

# Schaffer Corporation

Full Year Results Presentation June 2010



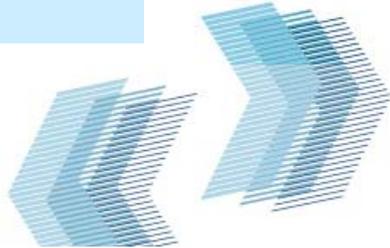
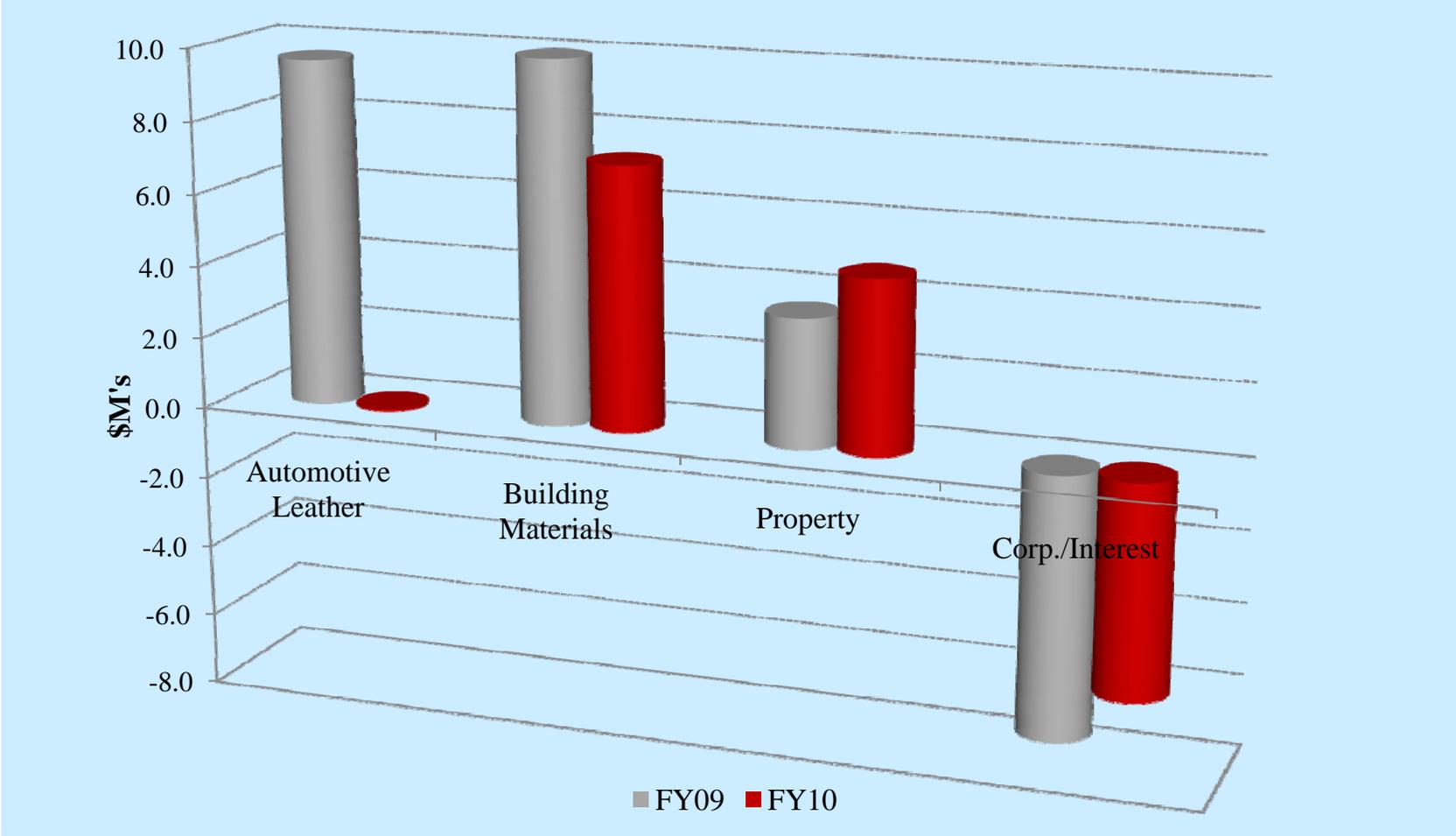
Tough trading conditions for Automotive Leather & reduced construction activity lead to a disappointing overall result.



Full Year Ending 30 Jun (A\$m)	Jun-10	Jun-09	% change
Revenue	<b>136.8</b>	<b>169.5</b>	-19%
EBITDA	<b>15.1</b>	<b>26.9</b>	-44%
EBIT (net interest basis)	<b>10.2</b>	<b>21.3</b>	-52%
Net profit after tax	<b>4.5</b>	<b>10.5</b>	-57%
EPS	<b>0.32</b>	<b>0.74</b>	-57%
Return on average capital employed (ROACE)	<b>8%</b>	<b>17%</b>	-53%
Ordinary dividend (fully franked)	<b>\$0.40</b>	<b>\$0.45</b>	-11%



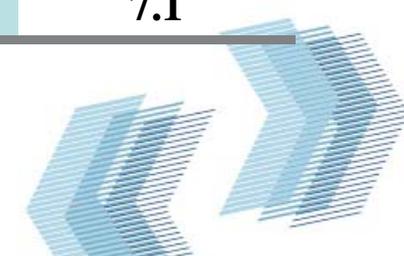
# Net Profit before Tax



# Cash flow



<b>Year Ending 30 Jun (A\$m)</b>	<b>Jun-10</b>	<b>Jun-09</b>
EBITDA	15.1	26.9
Other non-cash items	(0.9)	2.2
Net interest paid	(4.1)	(5.4)
Tax paid	(4.6)	(1.4)
Automotive Leather change in trade working capital	8.1	(13.1)
Other changes in working capital	2.2	(2.1)
<b>Total operating cash generated</b>	<b>15.8</b>	<b>7.1</b>
Net Debt reduction/(increase)	7.6	1.5
Capital expenditure	5.0	5.9
Divestments (property, plant & equip.)	(4.0)	(0.1)
Dividends paid	6.1	7.1
Increase (decrease) in cash on deposit	1.1	(7.3)
<b>Total cash applied</b>	<b>15.8</b>	<b>7.1</b>



# Jun-10 Debt Position



	Build. Mat. + Corporate	JV Invest. Properties	Howe Leather	Total 30 Jun 2010
<b><u>Type of Debt :-</u></b>				
Bank Debt - recourse	16.0	3.8	-	19.8
Bank Debt - non-recourse	-	23.0	-	23.0
Govt. Loans - non-recourse	-	-	32.7	32.7
Equipment Finance	1.0	-	0.1	1.1
	\$ 17.0	\$ 26.8	\$ 32.8	\$ 76.6
<b><u>Interest Type :-</u></b>				
Fixed rate	\$ 1.0	\$ 7.6	\$ 13.8	\$ 22.4
Variable rate	\$ 16.0	\$ 19.2	\$ 19.0	\$ 54.2
<b><u>Maturity Profile :-</u></b>				
- FY11	\$ 0.4	\$ 12.8	\$ 2.0	\$ 15.2
- FY12	\$ 16.5	\$ 4.4	\$ 30.7	\$ 51.6
- FY13	\$ 0.1	\$ 9.6	\$ -	\$ 9.7
- FY14 & beyond	\$ -	\$ -	\$ 0.1	\$ 0.1
	\$ 17.0	\$ 26.8	\$ 32.8	\$ 76.6
<b><u>Net Debt Position :-</u></b>				
Gross Debt	\$ 17.0	\$ 26.8	\$ 32.8	\$ 76.6
Cash & bank balances	-\$ 3.1	-\$ 1.2	-\$ 11.2	-\$ 15.5
<b>Net Debt</b>	<b>\$ 13.9</b>	<b>\$ 25.6</b>	<b>\$ 21.6</b>	<b>\$ 61.1</b>

*3 distinct and separate “debt pools”.*

*Separate loan facilities for each individual JV property investment.*

*Debt associated with the JV properties and Automotive Leather division is essentially “non-recourse” against other assets within the group.*

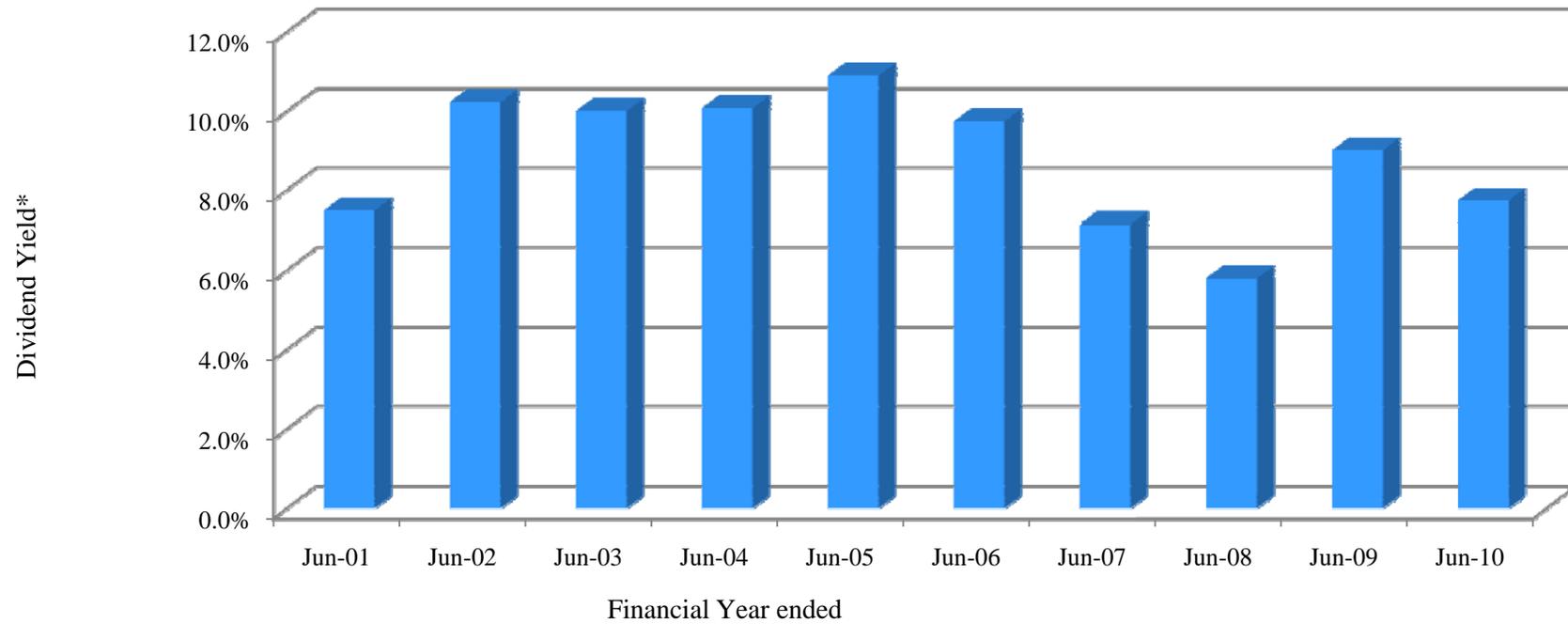
*Net debt reduced by 12% during the year.*



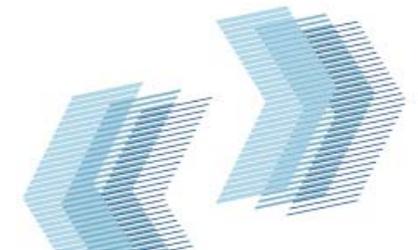
# SFC Dividend Yield History



Average dividend yield of 8.8% over the past 10 years, fully franked !!  
Over \$98m paid out in dividends.



\* - Yield based on mean average share price for the year



# Automotive Leather





# Automotive Leather Results

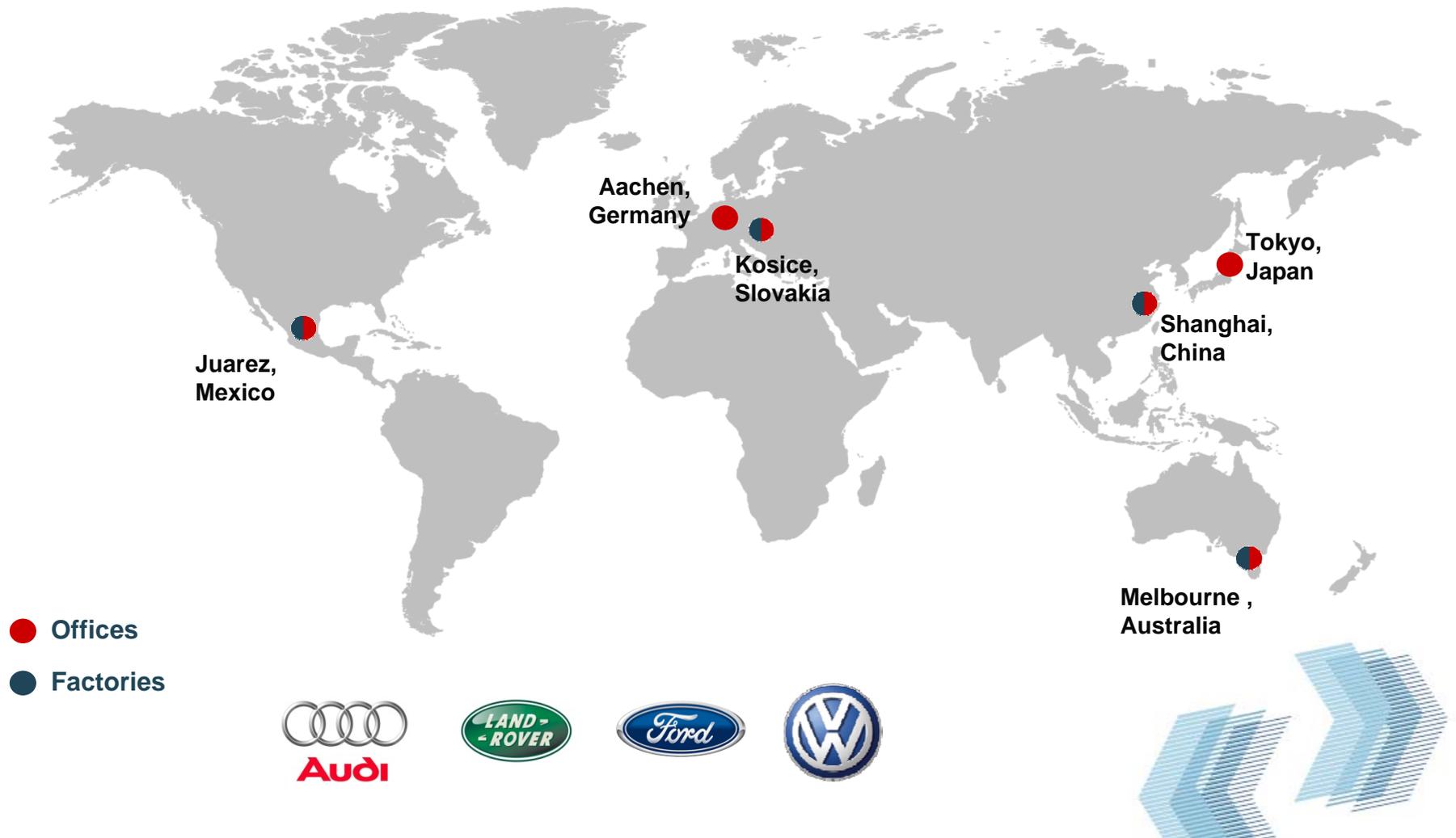
A\$M	Jun-10	Jun-09	% change
Revenue	81.5	96.6	-16%
Segment EBIT	-0.1	9.6	-100%
Margin	0%	10%	

- Revenue down due to unfavourable exchange rates & strategic decision to withdraw from low margin (whole hide) market segment in Asia.
- Margins reduced by unacceptable trading conditions on low margin (whole hide ) market in Asia, together with the impact of unfavourable exchange rates.
- AUD appreciated on average by approximately 15% against both the USD and EUR during FY10.





# Automotive Leather -Global Footprint



# Schaffer Building Materials

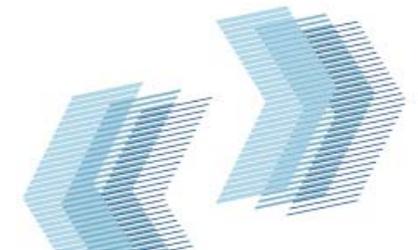
## Building Products



URBANSTONE



CENTRAL





# Building Materials Results

Building Materials			
A\$M	Jun-10	Jun-09	% change
Revenue	47.2	66.0	-28%
Segment EBIT	7.3	10.0	-27%
Margin	15%	15%	

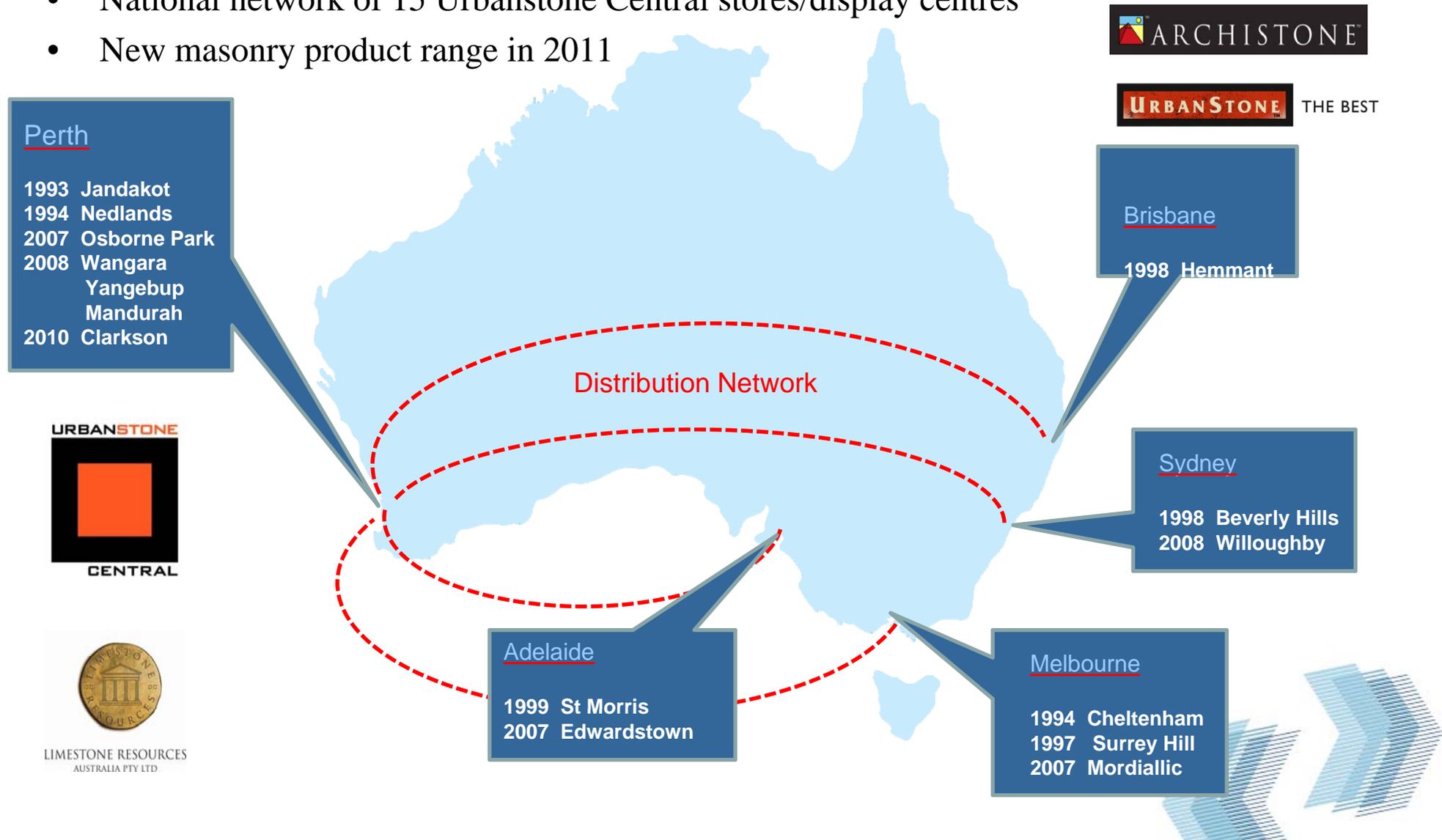
- Decrease in revenue at Delta following completion of major construction projects in 2009, only partially offset by increased revenue from Building Products .
- Substantially improved margins for Building Products on increased revenue and greater synergies stemming from the completion of the integration initiatives, more than offset by reduced margins at Delta due to reduced production activity.



# Building Products (paving, walling & imported products)



- National network of 15 Urbanstone Central stores/display centres
- New masonry product range in 2011



# Delta Corporation (pre-cast & pre-stressed concrete)



- Revenue declined in FY10 following the completion of major projects in 2009 including the Perth-Bunbury highway project, Century City & Bishop's See high rise buildings in the Perth CBD, and infrastructure works for the Woodside Pluto LNG project.
- Current confirmed order backlog includes projects for Fiona Stanley Hospital – Block B, Gorgon LNG project, Reid H'way/Alexander Dr. Interchange (Perth), and a 60,000t precast grain storage silo.



Deltacore floor panels represent the most cost effective method of producing suspended flooring currently available.



New Perth Bunbury Highway  
(Lakes Interchange.)



# Property



616 St Kilda Rd, Melbourne



IBM Building, Hay St, West Perth



89 St Georges Tce, Perth

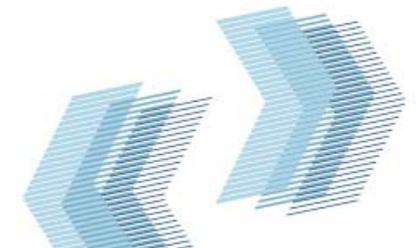




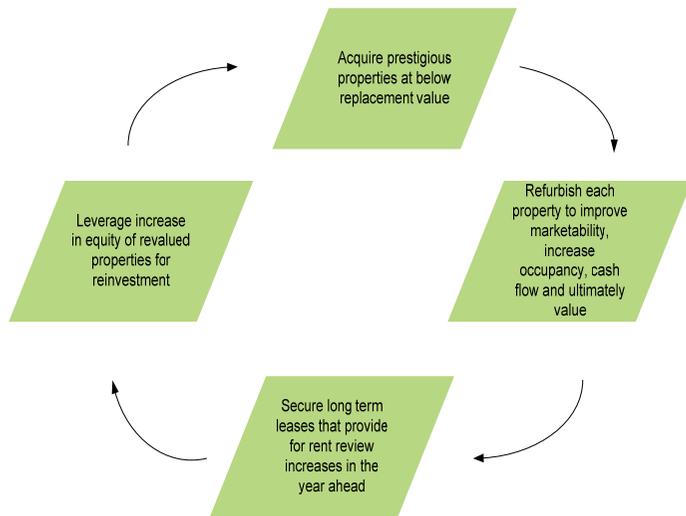
# Property Result

A\$M	Jun-10	Jun-09	% change
Revenue	7.8	6.5	+20%
Segment EBIT	4.8	3.6	+34%
Margin	61%	55%	

- Revenue increased by land sales at Mindarie Keys (+\$1.0m), and higher rental income from investment properties (+\$0.3m)
- EBIT result boosted by profit on sale of JV interest in Joondalup House (+\$0.9m).
- All rental investment properties produced positive cash flow (after interest) during the year, and management is comfortable with all syndicate's gearing levels.



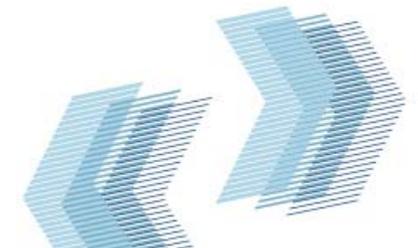
# Valuable portfolio of assets with recurring income & substantial unrealized capital gains



- JV investment portfolio of 6 commercial and retail properties in WA & Victoria, plus an industrial sub-division (Neerabup WA) . Mindarie Keys residential sub-division now virtually complete.
- 7 wholly owned properties, plus one 83% owned property in WA. Primarily owner occupied by Building Materials division.

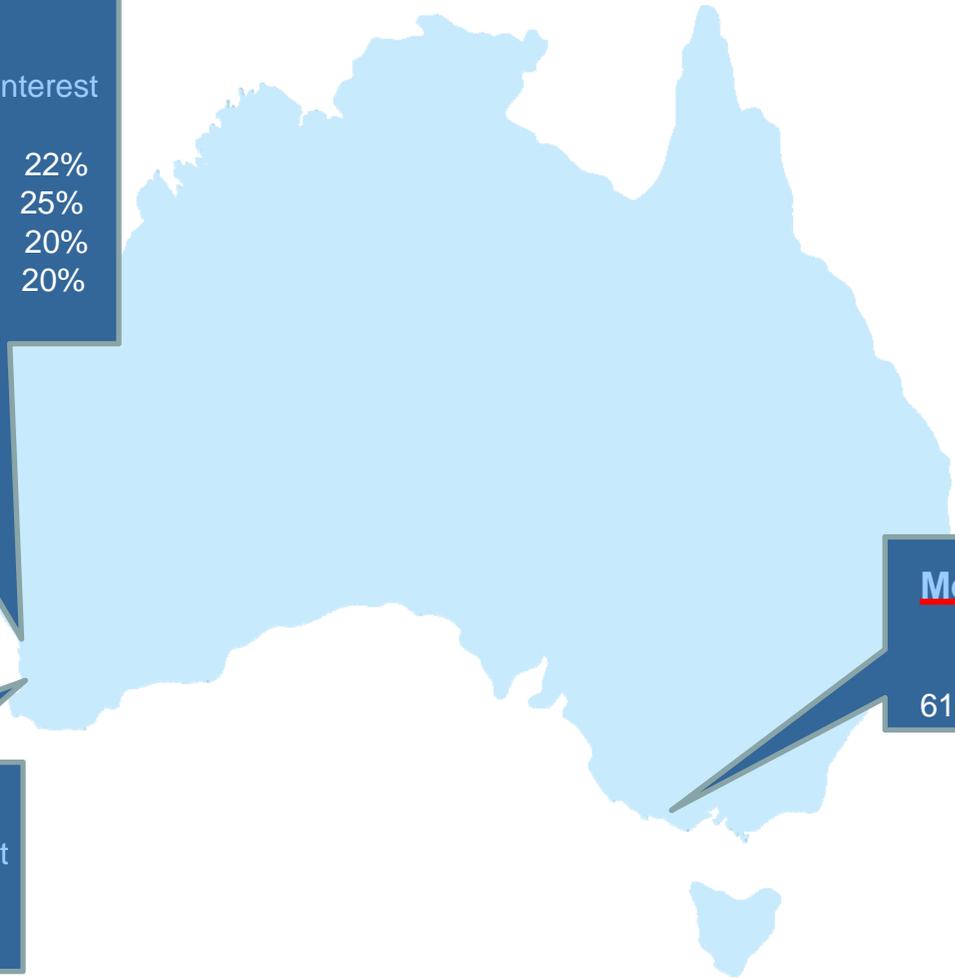


Parks Shopping Centre, Bunbury WA





# Syndicated JV investment properties



Perth

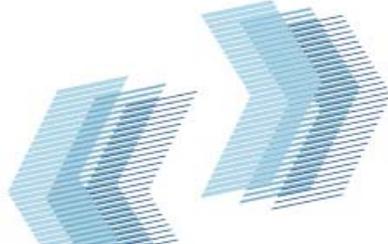
	SFC Interest
IBM Centre, West Perth (1995)	22%
Hometown Cannington (1998)	25%
89 ST Georges Tce (1999)	20%
Vulcan Rd, Canning Vale (2006)	20%

Melbourne

	SFC Interest
616 St Kilda Rd (1997)	20%

Bunbury

	SFC Interest
Parks S/Centre (1999)	16.7%





# Outlook – H1 2011

- **Building Materials**
  - Production levels at Delta are expected to improved compared to H2 2010, but revenue and EBIT for the first half of 2011 is likely to be lower than last year.
  - Similarly Building Products is expected to have a better first half for 2011 compared to H2 2010, however earnings are expected to lower than the corresponding period last year.
- **Automotive Leather**
  - AUD volatility will impact earnings particularly the AUD/EUR exchange rate, as the proportion of EUR denominated sales increase.
  - Sales volume is expected to be approx. 15% lower than last year due to reduced whole hide sales in Asia, but margin should be higher.
- **Property**
  - Net rental income from investment properties is expected to be slightly lower than last year, due to increased vacancies and leasing incentives to attract or retain key tenants.
  - No material property sales are expected in the first half .
- **Interest**
  - Interest costs are expected to be higher than last year due to increased interest rates, and higher average net debt levels during the first half of 2011.

