Royal Wolf AGM

23rd October 2014

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Chairman's Address

Welcome to the fourth Annual General Meeting of Royal Wolf Holdings Limited as a listed company. Past meetings of shareholders have been held at our offices in Hornsby. This was mainly to demonstrate the company's commitment to cost management, something hopefully shareholders have learnt to appreciate about Royal Wolf.

The move to hold this year's meeting in the city is aimed at making it easier for our shareholders and other interested parties to attend and hear the Royal Wolf message. All announcements and presentations are available on the web, however there is nothing like seeing the people and having an opportunity to communicate directly to get a better appreciation of the management team and Board members. This is your opportunity to ask questions, evaluate the messages and determine for yourselves your confidence level in the company. There will be an opportunity at the end of the meeting to mix informally and talk with the team.

In the past year the analyst coverage of Royal Wolf has expanded and there are now seven broking houses publishing reports on Royal Wolf. The consistent performance of the company through the various ups and downs in the economy is being recognised.

There are three key messages I would like shareholders and others to consider:

1. **Royal Wolf has a stable business model.**

   With over twenty thousand customers who use our products across most business sectors as well as many home and personal users, Royal Wolf has a very broad base which is not tied to any particular industry cycle. For instance as resources come off, infrastructure and building investment is increasing. If you track the growth in Royal Wolf over 10 years you will see that there was a flattening in 2008/9 at the time of the global financial crisis. Apart from that period one cannot detect any meaningful variability or cyclicality.

   Further, this model is a very strong cash generator with the ability to flex its capital employed to better match the economic conditions. This is precisely what occurred during the global financial crisis. By far the biggest asset we have are our containers. As growth slows the management team slows the purchase of containers, hence matching our asset holding with the demand. Many asset rich companies do not have this ability to adjust their capital employed quite as readily.

   There is also a ready market for used containers and we use this to maintain the standard of our fleet. Again asset rich companies often have to deal with plant and equipment which may be a little out of date and no longer as competitive but which cannot be economically replaced. The Royal Wolf model can more easily handle such situations.

2. **The Royal Wolf debt levels are conservative given the business model.**

The debt on our Balance Sheet essentially funds our container hire fleet, by far our biggest asset. A critical management tool is the rate of purchase of extra containers. By adjusting the purchases to match demand we ensure utilisation within our target range and hence continue to generate cash from rental revenue to cover the debt. This is most noticeable when we do slow growth of the hire fleet, the cash generation increases significantly. Further, even though our hire fleet is categorised as a Non-Current asset, there is a market for used containers. The containers are much more “liquid” than many companies’ Non-Current assets. Again Royal Wolf is able to match its capital employed to the demand even to the point where we could sell a portion of the fleet. Debt is the cheapest form of financing the growth of our container fleet and so shareholders benefit from this level of debt without having the risk of inability to liquidate part of this asset to pay down debt should such a move ever be needed.

To further support this point, we recently refinanced our debt resulting in additional facilities at cheaper pricing and importantly with a three and a five year tranche. The banks are very comfortable with the debt level and have agreed to increase the total facility amount.

3. **Royal Wolf has a track record of continuing growth and outstanding returns for shareholders.**

Whilst it is important to note the strength of the business model, delivery is entirely dependent upon the people. Royal Wolf has 28 CSC’s and 261 people throughout Australia and New Zealand. It is their dedication and skill which generates the success of the company.

> Since FY12, the first full year reporting as a listed company there has been a 13% compound growth rate in earnings per share. The company has paid $28 million in dividends (unfranked) and the share price has increased 75%. The management team has delivered these results during times which have been relatively quiet for the Australian economy. We are very proud of our record of continuing to deliver growth in revenue and earnings which ultimately translates into good returns for shareholders.

The team, under Bob's guidance, has continued to deliver on its strategy despite the ups and downs in the wider economy. They have a proven track record and deserve our praise and thanks for an outstanding job. Several of the team are here today and I encourage you to chat with them informally at the end of this meeting.

The teams focus is not just on delivering traditional products to existing customers. They are also very good at providing customers with novel container based solutions. We are focused on further adaptations such as blast resistant products, pop-up retail and event uses and many more. Product innovation is a further strength in meeting and bettering customer expectations. It also provides an engine room for continued growth.

Safety and employee health continue to be a major focus for the company. Bob will proudly talk about the improvements. A major transformation is well underway in the approach and skills of our people in managing risk and in looking out for each other. A healthy, committed team will continue to work hard for the company.

On behalf of the Board and all shareholders I would like to thank the management team for its fantastic contribution. Without such dedication Royal Wolf would not be the success it is.

Turning to the matters before this meeting:

One resolution on today’s agenda relates to the awarding of a one-off special incentive grant to Bob Allan, our CEO, who during the year confirmed his ongoing commitment to the Royal Wolf Group by entering into a new 3 year employment contract, which took effect from 1 July 2013. This proposed award is not a typical performance based award and hence does not have performance hurdles attached. This is specifically an incentive for Bob to remain with the company for the full term of the agreement and to abide by a competitive restraint provision for two years after the current agreement expires. Further, by being a share based award and not fully vested for up to two years after the agreement expires, Bob is incentivised to leave the company in good hands. Securing the continuing commitment of Bob was determined to be a significant strategic goal for the Board. I am delighted that we have been able to conclude this matter and strongly recommend this award to shareholders.

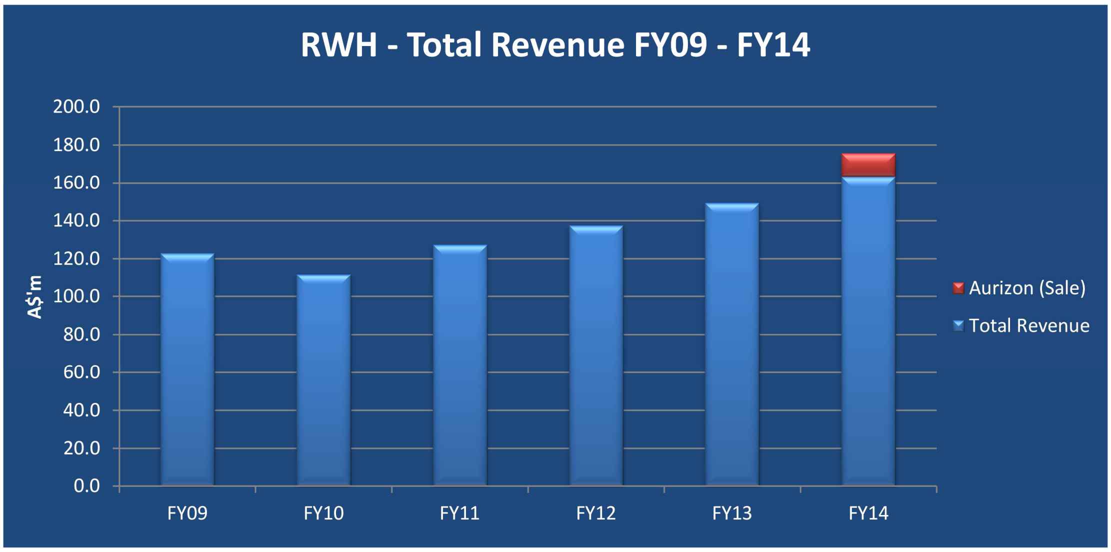
On behalf of the Board I thank you for coming to this Annual General Meeting and for your support of the company. We continue to strive to increase shareholder value through effective execution of the Royal Wolf Business Plans and strategies.

I now invite Bob Allan to update you on trading and our current outlook.

CEO's Address

Good morning

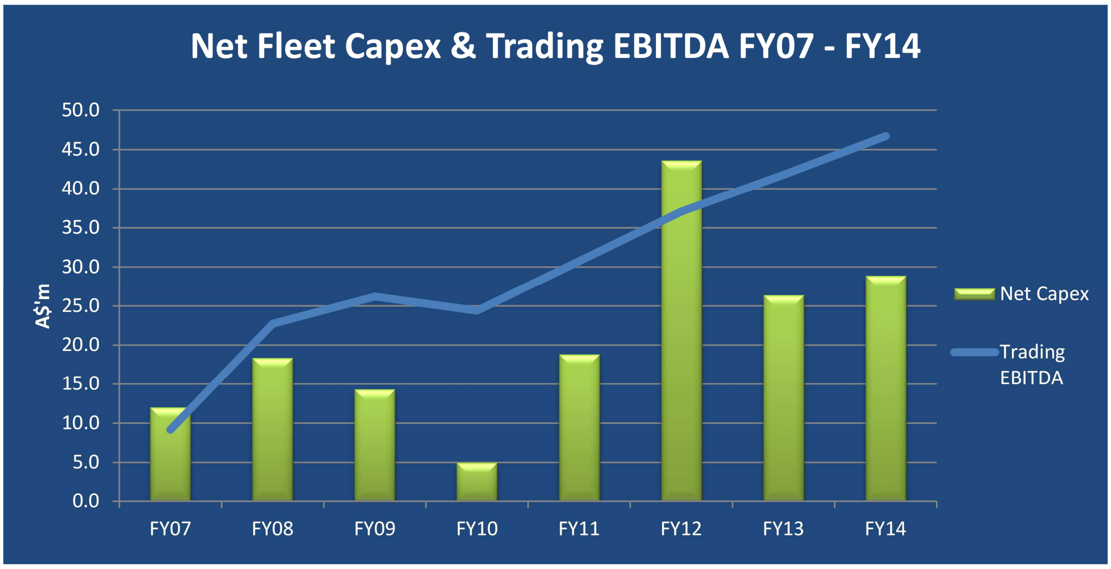
I am very pleased to report that total revenues were $175.7 million in the 2014 financial year, a 17.6% increase over $149.4 million for the prior year. The delivery of the single low margin sales contract in the freight segment foreshadowed at the 2013 results announcement contributed in excess of $12.0 million



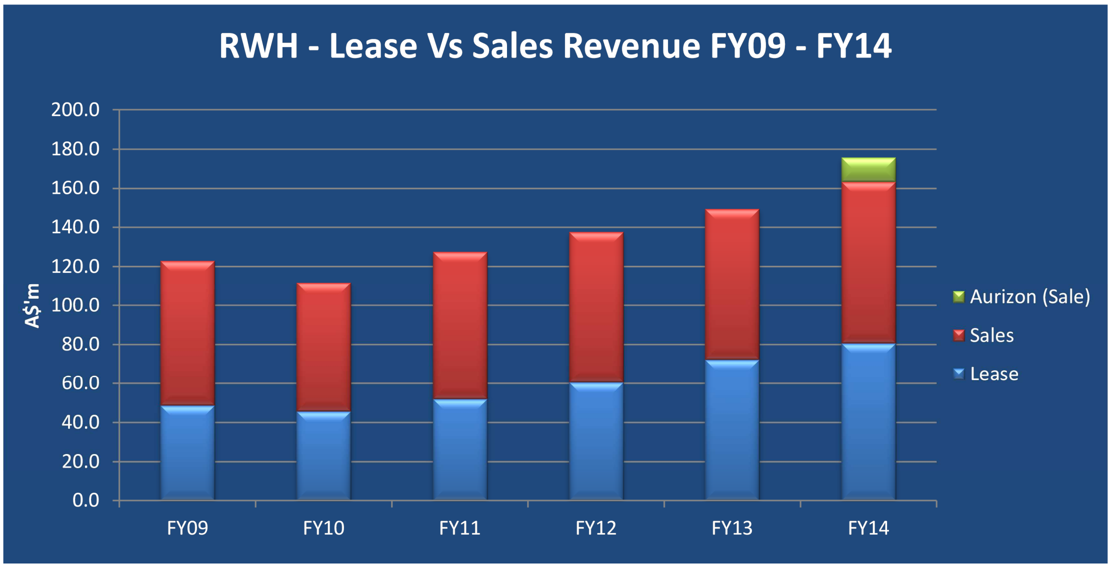
We delivered the trading EBITDA result to 30th June 2014 of $46.7 million, an 11.7% increase over the 2013 financial year of $41.8 million.

This result is recognition that Royal Wolf has the strategy of growing lease revenues, from diverse geographies, sectors and products and a team with the ability to deliver for our customers and for our shareholders.

We have continued to invest in our container fleet and also supplemented our organic growth with the completion of two acquisitions in the period. The leasing revenue increase of 11.7%, from $72.2 million to $80.6 million, is a combination of the larger fleet, increasing product range, the development and effective placement of higher value product suites and higher average lease rates year-over-year.



The combined leasing and sales revenue growth delivered a revenue mix of 45.9% leasing revenue versus 48.3% for 2013. Excluding the previously mentioned single sale, the percentage of revenue from leasing is 49.3% which we consider to be more indicative of our delivery against objectives.



Our total lease fleet grew by 3.0% year-over-year, from 39,183 at 30 June 2013 to 40,378 units, with an almost even split between organic and acquisitive growth.

Our on lease fleet grew by 2,358 units, that is we improved our use of existing assets. Utilisation of the lease fleet at end of the financial year was 82.3% compared to 78.8% at end of last year. This period end utilisation demonstrates that management can quickly respond through our equipment supply, deployment and sales channels to address lower than target utilisation such as it was at the commencement of the year.

Container buildings investment continued with the delivery of 8 hire complexes, 3 prisoner accommodation sales projects and continued organic growth in our fleet for the construction and infrastructure industries. . Investment in portable buildings continues with a focus on construction and infrastructure.

Container sales revenue increased to $95.1 million from $77.2 million, an increase of 23.2%.

Net profit after tax was $15.9 million, or 15.9 cents per share, in the 2014 financial year, versus $14.7 million, or 14.7 cents per share, in the 2013 financial year – an 8.3% increase.

A half year unfranked dividend of 5.0c per share was paid in April and a final unfranked dividend of 5.5c was paid earlier this month maintaining our payout ratio of 50% of NPATA.

Our franking account will move to a balance of $2.2 million once the $0.9m income tax payable at 30 June 2014 is made so our capacity to pay franked dividends will exist from 2015. We expect to pay a partially franked interim dividend in FY 2015, franked in the range of 40-50% moving to a range of 80-100% for the final dividend in FY15.

Our focus on a safe work culture was a major drive through the FY14 year and is now embedded in the makeup of Royal Wolf. Our safety leadership group is congratulated for their ongoing and consistent attention and the line management has clearly stepped up to the demands for the delivery of a safe work culture. Lost time Injuries reduced from 16 in FY13 to 2 in FY14. We are now targeting reductions in the "any injury" classification as the next phase.

The outlook for the company remains positive. There are changes in the economy which mean that adjustment is necessary. We are today releasing our Q1 FY15 results.

Regarding sales revenue, last year in Q1 we had the first delivery of a significant one off sale that contributed approximately $8M in the first quarter.

Without a repeat of that transaction and with the reduced sales activity from resources, our first quarter sales revenue has reduced.

Leasing revenue in Q1 of this financial year has increased by approx. $2m over the same period last year as the run rate from the FY14 growth delivers revenue in Q1.

For leasing revenue, continuing strength in New Zealand and increasing activity in the Australian east coast Customer Service Centres is being challenged by the normalising of the WA market and the softening of resources demand. It is unlikely we will repeat the sales and rental growth from resource camp activity that occurred last year. Our normal increase through the freight sector in the second and third quarters looks in line with our targets.

As we review the quarter, we see a slight contraction in sales revenue even after adjusting for the influence of the one off sale in September 2013 of $8.4m.

As investors will be aware, in 2013 Royal Wolf opened a purpose built high profile site on Jarvis Way, Auckland – our hub location for New Zealand, and in a design that provides ample scope for expansion within the property.

We became aware that the landlord was considering disposing of the property and Royal Wolf has taken this opportunity to acquire it for NZ$11.45 million, consistent with market valuations.

This property is a new purpose built site located in a developing region of Auckland and in our view it was best to secure this opportunity and reduce our occupancy costs

To bring our product range, responsiveness and capacity closer to our customers and continue to grow, we will seek profit accretive acquisitions and intend to increase our CSC footprint and agents network.

Our broad range of geographies, products and industry sectors, continuing product innovation and our long track record of customer relationships remain our key drivers of growth. We have confidence that, subject to no unforseen deterioration in market conditions, we will deliver modest year on year growth.

Thank you for your attention.

I would now like to hand you back to our Chairman Peter Housden.