SKELLERUP

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13 February 2025

Skellerup reports record first-half NPAT

Skellerup announced today unaudited net profit after tax of $24.2 million for the six months ended 31 December 2024 – a record result and an increase of 12% on the prior comparative period (pcp).

Key points for the six months ending 31 December 2024

- Revenue of $165.3 million, up 5% on the pcp
- Earnings before interest and tax (EBIT) of $35.0 million, a record result and up 11% on the pcp
    - Industrial Division EBIT of $22.4 million, down 2% on the pcp
    - Agri Division EBIT of $15.5 million, up 31% on the pcp
    - Corporate costs of $2.9 million, down 7% on the pcp
- Net profit after tax (NPAT) of $24.2 million, a record result and up 12% on the pcp
- Operating cash flow of $32.2 million, down $4.3 million on the pcp
- Net debt of $20.4 million, a $6.0 million reduction on the prior half year
- Interim dividend of 9.0 cents per share (an increase of 0.5 cps), up 6% on the pcp

CEO Graham Leaming commented: "We are pleased with the record first-half result underpinned by an expected but significant lift from our Agri Division, which reverted to a more normal seasonal pattern with stronger sales of dairy rubberware consumables in international markets. Our Industrial Division delivered a solid result, despite some volatility in US demand during Q2 associated with the US election."

Industrial Division

Skellerup's Industrial Division EBIT of $22.4 million was down 2% on the pcp. "Revenue was up 5% with growth from increased sales into solar roofing applications in Europe and hygiene applications in the US more than offsetting the continued slowdown in the Australian construction market, the timing of sales into the mining sector in Australia and lower demand for high-performance marine foam products in the US. Sales into potable and waste-water applications were flat with growth in Australia offset by softer demand in the US. The product mix and higher international freight costs caused a slight reduction in margin, which we expect to reverse in the second half of the year. Indirect costs were up on the pcp due to increased personnel costs and improved warehouse facilities to support future growth."

Agri Division

Skellerup's Agri Division EBIT of $15.5 million was up 31% on the pcp. Leaming noted, "Revenue was up 4% due to increased sales of dairy rubberware consumables to international customers. The increase was largely anticipated due to the prior period being negatively impacted by customer destocking. The increase in production to meet demand was delivered efficiently, aided by investment in process improvements and equipment, delivering improved gross margins. Footwear sales were softer in the first half, particularly in New Zealand where economic conditions impacted on consumer spend. Indirect costs were up due to investing in development capability to ensure future growth.

Cash

Group operating cash flow of $32.2 million was down 12% on the pcp. Leaming said, "We are a global business with ~80% of our revenue generated from sales into international markets and we manufacture our products across the world. We increased inventory to manage the impact of longer shipping times caused by disruption to shipping routes in the Middle East and to mitigate against the risk of port strikes in the US and the impact of the possible increase in tariffs being imposed for products sold into the US. Consequently, our operating cash flow was slightly below the record result achieved in the pcp." Net debt remains low at $20.4 million, 23% lower than the pcp.

Outlook

Skellerup guided for FY25 NPAT to be in the range of $52 to $56 million. Leaming said: "Global economic conditions are mixed and geo-political uncertainty continues, making forecasting more difficult than usual. However, our business remains well placed, with growth from existing and new products expected to more than offset the headwinds that persist in some markets and applications. We continue to add to our pipeline of products to sustain growth in future years and we remain alert to acquisition opportunities. We have the expertise and innovation to execute, underscoring our conviction to deliver ongoing earnings growth for our shareholders."

Dividend

Chair John Strowger said the strong first-half result, and expectations for the full year, allowed the Board to declare a 6% increase in the interim dividend to 9.0 cents per share, imputed 50% (the same level as in the pcp). The dividend will be paid on 20 March 2025 to shareholders of record at 5pm on 07 March 2025.

"As noted at the Annual Shareholders' Meeting in October 2024, the global economic conditions and political risks make for a challenging business environment, but we continue to focus on executing current business well, alongside investing in capability and initiatives to improve returns, capture opportunities for new business and mitigate market risks."

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