



February 7 2016

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

ROYAL WOLF HOLDINGS LIMITED: FY 2016 First Half Results

Please find attached an announcement for release to the market.

Yours faithfully

Greg Baker
Company Secretary

About Royal Wolf

Royal Wolf is the industry leader in the hire, sale and modification of new and refurbished shipping containers, with 20 years of experience and a network of 34 facilities including 30 dedicated Customer Service Centres across Australia and New Zealand.

Renowned for its focus on product innovation, Royal Wolf has taken the design and basic engineering of the traditional shipping container to new heights and today its products are used in a wide range of applications to help solve business challenges across many market sectors.

The company has a customer base of over 20,000, supplying customers each year with containers which are inexpensive, safe, secure, easily transportable and able to be modified with doors, internal walls, windows, electricity, water supply and more.

From portable storage options for consumers, sporting associations, community groups and schools, to accommodation units, mobile exhibitions, retail outlets, offices, kitchens, training facilities and innovative construction projects, experience shows 'You can do anything in a Royal Wolf'.

MEDIA RELEASE

Royal Wolf's diverse business base minimises impact of Resources/Energy contraction

Key points on the results

- Total revenues for 1H2016 were \$85.7 million, an increase of \$11.5 million, or 15.5% from 1H2015 and included a number of low margin sales transactions in the freight sector valued at approximately \$11.0 million.
- Container lease revenue from the Resource and Energy Sectors is \$4.1 million behind last year. Other sectors delivered lease revenue growth of \$0.9 million with a total 1H16 outcome of \$38.6 million, a decrease in total of \$3.2 million or 7.6% compared to 1H15.
- Container leasing revenue comprised 45.0% of total revenue versus 56.3% last year as a result of the Resource and Energy contraction and the impact of sales transactions in the period.
- Utilisation of 85.5% at December 2015 compares to 85.8% at 31 December 2014 and 79.1% at 30 June 2015 and demonstrates Royal Wolf's ability to flex its purchasing and sales channels to maintain optimal fleet.
- Net debt reduced by \$12.3 million in the first half, primarily with the sale of two NZ properties.
- Royal Wolf's secured position with a creditor in Voluntary Administration and Receivership delivered receipts to Royal Wolf of \$0.4 million in January 2016 which has been applied to their 1H2016 outstanding balance of \$0.6 million.
- EBITDA of \$19.2 million (margin of 22.4%) compared to \$21.2 million (margin of 28.6%) last year. The \$4.1 million contraction of high yielding container leasing revenues from Resources/Energy has been mitigated through our diversity.
- Net Profit after Tax (NPAT) attributable to ordinary shareholders of \$4.7 million or 4.7c per share compared to \$6.3 million or 6.3c per share last year.
- An interim dividend of 3.0c per share (fully franked) will be paid on 4 April 2016.

	1H16	1H15	% Growth
(\$ in thousands)			
Selected income statement items			
Container lease revenue	38,564	41,737	(7.6%)
Container sales revenue	47,119	32,433	45.3%
Total revenue	85,683	74,170	15.5%
EBITDA	19,187	21,228	(9.6%)
EBITA	11,154	13,663	(18.4%)
EBIT	9,624	12,250	(21.4%)
Underlying NPAT	5,713	7,461	(23.4%)
NPAT	4,692	6,342	(26.0%)
EPS	4.7 c	6.3 c	(25.3%)

Underlying NPAT is presented as follows:

	1H16	1H15
NPAT	4,692	6,342
<i>Items not forming part of the normal ongoing operating activity</i>		
Mark to market valuation loss/(gain) for interest rate swaps	-	14
Unrealised exchange loss/(gain) on forward contracts	73	284
Amortisation of intangible assets related to business acquisitions	1,385	1,300
<i>Subtotal</i>	1,458	1,598
Tax effect	(437)	(479)
<i>Subtotal</i>	1,021	1,119
Underlying NPAT	5,713	7,461

Management Commentary

Robert Allan, Chief Executive Officer said: "As we review the first half, the effect of the reduced container leasing revenue from Accommodation solutions provided to the energy / resources sectors of approximately \$4.1m is impacting on our performance. We now have no further material accommodation solution exposure to this business sector."

"We are experiencing increased demand from the building and construction / infrastructure industries in our CSC network in both Australia and New Zealand, however this is only partially offsetting the sudden off hire impact from the Resources and Energy sector contraction."

"We have continued to invest in our container fleet and also supplemented our organic growth with two acquisitions in the period. Softer economic conditions is surfacing an increase in acquisition discussions."

"We were able to continue to reduce net debt in the second quarter and at 31 December net debt was \$113.1m compared to \$118.6m at 30 September and \$125.3m at 30 June."

"Approximately \$11.0m of low margin sales orders in the Freight sector advised in our 2015FY results release were delivered in the second quarter of 2016FY."

"In the recent market update following the appointment of administrators to Titan Energy Services we advised that the obligations of the Titan Group in respect of Royal Wolf's claim are secured by first ranking security interests over all of the present and after acquired property of Titan Energy Services and its relevant operating subsidiaries."

"Due to our first ranking secured position and the receipt of funds from the sale of a Titan owned 51 man camp in January 2016, no provision has been taken for the outstanding Titan debt of \$0.6 million."

"We also advised that the impact on our rental revenue and potential asset sales is forecast to reduce our FY16 EBITDA to the range of \$36-\$39 million and NPAT to \$7.5-\$9.5 million. Whilst we will continue to pursue the full amount of our expected claim of approximately \$5.0 million from Titan, we have not included in our forecast any contribution by 30th June 2016, and consequently reaffirm that guidance."

"We continue to actively seek opportunities to redeploy the idle accommodation assets in alternate markets."

"At Royal Wolf we have always adopted the strategy of engaging with diverse customers in diverse geographies demonstrating the strength and flexibility of Royal Wolf's container designs and we have sustained and grown our leasing revenues from existing business segments through innovation and meeting specific customer needs."

"Increasing activity in most Australian and New Zealand Customer Service Centres is being challenged by the softening of the resources demand in WA and the completion of the consumer housing rebuild in Christchurch."

"We continue to expand activity in growth opportunities such as building solutions for the capital city building and construction industries. Ongoing market campaigns are improving the sale volume through geographic networks and accretive margin."

The Board advises that Robert Allan has decided to retire as CEO and Managing Director at the completion of his existing 3 year contract on 1 July 2016.

Further the Board is very pleased to announce that Neil Littlewood will assume the role of CEO and Managing Director with effect from 1 July 2016. Mr Littlewood's contract is indefinite, subject to either party's right to terminate on 6 months' notice. The new arrangements provide for fixed remuneration of \$475,000 per annum. In addition the target Short Term Incentive (STI) will be 40% of his fixed remuneration together with a Long Term Incentive (LTI) of 40% upon target achievement.

Chairman, Peter Housden, commented "Bob has been the guiding light for Royal Wolf for the past ten years. His dedication, commitment and knowledge of the market is outstanding and he has directed the very significant growth of the company. The Board appreciates his valuable contribution and we wish him well for the future."

"I am also delighted that Neil has agreed to take over the reins from Bob. Neil joined Royal Wolf in 2013 with relevant industry and senior executive experience and as part of the Board's succession planning process. Neil has participated very effectively in the operations of the business and has already had a significant influence on the strategy of the company. He was appointed COO in December 2015. There is a significant handover period which will ensure that the company continues to progress effectively in the interests of shareholders. On behalf of the Board I congratulate Neil and I look forward to working with him in the years to come."

For further information please contact:

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