



SHRIRO HOLDINGS LTD (SHM)

INVESTOR PRESENTATION
2019 Half Year Results
27th August 2019



BLANCO CASIO

EVERDURE.
EASY DECISION.

everdure
by heston blumenthal

Always serves you well
omega

omega
altise

 **MERCATOR**

Pioneer

 Robinhood

JUNE 2019

Half Year Highlights

- NPBT, \$3.6M, (+3% on 1H18)
- NPAT of \$2.7M, in line with underlying 1H18
- Lower operating costs ↓ \$1.5M (↓ 6%) on 1H18
- Zero debt, net cash position. Net cash inflows of +\$10.3M for the year to 30 June 2019
- Revenue 3% lower due to lower exports
- Interim dividend 4 cents per share, fully franked, (1H18, 4 cents per share)

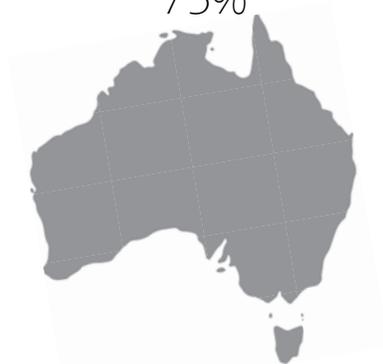


REVENUE SPLIT

1ST Half 2019

AUSTRALIA

75%



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NEW ZEALAND

22%



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Robinhood

*Appliances Only

EXPORT MARKETS

3%



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EXPORT TERRITORIES

- USA
- Canada
- Germany
- Scandinavia
- Benelux
- UK
- France
- Israel



PROFIT & LOSS STATEMENT

Half Year Ended 30th June 2019

\$ Million	1H19 Actual	1H18 Actual	Δ
Revenue from ordinary activities	80.0	82.5	(3.0%)
Gross Margin %	40.5%	41.7%	
Operating expenses	(24.5)	(26.0)	(5.8%)
EBITDA	7.9	8.4	(6.0%)
Depreciation	(3.2)	(3.6)	(11.1%)
Interest	(1.1)	(1.3)	(15.4%)
NPBT	3.6	3.5	2.9%
NPAT	2.7	3.1	(12.9%)
One-off tax benefit		(0.4)	
Underlying NPAT	2.7	2.7	(0.0%)

- Revenue decline of 3.0% in a difficult trading environment for Export and Appliances
- Margin contraction due to, competitive market pressures particularly Appliances and currency devaluation
- Expenses decreased due to cost cutting initiatives
- Depreciation lower due to showroom closures and subsequent write-off of fixtures and fittings in 2H18
- NPBT increased 2.9%, which resulted from the success of the restructure undertaken in 2H18
- Interest and depreciation include the impact of the new lease standard AASB16. Bank Interest was lower by \$0.1M, mainly line fees



BALANCE SHEET

As at 30 June 2019

	30 June 19	30 June 18
	\$M	\$M
Current Assets		
Cash and cash equivalents	1.1	0.3
Trade and other receivables	24.4	26.7
Inventories	40.1	46.4
Other Assets	5.4	5.1
Total Current Assets	71.0	78.5
Non-current assets		
Right use of assets	18.8	21.9
Property, plant and equipment	7.7	8.8
Deferred tax assets	6.3	6.0
Total non-current assets	32.8	36.7
Total assets	103.8	115.2
Current liabilities		
Trade and other payables	17.9	17.7
Borrowings	-	9.5
Lease Liability	3.0	2.6
Provisions and other liabilities	6.0	6.5
Total current liabilities	26.9	36.3
Non-current liabilities		
Lease Liability	22.4	25.0
Provisions	2.7	2.9
Total Non-Current Liabilities	25.1	27.9
Total Liabilities	52.0	64.2
Net Assets	51.8	51.0

- Net cash position. Shriro has changed its net debt position of \$9.2M at 30 June 18, to a cash position of \$1.1M at 30 June 19. Net cash generated = \$10.3M over the year to 30 June 19
- Inventory decreased \$6.3M (↓ 14%) vs 1H18, as a result of new operational controls, and subsequently limited aged stock, other than deferred tax assets
- Solid Net Assets of \$51.8M with no debt or intangibles
- New lease standard has created a lease liability and right of use asset
- Well positioned to take advantage of any prudent growth opportunities



CASH FLOWS

Half Year Ended 30 June 2019

	1H19 \$M	1H18 \$M
*Cash Flows from Operating Activities	11.4	0.4
Net Property, Plant & Equipment	(1.5)	(1.0)
Dividend	(2.9)	(6.7)
Net Cash Increase / (Decrease)	7.0	(7.3)

*Includes rental lease payments

- Cash flows from operating activities improved:
 - Clearance of aged and discontinued Appliances stock
 - Debtors continue to be well controlled
- Continued investment in fixed assets, higher than the prior half year
- Lower dividend paid than prior year, which protects the balance sheet



AUSTRALIAN MARKET

Breakdown

- Revenue flat vs 1H18
- Everdure by Heston BBQ sales gained traction (3rd season). Release of new models contributed to revenue growth of BBQs +16% on 1H18
- New Omega Altise heating range released. Revenue lifted +9% on 1H18



AUSTRALIAN MARKET

Breakdown Cont.

- Casio revenue remained strong, +11% on 1H18, with continued growth of GSHOCK Watches. Musical instruments/keyboards were one of the key growth contributors
- Appliances sales revenue was down 6.3% in 1st half on 1H18. Shriro believe the business has stabilised as a result of the new operating structure and experienced management team in place
- Positive signs in the retail Appliances business led by the Omega brand +13% on 1H18
- Green shoots in the retail sector, combined with the Commercial Appliance Division's new operational processes, is expected to also contribute to Shriro's Commercial Appliance business in CY20



NEW ZEALAND MARKET

Breakdown

- Revenue was flat due to subdued retail conditions
- Sales of GSHOCK was +8% vs 1H18. The Auckland Airport Store continues to exceed management expectations



Higher priced GSHOCK premium range attracting tourist dollar



NEW ZEALAND MARKET

Breakdown Cont.

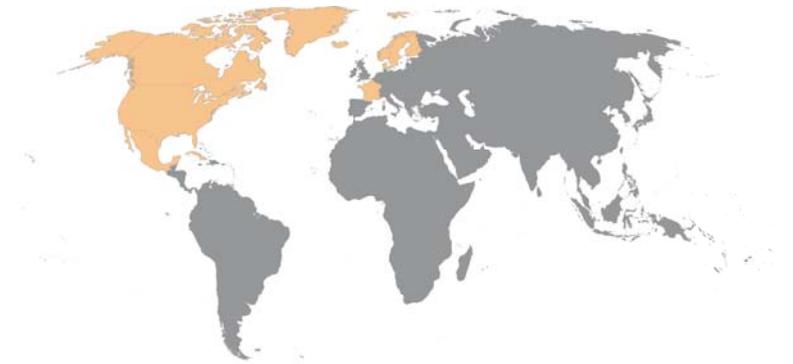
- Appliance revenue was flat. Lower Omega sales were offset by Robinhood
- Increased Robinhood marketing contributed to growth
- Independent consumer reviews are influencing purchase decisions



EXPORT MARKETS

Breakdown

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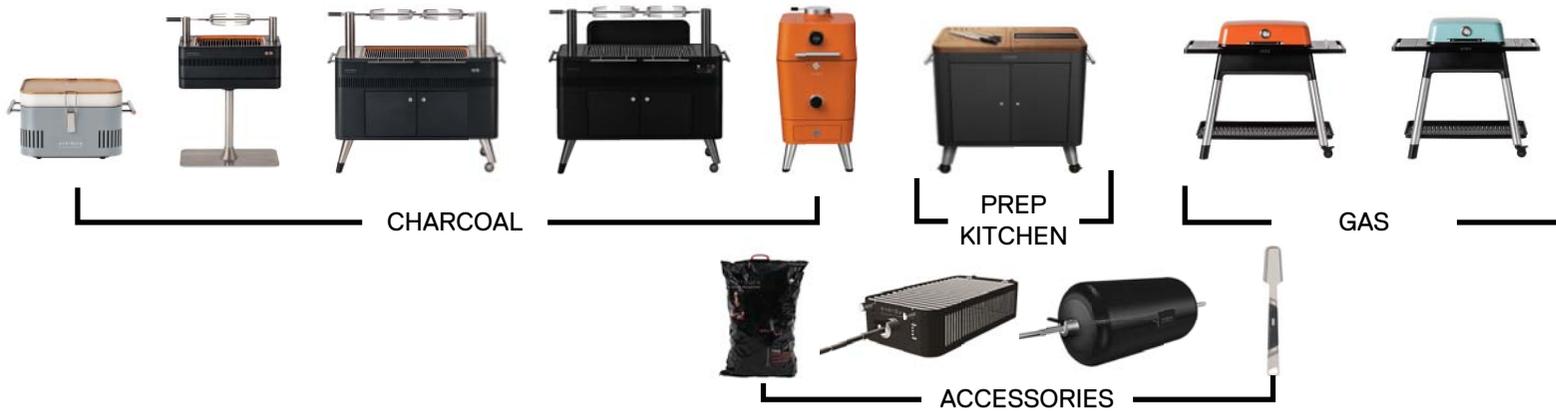


- 1st half revenue lower due to challenging USA market conditions
- European markets, particularly Germany & Scandinavia reporting good 2019 season sell-through
- Export markets where sales seasons are 2 years plus* are reporting market traction and positive dealer sell-through

EXPORT TERRITORIES

- USA
- Canada
- Germany*
- Scandinavia*
- Benelux*
- UK*
- France
- Israel

*2+ Years Sales

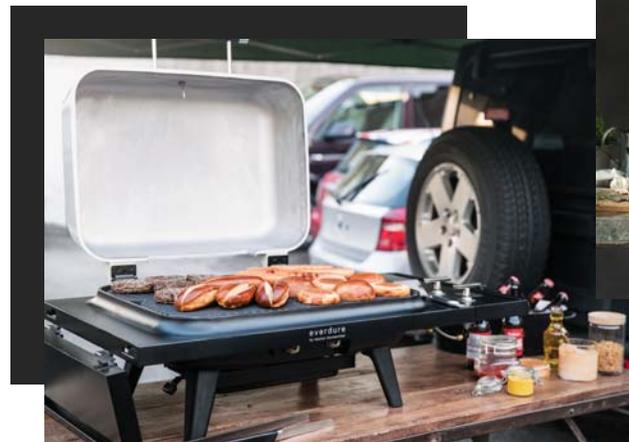


KEY EXPORT MARKETS

Breakdown



- Revenue down due to late BBO stock arrival into USA for the 2018 season. Dealers carrying 2018 stock into 2019 season
- Trump tariff increases 0 - 10% → 10 - 25% has created uncertainty
- Everdure by Heston stockists have reported promising sell-through of 4K & Gas BBO's
- New Shriro export manager has major focus on USA Market



Tailgating w/ Force



Steaks on 4K



KITCHEN APPLIANCES

Breakdown

- Strong, experienced management team and structure now in place
- Trans-Tasman (Aust/NZ) alignment of sales, marketing & operations strategy
- Continue to drive efficiencies in a market that is experiencing headwinds
- New Omega range developed for 2020 launch



Proposed 2020 Range



INNOVATION Roadmap

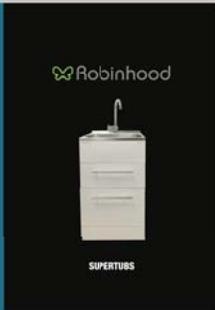
20
17/18

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20
18/19



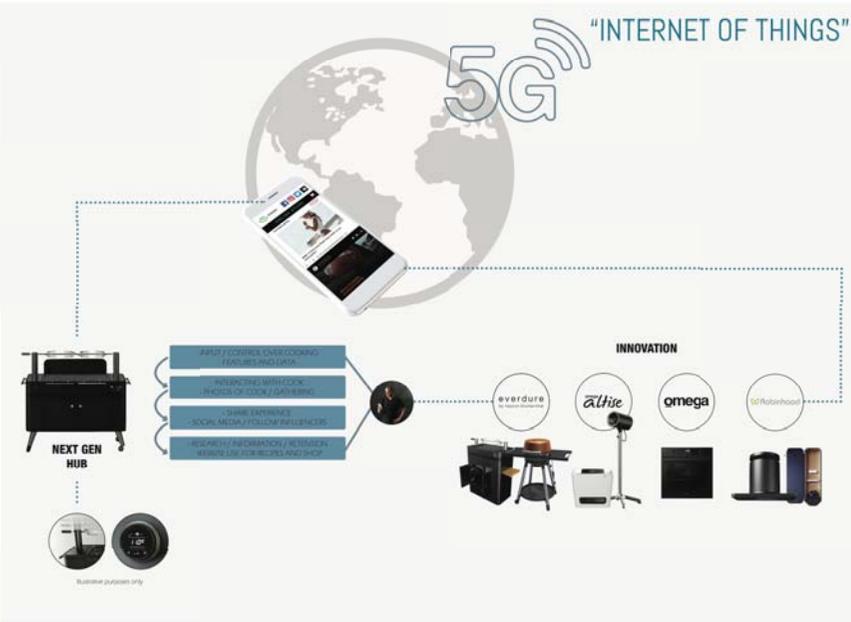
Our Award Winning Range



20
20

RISE OF
IoT

"INTERNET OF THINGS"



CURRENT →

FUTURE →

Focus on innovation to continue. However, 2020 will see some new product release consolidation.



INNOVATION

Air Movement

- Shriro's proven product development track record continues with the launch of "Project Aura" - new cooling technology.
- Global patent pending
- Australian launch October 2019
- Export sales planned for 2020. USA approval/certification underway.



omega
altise



Patent app no. 2019900338
Design app no. 201910573



OUTLOOK

- Seasonality bias revenue to 2nd half of calendar year, due to Back School, & Christmas sales
- Appliances business stabilising. Shifting capital investment from bricks and mortar showrooms to digital brand strategy & experienced sales and marketing team
- Measured approach to Export expansion of BBQ's with short term focus moving to Europe and long term to USA
- International BBQ expansion slower than expected. Increased promotional investment into digital marketing. Shift in USA expansion strategy to focus on direct selling to larger Big Box retailers in CY20. Focus on key states with Shriro USA staff, supported by 31 third party commission staff
- Air movement products including "Project Aura" and gas convection heaters planned for 2020 export sales (US Market). Initial discussions with "Big Box" retailers have been encouraging
- Earnings for full year currently expected to match 2018
- Cost saving measures implemented in 2018, expected to cushion 2019 profitability given soft market conditions

