

## METHVEN LIMITED - 2016 ANNUAL SHAREHOLDERS MEETING

Wednesday 12 October 2016

*Opening Speech – David Banfield*

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### Slide 19

Good afternoon ladies and gentlemen, fellow shareholders and members of the Methven team.

I am delighted to be here with you again and to share some insight on activities that are underway around the Group in order to deliver long term shareholder value. We are encouraged by last year's results, and saw some good momentum around the Group, including some contract wins that bode well for the future. Over the course of the last year, much has been done to systematically improve the business, but we also recognise that much remains to be done to deliver a world-class business for our customers, shareholders and team.

### Slide 20



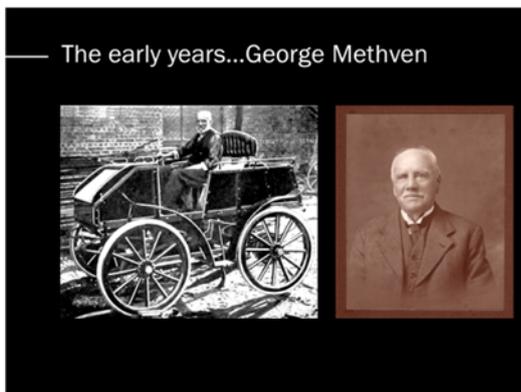
Friday the 30<sup>th</sup> September marked an important day for all of us at Methven, as we not only kicked off our recognition of 130 years of innovation, but we also

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celebrated joining a prestigious group of companies from around the world that were also founded in 1886, companies such as Coca Cola, Johnson & Johnson, GEC and Bosch.

At the official opening of the 'Methven Experience Centre' (that I will come back to later), we were particularly delighted to be joined by Andrew Methven and Peter Brown whose families have played such an important role in Methven's history. Before I talk about some of that history, I thought I would share some fantastic images of the early years.

**Slide 21, 22, 23** -



I hope that you agree, some great images

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## Slide 24

### — Our spirit of innovation



So a little bit about our proud history. Methven was founded in Dunedin in 1886 by an Engineer and Entrepreneur, George Methven. George's simple principle was to make products that made life easier in the home. Innovation was key even at that stage, in products that we became famous for, and also becoming one of the first private limited businesses in New Zealand. George ran the business until his retirement in 1909, when he was succeeded by John Brown who then went on to run the business for 24 years.

Methven's history really matches New Zealand's, with us manufacturing ammunition during the 2<sup>nd</sup> World War, then benefiting from the post 2<sup>nd</sup> World War housing boom.

Methven listed on the NZX in 2004, and has since gone on to develop world-leading innovation right here in New Zealand. In March 2015, we launched our Aurajet Shower System, a unique combination of function (new spray technology) and a beautiful form. We launched simultaneously in New Zealand, Australia and UK.

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As Phil highlighted, we recognise that the UK has not been an easy market for us, and despite us being profitable, top line growth has been elusive. It was therefore vitally important for us to gain recognition in the market and to ensure that we told our Methven story more effectively. We were therefore delighted to be awarded 'Cool Brand 'status (the only bathroom product included in the Awards) and also to launch our new UK Experience Centre. Actually last week, we also won *Cool Brand* for the second year running, and a gold with *House Beautiful*.

Aio Phase 2 launched in May/June 2016, and has received a very positive early response from customers, and has already won its first award.

And finally, we start activity this month to mark 130 years of Innovation.

## Slide 25



It's fitting that as we start our 130 year celebrations, Aurajet becomes the most awarded product in the history of Methven, with awards in NZ, Australia, America, Asia, Europe and the UK.

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## Slide 26

— Plastics New Zealand – Supreme Award\*



\* 23<sup>rd</sup> September 2016

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Awards haven't stopped and on the 23<sup>rd</sup> September, we were delighted to scoop one silver, three golds and the Supreme Award at the NZ Plastics Awards, further evidence of the amazing skills we have in the Methven team right here in New Zealand.

## Slide 27

— Team innovation – 100% of team are shareholders\*



\* Early October 2016

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Our innovation doesn't stop at products and we are absolutely delighted that as of yesterday, 100% of our team in New Zealand have become shareholders in the business.

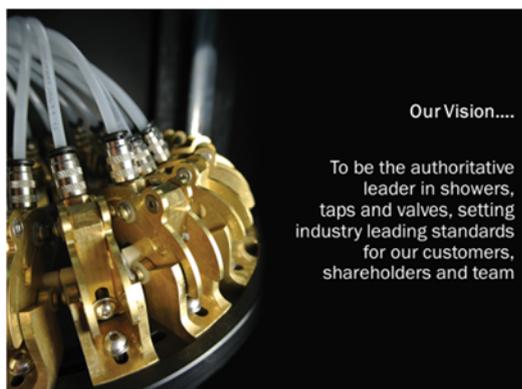
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## Slide 28



Last year I shared with you our cause – the thing that drives us forward every day. That cause is *'The unrelenting pursuit of amazing water experiences that don't cost the earth'*. We love our cause, as it captures the spirit within the business.

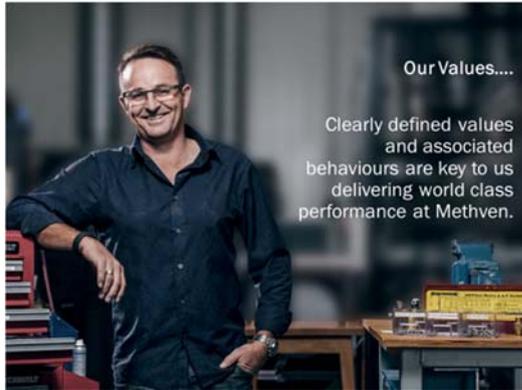
## Slide 29



I also shared our vision which represents our goal over this three year period - *'To be the authoritative leader in showers, taps and valves, setting industry leading standards for our customers, shareholders and team'*.

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## Slide 30



The final thing for us to define was our values – the ‘How’. We have a fundamental belief that clearly defined values and associated behaviours are key to us delivering world-class performance at Methven. The values are a mixture between who we are and also what we aspire to be. They are also embodied in a distinctly Methven way, with team images and stand out iconography.

Our values are

## Slide 31

— Insight drives action



### Insight Drives Action

Our customers are the focus of our energy. We learn by asking, listening, watching and reflecting. We love feedback that helps us improve our products and our services. We test insights by action and look to validate our understanding. When we commit to do something, we do it.

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## Slide 32

### — Our Spirit of Innovation



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## *Our Spirit of Innovation*

Our belief in our talent to be able to change the world, fuels our Innovation. We're born curious and free thinkers. We push boundaries, we question rules and we are determined to set new standards. We create by doing and learn from our mistakes.

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## Slide 33

### — Respect for our planet, communities and team



#### Respect for our Planet, Communities and Team

We lead by example and are proud to make a positive, long term difference to the world. We believe in doing business the right way and that this will benefit our planet and local communities. We choose solutions and materials that decrease our impact on the world. Diversity makes us a stronger team and workplace

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## Slide 34

### *We're in this Together*

### — We're in this together



#### We're in this Together

There are strong family values at the heart of our business. We value long term relationships. We look out for one another. We understand our strengths and we will invest to help the team to realise their potential. We will always celebrate success

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**Slide 35**



So back to our Experience Centre and our Operations. I now share with you some images from the official opening of our Methven Experience Centre officially opened by the Prime Minister.

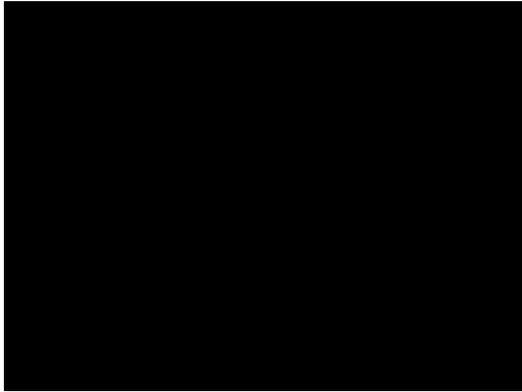
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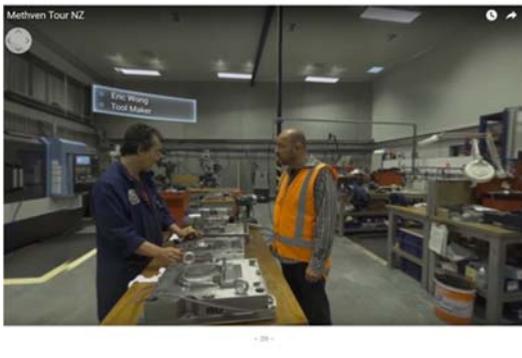
and also a short video of the factory.



## Slide 38 - Video



## Slide 39



We also filmed the factory in 3D, allowing consumers, customers and shareholders the opportunity to take a 3D tour of our factory and see that we are still manufacturing successfully right here in New Zealand.

Simon, our Head of Digital and Brand, who is at the back of the room, has an Augmented Reality headset with him which allows you to see this first-hand. You are all welcome to have a try for yourself at the conclusion of today's meeting.

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## Slide 40

### — 'The Source'

Our homes are more than just a house they are our little piece of the world.

We set out to create a Methven space which was a reflection of our values and the life lived around our product.

We wanted to invite, interact and inspire our people and our customers.

Our journey together starts here.....our home.

The source - our Methven Experience Centre.



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Finally, I am delighted to share with you our Showroom that we call The Source. We welcome you to “The Source” -our source of Innovation and Insight. We believe that our homes are more than just a house, they are our little piece of the world.

We set out to create a Methven space which was a reflection of our values and the life lived around our product.

We wanted to invite, interact and inspire our people, our customers and our shareholders.

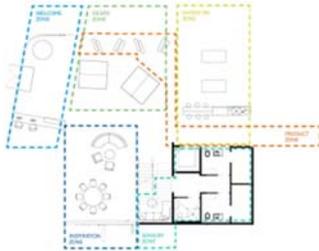
Our journey together starts here.....our home.

*The Source* - our Methven Experience Centre.

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## Slide 41

— Experience centre zones



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The Source has 6 zones

1. The Welcome Zone
2. The Desire Zone
3. Hands on Zone
4. Product Zone
5. Sensory Zone 1 and 2
6. Inspiration Zone

## Slides 42-48

— Welcome zone



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— Desire zone



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— Hands on zone



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— Product zone



—45— METHVEN

— Sensory zone



—46— METHVEN

— Inspiration zone



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— More visitors since November than in our entire history in the UK



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We have also tried to replicate this in the UK with its own Experience Centre that has had more visitors since its opening in November than in our entire history in the UK since 2007.

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## Slide 49

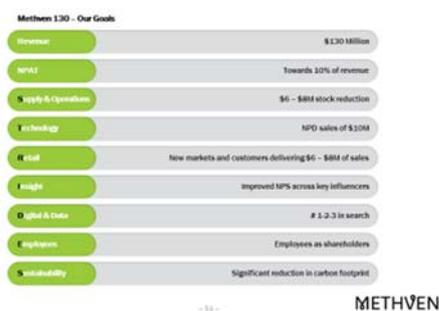
### — What's new



We have a significant amount of change in the business, new recruits brought in to add to the existing skills that exist in the business and who share our aim to become a truly world-class business. This change is at all levels of the organisation, and are delighted with the challenge and the contribution of all the team. We are also focused on ensuring good succession in the business, from the Board to our manufacturing operations.

## Slide 50

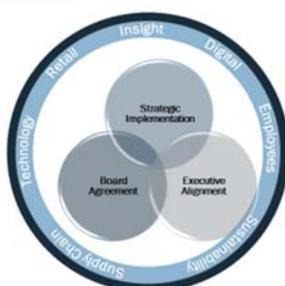
### — STRIDES Goals - June 2018



Delivery of the Methven 130 plan that we shared last year remains a key focus for all. We know it's ambitious and we know that much needs to be done, but we are actively working on projects around the Group that could have a material impact on our performance. Naturally, we will share these things with you as and when they are confirmed.

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— What's new



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We have a clear strategic goal agreed with the Board, aligned with the Executive team, and implemented across the Group. With a clear focus on our STRIDES.

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— STRIDES

FY16 progress:

<b>S</b>	<b>Supply &amp; Operations</b>	Inventory levels reduced, service level maintained to our Customers.
<b>T</b>	<b>Technology</b>	Aio Phase 2 launched in June 2016 on time and on budget. Our next shower technology is on track and due to launch in 2017.
<b>R</b>	<b>Retail</b>	Two new retail point of sale concepts launched and performing well.
<b>I</b>	<b>Insight</b>	Net Promoter score research across major influencer groups (customers, plumbers, architects, designers, and team) underway.
<b>D</b>	<b>Digital &amp; Data</b>	Group-wide website visits up 80% versus the previous year.
<b>E</b>	<b>Employees</b>	New Values defined and launched. Two Employee share plans agreed - DPPP and ESP. Transparency of exec. LT targets.
<b>S</b>	<b>Sustainability</b>	Environmental Product Declarations in preparation and many new sustainable initiatives at our new home.

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We have made good progress this year on our goals.

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## Slide 53

— We own 2 of 5 global shower technologies

An amazing shower experience that doesn't cost the earth



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As you already know we own 2 of 5 global shower technologies.

## Slide 54 and 55

— Global recognition



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— Growing our commercial footprint to leverage IP



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We also have significant recognition from around the globe, but we don't have the commercial footprint to match.

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## Slide 56

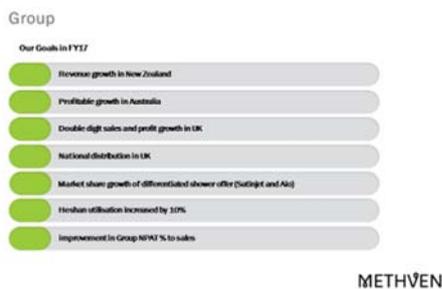
— Increasing our international footprint



We are pleased to add France to that footprint, and more than double the range in Spain and Portugal, including a listing in El Corte Ingles – the biggest department store group in Europe.

## Slide 57

— Our Goals in FY17



In 2017, we are aiming to grow revenue in NZ, achieve profitable growth in Australia, and achieve double digit sales and profit growth and national distribution in the UK. We also aim to grow market share of our differentiated shower offering of Satinjet and Aio, increase utilization of our Heshan operation by 10%, and see improvement in our Group NPAT % to sales.



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### — Summary

- Results reflect good progress
- Systematically improving the business
- Next stage of Innovation under development
- Strategy designed to deliver long term shareholder value

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So in summary – Our results from last year reflect the good progress we are making, we are systematically improving the business, and the next stage of Innovation is under development. There will be bumps along the way. Our strategy is designed to deliver long term shareholder value for all Methven shareholders.

I will now hand back to Phil, but would like to thank the Board for their support for the significant changes we are making to the business but also for challenging me and the team to improve performance further. I would also like to offer any of you the opportunity to visit *The Source* and see for yourself what we are trying to create right here in New Zealand.

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