

# HELLABY HOLDINGS LIMITED



## AGM Presentation

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Chief Executive



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## Our starting point

- Half way through two year performance turnaround project
- Despite worsening economy we were aiming to:
  - Target balance sheet reform
  - Set clear performance criteria for subsidiaries
  - Focus on improving working capital, cashflows and return on investment

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## What we achieved

- Economic downturn significantly tougher than expected
  - Priority to ensure Hellaby weathered the economic storm
- FY 2009 earnings reflect extreme trading conditions and impact of BBQ Factory impairment
- Substantial balance sheet reform through working capital initiatives
  - Focused on cashflow generation and debt reduction
- Strengthened subsidiary management teams with additional talent
- Major culture change across group

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## Strong cash generation & debt reduction

- FY2009 v FY2008:
  - Free cashflow - up 55% to \$47.8 million
  - Core bank debt - down 40% to \$51 million
  - Total net debt - down 26% to \$103 million (incl capital notes)
  - Inventories – down 19 %
  - Debtors – down 33 %



## Automotive : solid performance in defensive sector

NZ\$ million	June 09 12 mths	June 08 12 mths	%
Sales	156.7	160.0	(2.1)
EBITDA	19.2	21.5	(10.8)
EBIT	17.7	19.7	(10.3)
Free cashflow	27.5	20.0	37.4
EBITDA/sales %	12.2	13.4	
ROFE%	30.6	31.7	

- Strong performance from BNT (parts) and HCB (batteries). Good progress on working capital
- Tough trading conditions for Diesel Distributors.
- Declining tractor / forklift equipment imports and farm spending impacted TRS (tyres / wheels).
- Profit impacted by restructuring of Australian operations

## Equipment : major reconfiguration of businesses around lower activity levels

NZ\$ million	June 09	June 08	%
	12 mths	12 mths	
Sales	99.8	131.5	(24.1)
EBITDA	0.7	10.8	(93.2)
EBIT	(1.9)	7.1	-
Free cashflow	16.7	10.3	61.6
EBITDA/sales %	0.7	8.2	
ROFE%	(6.1)	16.6	

- Market demand for new materials handling and construction equipment decreased >50% year-on-year
- Major restructure of Equipment division : reducing overheads, reducing inventories and forklift rental fleets and reforming internal processes
- Good progress on working capital. TradedEquipment.com established as a channel to market for surplus used equipment
- Senior management teams strengthened

## Packaging : single Elldex group, expansion into food packaging

NZ\$ million	June 09 12 mths	June 08 12 mths	%
Sales	54.9	57.6	(4.7)
EBITDA	2.3	5.2	(56.2)
EBIT	2.0	4.8	(58.2)
Free cashflow	0.9	8.7	(90.1)
EBITDA/sales %	4.1	9.0	
ROFE%	14.9	47.8	

- Substantial resin pricing and currency movements during H1 impacted on margins and profitability
- Stronger earnings performance in H2
- Integration of three business units into single Elldex group entity now substantially completed
- Auckland plant integrated into Wellington and Christchurch
- Successful market repositioning. Expanded into food packaging (incl dairy, bread, meat and horticulture); now less reliant on retail and supermarket sectors

## Footwear : prolonged retail recession impacts sales and margins

NZ\$ million	June 09 12 mths	June 08 12 mths	%
Sales	170.8	167.5	2.0
EBITDA	7.7	11.2	(31.5)
EBIT	4.2	7.9	(47.0)
Free cashflow	7.4	4.8	52.2
EBITDA/sales %	4.5	6.7	
ROFE%	10.5	19.7	

- Prolonged retail recession during FY09; Q4 arguably the toughest quarter
- Number 1 Shoes senior management team strengthened, and turnaround initiatives implemented
- Inventory reduction negatively impacted Number 1 Shoes margin and earnings, however inventory now cleaner
- Number 1 Shoes same store sales up 1.3% year-on-year, but driven by major project to exit slow-moving stocks
- Hannahs Australasian same store sales down 2.7%.

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## Capital management

- Total net debt reduced 26% to \$103 million
- Gearing improved to 55%
- Refinanced banking facilities to July 2011
- Targeting further balance sheet improvement
- Dividend policy remains unchanged (50 % of NPAT)
- Capital notes decision next financial year

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## BBQ Factory impairment

- Hellaby divested BBQ Factory at June 2008 for \$5.79 million on deferred payment terms
- During past year received \$1.35 million - less than scheduled
- Decision to fully provide for remaining debt of \$4.44 million
- Prudent approach which closes a disastrous chapter
- NPAT guidance would otherwise have been exceeded

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## Stakeholder communications

- Proactive communication with stakeholders
- Keen to attract institutional and habitual investors
- Improved corporate governance policies and frameworks

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## Priorities this year

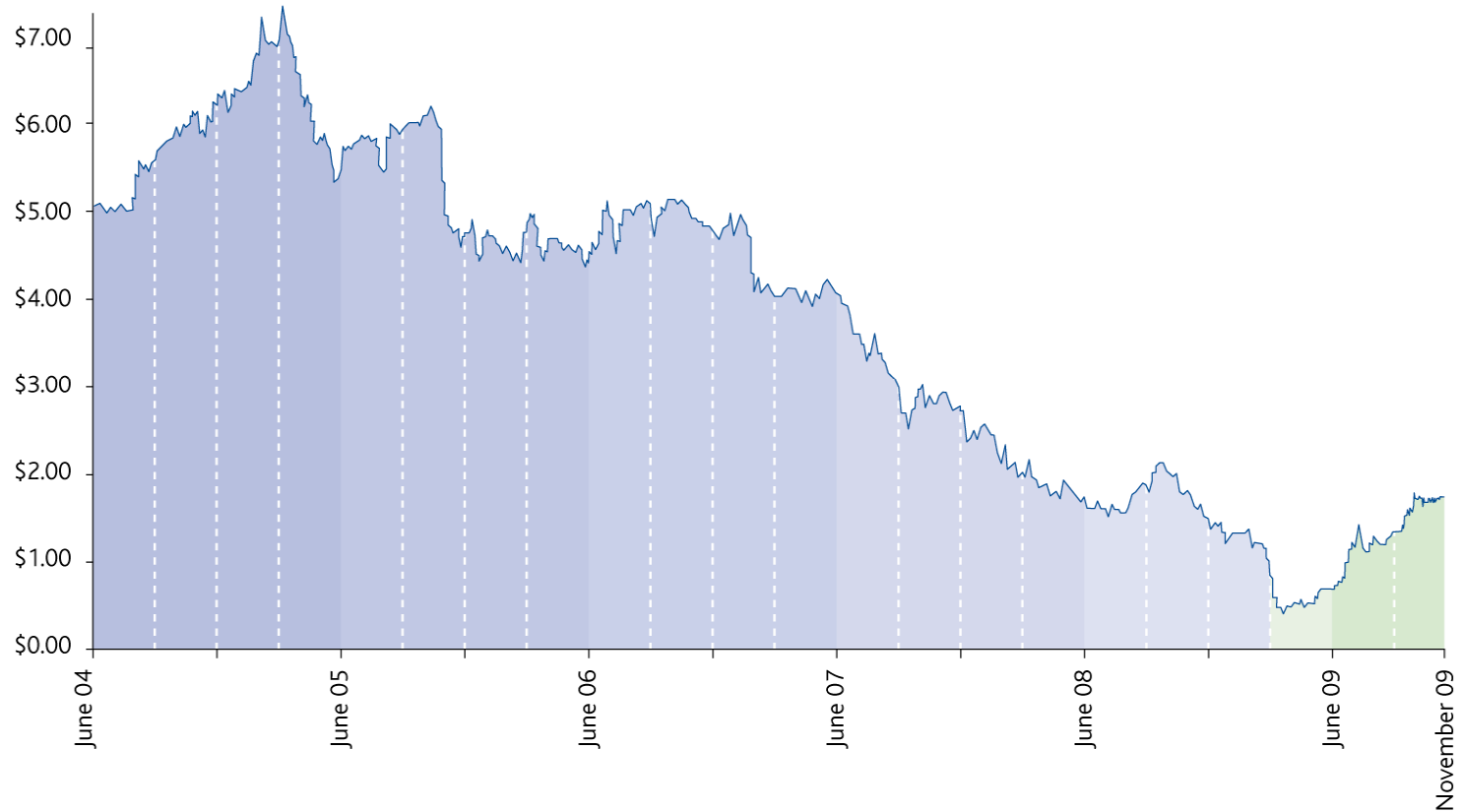
- Balance sheet reform and operational turnaround largely complete
- Clearer portfolio strategy
- Tough decisions taken to address operational underperformance, productivity and risk
- Following two years of restructuring, focus now shifts to growth
  - improve earnings quantum and reliability
  - improve debt gearing
  - improve return on investment
  - pursue acquisition opportunities which meet investment criteria
- Have developed robust, strategic framework for Hellaby

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## Outlook

- Unpredictable economic conditions – no ‘green shoots’ yet
- Expect slow first half year for group earnings, and stronger second half year
- Now experiencing improvement in Automotive and Packaging
- No uplift likely for Footwear or Equipment until second half year
- Focus remains on realising benefits of operational improvements actioned over past year
- Confident Hellaby will achieve significantly improved earnings in FY2010

## Superior shareholder returns



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## In conclusion

- Have now dealt with major legacy issues
- Committed to delivering superior shareholder returns going forward
- Hellaby targeting total shareholder returns superior to NZX50 average
- Our priority is to restore investor confidence in Hellaby
- We believe we have turned the corner

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