

HGL Limited

Result for six months ended 31 March 2016

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Improving operational performance and progression into early stage growth phase

HGL Limited
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- Sales Revenue of \$26.1 million, up 2.5%
- Underlying Net Profit after Tax of \$1.6 million, up 10.7%
- Statutory Profit after Tax of \$1.6 million, down from \$2.2
- Interim dividend of 1.0 cents per share fully franked

Trading Overview

HGL Limited (ASX: HNG) today announces an Underlying Net Profit after Tax for the six months ended 31 March 2016 of \$1.6 million, up 10.7% from \$1.5 million in the prior corresponding period. The improvement has been aided by stabilised operational performance across the Group with earnings growth in JSB Lighting, SPOS Group and Biante.

Statutory Profit for the period was \$1.6 million, down from \$2.2 million in the prior corresponding period. Last year's statutory profit was aided by \$0.7 million of non-underlying income from the divestment of Anitech, offset by restructuring costs of \$0.1 million.

Revenue increased by 2.6% to \$26.1 million in the wholly owned companies. Total Group revenue including 100% of Mountcastle was \$34.9 million, an increase of 4.9% compared to the prior corresponding period. Significant sales growth was reported in JSB Lighting (17%), Mountcastle (12%), and SPOS (12%), with additional revenue contributions from Biante and Nido Interiors. Sales declined in Leutenegger largely attributable to continued rationalisation of unprofitable product lines. Revenue in BLC Cosmetics was marginally down due to the cessation of the TheBalm agency in May 2015. Comparable revenue across other brands was in line with last year.

Gross margin remained firm at 44.3% (2015: 45.1%) with all business units actively managing cost of goods and selling prices to maintain margins and generate sales growth.

Despite increased investment in new brand introductions and additional in-field sales executives, net operating expenses did not increase through cost savings achieved in HGL head office and Leutenegger.

Over the six months to 31 March 2016 working capital increased, driven mainly by reductions in both trade creditors and employee provisions. Trade debtors remained static on increased sales, while net stock levels reduced. Net cash at balance date was \$3.5 million, with cash on hand of \$5.3 million and bank borrowing of \$1.8 million, down from \$4.7 million net cash as at 30 September 2015 after working capital increases and payment of the 2015 final dividend.

**SUPPLYING
MARKET
LEADING
BRANDED
PRODUCTS**

Corporate Strategy and Operational Priorities

The transformation of HGL progresses according to the defined objectives and milestones of the GPS Strategy Plan (Growth, Profit and Sustainability).

Operational plans in each business units are concentrating on six key priorities: Expand Product Portfolio, Superior Sales Execution, Develop Intellectual Property, Reduce Operational Complexity, Integrate Business Technology and Increase Employee Engagement.

The execution of the operational plans has yielded positive growth results in the building products, retail marketing and school uniform markets with signs of early stage growth in model cars and homewares. Organic growth together with strategic acquisitions in selected markets will improve growth rates and result in larger scale business units with expanded market share positions.

Dividend

An interim dividend of 1.0 cents per share fully franked (2015: nil) has been declared after consideration of the underlying profit for the period and future working capital requirements to fund growth activities and potential strategic acquisitions.

The record date for the dividend will be 5 July 2016, with a payment date of 19 July 2016. The dividend reinvestment plan (DRP) will continue to be available to all shareholders with no discount.

Outlook

During this period HGL continued with progress on key performance metrics, including delivering moderate revenue growth, maintaining strong gross margins, improving operational efficiency and increasing underlying earnings.

It is encouraging to note that the larger business units have delivered double digit revenue growth in their respective markets despite continued subdued economic conditions.

The financial results demonstrate that HGL has the right foundations in place to pursue new growth opportunities contributing to enhanced profitability. The company is clearly now moving into the next growth and development phase, which provides further confidence in the positive outlook for the Group.

About HGL Limited

HGL Limited supplies market leading premium products into specialist markets. HGL is a partner of choice for our global supplier base, corporate clients and retail networks, operating dedicated business units in large industry segments. HGL is an active management company with an 'improve, accelerate and leverage' portfolio development strategy.

For further information please contact:

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