



ASX Announcement

23 March 2017

Result for six months ended 31 March 2017

HGL improves operational performance and delivers revenue and profit growth

- Total sales revenue increased by 6.7% to \$37.3 million.
- Reported sales revenue for the wholly owned companies was \$27.3 million, up 4.7%
- Net Profit after Tax of \$1.7 million, up 5.3% on the prior period
- Positive operating cash flow of \$0.4 million compared to outflow of \$0.7 million last year
- Interim dividend of 1.25 cents per share fully franked

Trading Overview

HGL Limited (ASX: HNG) today announces Net Profit after Tax for the six months ended 31 March 2017 of \$1.7 million, up by 5.3% from \$1.6 million in the prior corresponding period.

Organic revenue growth contributed to improved earnings and positive operating cash flow. Group performance improved with JSB Lighting and Mountcastle continuing to perform well achieving both sales growth and improved EBIT margin.

Total revenue, including 100% of Mountcastle, increased by 6.7% to \$37.3 million compared to the prior corresponding period. Reported sales revenue of the wholly owned companies was \$27.3 million.

Strong sales momentum was achieved in Architectural Lighting, School wear and Homewares. Sales in retail marketing were in line with the prior period, but are expected to show growth across the full year.

Model car sales were adversely affected by a variance in production schedules impacting deliveries compared to last year. Whilst overall Health & Beauty sales continue to decline, there was strong sales uplift of cosmeceutical skincare products as the business continued to shift its product portfolio mix towards higher value items sold to salon, spas and skin clinics.

Overall gross margin remained firm at 44.6% for the Group.

Operating expenses increased by 6.4%, with recruitment of additional sales executives in JSB Lighting and promotional campaigns, offset in part by cost savings in SPOS Group, Bianté and BLC Cosmetics.

Disciplined management of working capital assisted in achieving positive operating cash flow of \$0.4 million. This was a significant improvement over last year's outflow of \$0.7 million.

Net cash at balance date was \$3.7 million which was in line with the balance at 30 September 2016 and after payment of the FY16 final dividend. Cash at bank was \$5.5 million with bank borrowings of \$1.8 million.

Corporate Strategy and Operational Priorities

HGL continues to make earnings progress with the implementation of the key initiatives outlined in the growth and development phase of the GPS Strategy Plan (Growth, Profit and Sustainability).

The management team remains focused on executing its plans to improve sales force efficiency, reduce operational complexity, integrate technology and increase employee engagement, securing ongoing improvement in both operational and financial performance.

Increased emphasis has been placed on making strategic acquisitions in selected markets to further drive growth and operate larger scale business units with expanded market share positions and improved earnings potential.

Dividend

An interim dividend of 1.25 cents per share fully franked (2016: 1.0 cents) has been declared after consideration of the underlying profit for the period and future working capital requirements to fund growth activities and potential strategic acquisitions. The board's aim is to pay increasing dividends.

The record date for the dividend will be 5 July 2017, with a payment date of 19 July 2017. The dividend reinvestment plan (DRP) will be available to shareholders holding more than 1,000 shares. No discount will apply to the DRP.

Outlook

HGL has delivered a positive first half result that continues to build on the momentum established over the past 24 months, and the board believes there will be continued growth in the second half.

HGL has well-established foundations in place to drive organic growth across its businesses and is pursuing strategic acquisitions to contribute to increased future earnings and shareholder returns.

Peter Miller
Chairman
23 May 2017

About HGL Limited

HGL Limited is a dynamic product marketing and supply chain business of market leading brands in diversified specialist markets. HGL is a partner of choice for our global supplier base, corporate clients and retail networks, operating dedicated business units in large industry segments.

For further information, please contact:

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