Schaffer Corporation Limited

SFC ANNOUNCES NET PROFIT AFTER TAX[1] OF $27.1 MILLION, UP 99%

21 August 2024

Dear Shareholder,

Schaffer Corporation Limited (ASX: SFC) reported statutory net profit after tax (NPAT[1]) for the 2024 financial year of $27.1 million (FY22: $13.6 million). SFC's strong results reflects a good year from both the Automotive Leather Division and Delta.

The Board has declared a final fully franked dividend of $0.45 per share, matching last year's final dividend.

Automotive Leather generated profits[1] of $15.3 million (FY23: $11.1 million), up 39% as sales volumes improved. The prior year was impacted by the delayed launch of a major renewed supply program in Europe, high energy costs and volatile adverse currency movements.

Delta's profitability was strong at $4.5 million (FY23: $2.0 million) due to improved operational efficiencies. Prior year margins and cashflows were impacted by design and engineering complexity on a large project.

SFC's largest investment, South Connect Jandakot, increased its pre-debt value to $94.3 million from $77.5 million. The increase comprises $5.2m continued investment in civil works which are complete, plus an unrealised pre-tax gain on revaluation of $11.6 million.

Group Investments contributed NPAT[1] of $10.5 million (FY23: $3.2 million) including $8.1 million after-tax for the unrealised revaluation gain relating to South Connect Jandakot.

At 30 June 2024, the pre-tax net equity value of the Group's investments was $210.9 million or $15.53 per share. This compares to the 2023 value of $186.5 million or $13.73 per share.

SFC bought back $0.3 million of shares during the financial year.

Full-Year ($ million)	FY24	FY23	% Change[2]
Revenue	**226.2**	183.6	23.2%
NPAT[1] from:			
Automotive Leather	**15.3**	11.1	38.7%
Delta	**4.5**	2.0	122.5%
Manufacturing NPAT[1]	**19.8**	13.1	51.6%
Group Investments	**10.5**	3.2	226.2%
Corporate	**(3.2)**	(2.7)	(20.4%)
Statutory NPAT[1]	**27.1**	13.6	99.0%
EPS	**$1.99**	$1.00	99.1%
Ordinary Dividends (fully franked)	**$0.90**	$0.90	

1. Net Profit after tax and minority interests.
2. Reflects percentage change up or down of the current period compared to the previous corresponding period using non-rounded NPAT.

AUTOMOTIVE LEATHER

Full-Year ($ million)	FY24	FY23
Revenue	**181.9**	142.8
Segment NPAT[1]	**15.3**	11.1

1. Net Profit after tax and minority interests.

Automotive Leather had a good year as sales volumes improved due to the launch of a new Mercedes program and a renewed Land Rover program reaching 'normal' volumes.

Revenues increased 27% to $182 million (FY23: $143 million) with profits increasing 39% to $15.3 million (FY23: $11.1 million). While margins improved compared to the prior year, they were negatively impacted by design complexity and lower tolerances on new program launches. This is normal when launching new programs but is currently taking longer than expected to optimise production processes. We remain confident this should improve during FY25.

Cash flow generation from operations of $42.7 million exceeded profits, driven by a $16.2 million reduction in working capital – mainly hide inventory.

Our four main luxury automotive customers in Europe have recently reported their quarterly results which were mixed. Jaguar Land Rover reported strong, record results, while both Audi and Mercedes reported an environment which is subdued and showing early signs of slowing.

Risks for Automotive Leather include:

- Delayed new program launches.
- Global economic uncertainties, including a global economic slowdown.
- Adverse currency volatility.
- Geopolitical risks may cause elongated supply chains.

Subject to the above risks, our profits for 1H25 should be higher than 2H24 as multiple new Audi programs should launch and operational efficiencies on other programs should improve.

DELTA

Full-Year ($ million)	FY24	FY23
Revenue	**31.1**	28.7
Segment NPAT	**4.5**	2.0

Delta reported a strong profit of $4.5 million (FY23: $2.0 million) on higher revenue of $31.1 million (FY23: $28.7 million) and improved operational efficiencies. Prior year margins and cashflows were impacted by design and engineering complexity on a large project.

Delta continues to operate in a positive but challenging environment. Government's continued investment in large-scale civil infrastructure projects has stimulated activity.

While Delta remains selective of projects it undertakes, key risks to performance include:

- Project delays.
- Skilled labour shortages and supply disruptions.
- Inflationary cost pressures.
- Increased industry production capacity.

Given Delta's current order book, we expect Delta's strong performance to continue during 1H25.

Schaffer Corporation Limited

GROUP INVESTMENTS

Full-Year ($ million)	FY24	FY23
Revenue	**$13.2**	$12.1
Segment NPAT[1]	**$10.5**	$3.2

1. Net Profit after tax and minority interests.

Group Investments represents a growing proportion of the Group's underlying assets and valuation. We continue to grow the division opportunistically with the objective of maximising shareholder value over the medium and long-term.

Revenue was $13.2 million (FY23: $12.1 million) with profits[1] of $10.5 million (FY23: $3.2 million). Included in NPAT[1] is an $8.1 million unrealised revaluation gain relating to South Connect Jandakot.

The pre-tax net equity value[2] of Group Investments ended the full year up $23.5 million to $210.9 million (June 30: $186.5 million) or $15.53 per share (June 30: $13.73 per share).

Approximately 74% of SFC's Group Investments assets are property, the largest portion being South Connect Jandakot. Most of the property assets are value-add, focusing on potential medium to long-term capital gains. A further 18% of SFC's Group Investments assets are invested in cash deposits and highly liquid equities with a bias towards quality and value, through the internally managed SFC Global equity funds and other externally managed equity funds.

Pre-Tax Net Equity Value[2]	Jun 2024 $m	Jun 2023 $m	Jun 2024 $/Share	Jun 2023 $/Share
South Connect Jandakot	**82.1**	65.3	**6.06**	4.81
Other Property Investments	**73.6**	76.1	**5.41**	5.60
Equity investments at market value[3]	**36.3**	36.4	**2.67**	2.68
Cash, term deposits and fixed income	**18.9**	8.7	**1.39**	0.64
Overall investment portfolio	**210.9**	186.5	**15.53**	13.73

2. Group share of fair value less Group share of debt.
3. SFC's investment in Harvest Technology Group (ASX: HTG) is included using a value per share of $0.0066, which is below the $0.019 closing share price of HTG at 30 June 2024. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.

Property

The Group's property investments comprise the following (SFC's share of pre-tax net equity values in parentheses):

- ***South Connect Jandakot: ($82.1 million, June 2023: $65.3 million)***

  South Connect Jandakot is well located to benefit from the increased demand for showrooms and logistic warehousing driven by the rapid growth in ecommerce. The property has an approximate net developable area of 34 hectares with the final stage of civil works (roads, sewerage, power, lighting and drainage etc.) now completed.

  South Connect Jandakot's current "as is" pre-debt valuation is $94.3 million (FY23: $77.5m). A large portion of the civil works has been funded by debt, totalling $12.2 million. The pre-tax net equity value of $82.1 million reflects an increase from the prior year of $16.8 million, comprising $5.2 million continued investment in civil works which are complete, plus an unrealised gain on revaluation of $11.6 million.

Property (continued)

- ***Syndicate properties ($52.1 million)***
- ***Other directly owned property ($13.8 million)***
- ***39 Dixon Road, Rockingham ($5.3 million)***

  The property is a large format retail site, comprising three tenancies. The site is at full occupancy with three national tenants and a weighted average lease expiry of six years.

- ***North Coogee - Beachside (market value $2.4 million)***

  The Group settled five single residential lots during the financial year earning revenue of $2.0m and NPAT[1] of $0.6 million. The one remaining single residential lot settled in July 2024. The Group still holds three apartment sites while waiting for market conditions for apartments to improve.

OUTLOOK

The current economic environment shows signs of slowing with many other potential risks which could impact our businesses. While we are cautious, we continue to see opportunity for our manufacturing operations during the first half of the 2025 financial year:

Automotive Leather

Profitability for the first half should be higher than the second half of last financial year.

Delta

We expect Delta's strong performance to continue for the first half.

Group Investments

Our investments are revalued each period. This may result in profit volatility, both up and down.

DIVIDENDS

The Board has approved a fully franked final dividend of $0.45 per share. The record date is 6 September 2024. The dividend will be paid on 20 September 2024.

Yours sincerely

John Schaffer AM
Chairman

The Board has authorised this document to be released to the ASX.