FY17 Financial Results Presentation

17 August 2017

GODFREYS AT A GLANCE

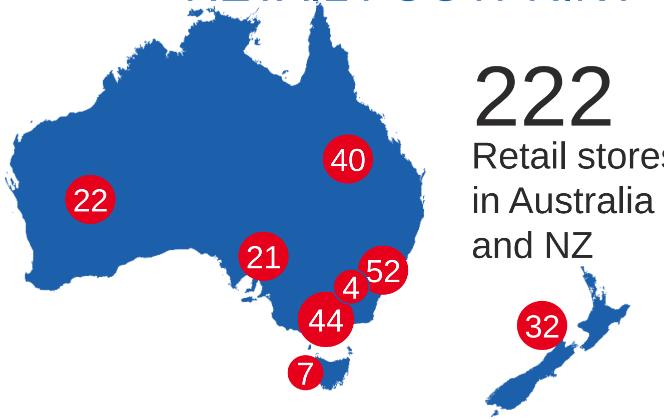
VACUUM & CLEANING SPECIALISTS

1930s FOUNDED IN MELBOURNE

2006 SOLD to PE

2014 ASX LISTING

LARGE AND EFFICIENT RETAIL FOOTPRINT



222
Retail stores in Australia and NZ

KEY PRODUCT CATEGORIES

DOMESTIC CLEANING	COMMERCIAL CLEANING
Vacuum cleaners	Accessories
Steam cleaning machines	General cleaning merchandise
Shampoo cleaning machines	Repairs and service

FY17 UNDERLYING FINANCIALS (1)

REV $174.1m

EBITDA $14.1m

EBIT $9.4m

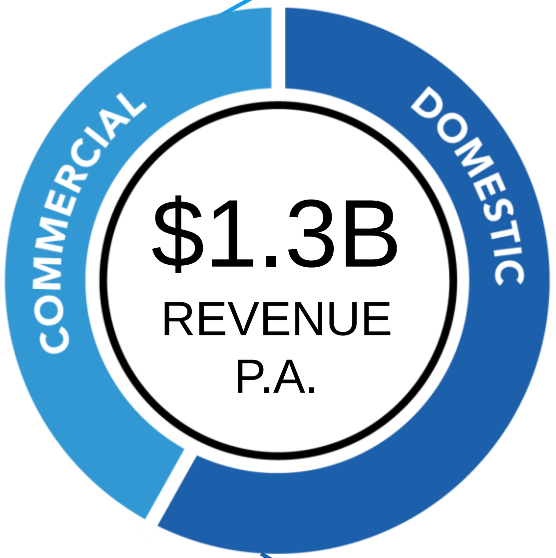
NET DEBT $16.5m
(leverage 1.2x)

(1) Underlying results represent statutory results adjusted for items of revenue or expense that are considered to be unrelated to the underlying performance of the business. Refer Appendix 1 – Reconciliation of statutory to underlying results

Market size and business conditions

Market size

$0.5 BILLION
COMMERCIAL



$0.8 BILLION
DOMESTIC

Market segments

RETAIL	WHOLESALE
Customers: Cleaning services businesses and trade professionals	Customers: Cleaning service businesses as well as corporate customers, independents and specialty commercial retailers
RETAIL	**WHOLESALE**
Customers: General public including households and individuals	Customers: Department stores, appliance retailers, independents and specialty retailers

Market growth drivers

1. Growth in the number of households
2. Changing consumer preferences
3. Product innovation
4. Macro business conditions incl. Aust. retail sales (YoY ~+3%)

Sources: Godfreys estimates, ABS

GODFREYS

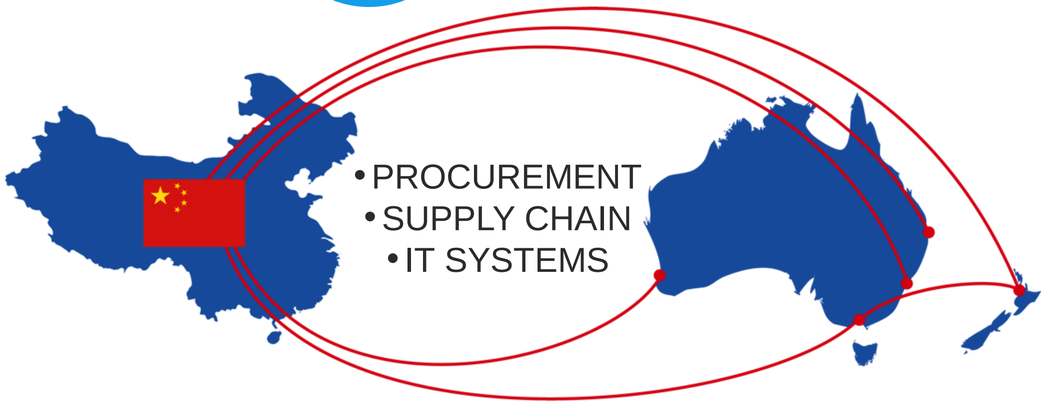
Competitive advantage > Integrated business model

1 PRODUCT DESIGN AND DEVELOPMENT

INNOVATION

14 new products in FY17

2 CO-ORDINATE THE MANUFACTURING



3 DEVELOP & MARKET BRANDS

1 COMPANY OWNED BRANDS

2 LICENSED BRANDS

3 THIRD PARTY BRANDS

4 SALES AND SERVICE

CUSTOMER ENGAGEMENT

ADVANTAGE

The ONLY vacuum / floor care cleaning specialist across Aust and NZ with

222 retail stores

The integrated business model drives revenue from owned and licensed brands

~75% revenue from company owned and licensed brand products

~25% revenue from third party products

FY17 results highlights

Sales

Sales revenue $174.1m (-2.9%)

Includes a full year revenue contribution from the The Service Company (TSC) in NZ of $10.2m (FY16 $3.5m)

Comparable (LFL) store sales stabilised at -7%

Improvement in comparable LFL store sales in the June ‘17 quarter

Profitability

Underlying EBITDA $14.1m (-19.8%)

Underlying NPAT $5.9m, EPS 14.5 cents per share

Reported NPAT loss of $18.4m includes a $24m goodwill impairment in 1HFY17

Capital management

Established a new $30m senior debt facility on favourable terms

Reduced net debt by $5.1m to $16.5m (1.2x leverage)

Dividend of 5 cents, unfranked (2.5 cents interim +2.5 cents final)

Improved working capital efficiencies: (1) fewer inventory weeks on hand (2) lower working capital as a % of cost of sales

Focusing on the basics – FY2017 progress

Product

- Introduced **14 new** products including expanded range of commercial products
- Full range of stick vacs; **+75% YoY revenue**
- **Simplified freight management** of products in Australia
- Commenced a **refresh** of the **retail store appearances**

Training

- **Refreshed retail training program** with focus on new products and customer experience
- Updated **incentives framework:**
  - Individual and store targets
  - Linked to productivity

Advertising

- Enhanced **efficiency** and **effectiveness** due to in-house control and production.
  - **Savings re-invested** to provide >5% increase in advertising.
- **Mix** of TV, catalogue and online (social media, bloggers)
- Focus on **features**, **demonstration** and **call to action**

Channel

- Introduced "**click and collect**" feature
- Introduced "**from warehouse to your house**" for home delivery of in-store purchases
- Growing customer database (160k subscribers)

Diverse and evolving product range

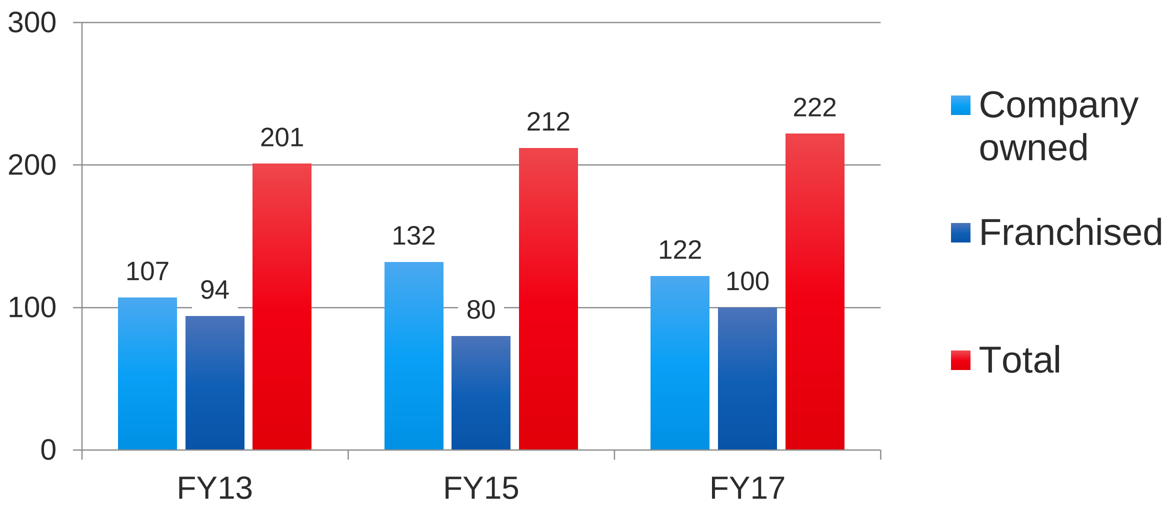
Hoover Zoom
(launched July 2017)

The popular Hoover
Ultra Light Stick Vac

Wertheim 7 Series
(launched August 2017)

Successful conversion to franchise stores

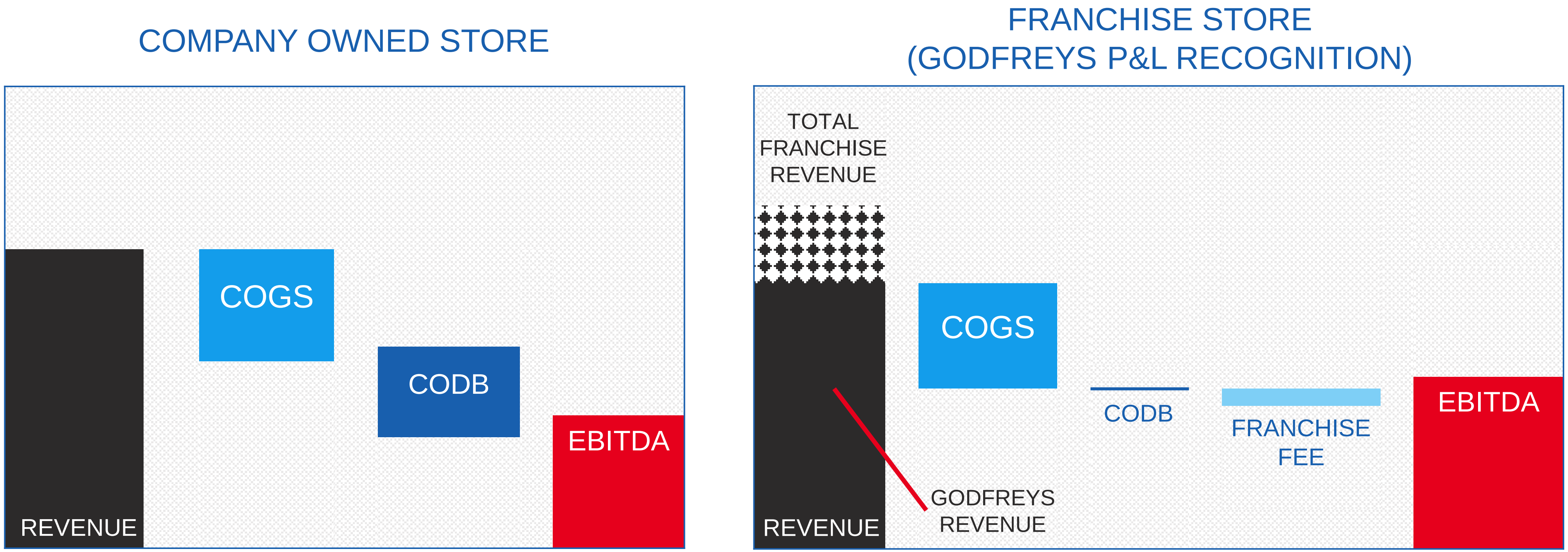
COMPANY OWNED AND FRANCHISE STORES



CURRENT NUMBER OF FRANCHISES							
NZ	13	QLD	9	WA	17	TAS	2
NSW	17	VIC	34	SA	8	ACT	-

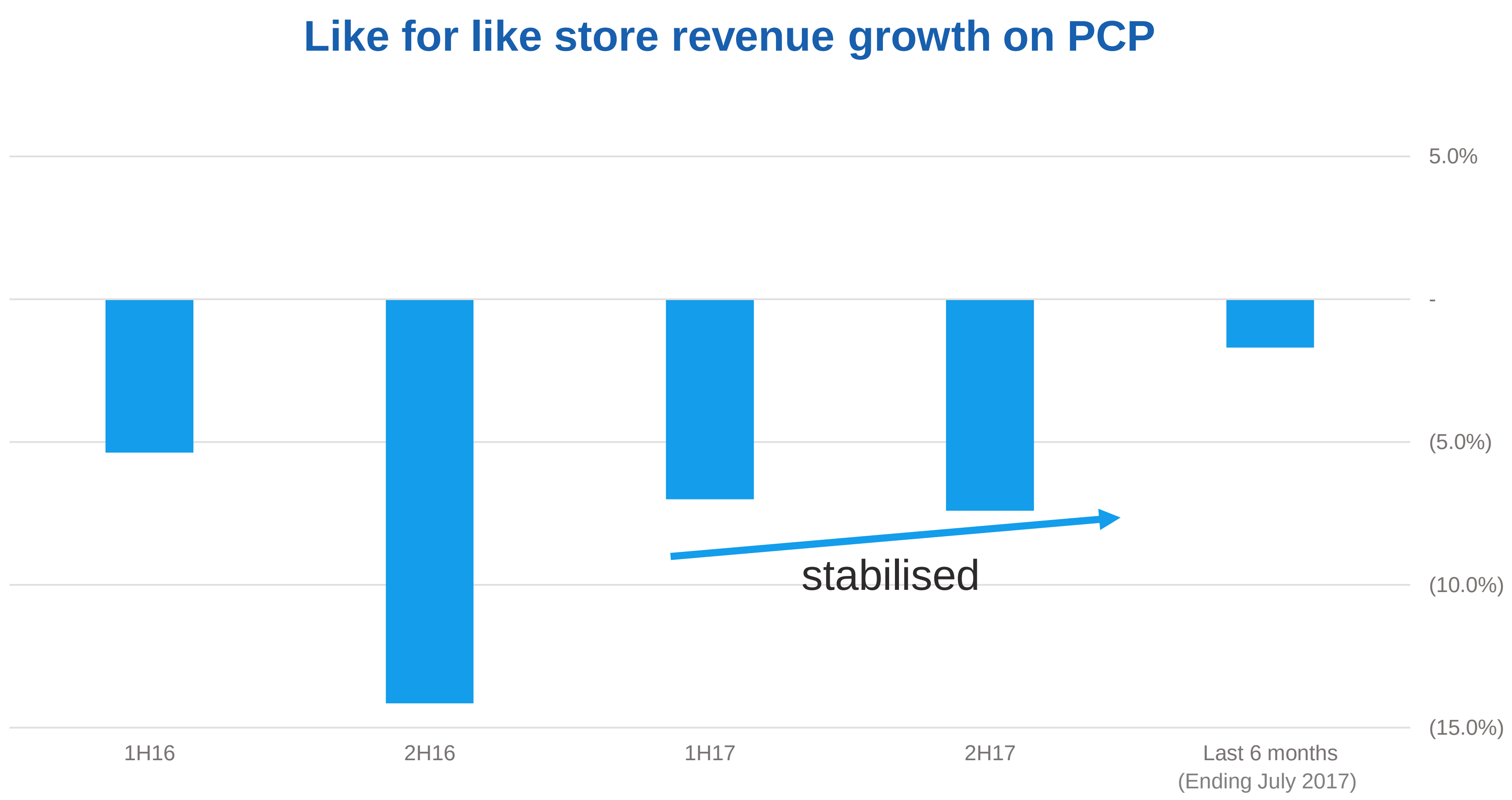
- 22 store conversions in FY17
- Strong demand has accelerated the conversion of stores to Godfreys franchises
- Positive financial outcomes from the conversions
  - Initial franchise fees $5.3m
  - Improved sales performance
  - Reduction in inventory and ongoing CAPEX requirements
- FY18 expected to have fewer conversions (2H timing bias) as we continue to carefully assess stores and prospective external franchisees

Positive franchise economics



Positive Financial outcomes:
Increased EBITDA and higher EBITDA margins under franchise model

Sales performance has stabilised



Note: Data captures sales from 176 stores (82% of total stores)

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Profit and loss statement

	Underlying [1]		
$ million	FY17	FY16	% Change
Sales	174.1	179.3	(2.9%)
Operating gross profit	86.6	97.1	(10.8%)
Operating gross profit / Sales (%)	49.7%	54.2%	(4.5pp)
Other income [2][3]	16.7	11.5	45.2%
CODB [3]	(89.2)	(91.1)	(2.0%)
CODB / Sales (%) [3]	51.3%	50.8%	0.5pp
EBITDA	14.1	17.5	**(19.8%)**
EBITDA margin (%)	8.1%	9.8%	(1.7pp)
Depreciation	(4.7)	(4.3)	7.9%
EBIT	9.4	13.2	**(28.9%)**
EBIT margin (%)	5.4%	7.3%	(2.0pp)
Interest	(0.9)	(0.9)	0.3%
Profit before tax	8.5	12.3	(31.0%)
Tax	(2.5)	(3.1)	(16.7%)
Net profit after tax	5.9	9.2	**(35.8%)**

Headline Statistics:	FY17	FY16
Underlying EPS (cents per share)[1]	14.5	22.7
Dividend (cents per share)	5.0	11.3
Total Stores	222	222

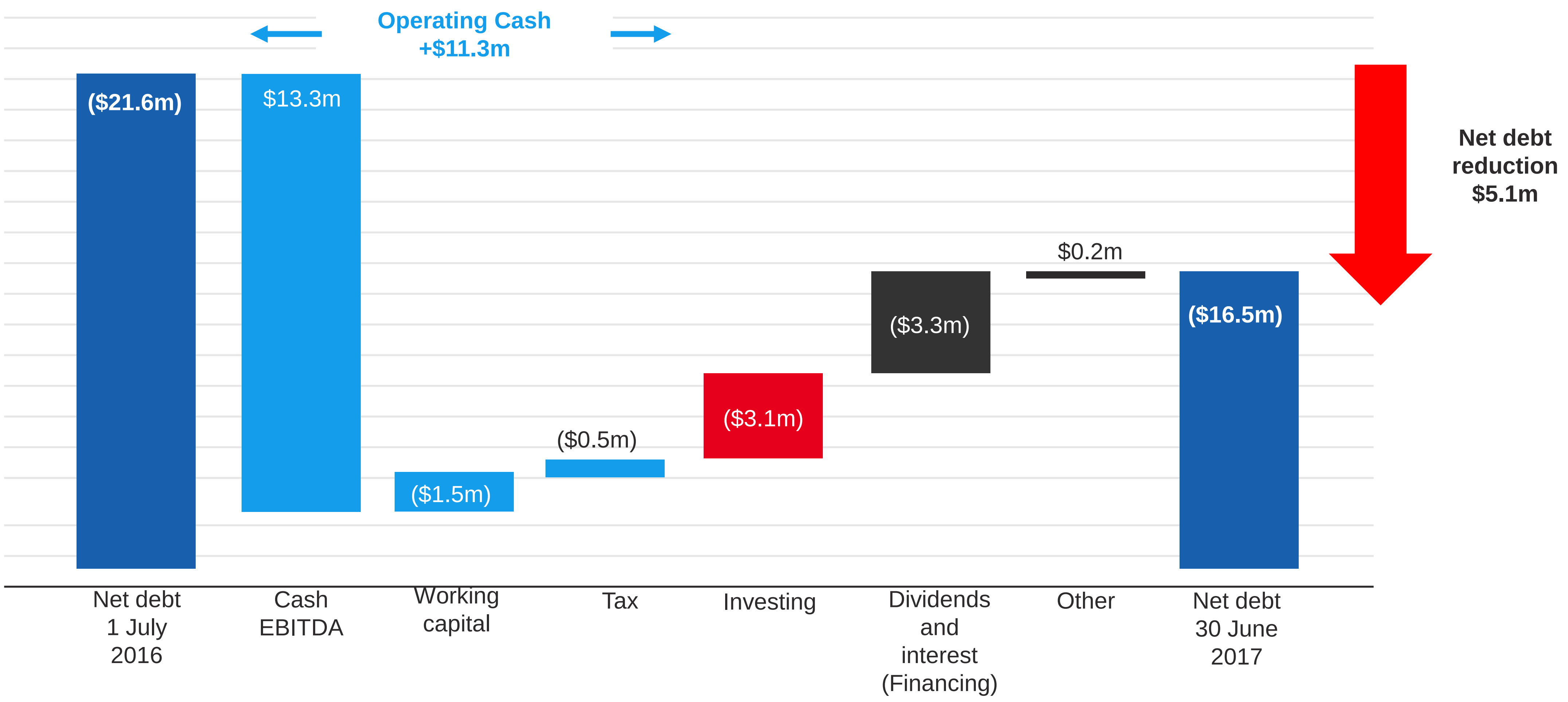
- Operating margin lower 4.5pp from lower margin in TSC business, FX impacts from hedging, product mix change and impact of franchise conversions (wholesale margins)
- Increase in Other Income due to the franchise fees from conversions of company to franchise stores and accounting disclosure change[3]
- 5 cents dividend, unfranked (2.5 interim + 2.5 final) considered appropriate in-light of current operating performance and capital settings.

(1) Refer Appendix 1 – Reconciliation of statutory to underlying results

(2) Includes revenue from initial franchise fees (FY17 $5.3m, FY16 $1.8m)

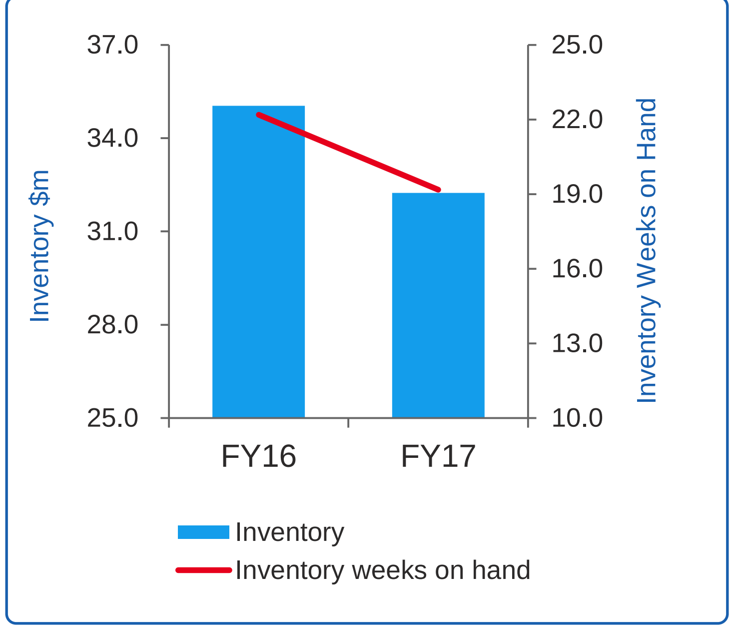
(3) Due to an accounting disclosure change, lease costs incurred on franchisee store sites and re-charged to franchisees are now included in Other Income and CODB (FY17 $7.0m, FY16 $6.0m). Excluding this change, CODB/Sales % is 47.2% (FY16 47.5%).

STRONG CASH MANAGEMENT

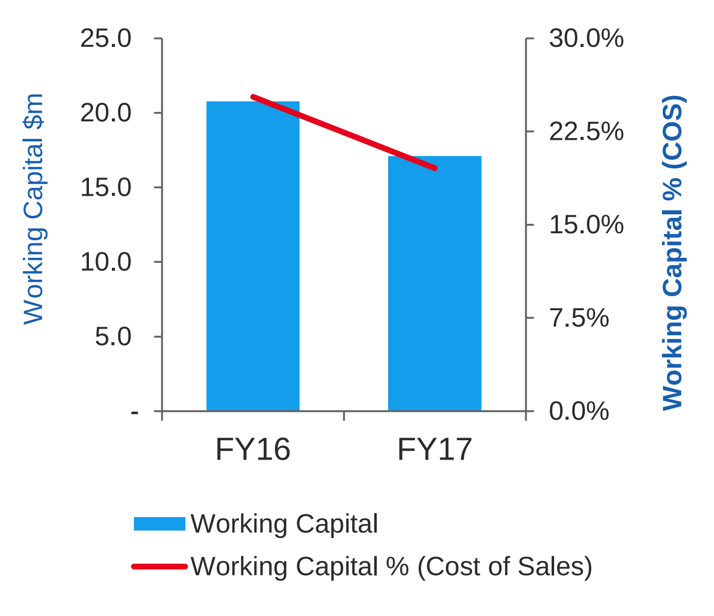


Improved efficiency and financial metrics

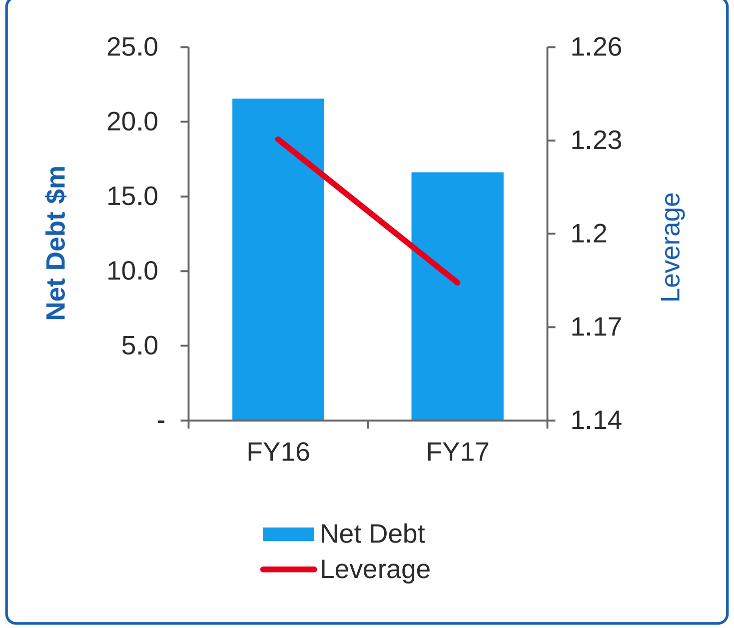
Lower inventory holdings



Reduced working capital balance (1)



Lower net debt



(1) Current trade and other receivables plus inventories less current trade and other payables

Balance sheet

$ million	FY17	FY16	Change
Assets			
Cash and cash equivalents	13.4	1.4	12.0
Trade and other receivables	8.2	5.6	2.5
Inventories	32.2	35.0	(2.8)
Total current assets	**53.8**	**42.1**	**11.7**
Other receivables	5.8	1.7	4.1
Property, plant and equipment	13.4	16.5	(3.1)
Intangible assets (1)	93.1	117.0	(23.8)
Total non-current assets	**112.3**	**135.1**	**(22.8)**
Total assets	**166.1**	**177.2**	**(11.2)**

- Net debt reduction of $5.1m. Increase in cash due to structure of new debt facility ($30m, one time draw down)
- Lower intangible assets due to non-cash impairment of goodwill of $24m in 1H.

$ million	FY17	FY16	Change
Liabilities			
Trade and other payables	21.9	19.9	2.0
Other current liabilities	6.6	7.8	(1.2)
Total current liabilities	**28.4**	**27.7**	**0.7**
Deferred tax liabilities (1)	17.4	15.3	2.2
Interest-bearing loans and borrowings	29.9	23.0	6.9
Other liabilities	6.9	6.7	0.1
Total non-current liabilities	**54.2**	**45.0**	**9.2**
Total liabilities	**82.6**	**72.7**	**9.9**
Net assets	**83.4**	**104.5**	**(21.0)**
Equity			
Share capital	109.5	109.5	-
Reserves	(44.7)	(43.7)	(0.9)
Retained earnings	18.6	38.7	(20.2)
Total equity	**83.4**	**104.5**	**(21.1)**
Net Debt	**16.5**	**21.6**	**(5.1)**

(1) A change in Accounting Standard has resulted in the recognition of goodwill and a deferred tax liability of $20.5 million in both FY17 and FY16. There was no impact on net assets or equity from this change.

Focusing on the basics – FY2018 objectives

Product	Training	Advertising	Channel

Build on 2017 progress

(1) Product releases (2) Leverage benefits from refreshed training and incentive program (3) Continuation of franchise strategy

Further develop integrated multi-channel strategy

(1) Online (2) Partnering with cleaning franchise networks

Simplify the factory-to-store supply chain

Leverage the existing large retail network

FY2018 Outlook

Improved retail and wholesale performance across the network

Lower contribution of initial franchise fees expected from fewer, and lower value, conversions of company to franchise stores

Similar underlying EBITDA to FY17

Strong focus on working capital efficiency and cash generation to reduce debt

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Appendices

1. Reconciliation of statutory to underlying results
2. Cash flow statement

Appendix 1 - Reconciliation of statutory to underlying results

Year ending 30 June 2017 $m	Note	Sales	EBITDA [7]	EBIT	NPAT
Statutory results		174.1	13.6	(15.1)	(18.4)
Adjusted for non-recurring items:					
Impairment of goodwill	(1)			24.0	24.0
Business restructure costs	(2)		0.5	0.5	0.5
Tax adjustment	(6)				(0.1)
Underlying results		174.1	14.1	9.4	5.9
Underlying EPS (cents per share)					14.5
Year ending 1 July 2016 $m	**Note**	**Sales**	**EBITDA**	**EBIT**	**NPAT**
Statutory results		179.3	15.5	11.1	7.8
Adjusted for non-recurring items:					
Management restructure	(3)		0.5	0.5	0.5
Relocation costs	(4)		0.5	0.5	0.5
Share Options issued on IPO to Key Management Personnel	(5)		1.0	1.0	1.0
Tax adjustment	(6)				(0.6)
Underlying results		179.3	17.5	13.2	9.2
Underlying EPS (cents per share)					22.7

1. Impairment of goodwill following assessment of carrying value in FY2017
2. Costs associated with business restructuring in particular moving to a predominately franchise model.
3. Restructuring costs for the new leadership team.
4. Cost associated with the relocation of the Service and Support Office to Altona in FY2016.
5. Share Based Payments expense for Rights issued to Key Management Personnel related to the 2014 IPO.
6. Tax impact of the reconciling items.
7. Statutory EBITDA excludes impairment of goodwill of $24,000,000 in FY2017.

Appendix 2 – Cash flow statement

$ million	FY2017	FY2016
Cash Flows From Operating Activities		
EBITDA	13.6	15.5
Non cash items	(0.2)	1.4
EBITDA adjusted for non-cash items	13.3	16.9
Decrease / (increase) in trade and other receivables	(4.8)	(1.6)
Decrease / (increase) in inventory	2.8	(10.0)
Increase / (Decrease) in trade and other payables	1.3	1.1
Increase / (Decrease) in provisions	(0.8)	1.1
Operating cash flow excluding tax	11.8	7.4
Income taxes paid	(0.5)	(0.7)
Net cash provided / (used in) by operating activities	**11.3**	**6.7**
Cash Flows From Investing Activities		
Payment for property, plant and equipment	(2.0)	(5.7)
Acquisition of intangible assets	(1.1)	(3.2)
Payment for acquisition of The Service Company	-	(3.0)
Net cash used in investing activities	**(3.1)**	**(11.9)**

$ million	FY2017	FY2016
Cash Flows From Financing Activities		
Payment of dividend	(2.6)	(9.3)
Interest and other costs of finance paid (net)	(0.7)	(0.9)
Net cash used in financing activities	**(3.3)**	**(10.1)**
Net (increase) / decrease in net debt	5.0	(15.4)
Net debt at the beginning of the period	(21.6)	(6.2)
Other movements in net debt	0.1	-
Net Debt at the end of the period	**(16.5)**	**(21.6)**