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Improved cost base after watershed year

Fertiliser supplier Incitec Pivot Limited today reported a disappointing financial result for its 2005 financial year, but indicated a major restructure had produced significant ongoing cost savings.

The result was attributed to poor seasonal weather conditions and strong competition in the wholesale fertiliser market.

For the year ended 30 September 2005, sales revenue was down 5% to $1.1 billion on volume of 2.9 million tonnes. Net profit after tax (NPAT) excluding significant items was $37.6 million (down 54%).

NPAT including significant items of $33.4 million after tax was $4.2 million (down 94%). The significant items were primarily a result of restructure costs.

"This performance was disappointing and in the second half we moved decisively to create a sustainable lower cost base," said the Managing Director and CEO, Julian Segal.

"In many ways it was a watershed year for us as we restructured the business to deal the new trading environment."

Mr Segal said the restructure aimed to improve fixed-cost efficiency by 15%, equal to an annual saving of $30 million before tax. Incitec Pivot had achieved an exit rate of savings of $14 million by year-end.

"This is an important step in enhancing our competitive advantage by having the lowest cost base in the industry," he said.

"We are focused on achieving efficiencies that will enable us to deliver the best value to farmers in terms of price, service and reliability."

Despite the difficult trading conditions, Incitec Pivot maintained strict financial discipline which is reflected in the balance sheet. Trade working capital at $141.1 million was 17% lower than 2004.

Net debt was $9.2million, indicating modest gearing of 1.6% and providing the business with a strong base on which to rebuild earnings and shareholder returns in 2006.

Directors declared a special dividend of 50 cents per share, taking the total 2005 dividend to 71 cents per share.

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