



**PRESENTATION TO  
INVESTORS & ANALYSTS**

# Full year results and outlook

David Banfield - Group CEO  
Deidre Campbell - Group CFO

2014 - 2015

**METHVEN**

# Financial performance

- NPAT increased by 20.9% from \$4.7m to \$5.7m and in constant currency by 22.6%, and is in line with expectations
- EBITDA<sup>1</sup> increased by 12.4% from \$11.3m to \$12.7m
- Sales revenue up 0.7% in constant currency but down 0.4% on conversion to NZ\$
- Over \$3.9m invested in breakthrough showering system, digital capability, and the team to support future performance
- Net Debt<sup>2</sup> increased to \$22.8m due to acquisition and investment in future
- Fully imputed final dividend of 4.0 cps to be paid on 30<sup>th</sup> June 2015
- Balance date to change to 30<sup>th</sup> June 2016

1 EBITDA is earnings before interest, tax, depreciation and amortisation

2 Refer to reconciliation of Net Debt on Slide 39

# Key components

- Modest revenue increases in Australia (2.9%) and UK (2.8%)
- NZ revenue down \$0.5m or 1.6% - result of customers' stock reductions
- Australian revenue up 2.9% and profits up 10.6% due to right-sizing of cost structure
- UK EBITDA increase to NZ\$1.4m from NZ\$0.6m as revenue shows a 2.8% increase
- China market sales refocused, stand-alone Xiamen office closed, back office functions consolidated in Heshan factory
- Excellent trade and consumer response to new showerware and tapware – Aio™
- Full year annualised NPAT from Methven Heshan (formerly Invention Sanitary) expected to be in line with expectations of at least US\$2m

# — Key outcomes

- Positive earnings growth as we invest for the future
- Cautiously optimistic about future prospects
- Fully imputed dividend maintained
- Heshan performing in line with expectations
- Balance date change to help improve forecast accuracy
- \$3.9m invested in future-focused projects
- Comfortably within banking covenants
- Three year strategy launched as we prepare to celebrate being 130 years new



Positive earnings growth as we  
invest for the future

# Group performance

Good progress on making Methven fit for the future

NZ \$000	2015	2014	Variance %	Constant currency Variance %
Sales revenue	<b>96,349</b>	96,720	-0.4%	0.7%
EBITDA <sup>1</sup>	<b>12,682</b>	11,286	12.4%	13.4%
NPAT <sup>3</sup>	<b>5,690</b>	4,708	20.9%	22.6%
Net Debt <sup>2</sup>	<b>-22,754</b>	-14,450	57.5%	

<sup>3</sup> No adjustment has been made for non-recurring items as year-on-year movement immaterial. Refer to Slide 38 for summary

# Business review

## What we said at the ASM:

## How are we tracking:

Deliver US\$2 million annualised NPAT from Heshan

On track

Launch our new showering system and tapware in all markets in early 2015

ACHIEVED

Launch our new website

ACHIEVED

Achieve double-digit growth in the UK

Earnings yes/Revenue no

Revenue and profit growth in Australia

ACHIEVED

Activity based on sell through

Good progress

Build a business that delivers long term sustainable earnings growth

Good progress

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# Performance of Methven Heshan (China)

- NPAT contribution FY15 NZ\$1.1m
- Earnings on track to deliver at least US\$2m NPAT annualised
- 100% staff retention
- Group ERP successfully implemented
- Passed full quality and ethical audit by ISO Global
- Methven NZ global Health & Safety standard implemented though existing standards good



# Group performance – excl. China acquisition

NZ \$000	FY15	FY14	Var %	Constant currency
				Var %
Sales revenue	<b>96,320</b>	96,251	0.1%	1.2%
EBITDA <sup>1</sup>	<b>10,633</b>	11,273	-5.7%	-4.2%
NPAT	<b>4,625</b>	4,708	-1.8%	0.0%
Net Debt <sup>2</sup>	<b>-17,354</b>	-14,450	20.1%	

# Investment for future

- Operating expense – \$1.6m
  - Launch and promotion of Aurajet<sup>®</sup> technology and the Aio<sup>™</sup> product range
  - New online marketing strategy
  - Enhancement of organisational capability
- Capital expense – \$2.3m
  - New product development
  - Digital capability

# Group performance

## Net Debt higher than desired but under control

NZ \$000	2015	2014	Change %
Net debt	<b>22,754</b>	14,450	57%
Capital expenditure	<b>3,433</b>	1,138	202%
Working capital	<b>25,072</b>	18,685	34%
Working capital turn	<b>4.3x</b>	5.0x	

- Net debt increased by 57.5% primarily due to acquisition
- Stock higher than targeted
- Capex increased by \$2.3m to deliver future growth

# Group performance (cont'd)

## Well within banking covenants

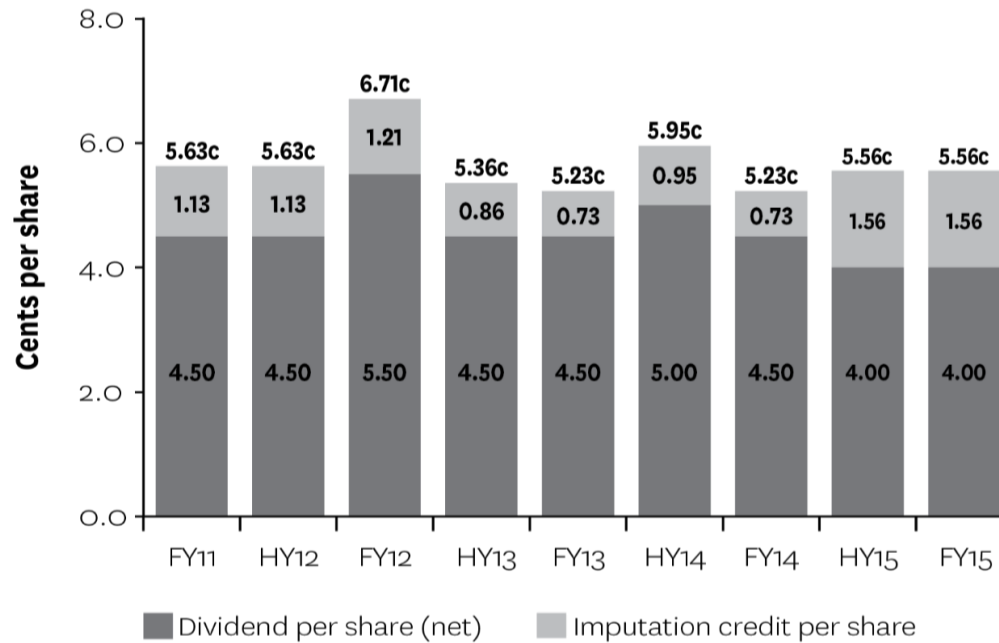
NZ \$000	2015	2014
Interest cover (EBITA/interest) - not less than 2.5	<b>9.1x</b>	10.1x
Gearing ratio (net debt/EBITA) - not to exceed 3.5	<b>2.0x</b>	1.5x

- Despite funding of acquisition, the Business remains comfortably within banking covenants



Fully imputed Dividend

# Dividend history



- Dividend maintained in line with half year
- Final fully imputed dividend of 4.0 cps to be paid on 30<sup>th</sup> June



Markets —



# Market review - NZ

NZ \$000	2015	2014	Variance %
Sales revenue	<b>32,114</b>	32,648	-1.6%
EBITDA <sup>1</sup>	<b>4,836</b>	5,909	-18.2%
EBITDA % of Revenue	<b>15.1%</b>	18.1%	-3.0%

## What we said at the ASM:

## How are we tracking:

**Regain lost market share**

**2 of 3 categories**

**Deliver incremental growth in Christchurch**

**ACHIEVED**

**Successful launch of new shower system incremental to Satinjet**

**ACHIEVED**

**Invest in brand equity**

**Underway**

**Win online**

**Launched/Activity to follow**



# Market review - AU

AU \$000	2015	2014	Variance %
Sales revenue	<b>35,995</b>	34,994	2.9%
EBITDA <sup>1</sup>	<b>2,980</b>	2,694	10.6%
EBITDA % of Revenue	<b>8.3%</b>	7.7%	0.6%

## What we said at the ASM:

## How are we tracking:

Profitable revenue growth

**ACHIEVED**

Successful launch of new shower system incremental to Satinjet

**ACHIEVED**

Tapware share growth

Not in line with expectation

Invest in brand equity

Ongoing

Win online

Launched/Activity to follow

# Market review - UK

GB £000	2015	2014	Variance %
Sales revenue	<b>12,187</b>	11,858	2.8%
EBITDA <sup>1</sup>	<b>675</b>	307	119.9%
EBITDA % of Revenue	<b>5.5%</b>	2.6%	2.9%

## What we said at the ASM:

## How are we tracking:

**Strong revenue and earnings growth**

**Earnings yes/Revenue no**

**Successful launch of new shower system incremental to Satinjet**

**ACHIEVED**

**Complementary positioning for Methven and Deva ranges**

**On track**

**Invest in brand equity**

**Deferred to second half**

**Win online**

**Good progress**

# Market review - China

CN ¥000	2015	2014	Variance %
Sales revenue	<b>1,933</b>	2,022	-4.4%
EBITDA <sup>1</sup>	<b>(39)</b>	913	-66.9%
EBITDA % of Revenue	<b>-2.0%</b>	45.1%	-29.5%

NZ \$000	2015	2014	Variance %
Sales revenue	<b>389</b>	403	-3.5%
EBITDA <sup>1</sup>	<b>(8)</b>	181	-66.3%
EBITDA % of Revenue	<b>-2.1%</b>	44.9%	-29.2%

## What we said at the ASM:

## How are we tracking:

**Very strong revenue and earnings growth from a low base**

**Not Achieved**

**Invest in brand equity**

**Deferred**

**Win online**

**Not Achieved**

# Group Operations segment

NZ \$000	2015	2014	Variance %
Sales revenue	539	1,054	-48.9%
EBITDA <sup>1</sup>	3,282	1,557	110.8%

- Includes:
  - NZ and China manufacturing operations
  - R&D and other Group support functions
- Increase reflects acquisition earnings and reduced M&A project costs

Changing our  
balance date



# Balance date

- Balance date to change to 30<sup>th</sup> June 2016
- Helps improve forecast and predictability of results

## Rationale

- Currently four events can materially effect our second half performance:
  - Historical sales variation in December and January
  - Less trading days in second half
  - Chinese New Year in February means we have committed to stock in December
  - March clearance of stock imbalances



Outlook  
cautiously  
optimistic

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# — Three point plan

- Think and act like the market leader
- Know the consumer better than anyone else
- Ensure organisational clarity with an aligned three year plan



# Think and act like the market leader

## Our Goals in FY16

- Revenue growth in NZ
- Strong sales and profit growth in UK
- Profitable growth in Australia
- Successful launch of Aio incremental to Satinjet
- Deliver at least US\$2 M annualised earnings from Heshan
- Successful relocation of our Manufacturing and Head office in NZ
- 130 year plans implemented to underpin brand equity and relevance

# Our new Head Office



- Cost neutral move to new site with enhanced capability

# Market focus

## New Zealand

### Our Goals in FY16

- Increase our Revenue**
- Grow sales and share of Tapware**
- Successful launch of Aio incremental to Satinjet**
- 130 year plans implemented to underpin brand equity and relevance**
- Win online**

# Market focus (cont'd)

## Australia

### Our Goals in FY16

- Profitable revenue growth**
- Grow sales and share of Tapware**
- Successful launch of Aio incremental to Satinjet**
- 130 year plans implemented to underpin brand equity and relevance**
- Win online**

# Market focus (cont'd)

UK

## Our Goals in FY16

- Strong sales and profit growth**
- Launch with one new major UK customer**
- Successful launch of Aio incremental to Satinjet**
- 130 year plans implemented to underpin brand equity and relevance**
- Win online**

# Market focus (cont'd)

## China

### Our Goals in FY16

-  **New business model to deliver profitable growth**
-  **Successful launch of Aio incremental to Satinjet**
-  **Enhanced Branded presence in China Market**
-  **Online sales test**

# — Guidance - Year ending June 2016

- Annual Group NPAT growth of 15 - 25% including benefits from our acquisition
- Group revenue growth (constant currency) of 5% or more
- Group net debt reduction

Directors update



# Director retirement

- Peter Stanes has retired after 11 years of exemplary service, effective from 15<sup>th</sup> July 2015
- Peter to stand down as Head of Audit & Risk Committee and as an Independent Director
- The Board would like to express their thanks and appreciation to Peter who has been a tireless promoter of improving standards at Methven
- Peter was an integral part of the team that oversaw the recent completion of our acquisition in China

# — Director appointments

- Following a thorough and extensive search, Norah Barlow appointed with effect from January 2015
  - Finance and commercial background
  - Summerset public listing on the NZX and ASX in 2011
  - Now professional director

# Director appointments (cont'd)

- Board appointed David Banfield as a director with effect from 25 May 2015:
  - Joined Methven in January 2014 as Group CEO having previously established a track record of building and growing international businesses
  - Appointment recognises Board's confidence in David's contribution over the past 17 months and
  - Will bring a valuable executive and industry perspective to an otherwise independent Board

Questions?

# METHVEN

Full year results and outlook

2014 - 2015

# Non-GAAP Financial Information

## Non-recurring Items

- Year-on-year impact of Non-recurring Items minimal

<b>CONSOLIDATED</b>	<b>31 Mar 15</b>		<b>31 Mar 14 (restated)</b>	
	<b>EBITDA<sup>1</sup></b>	<b>NPAT</b>	<b>EBITDA<sup>1</sup></b>	<b>NPAT</b>
NZ \$000				
Merger and acquisition costs	<b>452</b>	360	729	658
Restructuring costs	<b>256</b>	199	-	-
Legal fees	<b>334</b>	234	183	128
<b>TOTAL</b>	<b>1,042</b>	793	912	786

# Non-GAAP Financial Information (cont'd)

Reconciliation of Net Debt to the consolidated balance sheet

NZ \$000	As at 31 March 2015	As at 31 March 2014
Cash and cash equivalents	<b>2,008</b>	2,104
Non-current interest bearing liabilities	<b>-24,762</b>	-16,554
Net debt	<b>-22,754</b>	-14,450