METHVEN

NZX Statement

29 May, 2013

Methven Annual Results FY13
Dividend Stream Continues Despite Tough Conditions

Leading New Zealand shower and tapware designer Methven Limited [MVN] is pleased to announce its annual results for the year ended 31 March 2013.

Key results for the Group include:

Group Financial Performance

- Group EBITDA excluding one offs[1], down 3.4% from $13.4 million to $12.9 million.
- Group reported NPAT fell 20.3% on the prior corresponding period from $6.5 million to $5.2 million.
- Group NPAT excluding one-offs[3], fell 11.1% from $6.1 million to $5.5 million.
- Net Debt increased 46.6% from $11.7 million to $17.2 million.
- Underlying Net Debt[4] increased 14.8% from $15.0 million to $17.2 million.
- Group Operating Revenue was down 7.3% from $106.2 million to $98.4 million.

Highlights

- New Zealand division earnings improved as market conditions improved, with EBITDA excluding one-offs[1], up 6.9% on the prior year from $7.9 million to $8.5 million.
- Modest recovery of the UK division with £0.2 million second half EBITDA[2] profit, reversing the first half loss.
- Australian division EBITDA[2] down 1.9% in weak market conditions and a 12.9% sales decline.
- Continued investment in R&D, augmented by Technology Development Grant of up to $2.3 million over the next three years from Callaghan Innovation.
- Brand reputation benefits from two new Chicago Athenaeum GOOD DESIGN™ Awards.
- Partially imputed final dividend of 4.5 cps to be paid on 28 June 2013, resulting in a total dividend for the year of 9.0 cps (LY 10.0 cps).

According to outgoing Group CEO, Mr Rick Fala, the ongoing tough conditions in major markets continue to have a significant impact on business performance, with Group EBITDA excluding one-offs[1] for the year to 31 March 2013 down 3.4% from $13.4 million to $12.9 million.

“Group Operating Revenue was down 7.3%, reflecting the continued downturn in Australian market conditions. However, a focus on tight cost control and improved operational efficiencies throughout the Group contributed to operating costs being driven down 8.6% year on year,” Mr Fala said.

Mr Fala added that a 14.8% increase in underlying Net Debt[4] was largely due to the higher than anticipated stock levels as a result of the reduction in Australian sales and that debt levels are expected to drop back down as the position normalises.

“Despite the increase in debt levels, the business remains comfortably within bank facility limits and covenants and the Directors are comfortable with the business’s financial position and outlook and hence our ability to maintain a healthy dividend flow.”

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The New Zealand division's earnings stabilised as conditions stabilised, with EBITDA excluding one-offs[1], up 6.9% on the prior year. Domestic sales were up slightly on last year and continued improvements to the cost base delivered a positive result.

Despite the tough conditions in the UK, the team delivered a modest growth in sales, up 2.4%. Combined with rigorous cost control, the first half loss was turned around into a second half EBITDA[2] profit of £0.2 million to deliver the anticipated breakeven result for the full year.

"While we expect the UK market to remain difficult, we are confident that the operation will continue along the profitable path established in the second half of last year," Mr Fala said.

The continued rapid decline in Australian market demand impacted operations, with Operating Revenue down 12.9%. However, with ongoing tight cost control measures and operational efficiencies, the fall in Operating Revenue was largely offset, with EBITDA[2] down just 1.9%. In the face of these tough market conditions, the tapware growth strategy gained traction with tapware up 2%, now accounting for 24% of total Australian sales.

"Global uncertainty continues to shape and impact markets important to Methven and the rapid decline in Australia serves to demonstrate the difficult market conditions which have weighed heavily on our ability to grow the business. While a key focus has been on cost control during these uncertain times, we remain committed to delivering our strategic initiatives to create future growth and ongoing shareholder returns," Mr Fala said.

With continued investment in research and development, the business is now focused on strengthening marketing capability following an in depth and independent review of the marketing function.

"In a highly competitive market, we have a genuine point of difference to stand out from our competitors and position Methven as a brand of choice. We are confident that investment in marketing capability and a fresh and reinvigorated globally aligned brand backed by well-grounded marketing-led initiatives, will increase market share and drive new opportunities for the long term growth of the business," Mr Fala said.

Mr Fala added: "We are also improving our online capabilities to deliver an improved brand experience across all interfaces and also facilitate improved integration of social media to establish and enable more effective two way conversations to build and drive global brand positioning."

New and emerging markets continue to be a strategic platform for growth for Methven in the longer term.

"We have worked hard over the past five years to develop a sound strategy and business model in China and remain committed to continued support and investment for long term success. We are also seeing signs of promise with new opportunities coming from areas suffering water and energy shortages. A recent major Satinjet contract in South Africa highlights potential for new markets around the world and we will continue to seek out opportunities in previously untapped markets," Mr Fala said.

"We are also in the final stages of due diligence for an important business acquisition. While it remains too early to comment, we are excited by the opportunity it represents across all facets of the business."

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In addition, stringent cost management, tight working capital management and further simplification of the business will continue to deliver savings and position the business to ride out the persistent market pressures.

According to Chairman Mr Phil Lough, the underlying health of the business remains sound and the Directors are confident in the ability of the company to continue to pay sustainable dividends over the longer term.

"The Directors are pleased to declare a Final Dividend of 4.5 cps, maintaining Methven's proud record of having never missed paying an interim or final dividend since first listing in November 2004," Mr Lough said.

"With the anticipated appointment of a new Group CEO and revamped marketing approach, supported with Rick Fala's industry and institutional knowledge as a non-executive director, we expect to continue our reinvigoration of the business."

For more company information, visit www.methven.com

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About Methven:
A pioneer in bathroom and kitchen plumbing for over 125 years, Methven is New Zealand's oldest and largest designer of showerware and tapware to builders, plumbers and home renovators. Today, Methven is a world-class international business with our proprietary technology, shower systems and tapware ranges earning a reputation for innovation, high quality, and water and energy efficiency. Methven has won prestigious design awards worldwide for the innovative functionality and water and energy saving aspects of our products including the prestigious Red Dot and Good Design Awards.

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1 EBITDA excluding one-offs is EBITDA[2] adjusted for the impact of due diligence costs of $316,000 and, in the prior year, one-off recoveries of $425,000 relating to Focus (DIY) Limited which include the debt recovery, inventory recovery and associated one-off costs.

2 EBITDA is earnings before interest, tax, depreciation, amortisation, impairment, non-operating foreign exchange gains/(losses) and inter-segmental charges.

3 Net profit after tax excluding one-offs is net profit after tax adjusted for the impact of due diligence costs of $316,000 and in the prior year, one-off recoveries of $314,000 relating to Focus (DIY) Limited which include the debt recovery, inventory recovery and associated one-off costs.

4 Underlying Net Debt is net debt adjusted for one-off extended supplier payment terms and favourable debtor collections at 2012 year end.