

16 February 2023

ASX ANNOUNCEMENT

Pental's strong brands stand up to volatile market conditions.

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 Half Year ending 25th December 2022 (HY23).

Key Highlights

- HY22 underlying EBIT at \$4.967 million better than market guidance¹ of \$4.6 million although down on prior comparative period (PCP) by 34.3%
- Pental's traditional business (i.e., excluding recent acquisition Hampers with Bite (HWB)) performing strongly – underlying EBIT for HY23 up \$0.295 million or 23.32% compared to prior comparative period (PCP).
- Flagship brand 'White King' continues to be a market leader across multiple segments i.e. holding number one spot in bleach, Number 2 and 4 in toilet gels, number 2 position in bathroom².
- 'Contracted brands' segment margins improved and stabilised in HY22 following a year of turbulence in FY22.
- HWB faced tough market conditions in HY23 driven by rising cost of living pressures and a fully open economy compared to PCP when majority of Australia was in lockdown for substantial period of time. HWB EBIT for HY23 was \$3.407 million compared to \$6.290 million in PCP³
- Fully franked interim dividend of **1.3 cents** per ordinary share – maintained in line with HY22.
- Pental maintains a strong position to drive continued profitable growth with healthy cash flow and balance sheet – with low gearing at 4% as at end of HY23.

Pental Managing Director, Charlie McLeish, said:

"It was pleasing to see our key consumer brands stand up to tough market conditions impacted by a rapid rise in cost-of-living pressures. Our trusted flagship brand White King continues to hold a strong position in the marketplace supported by innovative and effective products.

"Whilst our Hampers business performance in six months was short of expectations in a tough environment, we have full confidence in the long-term direction of the business. Our enthusiastic team at HWB are full of innovative ideas and are working tirelessly to target events outside of Christmas by developing and enhancing our range of product offerings to continue to deliver high quality gifting at great value.

"We continue to enjoy a strong balance sheet which has enabled us to continue to deliver value back to our loyal shareholders in form of fully franked dividends whilst also targeting other growth opportunities in the marketplace."

¹Refer to ASX release dated 15 December 2022

²Source: IRI AU Grocery Scan Dollar Share -MAT To 04/12/22

³PCP figures for HWB reflect only Pental ownership i.e. from 1 September 2021 to 26 December 2021

Financial Performance

The Company reported an underlying EBIT of \$4.967 million for the HY23 period – better than the market guidance however down \$2.588 or 34.3% on PCP. Underlying EBITDA was \$6.819 million – down 28.3% on PCP.

On a statutory basis, Pental achieved net profit after tax (NPAT) of \$3.357 million, which was 20.8% lower when compared to the PCP.

The decline in profit was attributable to the HWB segment where HY23 revenue dropped by 19.3% compared to HY22. Pental's traditional business (i.e. excluding recent acquisition of HWB) performed strongly in HY23 and revenue increased 6.8% compared to HY22.

Pental continues to hold a strong balance sheet as at the reporting period with \$5.309 million in net cash and minimal gearing of 4%, providing capacity to fund the Company's strategy of growth through acquisitions, agency agreements, innovation and market expansion.

	HY 23 (i) \$'000	HY 22 (i) \$'000	Change	
			\$'000	%
Traditional business revenue (i.e. excluding HWB)	44,197	41,388	2,809	6.8%
Hampers with Bite (HWB) revenue ⁽ⁱⁱ⁾	20,160	24,987	(4,827)	(19.3%)
Total Revenue	64,357	66,375	(2,018)	(3.0%)
Underlying EBITDA	6,819	9,513	(2,694)	(28.3%)
<i>EBITDA margin on net sales</i>	10.6%	14.3%		(3.7%)
Depreciation & Amortisation	(1,852)	(1,958)	106	(5.4%)
Underlying EBIT	4,967	7,555	(2,588)	(34.3%)
<i>EBIT margin on net sales</i>	7.7%	11.4%		(3.7%)
Finance costs	(151)	(85)	(66)	(77.6%)
Underlying profit before tax	4,816	7,470	(2,654)	(35.5%)
Income tax expense	(1,459)	(2,198)	739	33.6%
Underlying Profit after tax	3,357	5,272	(1,915)	(36.3%)
<i>Underlying basic EPS (cents)</i>	1.97	3.36	(1.39)	(41.4%)
HWB acquisition related costs (net of tax)	-	(1,033)	1,033	(100.0%)
Reported net profit after tax	3,357	4,239	(882)	(20.8%)
<i>Reported basic EPS (cents)</i>	1.97	2.70	(0.73)	(27.0%)
<i>Dividend (cents per share)</i>	1.30	1.30	-	0.0%
	Dec 22 ⁽ⁱ⁾	Jun 22 ⁽ⁱ⁾		
	\$'000	\$'000		
Working Capital ⁽ⁱⁱⁱ⁾	20,205	18,906	1,299	6.9%
Cash	5,309	8,132	(2,823)	(34.7%)
Borrowings	(2,975)	(3,825)	850	100.0%
Gearing ^(iv)	4%	5%		

⁽ⁱ⁾ Unaudited non-IFRS financial table

⁽ⁱⁱ⁾ HWB figures for HY22 reflect only Pental ownership i.e. from 1 September 2021 to 26 December 2021

⁽ⁱⁱⁱ⁾ Receivables plus inventory less trade and other payables

^(iv) Debt to equity

Pental Consumer Products Business

As disclosed in the ASX announcement made on 15 December 2022, Pental has experienced a stable and healthy demand for its products in the FMCG segment. Its flagship brand White King has performed strongly during the reported period and net sales increased by 9.5% compared to PCP. The strong performance was led by its White King branded toilet gels and cleaners supported by a full 6-month performance in a major hardware retailer. Pental's laundry brand Softly also performed well compared to PCP and revenue was up by 10.9% compared to HY22. Firelighters sales were in line with last year. Pental retains a positive outlook for sales performance of its consumer products business in second half of FY23, supported by its strong brands recognition, innovative product offering and a strategic promotional program.

Owned Brands Net sales revenue was up by 2.5% compared to PCP at \$26.547 million. The revenue increase was driven by the domestic market (up 5.9%) where the Company's flagship brand White King (up 9.5%) along with Softly (up 10.9%) performed well. Pental continued its committed focus on its key brand White King during HY23 through innovative product promotions 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. White King has maintained its top ranking¹ in Bleach, number 2 in bathroom cleaners¹ and 2 of the top 4 selling toilet gels¹ within the Australian grocery channel.

The increase in domestic market revenue was partially offset by the New Zealand market where the net sales revenue decreased by 12.3% (or 7.88% in NZD i.e. before conversion to AUD). The New Zealand market faced significant supply chain challenges led by staff shortages and absenteeism coupled with multiple port congestions.

Asia sales (owned brands only) increased marginally at \$0.604 million for the reported period (PCP: \$0.485 million) as Pental's distributors in Asia continue to face challenges due to COVID-19 driven disruptions as well as an unpredictable political environment between Australia and China.

Contracted Brands revenue of \$17.650 million was up on the PCP by \$2.163 million or 14.0% as both contract manufacturing and Duracell distributorship revenues increased compared to PCP.

Hampers with Bite

As referred to in the ASX announcement dated 15 December 2022, HWB faced tough market conditions in HY23 following a very successful FY22. Multiple factors including a fully open hospitality industry and significant inflationary pressures on discretionary spending impacted HWB revenue negatively. However, the Group remains positive about the outlook of H2. HWB successfully enhanced its website during H1 with multiple added functionalities including multi-shipping and add-ons. The enhancements have led to an improvement in conversion rates compared to last year as well as average order value lifting by approximately 20% compared to PCP. HWB increased its email database by 34,000 during HY23 and added more than 10,000 in mobile opt-in contacts. Over 30,000 units of Pental produced brand Vitale Wellness products were sold since the launch in July 2022.

HWB continues to increase focus on other annual events outside of Christmas and will target these occasions with carefully curated premium product offerings, to increase revenues outside of the Christmas period.

¹Source: IRI AU Grocery Scan Dollar Share -MAT To 04/12/22

HWB HY23 marketing initiatives are centred around the improvements of key metrics through the nurturing retention strategy of B2B clients and optimising the growth potential of our large B2C customer base. As a result of Hampers With Bite achieved:

- Average order value increase by approximately 20% to \$177
- Add-on functionality launched in FY22 saw in excess of 4,700 transactions.
- More than 21,000 units of Pental produced Vitale Wellness branded products were sold as part of the hampers range.
- Multi-ship functionality added to website which enabled improved conversion rates as well as increased average order value
- HWB maintains an active email subscriber list of more than 215K
- 45% increase in B2B client retention rate through peak competitive period

Dividend

The board has declared a fully franked interim dividend of 1.3 cents per share (in line with FY22 interim dividend) payable to shareholders on 22 March 2023, with a record date of 27 February 2023. This represents a payout ratio of 66% of net profit after tax.

Strategic Outlook

In line with the trading update provided to the market on 15 December 2022, The Group expects that the full financial year 2023 underlying EBIT profit result will be in the range of \$7.5 million to \$8.5 million subject to any significant changes in the marketplace – a decrease in the range of 30% and 21% compared to FY22 underlying EBIT of \$10.783 million. The Group will continue to execute its key strategic objectives:

1. Driving sales growth through key brands in both the e-commerce and traditional sales channels
2. Developing new products for both the Hamper and traditional sales channels
3. Developing a full year calendar of events in the e-commerce sales channels
4. Continue to explore additional acquisition opportunities.
5. Develop and grow the Bunnings and other potential partnerships.
6. Continuous manufacturing improvement at the Shepparton operations

Pental remains strongly positioned to drive continued profitable growth with a healthy balance sheet, strong and increasing brand recognition.

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, 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