

FY17 Results

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Skellerup Key Points FY17



- NPAT of \$22.1 million
 - At the top end of guidance range, up 8% on prior corresponding period (pcp).
 - Industrial Division EBIT up 12% and Agri Division EBIT up 5% on pcp.
 - Overcame impact of stronger NZD reducing contributions on translation of overseas businesses.
- Revenue of \$210.3 million
 - In constant currency terms up 5%.
 - Sales into international markets 77% of Group revenue.
- Operating Cash flow of \$21.2 million
 - Funding dividend payments of \$17.4 million.
 - Strong Q4 sales increased working capital deployed in the business.
 - Resultant net debt of \$35.8 million (just 23% of Equity).
- Annual Dividend pay-out up 6% to 9.5 cents per share
- Impact of commodity price headwinds reducing
 - Steadily improving international milk price during 2H17 boosting our domestic and international sales.
 - Oil and gas prices still relatively low and volatile but seeing small lift in demand for Vacuum Systems.
- Project Viking
 - Transfer and commissioning essentially complete.

Skellerup Financial Highlights FY17



NZ\$ Million	FY17	FY16	FY15
Revenue	210.3	211.4	203.0
EBITDA before Canterbury EQ insurance income	40.4	37.0	38.4
Depreciation & amortisation	(7.8)	(7.5)	(7.3)
EBIT before Canterbury EQ insurance income	32.8	29.5	31.1
Finance costs	(1.4)	(0.4)	(0.2)
Tax expense excluding Canterbury EQ insurance tax	(9.3)	(8.4)	(9.0)
NPAT excluding Canterbury EQ insurance income	22.1	20.7	21.9
Canterbury EQ related net income (costs)	-	0.2	-
NPAT	22.1	20.5	21.9
<i>Earnings cents per share (excluding Canterbury EQ)</i>	<i>11.48</i>	<i>10.65</i>	<i>11.38</i>
<i>Dividend cents per share</i>	<i>9.5</i>	<i>9.0</i>	<i>9.0</i>
Operating cash flow (excluding Canterbury EQ)	21.2	30.9	17.8
Cash net of debt	(35.8)	(26.9)	0.8
Capital & intangible expenditure	12.6	38.9	20.4

- Revenue up 5% in constant currency terms.
- EBIT up 11%.
- Finance Costs up due to increased debt and lower capitalised interest (both Project Viking related).
- Dividend up 6% reflecting improved sustainable earnings.
- Operating Cash Flow down following record Q4 sales and slight increase in inventory.
- Capex reduced with Viking completion.

Skellerup FY17 Industrial Division

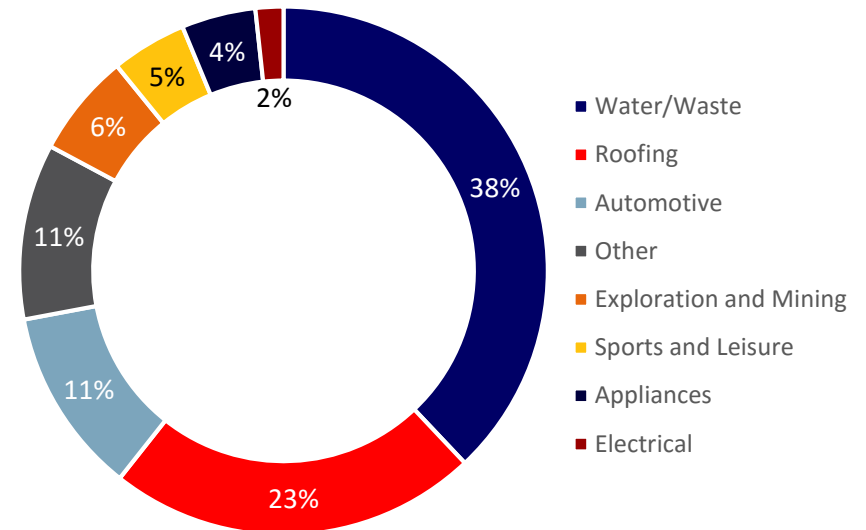


NZ\$ Million	FY14	FY15	FY16	FY17
Revenue	116.2	123.0	132.0	131.2
EBIT	13.5	14.0	15.3	17.1
EBIT %	11.6	11.4	11.6	13.1

Revenue flat and EBIT up 12% on pcp

- Revenue measured in constant currency up 5%
- Growth in potable water applications
 - Infrastructure and tapware in the US.
 - Infrastructure in Australia.
- Growth in products used in roofing applications
 - Seals and fasteners growth in Australia, Asia, the Middle East and the USA.
- Growth in automotive products
 - Europe and Asia.
- Lower sales into mining applications
 - Constrained maintenance spend in Australia.
- Improved cost structure

FY17 Industrial Division Revenue by Application



Issue

- Ageing infrastructure a risk for cities
 - Large amounts of potable water loss in developed countries – 10 to 15%.
 - Potential for contaminants to infiltrate potable water – Havelock North.
 - Risk of untreated waste water entering the environment.
 - Damaged storm water pipes cause land and flooding issues.
- Population growth stretching infrastructure in major cities

Opportunity

- Government spending in NZ, AUS and US on infrastructure expected
 - Auckland Watercare ~NZD 4.9bn, 10 years.
 - Victoria Water ~AUD 5.6bn, 5 years.
 - ~30-40% of the costs of a water network is associated with the distribution of water.
- Standards provide a barrier to entry from competitors

Why Skellerup

- Expertise in rubber formulation, completing testing and meeting standards
- Existing relationships with pipe and tapware manufacturers



Skellerup FY17 Agri Division



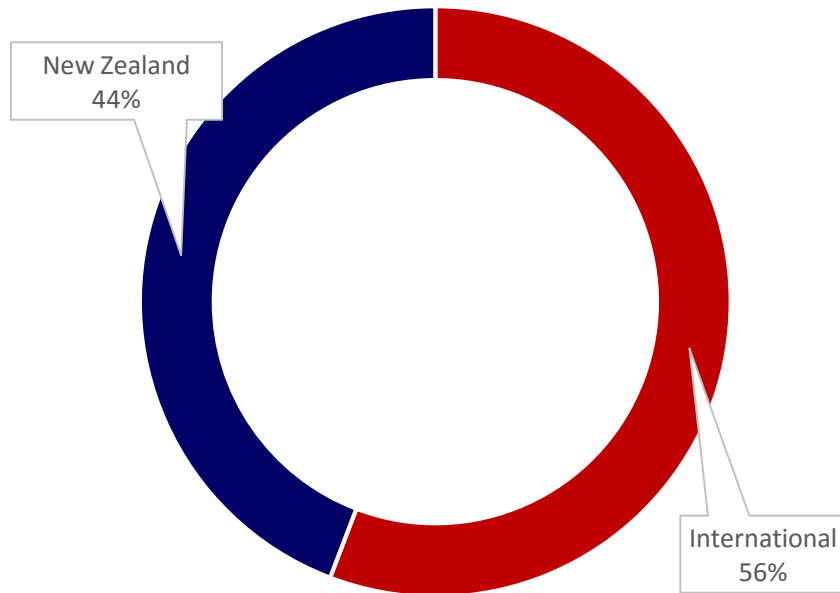
NZ\$ Million	FY14	FY15	FY16	FY17
Revenue	80.2	80.5	79.6	79.2
EBIT	21.7	22.1	18.8	19.8
EBIT %	27.1	27.4	23.6	24.9

Revenue flat and EBIT up 5% on pcg

- Revenue measured in constant currency up 5%
- Recovery in international dairy price
 - European milk production increased, boosting demand for dairy consumables.
 - NZ demand stronger in peak May-July period as previously deferred maintenance undertaken.
 - US demand solid throughout FY17.
- Footwear sales strong
 - Climatic events a boost for sales into NZ market.
 - Continuing gains and opportunity for technical (fire, di-electric and forestry) products in domestic and international markets.



Agri FY17 Revenue



International markets drive Agri revenue growth

- 26% of sales into North America including OEM and Conewango branded products.
- 18% of sales into UK, Ireland and Europe, predominantly OEM business.
- 12% of sales into Australia, Asia and South America.

Grass roots conversations drive innovation

- Skellerup engages not just with its customer but with the end users – the farmers.
- Result is a better product that has been tested and refined that delivers real benefits.

Expertise and knowledge to capitalise

- Food grade standards.
- Compounds.
- Tooling.

- Themes underlying our business strategy
 - Growing global demand for protein/ safe food and water – increasing populations, ageing infrastructure, stringent environmental requirements.
 - Particular focus on potable water and waste water.
- Continue to capitalise on our technical and engineering expertise
 - Customer-focused innovation to solve customer problems.
- International markets continue to drive revenue growth
 - 77% of our revenue generated from international markets in FY17.
 - US continues to provide opportunity for both our Industrial and Agri products.
 - Australia providing opportunity particularly for our Industrial products.
 - Europe despite its problems providing opportunity for both our Industrial and Agri products.
 - Sales into Asia and the Middle East grew again in FY17. We will continue to target product areas where we can achieve good margins.
- Operational excellence
 - Continue to interrogate our performance to ensure focus on the biggest opportunities to improve our business.
 - Providing robust and dependable solutions and delivery to our customers.
 - Continuing to develop our talented young leaders.

Reconciliation of Segment EBIT to Group NPAT

NZ\$ Million	FY17	FY16	FY15	FY14
Agri EBIT	19.8	18.8	22.1	21.7
Industrial EBIT	17.1	15.3	14.0	13.5
Corporate EBIT	(4.1)	(4.6)	(5.0)	(5.3)
EBIT before Canterbury EQ income (costs)	32.8	29.5	31.1	29.9
Canterbury EQ income (expenditure)	-	(0.2)	-	19.8
Finance costs	(1.4)	(0.4)	(0.2)	(0.7)
Tax expense	(9.3)	(8.4)	(9.0)	(8.5)
Tax credit re Canterbury EQ	-	-	-	0.5
NPAT excluding Canterbury EQ	22.1	20.7	21.9	20.7
NPAT	22.1	20.5	21.9	41.1

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