

SHRIRO HOLDINGS LIMITED

MARKET UPDATE

Shriro Holdings Limited (“Shriro”) (ASX: SHM) wishes to update the market on current trading performance and expectations for the Company’s financial year ending 31 December 2018.

Shareholders will be aware that Shriro’s sales revenue is heavily skewed towards the end of its financial year and this inhibits an early understanding of likely full year results. Now that the third quarter has concluded, the Company has undertaken a detailed review of likely revenues, margins and profit for the remainder of the year. As a result, Shriro has revised its FY18 NPAT forecast downwards to between \$7.0M and \$8.0M, with EBITDA between \$14.5M and \$15.5M, a substantial reduction on the previous year.

The fundamentals of Shriro’s business are solid, however headwinds continue in Shriro’s Australian appliance segment, particularly sales into the commercial residential sector. This is aggravated further as the Appliance division transitions out of higher cost and obsolete ranges for some brands, during a period of subdued market conditions and intense competition. This transition is expected to be completed by year end. At the end of the third quarter, Shriro’s year-to-date consolidated appliance revenue was 11% below the prior year.

The Company now intends to restructure the appliance business to reduce costs and improve margins. A project to achieve this has commenced, with a number of initiatives to be evaluated. For example, the Victorian and Queensland appliance showrooms are to be closed, with consolidation into existing showrooms in Sydney and Perth. Other initiatives are planned, some relating to product innovation, which are expected to strengthen Shriro’s market position in 2019.

The ‘everdure by heston blumenthal’ export sales will now be negatively impacted by the recent “Trump 25% tariffs” on BBQ / Grill products exported from China, where they are made, into the USA. This has created considerable market uncertainty in the USA for the 2019 grill season and consequently, orders that customers indicated would be received in December 2018 for the USA 2019 market, we are now advised, will not be realised. This new development will impact Shriro’s likely full year profit further, not only from lost sales but also due to significant expenditure on the launch of these products into the USA market earlier in the year. Whilst the Company is now taking a conservative view on the USA market for the 2019 season, Shriro believes that the USA market will adjust over time and that a substantial opportunity for ‘everdure by Heston Blumenthal’ BBQ products in the USA remains. Focus on these products into the European market continues.

Shriro will continue to take a long-term view on the benefits to the Company from investment in export markets, and believes that award winning products, patented innovation and the large international market, present an opportunity for significant growth as consumers embrace the BBQ range and other products, over the coming years.

Other product categories within the Company continue to perform to expectations, with CASIO Timepiece continuing to trade well above 2017, assisted by the successful roll-out of new ranges, in conjunction with G-Shock's 35th anniversary global promotions.

Prudent fiscal management, low debt and a strong balance sheet will assist in resetting Shriro's business soundly for the FY19 year and beyond, with a lower cost base and poised for sustainable growth.

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ABOUT SHRIRO

The Group is a leading kitchen appliances and consumer products marketing and distribution group operating in Australia and New Zealand.

The Group markets and distributes an extensive range of company-owned brands (including Omega, Robinhood, Everdure and Omega Altise) and third party owned brands (such as Casio, Blanco and Pioneer). Products include calculators, watches, cash registers, musical instruments, audio products, kitchen appliances, sinks & taps, laundry products, consumer electronics, car audio, amplifiers, professional DJ, Hi-Fi/speakers, fashion, lighting, gas heaters, gas barbeques, charcoal barbeques, electric heaters and cooling products.