



Pental Limited (ASX: PTL)

ASX Announcement

23 August 2021

Pental Delivers Strong FY21 Results with Improved Profitability and Fully Franked Dividend

Highlights

- **Pental has delivered strong performance in the Australian market through both Company-owned and contracted branded product portfolios, with a tight focus on efficiency driving continued margin expansion and underlying net profit after tax (NPAT) growth of 11.7% to \$5.61 million**
- **Final fully franked dividend of 1.6 cents per ordinary share declared, taking total FY21 dividends to 2.6 cents per share. Excluding a special dividend of 0.7 cents per share paid in FY20, this represents a 18% increase on the FY20 dividend of 2.2 cents, with a payout ratio of 63.2% of NPAT**
- **Pental continues to invest in developing innovative new products with unique points of difference and is supporting its own trusted brands, such as White King, Janola, Country Life and Softly, with strong above the line investment**
- **Acquisition in early FY22 of Melbourne-based online hamper and gifting specialist Hampers with Bite Pty Ltd brings Pental an online channel customer base, improved scale, e-commerce expertise, revenue synergies and new product capabilities**
- **Pental is in a strong position to drive continued profitable growth with a healthy balance sheet and a robust, complementary product portfolio that benefits from strong and increasing brand recognition**

Branded home and hygiene product developer Pental Ltd (ASX: PTL, "Pental" or "the Company") is pleased to announce strong FY21 results with continued growth in profitability.

Financial Highlights

Pental's net sales revenue in Australia was in line with FY20 at \$109.7 million (2020: \$109.6 million). The Company achieved this result despite favourable market conditions experienced in the prior year subsiding early in FY21.

Net sales revenue in New Zealand and exports to Asia both decreased year-on-year, by NZ\$1 million and AU\$0.5 million respectively. The decreases were primarily driven by significant shipping delays flowing from COVID-19 related disruptions and caution from distributors resulting from political tensions between Australia and China.

Pental maintained a tight focus on cost controls and profitability throughout FY21, prioritising growth through its own brands as well as agency brands. As a result, the Company grew its underlying EBIT by 10.2% to \$8.15 million, with underlying net profit after tax (NPAT) increasing by 11.7% to \$5.61 million. Pental continued to deliver margin improvement during the period, with the Company's underlying EBIT margin on net sales expanding by 70bps over FY20.

The Company's achievement of \$16.05 million in net cash flow from operating activities (including release of approximately \$9 million in Duracell related working capital) and 3.94 cents of statutory basic earnings per share (FY20: 3.68 cents) has allowed the Board to declare a proposed final fully franked dividend of 1.6 cent per ordinary share, payable to shareholders on 24 September 2021, with a record date of 6 September 2021.

Pental entered FY22 with \$12.7 million in net cash and effectively zero debt: a strong balance sheet providing capacity to fund the Company's strategy of growth through acquisitions, agency agreements, innovation and market expansion.

Operational Highlights

Sales, Marketing and Distribution

Pental maintained healthy momentum throughout FY21 after experiencing a surge in demand for its strong germ-killing products during the first wave of the COVID-19 pandemic. The Company continues to support its own trusted brands such as White King, Janola, Country Life and Softly with strong above the line investment. Pental maintains a strong hold in market share across many segments including White King in liquid bleach segment, Jiffy in firelighters and Softly in wool wash segments maintaining their number one position.¹

These and other initiatives led to significant growth in demand for Pental's Jiffy firelighters which continued throughout the year, further boosted by the Company's launch of two new innovative scented firelighter products. As a result, Jiffy revenue grew by 44.4% in FY21 compared to FY20.

For the first 8 months i.e. before COVID-19 driven demand had been experienced in the prior year, White King branded sales grew by a healthy 11.9%, despite that fact that Pental did not participate in deep price promotions during that period. During the same period, Country Life revenue also grew by 11%.

Duracell performed very strongly compared to the previous financial year, despite distributorship agreement changes that took effect at the start of May 2021 which will see Duracell Australia directly manage and supply some of the major retail chains in the Australian market. Duracell revenue was up 24% compared to FY20, and expansion into more profitable channels translated into improved profit margins.

Pental estimates the impact of these changes will free up approximately \$9 million cash tied in Duracell related working capital.

Following Pental's active search and assessment of various strategically suitable acquisition options, the Company was pleased to announce its conditional agreement to acquire Hampers with Bite Pty Ltd (HWB) on 20 August 2021.

¹ Source: IRI Scan, AU Weighted Grocery, Dollars, MAT 27/06/2021



HWB

HWB is a Melbourne-based online hamper and gifting specialist. Its range of premium hampers and gifts at affordable prices are targeted towards gifts to friends & family and corporate clients. HWB provides customers with the option of creating their own hamper or simply purchasing one of HWB's pre-designed hampers online.

HWB has grown from an approximately \$10 million¹ revenue business in FY19 to an approximately \$24 million¹ revenue business in FY21 with an expected EBIT of \$5.1 million¹. The Company believes this acquisition brings many opportunities to Pental through an online channel customer base, improved scale, e-commerce expertise, revenue synergies and new product capabilities.

New Product Development

Pental continues to invest into its product innovation pipeline with a particular focus on sustainability. Pental is making advances in assessing the viability of alternative raw materials and packaging that are sustainable and environmentally friendly.

Products with a unique point of difference have long been a strength for Pental, and recognising this, the Company was successful in executing the launch of many new innovative products during the year. This included two variants of Jiffy scented firelighters, toilet gels with additional stain removing capability, enzyme-based stain removers for laundry and specialised laundry cleaning products, the latter under its Softly brand.

Leveraging its production strength and available capacity, the Company continues to explore and expand its offering of contractually manufactured products including private label products for leading retailers.

Strategic Outlook

The Company will continue to deliver on its five strategic priorities:

1. Driving sales growth through key brands
2. Developing new products and sales channels
3. New projects and acquisitions
4. Expanding export markets
5. Continuous manufacturing improvements

Pental remains strongly positioned to drive continued profitable growth with a healthy balance sheet, strong and increasing brand recognition and an export and eCommerce strategy that provides significant upside.

Pental Managing Director, Charlie McLeish, said:

"We are pleased to deliver a strong FY21 result to our shareholders, especially given the challenges we faced during the year in some of our distribution channels. We have continued to focus on our strengths and

¹ Based on unaudited FY21 financial and other data provided by HWB

have continued to reduce our production costs to remain competitive. We have done this while remaining proactive in both expanding our portfolio of trusted shelf-stable branded products and seeking to deploy the working capital we unlocked late in FY21 towards a strategic acquisition.

I am delighted to report that our acquisition search has been successful, and I welcome Hampers with Bite (HWB) to our Group. HWB will transform Pental by boosting our financial scale and delivering new capabilities which are highly complementary to our existing business.

Our strong financial and operating performance, coupled with a robust balance sheet, has positioned Pental well to return capital to shareholders via fully franked dividends, while retaining sufficient balance sheet flexibility to accelerate our growth via strategically sound acquisitions. I thank our shareholders, suppliers and customers for their ongoing loyalty and support."

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

Statutory & underlying profit comparison to prior period	FY21 (i) \$'000	FY20 (i) \$'000	% Change
Underlying EBITDA	11,998	11,972	0.2%
Depreciation and amortisation	(3,849)	(4,576)	
Underlying EBIT	8,149	7,396	10.2%
Finance costs	(121)	(175)	
Underlying profit before tax	8,028	7,221	11.2%
Underlying income tax expense	(2,421)	(2,202)	
Underlying net profit after tax	5,607	5,019	11.7%
Significant items (net of tax):			
Impairment of brandnames (net of tax)	(244)	-	
Reported profit after tax	5,363	5,019	6.9%

(i) Non-IFRS financial table

Authorised for disclosure by the Pental Board

For more information, please contact:

Investor queries

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Media queries

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About Pental Limited

At Pental, we are dedicated to delivering the highest quality and value in all our products. We are proud to make a range of branded products (including White King, Country Life, Velvet, Softly, Martha's, Sunlight, Huggie, Jiffy, Little Lucifer, Aim and Janola) that have been an important part of Australian and New Zealand families for generations. Our goal is to help families live better by providing high quality products for *today's lifestyles* – which in itself shows our commitment to catering to the ever-changing needs of our consumers' lifestyles.

Innovation, production efficiencies and quality are the pillars which make up our core focus as providers of quality products and continue to make our manufacturing sustainably successful. More information on Pental is available at: www.pental.com.au