



22 August 2016

ASX ANNOUNCEMENT

Pental Full-Year FY16 Result

Underlying Net Profit after Tax Higher: Commenced Exporting to China

Performance Highlights

Net Profit After Tax up 10.6% to \$5.6 million;
Underlying EBITDA up 5.3% to \$10.8 million;
Gross Sales down 1.1% to \$110.0 million;
Full year dividend per share up 14.3% with final dividend declared of 1.95 cents per share fully franked;
Increase in net cash position to \$12.3 million;
Launch of new range of Country Life personal care products;
Company completes first exports to China;
Commenced expansion into commercial and industrial channels.

OVERVIEW

Pental Limited (ASX: PTL) today announced it had achieved a 10.6% rise in Net Profit After Tax in the 12 months (52 weeks) to 26 June 2016 to \$5.6 million, with the Company making further progress in executing its strategy.

Underlying EBITDA of \$10.8 million was 5.3% above last year (excluding prior year's one off/significant items), with strong positive cash flow from operating activities of \$11.3 million supporting capital expenditure and helping to further strengthen the company's balance sheet.

Pental completed several upgrades to its manufacturing operations, which will enable the company to significantly increase its production capacity as it moves to expand sales channels (including Asia, commercial/industrial), and launch new innovative products.

The result was achieved despite a 1.1% decline in gross sales to \$110.0 million, which largely reflected an undersupply of stock due to operational issues associated with the new and old bleach lines (which have now been replaced) at the Shepparton (Victoria) manufacturing facilities, and delays in the supply of raw commodities, which resulted in some missed sales opportunities.

In contrast, New Zealand gross sales increased 2.1% (or 0.7% in Australian dollars), with market share growth recorded in key categories despite competitors continuing to price aggressively.

Improved earnings margins were as a result of profit delivery projects which generated \$1.1 million of cost savings, and improved procurement and warehouse consolidation, which more than offsets the increase in other labour and raw material costs.

Commenting on the latest results, Pental Chief Executive Officer, Charlie McLeish, said Pental has achieved earnings growth in a highly competitive marketplace, even though sales were affected by the lateness of the installation and commissioning of Capital Projects.

"Our current focus is to consistently achieve manufacturing targets and improve customer service levels. We have also taken action to strengthen our engineering skills and preventative maintenance processes," Mr McLeish said.



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“Moving forward, Pental is better placed heading into the next phase of its capital works to modernise and increase the capacity of its soap plant and to upgrade its Laundry liquid lines to support future growth.”

“Together with our strong balance sheet, further increases in production capacity, the release of more innovative new products, and our expansion into new markets across Asia, we are in a very good place for future growth.”

The Company has now established a new export channel into Asia by offering Australian-made iconic branded products. This commenced with bar soaps being ranged into China.

In addition, the Company is proceeding with its expansion into the commercial/industrial channel. A new bulk liquids plant is being commissioned in September 2016 and will produce a range of commercial-sized cleaning products under Pental's existing portfolio of iconic brands.

DIVIDEND

Pental has declared a fully franked final dividend of 1.95 cents per ordinary share. When combined with the interim dividend of 1 cent declared in February this year, this brings the annual FY16 dividend to 2.95 cents per ordinary share, 14.3% up from last year's 2.58 cents per ordinary share.

OUTLOOK

“The Company's immediate key priority is to consistently achieve manufacturing targets from the new state-of-the-art equipment implemented in FY16. This priority and other new Profit Delivery Projects are expected to generate further substantial cost savings and margin improvements,” said Pental Chairman, Peter Robinson.

“The solid financial results and strong cash flow management has resulted in our cash reserves remaining healthy, with \$12.3 million in cash and no debt.

“In light of the strong cash balance and assessment of Pental's long-term position at the Shepparton site, the Board intends to seek shareholder approval at the November 2016 Annual General Meeting to repurchase the Shepparton property. This will further reduce operational costs, with rental saving expected from 1 July 2017 (FY18)”

“Pental is entering an exciting phase of growth by executing its strategic plan that is focused on maximising shareholder value and delivering future profit growth by diversifying the breadth and range of the business in order to capture significant new opportunities and enter into new channels and markets.”

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About Pental Limited

Wherever you go in an Australian home today it would be odd not to find at least one Pental product. White King, Janola, Sunlight, Softly, Country Life, Velvet, Martha's, Huggie, Natural Selections, Pears, LUX, Little Lucifer and Jiffy form the iconic brand portfolio. All created to make everyday life that much easier- that much simpler. The Pental tradition of providing our customers with products of superior quality continues with constant product innovation and improvements. Pental – Trusted by families for generations. More information on Pental is available at: www.pental.com.au