



21 November 2017

## ASX ANNOUNCEMENT

### Trading Update

- Domestic sales impacted in Australia from new entrants causing price pressure
- Strategic decision by Pental to proactively defend itself to maintain market share
- Resultant estimated financial performance for First Half FY18 lower than prior year
- Pental continues to focus on growth through brands and product innovation

#### OVERVIEW

Pental Limited (“Pental” or the “Company”) today announced that it is expecting lowered financial performance in the first half of FY2018 compared with the first half of FY17 due to disruption in the Australian retail landscape from new entrants. Pental has taken a strategic decision to defend its leading market share and shelf position in key product categories. This has required investment in marketing initiatives, including price matching and promotional activity, so that Pental can compete effectively in the current retail environment.

As a result of the ongoing defence of the Company’s position, Pental’s financial performance for the 2018 First Half Financial Year is forecasted to be (compared to the prior year actual performance):

- Net Sales of approximately \$38.4 million (vs \$41.7 million).
- EBITDA of approximately \$3.5 million (vs \$4.9 million).
- Net Profit After Tax of approximately \$1.2 million (vs \$2.3 million).

Commenting on the forecasted half year results, Pental Chief Executive Officer, Charlie McLeish, said: “The recent retail price deflationary environment has impacted margins and growth across the grocery manufacturing sector. Pental was well prepared for these challenges and has responded proactively with our key customers. We continue to seek growth through product innovation and further expanding into private label contracts. These initiatives will supplement our branded growth strategy in light of the current retail pressures.”

Charlie further commented: “The Company is in a strong position to defend its position during this period of heightened competition due to our iconic brand portfolio, healthy balance sheet and positive cash flow generation.”

As at 31 October 2017, Pental had a positive net cash balance after the settlement of the Shepparton property on 2 August 2017 and payment of the final dividend on 10 October 2017, and no debt.



#### PENTAL LIMITED

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## EXAMPLES OF INITIATIVES BEING UNDERTAKEN

In order to retain shelf space Pental has been required to undertake significant investment in trade spend and deeper and increased promotional frequency. Proving a success, White King power cleaning gels 700ml Lemon and 700ml Eucalyptus maintain their number 1 and 2 ranking respectively in the manual toilet cleaners category<sup>1</sup>.

The Australian retail liquid bleach market has also experienced deep discounting and marketing activity within competing categories of soakers/cleaners driving sales away from the liquid bleach category. As a result, Pental has increased its marketing investment to ensure that the White King lemon 2.5 litre and 1.25 litre and the White King regular 2.5 litre maintain their number 1, 2 and 3 ranking respectively in the liquid bleach category<sup>2</sup>.

Pental is also undertaking new product development to ensure that its product range remains relevant and continues to grow the Company in the current retail environment.

Geographically, Pental continues to build its sales in Asia and the Australian commercial and industrial channels. Together with the Company's existing strong base in New Zealand, this is diversifying Pental's revenue exposure to the Australian retail channel.

For further information, contact:

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### **About Pental Limited**

At Pental, we are dedicated to delivering the highest quality and value in all our products. We are proud to make a range of branded products (including White King, Country Life, Velvet, Softly, Martha's, Sunlight, Huggie, Jiffy, Little Lucifer, Aim and Janola) that have been an important part of Australian and New Zealand families for generations. Our goal is to help families live better by providing high quality products for *today's lifestyles* – which in itself shows our commitment to catering to the ever-changing needs of our consumers' lifestyles.

Innovation, production efficiencies and quality are the pillars which make up our core focus as providers of quality products and continue to make our manufacturing sustainably successful. More information on Pental is available at: [www.pental.com.au](http://www.pental.com.au)

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<sup>1</sup> Aztec ranking report. MAT 15/10/17 Dollars (000s) Ranked Position in Total Manual Toilet Cleaners

<sup>2</sup> Aztec ranking report. MAT 15/10/17 Dollars (000s) Ranked Position in Total Liquid Bleach