



August 10th 2016

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

Dear Sir/Madam

ROYAL WOLF HOLDINGS LIMITED: FY 2016 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' experience and a network of 34 facilities including 31 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 with its products now used in a wide range of applications that help solve business challenges across many market sectors.

The company has a customer base of over 20,000, and supplies consumers, sporting associations, community groups, schools, businesses and Government organisations 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, accommodation units, mobile exhibitions, and retail outlets, to offices, kitchens, training facilities and innovative construction projects, experience shows 'You can do anything in a Royal Wolf'.

MEDIA RELEASE

Royal Wolf Well Positioned to Return to Growth

Key points on the results

- Royal Wolf has delivered increased revenue and market share growth through our diverse customer base, unrivalled scale and product mix, and minimised resource sector exposure.
- Revenue was up \$16.5 million to \$164.3 million, largely as a result of a solid sales revenue increase delivered through Royal Wolf's diverse customer base and a number of high value, low margin sales within the freight and logistics sectors.
- Royal Wolf's strategy to provide stackable worksite solutions for non-residential construction and infrastructure sectors has delivered 23% growth in lease revenue compared to the prior year, partially offsetting the resource sector slowdown. The company has a strong forward order pipeline in Australia and New Zealand, particularly in the Sydney, Melbourne, Auckland and Christchurch non-residential construction markets.
- EBITDA of \$37.4 million (margin of 22.8%) compares to \$43.9 million (margin of 29.7%) last year. Strong contraction in the resource sector adversely impacted high yielding lease revenue, however exposure to this sector is now minimised.
- The EBITDA result includes an accrual in one-off costs of \$1.0 million arising from post-year redundancy activity and CEO separation costs. The restructure will generate annualised savings of \$0.8 million.
- Average utilisation was 79.5% compared to 81.8% last year. Softening demand was experienced in the Western Australia and Canterbury (NZ) markets, and we continue to redeploy idle assets into domestic and international regions with higher demand.
- Net debt significantly reduced by \$25.5 million on the previous year and by \$10.2 million in the fourth quarter, providing Royal Wolf with added flexibility to deliver its growth strategy agenda.
- We received \$2.5 million in the second half as the secured creditor for Titan Energy Services assets and the Receiver has informed Royal Wolf that it will receive a further \$1.0 million in August 2016. This is a positive result and will reduce the remaining claim to approximately \$2.0 million.
- Net Profit after Tax (NPAT) attributable to ordinary shareholders of \$7.9 million or 7.9c per share compared to \$13.0 million or 13.0c per share last year.
- Royal Wolf paid an interim dividend of 3.0c per share (fully franked) in April 2016 and a fully franked final dividend of 2.5c per share will be paid on 4 October 2016.

(\$ in thousands, FYE 30 June)	Actual FY2016	Actual FY2015
Container lease revenue	77,212	82,052
Container sales revenue	87,103	65,800
Total revenue	164,315	147,852
EBITDA	37,371	43,863
EBITA	20,666	28,158
EBIT	17,674	25,249
NPAT	7,867	13,028
NPATA	9,961	15,064
EPS	7.9c	13.0c

Management Commentary

Neil Littlewood, Chief Executive Officer said Royal Wolf has demonstrated the value of its geographic and industry diversity by delivering a solid increase in sales revenue overall and a 23% increase in lease revenue in the non-residential construction and infrastructure sectors.

"This diversity has minimised the impact of the resources and energy sector contraction which, despite disciplined cost controls, has reduced lease revenue overall and our year on year EBITDA result. We are continuing to reinforce successful activities and have materially reduced our exposure to the resource sector as we focus on new areas of growth opportunity," Mr Littlewood said.

"Container fleet capital expenditure is being managed at appropriate levels and has reduced by \$7 million to \$12 million in FY2016. We anticipate a similar spend in FY2017," he said.

"Our Selling General and Administrative costs in FY2016 were flat, despite including a \$1.0 million accrual arising from CEO separation costs (\$0.6 million) and post year redundancy activity (\$0.4 million). We expect recurring annualised savings of \$0.8 million from the business restructure."

Mr Littlewood said NPAT is being impacted by higher depreciation due to Royal Wolf's investment in portable buildings and the \$23.5 million in idle mining camp accommodation assets.

"These high yielding assets represent approximately 10% of our lease asset book value and 1% of our total lease fleet units. We are confident that we will continue to identify and secure opportunities to redeploy the surplus product both locally and internationally across a variety of industries," Mr Littlewood said.

"In the second half we have reduced the value of idle accommodation assets by \$4 million through a combination of depreciation, leasing in other market sectors and some asset sales," he said.

"Our secured position in relation to Titan Energy Services and the appointment of a Receiver is delivering financial benefits to the company. We will continue to pursue the balance of our secured claim which, after the receipt of the \$1 million payment in August 2016, will be approximately \$2.0 million from remaining Titan asset sales through the Receiver."

Mr Littlewood said The company successfully reduced net debt year on year by \$25.5 million and in the fourth quarter by \$10.2 million as a result of lower net fleet capital expenditure and reduced inventory spend, providing Royal Wolf with the flexibility to pursue accretive growth opportunities in FY2017.

"Despite the low growth economic environment, we remain optimistic that good opportunities exist within our highly fragmented industry," Mr Littlewood said.

"In FY2017 Royal Wolf will actively leverage our strengths in customer size, geographic reach and product solutions to pursue growth in market share by opening additional Customer Service Centres (CSCs), and through acquisitions and a focus on customer engagement," he said.

"The business has been restructured to actively encourage improved customer engagement in terms of attraction, consultation, service levels, customer profiling and retention."

Mr Littlewood said Royal Wolf is focused on five key areas to secure market share growth in the near to medium term:

- ❖ Improved customer engagement with existing and new customers;
- ❖ Targeting growth market sectors including construction, infrastructure, retail and wholesale trade, agriculture and forestry, and logistics;
- ❖ Continuing its regional expansion with six new Customer Service Centres in major regional cities planned for FY2017;
- ❖ Securing accretive acquisitions to expand our customer base; and
- ❖ Improved asset management in terms of yield by asset type.

For further information please contact:

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