

24 February 2020

PENTAL LIMITED FY20 HALF YEAR RESULTS

Increased sales, strong exports, and retail expansions see robust and stable growth

HY20 Highlights

- Sales Revenue (Net Sales Revenue) \$55.259 million, up 15.1% on previous corresponding period driven by distribution agreements.
- Earnings before interest and tax (EBIT) \$2.214 million, up 6.2% on previous corresponding period.
- Net Profit After Tax (NPAT) \$1.475 million, up 2.6% on previous corresponding period.
- Basic Earnings Per Share (EPS) 1.08 cents.
- Interim fully franked dividend, remaining at 0.70 cents per ordinary share, payable to shareholders on 25 March 2020, with a record date of 2 March 2020.

Pental Limited (Pental) today reported a stable interim performance with NPAT of \$1.475 million for the half year ended 29 December 2019 ('HY20'), up 2.6% on previous corresponding period. Total sales revenue was \$55.259 million, up by 15.1%. EBIT was up 6.2% on the previous corresponding period to \$2.214 million.

Pental's performance was bolstered by positive Australian and New Zealand sales figures despite a tough retail environment in Australia.

Key features of half year trading performance

- Sales revenue for the first half was up on the previous corresponding period by 15.1%.
- The favourable Australian market performance was driven by two additional months of Duracell trading compared to prior year coupled with an expansion into additional retailers including Target and Coles Express, and a focus on promotions that maintained sustainable margins. Excluding Duracell, sales grew in fabric softeners and toilet sales also stabilised. However, bleach, firelighters and soakers sales saw marginal declines.
- New Zealand market sales grew by 10.8% (or 8.4% in NZD before conversion to Australian Dollars), a large increase over the prior corresponding period. Whilst manual dishwash category continues to face competition and price compression, sales grew in bleach, cleaners, toilet and fabric softeners.
- Although Asian growth has been subdued over the current financial period, the Novel Coronavirus outbreak in China has seen Pental's bleach-based and disinfectant products sales increase due to the strong demand for the product and trust in the Australian brands.
- Trade spend (trading terms, promotional activities and discounts) was 35.2% of gross sales, in line with last year.

- The Group invested in a new liquid filling line with in-house sleeving to service its recently ranged Huggie fabric softeners. The new line will also provide the business with flexibility and capacity to target other non-bleach based liquids including private label.
- Working capital was down by \$0.421m compared to June 2019 due to effective inventory and debtor management.
- Operating cash flows remain healthy. Pental has a strong balance sheet with effectively no debt and capacity to fund the Company's strategy for growth through agency agreements, innovation & market expansion.
- Cash flow from operating activities was \$3.325 million. This represented a healthy cash conversion ratio of 81.7%.

Details of the reported statutory result for the Group are as follows:

	Dec 19 ⁽ⁱ⁾	Dec 18 ⁽ⁱ⁾	Change	
	\$'000	\$'000	\$'000	%
Gross Sales	85,288	74,190	11,098	15.0%
Trading terms, promotional rebates & discounts	(30,029)	(26,165)	(3,864)	14.8%
Net Sales Revenue	55,259	48,025	7,234	15.1%
EBITDA	4,169	3,716	453	12.2%
EBITDA (excluding impact of AASB 16) ^(iv)	3,900	3,716	184	5.0%
<i>EBITDA (excluding impact of AASB 16) to net sales</i>	7.1%	7.7%		(0.7%)
EBIT	2,214	2,085	129	6.2%
<i>EBIT to net sales</i>	4.0%	4.3%		(0.4%)
Profit after Tax	1,475	1,438	37	2.6%
Basic EPS (cents)	1.08	1.06		
	Dec 19 ⁽ⁱ⁾	Jun 19 ⁽ⁱ⁾		
	\$'000	\$'000		
Working Capital ⁽ⁱⁱ⁾	22,956	23,377	(421)	-1.8%
Net Cash	1,119	246	873	354.9%
Gearing ⁽ⁱⁱⁱ⁾	Nil	Nil		

⁽ⁱ⁾ Non-IFRS financial table

⁽ⁱⁱ⁾ Receivables plus inventory less trade and other payables

⁽ⁱⁱⁱ⁾ Net debt to equity

^(iv) Refer to note 3 to the financial statements

A strategy that is working

Duracell performed strongly for the last four months compared to the September to December 2018 period, resulting in 20.31% growth, driven by a strong Christmas season merchandising execution coupled with the brand's expansion into the convenience retail space through Coles Express and popular retail store, Target.

The Group's export strategy is also seeing results, with strong gains in the New Zealand market and a growing demand for our products in China.

CEO of Pental, Charlie McLeish said: "Despite slow sales in China in HY20, our new partnership with The Export Group, coupled with increased demand for our disinfectant and bleach products in mainland China due to the outbreak of Novel Coronavirus, is favourable for Pental. Our export strategy is promising at this time".

New liquid line

A new liquid filling line at Pental's Shepparton plant is not only providing the business with extra flexibility, but also allows the company to tender for private label products which were previously out of reach.

"There is demand for strong, trusted brands, as well as private labels. Pental is making the most of this by investing in its strong house of brands while also creating an agile production line that enables us to compete for private label tenders," said Mr McLeish.

Remaining relevant

Pental's marketing activities continue to bring relevance to its trusted brands, which are aimed at delivering margin improvement across all core portfolios. The launch of its Country Life Soap for Tradies was supported by a radio partnership with SEN, a great fit between the station's core audience and its target market. This activation supported the launch of the product in independent retailers across Australia.

To offset the retail pressures, Pental continues to invest in developing new products with unique points of difference aligned with retailer range reviews. The company is also focusing on refreshing and modernising the packaging of its products to resonate better with younger generations. In addition, Pental successfully launched three new innovative dishwashing liquids range in IGA.

"Our brands are trusted among consumers because we work hard to ensure they remain relevant for people's needs and make a difference in their daily lives. The Country Life Tradie Soap is a fantastic example of this. Thanks to our effective marketing activities, we are reaching new customer demographics," said Mr McLeish.

Outlook

The retail landscape will continue to be challenging with increased competition, margin squeeze and stagnant wage growth. But Pental is in good shape to tackle these market dynamics with a healthy balance sheet, no debt, strong brand recognition and an export strategy that is working.

-ENDS-

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Authorised for release by the Pental Limited Board

About Pental Limited

Wherever you go in an Australian and New Zealand 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**

'Trusted brands since 1856'