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ASX ANNOUNCEMENT

Pental Announces Significant Profit Growth in FY22 H1

Branded home, hygiene and e-commerce product developer Pental Limited ("Pental" or the "Company") is pleased to update the market regarding its results for the Half Year ending 26th December 2021 (FY22 H1).

Key Highlights

- Pental has delivered strong performance across its diverse Company-owned branded product portfolio, headlined by a 4-month revenue performance from online hamper and gifting specialist Hampers with Bite (HWB) that was higher than HWB's entire FY21 revenue performance, driving underlying net profit after tax (NPAT) growth of 82.5% to \$5.27 million
- FY22 H1 underlying EBIT¹ better than forecast at \$7.555 million – **78.3%** up on the previous comparative period (PCP)
- Pental lifts its full year FY22 underlying EBIT¹ forecast to the range of **\$10.5 million to \$11.0 million** – an increase in the range of **28.9% to 35.0%** compared to FY21 underlying EBIT of \$8.1 million
- Acquisition in August 2021 of HWB has brought Pental an online channel customer base, improved scale, e-commerce expertise, revenue synergies and new product capabilities. Robust seasonal sales across both B2B and B2C channels drove HWB FY22 H1 revenue +70.8% on the PCP²
- Multiple growth drivers in 2022:
 - Realisation of HWB synergies and cross-selling opportunities with Pental's brands
 - Implementation of new HWB non-seasonal growth strategies
 - Stronger e-commerce sales following the successful launch of premium brand Bondi Soap
 - Development of innovative new products with unique points of difference following the recent launch of White King, Country Life and Velvet value packs
 - Continued sales growth in the New Zealand market, building upon NZ revenue which grew by 12.1% in FY22 H1 (excluding Duracell)
- Interim fully franked dividend of **1.3 cents** per ordinary share, representing a **30%** increase on the FY21 H1 dividend
- Pental remains in a strong position to drive continued profitable growth with strong cash flow and balance sheet - maintaining an effective net debt free position with \$12.9m in cash and \$4.7m in acquisition-related borrowings as at 26 December 2021 - and a robust, complementary product portfolio that benefits from strong and increasing brand recognition

¹ Excluding impact of HWB acquisition related costs of \$1.033 million.

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

Financial Performance

The Company is pleased to report strong financial performance for its first half of FY22 which has exceeded the guidance provided via ASX announcement on 16 December 2021.

Underlying net profit after tax for the 26-week period ended 26 December 2021 was \$5.272 million (27 December 2020: \$2.889 million) which was more than 17% stronger than the guidance issued on 16 December 2021. Underlying EBIT (Earnings Before Interest and Tax) of \$7.555 million was up 78.3% on the previous corresponding period.

	H1, FY22 ⁽ⁱ⁾	H1, FY21 ⁽ⁱ⁾	Change	
	\$'000	\$'000	\$'000	%
Net Sales Revenue	66,375	64,632	1,743	2.7%
Underlying EBITDA	9,513	6,113	3,400	55.6%
<i>EBITDA margin on net sales</i>	<i>14.3%</i>	<i>9.5%</i>		<i>4.8%</i>
Depreciation & Amortisation	(1,958)	(1,875)	(83)	4.4%
Underlying EBIT	7,555	4,238	3,317	78.3%
<i>EBIT margin on net sales</i>	<i>11.4%</i>	<i>6.6%</i>		<i>4.8%</i>
Finance costs	(85)	(70)	(15)	(21.4%)
Underlying profit before tax	7,470	4,168	3,302	79.2%
Income tax expense	(2,198)	(1,279)	(919)	(71.9%)
Underlying Profit after tax	5,272	2,889	2,383	82.5%
<i>Underlying basic EPS (cents)</i>	<i>3.36</i>	<i>2.12</i>	<i>1.24</i>	<i>58.5%</i>
HWB acquisition related costs (net of tax)	(1,033)	-	(1,033)	(100.0%)
Reported net profit after tax	4,239	2,889	1,350	46.7%
<i>Reported basic EPS (cents)</i>	<i>2.70</i>	<i>2.12</i>	<i>0.58</i>	<i>27.4%</i>
<i>Interim dividend (cents per share)</i>	<i>1.30</i>	<i>1.00</i>	<i>0.30</i>	<i>30.0%</i>
	Dec 21 ⁽ⁱ⁾	Jun 21 ⁽ⁱ⁾		
	\$'000	\$'000		
Working Capital ⁽ⁱⁱ⁾	14,561	17,858	(3,297)	(18.5%)
Cash	12,917	12,702	215	1.7%
Borrowings	(4,675)	Nil	(4,675)	100.0%
Gearing ⁽ⁱⁱⁱ⁾	7%	Nil		

⁽ⁱ⁾ Unaudited non-IFRS financial table

⁽ⁱⁱ⁾ Receivables plus inventory less trade and other payables

⁽ⁱⁱⁱ⁾ Net debt to equity

New E-Commerce Business

In line with Pental's strategy consistently communicated in earlier periods, the Group announced and entered an agreement to acquire the Hampers with Bite business on 20 August 2021. Following a successful capital raise of \$5.2 million through Tranche 1 of the placement announced on 20 August 2021, the Group completed the acquisition on 1 September 2021. The Group raised a further \$5.233 million through Tranche 2 of the placement and a share purchase plan (SPP). In total, the Group raised \$10.046 million (net of costs) in order to facilitate its acquisition of HWB.

Hampers With Bite Pty Ltd (HWB) is a Melbourne-based online hamper and gifting specialist. Its range of premium hampers and gifts are targeted at affordable prices 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. Prior to acquisition by the Group, HWB grew from an approximately \$10 million revenue³ with approximately \$1 million EBIT³ business in

³ Includes unaudited pre-acquisition figures for HWB.

FY19 to an approximately \$24 million revenue³ business in FY21 with an EBIT³ of approximately \$5 million.

HWB has continued its strong growth trajectory into FY22, recording revenue of \$31.552 million for the 6 months ending 26 December 2021³ compared with \$18.477 million during the PCP³, an increase of 70.76%. Under Pental's ownership, from 1 September to 26 December 2021, HWB delivered strong revenue of \$24.987 million with an EBIT contribution of \$6.290 million, underpinned by a strong Christmas season across both B2B and B2C channels.

The Group continues to target key events outside the Christmas season in order to pursue growth in other months of the year. The Group is also targeting a range of personal care products manufactured at its Shepparton facilities to be included in new hamper offerings in 2022.

Pental Managing Director, Charlie McLeish, said:

"The incredible growth of the HWB business in the last few years continued even more strongly in the 4-month period under Pental Group ownership. This growth has increased our confidence that we have made a strategic move in the right direction. In the macro environment, e-commerce sales are growing at a much faster pace than traditional brick and mortar store retail. The high calibre team at HWB not only empowers us to achieve growth through the hampers business, but also equips us to gain scale outside of our traditional markets with our iconic brands. We are delighted by the contribution that Hampers with Bite has made to the Pental group and look forward to driving further growth with new and existing HWB customers in the year ahead."

Pental consumer products business

As disclosed in the ASX announcement made on 16 December 2021, Pental has experienced 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. As a result of these factors, Pental's sales in Australia for owned brands (excluding HWB) were impacted by 14.9% in the first quarter of FY22. The revenue trend recovered in the second quarter and sales were up on the PCP by 4.4%. Pental retains a positive outlook for sales performance of its consumer products business in FY22 H2, to be supported by its recently launched e-commerce channel and commencement of product supply into a major hardware channel which was delayed due to multiple lockdowns.

New Zealand net sales revenue increased by 12.1% compared to the PCP (measured in AUD) as Pental's key brands continue to perform strongly in the New Zealand market in key categories i.e. bleach, cleaners and manual dishwasher. Expansion into Asia continues to lag due to COVID-driven disruptions to small distributors and an unpredictable and tense political environment between Australia and China. Owned brand sales into Asia were \$0.485 million in FY22 H1 compared to \$0.703 million in H1 FY21.

Pental has been impacted by rising input costs of approximately \$1.5 million in FY22 H1 due to a sharp and significant rise in the price of commodities used in its manufacturing. Tallow and vegetable noodles, which are used in Pental's 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.

During the period the Company successfully invested in upgrading fire protection systems at its Shepparton manufacturing and warehouse facility, leading to significant annualised savings of approximately \$0.5 million in insurance premiums effective 1 December 2021.

Marketing: The first half of the year saw a committed focus on promoting Pental's core brands across multiple digital platforms, utilising static, animated and video creative. Since July 2020, the Group has garnered more than 25 million impressions while reaching more than 14 million highly targeted Australian consumers via paid advertising, programmatic displays and consumer promotions. Traditional outdoor

³ Includes unaudited pre-acquisition figures for HWB.

advertising also complemented the digital activity with White King and Country Life featuring on billboards and FM radio nationally.

The Hampers with Bite FY22 H1 marketing initiatives continued under Pental's ownership, resulting in sales exceeding all expectations. HWB performed without disruptions despite the challenges posed by COVID-19. Strategic advertising ensured both the B2B and B2C channels both achieved significant sales growth.

Outlook

Pental is pleased to report better than expected FY22 H1 profitability and now expects that FY22 full year EBIT will be in the range of \$10.5 million to \$11.0 million – an uplift in the range of 28.9% to 35% compared to FY21.

The Group will continue to focus on the following key strategic objectives in the second half:

1. Ensure full price recovery on all commodity and freight costs increases incurred in the first half
2. Driving sales growth through key brands in both the e-commerce and traditional sales channels
3. Developing new products for both the Hamper and traditional sales channels
4. Developing a full year calendar of events in the e-commerce sales channels
5. Continue to explore additional acquisition opportunities
6. Develop and grow the Bunnings and other partnerships
7. Continuous manufacturing improvement at the Shepparton operations

Dividend

In respect of the half year (26 weeks) ended 26 December 2021, the Company will pay an interim fully franked dividend of 1.3 cents per ordinary share, payable to shareholders on 23 March 2022, with a record date of 28 February 2022.

For more information, please contact:

Investor queries: Oliver Carton, Company Secretary, Pental Limited, tel: +61 3 9251 2311

Media queries: Tim Dohrmann, NWR Communications, email: tim@nwrcommunications.com.au

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