



SKELLERUP HOLDINGS LIMITED

L3 205 Great South Road, Auckland 1051
PO Box 74526, Greenlane, Auckland 1546

Telephone +64 9 523 8240

Email ea@skellerupgroup.com

Skellerup Holdings Limited

Annual Shareholders Meeting 27 October 2021

CEO's Address

Thank you, Liz,

Last year I was proud of how well Skellerup managed to perform despite the disruption caused by Covid. The strength of our strategy and business model was tested, as was the resilience of our customer base. Skellerup rose to its challenge and passed its test with record results.

One year on I am pleased with the excellent results our team have delivered and hugely optimistic about our future. The record result across the board is a testament to the skill and commitment to Skellerup's ambition for global leadership in the design, manufacture and distribution of precision-engineered products.

Record revenue, record earnings before interest and tax (EBIT), record net profit after tax, and record cash flow and dividends were not accidental. They were the culmination of years of thinking hard about the essence of our business, and years of making deliberate choices to lay a solid foundation and build a stronger business.

And build it even stronger we will because we are focused, always, on Skellerup's ongoing success.

Covid-19 Marathon

One of the truisms that has emerged about Covid is that responding to it is a marathon, not a sprint. A company with the history of Skellerup is built for marathon

running, the long haul, so our success in responding to the global disruption is not surprising. Over many decades, we've built our endurance and speed, clocking up the miles, training smart, in often difficult conditions, while we've worked on our race strategy.

FY21 is a testament to all the preparation and hard work that has gone before. We've run a winning race but I'm here to tell you today that our ambition is to keep performing, maintain our strategy, and keep succeeding, whatever the conditions.

Also like a marathon runner, we couldn't have achieved our record result without our support team.

Skellerup is essentially a people business. Our customers, suppliers, employees, the communities we influence, and you, our shareholders, have all contributed to our success. It's your success too and we thank you for your ongoing support and confidence in us.

Skellerup is a Great Global Growth-Oriented Business

Skellerup's business foundation – our strategy and business model – is strong.

The essence of Skellerup is combining deep material expertise that is hard to reverse engineer, strong product and tool design capability, and proven scalable manufacturing process knowledge. Our ability to deliver critical and essential products that often bundle multiple materials to meet demanding and ever-shifting regulatory standards is our competitive advantage, and one we believe is not easily replicated.

We have built on our foundation and competitive advantage through Skellerup's unwavering focus on our customers. We stay close to them so that we can understand their challenges and can respond with new approaches and innovative products that make a positive difference to their businesses.

Our customers' needs are central to all our development work. We develop products for predominantly Original Equipment Manufacturers customers. From our technical

salespeople to our engineers and chemists, we work closely with our customers to develop and deliver reliable products that meet their needs.

As I said in the Annual Report, without demanding customers, we have no business and no opportunities to develop new solutions. Maintaining our laser-like customer focus is good for them, and good for Skellerup.

In the same way we strive to be the best supplier to our customers we also want to be the best customer for our suppliers. We are demanding of them, but fair.

Skellerup has a global reach and ambition.

Approximately 80 percent of our revenue is generated in international markets and 70 percent of our revenue is generated from products manufactured outside New Zealand.

Our products are critical to the supply of safe potable water; the production of milk and milk products; the performance of appliances in home and workplaces; health and hygiene in hospitals, shops, and homes; the safety and comfort of sporting and leisure equipment; and the integrity of roofing systems on homes and workplaces.

We employ over 800 people spanning five continents, with businesses in New Zealand, Australia, China, Italy, the United Kingdom, and the United States.

As a growth-oriented international company, I am especially pleased with our cash flow position. With net debt down \$19.8 million to \$8.7 million, our balance sheet is strong.

One benefit of a strong balance sheet is being able to reward our shareholders by lifting dividends. A second benefit is enabling Skellerup's growth strategy.

Since our Annual Report was published, and as Liz mentioned, Skellerup acquired Talbot Technologies in August. Acquisitions are very carefully evaluated to ensure alignment with our business to enable Skellerup to enhance the value we deliver to customers.

Talbot, with its demonstrated expertise in supplying plastic products for domestic and international companies specialising in health, technology, and electronics applications, was a natural fit for us.

Industrial Division

Results from our Industrial Division were outstanding, showing a revenue increase for the fifth consecutive year. Sales growth and gross margin improvements combined to increase earnings before interest and tax (EBIT) by 57 percent, to a record \$32.7 million. That revenue growth was broad-based and across product lines and in different markets.

Working closely with our customers to understand their needs and designing products that perform is the hallmark of our Industrial Division's businesses. That focus, I should add, is paying dividends.

Our expertise in deep material science is also paying off. As an example, during this last financial year, we completed a project to reformulate compounds for a range of potable water products in Australia. This project required a mix of deep material science, engineering, tooling, and process expertise. By working closely with our customer and regulators we demonstrated our expertise. This enhanced customers' trust in our products and is resulting in further growth opportunities for Skellerup.

Agri Business

Earnings before interest and tax (EBIT) in our Agri Division increased by 20 percent, to a record \$30.5 million. This was on the back of both sales' growth and gross margin improvements.

We are the second largest manufacturer of food-grade dairy rubberware globally and while our strength remains in the US and New Zealand markets, Europe and Asia were our fastest growing regions last financial year.

Continuous process improvement underpins our ability to meet our increasing demand without significant capital investment or increased operating costs.

Our People

Our people have risen magnificently to the challenges they've faced since Covid struck. They are spread geographically so each has faced a different quality of disruption.

It's humbling as Chief Executive to see their tenacity, adaptability, and loyalty in the face of a disruption that severely impacted our people's working and personal lives. We acknowledge, too, their families and their support. They have shared in the sacrifices that have been made and we thank them for it.

These qualities are irreplaceable and are further evidenced by Skellerup suffering no significant redundancies since Covid began, over eighteen months ago. In fact, we've grown our workforce two percent in FY21.

Skellerup's leaders and our teams have performed with great skill and tenacity. We have supported them by investing significant financial and human capital in upgrading our information systems, to help them work even better with our customers, to develop more innovative solutions and to drive greater efficiency.

We have lifted our minimum wages for workers across several jurisdictions. We are proud to be able to reward our team well for the work they do. Our stable and focused team are a true asset of the business.

At Skellerup, we regard health and safety as our highest priority. Every Skellerup site globally has an active Health and Safety Committee that meets monthly. The Board has oversight of our health and safety programmes. We report to it monthly. A collaborative approach works, as evidenced by, for the second successive year, no serious harm injuries.

Because we are an international business, one working with a complex web of suppliers and customers around the globe, maintaining the highest standard of ethics is also important to us.

We work with our leaders to discuss the behaviours required and outlined in our Code of Ethics, and, as importantly, how they and we respond to any reported violations. I am pleased to report we did not receive any reports in this regard in FY21.

Ambitious Future

As proud as I am of our performance last year, and I am immensely proud, it is no time to rest on our laurels. We'll learn from our successes, but we are not just a customer-oriented business, we are also a future-oriented one.

We have a lot of optimism about that future. We have proven confidence in the strategy and business model that has fueled our growth and performance.

Our fundamentals for operating a sustainable business – working closely with customers, and investing in our people – are strong.

Liz has commented on the strong start we have made to FY22 and our expectation that NPAT for the first half of FY22 will be in excess of 10% above pcp. Staying close to our customers and our suppliers and adjusting our actions in response to changes and expected changes will be critical to achieving continued growth.

In closing, I would like to thank Liz and the Board for their ongoing support. Thanks again to the Skellerup team for their commitment and determination to making this a great global business.

And thank you to you, our shareholders, for your support and confidence. We are optimistic about our ability to continue delivering strong returns.

ENDS