



31 August 2023

ASX ANNOUNCEMENT

Market-leading Pental Brands prove resilient in face of broader macro-economic headwinds.

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 2nd July 2023 (FY23).

Key Highlights

- FY23 underlying EBIT at \$7.438 million marginally short of lower end of market guidance¹ of \$7.5 million although down on prior comparative period (pcp) by 31.0%
- Pental’s traditional business (i.e., excluding Hampers with Bite (HWB)) continues to perform strongly despite reductions in household spending – underlying EBIT for FY23 up \$0.782 million or 18.3% compared to pcp.
- Flagship brand ‘White King’ continues to be a market leader and demonstrate strength of brand, maintaining two rankings (number 1 and 3) in the top 3 selling SKU’s in the manual toilet segment across the grocery market².
- ‘Contracted brands’ segment saw revenue growth of 8.8% with renewed private label manufacturing agreements put in place with a focus on combating increasing raw material prices.
- Cost recovery strategy implementation successful in H2 and looking to further drive profitability in FY24.
- As previously flagged, tough market conditions provided significant headwinds for HWB, with cost-of-living pressures, decreased discretionary spending and a fully open economy (no lockdowns) materially impacting the business. HWB EBIT for FY23 was \$2.377 million compared to \$6.509 million in PCP³.
- The Board remains optimistic on the outlook for HWB and as such has invested towards strengthening the business with a focus on required infrastructure to ensure it has key growth pillars required to scale the business.
- Final fully franked interim dividend of **1.0 cents** per ordinary share takes total dividends for the year to 2.3 cents per ordinary share, representing a payout ratio of 79.9% of underlying NPAT.
- Pental maintains a strong position to drive continued profitable growth with healthy cash flow and balance sheet – with low gearing at 7.2% as at end of FY23.

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.”

“As previously flagged, our Hampers business experienced tough market conditions which provided significant headwinds. However, we remain optimistic on the outlook for Hampers and spent FY23 investing significant time & resources to strengthen the business moving forward.”

¹Refer to ASX release dated 15 December 2022

²Source: IRI data MAT 23/07/23

³PCP figures for HWB reflect only Pental ownership i.e. from 1 September 2021 to 26 June 2022

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

Financial Performance

The Company reported an underlying EBIT of \$7.438 million for the FY23 period – marginally short of market guidance however down \$3.345 million or 31.0% on pcp.

On a statutory basis, Pental achieved net profit after tax (NPAT) of \$4.890 million, which was 23.2% lower when compared to pcp.

The decline in profit was attributable to the HWB segment where FY23 revenue dropped by 23.1% compared to FY22³. Pental's traditional business (i.e. excluding recent acquisition of HWB) performed strongly in FY23 with revenue increasing 6.0% and underlying EBIT increasing 18.3% compared to FY22.

Pental continues to hold a strong balance sheet as at the reporting period with \$1.784 million in net cash and minimal gearing of 7.2%, providing capacity to fund the Company's strategy of growth through acquisitions, agency agreements, innovation and market expansion.

| | FY 23 (i) \$'000 | FY 22 (i) \$'000 | Change | |
|---|---|---|----------------|----------------|
| | | | \$'000 | % |
| Traditional business revenue (i.e. excluding HWB) | 90,917 | 85,783 | 5,134 | 6.0% |
| Hampers with Bite (HWB) revenue ⁽ⁱⁱ⁾ | 24,344 | 31,649 | (7,305) | (23.1%) |
| Total Revenue | 115,261 | 117,432 | (2,171) | (1.8%) |
| Underlying EBITDA | 11,245 | 14,682 | (3,437) | (23.4%) |
| <i>EBITDA margin on net sales</i> | 9.8% | 12.5% | | (2.7%) |
| Depreciation & Amortisation | (3,807) | (3,899) | 92 | (2.4%) |
| Underlying EBIT | 7,438 | 10,783 | (3,345) | (31.0%) |
| <i>EBIT margin on net sales</i> | 6.5% | 9.2% | | (2.7%) |
| Finance costs | (367) | (189) | (178) | (94.2%) |
| Underlying profit before tax | 7,071 | 10,594 | (3,523) | (33.3%) |
| Income tax expense | (2,164) | (3,180) | 1,017 | 32.0% |
| Underlying Profit after tax | 4,908 | 7,414 | (2,507) | (33.8%) |
| <i>Underlying basic EPS (cents)</i> | 2.88 | 4.73 | (1.85) | (39.1%) |
| One off/significant expenses after tax | (18) | (1,047) | 1,029 | (98.3%) |
| Reported net profit after tax | 4,890 | 6,367 | (1,478) | (23.2%) |
| <i>Reported basic EPS (cents)</i> | 2.87 | 3.89 | (1.02) | (26.2%) |
| <i>Dividend (cents per share)</i> | 2.30 | 3.00 | (0.70) | (23.3%) |
| | Jun 23 ⁽ⁱ⁾ \$'000 | Jun 22 ⁽ⁱ⁾ \$'000 | | |
| Working Capital ⁽ⁱⁱⁱ⁾ | 20,984 | 18,906 | 2,078 | 11.0% |
| Cash ^(iv) | 4,836 | 8,132 | (3,296) | (40.5%) |
| Borrowings ^(iv) | (5,177) | (3,825) | (1,352) | 100.0% |
| Gearing ^(v) | 7% | 5% | | |

⁽ⁱ⁾ Unaudited non-IFRS financial table

⁽ⁱⁱ⁾ HWB figures for FY22 reflect only Pental ownership i.e. from 1 September 2021 to 26 June 2022

⁽ⁱⁱⁱ⁾ Receivables plus inventory less trade and other payables

^(iv) Trade advance of \$3,052K treated as borrowings for purposes of calculating gearing

^(v) Debt to equity

Pental Consumer Products Business

Pental's Consumer Products business continued to perform strongly throughout FY23, with strong growth across both Owned Brand and Contracted Brand segments. Pental's segment growth was led by its flagship brand, White King, which has continued its strong performance growing revenue by 5.4% compared to pcp. It also retained its ranking as the number one and three top selling SKUs in manual toilet segment across the grocery market². Pleasingly, the Company had growth across many of its other top brands including Country Life (up 9% on pcp), Huggie (up 32% on pcp) and Softly (up 6% on pcp), demonstrating the strength of our brands and targeted sale campaigns. Pental retains a positive outlook

²Source: IRI data MAT 23/07/23

³PCP figures for HWB reflect only Pental ownership i.e. from 1 September 2021 to 26 June 2022

for sales performance of its consumer products business heading into FY24, supported by its strong brands recognition, innovative product offering and a strategic promotional program.

Owned Brands: Net sales revenue was up 16.3% in H2 compared to H1, and up 6.2% when compared to H2, FY22. For the full financial year, the growth was 4.4% primarily driven through sales to the domestic market (up 7.6% on pcp) where our strong brand continues to be recognised with White King (up 5.2%), Softly (up 12.1%) and Country Life (up 7.8%) leading the charge. The growth was underpinned by innovation and introduction of new products to the market including White King 4 in 1 bleach free multi-purpose cleaner, White King in-cistern block bright white and Softly active laundry liquid.

The increase in domestic market revenue was partially offset by the New Zealand market where the net sales revenue decreased by 1.2% in NZD (or 3.5% in AUD after conversion to AUD). The New Zealand market continued to face significant supply chain challenges in H1, however pleasingly in the H2 of FY23, Pental's Owned Brands grew 4.8% in the New Zealand market (measured in NZD) when compared to H2 of FY22.

Asia sales delivered a small growth of 6.3% as geopolitical tensions between Australia and China continue to provide a blanket of caution for traders and distributors in China.

Contracted Brands revenue grew by \$2.700 million, up 8.8% on pcp, driven by the renewal of private label manufacturing agreements across bar soaps and bleach (up 9.2%) and Duracell (up 12.9% on pcp)

Hampers with Bite

As flagged in Pental's H1 FY23 results, HWB faced tough market conditions in FY23 following a very successful FY22 boosted by lockdowns driving e-commerce sector. Rising inflation, interest rates, decreased discretionary spending and the general economic environment all proved significant tailwinds to the HWB business and saw revenue negatively impacted. The HWB business achieved revenue of \$24.344 million in FY23, which was down 23.1% compared to FY22³ (\$31.649 million).

Despite a challenging FY23, the Group remains positive about the outlook for HWB and has undertaken several strategic measures to ensure the business is better equipped to mitigate economic downturn risks and overall seasonality from the business. Measures include ongoing implementation of a new ERP system, website upgrade, increased product offering, data analytics and onboarding of new customers. In conjunction with these measures the business has implemented marketing initiatives centred around the improvement of our key operating metrics, including retention of B2B clients and optimising the growth potential of our large B2C customer base.

Pleasing we are beginning to see the benefits of these strategic measures and initiatives, having achieved:

- Average Order Value growth of 16.7% on pcp.
- 8,600+ Add Ons purchased (up 183% on pcp).
- 3.12% conversation rate.
- Over 50,000 units of Vitale Wellness products sold since launch in July 2022.
- Emails list increased by 44,000+

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

Dividend

The board has declared a fully franked final dividend of 1.0 cents per share payable to shareholders on 6 October 2023, with a record date of 18 September 2023. This takes the total dividend payable in FY23 to 2.3 cents per share and represents a payout ratio of 79.9% of underlying net profit after tax excluding significant items.

³PCP figures for HWB reflect only Pental ownership i.e. from 1 September 2021 to 26 June 2022

Strategic Outlook

Despite a challenging broader economic environment throughout FY23, the Group's strategic priorities remain unchanged:

1. Driving sales growth through our flagship brand White King.
2. Developing a full calendar of gifting events for the Hampers with Bite business.
3. Developing a diversified portfolio of gifting in the e-commerce sales channel to complement hampers.
4. Continue to explore additional strategically suitable acquisition opportunities.
5. Continuous operational improvements at both the Shepparton and Maidstone operations sites.

Pental remains competitively positioned to drive continued profitable growth with a healthy balance sheet, whilst accelerating opportunities in the eCommerce space to gain greater market share.

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