

FIRST HALF 2024 RESULTS

SFC ANNOUNCES NET PROFIT AFTER TAX¹ OF \$8.8 MILLION, UP 72.1%

21 February 2024

Dear Shareholder,

Schaffer Corporation Limited (ASX: SFC) reported first half statutory net profit after tax (NPAT¹) of \$8.8 million (1H23: \$5.1 million), up 72.1%. SFC's result reflects a strong turnaround in both Automotive Leather and Delta.

Automotive Leather generated profits¹ of \$7.8 million (1H23: \$4.8 million) up 63.9% from the prior comparable period. Cash flow generation was strong, with working capital, primarily hide inventory, reducing by \$12.6 million.

Delta generated profits¹ of \$2.2 million (1H23: \$0.3 million). This strong result reflects improved operational efficiencies.

SFC's largest investment, South Connect Jandakot, increased its pre-tax net equity value to \$68.6 million from \$65.3 million at 30 June, reflecting additional capital investment in civil works that are nearing completion.

At 31 December 2023, the pre-tax net equity value of the Group's investments was \$195.5 million or \$14.40 per share. This compares to the 30 June 2023 value of \$186.5 million or \$13.73 per share.

The Board has declared a fully franked interim dividend of \$0.45 per share, matching last year's interim and final dividend and bought back \$0.3 million of shares during the half.

Half-Year (\$ million)	1H24	1H23	% Change
Revenue	\$112.9	\$83.5	35.3%
Net Profit After Tax (NPAT) ¹ from:			
Automotive Leather	\$7.8	\$4.8	63.9%
Delta	\$2.2	\$0.3	543.5%
Manufacturing NPAT¹	\$10.0	\$5.1	96.2%
Group Investments	\$0.5	\$1.8	-73.8%
Corporate	(\$1.7)	(\$1.8)	6.6%
Statutory NPAT¹	\$8.8	\$5.1	72.1%
EPS	\$0.65	\$0.38	72.7%
Ordinary Dividends (fully franked)	\$0.45	\$0.45	

1. Net Profit after tax and minority interests.

AUTOMOTIVE LEATHER

Half-Year (\$ million)	1H24	1H23
Revenue	\$92.8	\$62.8
Segment NPAT ¹	\$7.8	\$4.8

1. Net Profit after tax and minority interests.

Automotive Leather had a better first half with revenues increasing 48% to \$92.8 million (1H23: \$62.8 million) and profit¹ increasing 64% to \$7.8 million (1H23: \$4.8 million).

The most significant impact was the launch of a delayed major renewed program which finally launched at the start of the half.

Cash flow generation from operations of \$23.7 million exceeded profits, driven by a \$12.6 million reduction in working capital – mainly hide inventory.

With respect to program launches, the Mercedes E-Class program launched during the first half. The new Porsche program has started and should launch during the second half of this financial year. Other new program launches have pushed out from the second half of the 2024 financial year and are now expected to launch during the 2025 financial year. These are large programs that should add to revenue and profitability in the 2025 financial year.

Our four main luxury automotive customers in Europe have recently reported good quarterly results. Demand for new vehicles remains stable, particularly in the higher-end luxury segment. As an example, Jaguar Land Rover recently announced a strong order book, across their models, of 145,000 vehicles, 78% of which are Range Rover Sport, Range Rover and Defender.

Risks for the second half include:

- Adverse currency volatility.
- Geopolitical risks may cause elongated supply chains.
- Global economic uncertainties, including a global economic slowdown.

Subject to the abovementioned risks, profitability for the second half should be higher than the first half of this financial year.

DELTA

Half-Year (\$ million)	1H24	1H23
Revenue	\$14.7	\$14.0
Segment NPAT	\$2.2	\$0.3

Delta reported profit of \$2.2 million on marginally higher revenue of \$14.7 million (1H24: \$14.0 million). This compares to profit of \$0.3 million during 1H23.

Delta is operating in a positive but challenging environment. Government's continued investment in large-scale civil infrastructure projects has stimulated activity.

While Delta remains selective of projects it undertakes, key risks to performance include:

- Project delays.
- Skilled labour shortages and supply disruptions.
- Inflationary cost pressures.

Given Delta's current order book, we expect Delta's better performance to continue during the second half.

GROUP INVESTMENTS

Group Investments represents a growing proportion of the Group's underlying assets and valuation. We continue to grow the division opportunistically with the objective of maximising shareholder value over the medium and long-term. Revenue was \$5.4 million (1H23: \$6.6 million) with profits¹ of \$0.5 million (1H23: \$1.8 million).

The pre-tax net equity value² of Group Investments ended the half year at \$195.5 million (June 30: \$186.5 million) or \$14.40 per share (June 30: \$13.73 per share).

Over 75% of SFC's Group Investments assets are property, the largest portion being Jandakot South Connect. Most of the property assets are value-add, focusing on potential medium to long-term capital gains. A further 9% of SFC's Group Investments assets are invested in highly liquid equities with a bias towards quality and value, through the internally managed SFC Global Equity Fund and other externally managed equity funds.

Pre-Tax Net Equity Value ²	Dec 2023	Jun 2023	Dec 2023	Jun 2023
	\$m	\$m	\$/Share	\$/Share
Jandakot (South Connect)	\$68.6	\$65.3	\$5.05	\$4.81
Other Property Investments	\$78.5	\$76.1	\$5.79	\$5.60
Equity investments at market value ³	\$34.1	\$36.4	\$2.51	\$2.68
Cash and term deposits	\$14.3	\$8.7	\$1.05	\$0.64
Overall investment portfolio	\$195.5	\$186.5	\$14.40	\$13.73

1. Net Profit after tax and minority interests.

2. Group share of fair value less Group share of debt.

3. SFC's investment in Harvest Technology Group (ASX:HTG) is included using a value per of \$0.0059, which is below the \$0.015 closing share price of HTG at 31 December 2023. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.

Property

The Group's property investments comprise the following (SFC's share of pre-tax net equity values in parentheses):

- **Jandakot - South Connect: (\$68.6 million, June 2023: \$65.3 million)**

Jandakot South Connect is well located to benefit from the increased demand for showrooms and logistic warehousing driven by the rapid growth in ecommerce. The property has an approximate net developable area of 34 hectares which is in the final stage of civil works (roads, sewerage, power, lighting and drainage etc.) being completed.

During the half year, the pre-tax net equity value of Jandakot South Connect increased by \$3.3 million to \$68.6 million due to the continued investment in civil works which are almost complete.

- **Syndicate properties (\$55.8 million)**
- **Other directly owned property (\$13.7 million)**
- **39 Dixon Road, Rockingham (\$5.3 million)**

The property is a large format retail site, comprising three tenancies. The site is at full occupancy with three national tenants and a weighted average lease expiry of six years.

- **North Coogee - Beachside (market value \$3.7 million)**

OUTLOOK

While the current environment has many potential risks, we see opportunity for our manufacturing operations during the second half of the 2024 financial year.

Automotive Leather

Profitability for the second half should be higher than the first half of this financial year.

Delta

We expect Delta's better performance to continue during for the second half.

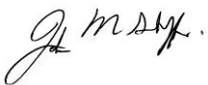
Group Investments

Our investments are revalued each period. This may result in profit volatility, both up and down.

DIVIDENDS

The Board has approved a fully franked interim dividend of \$0.45 per share. The record date is 8 March 2024. The dividend will be paid on 15 March 2024.

Yours sincerely



John Schaffer AM
Chairman

The Board has authorised this document to be released to the ASX.