



## **PRESS RELEASE**

### **HTL'S 2014 REVENUE DOWN 6.3%**

**SINGAPORE – 25 FEBRUARY 2015**

Mainboard-listed HTL International Holdings Limited (“HTL”), a world leading leather tanner and leather sofa manufacturer, reported its revenue in 2014 fell by 6.3% to US\$500.6 million against US\$534.3 million in 2013, mainly due to lower sales in North America and Australia and New Zealand (“ANZ”) and weaker Japanese Yen (“JPY”) and Australian Dollar (“AUD”) against the United States Dollar (“USD”). The impact of these were partially offset by higher sales in Europe and Asia, stronger Euro and Sterling Pound against the USD and increase in average selling price.

Notwithstanding the lower sales, rising input costs and higher other operating expenses as a result of a one-off expense incurred in connection with the cessation of a sales marketing agency, the Group’s net profit in 2014 rose to US\$5.3 million from US\$0.8 million the previous year, after accounting for a net foreign exchange gain of US\$13.2 million against a loss of US\$2.5 million in 2013.

In Q4 2014, revenue was higher in Europe but lower in North America and ANZ. This, coupled with the weaker JPY, Euro and AUD against USD reduced turnover by 13.1% to US\$121.7 million (Q4 2013: US\$140.1 million). Lower revenue and higher raw material, production and operating costs resulted in a net loss of US\$2.7 million for the Group, versus a net profit of US\$0.5 million in Q4 2013.

#### **OPERATIONS REVIEW**

Turnover from the Group’s sofa business fell by 6.0% to US\$481.2 million (2013: US\$512.2 million), primarily due to lower sales in North America and ANZ, as well as weaker JPY and AUD against the USD.

Europe, its dominant market, grew 4.6% with sales of US\$224.2 million whilst revenue from Asia was up 5.7% to US\$78.8 million year-on-year. Europe remained HTL’s largest single market accounting for 46.6% (2013: 41.8%) of the Sofa Business Unit’s turnover, followed by North America (20.6%), Asia (16.4%) and ANZ (16.2%).

With lower revenue, higher material and labour costs coupled with the one-off expense incurred in connection with the cessation of a sales marketing agency, Sofa Business Unit’s operating profit before net foreign exchange gain and tax decreased by 58.8% to US\$4.3 million in 2014 (2013: US\$10.5 million).

Home Furnishing Business Unit (“HFBU”)’s revenue fell by 12.6% to US\$19.3 million (2013: US\$22.1 million). This, together with higher marketing and advertising costs for the launch of a new international concept and product range by Domicil Home in Germany and development of retail presence in Asia had resulted in a two-fold increase in HFBU’s operating loss before net foreign exchange loss and tax to US\$6.8 million.

With higher profitability and improved working capital management, the Group's net borrowings decreased further from US\$27.0 million as at 31 December 2013 to US\$0.2 million as at 31 December 2014. Consequently, the Group's net gearing improved substantially to 0.1% (31 December 2013: 15.6%). The Group reported a lower positive free cash flow of US\$32.7 million in 2014 (2013: US\$57.4 million), mainly a result of higher leather procurement activities in 2014 compared to 2013.

## **OUTLOOK**

If weaknesses in the major economies and currencies of Europe, Japan and Australia and the slowdown in China persist in 2015, consumer confidence and spending on discretionary and high value goods like sofas will remain depressed.

Input costs, particularly raw leather hide prices, are expected to stay high and wages at our production plants in China may rise further. These factors will continue to exert downward pressure on profit margins. Against this backdrop, HTL will further improve on its operational efficiency and cost effectiveness.

Concurrently, to better meet consumers' changing needs and buying preferences, HTL had embarked on broadening its product portfolio by offering innovative and complementary furniture and establishing new distribution channels, especially in Asia. The Group will continue to expand its retail presence in China through owned and franchise stores, and invest in online sales platforms. Resources will also be channelled to enhance retail brand awareness and development. These initiatives are expected to increase the Group's operating costs and will take time to bear fruit.

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### **About HTL International Holdings Limited**

Founded in 1976, HTL International Holdings Limited is one of the world's leading leather tanners and manufacturers of quality leather upholstered furniture. Headquartered and listed in Singapore, the transnational company exports more than 95 per cent of its products to over 40 countries in Europe, North America, Asia-Pacific and the Middle East. HTL employs over 7,000 employees globally, and has wholly-owned sales and marketing offices in the United States, the United Kingdom, Germany, France, Italy, China, Taiwan, South Korea, Japan, Singapore and Australia. HTL also has a presence in Belgium, Netherlands and Luxemburg through sales agents.

For more information, please contact:

Mr Steven Tan

Chief Financial Officer

Tel: 6864 7346

Email: [steven.tan@htlinternational.com](mailto:steven.tan@htlinternational.com)