

17 February 2022

Skellerup reports record 1H22 earnings and provides FY22 earnings guidance

Skellerup announced today a record unaudited net profit after tax (NPAT) of \$23.2 million for the six months ended 31 December 2021 and provided full year NPAT guidance of \$44 to \$47 million.

Key points for the six months ending 31 December 2021

- Revenue of \$150.5 million, up 10% on prior comparative period (pcp)
- Earnings before interest and tax (EBIT) of \$32.4 million, up 18% on pcp
 - Industrial Division EBIT of \$18.7 million, up 20% on pcp
 - Agri Division EBIT of \$16.7 million, up 9% on pcp
 - Corporate costs of \$2.9 million, down 12% on pcp
- Net profit after tax (NPAT) of \$23.2 million, up 19% on pcp
- Operating cash flow of \$19.7 million, down 44% on pcp
- Net debt of \$25.6 million, up \$16.9 million on FY21 year-end
- Interim dividend of 7.5 cents per share (an increase of 1.0 cps), up 15% on pcp
- FY22 NPAT forecast in the range of \$44 to \$47 million.

CEO David Mair said he was proud of Skellerup's growth trajectory. "Our consistently strong earnings performance is the culmination of years of hard thinking about the essence of our business and making deliberate choices to lay a foundation for future success. That essence is designing and developing real solutions to predominantly original equipment manufacturer (OEM) customers, and our unwavering focus on their needs."

Mair emphasised that both Agri and Industrial Divisions achieved record results generated from revenue growth, whilst maintaining margins and controlling indirect costs. "Growth was broad based, and strongest in US, NZ and Asian markets, notwithstanding the impact of longer shipping timeframes, material shortages, freight and material costs increases. In short, Covid-19 interruptions were successfully overcome by our people."

Mair added, "I am very proud of our people. Notwithstanding the difficult challenges faced, our teams have continued to deliver the many essential products we make for our customers across the world. We have progressed new products along their development path, including launching some into market, as well as starting new projects. We have kept our focus on where it matters most, our customers and our employees."

Skellerup's Industrial Division achieved a record EBIT of \$18.7 million, up 20% on pcp. Revenue grew by 12%, and earnings growth was broad based. "The US market had the largest impact due to growth in potable and wastewater products and marine foam. Roofing, electronics and health applications drove growth in Asian and New Zealand markets", stated Mair. He added, "The acquisition of Talbot Advanced Technologies in August provides a very good fit for the Skellerup Group. It strengthens our capability and capacity for health, technology and electronics applications".

Skellerup's Agri Division achieved a record EBIT of \$16.7 million, up 9% on pcp. Mair noted, "Revenue grew 7%, with dairy rubberware sales up, particularly in the US market. Margins, however, were down slightly due to the impact of increasing raw material prices and freight costs. The Agri Division was also boosted by increased footwear sales across all markets, and particularly in New Zealand."

Operating cash flow in the first half was down on pcp due to a planned increase in inventory to mitigate the impacts of Covid-19. Mair said "We increased raw materials and finished goods in transit to our distribution centres to ensure continuity of supply to our customers. Net debt is up on FY21 year-end because of the acquisition of Talbot and investment in working capital. Skellerup's balance sheet remains very strong."

The record first half result meant that expectations are for a record Full Year profit. Skellerup expects to deliver FY22 NPAT in the range of \$44 to \$47 million. Mair said "We have strengthened our team with new appointments in sales, product development and operational roles. These investments in capability and capacity will support sustained future growth. We will continue to manage the many disruptions caused by Covid-19, primarily in international shipping."

Chair Liz Coutts said the outstanding first half earnings, and expectations for the full year, allowed the Board to declare a 15% increase in the interim dividend to 7.5 cents per share, imputed 50% (the same level as in the pcp).

"During the first half, Skellerup has once again demonstrated the strength of our business, generating earnings from delivering critical products to our (OEM) customers around the world. The Board is proud of the contribution of our global team, especially given the ongoing disruption caused by the pandemic. The Board is focused on supporting our people as we maintain our strong focus on investing to grow sustainable earnings and shareholder returns."

For further information please contact:

David Mair
Chief Executive Officer
021 708 021

Graham Leaming
Chief Financial Officer
021 271 9206