong cash management



Balance sheet

$ million	DEC 17	JUN 17	Change
Assets			
Cash and cash equivalents	13.7	13.4	0.3
Trade and other receivables	8.6	8.2	0.5
Inventories	32.6	32.2	0.4
Total current assets	**55.0**	**53.8**	**1.2**
Other receivables	5.0	5.8	(0.8)
Property, plant and equipment	13.5	13.4	0.1
Intangible assets	18.3	93.1	(74.8)
Total non-current assets	**36.8**	**112.3**	**(75.6)**
Total assets	**91.8**	**166.1**	**(74.3)**

- Net debt reduction of $0.3m
- Inventory $2.8m lower than December ‘16 ($35.5m)
- Lower intangible assets and deferred tax liabilities due to non-cash impairment of intangibles and other assets for $75.2m ($59.3m after tax).

$ million	DEC 17	JUN 17	Change
Liabilities			
Trade and other payables	23.1	21.9	1.2
Other current liabilities	6.3	6.6	(0.2)
Total current liabilities	**29.4**	**28.4**	**1.0**
Deferred tax liabilities	1.7	17.4	(15.8)
Interest-bearing loans and borrowings	29.9	29.9	0.0
Other liabilities	6.6	6.9	(0.3)
Total non-current liabilities	**38.2**	**54.2**	**(16.0)**
Total liabilities	**67.6**	**82.6**	**(15.0)**
Net assets	**24.2**	**83.4**	**(59.3)**
Equity			
Share capital	109.5	109.5	-
Reserves	(44.2)	(44.7)	0.5
Retained earnings	(41.1)	18.6	(59.7)
Total equity	**24.2**	**83.4**	**(59.2)**
Net Debt	**16.2**	**16.5**	**(0.3)**

Initial insights, assessment and actions underway

FIRST 75 DAYS

- MEETING 300+ TEAM MEMBERS
- 70+ STORE VISITS
- MEETING KEY BUSINESS PARTNERS
- UNDERTAKING SALES TRAINING PROGRAM

KEY FOCUS AREA ➔	1) Brand and Customer Experience	2) Product Range	3) Channels	4) People & Culture	5) Technology
ASSESSMENT ➔	Lack of understanding of the drivers of brand choice and customer experience	Underweight in growth categories and overweight in declining categories	Significant amount of capital tied up in the store network but more investment needed in eCommerce platforms & wholesale channels	Passionate employees but gaps in organisational capability and a need for the culture to better align with our purpose	Underinvestment in enabling technologies such as CRM and data & analytics capability
ACTIONS UNDERWAY ➔	Commenced Brand & Customer Experience Insights (completion end March 2018)	Re-balancing Domestic & Commercial Product Portfolios	Re-balancing Channel Investment	Announcement of new Leadership Team Design Chief People & Culture Officer appointed	Rolling out In-store Analytics Platform

The turnaround requires us to drive efficiencies to re-invest in key focus areas

DRIVE OPERATIONAL EFFICIENCIES

1. Cost savings across all facets of the business including:
   - Supply chain
   - Support functions
   - Store network
   - Re-direction of marketing spend
2. Cash released from:
   - Improved Inventory management
   - Dividend reduction
   - Re-direction of CAPEX

INVEST IN KEY FOCUS AREAS

1. Brand & Customer Experience
   - Reposition Key Brands
   - Improve the Customer Experience
2. Product Range
   - Consolidate Owned/Licensed Products
   - Increase Third Party Products
3. Channels
   - Re-shape and enhance the Store Network
   - Drive growth via Ecommerce Platforms
   - Expand Wholesale Channels
4. People & Culture
   - Strengthen Organisational Capability
   - Develop a Customer Centric Culture
5. Technology
   - CRM
   - Other Enabling Technologies

➢ INITIAL PROGRESS TO BE MEASURED BY LEAD INDICATORS – BRAND, CUSTOMER & PEOPLE

GODFREYS

The new leadership team structure is aligned to the key focus areas

CHIEF EXECUTIVE OFFICER
Jason Gowie

CHIEF FINANCIAL OFFICER
Andrew Ford

- Ensure strong financial & risk management
- Leverage technology to drive efficiency

CHIEF CUSTOMER OFFICER
tbc

- Strengthen the position of our key brands
- Improve the customer experience
- Generate growth via our eCommerce Platforms

CHIEF COMMERCIAL OFFICER
tbc

- Expand wholesale distribution channels
- Increase share of the Commercial Cleaning market

EGM STORE NETWORK
tbc

- Re-shape and enhance the company and franchise store network to drive an improved customer experience

CHIEF PRODUCT OFFICER
Stephen Bennetts

- Evolve our product range in line with changing consumer preferences

CHIEF PEOPLE OFFICER
Mari Ruiz

- Create a culture that is aligned with our purpose
- Strengthen the organisational capability

FY18 Outlook

- Underlying EBITDA to be in the range of $5 million to $6 million

- Continued focus on working capital efficiency and cash generation to enable further reductions in debt

- Driving operational efficiencies to accelerate investment into key focus areas:

1. Brand & Customer Experience
2. Product Range
3. Channels
4. People & Culture
5. Technology

Appendix 1 - Reconciliation of statutory to underlying results

Half year ended 29 December 2017 $m	Sales	EBITDA	EBIT	NPAT
Statutory results	84.2	3.3	(74.0)	(58.6)
Adjusted for non-recurring items:				
Impairment of intangibles and other assets (1)			75.2	59.3
Business restructure costs (2)		0.3	0.3	0.2
Underlying results	84.2	3.6	1.5	0.9
Underlying EPS (cents per share)				2.2
Half Year ended 30 December 2016 $m	**Sales**	**EBITDA**	**EBIT**	**NPAT**
Statutory results	92.4	6.3	(20.1)	(21.7)
Adjusted for non-recurring items:				
Impairment of goodwill (1)			24.0	24.0
Business restructure costs (2)		0.1	0.1	0.1
Underlying results	92.4	6.3	4.0	2.3
Underlying EPS (cents per share)				5.8

1. Impairment of intangibles and other assets following assessment of carrying value in 1HFY2017 and 1H FY2018
2. Costs associated with business restructuring (franchise strategy and China office restructure)