

SCHAFFER INCREASES PROFIT AND FULL YEAR DIVIDENDS

Diversified industrial group Schaffer Corporation Limited (ASX: SFC) today reported an increase in net profit after tax for the 2020 financial year to \$23.6 million (2019: \$22.9 million).

The Group declared a final dividend of \$0.35 per share (fully franked), taking total dividends for the year to \$0.80 per share (fully franked) – an increase of 14% over the prior year.

Schaffer Corporation Chairman, Mr John Schaffer, said that the profit was achieved despite a 24% decrease in revenue, with Covid-19-related production shutdowns impacting Automotive Leather's sales.

"Automotive Leather was impacted heavily in the second half with production shutdowns in China and subsequently in Europe. The division's management responded by right sizing the business to reduced demand. As a result, the decrease in NPAT was in proportion to the fall in revenue," Mr Schaffer said.

"SFC's NPAT result included non-cash, unrealised gains of \$7.7 million (after tax) predominantly from the revaluation of equity investments. Under the Accounting Standards, these revaluations are required each reporting period and may contribute to volatility in earnings as the Group Investments division grows," Mr Schaffer noted.

Mr Schaffer said that Group Investments' property assets had a busy and productive second half.

"We are progressing plans to develop our Jandakot Road site, with the developable area increasing to 33 hectares following revised local development plans. The market value of the site 'as is' has increased to \$45.2 million – up from \$37.2 million a year earlier. In addition, the development of the 2.1 hectare site at North Coogee has been fast-tracked to take advantage of the announced government subsidies for residential construction." Mr Schaffer said.

Mr Schaffer noted that Group Investments' overall portfolio (net equity value pre-tax) increased to \$162.6 million at 30 June 2020, an increase of 21% over the prior balance date. During the year, SFC made new investments totalling \$17.6 million across property and equities.

"Group Investments is a growing component of SFC's business. We have made substantial further investments in both property and equities. While the requirement to revalue the equity investments each half may add to earnings volatility, the division is a valuable part of our future plans," Mr Schaffer said.

Mr Schaffer said that the Group's priority was the health and wellbeing of its people during the ongoing pandemic.

"We have a remarkable group of employees and managers and their safety is paramount. Our management team and employees continue to adapt and drive the best achievable results across the Group," Mr Schaffer noted.

"We are anticipating a continued rebound at Automotive Leather with a better result in the first half compared with the second half of the 2020 financial year. We are also optimistic about opportunities for Delta. However, the pandemic makes forecasting difficult," Mr Schaffer concluded.

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