

# **HY17 Results**

16 February 2017

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- Commodity prices headwinds recently abating
  - International milk price up, market demand solid with exception of Europe.
  - Oil and gas prices recently up, no substantive sign of increased demand for Skellerup as yet.
  - Iron ore prices also higher but approach to maintenance still reactive and to “make do”.
  - Well positioned to capitalise on lift in demand.
- NPAT at \$8.9 million
  - Down 7% on prior corresponding period (pcp).
  - European market, Australian mining and currency driving the reduction.
- Revenue down 10% on pcp to \$97.3 million
  - Down 2% in constant currency terms. 77% of Skellerup revenue derived in USD/AUD/GBP/Euro.
  - European market down, other markets mixed.
- Financial position strong
  - Operating cash flow solid at \$9.7 million but down on pcp due to working capital movements.
  - Capital expenditure of \$6.9 million well down with Wigram facility complete.
  - Net debt of \$35.6 million gives debt to equity ratio of 23%.
- Interim Dividend pay-out unchanged at 3.5 cents per share
- Project Viking
  - Fully operational. Agri manufacturing transfer complete. Smaller Industrial manufacturing transfer complete by year end.

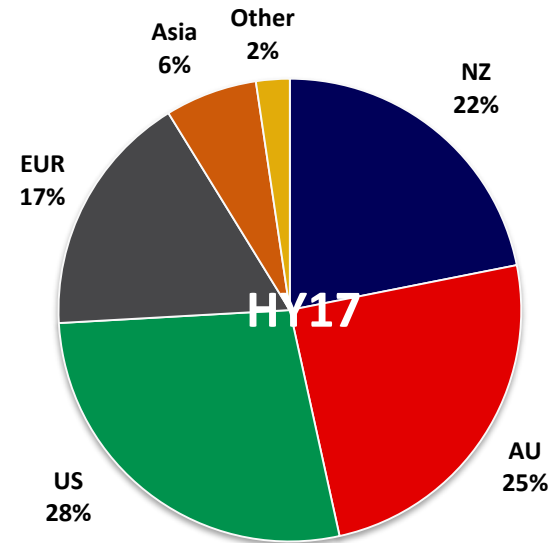
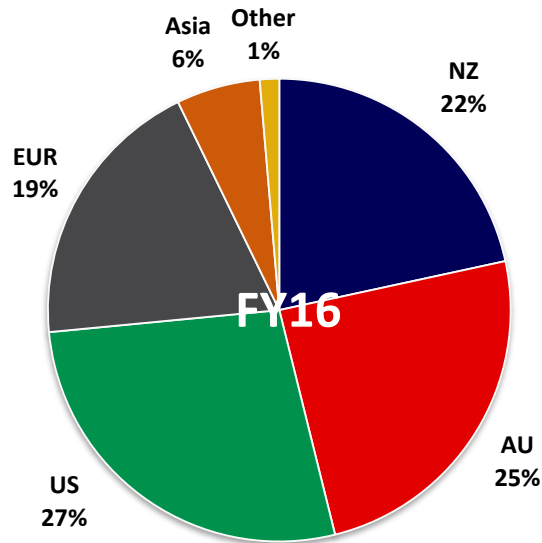
## Skellerup Financial Highlights HY17



NZ\$ Million (Unaudited)	HY17	HY16	Change
Revenue	97.3	107.6	(10.3)
EBITDA	16.9	17.5	(0.6)
Depreciation & amortisation	(3.6)	(3.8)	0.2
EBIT	13.3	13.7	(0.4)
Interest expense	(0.6)	(0.1)	(0.5)
Tax expense	(3.8)	(4.0)	0.2
NPAT	8.9	9.6	(0.7)
Earnings cents per share	4.6	5.0	(0.4)
Dividend cents per share	3.5	3.5	-
Operating cash flow	9.7	13.7	(0.4)
Net Debt	(35.6)	(17.6)	(20.0)
Capital & intangible expenditure	6.9	21.1	14.2

- Revenue down 10% on pcp but down 2% in constant currency terms.
- Interest expense up due to Viking expenditure (and nil capitalisation)
- Operating cash reduction – lower earnings and working capital movements.
- Capex primarily Viking (HY17: \$6.0 million)

# Skellerup HY17 Revenue by Geographic Market



- United States share up
  - Despite stronger NZD. Reflects strong focus and success in this market with both Agri and Industrial products.
- Australia market mixed
  - Civil infrastructure up, mining down.
- New Zealand share steady
  - Demand for essential dairy consumables and footwear solid.
- Europe share down
  - Market demand down, rapid depreciation in GBP and Euro impacting, but winning new business.

# Skellerup HY17 Agri Division

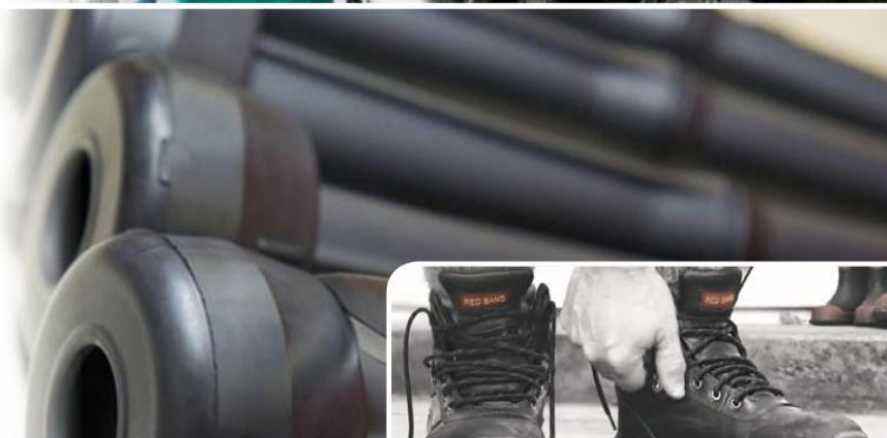


NZ\$ Million*	HY14	HY15	HY16	HY17
Revenue	37.6	39.3	41.0	36.6
EBIT	8.9	9.7	8.4	8.4
EBIT %	23.7	24.7	20.4	23.0

\*Unaudited

## Revenue down 11% but EBIT up 1% on pcp

- Revenue down 2% in constant currency terms
  - European sales down. Milk production down and customers managing inventory levels more closely.
  - US sales up. Liner innovations and introduction of milk filters providing growth in a solid market.
  - NZ market solid. Footwear sales up, dairy rubberware sales solid given market environment has been tough.
- Wigram & Woolston
  - Relocation of Agri business complete. Wigram facility operating well.
  - Woolston land and buildings being marketed for sale.



# Skellerup HY17 Industrial Division

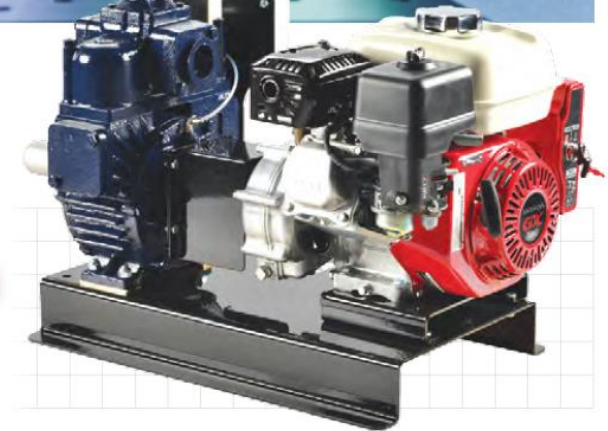


NZ\$ Million*	HY14	HY15	HY16	HY17
Revenue	59.6	59.7	66.6	60.8
EBIT	9.2	6.8	7.6	7.2
EBIT %	15.4	11.8	11.4	11.8

\*Unaudited

## Revenue down 9% and EBIT down 6% on pcp

- Revenue down 2% in constant currency terms
  - Growth in range and depth of products into potable and waste water applications. Division wide focus for Skellerup.
  - Successfully supplying couplings to tier one European automotive customer. Further opportunities in Europe and USA emerged as a result.
  - Increased sales of roofing products into Asia and Middle East.
  - Winning new vacuum systems business in USA with recently overhauled product range and well placed to continue momentum.
  - Reduction in sales into Australian mining industry and no success in Brazil.



- Key theme underlying our business strategy unchanged
  - Global demand for protein, safe food and water.
    - More than 50% of Skellerup sales revenue into food grade dairy, potable water and waste water applications.
- International markets to drive revenue growth
  - US is our largest market. We continue to win new business and this will provide revenue growth.
    - Vacuum Systems range completely overhauled and winning further market share in liquid waste.
    - Dairy consumables range broadened – filters and silicone liners and tubing.
  - Australia is our second largest market.
    - Good opportunities to build on expanded range of civil products
  - Whilst the overall environment is tough, Europe is a significant market for Skellerup.
    - Opportunities opening up in Eastern Europe
  - Sales into Asia and the Middle East continue to grow. We continue to target product areas where we can deliver value and achieve good margins.
- Competitive cost base
  - Efficient capability in multiple locations including in market.

## Reconciliation of Segment EBIT to Group NPAT

<b>NZ\$ Million (Unaudited)</b>	<b>HY17</b>	<b>HY16</b>	<b>Change</b>
<b>Agri EBIT</b>	8.4	8.4	(-)
<b>Industrial EBIT</b>	7.2	7.6	(0.4)
<b>Corporate EBIT</b>	(2.3)	(2.2)	(0.1)
<b>EBIT</b>	13.3	13.7	(0.5)
<b>Interest expense</b>	(0.6)	(0.1)	(0.4)
<b>Tax expense</b>	(3.8)	(4.0)	0.2
<b>NPAT</b>	8.9	9.6	(0.7)



This presentation contains not only a review of operations, but also some forward looking statements about Skellerup Holdings Limited and the environment in which the company operates. Because these statements are forward looking, Skellerup Holdings Limited's actual results could differ materially.

Although management and directors may indicate and believe that the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward looking statements will be realised.

Please read this presentation in the wider context of material previously published by Skellerup Holdings Limited.