



18 August 2022

ASX ANNOUNCEMENT

Pental Delivers Strong Profit Growth in FY22

Branded home, hygiene and e-commerce product developer and supplier Pental Limited ("Pental" or the "Company") is pleased to update the market regarding its results for the Full Year ending 26th June 2022 (FY22).

Key Highlights

- Pental continues to deliver strong performance across its diverse branded product portfolio, headlined by a significant uplift in Group profitability and a healthy contribution from online hamper and gifting specialist Hampers with Bite (HWB)
- FY22 underlying EBIT towards the high end of guidance at \$10.783 million – **32.3%** up on the previous comparative period (pcp)
- 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's FY22 revenue +59.1% year-on-year
- Acquisition of HWB fully replaced the profitability from reduced Duracell distribution with a high profit margin business fully owned by the Group.
- Multiple growth drivers in FY23:
 - Continued realisation of HWB synergies and cross-selling opportunities with Pental's manufacturing capabilities
 - Stronger e-commerce sales following implementation of new HWB non-seasonal growth strategies
 - Development of innovative new products with unique points of difference
 - In Australia, retail brand revenue grew by 5.9% driven by multiple strong distribution partnerships
 - Continued sales growth through New Zealand market - revenue grew by 7.8% in FY22
- Final fully franked dividend of **1.7 cents** per ordinary share takes total dividends for the year to 3.0 cents per share, representing a **15.4%** increase on the dividends paid compared to FY21
- Pental maintains a strong position to drive continued profitable growth with healthy cash flow and balance sheet – with low gearing at 5% as at end of FY22 - and a robust, complementary product portfolio that benefits from strong and increasing brand recognition.

Pental Managing Director, Charlie McLeish, said:

"Against the backdrop of tougher economic conditions, it is very pleasing to deliver strong FY22 results which demonstrate the resilience of our business and the power of our brands in a challenging operating environment. We are proud to have delivered a fourth successful year of profit growth for our shareholders while remaining true to our Australian heritage, investing for jobs and growth through our manufacturing plant in Shepparton, Victoria."

"I am delighted to report that our acquisition of Hampers with Bite has proven to be a successful addition to our Group. HWB has transformed 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 profit to shareholders through growth in fully franked dividends, while retaining sufficient balance sheet flexibility to accelerate our growth through organic and inorganic initiatives. I thank our shareholders, staff, suppliers and customers for their ongoing loyalty and support."

Financial Performance

The Company is pleased to report a strong financial performance for FY22 which was towards the high end of guidance range provided via ASX announcement on 18 February 2022.

In FY22 the Group achieved Underlying Earnings Before Interest and Tax (EBIT) of \$10.783 million, an increase of 32.3% compared to the previous comparative period (pcp).

On a statutory basis, Pental achieved net profit after tax (NPAT) of \$6.367 million, which was 18.7% higher compared to the pcp.

Pental continued to deliver margin improvement during the period, with the Company's underlying EBIT margin on net sales expanding by approximately 270 bps over FY21.

The Group's ability to implement initiatives to improve both revenues and costs allowed Pental to weather expected changes to distribution agreements and the significant shifts in the macroeconomic environment, both nationally and internationally.

Pental entered FY23 with \$8.132 million in net cash and minimal gearing of 5%: a strong balance sheet providing capacity to fund the Company's strategy of growth through acquisitions, agency agreements, innovation and market expansion.

| | FY22 ⁽ⁱ⁾ \$'000 | FY21 ⁽ⁱ⁾ \$'000 | Change | |
|--|---|---|----------------|---------------|
| | | | \$'000 | % |
| Net Sales Revenue | 117,432 | 124,940 | (7,508) | (6.0%) |
| Underlying EBITDA | 14,682 | 11,998 | 2,684 | 22.4% |
| <i>EBITDA margin on net sales</i> | <i>12.5%</i> | <i>9.6%</i> | | <i>2.9%</i> |
| Depreciation & Amortisation | (3,899) | (3,849) | (50) | 1.3% |
| Underlying EBIT | 10,783 | 8,149 | 2,634 | 32.3% |
| <i>EBIT margin on net sales</i> | <i>9.2%</i> | <i>6.5%</i> | | <i>2.7%</i> |
| Finance costs | (189) | (121) | (68) | (56.2%) |
| Underlying profit before tax | 10,594 | 8,028 | 2,566 | 32.0% |
| Income tax expense | (3,180) | (2,421) | (759) | (31.4%) |
| Underlying Profit after tax | 7,414 | 5,607 | 1,807 | 32.2% |
| <i>Underlying basic EPS (cents)</i> | <i>4.53</i> | <i>4.12</i> | <i>0.41</i> | <i>10.1%</i> |
| HWB acquisition related costs (net of tax) | (1,047) | - | (1,047) | (100.0%) |
| Reported net profit after tax | 6,367 | 5,607 | 760 | 13.6% |
| <i>Reported basic EPS (cents)</i> | <i>3.89</i> | <i>3.94</i> | <i>(0.05)</i> | <i>(1.3%)</i> |
| <i>Dividend (cents per share)</i> | <i>3.00</i> | <i>2.60</i> | <i>0.40</i> | <i>15.4%</i> |
| | Jun 22 ⁽ⁱ⁾ \$'000 | Jun 21 ⁽ⁱ⁾ \$'000 | | |
| Working Capital ⁽ⁱⁱ⁾ | 18,906 | 17,858 | 1,048 | 5.9% |
| Cash | 8,132 | 12,702 | (4,570) | (36.0%) |
| Borrowings | (3,825) | Nil | (3,825) | 100.0% |
| Gearing ⁽ⁱⁱⁱ⁾ | 5% | Nil | | |

⁽ⁱ⁾ Unaudited non-IFRS financial table

⁽ⁱⁱ⁾ Receivables plus inventory less trade and other payables

⁽ⁱⁱⁱ⁾ Net debt to equity

Strong E-Commerce Growth Continues

FY22 was a year of significant growth for the Group, corner stoned by its successful and transformational acquisition of HWB.

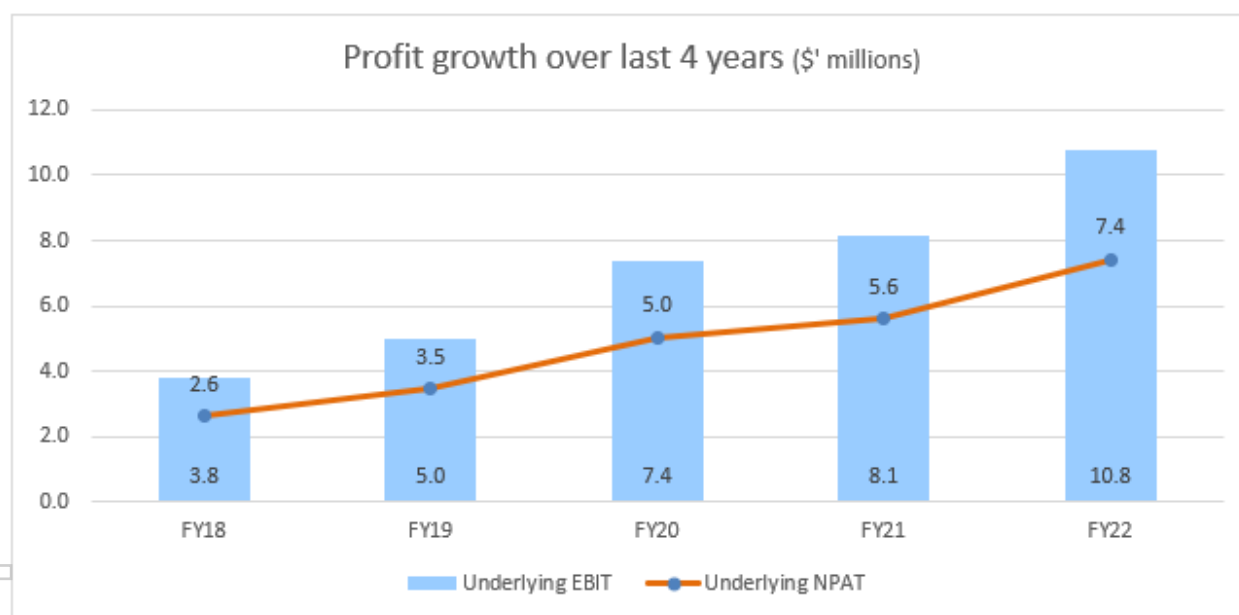
HWB is a Melbourne-based online hamper and gifting specialist. Its range of premium Hampers and gifts are targeted at affordable prices towards gifts to friends & family and corporate clients.

Prior to its acquisition by the Group, HWB had grown from an approximately \$10 million revenue business with an unaudited EBIT of approximately \$1 million in FY19 to an approximately \$24 million revenue business in FY21 with an unaudited EBIT of approximately \$5 million.

HWB continued its strong growth trajectory into FY22. Under Pental's ownership, from 1 September 2021 to 26 June 2022, HWB delivered strong revenue of \$31.649 million with an EBIT contribution of \$6.509 million, underpinned by a strong Christmas season across both business-to-business (B2B) and business-to-consumer (B2C) channels.

The Group was successful in commencing a range of personal care products manufactured at its Shepparton facilities under the Vitale brand that were included in new hamper offerings in 2022. With the initial encouraging success of Vitale, the Group will continue to develop more products targeted at hamper consumers. The Group continues to target key events outside of the Christmas season in order to pursue growth in other months of the year.

The Group's transformational acquisition of HWB has boosted the continuous growth Pental delivered over the previous three years by adding a fourth successful year of profit growth, as demonstrated in the chart below.



Pental Consumer Products Business

After reporting a tough first half for the traditional branded business impacted by significant inflationary pressures on raw materials, the Group was successful in executing multiple cost recovery projects in the second half of FY22. Coupled with strong promotional plans and a clear communication strategy, these initiatives ensured Pental's brands continue to enjoy a strong position in the marketplace.

Over the course of the financial year, Pental's Owned Brands revenue grew by 5.2% to \$54.973 million, marking a strongly improved growth trajectory. The growth was led by Pental's powerhouse cleaning brand, White King, which grew 11.1% compared to the pcp. Pleasingly, based on IRI scan data, White King toilet gels maintained 2 rankings in the top 5 selling SKUs in the segment through the grocery market. For Pental's leading personal care brand, Country Life, revenue also grew by 9.3% compared to the pcp.

The Group was successful in securing ranging of various innovative new products launched during the financial year:

- A new variant of toilet gels was launched in Woolworths along with a new detergent bleach and bleach spray under the White King brand.
- The Group also grew its strong partnership with Bunnings where it launched 5 new products in the second half of the financial year under the White King and Country Life brands.
- The Group was also able to secure new product ranging in Costco with its White King bleach and mould and soap scum remover bulk packs.
- A new bleach free multipurpose cleaner was launched in Chemist Warehouse along with Country Life hand wash.

Pleasingly, the retail brands growth was driven by strong performance in both the Australia (up 5.9%) and New Zealand (up 7.8%) markets. Pental remains optimistic about the export segment as international relations steadily improve.

The Group continues to expand its distribution potential throughout Asia by developing products and pack sizes that are suitable for these new markets. The Group currently exports into China, Vietnam and Thailand, through partnerships with strategically aligned distributors. Pental is also exploring opportunities around e-commerce platforms and other overseas markets to expand its business.

In FY22 the Group experienced significant price increases in various input costs, predominantly driven by commoditised raw materials such as tallow (bar soaps), vegetable noodles (bar soaps), paraffin (firelighters), surfactants (bleach and laundry liquids) and resin (impacting bottle pricing). The Group was able to recover these cost increases effective in the second half of the financial year.

Pental continued its focus on labour efficiencies and utilisation improvements to drive production costs down. As a result, labour recovery was increased and net labour costs (differential between labour costs and labour recovered through production) was reduced by 14.1%.

New Product Development

Pental continues to invest into its product innovation pipeline with a particular focus on sustainability. The Group continues to make advances in assessing the viability of alternative raw materials and packaging that are sustainable and environmentally friendly. Leveraging its production strength and available capacity, the Company also continues to explore and expand its offering of contractually manufactured products including private label products for leading retailers.

Dividend

The board has declared a fully franked final dividend of 1.7 cents per share payable to shareholders on 23 September 2022, with a record date of 5 September 2022. This takes total dividends for the year to 3.0 cents per share. This represents a 15.38% increase on the prior year's dividend of 2.6 cents, with a payout ratio of 69% of underlying net profit after tax excluding significant items.

Strategic Outlook

The Group will continue to focus on its key strategic priorities:

1. Driving sales growth through its number one brand White King.
2. Developing new hamper and gifting products for the Hampers with Bite business.
3. Developing a full year calendar of events in the e-commerce sales channels.
4. Continue to explore additional acquisition opportunities.
5. Grow the new sales channels that were developed in FY22.
6. Continuous operational improvements at both the Shepparton and Maidstone operations sites.

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

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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, 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

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