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Skellerup Holdings Limited
Annual Shareholders Meeting 29 October 2020
Chair's Address

Welcome to Skellerup's 2020 Annual Meeting and thank you for joining us this afternoon.

'Unprecedented' has become such an overused word – but it is hard to find another that is more appropriate for the year we have all endured. It is a year that has tested and proven the resilience of our business model and strategy. We are very pleased with our net profit after tax of \$29.1 million in FY20 which equalled the prior year record result, and the strong foundation we have to deliver further growth.

The FY20 result was a testament to the diversity and durability of our business – supplying many essential products to a range of customers, across the world. This year we also achieved a record operating cash flow of \$48.0 million, 66% per cent above the prior year. These outcomes enabled our shareholders to receive a payment of a final dividend of 7.5 cents per share on 16 October 2020, which brought the total FY20 dividend to 13 cents per share in line with FY19.

Our strong cash flow management is a good differentiator, particularly in this environment. Our cash flow has funded not only your dividends, but also capital expenditure, the acquisition of Silclear in November 2019, and a reduction in net debt to \$28.5 million. Our balance sheet remains strong with net debt just 10 percent of total assets employed in our business at the end of FY20. This is a good place to be, ensuring we can continue to support prudent growth across the business and also take quick action as opportunities arise.

We will continue to take a disciplined approach to capital management, so that we can fund investments and projects that we believe will deliver excellent commercial returns. We carefully assess acquisitions to ensure they fit with our organic growth strategy. We then work to acquire and realise the opportunities they present. Last year's Silclear acquisition is a great example, where we acted quickly and are realising the benefits. Silclear is performing well, complements our existing businesses and provides new growth opportunities for the Group.

No-one needs any reminding of the impact of Covid-19 on our lives and businesses. The Board are particularly grateful for the skill, adaptability and commitment of our leaders and teams around the world which ensures we continue to meet the needs of customers around the world and deliver strong returns for our shareholders.

As a global business, the COVID disruption first hit us in China and Italy. Our immediate priority was and continues to be a safe working environment for our people across the world. Our teams worked well together, sharing and adopting new ways of working quickly and efficiently. We also stayed close to our customers as we worked with them to understand the disruption they were facing and how we could support them.

Skellerup has a strong customer base across a range of sectors. Skellerup products underpin many of the world's essential needs – including water, milk and milk products, critical medical devices and safety equipment. The essential nature of many of these products mean we have continued to operate most of our facilities throughout the lockdown periods. This focus on critical products has been a core part of our business for many years – and certainly has held us in good stead during 2020.

Our Directors have a wealth of commercial and governance experience well matched to our business needs across the diverse geographic and market segments in which we operate. Through the past year we have continued to stay close to our team, business partners and customers, working relentlessly to ensure thorough oversight, visibility and strong governance.

Our Board meetings moved to being virtual as Covid-19 restricted travel. This allowed us to connect frequently and align with the rapidly evolving changes happening around the globe. We were fortunate that in recent years the Board has visited many of our sites, both in New Zealand and abroad. This meant we have a good understanding of the local environments we are operating in. This helped a great deal as we made changes to protect our people, partners and customers. We intend to continue these visits, when it becomes safe and practical to undertake travel again.

A topic that is periodically raised with Skellerup most notably by Proxy Advisers is the Independence status of your Board. As required by the NZX Listing Rules and the NZX Corporate Governance Code, our Board periodically reviews the independence status of each director. The Code requires the Board to consider a range of factors in determining the status of each director including employment as an executive, provision of professional services, material business or contractual business relationships, shares held, family ties and tenure of directorship. Importantly the Code requires the Board to assess the materiality of these factors and if they might interfere with the capacity of a

director to bring independent judgement on issues before them and to act in the best interests of Skellerup.

We most recently completed this review at our Board Meeting in June 2020. At that time, we concluded David Mair as the current CEO was not independent and that Alan Isaac, John Strowger, David Cushing and myself were independent. I note that this determination is different to that judgement applied by at least one proxy adviser who assert that David Cushing, John Strowger and myself are not independent based on their methodology. We disagree with this conclusion and confirm that our Board Meeting earlier today we affirmed the independence status of David Cushing, John Strowger, Alan Isaac, Paul Shearer and myself.”

In August, the Board were pleased to appoint Paul Shearer to the Board who we recommend to you for election today. Paul has proven expertise over a long and successful career leading the Fisher & Paykel Healthcare global sales and marketing team. His skills and insight will be invaluable to Skellerup with our continued strategic focus on international market growth, particularly in the US.

In closing, I want to stress that I am extremely proud of our team’s achievements around the world. On behalf of the Board, I thank them for their contribution to delivering another successful result. Their knowledge of our customers and global supply chain partners have been second to none. They have adapted quickly to changing circumstances and have managed all parts of the business well.

While we have uncertain global conditions ahead, Skellerup is in robust shape and well placed to invest and grow sustainable earnings and shareholder returns. Earlier today we reported that we expect FY21 NPAT to be within the range of \$30 to \$35 million, which would represent a new record for Skellerup.

Finally, I want to thank you, our shareholders, for your ongoing encouragement and support.