METHVEN LIMITED - 2016 ANNUAL SHAREHOLDERS MEETING Wednesday 12 October 2016

Opening Speech – Phil Lough

<u>SLIDE 1 – Generic</u>

Shareholders, ladies and gentlemen, welcome to our 2016 Annual Shareholder Meeting.

I’m your Chairman, Phil Lough, and it’s my pleasure to be here today with your Board and members of the Methven team to present our business and financial performance over the past year, and to share our plans for the coming year.

Especially pleasing to be presenting good results again.

Just a couple of housekeeping matters:

- Mobile phones
- Evacuation Procedure – in the event of an emergency, which requires us to evacuate, please proceed through the glass doors, down the stairs on your left to level 9 (which is the main foyer) and assemble out the front of the building.

SLIDE 2 and 3 – Disclaimer and Phil Lough

Before we start I'd like to make some introductions.

To my immediate left is DAVID BANFIELD, our Group CEO, and a director appointed to the Board in 2015.

Next to David is:

- RICHARD CUTFIELD, an independent director and former Chairman since 2001.
- ALISON BARRASS an independent director since 2012; and
- NORAH BARLOW, an independent director since 2015.

Seated beside Norah is DEIDRE CAMPBELL, our Company Secretary and Methven Group CFO.

Once again this year we are extremely grateful to our solicitors, Simpson Grierson for this wonderful meeting venue. Our Simpson Grierson team is here today, along with our bankers, BNZ, our company auditors PwC and our Registry, Link Market Services who will act as scrutineers for the meeting today.

The Company Secretary has confirmed that the Notice of Meeting has been sent in time to all registered shareholders and others entitled to receive it.

We have a quorum present. So I declare Methven's 2016 Annual Shareholder Meeting to be properly constituted and open for business.

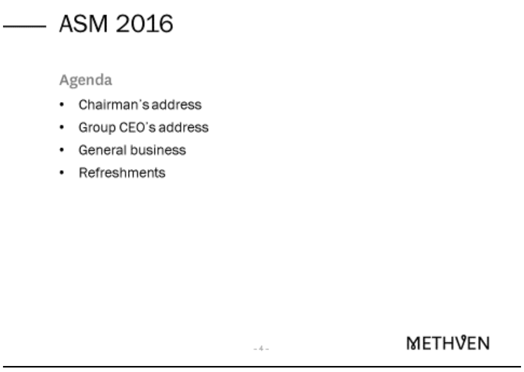
Proxies have been appointed for the purposes of this meeting in respect of approximately 24.5 million shares, representing over 33% of the total number of shares.

My fellow Directors and I declare that it is our intention to vote all discretionary proxies we hold, in favour of all resolutions.

The financial statements for the period together with the auditor's report, are set out in our Annual Report. The Annual Report was made available on Methven's website on 13 September 2016 and hard copy reports were sent to all shareholders who requested one. A limited number of hard copies is still available in the registration area.

There will be opportunity to ask any questions on these, at the end of the formal business.

SLIDE 4 – Agenda



In this opening address I will cover Methven's performance over the financial year ending 30 June 2016. This includes reviewing our performance in our core markets, against the targets that we set out a year ago, and highlighting those factors that have ensured our business remains sound and contributing to our goal of delivering long term sustainable growth.

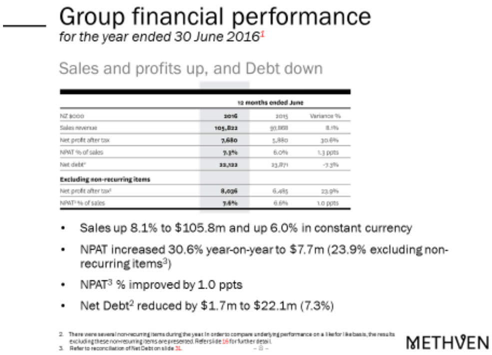
David will then share some details of progress on our Methven 130 Plan which we launched last year, and also details of our successful move to our new home in Jomac Place in Auckland, that showcases our NZ design and manufacturing capabilities.

We will then move on to General Business and the Resolutions as detailed in the Notice of Meeting. We are once again voting by poll and this will conducted at the end of the formal business. There'll be time after this for your questions and comments before I close the meeting and refreshments are served.

Before I start the update on our performance, it would be remiss of me not to highlight how incredibly proud we are to lead Methven at the time where we celebrate Methven's 130 year Anniversary. We think it's particularly pertinent that as we celebrate this milestone, we are also targeting to grow revenue to $130 million by June 2018. We have made many improvements to the business this year that we share with you today, and look forward to continuing our journey to deliver long term profitable growth and a business that we all can be even more proud to support.

How many New Zealand businesses can say they have been going for 130 years and still be headquartered and owned in New Zealand.

SLIDE 5 – Group Financial Performance



We are encouraged by the results for the year ending 30th June and were pleased to report total sales finished the year at $105.8 Million up by 8.1% on the prior year and by up by 6% in constant currency. This was our first material revenue growth since 2009 and evidences positive progress being made.

NPAT (Net Profit After Tax) finished the year up by 30.6% to $7.7 million and by 23.9% excluding non-recurring items, to $8.039 million. This was in line with our guidance. This year's profit growth has been driven by good revenue and market share growth in both Australia and New Zealand and supported by earnings growth in Methven Heshan (China) and the United Kingdom. Earnings in both Australia and New Zealand were negatively impacted by strong Au and NZ$ devaluation verses the US$.

SLIDE 6 – Group Financial performance

Group financial performance

Net Debt -7.3%, turns improved

	12 months ended June		
Net debt	22,122	23,871	-7.3%
Capital expenditure	5,398	3,713	45.4%
Working capital	18,836	24,754	-23.9%
Working capital turn	4.3	4.0	7.5%

- Net Debt down 7.3%.
- Capex increase includes investment in NZ/UK premises & manufacturing equipment.
- Lower WC at end of June despite sales growth. Average turns across the year improved.
- Comfortably within banking covenants.
- Bank facility renewed further 3 years.

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Net debt decreased to $22.1 million, a decrease of 7.3% on the previous year.

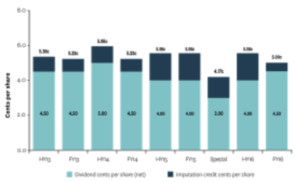
Capital Expenditure increased to $5.4 million due to move costs in the UK and NZ, and also new products for sales in our Global markets.

The decrease in working capital was primarily as a result of lower underlying inventory levels. Importantly, service levels to our customers were maintained and we now have an improved overall inventory profile across the Group.

Importantly our business remains comfortably within its banking covenants, and we renewed our bank facility with BNZ in the course of the year.

SLIDE 7 – Dividend

Dividend



- Dividend increased versus half year.
- Partially imputed final dividend of 4.5 cps paid on 30 September 2016.
- Reflects growth in earnings and confidence in outlook.
- Total dividends for 12 months to 30Jun16 of 8.5 cps, at a pay-out ratio of 81%.

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We were pleased to declare a partially imputed final dividend of 4.5 cents per share which was paid on 30 September 2016.

This dividend was an increase versus half year dividend, and took the total dividend for the 12 months to 30 June 2016 to 8.5 cps, at a payout ratio of 81% of our NPAT, giving an annual yield of 8.2%. This is in line with our released Dividend Policy to distribute between 70 and 90% of our Net Profits to shareholders.

SLIDE 8 – Non-recurring items

—— Non-recurring items

		12 months ended June	
NZ $000	**Reported in**	**2016**	2015
Reported net profit after tax		**7,680**	**5,880**
Inventory provision adjustment	Cost of sales	1,734	-
Relocation costs	Cost of sales	741	39
Contingent consideration release	Other Income	(2,729)	-
Merger and acquisition costs	Expenses	-	127
Legal fees	Expenses	381	181
Marketing credits writedown	Expenses	152	-
Restructuring costs	Expenses	77	258
Total non-recurring items		356	605
Net profit after tax excluding non-recurring items		8,036	6,485

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There were a number of non-recurring items in the year, notably with the earnout of Invention Sanitary, our Chinese acquisition, being cancelled, due to higher than anticipated working capital needs on acquisition. And increased provisioning for old and obsolete inventory in Australia, China and New Zealand.

During the period the Group cleared a total of $1.4 million of slow and obsolete inventory. This was a record for the Group and gave us unprecedented learning about the value we could realise for older inventory, and highlighted that the provision assumptions used previously were inadequate. A detailed review concluded that we needed to record a one-off provision of $1.7 million.

SLIDE 9 -Business and Markets review

We continued our investment in the future with $3.7 million spent on future focused activity including our latest shower technology, digital capability, and building the team.

As the company operates across international markets, the Board believes that it is important to have a board consisting of members with diverse backgrounds, experience and skills.

As part of our ongoing assessment of skills needed to support Methven's growth ambitions and our overall board succession planning, the Board commenced the recruitment process for an additional Director to join the Board.

We will keep you informed when an appointment is made.

Overall we are encouraged by the progress that we are making, though recognise much remains to be done to achieve a truly world-class business that delivers long term sustainable growth. We know there will be bumps along the way but remain confident in both our direction and the benefits of the many improvements we are making to the business to ensure we are fit for the future.

SLIDE 10 – Group progress against our goals

We have endeavored to have a transparent schematic (Red, Amber, Green) to show progress verses the objectives that we set a year ago and as such, are pleased to show so much green on the chart today. I believe we can be pleased with our achievements over the past year, when we see how we are tracking against the goals we presented to you this time last year.

We were delighted to report sales increased by 10.8% in New Zealand with broad growth across both North and South Island, in all categories, and also in both new build and renovation sectors.

In the UK, we have a business that is profitable, cash generative and has an infrastructure that is able to support fairly significant growth. We are disappointed that despite us getting recognised as a Cool Brand and gaining positive feedback from the industry, that we have been unable to convert this in to topline sales. Topline growth is the imperative for us in the UK over the next year (though more on this later)

In Australia, we reported sales growth of 6.9% which is encouraging and we believe shows that we grew market share over the period. We have marked this as amber due to the fact we are targeting EBIT percentages in Australia similar to New Zealand (we are currently at 8% in Australia compared to 13% in NZ).

The earnings delivered from the Invention Sanitary acquisition were in line with expectation, and full integration has now been achieved with the successful transition to the leadership team led by Andy Chen. Hui Zhuang (Invention Sanitary vendor) retired from the business in December 2015.

Last year our priority was to settle in our new Heshan acquisition. We achieved that and this year, we are running it very successfully. It's been a good M&A project for Methven.

We are also delighted to confirm that Aurajet®, launched in March 2015, became the most awarded product in Methven's proud history with awards in UK, Europe, America and Australasia, including a highly prestigious Red Dot Award in Germany. Aurajet® was the catalyst for increased distribution in the UK and internationally. We are also encouraged that the second phase of Aurajet® launched in June 2016 has already achieved a design award in

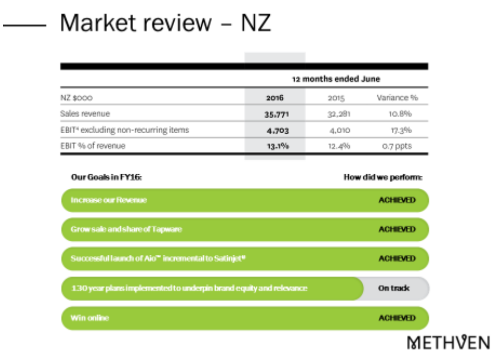
Australia after only a few weeks in market and has received very positive feedback from customers.

We relocated both our UK office and our NZ Head Office and manufacturing operation to new leased sites. These sites provide us with the opportunity to open market-leading Experience Centre's, and to reflect our long term commitment to manufacturing in New Zealand, with us implementing Design, Engineering, Toolmaking, Foundry, Polishing and Assembly on site. One-off relocation costs were incurred during the period of $0.7 million.

It's also important to note that our new homes have the same net operating cost as our previous sites.

I'd like to take a moment now to review the results in each of our key markets, first showing you actual performance, and then highlighting how we've tracked in each market in line with the goals we outlined to you this time last year.

SLIDE 11 – New Zealand Market Performance



Here in New Zealand, sales revenue was up 10.8% to $35.8 million, with strong performance reported across all categories and with new contract wins in the second half of FY16 supporting sustainable growth.

It is particularly encouraging, that the activity and focus to regain lost market share that we reported at the end of FY15, delivered results in 2016.

We achieved our goal to grow sales and share of tapware, reporting double digit growth in tapware sales which supported performance across the market, including a number of initiatives only launched in late FY16. In addition, with our aim to drive an improvement in vitality (sales contribution from recent product releases), it is encouraging to note that we launched more new products in FY16 than in the last four years combined.

This time last year we said we'd invest in brand equity and win online. Total visitors to our website increased by 49%.

SLIDE 12 – Australia Market Performance

Market review – AU

	12 months ended June		
AU $000	2016	2015	Variance %
Sales revenue	39,607	37,036	6.9%
EBIT[4] excluding non-recurring items	3,326	3,047	9.2%
EBIT % of revenue	8.4%	8.2%	0.2 ppts

Our Goals in FY16:	How did we perform:
Profitable revenue growth	Revenue yes, Earnings partial
Grow sales and share of Tapware	Below expectations
Successful launch of Aio™ incremental to Satinjet®	ACHIEVED
130 year plans implemented to underpin brand equity and relevance	September launch
Win online	ACHIEVED

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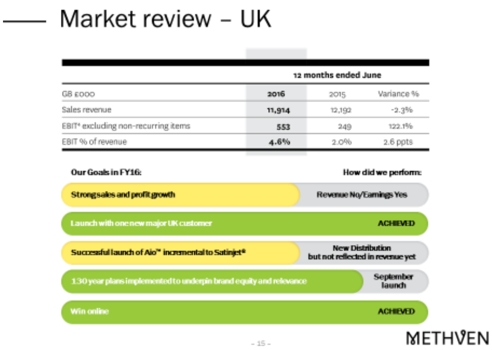
In Australia, sales revenue increased 6.9%, with encouraging contract wins and response to our new shower and tapware products launched in late FY16. EBIT increased by 9.2% due to cost base reductions and better operational performance than the previous year. Total marketing investment was focused on our differentiated shower offer and is supporting brand preference.

Positively, one major customer now uses the Methven brand to emphasise their compelling offer to their customers. Delays in implementing price increases, to offset the significant negative impact of the weakening AUD/USD created a short term margin and contribution impact (now implemented). Total website visitors grew by 136%, again supporting brand preference.

SLIDE 13 – UK Market Performance



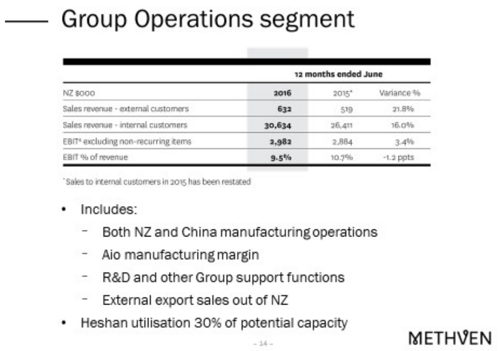
Sales revenue for our UK division showed a slight decline due to new contracts won throughout the year being delayed until our new financial year. Earnings before interest and tax was up 122% to £553,000.

Despite a slight revenue decline as the UK cost structure was aligned to reflect current sales, the UK business is profitable and cash generative. Sales growth resumed in the final quarter, and June 2016 was the highest sales month in four years. New distribution was achieved with two national partners, with rollout started in the second half of FY16.

Total website visitors increased by 61% versus the previous year, with one digital campaign for a national distribution partner recording their best ever performance across the whole business.

In November 2015, we relocated to a new office and Experience Centre that allows us to tell our proud Methven story effectively for the first time in the UK. More customers visited our Experience Centre since launch in November 2015 than visited us in our entire history in the UK. Net operating costs at our new improved home are in line with previous net operating costs.

SLIDE 14 – Group Operations



Group Operations segment

	12 months ended June		
NZ $000	**2016**	2015*	Variance %
Sales revenue - external customers	**632**	519	21.8%
Sales revenue - internal customers	**30,634**	26,411	16.0%
EBIT[4] excluding non-recurring items	**2,982**	2,884	3.4%
EBIT % of revenue	**9.5%**	10.7%	-1.2 ppts

*Sales to internal customers in 2015 has been restated

- Includes:
  - Both NZ and China manufacturing operations
  - Aio manufacturing margin
  - R&D and other Group support functions
  - External export sales out of NZ
- Heshan utilisation 30% of potential capacity

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Group Operations includes both our NZ and China manufacturing operations, Aio manufacturing margin, R&D and other Group support functions and external export sales out of NZ. This follows our decision last year to simplify the China business.

NZ manufacturing and Heshan earnings were in line with expectations. Current Heshan utilisation is 30% of potential capacity

Relocation and investment in manufacturing capabilities in New Zealand are designed to improve production flexibility and organisational efficiency.

We continue the systematic improvement in products, services and processes within our business, and remain fully committed to deliver long term profitable growth for our Shareholders and team, and becoming a truly world class business operating on the world stage.

We remain positive that activity, either agreed or underway, will help us deliver that goal, but recognise the need to deliver top line growth in the UK despite Brexit volatility.

SLIDE 15 – FY2016 Summary

So in summary, FY2016 saw

- Our first material revenue growth since 2009
- NPAT growth of 23.9% excluding non-recurring items
- Market share growth in Australia and NZ.
- Aurajet technology become the most awarded product in the history of Methven.

Our UK operation was profitable, though top line growth has proven elusive, and is a key area of focus going forward.

- We continued to invest in the future, with $3.7m invested in activity, including Aio shower and tapware, enhanced digital presence, and new team capability to supplement existing skills.

SLIDE 16 – Employees as Shareholders

Employees as Shareholders

- We believe the best interests of Shareholders are served when all Methven team members are Shareholders
- 3 schemes launched this year
  - Discounted Share Purchase Plan
  - Employee Share Plan
  - Group CEO growth incentive

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As we highlighted during our Methven 130 launch a year ago, we believe that the best interests of all shareholders are served when the team at Methven are also shareholders and therefore I want to advise of three share based schemes that you will receive notification of in the coming days (though were shared in our year end results release). We believe that aligning the interests of staff with those of a company's shareholders is a positive move and reflects the Company's commitment to the long-term success of the Company.

Scheme 1 - that 156,073 new shares, representing 0.21% of total shares, were issued to a total of 34 staff on 15 September 2016. The shares were issued at the weighted average market price of a 3 trading day period post our full year results announcement. There was a 10% discount off this price and staff paid the balance in cash.

Scheme 2 – on 30th September we received approval from the IRD for an Employee Share Plan that will result in all staff in NZ receiving $1000 worth of shares free of charge (excluding the CEO). This is an IRD approved scheme that gives tax free benefits to employees as long as the shares are held for a period of three years.

Scheme 3 – We have agreed to lend David Banfield $500,000 dollars to buy shares in Methven at the 10 day Volume Weighted Average Price post results announcement. This loan carries Interest at the FBT rate and is designed to retain and align the interests of CEO and shareholders. When you've got a good CEO, keep them focused and aligned.

SLIDE 17 – Guidance

Guidance

12 months ending 30 June 2017

- Revenue growth of at least 5%
- NPAT growth for year expected to be 10-20%
- Revenue and NPAT guidance in **constant currency**

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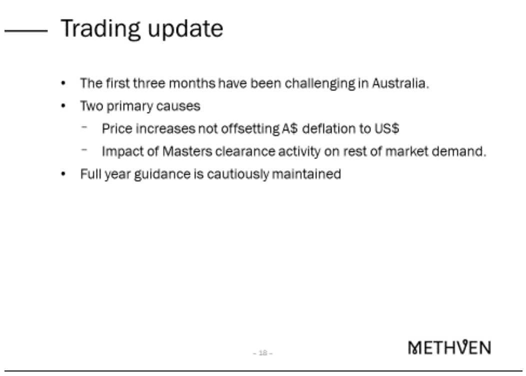
So – looking ahead. When we released our results in August, we shared our guidance for the year ending 30 June 2017 that, the Group is targeting revenue growth of at least 5%, and NPAT growth of 10-20%. It is important to note that guidance is in CONSTANT CURRENCY and there is likely to be a material translation impact caused by the consequences of the UK BREXIT vote.

SLIDE 18 – Trading Update



The first three months of FY 17 have been challenging in Australia caused by us not recovering the impact of AU$ devaluation and also due to the impact on market demand as a result of Masters' clearance activity. For those of you who aren't aware, Masters is the No. 2 DIY retailer in Australia (though not a big Methven customer), with 62 stores and revenue of A$1.1 billion. Owned by Woolworths, they confirmed plans to close their entire operation by December this year, creating a significant one-off impact to the market.

The Board cautiously maintains our full year guidance, though recognise this one-off market impact may cause some variation between our first and second half results.

Methven is now a very different place. It's got

- A clear and ambitious vision
- Strong financial targets
- Good people focused on building this great business

We've made good progress on our overall goal to build a business that delivers long-term sustainable earnings growth and achieves our vision to be a truly world class business. There is still much work to do but your Board is focused on achieving our vision and we believe the work undertaken this year, along with planned activity over the coming year, will help us meet our objectives.

In closing, and before I hand over to him, I'd also like to acknowledge the leadership David has brought to the Group, leadership that has, amongst many things, inspired significantly more customer and consumer focus and gone a long way to strengthening our brand communication and online presence.

SLIDE 19 – David Banfield

Thank you. Over to you David.