

NZX & Media Release

2 June 2017

## Smiths City to distribute \$5.7m of capital; gives trading update

*Annual operating earnings<sup>1</sup> to range between \$1.9 million and \$2.1 million; performance improvement initiatives continue to deliver results but trading conditions weaken in the second half of the 2017 financial year.*

Smiths City Group (NZX.SCY) today announces a planned return of \$5.7 million to shareholders as it continues to drive performance improvements across the company.

Additionally, Smiths City forecasts preliminary unaudited operating earnings for the year to 30 April 2017 will range between \$1.9 million and \$2.1 million. Tougher trading conditions in the second half of the financial year have slowed the strong rise on the prior year's \$1.3 million operating result, which excludes the one-off \$1.8 million gain on the sale of the company's Colombo Street, Christchurch store.

A weakening in sales and earnings momentum, particularly in the fourth quarter, has followed on from a softening in consumer sentiment in line with weakness in the housing market. Meanwhile, performance at the Furniture City stores acquired in 2016 have fallen short of expectations.

Lower restructuring costs and other abnormal costs have insulated the company from these factors. Nevertheless, operating earnings for the second half of the year are forecast to be lower than the \$1.5 million achieved in the first half of the financial year.

Chairman Craig Boyce said: "Despite the recent slowdown, Smiths City continues to look ahead with confidence. Ongoing enhancements to the Smith City retail proposition have underpinned our financial performance. Meanwhile, we remain confident that the expansion of our footprint in the upper North Island, including our investment in Furniture City, will position us well for the longer term.

"Our planned share buy-back, which will help to ensure shareholders benefit from the gains we have made in operational performance, reflects this confidence. It will lift Smiths City's debt to total assets to a level appropriate for a well-established national retailer, while still allowing the company to invest for future growth," Mr Boyce said.

The capital return is to be conducted in accordance with Part 15 of the Companies Act 1993 and will see Smiths City compulsorily acquire and cancel three in every twenty shares at 72 cents per share. The plan is subject to the approval of the High Court, the company's bank ASB and the IRD and a special resolution of shareholders. Smiths City is likely to seek shareholder support at the company's annual meeting in August.

Smiths City still expects to pay a final dividend as it has in previous years.

Chief Executive Roy Campbell said: "Smiths City is well positioned for the future. Through operational improvements, including a refresh of the customer experience, we are building a stronger company.

"We are well placed to benefit from New Zealand's continuing population and economic growth, particularly in the upper North Island. We also continue to see further opportunities to drive operational improvements and to extend Smiths City nationally."

<sup>1</sup> Operating earnings is defined as net profit before tax excluding a one-off property gain in the 2016 financial year.

Smiths City will announce its preliminary unaudited results for the year to 30 April 2017 on Tuesday, 20 June 2017.

**For more information:**

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**About Smiths City Group:**

Smiths City Group (NZX.SCY) was founded in Christchurch in 1918 and has a proud tradition as one of New Zealand's oldest and largest retail chains. The company floated on the stock exchange in 1972 and operates 17 stores in the South Island and 13 in the North Island trading under the Smiths City brand. It also operates the Auckland-based Furniture City, Smiths City Finance, and the Smiths City Commercial businesses. On the web: [www.smithscity.co.nz](http://www.smithscity.co.nz)