



16 December 2021

ASX ANNOUNCEMENT

Trading Update Shows Significant Expected Rise in EBIT

Branded home and hygiene product developer Pental Limited ("Pental" or the "Company") is pleased to update the market with regard to its expected unaudited financial results for the Half Year ending 26th December 2021 (FY22 H1).

Highlights

- Pental expects FY22 H1 underlying EBIT to be approximately \$6.5 million - 53% up on the previous comparative period
- Full Year FY22 EBIT expected to be circa \$9.8 million – an increase of 20% compared to FY21 underlying EBIT of \$8.1 million
- Strong Hampers with Bite (HWB) performance in FY22 H1 resulting from robust seasonal sales. Pental forecasts FY22 H1¹ revenue to be up on FY21 H1¹ by 65%
- Smooth integration of HWB following completion of acquisition on 1 September 2021
- HWB synergies and cross-selling opportunities with traditional brands to commence in FY22 H2
- New HWB non-seasonal growth strategies to be implemented from January 2022
- Sales growth returned in the New Zealand (NZ) market following disruptions in FY21
- Successful launch of premium Bondi Soap brand in e-commerce channel
- First to market launch of White King, Country Life and Velvet value packs
- Successful upgrade of fire protection systems at Shepparton facilities resulting in significant reduction in insurance premiums effective 1 December 2021
- Increased input cost of commodities and freight have negatively impacted core business margins in FY22 H1
- Price recovery strategies including substitution of raw materials and strategic price increases implemented for start of FY22 H2
- Strong cash flow and balance sheet
- Maintaining an effective net debt free position with \$12.0m in cash and \$4.7m in acquisition related borrowings forecasted as at 26 December 2021

¹ FY22 H1 and FY21 results include unaudited pre-acquisition figures for HWB.



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New E-Commerce Business

Pental is pleased to announce that its HWB business has performed strongly in FY22 H1² and is expected to deliver sales growth of approximately 65% compared to FY21 H1². While the strong sales performance in FY22 H1² due to seasonal gifting was anticipated, the sales growth year on year is particularly pleasing. From completion of the acquisition on 1 September 2021, the HWB business is expected to contribute revenue of approximately \$25.7m to Pental's FY22 H1² results. Importantly, this revenue contribution (just four months) is expected to exceed HWB's entire FY21² revenue result.

As well as growing its B2C presence significantly, HWB has been able to leverage its stronghold in the B2B segment by focusing on client and employee gifting through strong promotion and marketing execution plans. Despite challenges posed by COVID-19 outbreaks leading to stretched delivery performances, HWB continued to perform strongly without any major disruptions. Traditionally, the HWB business generates a significant portion of its revenue in the December quarter. HWB will continue to explore further growth opportunities in FY22 H2 by focusing on key seasonal events such as Valentine's Day, Easter Holidays, Anzac Day, and Mother's Day.

Pental plans to utilise HWB's e-commerce expertise to further scale its e-commerce footprint through a strong marketing plan to be executed in FY22 H2 with its traditional consumer brands.

Pental Traditional Business

As mentioned in the 2021 annual report, Pental has experienced a more stable demand in the FMCG segment following the initial wave of COVID-19 outbreaks during late FY20 and early FY21. Non-Grocery channels were negatively impacted in FY22 H1 due to multiple outbreaks and lockdowns across Victoria and New South Wales.

The traditional domestic branded business revenue is expected to be approximately 6% down in FY22 H1, however Pental has implemented several initiatives including new ranging, promotional programs and advertising campaigns to recover these sales in FY22 H2. The Company expects that negative impact to its domestic business will be significantly offset by strong New Zealand performance. Pental's owned brands have performed strongly in the New Zealand market after being negatively impacted in FY21 due to shipping delays. New Zealand sales in FY22 H1 are expected to be approximately 10% up on FY21 H1. Pental retains a positive outlook for sales performance of its traditional business in FY22 H2, to be supported by its recently launched e-commerce channel and commencement of product supply into a major hardware channel.

As outlined in the 2021 Annual Report, Pental's contracted private label and distributorship sales are forecasted to be down by approximately 60%, predominantly due to changes in the Duracell distributorship agreement which took effect in May 2021.

Pental has been impacted by rising input costs of approximately \$1.5 million in FY22 H1 due to a sharp and significant rise in commodities used in its manufacturing. Tallow and vegetable noodles, which are used in its soap products, have been most severely impacted by increasing prices further escalated by paraffin (used in firelighters), international freight and a weaker Australian dollar. Pental is in the process of implementing a price recovery strategy which includes appropriate substitution of raw materials where possible as well as strategic price increases through which the Company expects to recover these higher costs of production with effect from early FY22 H2.

The Company successfully invested in upgrading fire protection systems at its Shepparton manufacturing and warehouse facility, achieving significant savings in insurance premiums effective December 2021.

² FY22 H1 and FY21 results include unaudited pre-acquisition figures for HWB.

Pental will report its audited financial results for the half year ending 26 December 2021 in February 2022 and will include a comparison to the half year ending 27 December 2020. Subject to audit, it is expected that consolidated results will be as follows:

	Half Year Dec 21	Vs Half Year Dec 20
Net sales revenue	Approximately \$67 million	Up \$2.5 million or 3.9%
Underlying earnings before interest and tax (EBIT) ³	Approximately \$6.5 million	Up \$2.3 million or 53%
Underlying net profit after tax (NPAT) ³	Approximately \$4.5 million	Up \$1.6 million or 55%

Based on the above initiatives, the Company expects that the full FY22 underlying EBIT profit result will be circa \$9.8 million which is an increase of 20% compared to FY21.

Pental will further update the market concerning trading conditions when it releases its half year ending 26 December 2021 results.

For more information, please contact:

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Authorised for disclosure by the Pental Board

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, Janola and Bondi Soap) that have been an important part of Australian and New Zealand families for generations. We also own and operate a leading e-commerce hamper and gifting business through Hampers with Bite. 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

³ Excluding acquisition related costs of approximately \$1.1 million (before tax).