



Schaffer Corporation Limited

Full Year Results Presentation June 2015

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



Organisation Chart (Core Businesses)

SCHAFFER CORPORATION LIMITED

Automotive Leather Division

Howe (83% Owned)

- Finishing
 - Thomastown, Victoria, Australia
 - Kosicé- Slovakia (facility under construction)
- Tannery – Rosedale, Victoria
- Cutting
 - Shanghai – China
 - Kosicé- Slovakia
- Sales Offices
 - Australia
 - China
 - Slovakia
 - Japan
 - Germany

Property Division

Syndicated Investment Property

Company Owned Property

Gosh Capital

Investment Company (83% Owned)

- Owned Property
- Property Unit Trusts
- Other

Building Materials Division

Delta

- Precast Concrete – Herne Hill, WA

Building Products

- UrbanStone Factory (paving) - Jandakot, WA
- Archistone Masonry Block Plant (walling and paving) - Jandakot, WA
- Archistone Reconstituted Landscaping Limestone Blocks - Gin Gin, WA
- UrbanStone Central - national network of ideas and design centres for retail and trade
- Natural Granite and Stone - Australian sourced
- Natural Granite and Stone – Imported
- Limestone Resources
 - Reconstituted Retaining Wall Blocks - Carabooda, WA
 - Natural Quarry Cut Blocks (landscaping and building) - Moore River and Swan Lease, WA

Value Drivers

Share Price (June 30): **\$4.85**

No of Shares: **14 million**

Market Cap: **\$67.9 million**

FY15 dividends per share: **\$0.25 fully franked**

SFC is a diversified company with four operating divisions

	Automotive Leather ¹	Building Materials	Investment Property	Gosh Capital ¹	Overheads	Group
SFC Share of FY15 Revenue (\$m)	84.1	49.1	6.0	0.9	-	140.1
SFC Share of FY15 EBIT (\$m)	5.2	1.4	2.4	0.6	(1.8)	7.8
Market Value of Property^{2,3} (\$m)	-	21.0	53.0	22.7	-	96.7
SFC Share of Net Debt (\$m)	23.3	5.5	22.5	5.0	-	56.3

1. SFC's 83% share of division's performance, assets and liabilities.

2. Market value of property is based on regular valuations conducted by certified independent valuers.

3. Property is defined as land and building assets including SFC operated properties, syndicate properties and rented properties.

Financial Performance

Group EBIT³ decreased due to:

- Higher hide costs at Automotive Leather (magnified by a strengthening USD).
- Higher costs associated with new leather program start-ups.
- Weakening EUR negatively affecting our export revenue.

Full-Year	June-2015	June-2014 ¹	% Change
Revenue (\$m)	157.3	163.6	(4%)
EBITDA (\$m) ²	13.9	24.3	(43%)
EBIT (\$m) ³	8.7	19.3	(55%)
NPAT (\$m) ⁴	3.5	6.2	(43%)
EPS	\$0.25	\$0.44	(43%)
Ordinary dividend (fully franked)	\$0.25	\$0.25	-

1. Jun-2014 includes \$3.7m impairment of Building Products goodwill and \$0.7m profit after tax and minority interests relating to an insurance claim for the loss of the building at 10 Bennett Avenue, North Coogee.

2. Refer to slide 22 for EBITDA reconciliation.

3. Refer to slide 22 for EBIT reconciliation.

4. Net profit after tax and minority interests.

Cash Flow

Full-Year Ending (\$m)	June-2015	June-2014
EBITDA	13.9	24.3
Less profit of disposal of assets	-	(0.7)
Net interest paid	(3.5)	(3.4)
Tax paid	(3.9)	(2.9)
(Increase)/decrease in Howe trade working capital	(17.9)	(2.1)
Other changes in working capital and provisions	(2.3)	2.0
Total operating cash generated	(13.6)	17.2
Capital expenditure	(5.1)	(5.7)
Gosh Capital investments	(2.3)	(11.1)
Proceeds from insurance	-	1.3
Dividends paid	(3.5)	(3.6)
Share buy back	-	(0.2)
Net debt reduction/(increase)	(24.5)	(2.1)

The Increase in Howe trade working capital represents the build up of hide stock for the expected significant increase in Automotive Leather volumes, purchased at a stronger USD.

The Net Debt Increase (+\$24.5m) is represented by:

- Howe Working Capital Facility (+\$11.2m)
- Howe Cash Reduction (+9.2m)
- Gov Loan Pay (-\$2.5m)
- Gosh Capital Debt (+\$1.4m) – *extension of Dixon Rd building*
- Corporate Debt and Leasing (+\$4.0m)
- Other Cash Reduction (+\$1.2m)

Group Net Debt

All amounts in \$m's	Automotive Leather	Building Materials & Corporate	Syndicate Investment Properties	Gosh Capital	Total 30 June 2015	Total 30 June 2014
Type of Debt:						
Bank debt - recourse	-	6.3	3.7	-	10.0	6.7
Bank debt - non-recourse	11.2	-	19.7	6.1	37.0	24.3
Govt loans - non-recourse	17.5	-	-	-	17.5	20.0
Equipment finance	0.6	1.1	-	-	1.7	1.1
	29.3	7.4	23.4	6.1	66.2	52.1
Maturity Profile:						
- FY15	-	-	-	-	-	21.3
- FY16	3.2	0.5	-	-	3.7	3.8
- FY17	5.7	0.4	7.1	-	13.3	9.8
- FY18	10.4	6.4	16.3	-	33.1	10.0
- FY19 and beyond	10.0	-	-	6.1	16.1	7.2
	29.3	7.4	23.4	6.1	66.2	52.1
Net Debt Position:						
Gross debt	29.3	7.4	23.4	6.1	66.2	52.1
Cash and term deposits	(1.3)	(1.9)	(0.9)	(0.1)	(4.2)	(14.6)
Net Debt/(Cash)	28.0	5.5	22.5	6.0	62.0	37.5
% debt recourse to SFC	0%	100%	16%	0%		

\$18m increase since June 14 to fund \$22m increase
in stock levels for expected FY16 volumes

Assets

Market value of Group Net Tangible Assets \$7.52/share (pcp \$7.14/share)

	Automotive Leather ¹	Building Materials & Corporate	Property				Total 30 June 2015
			Property used by SFC Operations	Syndicate Investment Properties	Gosh Capital ¹	Total Property	
Net assets (Book) (\$m)	34.5	26.4	9.2	(8.4)	6.3	7.1	68.0
Net assets (Market Value) (\$m)	34.5	26.4	17.8	14.3	13.4	45.6	106.5
Assets backing (NTA - Book) (\$/share)	2.38	1.89	0.66	(0.60)	0.45	0.51	4.78
Asset backing (NTA - Market Value) (\$/share)	2.38	1.89	1.27	1.02	0.96	3.25	7.52

1. SFC's 83% share of division's assets.

Estimated \$55.0 million of unrealised property value before tax (\$38.5 million after tax) included in Market Value.

Automotive Leather



Automotive Leather Results

\$m	June-2015	June-2014	% Change
Revenue	101.1	103.5	(2%)
Segment EBIT	6.3	15.2 ¹	(59%)

1. FY14 EBIT includes \$4m abnormally high stock profits due to previous FX movements

- Sales volumes were 6% higher in the second half than the previous corresponding period (pcp), but full year volumes were similar to prior year.
- Average yearly hide costs in USD increased 6% over prior year. This increased cost was magnified by the USD currency strengthening 9% compared to the AUD.
- The costs associated with program start-ups were higher due to lower cutting yields, extra development work, testing costs, customer visits, and start-up delays.
- The EUR weakened by 4% compared to the AUD which negatively affected our largely EUR denominated export revenue.

Automotive Leather Key Points



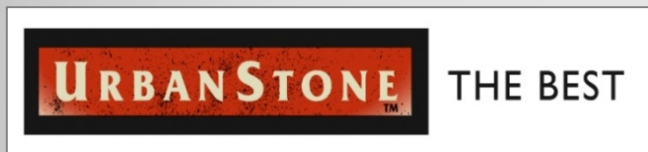
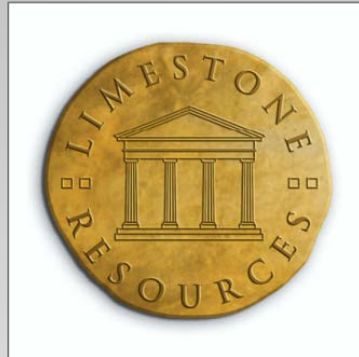
- Volumes are set to increase significantly due to numerous new programs, including new supply to Mercedes, which is currently ramping up slowly. A volume increase of a least 50% is expected over FY16 and FY17.
- The new Slovakian finishing and expanded cutting facilities are on track for commissioning and production towards the end of the first half of FY16. The building has been completed and the installation of equipment has started.
- World hide costs have reduced sharply due to lower demand from various leather users. However, we currently hold at least 6 months of hide stock for our programs, so any profit benefit from reduced costs is delayed.
- We are starting supply to 16 new models during the second half of FY15 and throughout FY16. The costs associated with program start-ups reduce over the life of the program, but are initially higher, and have impacted profits of FY15, and will likely continue to do so in FY16.

Automotive Leather Outlook H1 FY16

- Volumes for H1 FY16 are expected to be higher than first half last year based on awarded new programs.
- The hide stock held at the start of FY16 was purchased at higher than current hide prices, and at an average of USD 0.80, so resulting higher hide costs in AUD will have a negative impact on the FY16 profit as the stock is sold through.
- Increased start-up costs associated with 16 new programs are expected to continue.
- Volume and Revenue is forecast to be higher for H1 FY16, but the EBIT is expected to remain similar to the first half of last year (based on current exchange rates).

Schaffer Building Materials

Building Products



Building Materials Results

\$m	June-2015	June-2014	% Change
Revenue	49.1	52.0	(5%)
Segment EBIT	1.4	1.8	(22%)
Margin	2.8%	3.4%	

- The continued impact from the decrease in resource sector related civil infrastructure developments in Western Australia have further decreased Building Materials revenue and margin, particularly Delta (precast concrete).
- Building Products (paving and walling products) maintained a similar revenue to prior year and improved profitability via cost reductions.

Building Materials Key Points



Building Products

- Infrastructure projects in the commercial and government sectors are driving manufactured and natural stone sales.
- The residential sector spending is down and intense competition continues with both local competition and imports.
- We continue to focus on further cost reductions across Production, Retail and Administration, that don't compromise on our service or quality.

Delta

- The product range has been developed to perform a diverse range of projects utilising specialised precast products including Architectural Elements, TeeRoff bridge beams, prestressed beams and Deltacore flooring.
- The number of current and prospective projects in Western Australia is quite strong and includes the new stadium plus major road infrastructure improvements.
- Delta's positioning as market leader in complex architectural precast concrete production augurs well for margin improvement once industry conditions improve.

Building Materials Outlook H1 FY16

- Order books are at higher levels than the start of FY15 which is positive.
- Prospective projects are numerous and encouraging.
- Intense competition and margin compression prevails.
- Further cost reductions have been, and will be, implemented.
- Therefore in H1 FY16 we expect a modest increase in EBIT.

Property



IBM Building, Hay St, West Perth, WA



616 St Kilda Rd, Melbourne, VIC



Parks Centre, Bunbury, WA



Hometown Cannington, WA

Property Portfolio (Total Group)

Address	Description	Ownership Structure	Land Size (sqm)	Current Lettable Area (sqm)	SFC Ownership %	SFC Share of Book Value (\$m)	SFC Share of Market Value* (\$m)	SFC Share of Debt (\$m)	Tax on Capital Gain (\$m)	Net Equity Value (\$m)
Property used by SFC operations										
218 Campersic Road, Herne Hill, WA	Delta	SFC Direct	134,305	-	100%	6.4	9.5		(0.9)	
Lot 101 Jandakot Road, Jandakot, WA	Urbanstone	SFC Direct	64,090	-	100%	3.8	8.5		(1.3)	
1305 Hay Street, West Perth, WA	Head Office	SFC Direct	413	-	100%	0.7	2.1		(0.4)	
50 Cutler Road, Carabooda, WA	Quarry House	SFC Direct	72,818	-	100%	1.1	0.9		0.1	
						11.9	21.0	(6.0)	(2.6)	12.4
Rental Properties										
IBM Centre, 1060 Hay Street, West Perth, WA	Office	Syndicate	5,797	8,466	22%	1.1	13.2	(7.1)	(3.6)	2.5
Hometown, 1480 Albany Hwy, Cannington, WA	Retail	Syndicate	59,319	20,637	25%	5.6	13.2	(6.9)	(2.2)	4.0
Océ House, 616 St Kilda Road, Melbourne	Office	Syndicate	4,634	13,419	20%	3.8	9.7	(4.6)	(1.8)	3.3
Parks Shopping Centre, Bunbury, WA	Retail	Syndicate	30,804	10,622	17%	2.1	6.7	(3.8)	(1.4)	1.5
39 Dixon Rd, Rockingham, Western Australia	Bulky Goods	Gosh Direct	12,047	5,434	83%	7.5	8.4	(5.2)	(0.2)	3.0
Space 207 & Harbour Park, NSW	Office	Gosh - Unit Trust	9,860	24,945	2%	0.9	0.9	-	-	0.9
Inghams, Port Wakefield Rd, Burton, SA	Industrial	Gosh - Unit Trust	53,300	13,437	4%	0.8	0.8	-	-	0.8
Auburn Megamall, 265 Parramatta Road, NSW	Bulky Goods	Gosh - Unit Trust	24,690	32,348	2%	0.4	0.4	-	-	0.4
						22.1	53.3	(27.6)	(9.2)	16.5
Development sites										
Lot 103 Jandakot Road, Jandakot, WA	Vacant	SFC Direct	466,240	-	100%	3.0	4.4	-	(0.7)	3.7
Lot 104 Jandakot Road, Jandakot, WA	Commercial	SFC Direct	42,680	500	100%	0.3	2.1	-	(0.3)	1.8
10 Bennett Avenue, North Coogee, WA	Residential	Gosh Direct	21,035	-	83%	2.1	11.3	-	(2.9)	8.4
170 Flynn Drive, Neerabup, WA	Industrial	Syndicate	26,000	-	20%	1.5	3.7	(1.0)	(0.7)	2.1
Lot 561 Paris Road, Australind, WA	Commercial	Gosh - Unit Trust	12,000	-	4%	0.4	0.4	-	-	0.4
Part Lot 602 Yanchep Beach Road, WA	Residential	Gosh - Unit Trust	42,600	-	3%	0.4	0.4	-	-	0.4
						7.7	22.4	(1.0)	(4.6)	16.7
Total SFC Property Value						41.7	96.7	(34.6)	(16.5)	45.6

Investment Property (Syndicates) Results & Outlook

\$m	June-2015	June-2014	% Change
Revenue (excluding Property Sales)	6.0	6.1	(2%)
EBIT (excluding Property Sales)	2.4	2.6	(8%)

- Occupancy improved to 95% (100% for retail) by the end of FY15, but rental incentives to achieve that level of tenants caused profit to reduce slightly .
- SFC has an offer to purchase our 20% share in 616 St Kilda Road. The offer is not unconditional but negotiations are quite advanced, and when completed the transaction should realise around \$4 million profit after tax in FY16. Consequently, total rental EBIT will reduce.
- No further property sales are expected.

Gosh Capital



10 Bennett Avenue, North Coogee, WA

Land Area: 2.1 hectares

Zoned high density residential from industrial

Site can accommodate approximately 175 units

39 Dixon Road, Rockingham, WA

Bulky goods retail with 3 tenants



Gosh Capital Results & Outlook

\$m's	Jun-2015	Jun-2014	% Change
Revenue	1.1	0.5	95%
Segment EBIT (excluding insurance proceeds)	0.6	0.2	131%

- EBIT (excluding insurance proceeds) increased for FY15 due to the new rental and distribution income being earned from reinvested profits.
- During FY15 the following investments occurred:
 - Inghams Burton Property Trust (\$1m) - a rented industrial property with average 12% return expected.
 - Yanchep Beach Road (\$0.5m) – a residential sub-division with IRR of 20% expected and distributions between 2019 and 2022.
- Profits are expected to increase further in FY16 due to the increased investment portfolio.

Group Outlook – H1 FY16 Summary

For H1 FY16 compared to prior corresponding period we estimate:

- Significant increase in Volume and Revenue for Automotive Leather, but similar profit to H1 FY15 (based on current exchange rates)
- A modest increase in profit for Building Materials.
- A modest increase in profit for Gosh Capital.
- A boost of around \$4.0m profit after tax from the expected sale of our share in 616 St Kilda Road, Melbourne.

Dividends

- The Board has declared a final dividend of 13¢ per share fully franked, equal to prior corresponding period, payable on 18 September 2014.
- This makes the total dividend for FY15 25¢ per share (FY14: 25¢).

Non-IFRS Financial Information

EBITDA Reconciliation (\$000's)	June 2015	June 2014
Profit before income tax	5,213	12,148
Finance income	(102)	(202)
Finance costs	3,602	3,632
Impairment of Goodwill	-	3,696
EBIT	8,713	19,274
Depreciation and amortisation	5,214	5,057
EBITDA	13,927	24,331

Schaffer Corporation Limited results are reported under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Company discloses certain non-IFRS financial measures. The non-IFRS measures should only be considered in addition to, and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

EBITDA is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. EBITDA represents earnings before interest, income taxes, depreciation and amortisation. This measure is important to management when used as an additional means to evaluate the Company's performance.

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