

# METHVEN GROUP

## 2010-11 Full Year Results and Outlook

PRESENTATION TO ANALYSTS

Rick Fala // Group CEO

30 May 2011

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## Overview: Challenges and Confidence

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- It's been a challenging year with the effect of our largest UK customer, Focus (DIY) Ltd, going into voluntary administration, and the effect of the Christchurch earthquakes
- We've made some mistakes – but we have learned from them
- Our underlying margins and cash flow are solid with better debt levels than forecast
- We have confidence in our forward strategy, resulting in the payment of a final dividend
- And we have confidence in returning the UK to profitable performance this coming year



## Strategy strong despite setbacks

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Despite the prevailing New Zealand and international conditions, and the unforeseen impact of the Focus (DIY) Ltd event, we remain committed to:

- Design and innovation
- The UK market
- The luxury hotel market
- and International Distribution opportunities

In addition we have accelerated our drive to improve operational efficiencies - in all markets

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## Financial performance for F/Y to 31 March 2011

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- Group NPAT down 39.3% from \$7.8m to \$4.7m, after impact of providing for the loss of \$2.0m relating to the UK customer, Focus (DIY) Ltd
- Excluding impact from this UK customer, Group NPAT down 13.7% from \$7.8m to \$6.7m
- Net Debt increased only 9.3% from \$17.4m to \$19.1m, guidance was for an increase of 15-20%
- Group Operating Revenue down 6.0% from \$129.8m to \$122.1m
- EBITDA down 13.4% from \$16.7m to \$14.5m, excluding impact of UK customer loss

## Highlights

- Sales in Australia up 12% from A\$36.6 million to A\$41.0m
- EBITDA in Australia up 62% from A\$2.4m to A\$3.8m, despite A\$0.5 bad debt
- Cumulative Hotel installations for Satinjet showers top 21,000 rooms
- Won second prestigious Red Dot Design Award, this time for the Tahiti Twin-lever tap system
- Key management changes in UK in November 2010
- Launched Methven brand at premium global trade show in Frankfurt, March 2011
- New computer system implemented in New Zealand, delivered on time and on budget

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## Financial Summary for F/Y to 31 March 2011

TRADING RESULTS	2011 \$000	2010 \$000	Change %
Group operating revenue	122,087	129,822	-6.0
EBITDA <sup>1</sup>	12,343	16,698	-26.1
Net profit after tax	4,749	7,820	-39.3

### Before Focus (DIY) Limited loss and non-cash customer impairment

EBITDA <sup>1</sup>	14,467	16,698	-13.4
Net profit after tax	6,749	7,820	-13.7

<sup>1</sup> Earnings before interest, tax, depreciation, amortisation and impairment.

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## Financial Summary for F/Y to 31 March 2011

<b>CASH FLOW and WORKING CAPITAL</b>	<b>2011</b> <b>\$000</b>	<b>2010</b> <b>\$000</b>
<b>Net debt</b>	<b>19,074</b>	<b>17,446</b>
<b>Capital expenditure</b>	<b>3,659</b>	<b>2,209</b>
<b>Working capital</b>	<b>24,690</b>	<b>25,727</b>
<b>Working capital turn <sup>1</sup></b>	<b>4.6X</b>	<b>4.7X</b>

<sup>1</sup> Based on average working capital throughout the year

## Capital expenditure

<b>CAPITAL EXPENDITURE</b>	<b>2011</b>	<b>2010</b>
	<b>\$000</b>	<b>\$000</b>
Computer system - New Zealand	1,380	-
R&D projects and tooling	559	770
Displays	640	493
IT hardware/software, patents and trademarks	474	678
Plant & equipment	606	268
<b>Total</b>	<b>3,659</b>	<b>2,209</b>



## Dividends and Cash Flow

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- Partially imputed final dividend of 4.5 cps to be paid on 30 June 2011
  - 18% down on prior F/Y final of 5.5
  - total dividend for 2010-11 is 10.0 cps, down 9.0% from previous year
- Debt and cash flow forecasts comply comfortably within banking covenants and headroom
- Partial imputation to 60.6%

# VISION

To be the leading shower brand, loved worldwide for delivering, superior, life-enhancing shower experiences

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## Design and Innovation

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In the 2012 financial year we will launch:

- 3 new Satinjet shower ranges
- 3 new complementary tapware ranges
- A total of 59 new Methven branded products

These new products provide greater selection of mid to premium price points, style and functional benefits to the consumer



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# Design and Innovation

In subsequent years:

1. Digital shower technology to create enhanced shower experience through:

- Maintaining constant temperature
- Intuitive & easier to use controls
- Safety to prevent 'thermal shock' in shower
- Water & energy monitoring and efficiency

2. Shower Skincare

- Improve skin condition within the shower
- Providing wider application for Vitamin C technology to reduce chlorine in water

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## Returning UK to Profitability

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- Re-launch of Methven Brand in March 2011 at Ecobuild in London
  - Shows the key point of difference
  - Strong interest shown with leads generated
- Implementing successful Australian sales model & Methven design-led culture – Matt Crichton Group COO
- Appointment of highly regarded new UK CEO Steve Lee
- Deva brand refreshed with better products and new marketing system
- Reduced number of Deva products by 50% - minimal impact on sales
- Supplier rationalisation from 31 to 11 leading to better buying terms
- Improving processes to account for loss of Focus (DIY) Ltd business

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## Luxury Hotel Market

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- Number of hotel rooms with Satinjet showers now total 21,255 rooms
  - Australia 46% increase
  - Asia Region 168% increase
  - UK & Europe (new market) 1,240 rooms converted
- Solid pipeline of potential Asian and European hotel quotes, but longer lead time in converting opportunities into sales revenue
- Clients include the Intercontinental Hotel and Resorts, Crowne Plaza, JW Marriott, Sheraton Hotels & Resorts, Westin Hotel & Resorts, Hilton, Grand Hyatt and Hyatt Regency
- Jemflow technology a winning proposition when combined with Satinjet

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**WESTIN**<sup>®</sup>  
HOTELS & RESORTS

  
**SHANGRI-LA**  
HOTELS *and* RESORTS

  
**Sheraton**<sup>®</sup>  
HOTELS & RESORTS

  
**Hilton**

  
**INTERCONTINENTAL.**  
HOTELS & RESORTS

**HYATT**

  
**CROWNE PLAZA**<sup>®</sup>

  
*Palazzo Versace*

  
**STAMFORD**  
HOTELS · AND · RESORTS

  
**Marriott.**

  
**LANGHAM HOTELS**  
International

  
**SOFITEL**  
LUXURY HOTELS

  
**Holiday Inn**

  
**NOVOTEL**  
ACCOR  
HOTELS

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## Operational Efficiencies

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- Supplier and SKU rationalisation
  - UK supplier consolidation from 31 to 11
  - Rationalise products across the Group
- Improving our UK operation
  - New computer system based on NZ template
  - New modern warehouse
  - Process improvement
- Overhead cost reductions in all markets
  - Benchmarking operations to “best practice”
  - Consolidating service areas

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# OUTLOOK

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# Significant profit uplift for year ahead

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**NPAT in excess of \$8.5M – Up more than 25% on prior year before impact of UK customer failure (up more than 80% on prior year reported profit)**

## **Australia will continue to grow**

- economy forecast to continue to soften
- therefore expect modest top-line growth
- focus on operational efficiency will ensure we maintain current profit growth rate

## **New Zealand will be static**

- weak building and retail sectors compounded by the Christchurch earthquakes
- expect the market to drop in the short term, but maintain market share
- improvement once Christchurch rebuilding work fully gets underway
- new ranges launched to market; continuing investment in new designs

## **UK will return to profitability**

- economic outlook remains challenging
- focus on rationalisation and executing turnaround strategy
- profitable for 2012, building a sustainable base for growth

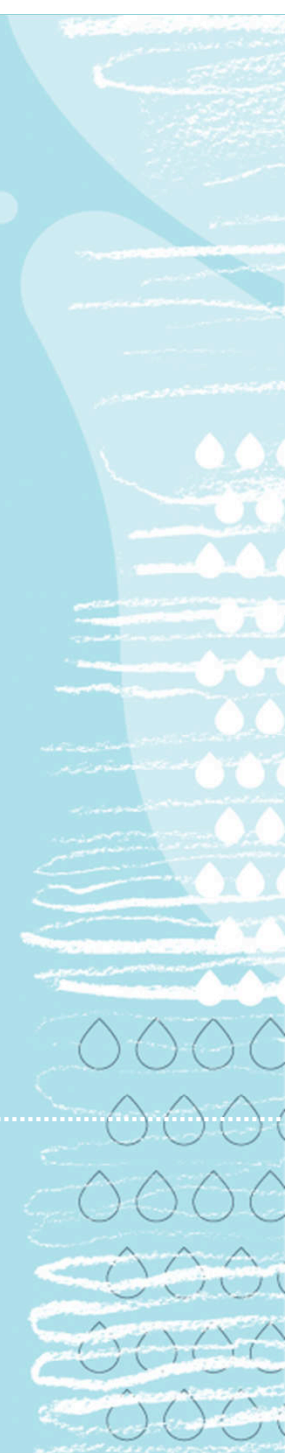
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# Questions

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# APPENDIX - MARKET REVIEW

2010 – 2011

AUSTRALIA

NEW ZEALAND

UNITED KINGDOM

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## Australia: Significant earnings growth

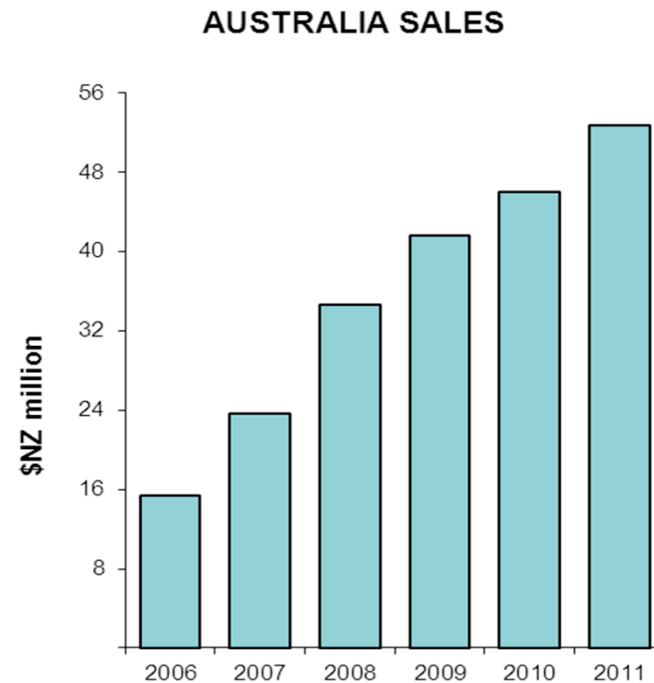
Australia AU \$000	2011	2010
Operating Revenue	40,967	36,553
EBITDA	3,816	2,352
EBITDA % of revenue	9.3%	6.4%

- Operating Revenue up 12.1% from A\$36.6m to A\$41.0m
- EBITDA up 62.2% from A\$2.4m to A\$3.8m, despite Enact bad debt of A\$486k
- Trading margins have improved particularly due to weaker USD

# Australian Highlights

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- Tapware sales up 30.4%
- Shower sales up 25.1%
- Satinjet sales up 8.3% as range refreshed
- Valve sales down 31.6%
- Won Bunnings shower category
- Strong growth in domestic hotel rooms up 46%



## New Zealand: Softening market affected by Christchurch Earthquakes

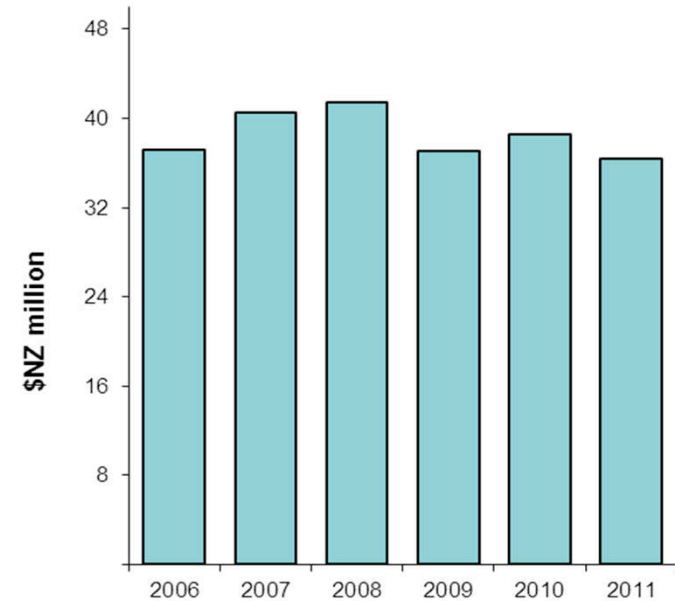
New Zealand NZ \$000	2011	2010
Operating Revenue	39,254	43,050
EBITDA	9,367	9,821
EBITDA % of revenue	23.9%	22.8%

- Operating revenue down 8.8% from \$43.1m to \$39.3m
- Domestic Revenue down 5.8% from \$38.6m to \$36.4m. Weak second half with Q4 sales impacted by Christchurch earthquakes. New Zealand combined building permits up 1% on prior year. In the second six months down 11.7 per cent.
- EBITDA down 4.6% from \$9.8m to \$9.4m.
- EBITDA margin to sales up due to improved operational efficiency

# New Zealand Highlights

- Won second Red Dot award, this time for Tahi Twin Lever tapware
- Computer system implemented in NZ on time and within budget
- Increased investment in research and development by 50%

NZ DOMESTIC SALES





## United Kingdom: Impact of loss of Focus (DIY) Ltd, difficult economic conditions persist

United Kingdom GB £000	2011	2010
Operating Revenue	14,543	18,663
EBITDA	(991)	1,518
EBITDA % of revenue	(6.8)%	8.1%

- Operating Revenue down 22.1% from £18.7m to £14.5m
- EBITDA down from £1.5m to breakeven before £1m reduction due to the 100% provision of receivables and inventory attributed to Focus (DIY) Ltd.
- Trading margins improve slightly despite competitive market conditions
- Group COO Matt Crichton implemented successful Australian sales model & Methven design-led culture
- Former Bristan Chairman and CEO Steve Lee appointed Methven CEO in November 2010. He is also a shareholder in Methven.
- Methven brand showcased at Ecobuild London trade shows in March 2011

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