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Skellerup reports outstanding earnings growth for first half and increases full year FY21 earnings guidance

Skellerup announced today a record unaudited net profit after tax (NPAT) of \$19.5 million for the six months ending 31 December 2020 and increased its full year FY21 NPAT guidance to \$33 to \$37 million.

Key points for the six months ending 31 December 2020

- Revenue of \$136.6 million, up 11% on prior comparative period (pcp)
- Earnings before interest and tax (EBIT) of \$27.6 million, up 53% on pcp
 - Agri Division EBIT of \$15.3 million, up 56% on pcp
 - Industrial Division EBIT of \$15.5 million, up 52% on pcp
 - Corporate Costs of \$3.3 million, up 64% on pcp
- Net profit after tax (NPAT) of \$19.5 million, up 61% on pcp
- Operating cash flow of \$35.1 million, up 33% on pcp
- Net debt of \$13 million down \$15.5 million on FY20 year-end
- Interim dividend of 6.5cps (an increase of 1.0c per share), up 18% on pcp
- FY21 NPAT forecast in the range of \$33 million to \$37 million.

CEO David Mair said he was very pleased with the earnings growth achieved across all businesses. "We are focused on our core strategy to deploy our expertise to design and develop innovative engineered products that deliver real solutions to OEM customers. We continue to work closely with customers to clearly understand their requirements and challenges to rapidly develop and deliver prototypes followed by standards-compliant product."

Mair noted that the first half NPAT was boosted by approximately \$0.5 million due to the impact of Covid-19 and Brexit. "Production constraints caused by Covid-19 caused some deferral of sales from the prior year into the first half of the current year. In addition, uncertainty over Brexit related disruption saw some customers increasing purchases in December 2020 providing an additional earnings boost for the first half of FY21. Our leaders continue to lead and manage around the impacts of Covid-19 very well. We have seen some project timelines for new products extend but despite this, we have successfully moved into production with new products and customers in Australia, the USA and Europe."

Skellerup's Agri Division achieved a record EBIT of \$15.3 million, up 56% on the pcp. Revenue grew 18% with increased dairy rubberware sales in international markets (particularly into Europe), increased rubber footwear sales in NZ and a full 6-month contribution from Silclear (acquired in November 2019). Mair said operational improvements were also a significant contributor to earnings growth. "We have made further improvements in the efficiency of our operations at

Wigram. Improvements in cycle times has enabled better inventory management to smooth out the peaks and troughs of manufacturing and changes in shift patterns has been key and delivers sustainable earnings improvement.”

Skellerup’s Industrial Division also achieved a record EBIT of \$15.5 million up 52% on pcp. Revenue grew by 7% which reflected increases across the Division but most notably increased sales of roof flashing and plumbing products in Australia and U-Dek marine foam decking in the US, Europe, Australia and New Zealand. Mair said the improvement in all parts of the Industrial Division was the result of improvements in all areas. “Our returns have improved because of product mix, new business, better operational execution and reduced costs. Our leaders are focused on moving time and resources into areas where the largest benefits can be achieved, and we continue to have a strong pipeline of new business which will underpin growth in future years.”

Corporate costs of \$3.3 million were up \$1.3 million due to provisioning for costs associated with defending a claim against a business Skellerup sold in 2008 and increased performance related employee expenses.

The excellent first half result meant that expectations for the FY result had increased. Skellerup now expects to deliver FY21 NPAT in the range of \$33 million to \$37 million. This is an increase on the range of \$30 million to \$35 million advised in October last year. “We are experiencing extended shipping times and increased freight costs due to congestion and availability. We have also seen some increases in raw materials and will be impacted by the stronger NZ dollar. All of these factors will have some impact in the second half of the year. However, we have taken early steps to manage these risks and will continue to ensure we are able to meet our customers’ needs.”

Chair Liz Coutts said the outstanding first half earnings, record operating cash flow of \$35.1 million and increased expectations for the full year, allowed the Board to declare an 18% increase in the interim dividend to 6.5 cents per share, imputed 50% (the same as in the pcp).

“During the first half of the year, Skellerup has again demonstrated we have a robust business that is generating earnings and cash flow growth from delivering critical products to our customers around the world. The Board is proud of the contribution from our global team, particularly considering the significant challenges many face across the world. We remain focused on ensuring Skellerup’s team remain well supported as we target continued investment to grow sustainable earnings and shareholder returns.”

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