Royal Wolf Holdings Limited
ABN 91 121 226 793

October 20 2016

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

Dear Sir/Madam

ROYAL WOLF HOLDINGS LIMITED: Chairman and CEO AGM Address

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 21 years of experience and a network of 35 facilities including 32 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 22,000, 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'.

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Royal Wolf AGM 20th October 2016

Chairman’s Address

Welcome to the sixth Annual General Meeting of Royal Wolf Holdings Limited as a listed company.

I would like to acknowledge Robert Allan who retired as CEO and Managing Director on 1 July 2016. 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 taken 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.

The team, under both Bob’s and Neil’s guidance, has continued to deliver on its strategy despite the ups and downs in the wider economy. Several of the team are here today and I encourage you to chat with them informally at the end of this meeting.

The Royal Wolf results, achieved in challenging economic times, demonstrate the value of our 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 growth opportunities.

Neil will talk in more depth about the drivers which have influenced the results, but the downturn in resources and energy markets has meant that the company has significant assets which we are working hard to redeploy. This is particularly the case with accommodation units. This redeployment continues to be a major focus for the management team and board.

Royal Wolf operates from 35 facilities including 32 dedicated Customer Service Centres and had a hire fleet of approximately 41,600 containers at 30 June 2016. We offer over 100 container based designs with applications in portable storage, portable buildings, camps and freight containers. Our passion for quality in customer service and our role as market leader and in product development provide a strong and long term connection with our customers.

We have grown our existing business segments through equipping and training our excellent team, innovation and meeting specific customer needs while also continuing our footprint expansion through new sites, an extensive agent network and through selective, strategic acquisitions. Our team is focused on improving our safety performance and the company is committed to providing a safe work environment. Our prudent balance sheet and cash flow management places Royal Wolf in a good position to deliver on our strategic objectives and to continue to be the Australasian market leader in container based solutions as well as innovative solutions for our customers.

On behalf of the Board and all shareholders I would like to thank the management team and staff of Royal Wolf for their ongoing commitment to our customers and our business. We have an excellent team which brings dedication and passion to our brand. Without such dedication Royal Wolf would not be the success it is.

The board has managed the transition of the CEO and now it is time to consider board renewal and succession. Whilst I am up for re-election at this meeting I will not be completing the 3 year term. My intention is to retire within the next 12 months to enable an orderly and managed transition process which will lead to renewal of the board whilst maintaining the skills base and knowledge. The timing of my retirement will be dependent on the process for identifying and attracting an appropriate director. I thank you for your support during my time with Royal Wolf.

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 Neil Littlewood to update you on trading and our current outlook.

CEO’s Address

Good morning

Total revenues for the year were $164.3 million, an increase of $16.4 million, or 11.1% from last year, largely as a result of a solid sales revenue increase delivered through our diverse customer base and a number of high value, low margin sales within the freight and logistics sectors.

Container lease revenue declined by $4.8 million, or 5.9% on prior year. Revenue generated from the resource and energy sector fell by $6.3 million, compounded by softening demand in the West Australia market and a slowdown in residential and commercial rebuilds in Christchurch following the historic 2011 earthquake.

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 for FY16 decreased by 14.8% to $37.4m compared to FY15. The result was heavily impacted by the $6.3 million reduction in leasing revenue from the resource and oil and gas sectors. We now have no material mining camp exposure, however there is the asset capacity to rapidly redeploy units should demand prevail.

Net profit after tax was $7.9 million, or 7.9 cents per share, in the 2016 financial year, versus $13.0 million, or 13.0 cents per share, in the 2015 financial year.

We have paid a fully franked final dividend of 2.5c per share on 4 October 2016 which lifted the full year dividend distribution to 5.5 cents (fully franked) and represents a payout ratio of 55% of NPATA. The business model in a low growth environment releases cash and the visibility we have in the forward period gives us confidence to maintain the dividend despite the contraction in performance.

Whilst we have continued to invest in our container fleet and also supplemented our organic growth with two small acquisitions in the period, container fleet capital expenditure has decreased, to align with the current business trends, to $12.5m compared to $19.0m and is primarily to support increased demand from the building and construction and infrastructure industries in our CSC network in Australia and New Zealand. We expect fleet expenditure to continue to be tightly managed in order to improve utilisation and yield.

Utilisation of the lease fleet at the end of the financial year was 76.5% compared to 79.1% at the end of last year. Royal Wolf achieved average utilisation of 79.5% compared to 81.8% for last year. Units on lease at year end decreased from 33,004 to 31,863, with a lease fleet of 41,627 as at 30 June 2016. The current utilisation level is below our expectations of 80-85% and we are actively redeploying assets to areas of high demand, restricting our capital investment and disposing of some asset lines which are not delivering acceptable yields. Additionally, idle assets will be redeployed to the new regional locations we intend to open in FY2017.

We were able to continue to reduce net debt in the fourth quarter and at 30 June net debt was $96.3m compared to $106.5m at 31 March and $121.8m at 30 June 2015.

We are today releasing our Q1 2017 financial year results and I will now quickly outline the key performance metrics for the first quarter of this financial year:

Royal Wolf has delivered 5% growth in EBITDA on the same period last year despite a 4.4% fall in total revenue.

First quarter EBITDA of $8.8 million (margin of 27.0%) compared to $8.4 million (margin of 24.6%) last year. This result includes a $1.1 million write back of unvested LTI expense which was as expected.

Total revenues were $32.5 million, a decrease of $1.5 million, or 4.4% over the first quarter of 2016FY. The revenue decline was within the sales channel.

Container leasing revenue was up 2.2% and sales revenue was down 12.4% on the same period last year.

Container leasing revenue comprised 58.9% of total revenue versus 55.1% last year.

Asset utilisation at 30 September 2016 was at 78.7% compared to 77.9% at 30 September 2015. This represents significant improvement in our units on lease numbers as at 30 June 2016 position.

Net debt of $101.4 million at 30 September 2016 compares to $115.8 million at 30 September 2015.

Net Profit after Tax (NPAT) attributable to ordinary shareholders of $1.3 million or 1.3c per share was the same as last year.

Despite the challenging operating environment, Royal Wolf anticipates that value enhancing, market share growth opportunities exist within our highly fragmented industry.

In FY2017 Royal Wolf will actively leverage our strengths in customer size, geographic reach and product solutions to pursue improved customer engagement and market share. Our Customer Service Centre network provides the ability to meet local, regional and international customer needs. We will actively reinforce success to generate positive momentum and deepen customer relationships.

Growth in Royal Wolf's distribution network will continue and will enable us to manage lease fleet utilisation; enhance brand exposure and sales opportunities; optimise procurement through improved economies of scale; access new end markets, and provide services to customers on a local, national and multi-regional basis. The company expects to commence operations in six new locations this financial year, either through a proven low cost entry model or via strategic acquisitions.

The company will continue to identify and secure acquisitions that are earnings accretive. Market consolidation across our fragmented industry represents an attractive means to further leverage our infrastructure, accelerate growth and margin returns, add complementary product lines and enter new geographic areas.

We have undertaken a major review of its customer base and account management practices and have commenced a number of customer engagement initiatives to improve our share of wallet. Through the business restructure, we have increased our online and digital marketing capabilities as well as the number of customer-facing staff to provide a higher level of engagement and secure additional market share.

We will continue to prioritise lease revenue. The business is focused on the high margins delivered through our lease fleet. However, we recognise the importance of sales revenue in broadening customer reach and cementing market leadership. The business has been restructured to actively encourage improved customer engagement in terms of attraction, service levels, profiling and retention.

In order to achieve these goals the five pillar approach we are undertaking is:

- Improved customer engagement with existing and new customers;
- Targeting growth market sectors including construction; infrastructure, retail and wholesale trade, agriculture and forestry and logistics;
- A regional Customer Service Centre expansion model;
- Accretive acquisitions; and
- Improved asset management in terms of yield by asset type.

The business has been restructured to deliver improvements in the way we engage with our existing customers and attract new customers. The outcome from the five pillar approach is expected to deliver increased market share and accretive returns for our shareholders over the medium term.

Thank you for your attention.

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