



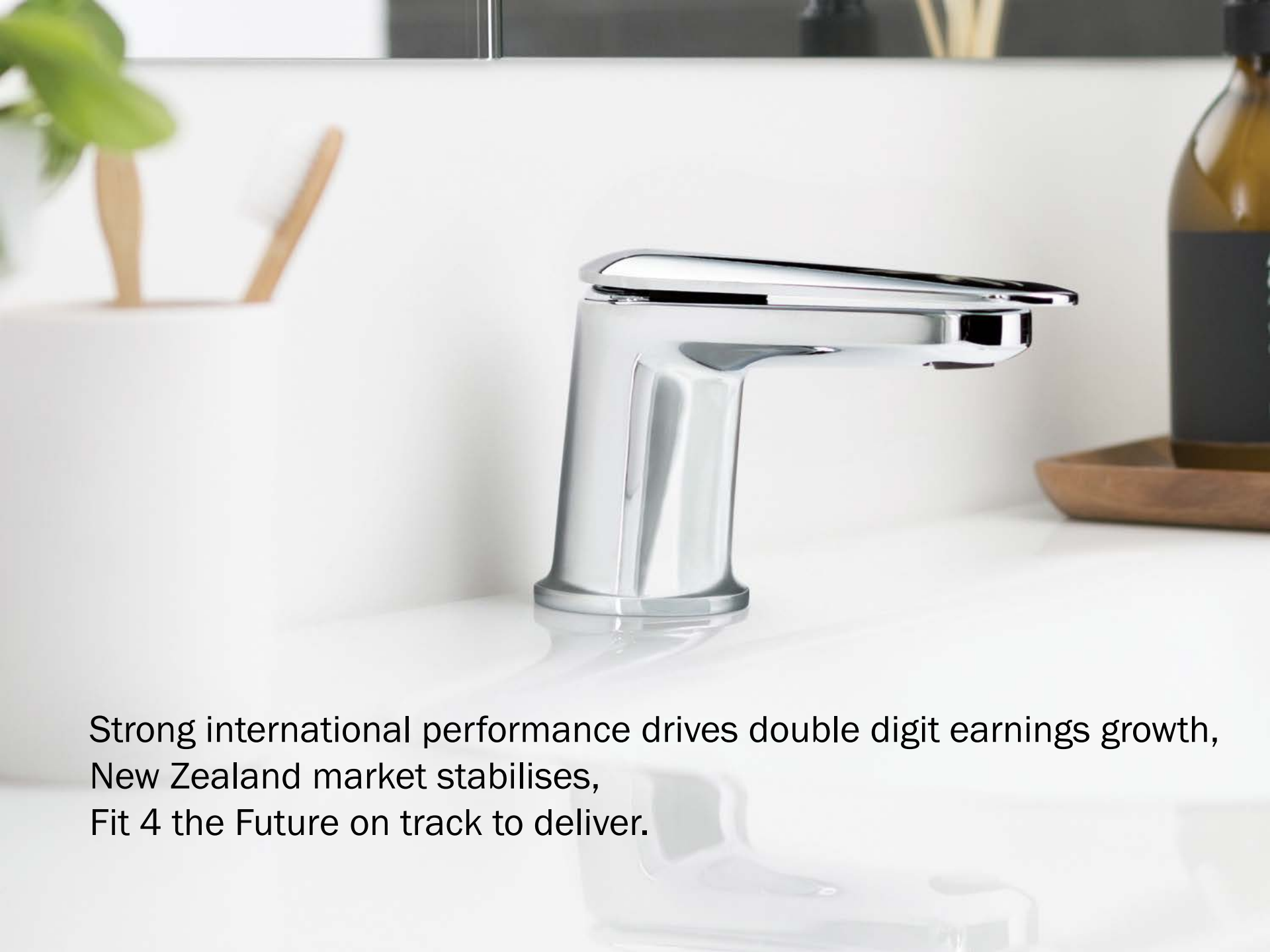
PRESENTATION TO
INVESTORS & ANALYSTS

Full Year results and outlook

David Banfield, Group CEO

29 August 2018
for 12 months 1 July 2017 - 30 June 2018

METHVEN



Strong international performance drives double digit earnings growth,
New Zealand market stabilises,
Fit 4 the Future on track to deliver.

Fix, transform and grow

- Fix the issues that caused underperformance in the New Zealand market.
- Transform, strengthen and digitise our core processes' and factories' capability through our FFF programme.
- Significantly grow our international sales and profit in our international markets.

Progress to date:

- Fix New Zealand – Good management of margins and cost. Tapware relaunched late May, Tūroa available at the end of June. Strongest pipeline of NPD ever for the NZ market in FY19.
- Transform – FFF plan tracking to target. Good work on in-sourcing, improving margins. **33%** reduction in finished good SKUs, freeing up cash. Operational automation creating efficiencies. Investment in NZ manufacturing capability to give regional competitive advantage.
- Grow – International sales **+11.6%**, International EBIT contribution **+54.1%**. Market share growth Australia, market share growth UK, strong growth and profitability China. New international partners in place to better leverage IP (yet to benefit numbers). Strong cashflow.

Highlights

for the 12 months ended 30 June 2018

- Earnings before interest and tax (“EBIT³”) finished at \$10.7m, a 20.4% increase on the same period FY17 and up 17.3% in constant currency (+15.4% reported and +12.6% in constant currency¹, excluding the positive impact of prior period adjustments²).
- Net profit after tax (“NPAT”) finished at \$6.6m, up 21.9% on FY17 and up 19.1% in constant currency (+14.4% reported and + 11.9% in constant currency, excluding the positive impact of prior period adjustments), slightly improved verses guidance.
- The year-on-year reported NPAT growth includes a restatement of FY17 results, created by a non-revenue impacting change relating to patents and trademarks and the incorrect recognition of an asset.
- Revenue finished the year at \$105.1m, a 5.1% increase on the same period FY17, and a 2.4% increase in constant currency.
- International sales increased 11.6% and EBIT contribution improved by 54.1% to 73% of total Group EBIT.
- Net Debt⁴ decreased by \$4.5m as operating earnings and improved working capital flowed through to debt reduction.
- Net Operating Cashflow improved by \$9.4m.
- The Directors declared a partially imputed 4.0 cents per share dividend payable on 28 September 2018, a 33% increase on the 2017 final dividend.

1. Consistent with previous reports, commentary focuses on results on a constant currency basis due to significant movement in fx translation rates during the year. Constant currency is the previous year's individual trading entities' performance in their local currency translated into NZ\$ at the current year's fx rates. These rates are GBP/NZD 0.5280 (PY 0.5606), AUD/NZD 0.9197 (PY 0.9466) and RMB/NZD 4.6291 (PY 4.8514).

2. FY17 earnings before interest and tax (EBIT) and net profit after tax (NPAT) have been restated for the impact of prior period adjustments, as detailed in note 5.5 of the financial statements.

3. Refer to the reconciliation of EBIT to the consolidated income statement in note 2.1 of the financial statements.

4. Refer to the reconciliation of net debt to the consolidated balance sheet in note 3.6 of the financial statements.

Highlights *(cont'd)*

for the 12 months ended 30 June 2018

- Strong momentum in international sales, with revenue improved by 11.6% and EBIT contribution by 54.1%.
- International earnings CAGR 2013 – 2018 +17.9% reported (+24.8% in constant currency).
- EBIT margins improved in all international markets and **market share gains were achieved in all markets outside New Zealand.**
 - Australia sales up 3.7% (A\$1.4m) over the period due to range extensions and contract wins. Methven branded sales increased by 12.7%, EBIT improved by 32.9% as we achieved better operating leverage, and sales growth flowed through. Second half below our expectations as new product launches were pushed into FY19.
 - UK revenue grew by 8.9% and EBIT by 31.0% as volume margin benefits flowed through. Methven-branded sales increased by 37%. Gross margin was negatively impacted by GBP/USD exchange rate over the period, though is forecast to recover in FY19.
 - China continued its strong growth, with sales growing to NZ\$1.4m, +639% (RMB 6.4m) over the prior period, and also recording a 13.7% EBIT contribution which was ahead of our FY18 expectations.

Highlights *(cont'd)*

for the 12 months ended 30 June 2018

New Zealand market

- Full year sales declined by 7.2% in New Zealand due to tapware underperformance and demand normalising in the Canterbury region. Sales stabilised in Q4 and were broadly flat year-on-year.
- Our biggest ever range of NPD is due to land in FY19, and we have a strong belief that this will help us deliver good growth in the NZ market.
- EBIT impact was minimised due to the efficiency initiatives previously disclosed, though lower tapware sales reduced recoveries and EBIT in both of our factories.
- Customer-facing investment was maintained.

Fit for the Future

- Good progress on in-sourcing activity in to our own factories, with a more significant increase planned in FY19. We have simplified the business further, reducing our finished goods SKU count by 33% and freeing up cash in the process.
- Digitised core operational processes, delivering a scalable solution that supports our future growth ambitions and delivering better customer service at the same time.
- 82% of profitability projects and 73% of efficiency projects underway at 50% time gone. \$870k in operating expenditure was invested in the programme over this period, with an annualised benefit of \$1.6m expected in FY19 before any re-investment in new initiatives in FY19
- On track to deliver to our expectations.

Highlights *(cont'd)*

for the 12 months ended 30 June 2018

- Outlook for the year ending June 2019:
 - International growth is forecast to accelerate, and the New Zealand market to recover lost share over this period. Investment in FFF initiatives will continue.
 - An update to guidance will be given at the Annual Shareholder Meeting.

Prior period adjustment

- Year-on-year reported NPAT performance includes a non-revenue impacting restatement to FY17 results, resulting in a downward restatement of FY17 NPAT from \$5.8m to \$5.4m.
- Excluding the restatement, NPAT grew 14.4% on a reported basis and 11.9% on a constant currency basis, reflecting strong underlying business performance.
- These adjustments were as a result of a Group review of prior period tax returns, and outstanding legal claims.
- The adjustments did not affect the underlying trading markets, or their inertial growth, as the initial recognition and subsequent re-measurement was included within the Group functions.

Note 5.5 Balance Sheet Extract

NZ \$'000 Statement of financial position (extract)	30 June 2017 reported	Increase/ (Decrease)	30 June 2017 (Restated)	30 June 2016 reported	Increase/ (Decrease)	1 July 2016 (Restated)
Prepayments and other assets	1,729	(383)	1,346	1,480	-	1,480
Total current assets	45,651	(383)	45,268	41,632	-	41,632
Deferred tax assets	2,585	(161)	2,424	3,162	(143)	3,019
Total non-current assets	48,933	(161)	48,772	52,121	(143)	51,978
Total assets	94,584	(544)	94,040	93,753	(143)	93,610
Income tax payable	39	(26)	13	158	19	177
Current liabilities	17,102	(26)	17,076	20,361	19	20,380
Total liabilities	47,902	(26)	47,876	44,751	19	44,770
Net assets	46,682	(518)	46,164	49,002	(162)	48,840
Retained earnings	7,070	(518)	6,552	7,425	(162)	7,263
Total equity	46,682	(518)	46,164	49,002	(162)	48,840

Note 5.5 P&L Extract

NZ \$'000 Income statement (extract)	2017 reported	Increase/ (Decrease)	2017 Restated
Cost of sales	57,078	383	57,461
Gross profit	43,001	(383)	42,618
Profit before income tax	7,988	(383)	7,605
Income tax expense	(2,188)	27	(2,161)
Net profit attributable to shareholders of the parent	5,800	(356)	5,444
Statement of comprehensive income (extract)			
Net profit for the year	5,800	(356)	5,444
Total comprehensive income for the year attributable to the shareholders of the parent	3,660	(356)	3,304

Financial Highlights

REPORTED PERFORMANCE			
12 months ended June			
NZ \$000	2018	2017 Restated ¹	Variance %
Sales revenue	105,141	100,079	5.1%
EBITDA	13,856	12,375	12.0%
Depreciation and amortisation	(3,189)	(3,512)	-9.2%
EBIT	10,667	8,863	20.4%
NPAT	6,637	5,444	21.9%
Earnings per share	9.3 cps	7.7 cps	21.8%
Dividend	8.0 cps	7.0 cps	14.3%
Operating cash flow	12,740	3,323	283.4%
Net debt	(22,640)	(27,126)	-16.5%
Return on capital employed ²	13.3%	11.4%	15.9%

1. FY17 EBIT, NPAT and earnings per share have been restated for the impact of prior period adjustments, as detailed in Note 5.5 of the financial statements.

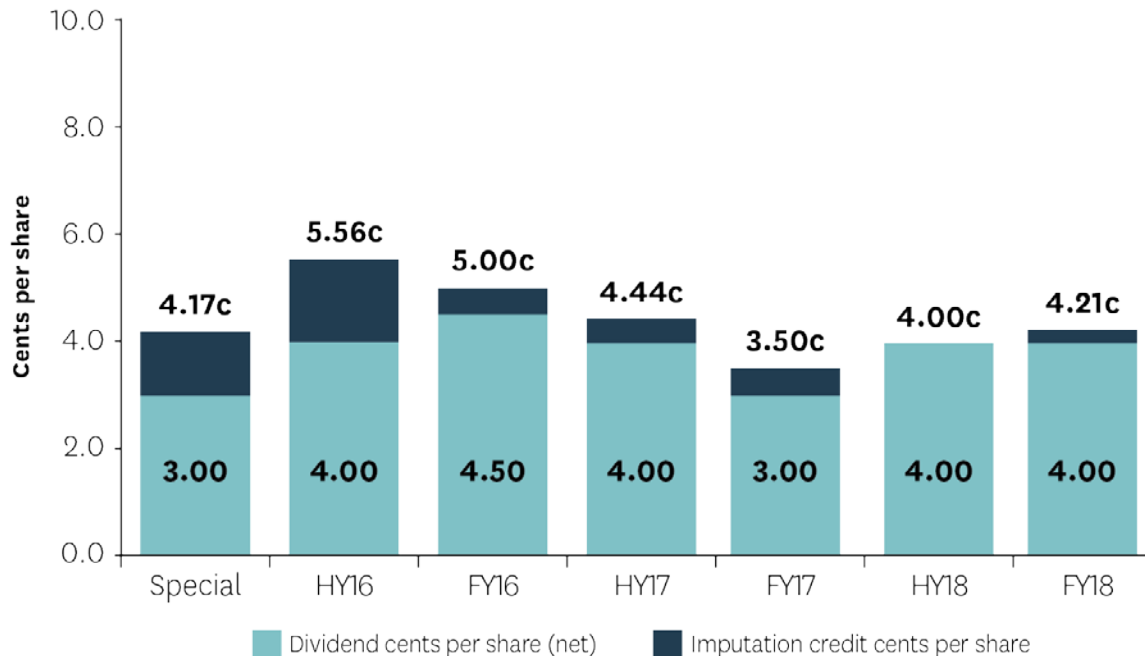
2. Return on capital employed (ROCE) is calculated as EBIT for the year divided by total assets less current liabilities as at 30 June.

Financial Highlights

NZ \$000	REPORTED PERFORMANCE		
	12 months ended June		
		2017	
	2018	Reported	Variance %
Sales revenue	105,141	100,079	5.1%
EBITDA	13,856	12,758	8.6%
Depreciation and amortisation	(3,189)	(3,512)	-9.2%
EBIT	10,667	9,246	15.4%
NPAT	6,637	5,800	14.4%
Earnings per share	9.3 cps	8.2 cps	13.9%
Dividend	8.0 cps	7.0 cps	14.3%
Operating cash flow	12,740	3,323	283.4%
Net debt	(22,640)	(27,126)	-16.5%
Return on capital employed ¹	13.3%	11.9%	11.1%

1. Return on capital employed (ROCE) is calculated as EBIT for the year divided by total assets less current liabilities as at 30 June.

Dividends



- Final partially imputed dividend of 4.0 cps to be paid on 28 September 2018.
- Along with Interim dividend of 4.0 cps, brings the full year's dividends to 8.0 cps (up 1.0 cps from the prior year).
- Full year pay-out ratio of 89%.

Strategy

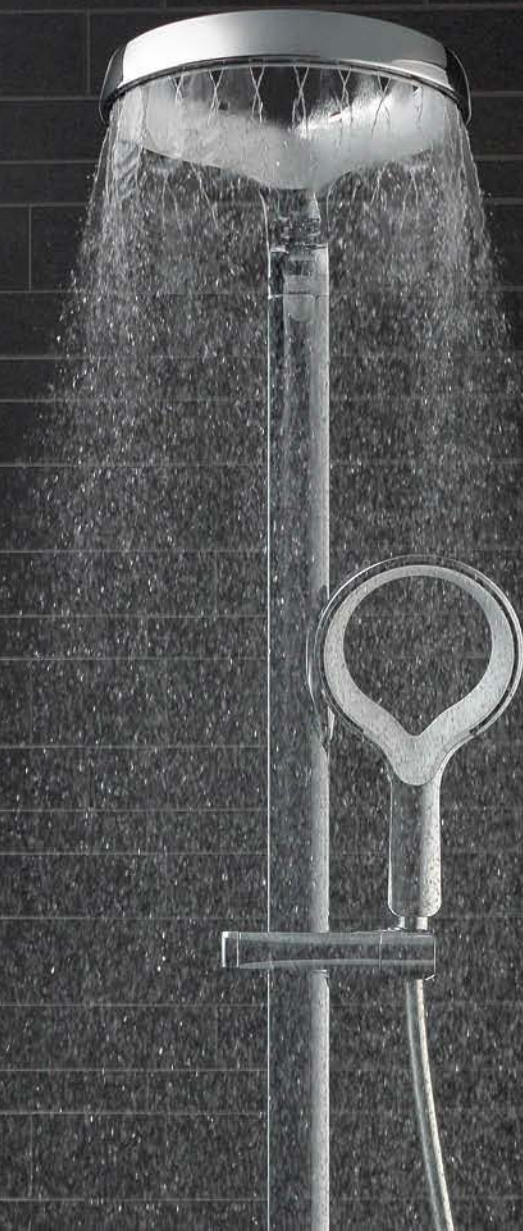
Methven 130

- Methven 130 remains the strategic focus for the organisation and we retain our target to increase sales to \$130m by June 2020, and to improve NPAT ratio to sales towards our 10% goal.
 - We aim to grow core market sales from \$103.0m to \$117.1m over the period (core markets being NZ, Australia and UK) and to improve sales ratio towards 10%.
 - We are targeting new international market sales of \$13m. Sales of proprietary technology in showering, and our international business model, will drive margin expansion.
 - Our Fit 4 the Future programme is designed to deliver a 300 bps (3%) improvement in gross margin and a \$3m reduction in fixed costs to support international expansion.
 - At 50% time gone, 82% of our profitability and 73% of our efficiency projects are in execution or have been completed.

Strategy to 2023

- We have also spent considerable time finalising our strategy to 2023, including our revolutionary digital manufacturing strategy that will enable us to disrupt the global plumbing industry from New Zealand and truly differentiate Methven from all of our competitors.

Markets



Market review – NZ

12 months ended June			
NZ \$000	2018	2017	Variance %
Sales revenue	32,357	34,869	-7.2%
EBIT	4,292	4,195	2.3%
EBIT % of revenue	13.3%	12.0%	1.3 pts

Our Goals in FY18

Revenue growth in New Zealand

Revenue -7.2%

Fit 4 the Future fixed cost savings realised

Fixed costs reduced by \$800k

Fit 4 the Future – manufacturing in-source delivering margin improvement

Margin improved by 1.3 pts

Tapware revenue growth

Not achieved

SKU reduction supporting simplification

SKU count reduced by 21%

Market review – AU

12 months ended June			
AU \$000	2018	2017	Variance %
Sales revenue	40,429	38,983	3.7%
EBIT	3,862	2,906	32.9%
EBIT % of revenue	9.6%	7.5%	2.1 ppts

Our Goals in FY18

Revenue and market share growth

Revenue +3.7%, Methven brand +12.7%

% EBIT improvement

EBIT improved by 32.9%

Digitisation

Specification site, \$1 handset trial
and B2B website launched

Tapware revenue growth

Double digit % growth

SKU reduction supporting simplification

SKU count reduced by 43%

Market review – UK

12 months ended June			
GB £000	2018	2017	Variance %
Sales revenue	14,112	12,959	8.9%
EBIT	769	587	31.0%
EBIT % of revenue	5.4%	4.5%	0.9 ppts

Our Goals in FY18

Double digit growth in UK

Revenue improved 8.9%

Tapware market share growth

ACHIEVED

Digitisation

ACHIEVED

Category captancy

Achieved and implemented in showering

Improved EBIT to sales ratio

Achieved 5.4% vs. 4.5% FY17

Market review - China

12 months ended June			
NZ \$000	2018	2017	Variance %
Sales revenue	1,382	187	639.0%
EBIT	189	(311)	160.8%
EBIT % of revenue	13.7%	-166.3%	180.0 ppts

Our Goals in FY18

30 – 40 high quality distributors China

44 distributors now operational

Business model Proof of Concept – Revenue

First distributor achieved RMB 1m

Business model Proof of Concept – EBIT

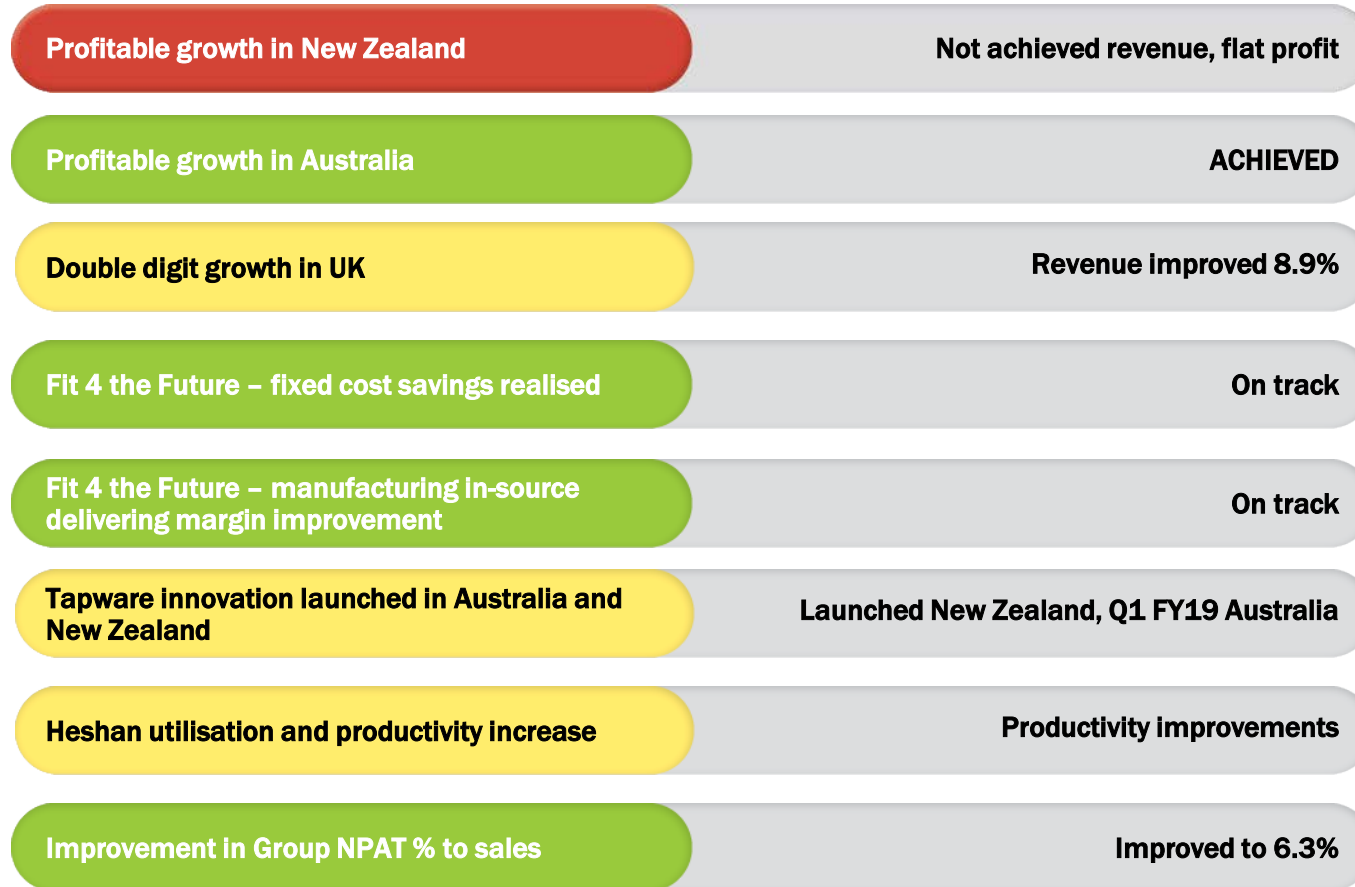
Full year EBIT 13.7%

New market launch in SEA

New markets launched Singapore & Malaysia

Business Review

Our Goals in FY18



Summary

- Group EBIT +15.4% reported and +12.6% in constant currency (excluding the positive impact of prior period adjustments), in line with guidance.
- International earnings increased 54% with strong sales performance (+11.6%) and market share growth in all international markets.
- Strong profitable (13% EBIT) growth in China.
- NZ market stabilising, with biggest ever NPD programme on the way in FY19.
- Fit for the Future on track to deliver to plan.
- Strong cashflow and debt reduction
- International growth is forecast to accelerate, and the New Zealand market to recover lost share over this period. Investment in FFF initiatives will continue.
- An update to guidance will be given at the Annual Shareholder Meeting.

Questions?

Disclaimer

This presentation contains not only a review of operations, but also some forward-looking statements about Methven Limited and the environment in which the company operates. Because these statements are forward looking, Methven Limited's actual results could differ materially.

Although management and directors may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realised.

Please read this presentation in the wider context of material previously published by Methven Limited.

METHVEN

2018 Full Year Results and Outlook

Non-GAAP Financial information

Reconciliation of Net Debt to the consolidated balance sheet

NZ \$000	As at 30 June	
	2018	2017
Cash and cash equivalents	5,464	3,624
Finance leases	(544)	(702)
Bank facility loans	(27,560)	(30,048)
Net debt	(22,640)	(27,126)