Chair and Chief Executive Officer's Report

Half year ended 31 December 2022

Consolidated Statement of Comprehensive Income highlights

Just Life Group (JLG) today reports its financial results for the six months to 31 December 2022.

Group revenue of $18.8 million was 6% higher than the prior comparable period, with the Healthy Living segment up 8% and the Healthy Homes segment up 4%.

Although margin increased by almost $1 million, the decrease in government grants and increase in operating expenditure from both wage and external cost inflation experienced over the past twelve months and the appointment of additional members to the leadership team has resulted in earnings before income tax, depreciation and amortisation of $3.8 million (5% down on previous year).

Interest expense had a significant effect on earnings – a 67% increase in interest in total. Interest on external loans increased by $100,000 from higher interest rates, and interest on leases by $222,000 from the sale and leaseback of 103 Hugo Johnston Drive, and the renewal of our lease at 81 Hugo Johnston Drive. The sale and leaseback of 103 Hugo Johnston Drive during the period was timed well to enable the company to pay down debt and provide ongoing borrowing facility for future acquisitions and fund growth. Due to the lease accounting standard, lease costs are now split between depreciation and interest. Due to the increase in interest rates the portion allocated to interest has increased the interest expense relative to the prior year even though the net debt of JLG has reduced by 25% compared to the end of the same period in the prior year.

This resulted in a large fall in earnings of 27%, from $1.6 million to $1.1 million. This result was at the lower end of our published trading update on 17 November 2022. We believe the second half trading results will be similarly challenging as the first half trading results given the external economic environment and the disruptions experienced across New Zealand with recent weather events.

Consolidated Statement of Financial Position highlights

Shareholder equity increased from $26.8 million at 31 December 2021 to $27.5 million at 31 December 2022. (At 30 June 2022 shareholder equity was $27.8 million.)

Net debt reduced from $20.3 million at 31 December 2021 to $15.4 million at 31 December 2022, principally as a result of the sale of 103 Hugo Johnston Drive for $7.7 million, offset by the purchase of Natural Solutions for $1.7 million and an increase in inventory levels in our Hometech business to cover the ongoing lack of reliability in the global supply chain.

Cash flows from operating activities were $1.9 million for the six months to 31 December 2022 compared to $1.1 million for the six months to 31 December 2021.

Total assets were $56.9 million, an increase of 2% on the previous year.

Operating review

Healthy Living Segment – this incorporates About Health, Intenza and Natural Solutions.

About Health includes known brands of dietary supplements such as Lester's Oil, Res-V Ultimate and Element 12 Magnesium.

Intenza includes the Herbal Ignite and Prostate Power Flow brands.

Natural Solutions holds some major international agencies including Imuno and Bravo Probiotic.

Although the revenue of this segment was up 8%, principally due to the acquisition of Natural Solutions in September 2022, there continues to be ongoing supply issues from New Zealand based contract manufacturers in this sector. Our preference remains continuing to base manufacturing in New Zealand to support the local industry however this is reviewed on a regular basis by the board.

Healthy Homes Segment – this incorporates Solatube, Hometech and The Cylinder Guy. As previously advised, revenue was affected by a noticeable slowdown in new build homes. Fortunately, the majority of our work is the refurbishment of older buildings and installations of Solatube skylights and hot water cylinders into existing homes. Although affected by the current economic conditions, the slowdown has been less than for new home builds.

Shareholder interim dividend

The directors considered the payment of an interim dividend, something they have done for the last six years. As a result of the decreased earnings and the pessimistic economic outlook, they decided to take a cautious approach and reduced the interim dividend to 0.5 cents per share (2021: 1 cent per share). The current dividend is covered 2.4 times by first half earnings.

The future

The directors continue to monitor the trend in economic conditions, and are looking at innovative opportunities within the Group's business to ensure the growth of the company continues.

In terms of priorities, management are focused on improving gross margin, reduction of inventory built up as a buffer against the international supply chain constraints, cash flow management and reducing operating expenses.

Thank you

Our Group mission is to enhance lives, and we believe we are doing just that as we bring products to market that make the lives of Kiwis and international customers so much better.

The Board would like to thank our Just Life team for their overwhelming support. We are all excited about the infrastructure that has been established and progress that has been made.

We would also like to thank our shareholders for their continued support.

Phil Norman
Chair

Tony Falkenstein
Chief Executive Officer