Schaffer Corporation Limited

SCHAFFER INCREASES EBIT BY 61%, INCREASES DIVIDENDS BY 9%; GOODWILL IMPAIRMENT OF $3.7M DECREASES STATUTORY PROFIT BY 7%

19 February 2014

Diversified industrial group Schaffer Corporation Limited (ASX: SFC) today announced an interim NPAT of $4.9 million and an interim dividend of $0.12 (fully franked) per share, a 9% increase, which will be paid on 21 March 2014.

SFC Chairman, Mr John Schaffer, said that “EBIT was up 61% and underlying profit was up 141% driven by increased sales volumes in SFC’s Automotive Leather division.”

“We had new programs in both our China and Slovakia facilities which continued into the first half. Coupled with a fall in the Australian dollar relative to the US dollar and Euro, Automotive Leather has recorded strongly improved revenue and earnings”, Mr Schaffer said.

“SFC has also established a new business, Gosh Capital, during the half. Utilising the proceeds of our fire loss insurance claim and the land upon which the former Gosh Leather business operated, Gosh Capital will seek to reinvest profits earned to increase its capital available for investment.”

“Gosh Capital is a new initiative but reflects our strong track record of successful investment, particularly in the property sector. We anticipate that Gosh Capital will grow over time to be a strong contributor both to profits and the Group’s tangible asset base”, Mr Schaffer added.

Mr Schaffer noted that the 7% decrease in reported profit was attributable to the decision to impair by $3.7 million the carrying value of goodwill in the Building Products business unit.

“Building Products has been operating within an environment of persistent adverse conditions. Whilst we see some signs of improvement going forward, SFC is careful to remain prudent in its risk and financial management”, Mr Schaffer said.

“We have assessed the assumptions underpinning the valuation of the Building Products business and the Board believes it is appropriate to make the goodwill impairment.”

“The goodwill impairment is a non-cash item – it does not affect our cash flow or SFC’s tangible assets – but is not a tax deductible charge”, Mr Schaffer added.

SFC’s Board has increased the interim dividend by 9%, which maintains SFC’s prudent approach to dividend policy and capital management, whilst also recognising the appetite for dividend yield in the current investment market.

“We have recorded a significant increase in underlying earnings per share but are always alert to the potential for volatility to affect our future results and capital requirements”, Mr Schaffer said.

“Volatility and uncertainty continue to make forecasting difficult but we are anticipating a significantly improved second half over the previous period.”

“That anticipated result will be principally driven by increased volumes in Automotive Leather, whilst we expect a continuation of subdued conditions for Building Materials.”

For further information, please contact:

Mr John Schaffer
Chairman
Schaffer Corporation Limited
Tel: + 61 8 9483 1201