



15 December 2022

ASX ANNOUNCEMENT

Trading Update

Pental Limited ("Pental" or the "Company") today updated the market concerning its expected unaudited financial results for Half Year ending 25th December 2022 (H1).

Highlights

- Pental's owned brands (+2%) and contracted brands (+10%) segments are expected to maintain revenue marginally ahead of the previous comparative period (pcp).
- Healthy performance of owned brands in domestic market – sales expected to be up 6% compared to pcp.
- Hampers with Bite (HWB) H1 revenue leading into Christmas expected to be approximately \$20 million (down 20% compared to pcp) impacted by changed economic conditions and a fully open economy compared to pcp when most of Australia was in lockdown during first quarter of FY22.
- HWB revenue for quarter ending Dec 22 expected to be up 13% compared to quarter ending Dec 20* and 55% compared to quarter ending Dec 19* which was not impacted by COVID 19.
- Pental expects FY23 H1 underlying EBIT to be approximately \$4.6 million - 39% down on pcp.
- Pental expecting to maintain interim dividend at 1.3 cents per share in line with pcp.
- Full Year FY23 EBIT expected to be in the range of \$7.5 million to \$8.5 million – a decrease in the range of 30% and 21% compared to FY22 underlying EBIT of \$10.783 million.
- Increased input cost of commodities and freight impacting core business margins in FY23 H1
- Cost recovery strategies implemented for FY23 H2, with cost of key raw materials stabilising towards the end of H1.
- Expecting to maintain an effectively debt free position with ~\$5m in cash and \$2.975m in acquisition related borrowings forecasted as at end of H1.

* Figures include unaudited pre-acquisition data for HWB.



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Pental consumer Products business

Pental expects its H1 sales for owned brands to be approximately 2% higher than the same period last year. This is a combination of a healthy performance of its owned brands in the domestic market where revenue is expected to grow by 6% compared to pcp, offset by approximately 11% revenue decline in the New Zealand market compared to pcp. The New Zealand market has been impacted by supply chain issues due to significant staff shortages and staff absenteeism.

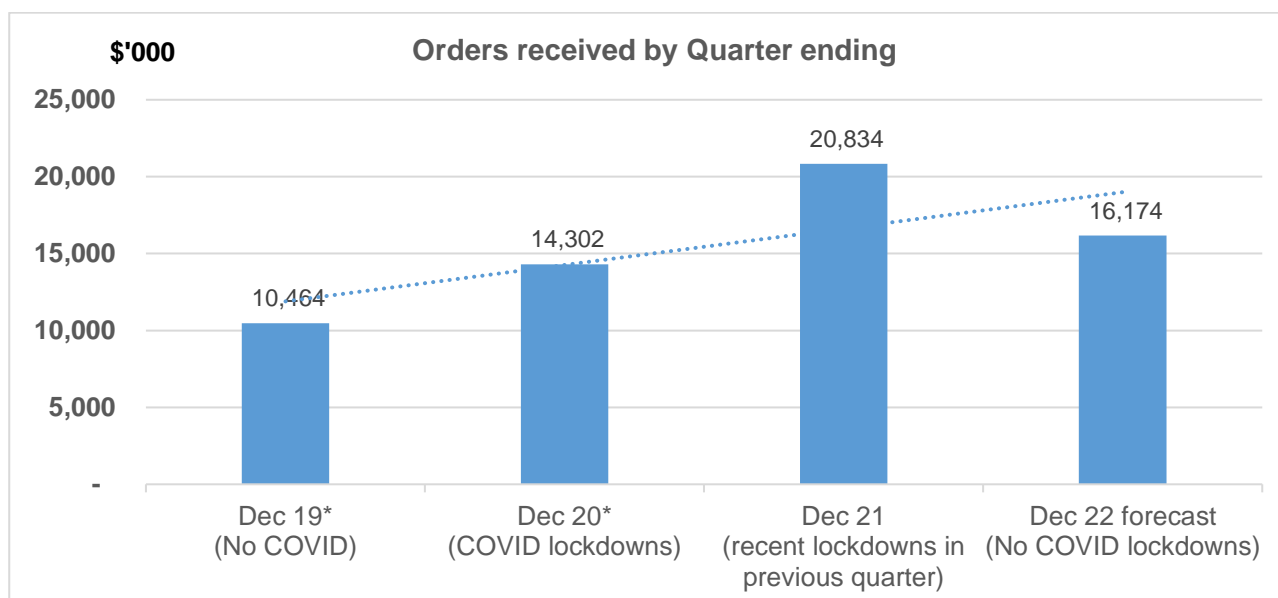
Pental's contracted brand sales are forecasted to increase by approximately 10% compared to pcp which is a combination of new private label contracts picked up through tenders and strong performance of Duracell and Procell battery products across the Company's sales channels.

Pental has experienced significant cost pressure impacting its key raw materials in the last 12 months. The Company expects an impact of approximately \$1 million due to a significant rise in raw materials including packaging used in its products. However, the Company is now noting a stabilising raw material market in the second quarter of H1.

Hampers with Bite

The Hampers with Bite (HWB) business has been facing changed market conditions in H1. The business has traditionally been focused on the Christmas period, with the bulk of orders being fulfilled in November and December. Due to a fully open economy and hospitality industry, businesses in general appear to have several alternatives for staff rewarding and recognition. This was not the case in the pcp when many companies were opting to reward employees through gifting. As such, order fulfilment for November and December will not be at the same levels as pcp and the reported revenue for HWB under Pental ownership is expected to be below pcp by approximately 20% at \$20 million (on the full 6 month period pro forma revenue is down 36% on pro forma pcp).

It is however important to note that in the first quarter of FY22, most of the Australian population was in COVID induced lockdowns positively impacting e-commerce in general. For the key second quarter of FY23, which is comparable to the second quarter of FY22, revenue is expected to be down by approximately 22% driven by the factors referred to above.



* Figures include unaudited pre-acquisition data for HWB.

Pental will report Half Year ending 25th December 2022 in February 2023 and will include a comparison to the Half Year ending 26th December 2021. Subject to audit, it is expected that consolidated results will be as follows:

	Half Year Dec 22	Vs Half Year Dec 21
Net sales revenue	Approximately \$64 million	Down \$2.3 million or 3.4%
Underlying earnings before interest and tax (EBIT)	Approximately \$4.6 million	Down \$2.9 million or 39%
Statutory net profit after tax (NPAT)	Approximately \$3.1 million	Down \$0.6 million or 17%

Outlook

The Company retains a positive outlook for its sales performance in H2 as its brands are performing strongly in the Australian market while the supply chain conditions in New Zealand continue to improve. Pental's flagship brand White King remains a key market leader in household cleaning.

The Company has implemented cost recovery strategies without impacting consumer pricing in H2 and expects to recover its higher costs of production through operational cost saving strategies including savings in energy costs and alternative sources of supply. The Company expects to fully recover the H1 impact of increased input costs in the H2 through these strategies.

The Group remains positive about the outlook of HWB in H2. HWB successfully enhanced its website during H1 with multiple added functionalities including multi-shipping and add-ons. The enhancements have led to an improvement in conversion rates compared to last year as well as average order value has lifted by approximately 10% compared to pcp. HWB increased its email database by 34,000 during H1 and added more than 10,000 in mobile opt-in contacts. Over 30,000 units of Pental produced brand Vitale Wellness were sold since launch through HWB.

HWB continues to increase focus on other annual events outside of Christmas and will target these events with carefully curated premium product offering, to increase revenues outside of the Christmas period.

The Company expects that the full financial year 2023 underlying EBIT profit result will be in the range of \$7.5 million and \$8.5 million – a decrease in the range of 30% and 21% compared to FY22 underlying EBIT of \$10.783 million.

Pental expects to be in a healthy cash position as at end of Dec 22 with estimated \$5m in cash on hand along with \$2.975 million of HWB acquisition related debt – effectively in a debt free position. Considering the strong balance sheet and cash position, the directors expect to maintain an interim dividend in line with last year at 1.3 cents per share payable to shareholders in March 2023.

Pental will further update the market concerning trading conditions when it releases its Half Year ending 25th December 2022 results.

For more information, please contact:

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Authorised for disclosure by the Pental Board

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, Sunlight, Huggie, Jiffy, Little Lucifer, Aim, Janola and Bondi Soap) that have been an important part of Australian and New Zealand families for generations. We also own and operate a leading e-commerce hamper and gifting business through Hampers with Bite. 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