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Skellerup delivers another record result and dividend pay-out

Skellerup today announced record audited net profit after tax of $50.9 million for the year ended 30 June 2023, a seven per cent increase over the previous record result.

Highlights for the year ending 30 June 2023

- Strategy continuing to deliver substantial growth in earnings and returns to shareholders.
- Revenue of $333.5 million, up 5% on the prior comparative period (pcp).
- Earnings before interest and tax (EBIT) of $71.7 million, up 7% on the pcp.
    - Industrial Division's EBIT of $42.9 million, up 10% on the pcp.
    - Agri Division's EBIT of $34.0 million, up 1% on the pcp.
- Net profit after tax (NPAT) of $50.9 million, up 7% on the pcp.
- Operating cash flow of $54.1 million, up 25% on the pcp.
- Net debt of $26.8 million, an increase of $1.6 million on the pcp.
- Final dividend of 14.0 cents per share (cps) (50% imputed) bringing the total FY23 dividend to 22.0 cps (50% imputed) for the full year, up 7% on the pcp.

Skellerup's CEO David Mair said he was proud the Skellerup team had delivered another record profit, particularly during challenging global economic conditions. "It reflects the success of our business strategy, purpose and focus. The FY23 NPAT was $50.9 million, a seven per cent improvement on last year's record result. Over the past seven years, NPAT has grown at a compound annual growth of 14 per cent. We are confident we can continue to deliver long-term sustainable earnings growth."

Mair added, "The key element to our sustained earnings improvement is our unwavering focus on, and commitment to, understanding customer needs. We use our deep expertise in material science and our capability to combine different materials, rapidly build and deliver prototypes, and to manufacture precision products in a scalable way. This enables us to continue to create new opportunities to grow Skellerup's business."

Industrial Division's EBIT was $42.9 million, a record result and up 10 per cent on the pcp. Revenue was $216.8 million, up five per cent on the pcp. Mair said increased sales into wastewater, high-performance foam and roofing applications were the key drivers for another record result in FY23.

"Our Industrial Division generates 85 per cent of its revenue from international markets. FY23 sales revenue growth of five per cent was slower than in recent years. Strong revenue growth was realised from sales of vacuum systems for wastewater applications (most notably in the USA), sales of high-performance marine foam products (into the USA, NZ and Australia) and roof-flashing products for solar energy installations (in the UK). This growth was partially offset by lower sales for potable water and appliance applications as customers reduced inventories; this reflected both lower demand and an easing of supply chain pressures such as raw material shortages and freight congestion prevalent during the COVID-19 pandemic of the preceding two years. The FY23 result again demonstrated that the broad range of applications we serve is a feature and strength of our Industrial Division. This enables us to leverage our expertise and not be exposed to changes in demand from any one sector."

Agri Division's EBIT was $34.0 million, up one per cent on the pcp. Revenue was $117.0 million, up six per cent on the pcp. Mair said increased sales of footwear were key to another record result in FY23.

"Our Agri Division remains a world leader in the design and manufacture of essential consumables for the global dairy industry and the design and manufacture of rubber footwear for farming and specialty applications including electricity, fire and forestry. Footwear was a standout during FY23 as increased sales in NZ (hardware channels and urban markets) and the USA (electricity applications) delivered earnings growth. Sales volumes of dairy consumables were down as customers reduced inventories due to lower demand and an easing of freight congestion prevalent during the COVID-19 pandemic. Sales price adjustments in the second half of the year lagged the impact of raw material cost increases incurred in the first half; however, productivity gains helped offset the impact of lower production volumes, higher raw material prices and freight costs."

Mair noted that Skellerup continued to invest for future growth.

"We allocate financial and intellectual resources carefully, targeting sustained earnings growth. During FY23 we increased our ownership of Sim Lim – a manufacturer of liquid silicone products – from 35 per cent to 100 per cent. We also increased our investment in internal engineering capability to ensure our technical and product leadership position is retained, as well as investing in advanced design and equipment capacity to improve the efficiency and adaptability of manufacturing for the future. And we continue to invest in our systems to provide us with the information we need and ensure we make it easy for customers to work for us."

Chair John Strowger saluted the performance of the Skellerup team noting the FY23 result was the outcome of many years of work.

"The key to Skellerup's success is to work closely with our customers to identify and produce enduring solutions to their problems. The intellectual capability of our people is as much an asset of the Group as the bricks and mortar which are reported on the balance sheet. Done well, this can create lasting trade relationships which can be hard to shift; the results reported now reflect years of investment in this process – there is no 'overnight success' in the FY23 result."

Strowger noted that celebrations of the 20-year anniversary of Skellerup's business in Jiangsu, China, and the 75-year anniversary of DEKS in Melbourne, Australia, further highlighted the enduring, long-term strength of Skellerup.

Strowger highlighted the robust financial position of the business. "At Skellerup, we are often told by well-intentioned third-party commentators that we have a 'lazy' balance sheet. It is true that we do carry low levels of debt, but in periods of uncertainty have found this to be a distinct advantage; this ensures we make the right decisions for the business in a holistic sense, rather than responding to short-term exigencies. It also enables us to distribute a healthy proportion of our earnings to shareholders in the form of dividends. The Directors are very pleased to announce a final dividend of 14 cents per share, imputed to 50 percent, which takes the full-year dividend to 22 cents per share, a seven per cent increase on the prior year. The final dividend will be paid on 13 October 2023 with a record date of 29 September 2023."

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