

16 November 2022

ASX Market Announcements  
ASX Limited  
4<sup>th</sup> Floor, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

**SCHAFFER CORPORATION LIMITED (ASX:SFC) ANNUAL GENERAL MEETING  
CORPORATE PRESENTATION**

Please find attached the Corporate Presentation for the Annual General Meeting of SFC.

The Chairman has authorised the document to be released to the ASX.

For further information, please contact:

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Chief Financial Officer  
Schaffer Corporation Ltd  
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Yours sincerely



Jason Cantwell  
Company Secretary

# **2022 Annual General Meeting**

16 November 2022

Creating long-term shareholder value through the efficient operation of our businesses and growth in our investments

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# **2022 Annual General Meeting**

Chairman's Address

# Group Consolidated Financial Performance

Full Year Ending June (\$m)		FY22	FY21 <sup>2</sup>	\$ change
Revenue		\$170.4	\$196.3	(\$28.9)
NPAT <sup>1</sup> from:				
Automotive Leather	1	\$18.1	\$24.4	(\$6.3)
Delta	2	(\$0.6)	\$1.0	(\$1.6)
Manufacturing NPAT <sup>1</sup>		\$17.5	\$25.4	(\$7.9)
Group Investments <sup>2,3</sup>	3	\$11.5	\$18.2	(\$6.7)
Corporate		(\$2.8)	(\$2.6)	(\$0.2)
Statutory NPAT <sup>1</sup>		\$26.2	\$41.0	(\$14.8)
EPS		\$1.91	\$3.01	
Ordinary dividends (fully franked)		\$0.90	\$0.90	

1. Net profit after tax and minority interests.

2. SFC has changed our accounting policy for Jandakot and other investment property to carry them on our balance sheet at fair value rather than cost. FY21 results have been restated to reflect the change in policy.

3. SFC's investment in Harvest Technology Group (ASX:HTG) is included in equities and valued at \$8.9m at 30 June 2022. The value per share used is \$0.066, which is below the \$0.09 closing share price of HTG at 30 June 2022. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group

4. FY22 excluding revaluations associated with Jandakot, Other Investment Property, HTG and Updater

NPAT<sup>1</sup> of \$26.2 million (FY21<sup>2</sup>: \$41.0 million) reflects a good result in a challenging environment

- 1 Automotive Leather NPAT<sup>1</sup> of \$18.1m.
- 2 Delta after tax loss of \$0.6m due to project delays and complexity.
- 3 Group Investments NPAT<sup>1</sup> of \$11.5m

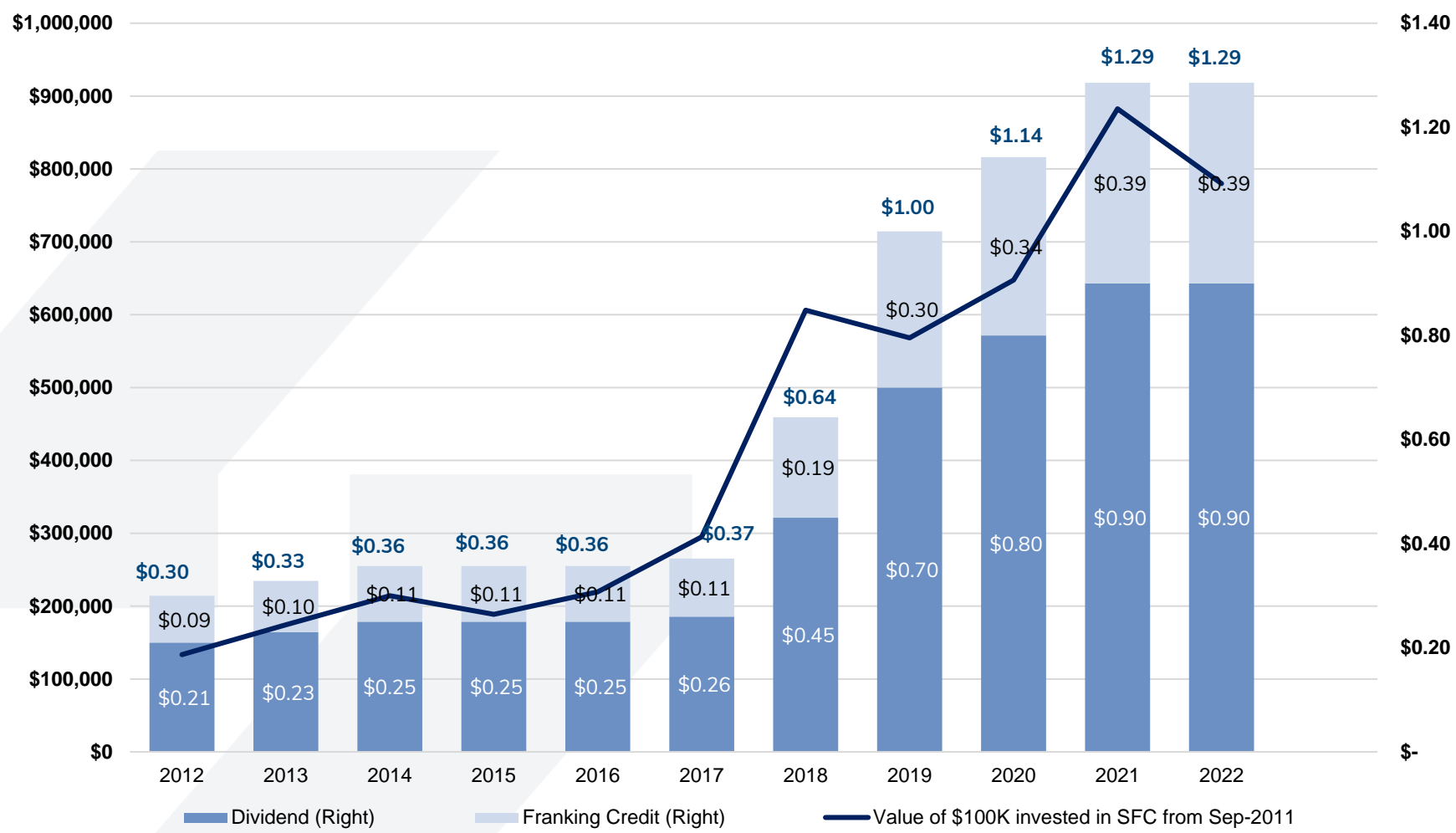
Full year fully franked dividend maintained at \$0.90/share

Group pre-tax net equity value of investments of \$187.7 million, \$13.78/share<sup>3</sup>

Full-Year Ending June (\$m)	FY22	FY21
<b>Total Cash Generated<sup>1</sup></b>	<b>36.1</b>	<b>55.1</b>
<b>Less: Cash Paid to SFC Shareholders &amp; Minorities</b>	<b>(14.9)</b>	<b>(14.2)</b>
<b>Cash Available after Shareholder Payments</b>	<b>21.2</b>	<b>40.9</b>
<b>Less: Cash Used for Investments &amp; Capex</b>	<b>(20.1)</b>	<b>(23.6)</b>
New Investments	(8.8)	(16.1)
Capital Expenditure and Property Development	(11.3)	(7.5)
<b>Net Debt<sup>2</sup> Decrease</b>	<b>1.1</b>	<b>17.3</b>

1. Cash generated includes cash from operating activities, proceeds from divestments and lease payments for leases previously classified as operating leases prior to the adoption of AASB16.
2. Net Debt presented excludes lease liabilities for leases previously classified as operating leases prior to the adoption of AASB16 on 1 July 2019.

Value of \$100K invested In SFC (Sep-2011) and Gross Dividend History



- 5-year TSR to September 2022 of 35% p.a.
- 11-year Compound Annual Growth Rate of 20.5% p.a.
- \$100,000 invested in SFC in September 2011 would be worth \$780,018 by September 2022.

\* Includes benefits of franking credits, assumes tax rate of 30%.





New Range Rover - Interior





## A good performance in a challenging environment

Management performed well, minimising the impact of multiple challenges on profitability

- Revenues of \$136 million
- NPAT of \$18.1 million

## Increasing capacity in Europe to support growth

The prospects of the Automotive Leather division remain strong.

Future sales volumes should increase when the new major program ramp-up accelerates, and new program wins with Mercedes and Audi programs start.

The increased capacity initiatives included:

- purchasing and installing additional CNC cutting machines;
- higher hide inventory levels; and
- additional warehouse space of ~3,500 square meters

(\$m)	1H22	2H22	FY22	FY21
Revenue	\$56.1	\$79.9	\$136.0	\$165.2
Segment NPAT <sup>1</sup>	\$7.5	\$10.6	\$18.1	\$24.4

<sup>1</sup> NPAT excludes 16.83% minority interests.



Audi Q4 E-Tron

## 1H23 Update

**In the immediate short-term**, while our OEMs continue to report strong demand for new vehicles, **their production and sales volumes remain below prior periods primarily due to chip shortages.**

**Providing guidance is difficult, and our results are being negatively impacted due to:**

- Continued semiconductor chip shortages
- Continued slow ramp of a major program
- Negative extreme currency movements
- High energy costs in Europe
- Inflationary cost pressures
- Elongated supply chains and
- Uncertain economic environment

## Current expectations for 1H23:

- Revenue to be around \$65 - \$70 million
- NPAT<sup>1</sup> to be around \$4.5 - \$5.0 million. This is lower than the \$7.5 million in 1H22.

1. NPAT excludes 16.83% minority interests



Mercedes S-Class - Interior



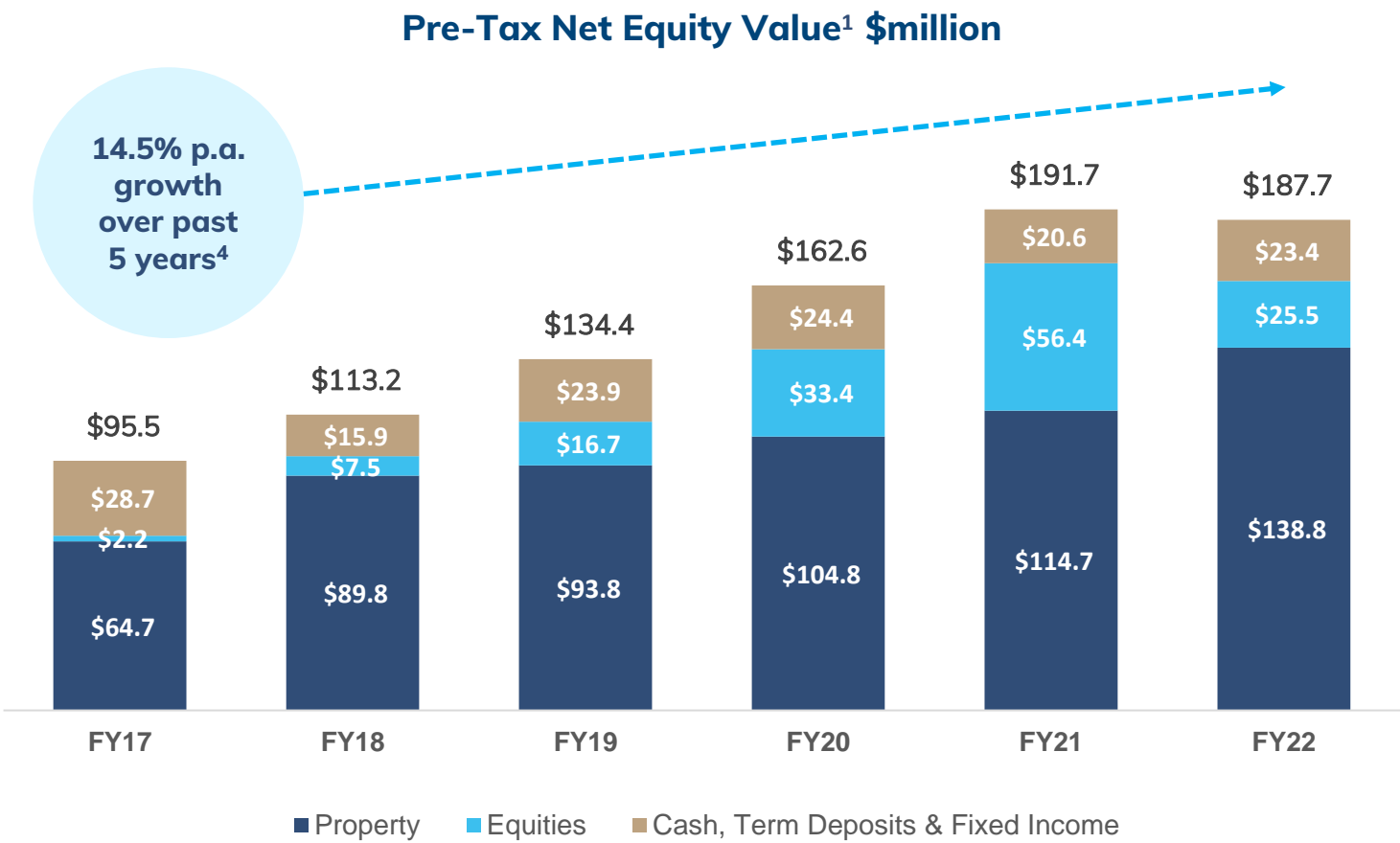




**Pre-Tax Net Equity Value<sup>1</sup> (adjusted for syndicated property debt) of \$187.7 million or \$13.78/share**

Over the past five years:

- Pre-Tax Net Equity Value<sup>1</sup> has increased by \$92 million
- We have paid shareholders \$51 million in fully franked dividends
- We have bought back around \$8 million of shares at an average price of \$13.89/share



1. Pre-Tax Net Equity Value = market value less debt (including syndicated property debt)  
2. All values represent SFC's share, i.e. 83.17% for Gosh Capital and other subsidiary held assets.  
3. SFC's investment in Harvest Technology Group (ASX:HTG) is included in equities and valued at \$8.9m at 30 June 2022. The value per share used is \$0.066, which is below the \$0.09 closing share price of HTG at 30 June 2022. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.  
4. Compound annual growth rate (CAGR) calculated From 30 June 2017 to 30 June 2022

Full Year (\$m)	FY22	FY21 <sup>2</sup>
Revenue	\$ 17.2	\$14.6
Group Investments income, gains and revaluations excluding below <sup>1</sup>	\$11.7	\$ 6.8
Jandakot revaluation <sup>2</sup>	\$11.0	-
Other Investment Property revaluations <sup>2</sup>	\$4.2	\$2.1
HTG <sup>3</sup> revaluation	(\$13.2)	\$7.6
Updater revaluation	(\$2.2)	\$1.7
<b>Segment NPAT<sup>4</sup></b>	<b>\$11.5</b>	<b>\$18.2</b>

1. FY22 excluding revaluations associated with Jandakot, Other Investment Property, HTG and Updater
2. SFC has changed accounting policy for Jandakot and other investment property to carry them on our balance sheet at fair value rather than cost with the movement reflected in the income statement. FY21 results have been restated to reflect the change in policy.
3. SFC's investment in Harvest Technology Group (ASX:HTG) is valued using \$0.066 per share which is below the \$0.09 closing share price of HTG at 30 June 2022. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.
4. NPAT excludes 16.83% minority interests for Gosh Capital investments.

## Change In Accounting Policy

The statutory result includes a change in accounting policy to value investment property, including our Jandakot property, at fair value rather than depreciated cost.

The change provides consistency with the valuation of the Group's other investments and financial instruments that are already carried at fair value, with changes in value reflected in the income statement when they occur.

This change should allow users of the Group's financial statements to be better informed about the financial position and performance of the Group. FY21 results have been restated to reflect the change in policy.







Full Year (\$m)	FY22	FY21
Revenue	\$17.3	\$16.5
Segment NPAT	(\$0.6)	\$1.0



Beam Installations at Bayswater Train Station

## Summary

- Delta incurred a loss of \$0.6 million (FY21: \$1.0 million profit)
- Continued construction program delays by contractors.
  - Design and engineering complexity on a large project.
  - Ongoing labour challenges and inflationary pricing pressures across the construction industry.
  - Shift from commercial to civil infrastructure projects.

## Outlook

- Significant government investment in projects is stimulating activity, but limited capacity in the sector to deliver projects remains a constraint.
- Risks associated with covid, severe labour shortages, ongoing supply chain disruptions, construction program delays and rising costs remain a challenge.
- Cost rise and fall terms are being included in new project contracts.
- A strong order book should see Delta return to profit.



New high-capacity stressing bed







# **2022 Annual General Meeting**

Conclusion



# **2022 Annual General Meeting**

Questions

To receive and consider the annual financial statements and reports of the directors and the auditors for the period ended 30 June 2022

*This item does not require voting by shareholders*



**Resolution 1:** To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That Mr David Schwartz who retires in accordance with the Company’s constitution and, being eligible for re-election, be re-elected as a Director”

Proxies received and accepted for Resolution 1:

Re-Election of Mr David Schwartz	For	Against	Open	Abstain
Votes	8,492,304	1,049	49,293	3,672
% of Valid Proxy Votes	99.41%	0.01%	0.58%	N/A

**Resolution 2:** To consider, and if thought fit, to pass the following resolution as a non-binding **ordinary resolution**:

“That the Remuneration Report for the period ended 30 June 2022 be adopted”

Proxies received and accepted for Resolution 2

Adopt Remuneration Report	For	Against	Open	Abstain
Votes	3,388,650	10,409	6,422	10,806
% of Valid Proxy Votes	99.50%	0.31%	0.19%	N/A

# **2022 Annual General Meeting**

Conclusion of AGM