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ASX RELEASE

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SPICERS LIMITED 2018 INTERIM RESULTS

Spicers reports improved first-half underlying earnings

Spicers Limited (ASX: SRS) today reported a statutory profit after tax of $1.9 million for the half-year ended 31 December 2017 (1H18). Underlying EBIT(1) of $4.5 million was up 38.9 percent on the prior corresponding period (pcp), primarily due to a combination of cost savings and improved trading performance in Australia.

Key features of the 2018 interim results:

- Group net sales revenue of $193.2m was marginally down (1.0%) on pcp. Revenue from print & packaging categories was down 2.7% on pcp, while sign & display revenue streams grew by 5.8%.
- Group underlying EBIT(1) for the period was $4.5m, $1.3m up on pcp. Australia reported earnings 69.9% ahead of pcp, via a combination of cost savings and improved trading performance. Underlying EBIT(1) in Asia was 5.6% up on pcp driven by increased sales revenue, while New Zealand's result was 5.1% down on pcp in subdued market conditions. Refer to the 'Operating Performance by Regional Segment' section for more commentary.
- Restructuring in Spicers' Australian organisation (including Corporate), as previously announced in 2017, delivered cost savings of $1.0m in 1H18.
- Profit after tax from continuing operations of $2.7m was up 89.1% on pcp. A loss after tax on discontinued operations of $0.8m was recorded in 1H18.
- Net working capital(1) at 31 December 2017 was $3.2m less than pcp, with inventory levels lower than June 2017 and pcp.
- Net cash flow from operating activities was $(0.9)m for the period, consistent with expected seasonal patterns in the Group's working capital balances and cash flows.
- The Group's 'net cash' position at 31 December 2017 was $28.5m. Debt drawn of $1.6m was down on both June 2017 and pcp.

(1) Non-IFRS measure – refer Appendix 2

Commenting on the result, Spicers Chief Executive Officer David Martin said:

"I am pleased to be able to report a significant increase in group underlying earnings for the first-half of the 2018 financial year, a result of our people across the group successfully executing against our strategies over the past year.

"As promised, we are realising cost savings in our Australian organisation by improving operational efficiency and streamlining administrative activities. Further, our structured approach to portfolio management and market engagement is driving improvements in trading and profit returns across all our product revenue streams.

"Our Asian operations have grown their revenues and earnings, particularly in print & packaging categories in Malaysia. Our New Zealand business continues to deliver healthy returns in flat market conditions, with the recent Sign Technology acquisition contributing revenues and profits as expected.

"We continue to closely manage working capital and cash across all our businesses. Inventory levels, in particular, have reduced in comparison to both June 2017 and prior year balances, driven by our focus on supply chain efficiency and return on inventory investment in every product portfolio.

"Over the past year we have made strong progress developing an efficient and learning organisation, while delivering on our promises to customers and shareholders. Going forward we will continue to focus on optimising operating returns and cash flows in print & packaging categories, while generating profitable revenue growth in sign & display and other new growth categories"

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About Spicers Limited (SRS)
Spicers is a dynamic and solutions-focused distribution business with an extensive network across Australia, New Zealand and Asia. We offer a full suite of products and services to our customers, incorporating commercial print, digital media, label & packaging, industrial packaging, sign & display consumables and hardware, and architectural offerings.

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Spicers Limited has reported a statutory profit after tax of $1.9m and underlying EBIT[(1)] of $4.5m for the half-year ended 31 December 2017 (1H18). All amounts are stated in Australian Dollars ($), unless noted otherwise.

Results Summary		Actual Dec 2017	Actual Dec 2016
Net sales revenue	$000	193,190	195,217
Earnings before interest and tax - continuing	$000	4,115	2,885
Underlying earnings before interest and tax [(1)]	$000	4,529	3,260
Profit before tax - continuing	$000	3,923	2,659
Profit after income tax - continuing	$000	2,670	1,412
(Loss)/profit after income tax - discontinued	$000	(791)	2,192
Statutory profit after tax	$000	1,879	3,604
Net working capital [(1)]	$000	90,787	93,943
Net cash flow from operating activities [(2)]	$000	(915)	1,015
Basic earnings per share [(3)]	cps	0.1	0.5
Dividend per ordinary share	cps	nil	nil
FTEs - continuing		418	439

The following table shows half-year sales revenue and underlying EBIT[(1)] by segment:

		Sales Revenue		Underlying EBIT [(1)]	
Operating Summary		**Dec 2017**	**Dec 2016**	**Dec 2017**	**Dec 2016**
Segment:					
Australia	$000	103,691	102,829	3,076	1,810
New Zealand	$000	47,635	53,126	3,816	4,176
Asia	$000	41,979	39,434	1,007	969
Corporate / eliminations	$000	(115)	(172)	(3,370)	(3,695)
Total continuing operations	**$000**	**193,190**	**195,217**	**4,529**	**3,260**
Discontinued operations	**$000**	-	-		
Total	**$000**	**193,190**	**195,217**		

(1) Non-IFRS measure – refer Appendix 2
(2) Restated comparative data – refer Appendix 2
(3) As a result of the transaction to simplify the Company's capital structure, 1,431,386,910 new Spicers ordinary shares were issued on 27 June 2017, resulting in the weighted average number of shares used to calculate basic earnings per share changing to 2,096,568,171 for 1H18 versus 665,181,261 in the pcp. In addition, 0.3 cps of basic earnings per share in the pcp related to the profit after income tax in the period on discontinued operations.

GROUP OPERATING PERFORMANCE

Revenue

Net sales revenue of $193.2m was down by 1.0% compared to pcp.

The table below gives a breakdown of the Group's net sales revenue by product portfolio categorisation (refer to the 'Operating Performance by Regional Segment' section below for commentary on net sales revenue by regional operating segment):

Net sales revenue		Dec 2017	Dec 2016	% Change
Print & packaging	$000	152,898	157,118	(2.7)
Sign & display	$000	40,292	38,099	5.8
Total	**$000**	**193,190**	**195,217**	**(1.0)**

Net sales revenue in 1H18 from print & packaging categories fell by 2.7% versus pcp, with the rate of decline in these revenue streams moderating compared to previous periods.

Revenue from sign & display categories continued to grow, up by 5.8% versus pcp, driven by strong revenue growth in Australia.

Total net sales revenue performance marginally behind pcp represents progress in comparison to previous periods, with management focus on customer segmentation and price management strategies within product portfolio categories driving this improved performance.

Earnings and Statutory Profit

Group underlying EBIT(1) of $4.5m for 1H18 was $1.3m (38.9%) higher than pcp, driven by a strong Australian result due to cost savings and improved trading.

Cost savings from restructuring in Spicers Australian organisation (including Corporate), as flagged in a 'Business Update' announcement on 26 June 2017 and in the 'Message from the CEO' in the Spicers Annual Report 2017, contributed $1.0m to the improvement in underlying EBIT(1).

Underlying corporate costs for 1H18 were 8.8% less than pcp, primarily due to cost savings following the simplification of the Company's capital structure. Corporate activities will continue to be streamlined where possible and additional initiatives, such as the recently completed 'less than marketable parcel' share buy-back, are expected to contribute further cost savings going forward.

1H18 continuing profit after tax of $2.7m was up $1.3m on pcp, representing a significant improvement of 89.1%.

(1) Non-IFRS measure – refer Appendix 2

A loss after tax on discontinued operations of $0.8m, consisting primarily of foreign exchange movements on overseas loan balances, was incurred in 1H18. A profit after tax from discontinued operations of $2.2m, caused by the 'one-off' final settlement of obligations in Germany and the reversal of a related provision, arose in the pcp.

Statutory profit after tax was $1.9m compared to $3.6m in the pcp, with the prior year result inflated by the one-off profit on discontinued operations in the period.

Cash Flow and Working Capital

Net cash outflow from operating activities for 1H18 was $(0.9)m, a result in line with expectations during a half-year period where operating cash flows are typically weaker due to seasonal factors affecting working capital balances. These seasonal factors typically reverse in the second-half of the financial year.

A net cash inflow from operating activities of $1.0m(2) in the pcp was an exceptional result, driven by favourable one-off working capital movements in this period.

Net working capital(1) at 31 December 2017 was $3.2m (3.4%) lower than pcp. This reduction was driven by a sharp management focus on all components of working capital. In particular, attention to inventory levels and stock ageing drove a reduction in inventory balances of $4.5m compared to pcp.

(1) Non-IFRS measure – refer Appendix 2
(2) Restated comparative data – refer Appendix 2

OPERATING PERFORMANCE BY REGIONAL SEGMENT

Australia

		Dec 2017	Dec 2016	% Change
Net sales revenue	$000	103,691	102,829	0.8
Profit before interest and tax	$000	3,077	1,705	80.5
Underlying EBIT (1)	$000	3,076	1,810	69.9
Underlying EBIT/sales revenue (1)	%	3.0	1.8	120 bpts
Expense/sales revenue	%	20.2	21.2	(100) bpts
Net working capital (1)	$000	52,824	53,762	(1.7)
Average working capital/sales revenue (1)	%	26.7	27.1	(40) bpts

1H18 net sales revenue in Australia was up 0.8% on pcp, driven by strong market engagement across all product categories. The rate of decline in print & packaging sales revenue moderated in comparison to recent periods, while sign & display revenue streams grew strongly.

Underlying EBIT(1) of $3.1m for 1H18 was $1.3m (69.9%) higher than pcp. Trading expenses were $0.9m lower than pcp, due to a combination of cost savings from restructuring of the Australian organisation as previously announced in 2017 and other cost reduction initiatives.

Overall gross profit improved by $0.4m versus pcp. A sharp focus on product portfolio management is placing more emphasis on pricing strategies, return on inventory investment and profitability.

This combination of reduced trading expenses, increased gross profits and higher sales revenue caused the underlying EBIT/sales revenue(1) ratio of the Australian business for 1H18 to improve by 120 basis points versus pcp, to 3.0%.

Net working capital(1) at 31 December 2017 was down $0.9m (1.7%) versus pcp. Inventory levels in particular continued to be a management focus, and were $3.1m (7.0%) lower than pcp at December 2017.

(1) Non-IFRS measure – refer Appendix 2

New Zealand

		Dec 2017	Dec 2016	% Change
Net sales revenue	NZD 000	52,003	55,851	(6.9)
Profit before interest and tax	NZD 000	4,117	4,283	(3.9)
Underlying EBIT (1)	NZD 000	4,166	4,390	(5.1)
Underlying EBIT/sales revenue (1)	%	8.0	7.9	10 bpts
Expense/sales revenue	%	17.4	16.5	90 bpts
Net working capital (1)	NZD 000	22,163	23,629	(6.2)
Average working capital/sales revenue (1)	%	19.8	19.0	80 bpts

Net sales revenue in New Zealand was 6.9% down on pcp. Trading conditions were subdued during 1H18, particularly in print & packaging categories. Overall revenue in sign & display categories was in line with pcp in flat market conditions. Revenue streams from the Sign Technology 'bolt-on' acquisition announced in June 2017 contributed NZD 0.6m to 1H18 revenue, while sign & display revenue in the pcp included a significant hardware sale.

Underlying EBIT(1) fell by 5.1%, due to market conditions and in line with the decline in net sales revenue. Tight control of margins and trading expenses continued to maintain the New Zealand business's underlying EBIT / sales revenue ratio(1) at a solid 8.0%.

Net working capital(1) at 31 December 2017 was down by 6.2% compared to pcp, broadly in line with the decline in overall sales revenue.

Asia

		Dec 2017	Dec 2016	% Change
Net sales revenue	SGD 000	44,371	41,027	8.2
Profit before interest and tax	SGD 000	1,064	968	9.9
Underlying EBIT (1)	SGD 000	1,064	1,008	5.6
Underlying EBIT/sales revenue (1)	%	2.4	2.5	(10) bpts
Expense/sales revenue	%	8.4	9.1	(70) bpts
Net working capital (1)	SGD 000	21,418	20,786	3.0
Average working capital/sales revenue (1)	%	25.9	26.7	(80) bpts

Asia's net sales revenue for 1H18 was 8.2% up on pcp, driven by strong sales in print & packaging categories in Malaysia.

Tight control of costs maintained Asia's 1H18 trading expenses in line with pcp. Asia's 1H18 underlying EBIT(1) thus increased by 5.6% versus pcp.

Net working capital at 31 December 2017 was 3.0% up on pcp, off a higher sales revenue base. Asia's average working capital/sales revenue ratio(1) was 80 basis points lower than pcp, at 25.9%, due to this increased sales revenue base.

(1) Non-IFRS measure – refer Appendix 2

FINANCIAL POSITION

Consolidated Balance Sheet

Balance Sheet		As at 31 December 2017	As at 30 June 2017	As at 31 December 2016
Current assets	$000	177,154	195,801	186,276
Non-current assets	$000	36,819	37,746	38,972
Total assets	$000	213,973	233,547	225,248
Current liabilities	$000	78,953	99,052	82,027
Non-current liabilities	$000	519	571	912
Total liabilities	$000	79,472	99,623	82,939
Shareholders' equity	**$000**	**134,501**	**133,924**	**142,309**
Net cash	$000	28,465	31,841	29,504
Funds employed (net assets - net cash)	$000	106,036	102,083	112,805

Shareholders' equity / net assets of $134.5m at 31 December 2017 were $7.8m lower than at 31 December 2016. This was due to a combination of the booking of the costs of the transaction to simplify Spicers' capital structure directly in equity and the impact of a stronger Australian dollar on the foreign currency translation of overseas operations.

Total shareholders' equity / net assets remained relatively consistent from 30 June 2017 to 31 December 2017 (increased by $0.6m). The significant decreases in total assets and total liabilities balances between these dates were primarily due to the impact of seasonal factors on working capital balances.

Cash Flow

Cash flow	Continu-ing $000	Discont-inued $000	Dec 2017 $000	Dec 2016 $000 (2)
Operating receipts and payments (excluding working capital movement and restructuring)	**4,886**	**(257)**	**4,629**	**3,872**
Working capital movement	(2,726)	(48)	(2,774)	(744)
Restructuring	(1,076)	-	(1,076)	(317)
Net interest paid	(120)	-	(120)	(324)
Income taxes paid	(1,574)	-	(1,574)	(1,472)
Net cash flow from operating activities	**(610)**	**(305)**	**(915)**	**1,015**
Capital expenditure	(359)	-	(359)	(301)
Net payments for acquisition of assets and businesses	(789)	-	(789)	-
Net proceeds/(payments) from sale of assets & businesses	16	355	371	(570)
Net cash flow before financing activities	**(1,742)**	**50**	**(1,692)**	**144**

Net cash outflow from operating activities in 1H18 was $(0.9)m, of which $(0.6)m related to continuing operations.

Operating receipts and payments from continuing operations for the period of $4.9m were significantly up on pcp, broadly in line with the increase in Group underlying EBIT(1) for 1H18.

The net impact of movements in working capital balances on 1H18 continuing cash flows was $(2.7)m. The Company's operating cash flows in the first half are typically weaker due to seasonal factors affecting working capital balances, which then tend to reverse in the second half.

Cash outflows from restructuring were $(1.1)m in 1H18, these primarily related to the restructuring in the Australian organisation previously announced in 2017.

Payments for acquisition of assets & businesses in 1H18 related to the Sign Technology acquisition announced in June 2017.

Net cash inflow before financing activities from discontinued operations was $50k in 1H18.

(1) Non-IFRS measure – refer Appendix 2
(2) Restated comparative data – refer Appendix 2

Cash, debt and Interest

Cash / (Debt)		Dec 2017	Jun 2017	Dec 2016
Debt	$000	(1,642)	(2,042)	(3,124)
Cash and cash equivalents	$000	26,152	29,928	28,673
Short term deposits	$000	3,955	3,955	3,955
Net Cash	**$000**	**28,465**	**31,841**	**29,504**

Interest expense		Dec 2017	Dec 2016	% Change v Actual
Net interest - continuing	$000	192	226	(15.0)
Net interest - discontinued	$000	-	-	-
Net interest expense	**$000**	**192**	**226**	**(15.0)**

The Company's 'net cash' position at 31 December 2017 was $28.5m, $3.4m lower than at 30 June 2017. This reduction was primarily due to expected seasonal working capital movements and payment for the Sign Technology acquisition in New Zealand.

30 June is typically one of the highest points in the Group's annual cash cycle, while 31 December is a low point. Mid-month cash usage is often higher than end of month 'net cash' positions, due to timings of customer receipts and supplier payments through the month.

Net interest expense in 1H18 was 15.0% less than pcp, due to lower levels of average debt drawn during the period.

Funding Update

The Group's primary financing facilities are in Australia and New Zealand.

As announced on 27 November 2017, Spicers Australia secured a new receivables backed financing facility with Scottish Pacific Business Finance Pty Ltd to replace its previous facility. This covenant-free new facility provides funding up to $30m and is for a 2-year initial term.

Debt drawn was $1.6m at 31 December 2017, down on both June 2017 and December 2016 positions, and significantly below maximum capacity levels on funding facilities.

The weighted average life of the Company's primary funding facilities was 1.9 years as at December 2017, with respective maturity dates falling during FY2020 for both the Australian and New Zealand facilities.

Dividends

There was no dividend declared or paid on Spicers Ordinary Shares for the half-year ended 31 December 2017.

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APPENDIX 1

The following table shows statutory earnings in Australian dollars.

For the half-year ended	Dec 2017 $000	Dec 2016 $000
Group revenue	**193,190**	**195,217**
Earnings: (2)		
Australia	3,076	1,810
New Zealand	3,816	4,176
Asia	1,007	969
Corporate / eliminations	(3,370)	(3,695)
Total continuing operations	4,529	3,260
Discontinued operations	(389)	(419)
Profit before interest, tax and significant items	**4,140**	**2,841**
Significant items (pre-tax)	(820)	2,236
Profit before interest and tax	**3,320**	**5,077**
Net interest	(192)	(226)
Profit before tax	**3,128**	**4,851**
Tax expense	(1,249)	(1,247)
Statutory profit for the period	**1,879**	**3,604**

The following table is a reconciliation of underlying EBIT(1).

For the half-year ended	Dec 2017 $000	Dec 2016 $000
Statutory profit for the period, after tax	**1,879**	**3,604**
Adjust for following (gains)/losses included in statutory profit:		
Loss/(profit) after tax - discontinued	791	(2,192)
Tax expense - continuing	1,253	1,247
Net interest - continuing	192	226
Earnings before interest and tax - continuing	**4,115**	**2,885**
Adjust for continuing significant items:		
Restructuring costs	414	317
Loss on disposal of controlled entities	-	58
Underlying EBIT (1)	**4,529**	**3,260**

Spicers

APPENDIX 2

Non-IFRS information

Spicers financial results are reported under International Financial Reporting Standards (IFRS). The tables and analysis provided in this document also include certain non-IFRS measures, including underlying Earnings Before Interest and Tax (EBIT). These measures are presented to enable understanding of the underlying performance of the Company without non-trading items. Non-IFRS measures have not been subject to audit or review.

The non-IFRS measures used throughout this document are defined as:

- Underlying Earnings Before Interest and Tax (EBIT): statutory profit/(loss) before interest, tax, impairment of non-current assets, restructuring, and results from discontinued operations.
- Net Working Capital: comprises of the sum of trading operations receivables and inventories less payables as at the relevant date.
- Average Working Capital: comprises an average value calculated from monthly Net Working Capital balances in the relevant reporting period.
- Average Working Capital/Sales Revenue: comprises Average Working Capital divided by an annualised sales revenue value extrapolated from sales revenue for the relevant reporting period.

Restated comparative data

Relevant prior corresponding period (pcp) data has been re-presented to reflect:

- The reclassification of cash flows incurred in relation to the transaction to simplify the Company's capital structure (refer to Note 5 of the Company's full financial report as at, and for the year ended, 30 June 2017) from 'net cash flow from operating activities' to 'net cash used in financing activities'.