

24 February 2015

ASX ANNOUNCEMENT

Half Year Financial Report - Interim Dividend

Pental Ltd (ASX: PTL) is pleased to release its Financial Report for the Half Year ended 28 December 2015.

Financial Highlights

- Gross sales rose 1.2% in what remains to be a highly competitive environment in both the Australia and New Zealand markets.
- The sales mix for the half year continues to show the business is well diversified between brand and private label.
- Underlying EBIT of \$2.915 million was \$0.974 million below the corresponding period predominantly due to strategically moving the White King television advertising campaign to the first half, where advertising cost increased by \$1.009 million. Advertising planned for the second half will be significantly lower than the first half.
- One off restructuring cost of \$0.318 million was incurred in the first half as the business proactively refreshed key operational positions before embarking on its capital expenditure program to execute its manufacturing strategy.
- Net profit after tax decreased by \$0.374 million to \$1.773 million primarily due to the increased investment in the White King advertising.
- Strong Balance Sheet with cash at bank of \$3.037 million no gearing and substantial capacity to fund its dividend and capital expenditure program, with \$16 million unused banking facility.
- Strong positive cash flow from operating activities of \$4.812 million, which was \$3.817 million better than last period due to normalisation of current operational activities.

White King

During the first half \$2.547 million was invested in advertising - \$1.009 million above the corresponding period. This investment was critical (as will be future investments), to ensure the health of Pental's key brand (White King) remains strong and front of mind in the market place.

The success of the campaign was evident with Pental's White King market share in the Bathroom Segment increasing by 2.6% compared to 12 months ago (Source: Aztec Market Data). The Retail World Annual Report 2014 places White King as the third largest player in the Bathroom Cleaners segment, which can be attributed to advertising campaigns; White King packaging refresh; and the repositioning of key products.

Capital Investment

The business has \$5.3 million of capital projects now underway, which will allow the business to bring the key parts of the operations up to best practice standards within the next 8-12 months





















and achieve significant cost savings moving forward. These projects include:

- Increasing automation and flexibility of Bleach Line B to allow for increased volume and improve productivity:
- Replacement of Bleach Line A filler (that had been previously relocated from the Port Melbourne site) – minimise waste and downtime:
- Undertake stage 1 of the soap plant modernisation, with the installation of a one-step saponification process - "SWING" plant.

The refresh of the Shepparton manufacturing team is expected to accelerate the changes required to improve on the consistency of the bleach operations and execute of its manufacturing strategy.

The next step in its manufacturing strategy will be the installation of high speed liquid and bulk line, which will be staged based on progressive increase in volume.

Outlook

The Board is confident that given:

- completion of its initial \$5.3 million capital investment over the next 6 to 12 months, which will significantly reduce costs and build the capability for future growth;
- a solid pipeline of innovative new products; and
- an aggressive focus towards ongoing cost savings and continuous improvement;

Pental's underlying EBITDA will grow over time and lessen the impact of the increasing demands being placed on the business operating in the Fast Moving Consumer Goods segment, which continues to be highly competitive. As previously advised, at this time the Board expects the underlying NPAT for 2015 financial year (Full Year) to be in line with FY14, and will keep the market updated as the initiatives referred to above improve profitability.

Furthermore, with a strong balance sheet and more predicable underlying cash flows, subject to Board's overall discretion on dividend payments and capital requirements. Pental will target to distribute 60% of the company's net profit after tax to shareholders (via interim and final dividends), commencing with the interim dividend detailed below.

In conjunction with reinvigorating its manufacturing operations, the Company has and will continue to seek value creating acquisitions and distributorship opportunities, or divest from non-core brands that may arise, as the Board is committed to pursuing all avenues of improving shareholder value.

Dividend

In respect of the half year (26 weeks) ended 28 December 2014 the Company will pay a full year fully franked dividend of 0.85 cents per ordinary share, payable to shareholders on 27 March 2015, with a record date of 3 March 2015. This represents 60% of NPAT in line with the Company's dividend target referred to above.

About Pental Limited

Pental is Australia's largest manufacturer of soap, supplying its own brands of Country Life, Natural Selections, Sunlight, Velvet, Knights Castile and Lux Flakes, together with the sale of icon brands such as White King, Janola, Jiffy Firelighters, Softly premium wool wash, Huggie fabric softener, Country Homestead wool mix, Sureguard moth and silverfish repellent, Hi Speed iron cleaner and Aim toothpastes. More information on Pental is available at: www.pental.com.au



















