HY15 Results

19 February 2015

David Mair, CEO & Executive Director

Skellerup

HY15 Key Matters

- Revenue of $96.0 million down 1% & NPAT of $9.7 million down 10% on prior corresponding period (pcp).
  - Agri EBIT of $9.7 million up 9% on pcp due to international markets
  - Industrial EBIT of $6.8 million down 25% on pcp due to Australian mining sector
- FY15 NPAT expected to be inline with FY14 NPAT of $20.7 million
  - FY14 NPAT stated above excludes the $20.4 million gain attributable the Canterbury Earthquakes insurance claim
- Market environment
  - Australian iron ore mine owners/operators deferring maintenance and expansion programmes impacting on Skellerup sales despite mine volumes being up. Ultimately our product is a consumable and so we expect to see a recovery.
  - Lower Fonterra pay-out and drought may impact on NZ Agri second half but Skellerup liners and tubing are an essential consumable and our international sales are expected to moderate the impact.
  - Lower oil prices may impact our sales of vacuum pump systems. Skellerup also make significant sales into liquid waste market so not singularly exposed to oil and gas.
  - US west coast port congestion reduced 1H sales and earnings and increased inventory due to longer transit times.
  - Skellerup's global sales reach, product range and innovation enable us to counter the impact of commodity price downturn.
- Project Viking on track
  - Construction commenced in December 2014

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HY15 Financial Summary

NZ$ Million	HY15	HY14	Change
Revenue	**96.0**	97.3	(1.3)
EBITDA	**17.6**	19.3	(1.7)
Depreciation & amortisation	**3.6**	3.7	0.1
EBIT	**14.0**	15.6	(1.6)
Interest expense	**0.1**	0.4	0.3
Tax expense	**4.2**	4.4	0.2
Net profit after tax	**9.7**	10.8	(1.1)
Earnings cents per share	***5.0***	*5.6*	*(0.6)*
Dividend cents per share	***3.5***	*3.5*	-
Cash reserves	**7.8**	(3.4)	11.2
Operating cash flow	**6.3**	13.0	(6.7)
Capital & intangible expenditure	**6.6**	4.1	(2.5)

- EBITDA down primarily due to Australian mining sector
- Operating Cash Flow down due to:
  - EBITDA ($1.7 million)
  - Marley settlement ($2.2 million)
  - Working Capital ($3.8 million)
- Capital & Intangible expenditure includes $4.6 million on Project Viking

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HY15 Growth

- USA
  - Continues to be a significant focus; we have added further sales and customer support resource in the first half.
  - Growth achieved across civil, plumbing, roofing, pump systems and dairy rubberware product range. Focussed on accelerating speed of growth from our range of products (including foam) which are market ready.
- New Zealand & Australia
  - Farm conversions will continue to underpin Agri growth.
  - Expansion of civil range of products.
- Europe
  - Market dynamics less attractive than USA but significant market and opportunity for dairy rubberware and opportunity to expand with range of civil, roofing and plumbing products.
- South America
  - Trials for our Flexiflo product with two Brazilian mines a significant opportunity.
  - Forging closer relationships with Brazilian dairy companies to expand existing sales of dairy rubberware.
  - Regular in-market presence to expand existing sales of roofing and plumbing products.
- Asia
  - Currently a small market for Skellerup but growth being realised with dairy rubberware, plumbing & roofing products.
  - Skellerup is a preferred supplier for the major dairy companies in China which influence the dairy rubberware used.

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HY15 Agri Division

Financial Results

NZ$ Million	HY15	HY14	HY13
Revenue	**38.2**	37.6	35.5
EBIT	**9.7**	8.9	8.3
EBIT %	***25.4***	*23.7*	*23.4*

Key Drivers

Revenue up 2% and EBIT up 9% on pcp

- International sales strong
  - All product groups contributing: - rubberware, pumps, footwear
  - Hygiene product sales further boosted by prior year acquisition.
- NZ sales solid
  - Boosted by December distributor promotional activity.

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HY15 Project Viking

Wigram Dairy Rubberware Facility

Project Status

- $30 million dairy rubberware development, manufacturing and distribution facility (18,900 m^2)
  - Replaces the damaged Woolston facility built over 70 years ago.
- Sir Ron Carter overseeing the Project.
- Land purchased for $7.1 million in January 2014.
- Excavation & foundation work commenced in December 2014.
- Building completion in December 2015 with fit-out running in parallel.
- All site works complete in February 2016.
- Relocation of production equipment and personnel commencing March 2016.

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HY15 Industrial Division

Financial Results

NZ$ Million	HY15	HY14	HY13
Revenue	**58.1**	59.6	59.4
EBIT	**6.8**	9.2	7.8
EBIT %	***11.8***	*15.4*	*13.1*

Key Drivers

Revenue down 3% and EBIT down 25% on pcp

- North American sales strong
  - OEM pump systems, rubber products for civil, plumbing and roofing applications.
  - Further investment made in personnel: sales and customer service.
- Australian mining spend down
  - Mining volumes actually up, but maintenance and productivity spend deferred.
- Foam Reorganisation costs
  - Implementation of changes following Australian acquisition to integrate and develop product range and capability for growth.

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HY15 Priorities & Focus

- Skellerup's Return on Invested Capital of 18.4% in FY14 ranked it as one of the highest performing stocks on the NZX [1].
  - We will continued to be disciplined with how we allocate capital to maintain strong returns.
  - We are aligning our human capital to the highest priority (and growth) projects.
- USA
  - We have invested in capability and products and there is real economic growth in the segments we sell into.
- Viking
  - New facility with opportunity.
  - Investment in new capacity already made to be installed and allow for future growth. Limited further spend required.
  - Consolidation of processes and activities onto a single site. Skellerup strength is ability to innovate with multi functional teams.
- Foam
  - Integration and reorganisation of existing and acquired business completed to enable growth into new markets and product segments.
- General
  - Restructuring elements of our Industrial Division to accelerate growth.

Note: 1. per Forsyth Barr February 2015

Disclaimer

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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.

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