

## **Methven Group Interim Results Outperform Guidance**

### **Performance Summary**

- Methven Group outperforms half year guidance
- Net Debt down 47.4% from \$35.0M to \$18.3M, better than 30% forecast reduction
- Underlying NPAT down 3.2% on prior corresponding period from \$4.3M to \$4.2M (reported NPAT down 15.4% from \$5.0M to \$4.2M)
- EBITDA down 11.5% from \$9.6M to \$8.5M and Operating Revenue down 5.1% from \$71.8M to \$68.1M
- Fully imputed interim dividend of 5.5 cps to be paid on 31 December 2009, same as June 2009 final dividend and in line with guidance

Methven Group has achieved a better than forecast interim result with a solid reduction in debt levels by reducing working capital and generating creditable Group profitability for the six months ended 30 September 2009.

“The stronger than forecast performance in the first half gives us confidence that our strategies are working,” Chairman Phil Lough said. “We have tactical plans in place and a strategy of diversification of geographic markets, channels and ranges to enable us to ride out the current economic downturn and be in a strong position to accelerate growth as we see the recovery emerging.”

Net Debt had been forecast to fall by 30.0% on the prior corresponding period but was reduced by 47.4% from \$35.0 million to \$18.3 million (37.0% improvement before currency translation with NZD/GBP benefit of \$3.5 million).

Underlying Group interim NPAT was down 3.2% from \$4.3 million to \$4.2 million compared to the corresponding prior half year (after excluding last year’s one off UK tax credit of \$636,000). Reported Group NPAT was down 15.4% from \$5.0 million to \$4.2 million. This too was considerably better than the July guidance of a 30-35% reduction in first half profitability.

The interim result was based on Operating Revenue of \$68.1 million, down 5.1% from \$71.8 million, and EBITDA of \$8.5 million, down 11.5% from \$9.6 million.

The results reflected a resilient renovation sector in New Zealand, growth in tapware and valving sales in Australia, margin pressure in the depressed UK market and a further significant reduction in USA losses.

Mr Lough said that as Methven has continued to maintain strong operating cash flows despite the adverse trading conditions, Directors have recommended payment of a fully imputed interim dividend of 5.5 cps on 31 December 2009. The amount is the same as the June 2009 final dividend and is in line with guidance. In addition to the interim dividend, a supplementary dividend of 0.9707 cps will be paid to non-resident shareholders on the same day.

## **Outlook**

Full year NPAT guidance provided in July 2009 remains unchanged at 15-20% down, but Net Debt was expected to improve further on the guidance level of around 20% and finish 30-35% down, Group CEO Rick Fala said.

Looking at the markets, Mr Fala said that Methven New Zealand was expected to continue to perform well against the second half in 2008-09 due to a resilient renovation market, strong merchant support and introduction of new products.

“We are targeting strong year on year growth in Australian profitability, based on increased topline sales, underpinned by the comparative strength of the Australian economy,” he said.

The UK was forecast to be down markedly on the second half 2008-09 due to continued pressure on margins in a severely depressed market. Methven had also forecast the potential loss of a key DIY customer as they moved to sourcing tapware direct from Chinese manufacturers.

“Our mitigation and UK market development strategy is to step up sales activity of premium, proprietary Methven products to Showrooms and Plumbing Merchants. We are also seeking to increase our share of the UK showerware category, target sales in the hotel sector, extend the distributor base in Europe and the Middle East and continue to rationalise costs,” Mr Fala said.

## **Strategic Focus**

“There is no better time to be marketing energy and water efficiency and we are making good progress with a global initiative to fit Satinjet showerware in hotels and leisure outlets and extend distribution of Methven products into new markets,” he said.

“Given the wide extent of bathroomware products from premium through to value available under Methven brands, we have a compelling offer to take to plumbing distributors in new markets and we are creating a small, dedicated export team to develop this exciting opportunity.”

Methven was continuing to extend its reach into new beauty and wellbeing segments with the launch of the innovative HomeSpa range, which is being trialled in New Zealand through Smith and Caughey department store, Life Pharmacies and selected plumbing retailers as well as on line through Methven’s website.

“The market response has been very encouraging and the revolutionary new shower infusions and complementary body products which turn a shower into a HomeSpa experience creates a consumables business aligned to our core shower and tapware offering,” Mr Fala said. “This unique, world first innovation was recognised with the winning of a prestigious Gold at the New Zealand Best Awards 2009.”

Methven was not cutting back on strategic innovation despite firm cost controls, he said.

“We will continue to quickly bring to market enhancements to our platform technologies to grow our business and progress our ambition to be a leading global brand, recognised and loved worldwide for delivering superior, life-enhancing shower experiences, creating a sensory revolution in the shower.”

**For further company information go to: [www.methven.com](http://www.methven.com)**

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## Market Review

### New Zealand – resilient and defensive strategies proving successful

NZ\$000	Unaudited	
	30-Sep-09	30-Sep-08
Operating Revenue-Total	22,354	24,184
EBITDA excluding non-operating fx and inter-segmental charges	5,701	5,833

- Total Operating Revenue down 7.6% from \$24.2 million to \$22.4 million
- Domestic Revenue down 2.6% from \$20.1 million to \$19.6 million despite a decline in combined new build and renovations of 17%
- EBITDA down 2.3% from \$5.8 million to \$5.7 million on 1H 09
- EBITDA up 17.9% on 2H 09
- Growth in market share and consolidation of domestic leadership a culmination of:
  - Our strength in the renovation sector
  - New product releases and increased promotional activity
  - Strong support from merchants based on our ability to provide superior service

### Australia – continued revenue and earnings growth

AU\$000	Unaudited	
	30-Sep-09	30-Sep-08
Operating Revenue	18,562	17,499
EBITDA excluding non-operating fx and inter-segmental charges	1,212	829

- Operating Revenue up 6.1% from A\$17.5 million to A\$18.6 million
- EBITDA up 46.2% from A\$0.8 million to A\$1.2 million
- Topline sales growth as a result of integrating Methven and Nefa sales teams
- Tapware sales up 49% on corresponding prior period
- Nefa valve sales up 16%
- Business now reached critical mass and strategy shifting to growth and driving profitability

## UK –margin pressure in depressed market

GB£000	Unaudited	
	30-Sep-09	30-Sep-08
Operating Revenue-Total	10,083	11,327
EBITDA excluding non-operating fx and inter-segmental charges	881	1,254

- Operating Revenue down 11% from £11.3 million to £10.1 million
- EBITDA down 29.7% from £1.3 million to £0.9 million
- EBITDA in NZ\$ down 33.6% from 29.8% due to weakening of Sterling, however this has resulted in a NZ\$3.5 million reduction in the value of Sterling denominated borrowing
- Margin decline was as anticipated given the depressed and competitive UK market conditions
- Overheads reduced 17% with operational, marketing and employment costs savings
- Slower than expected progress introducing Methven proprietary products and implementing strategies to address this
- Likely non-renewal of a key DIY customer contract; strategies in place to mitigate impact

## USA – loss reduced significantly

- Operating loss cut 80.2 % from NZ\$475,000 to NZ\$94,000
- Sales now managed from New Zealand