SKELLERUP

SKELLERUP HOLDINGS LIMITED
L3 205 Great South Road, Auckland

Telephone 64 9 523 8240
Facsimile 64 9 523 8241
Email EA@skellerup.co.nz

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Skellerup increases dividend on back of earnings uplift

Key Points for the six months ended 31 December 2013

- Unaudited net profit after tax (NPAT) of $10.8 million, up 14% on the prior corresponding period (pcp) due to growth in profitability across the business
- The Agri Division remains robust reflecting in particular the strong domestic market
- The Industrial Division improved as the benefits emerge from changes made in the cost base, product range and distribution capability over past 18 months
- Interim dividend up 17% to 3.5 cents on the back of earnings growth
- Debt remains very low reflecting strong operating cash flow
- Increase in full year NPAT forecast to a range of $22 to $24 million

Skellerup made a positive start to the 2013 financial year as it successfully drove earnings growth across both operating divisions.

Chief executive officer David Mair said: “Our result for the six months to 31 December highlights the potential we have within the Group. Particularly pleasing was the performance of the Industrial Division where we have made changes to the business to improve our competitive position and distribution to market. We have begun to realise earnings improvement here so that is encouraging. Once more the Agri Division was well underpinned by the strength of the NZ dairy sector where demand for our rubber liners and other Agri related products continued to grow.”

“As a company we consider we are relatively well positioned in markets that we operate. We will continue, however, to look for efficiencies as well as new opportunities to grow through being close to our customers and understanding their needs.”

NPAT of $10.8 million was up from $9.5 million a year earlier, continuing an upward trend in earnings that began to emerge in the second half of the 2013 financial year. Group revenue was up modestly at $97.3 million from $95.0 million in the pcp. The numbers support Skellerup’s focus on driving operational efficiencies that flow positively to the bottom line rather than simply focusing on sales, Mr Mair said.

Financial Summary

$000 Unaudited	**Half year ended 31 December 2013**	Half year ended 31 December 2012	Percentage Change
Revenue	**97,278**	94,992	2%
Earnings before interest and taxation	**15,613**	13,814	13%
Net profit after taxation	**10,816**	9,489	14%
Earnings per share	**5.61**	4.92	14%
Dividend per share	**3.50**	3.00	17%
Cash from operations	**12,957**	14,627	-11%
Net debt	**3,412**	4,538	-25%

Industrial Division
An across the board improvement in operations saw earnings before interest and tax (EBIT) rise 18% to $9.2 million. This was on steady revenue of $59.6 million reflecting the restructuring within the business and the focus on operating efficiencies. In the United States good growth was seen from product and customer expansion for Gulf Rubber products. Sales of Masport vacuum pumps also improved in line with a slight lift of activity in the oil and gas sector. The relocation of Deks to a purpose built facility in Chicago was successfully completed during the period, providing an additional platform for growth going forward. Our Australian businesses which include Flexiflo chute lining systems, Deks plumbing and roofing products and Gulf rubber products for industrial applications performed solidly especially given the a challenging overall environment. We are now beginning to see signs of improvement in this market and are well placed to capitalise and grow earnings. Our foam business delivered improved results with the benefits of the transfer of manufacturing to Vietnam completed last year providing a competitive base for growth.

Agri Division
EBIT rose 8% to $8.9 million on revenue of $37.6 million, up 6%. A feature was the continuing strong NZ dairy sector and the resulting increase in farm conversions which underpinned demand for rubber liners and tubing. NZ footwear sales were solid and improving international prospects for specialist rubber footwear products (e.g. fire and forestry) were also evident. We have also begun to successfully integrate two small, recent acquisitions to our animal hygiene business which enhances our product range and distribution capability. Construction is still scheduled to begin this year on a dedicated world-class dairy rubberware facility in Christchurch to replace the historic Woolston site damaged by the February 2011 earthquake. Tenders for the facility have been recently received and are currently being evaluated.

Dividend
The Directors have declared an interim dividend of 3.5 cents per share, fully imputed, which will be paid on 27 March 2014 to shareholders on the register at 5pm on 14 March 2014.

Outlook
Chairman Sir Selwyn Cushing said: “Skellerup has made a very encouraging start to the financial year. Accordingly, the Company has increased its expected full year NPAT to be in the range of $22 to $24 million. A further sign of the company’s confidence going forward is the 17% increase in dividend pay-out to 3.5cps. With net debt at $3.4 million and operating cash flow strong Skellerup remains in very good financial health and fully able to execute its strategies and deliver shareholder value.”

For further information please contact:

David Mair
Chief Executive Officer
021 708 021

Graham Leaming
Chief Financial Officer
021 271 9206

For media queries please contact:
Geoff Senescall
Senescall Akers Limited
021 481 234