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PRIVATE CAPITAL

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MEDIA RELEASE

Retail and services sectors lead return on capital of New Zealand companies

Investment Bank and Asset Manager, Armillary Private Capital, has released its annual *2013 New Zealand Return on Capital Employed (ROCE) Report.*

The review examined 2013 financial year statements from 200 organisations including: crown entities, those listed on NZX and NZAX, Unlisted issuers, and a sample of privately owned companies. Each organisation's ROCE is a function of its profitability and how efficiently it utilises its asset bases by comparing earnings before interest and tax (EBIT) to capital employed.

Key points from the 2013 review are:

- Median performance of all companies has continued to fall since 2011 with median ROCE at 5% for 2013. This is less than standard estimates of the market weighted average cost of capital for NZX listed companies of between 8-9%.

- The top performers for 2013 were again dominated by retailers, technology and service companies, all of which have high levels of asset activity. For the past three years, the services sector recorded the best median ROCE at 9.1%, while the manufacturing sector is the worst performing sector at 2.0%.

- Companies listed on the NZX recorded a median ROCE of 6.3% while privately held companies achieved 10.3%. Companies listed on the NZAX were the worst performers with a median ROCE of -10.2%, while for Unlisted issuers median ROCE was 4.4%.

- Crown entities recorded a small decrease in median ROCE from 2.5% to 2.3%. This is despite seven of the nine crown entities improving their ROCE in 2013.

- NZX50 listed companies recorded a median ROCE of 7.7% for 2013. In international markets, companies listed in the Australian ASX 200 recorded median ROCE of 8.5% while those in the US S&P 500 achieved a median ROCE of 14.3%.

Commentary

While Fronde Systems Group and Diligent Board Member Services were again the best performing companies, New Zealand's retail and service sectors continued to outperform other sectors in the economy overall as they have the previous three years.

In particular, the more established retail and service companies like Briscoes Group, Restaurant Brands, and Hallenstein Glasson Holdings all recorded strong ROCE performances for 2013 as they have in previous years. With low levels of investment in capital plant and equipment, these large Fast Moving Consumer Goods companies turn over the equivalent value of their asset base numerous times per year through price discounting and are able to leverage their scale to do so.

Crown entities ROCE performance remained below those of publicly listed companies. Most showed improvement reflecting improving EBIT margins, however have shown little growth activity. Airways Corporation was the standout crown entity for 2013 with ROCE of 32.7%, more than double that for 2012 and ranked 7th in the top 10 performers overall.

Overall however, the performance of New Zealand companies slipped back again from 2012. This appears to reflect no growth in activity, thereby continuing the lock up of capital on balance sheets in general with little margin expansion across the board.

The full report, including detailed results for all 200 companies, can be found at http://www.armillary.co.nz/news-publications/

Ends

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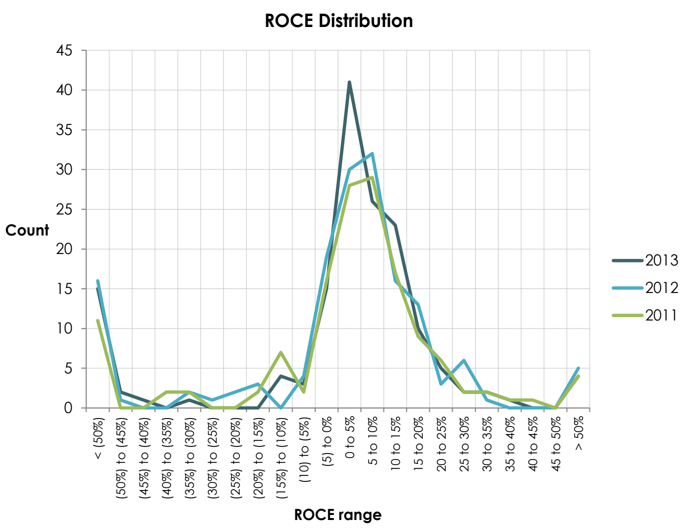
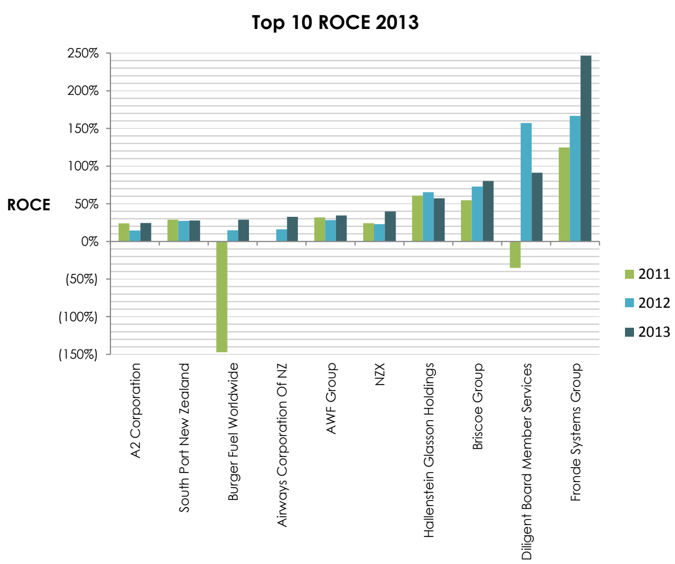
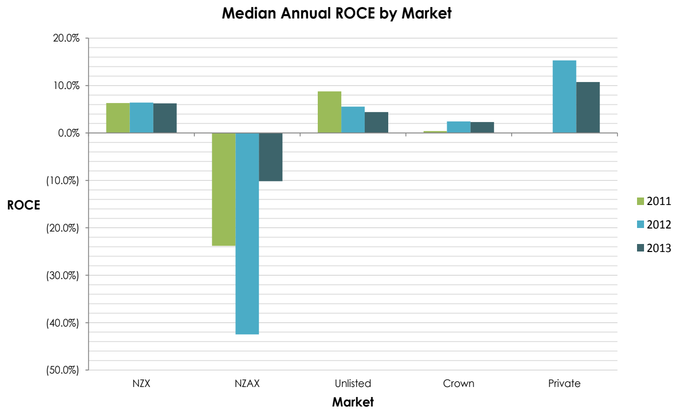
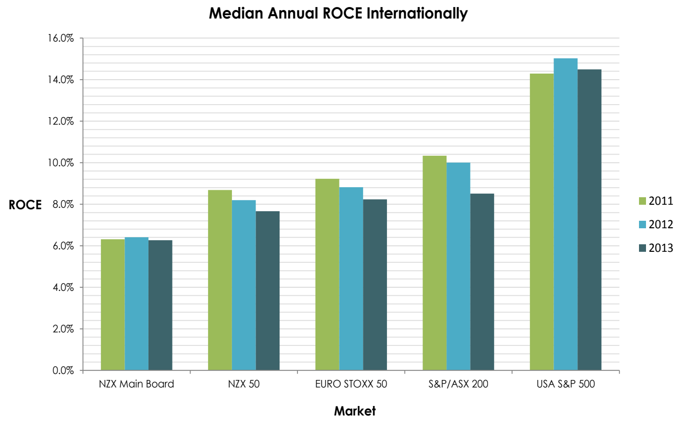
Editor's notes

2013 Return on Capital Employed for New Zealand companies









About Armillary Private Capital

Based in Wellington, Armillary Private Capital has been involved in New Zealand private capital markets since 1992. Armillary provides investment banking, asset and markets management, financial training and advisory services to private, listed or government related clients throughout New Zealand.

Armillary also manages the Unlisted share trading platform, an internet-based securities trading and communications platform which has a current market capitalisation of just under $1 billion. Armillary has also recently announced it is launching a Crowd Funding platform in a joint venture with the UK-based Crowdcube and has applied to the FMA for a license to do so under the Financial Markets Conduct Act 2013.

The ROCE methodology adopted by Armillary and used in this report was developed by the Du Pont Corporation. The Du Pont accounting method is a powerful and relatively simple approach to determine the impact of management decisions on financial performance. The advantage of this method is that it provides a consistent form of evaluation for a business to use when measuring performance.

For more information visit www.armillary.co.nz