

# Schaffer Corporation

December 2009 Half Year Results Presentation



NPAT up 7% despite a 12% decrease in revenue. Group net debt lowered by 33%.



Half Year (\$m's)	Dec-09	Dec-08	% change
Revenue	<b>75.0</b>	<b>85.5</b>	-12%
EBITDA	<b>9.3</b>	<b>10.4</b>	-11%
EBIT	<b>7.0</b>	<b>7.6</b>	-8%
Net profit after tax	<b>3.6</b>	<b>3.4</b>	7%
EPS	<b>0.26</b>	<b>0.24</b>	+7%
Interim ordinary dividend declared (fully franked)	<b>\$0.20</b>	<b>\$0.25</b>	-20%
Group net debt at period end	<b>54.5</b>	<b>81.1</b>	-33%

Revenue decline due to reduced activity at Delta Corporation, but profit impact largely offset by a much better result from the Building Products group (paving, walling & imported stone products).

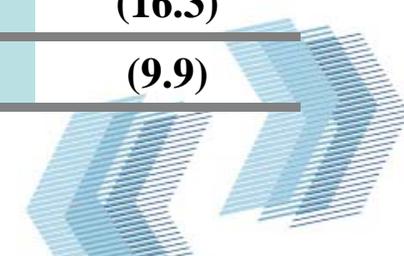
Group net debt significantly reduced due to a substantial reduction in Automotive Leather inventory, combined with the proceeds from the sale and leaseback of two smaller Urbanstone Central retail properties.



# Cash flow



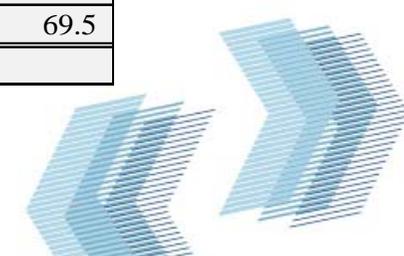
Half Year Ending (A\$m)	Dec-09	Dec-08
EBITDA	9.3	10.4
Net interest paid	(2.0)	(2.8)
Tax paid	(3.9)	(1.1)
Howe change in trade working capital	13.9	(20.1)
Other changes in working capital	0.8	1.0
Unrealized (gain)/loss on foreign currency hedge contracts	(0.1)	3.1
Other	(0.2)	(0.4)
<b>Total operating cash generated</b>	<b>17.8</b>	<b>(9.9)</b>
Net Debt reduction/(increase)	8.4	(0.9)
Capital expenditure	2.1	3.9
Proceeds from divestments	(2.7)	(0.1)
Dividends paid	3.3	3.5
Increase (decrease) in cash on deposit	6.7	(16.3)
<b>Total cash applied</b>	<b>17.8</b>	<b>(9.9)</b>



# Group net debt substantially reduced



	Build. Mat. + Corporate	JV Invest. Properties	Howe Leather	Total at 31/12/09	Total at 30/06/09
<b><u>Type of Debt :-</u></b>					
Bank Debt - recourse	15.0	3.2	-	18.2	24.2
Bank Debt - non-recourse	-	23.4	-	23.4	23.5
Govt. Loans - non-recourse	-	-	32.7	32.7	34.6
Equipment Finance	1.3	-	-	1.3	1.6
	\$ 16.3	\$ 26.6	\$ 32.7	\$ 75.6	\$ 83.9
<b><u>Interest Type :-</u></b>					
Fixed rate	\$ 1.3	\$ 8.0	\$ 13.6	\$ 22.9	\$ 16.4
Variable rate	\$ 15.0	\$ 18.6	\$ 19.1	\$ 52.7	\$ 67.5
<b><u>Maturity Profile :-</u></b>					
- FY10	\$ 0.2	\$ 6.5	\$ -	\$ 6.7	\$ 10.0
- FY11	\$ 0.5	\$ 7.7	\$ 2.0	\$ 10.2	\$ 10.2
- FY12	\$ 15.5	\$ 4.8	\$ 30.7	\$ 51.0	\$ 56.0
- FY13 & beyond	\$ 0.1	\$ 7.6	\$ -	\$ 7.7	\$ 7.7
	\$ 16.3	\$ 26.6	\$ 32.7	\$ 75.6	\$ 83.9
<b><u>Net Debt Position :-</u></b>					
Gross Debt	\$ 16.3	\$ 26.6	\$ 32.7	\$ 75.6	\$ 83.9
Cash & bank balances	-\$ 4.3	-\$ 1.1	-\$ 15.7	-\$ 21.1	-\$ 14.4
<b>Net Debt</b>	\$ 12.0	\$ 25.5	\$ 17.0	\$ 54.5	\$ 69.5

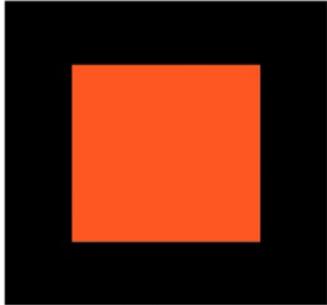


# Schaffer Building Materials

Building Products



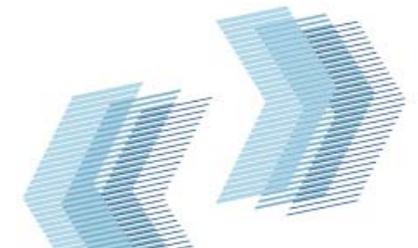
URBANSTONE



CENTRAL



LIMESTONE RESOURCES  
AUSTRALIA PTY LTD



# Building Materials Results



\$M's	Dec-09	Dec-08	% change
Revenue	27.7	37.9	-26.9%
Segment EBIT	5.6	5.7	-1.6%
Margin	20.2%	15.0%	+34.6%

- Revenue decline due to completion of major construction projects at Delta Corporation.
- Improved margins due to impressive turnaround in the Building Products group, following the restructure of the business in FY09. Productivity improvements, a more favourable sales mix and lower overheads all contributed to the improved Building products earnings, which largely offset the lower earnings from Delta.



# Automotive Leather

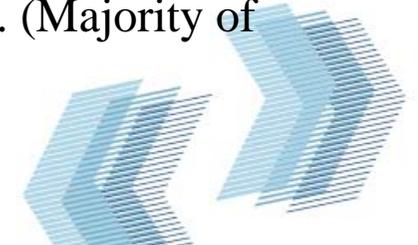




## Automotive Leather Results

\$M's	Dec-09	Dec-08	% change
Revenue	43.6	44.2	-1.3%
Segment EBIT	0.4	1.1	-61.7%
Margin	1.0%	2.6%	-61.2%

- Revenue decreased by 1.3% despite a 17% reduction in sales volume, due to higher value sales mix.
- EBIT and margin negatively impacted by higher hide costs due to FIFO inventory valuation. Most hides sold in the current period were purchased in the first half of 2009 when the AUD/USD exchange rate was materially less favourable. (Majority of hides purchased in USD).



# Property



IBM Building, Hay St, West Perth



616 St Kilda Rd, Melbourne



89 St Georges Tce, Perth

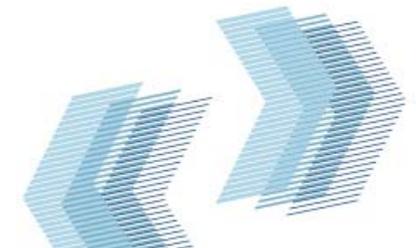




# Property

\$M's	Dec-09	Dec-08	% change
Revenue	3.5	3.1	+10.9%
Segment EBIT	1.8	1.5	+18.3%

- Growth in revenue and EBIT fuelled by rent increases.
- No material property sales recorded in the current or corresponding prior period.
- Vacancy rate at 31 Dec 09 increased slightly to 3.6%.



# Outlook – Lower H2 FY10 earnings expected



- **Building Materials**

- Improved bidding activity for Delta in recent months is not likely to have a material financial impact , even if successful, until next financial year. Recent small but strategically important contract wins encouraging.
- Building Products group activity expected to remain buoyant.
- Overall revenue and earnings for the Building Materials division are expected to be lower than H2 last year.

- **Automotive Leather**

- Margins will begin to improve in 2-3 months as high cost hides are sold, but average margins for H2 will remain low .
- Sales volume likely to be slightly lower than H1, however a substantial new program commences in March/April.
- Overall revenue and EBIT expected to be substantially lower than H2 last year, when results were favourably impacted by the rapid depreciation of the AUD against the USD and EUR.

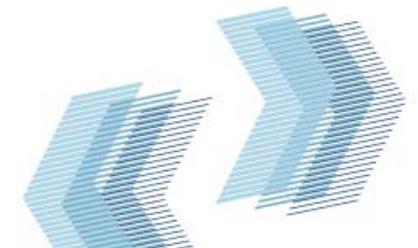


# Outlook – H2 FY09 cont.



- **Property**

- Revenue and segment EBIT for the Property division are expected to be slightly lower compared to the results achieved in the prior corresponding period. The main issues likely to affect earnings are a slight increase in the vacancy rate across the portfolio, and the likelihood of increases in leasing fees and incentives to attract or retain major tenants.
- No material property sales are expected in the next six months, however efforts to sell remaining Mindarie Keys residential lots have yielded several acceptable offers. In addition the JV has taken over management of the marina which is trading profitably.



# Outlook - Dividends



- The Board had declared an interim dividend of 20c per share fully franked, payable on 26 March 2010.
- The final dividend for FY10 will not be decided until the full year financial results are available, and will be paid based upon the cash position at financial year end, and the projected future cash position beyond this date having regard to capital expenditure requirements, retained earnings, franking credits, debt levels and business and economic conditions generally.

