

23 August 2012

## **Skellerup delivers another record performance**

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### **Full year profit and dividend at all time high**

#### **Highlights for year ended 30 June 2012**

- Record net profit after tax (NPAT) of \$24.7 million, up 22.1% on previous record of \$20.2 million posted a year earlier - this brings the compound annual growth rate of NPAT over the last three years to approximately 40%
- Performance driven by organic growth and operational efficiencies with particularly strong earnings growth from the Industrial Division
- Business remains underpinned by good cash generation and low debt – net debt was \$4.3 million at balance date, down from \$9.1 million a year earlier putting it at its lowest level on record
- Shareholders rewarded with a fully imputed second half dividend of 5cps (4cps a year earlier) - making a total payout for the year of 8cps

Skellerup's record breaking earnings performance for the year ended 30 June 2012 demonstrates the capability of the group to deliver high quality manufactured products to meet customer demand both here and internationally.

Chief executive officer David Mair said: "Skellerup has high quality assets across both its divisions that have considerable potential. What we are seeing with our latest result is the organic growth opportunities that can be generated from this asset base by focusing on customers, our supply chain and our production capability. Our ability to develop new products has won us new customers across all business units and has been a major factor in helping shelter us from the lingering economic downturn."

"Looking forward we will continue our strategy of investing in developing new sales channels and opportunities – not only in existing markets, but also in emerging new markets such as China and South America. With net debt now at an historic low of \$4.3 million, Skellerup has the balance sheet capacity to continue investing in its operations and deliver on growth prospects."

Revenue for the period under review was up 7.1% to \$207.3 million while NPAT was up 22.1% at a record \$24.7 million. Included in the reported NPAT was a one-off insurance benefit of \$0.4 million. Even without this benefit the result was still up 20.1% on the previous year and also up on guidance provided in February of between \$22 million to \$23 million. Looking over a three year period NPAT has grown at a compound annual growth rate of approximately 40%. This strong earnings growth continues to flow through to the group's balance sheet with a further reduction in group debt to \$4.3 million which in turn led to an improvement in the percentage of debt to debt-plus-equity from 7.6% to 3.4%. Net cash generated from operating activities was \$25.3 million.

<b>Financial summary</b>			
	<b>Year to 30 June 2012</b>	<b>Year to 30 June 2011</b>	<b>Percentage change</b>
	<b>\$000 (audited)</b>	<b>\$000 (audited)</b>	<b>(Unaudited)</b>
<b>Total Revenue</b>	207,313	193,593	+7.1%
<b>Earnings before interest and taxation</b>	36,594	32,227	+13.6%
<b>Net profit after tax</b>	24,665	20,200	+22.1%
<b>Dividend</b>	8 cents	6 cents	+33.3%
<b>Earnings per share</b>	12.793 cents	10.504 cents	+21.8%
<b>Net debt</b>	4,253	9,080	-53.2%

Industrial Division - New Zealand's largest industrial rubber products supplier with customers in more than 30 countries - performed above expectations with earnings before interest and tax up 14.1% at \$22.9 million on sales for the year of \$133.1 million (up 6.9%). This performance reflected continued ongoing growth in the sale of industrial vacuum pumps to trucking companies that service the North American oil and natural gas exploration markets. Demand for industrial vacuum pumps has been driven by an increase in exploration activity which has been a function of the relatively high oil price. A continued focus on production efficiencies in China (where the pumps are manufactured), and the logistics of shipping to the US, has enabled a more consistent supply of product which in turn has allowed better service to existing customers as well as the winning of new business from our competitors.

The new generation Flexiflo product has provided strong growth on the back of the continuing demand for iron ore out of Western Australia. As a result of working closely with mining engineers, the introduction of our latest product (Flexiflo II) has addressed the challenge of moving especially wet and sticky ore. Flexiflo II has been very well received in the market and is the basis of further development for resolving issues relating to the movement of a wider range of mined minerals. Sales of the Deks branded roofing flashings and plumbing products into the Australian market has been increasingly competitive given a less than buoyant home building and improvements market. While good progress continues to be made in the development of motor vehicle drive shaft couplings, as well as other motor industry technical products such as gas conversion kits, the

slowdown in European economies, as they grapple with the ongoing fallout from the financial crisis, has seen sales into these markets flatten off.

The Agri Division – which manufactures and distributes products for the global dairy industry – recorded an 11.1% increase in earnings before interest and tax of \$19.0 million on revenue of \$74.1 million (up 7.4%). This result reflected ongoing demand for its consumable products from the dairy industry. After a solid start for the year the second six months has seen stronger competition in some segments of the international market place as the dairy industry became more cautious with milk prices internationally moving lower.

However, the Agri Division continues to benefit from the fact that a majority of its products are essential consumables for the dairy industry and in addition there is an increasing interest in its product range from developing markets in China and South America.

### **Christchurch Update**

The dairy manufacturing plant in Woolston, is a key part of the Agri division. Due to earthquake related damage and liquefaction risk, we are negotiating to relocate this business to a new site within the Christchurch region. To facilitate the move, a new state of the art rubber mixing plant has been purchased (post 2012 financial year end) and capital has also been allocated for the manufacture of additional moulding machines to ensure that the business operation can relocate without interrupting the supply of finished products to customers. The introduction of the new rubber mixing plant will not only facilitate the move but will produce a high quality product more efficiently.

### **Dividend**

Skellerup dividend policy is to return to shareholders each year a total dividend payout of between 40% and 60% of NPAT. Accordingly, the directors have resolved to pay a final dividend of 5.0cps with imputation credits attached at 28%. Payment will be made on 25 October 2012 to shareholders on the register at 5pm on 12 October 2012. Given the strong financial position of the company, the Dividend Reinvestment Plan will not be operative for this dividend payment.

### **Annual Meeting**

Skellerup's Annual Shareholders' Meeting will be held at Eden Park, Auckland, on Wednesday 31 October 2012, at 2.30pm.

### **Conclusion**

Chairman Sir Selwyn Cushing said: "Skellerup is in the best shape it has been for many years. The business has performed exceedingly well to the benefit of all shareholders. This has been reflected

not only in stronger earnings and a higher dividend payout but also in share price appreciation. Whilst economic conditions particularly in Europe remain difficult, Skellerup has proved that earnings performance can still be achieved through leadership, product innovation and an understanding of markets in which it operates. Given the success in driving growth from existing operations, the focus in the year ahead will be to invest in further organic growth opportunities, the benefits of which are likely to be seen over the coming two years”.

For further information please contact:

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Skellerup Holdings is a specialist manufacturer and distributor of technical polymer products and vacuum pumps for a variety of specialist industrial and agricultural applications. Founded more than 100 years ago, today Skellerup is a global company headquartered in New Zealand, with operations in Asia, Europe, North America and Australasia.