

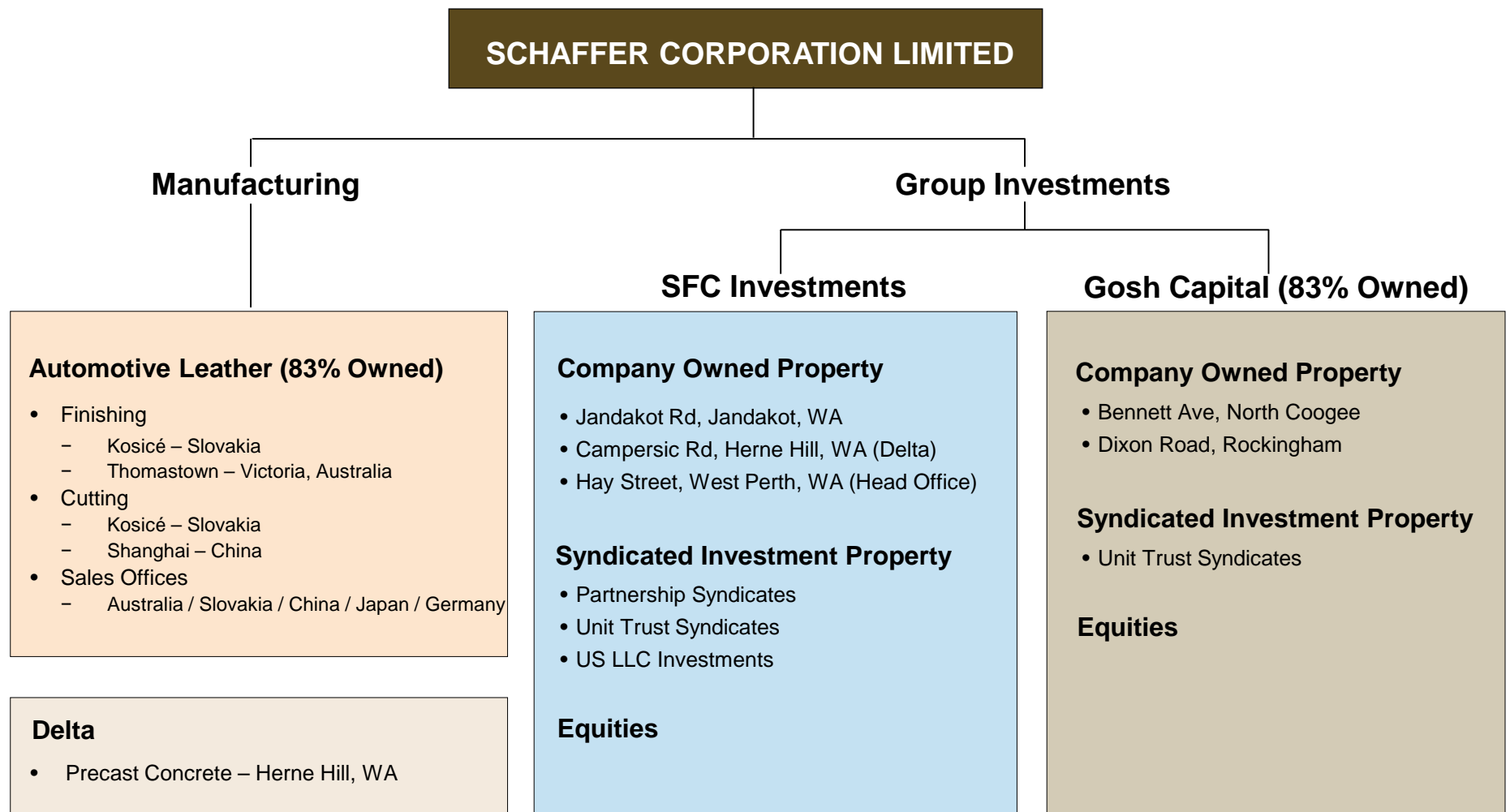


## **Full-Year Results Presentation June 2019**

**Creating long-term shareholder value through the efficient operation and growth of our core businesses and investments.**



# Organisation Chart (Core Businesses)



# Group Consolidated Financial Performance

## Revenue down but profitability up

- Automotive Leather revenue down 13%
- Underlying Group profit up 6% reflecting operational efficiencies and FX gains
- **FY19 fully franked dividends up 56%**

Full-Year Ending	June-2019	June-2018
Revenue from continuing operations (\$m)	<b>\$203.6</b>	\$227.0
NPAT <sup>2</sup> (\$m)	<b>\$22.9</b>	\$23.3
EPS (cents per share)	<b>165.6</b>	166.7
Ordinary dividends (fully franked)	<b>\$0.70</b>	\$0.45

### Underlying Earnings

Underlying Profit <sup>1</sup> (\$m)	<b>\$23.9</b>	\$22.5
Underlying EPS (cents per share)	<b>172.5</b>	161.2

1. Refer to slide 20 for underlying profit reconciliation.

2. Net profit after tax and minority interests.

# Cash Flow

Full-Year Ending (\$m)	June-2019	June-2018
NPAT	22.9	23.3
Depreciation and other non-cash items	3.5	4.8
Profit on sale of businesses and assets	(0.3)	(5.0)
Non-cash impairment of assets	1.2	4.5
Add minority interests	4.8	4.9
Change in tax provisions	(6.9)	5.7
Change in Howe trade working capital	2.3	0.2
Other changes in working capital	5.6	7.8
<b>Total operating cash generated</b>	<b>33.1</b>	<b>46.2</b>
Proceeds from divestments	1.8	17.4
Capital expenditure	(5.3)	(6.1)
SFC investments	(15.3)	(5.4)
Gosh Capital and other investments	(2.3)	(1.1)
Capital raised / (share buy-back)	(0.5)	(2.0)
Dividends paid	(14.5)	(6.5)
<b>Net debt (increase)/reduction</b>	<b>(3.0)</b>	<b>42.5</b>

Payment of tax relating to increased profit in FY18

SFC dividends paid during FY19 increased 107%

# Group Net Debt

Net Debt increased \$3.0m during FY19.

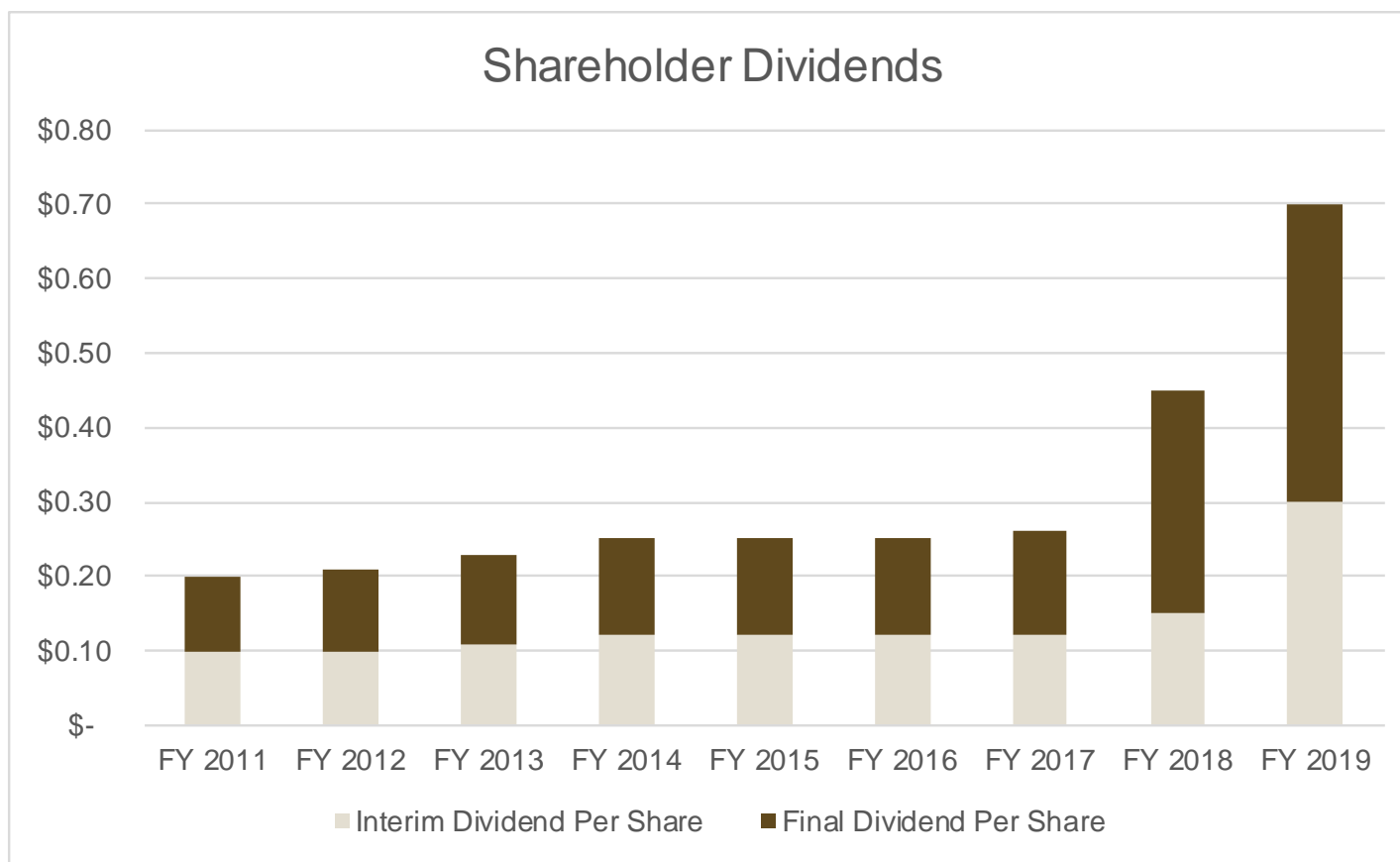
All amounts in \$m's	Automotive Leather	SFC Investments	Syndicated Investment Properties	Gosh Capital	Total 30 June 2019	Total 30 June 2018
<b>Type of Debt:</b>						
Bank debt	4.0	-	19.1	6.1	29.2	25.2
Equipment finance	9.0	-	-	-	9.0	8.1
<b>Gross Debt</b>	<b>13.0</b>	<b>-</b>	<b>19.1</b>	<b>6.1</b>	<b>38.2</b>	<b>33.3</b>
Cash and term deposits	(11.5)	(21.1)	(1.1)	-	(33.9)	(32.0)
<b>Net Debt/(Cash)</b>	<b>1.5</b>	<b>(21.1)</b>	<b>18.0</b>	<b>6.1</b>	<b>4.3</b>	<b>1.3</b>
% debt recourse to SFC	<b>0%</b>		<b>12%</b>	<b>0%</b>		
<b>Gross Debt Maturity Profile:</b>						
- FY19	-	-	-	-	-	2.3
- FY20	3.8	-	8.1	6.1	18.0	16.6
- FY21	5.7	-	11.0	-	16.7	13.2
- FY22	1.7	-	-	-	1.7	1.2
- FY23 and beyond	1.8	-	-	-	1.8	-
<b>Gross Debt</b>	<b>13.0</b>	<b>-</b>	<b>19.1</b>	<b>6.1</b>	<b>38.2</b>	<b>33.3</b>

The Net Debt increase of \$3.0m includes:

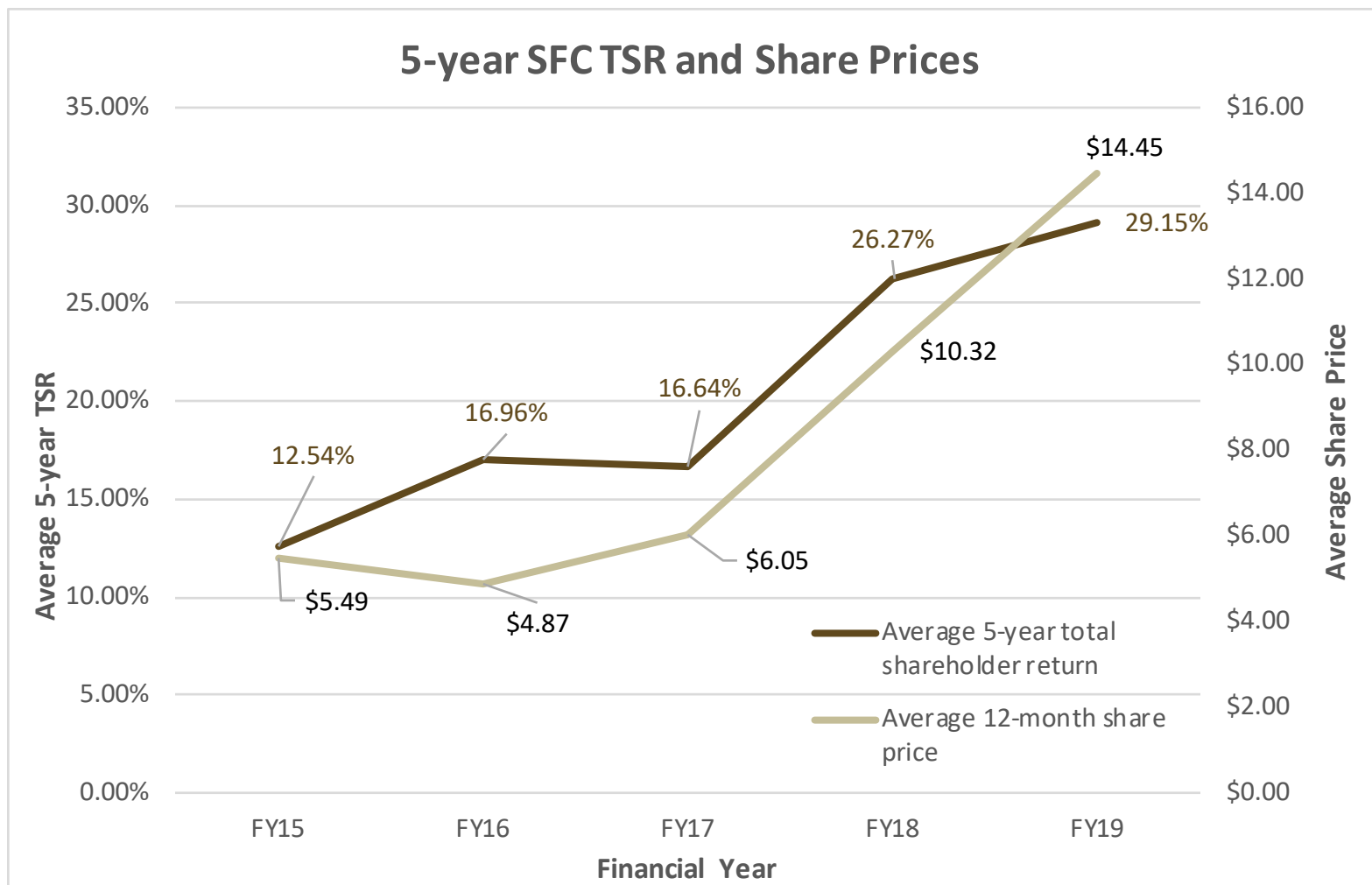
- Increase in Automotive Leather Net Debt - \$8.1m  
*FY18 tax and dividend payments and FY19 interim dividend.*
- Offset by increase in SFC Investments Cash and Term Deposits - \$5.0m  
*Receipt of Automotive Leather dividend payments offset by \$15.3m of property, equity and fixed income investments.*

# Dividends

The Board has declared a final dividend of 40¢ per share fully franked which is a 33% increase compared to the prior corresponding period. The full-year FY19 dividends of 70¢ per share is a 56% increase on FY18.



# Total Shareholder Returns



# Automotive Leather

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# Automotive Leather

Full-Year Ending (\$m's)	June-2019	June-2018
Revenue	176.3	203.4
Segment NPAT*	23.4	23.7

\* NPAT excludes 16.83% minority interests.

- Volumes decreased – tougher global automotive conditions
- Revenue and NPAT include a significant positive FX gain compared to FY18.
  - 4% depreciation of the Australian Dollar versus the Euro. Approximately 75% of revenue is denominated in EUR, so weakness in AUD is favourable to Howe.
- Margins were positively impacted by cost management and continued improved process efficiencies.

## Outlook H1 FY20

- Global risks including, Brexit, US/China trade war, and European emission regulations continue to weigh negatively on global automobile sales volumes, with all major manufacturers citing reduced sales volumes and profitability.
- H1 revenue and profit is expected to significantly decrease compared to prior corresponding period due to lower first half volumes.
- The delay of a significant new program now commencing in the second half should then drive increased volumes.

# Schaffer Building Materials

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# Building Materials

Full-Year Ending (\$m's)	June-2019	June-2018
Revenue – continuing operations	19.5	17.0
Segment Underlying NPAT – continuing operations	0.0	(1.0)*

\* June-2018 Underlying NPAT excludes (1) \$4.4m net profit after tax on sale of the Building Products divisions; and (2) \$3.2m impairment of Delta assets after tax.

- Delta (precast concrete) result improved to break even.
  - Revenue increased due to the completion of a large civil infrastructure project in the first-half. However profitability for that project was lower than normal due to high production (labour) costs from increased complexity, project administration and challenging production schedules.
  - Delta margins were impacted by project schedule delays during the second-half.

## Outlook H1 FY20

- Revenue and profit are expected to improve for the first-half of FY20 compared to the second-half of FY19, supported by Delta's order bank.
- Costs are being controlled to align with the current level of production.

# Group Investments

## Company Owned Property



Lots 701, 702 & 703 Jandakot Rd, Jandakot, WA



Bennett Avenue, North Coogee, WA

## Syndicated Property



Industrial



Hotels



Commercial



# Group Investments

	Cost <sup>1</sup> (\$m)	Book Value (\$m)	Market Value (\$m)	Net Equity Value Pre-Tax <sup>2</sup> (\$m)	Net Equity Value <sup>3</sup> (\$m)
Property Used by SFC Operations	\$6.5	\$6.5	\$11.4	\$11.4	\$9.9
Rental Properties	\$26.6	\$27.9	\$63.0	\$39.9	\$29.7
Development Sites	\$9.6	\$9.5	\$43.5	\$42.5	\$32.4
<b>Total Property</b>	<b>\$42.7</b>	<b>\$43.9</b>	<b>\$117.9</b>	<b>\$93.8</b>	<b>\$72.0</b>
Equities	\$13.1	\$16.7	\$16.7	\$16.7	\$15.6
Cash / Term Deposits / Fixed Income	\$23.9	\$23.9	\$23.9	\$23.9	\$23.9
<b>Total Investments</b>	<b>\$79.7</b>	<b>\$84.5</b>	<b>\$158.5</b>	<b>\$134.4</b>	<b>\$111.5</b>

All values represent SFC's share, i.e. 83.17% for Gosh Capital and Howe held assets

1. Depreciated cost applicable for directly owned property
2. Market value less debt
3. Market value less debt and tax on capital gain or loss

# Group Investments - Property Portfolio

Address	Description	Ownership Structure	Land Size (sqm)	Current Lettable Area (sqm)	SFC Ownership %	SFC Share of Book Value (\$m)	SFC Share of Market Value (\$m)	SFC Share of Debt (\$m)	Tax on Capital Gain (\$m)	Net Equity Value (\$m)
<b>Property used by SFC operations</b>										
218 Campersic Road, Herne Hill, WA	Delta	SFC Direct	134,305	-	100%	5.8	9.5	-	(1.1)	8.4
1305 Hay Street, West Perth, WA	Head Office	SFC Direct	413	-	100%	0.7	1.9	-	(0.4)	1.5
						<b>6.5</b>	<b>11.4</b>	<b>-</b>	<b>(1.5)</b>	<b>9.9</b>
<b>Rental Properties</b>										
Hometown, 1480 Albany Hwy, Cannington, WA	Bulky Goods	Syndicate	59,319	20,637	25%	5.4	15.9	(7.2)	(3.1)	5.6
39 Dixon Rd, Rockingham, Western Australia	Bulky Goods	Gosh Direct	12,047	5,434	83%	6.5	6.5	(5.0)	0.4	1.9
Auburn Megamall, 265 Parramatta Road, NSW	Bulky Goods	Gosh - Unit Trust	24,690	32,348	2%	1.2	1.2	-	(0.2)	1.0
IBM Centre, 1060 Hay Street, West Perth, WA	Commercial	Syndicate	5,797	8,466	22%	1.1	12.4	(7.1)	(3.4)	1.9
Faulding Street, Symonston, ACT	Commercial	SFC - Unit Trust	7,360	3,479	6%	0.4	0.4	-	-	0.4
Buller Street, Port Macquarie, NSW	Commercial	Syndicate	5,042	6,214	5%	0.3	0.3	-	-	0.3
Shaw Road, Townsville	Commercial	Syndicate	14,650	4,728	10%	0.2	0.2	-	-	0.2
Doubletree Hotel, Burlington, Vermont, USA	Hotel	SFC US	64,600	-	6%	1.5	1.5	-	-	1.5
Pacific Brisbane Hotel, Brisbane, QLD	Hotel	SFC Direct	2,899	7,759	4%	0.9	0.9	-	-	0.9
Pacific Suites, Canberra, ACT	Hotel	Gosh - Unit Trust	-	16,045	2%	0.9	0.9	-	-	0.9
Embassy Suites, Portland, Maine, USA	Hotel	SFC US	11,250	11,250	7%	0.7	0.7	-	-	0.7
Lot 701 Jandakot Road, Jandakot, WA	Industrial	SFC Direct	62,097	-	100%	3.2	11.2	-	(2.4)	8.8
Willung Rd, Rosedale, Victoria	Industrial/Rural	Howe Direct	510,530	9,854	83%	2.0	2.4	-	-	2.4
Cope Logistics – 7 properties nationwide	Industrial	Gosh - Unit Trust	78,042	23,575	3%	0.3	0.3	-	-	0.3
Pier 5350 Apartments, Jacksonville, Florida, USA	Residential	SFC US	89,000	43,200	7%	1.3	1.3	-	-	1.3
Parks Shopping Centre, Bunbury, WA	Retail	Syndicate	30,804	10,622	17%	2.0	6.9	(3.8)	(1.5)	1.6
						<b>27.9</b>	<b>63.0</b>	<b>(23.1)</b>	<b>(10.2)</b>	<b>29.7</b>
<b>Development sites</b>										
Lot 702 Jandakot Road, Jandakot, WA	Commercial	SFC Direct	32,442	500	100%	1.2	6.5	-	(1.6)	4.9
Lot 561 Paris Road, Australind, WA	Commercial	Gosh - Unit Trust	12,000	-	4%	0.4	0.4	-	-	0.4
Lot 703 Jandakot Road, Jandakot, WA	Industrial	SFC Direct	449,639	-	100%	3.1	19.5	-	(4.9)	14.6
170 Flynn Drive, Neerabup, WA	Industrial	Syndicate	260,000	-	20%	1.5	4.0	(1.0)	(0.8)	2.2
62 Cosgrove Road, Enfield, NSW	Industrial	Syndicate	23,267	-	6%	0.8	0.8	-	-	0.8
10 Bennett Avenue, North Coogee, WA	Residential	Gosh Direct	21,035	-	83%	1.6	11.3	-	(2.9)	8.4
South Ocean Real Estate Fund	Residential	SFC US			1%	0.7	0.8	-	-	0.8
Part Lot 602 Yanchep Beach Road, WA	Residential	Gosh - Unit Trust	42,600	-	3%	0.2	0.2	-	0.1	0.3
						<b>9.5</b>	<b>43.5</b>	<b>(1.0)</b>	<b>(10.1)</b>	<b>32.4</b>
<b>Total SFC Property Value</b>						<b>43.9</b>	<b>117.9</b>	<b>(24.1)</b>	<b>(21.8)</b>	<b>72.0</b>

\* All values represent SFC's share, i.e. 83.17% for Gosh Capital and Howe held assets

# Lots 701, 702 & 703 Jandakot Road

A strategic 54.4ha property asset located between two freeways and 15 minutes south of the Perth CBD.

- 38.8ha – A Scheme Amendment increased the scope of Additional Uses to allow Warehouses, Showrooms, Storage, Masonry Production and Nurseries. This Additional Use area includes the 6.2 ha currently leased to Austral Masonry Holdings (Lot 701).
- 15.6ha - Designated as Bush Forever and wetland.
- A subdivision application was approved for 2.5ha to be allocated to the duplication of Jandakot Road and the construction of a round-about entrance to the site.
- A further subdivision application is in progress with the Department of Planning, Land and Heritage (DPLH) for the remainder of the site.
- Approximate developable lot area ~29ha after allowing for internal and external roads, drainage, buffers and the Bush Forever area.
- Currently valued at \$37.2 million on an “as is” basis.





# Bennett Avenue, North Coogee

Land Area: 2.1 hectares.

Zoned high density residential from industrial.

Site can accommodate approximately 175 units.





# SFC Investments

Full-Year Ending (\$m's)	June-2019	June-2018
Revenue	6.3	5.0
Segment NPAT	1.4	1.1

- FY19 unrealised gains from the revaluation of equity investments ~\$0.3m after tax
- Cash plus term deposits (short-term) at 30 June 2019 - \$21.1m

## New Investments

- SFC US structure established as an investment vehicle for US opportunities  
(Investing with US managers with good track records based on the knowledge and experience of our associates.  
Similar approach to our investments in Australia)

SFC Investments	12 months to June-2019 (\$m)
<b><u>Equities</u></b>	
2 Australian Managed Equity Funds (across different sectors)	0.8
Direct Share Investments	5.6
<b><u>Property</u></b>	
4 US Syndicated Property Investments	4.1
- Multi-family residential	
- 2 x Hotel refurbishment and repositioning	
- Residential development (co-investment, range of investments)	
3 Australian Syndicated Property Trusts	2.0
2 Australian Property Loan Trusts (1st mortgage)	2.8
<b>TOTAL</b>	<b>15.3</b>

# Gosh Capital Investments

Full-Year Ending (\$m's)	June-2019	June-2018
Revenue	1.3	1.4
Segment Underlying NPAT*	0.7	0.4

\* Underlying NPAT excludes 16.83% minority interests and \$0.7m after tax and minority interests for the impairment of Dixon Rd, Rockingham at June-2019

- Unrealised gains from the revaluation of equity investments ~\$0.3m after tax
- Realised profit on the sale of syndicated property (Inghams, SA)
  - IRR for the investment – 24% p.a.
- SFC's share of portfolio net equity value pre-tax: \$23.9m

# Group Outlook – H1 FY20

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- The Group FY20 first-half revenue and profit is expected to be significantly lower than the prior corresponding period due to lower forecast volumes for Automotive Leather including the delayed start of a significant program. That program is now scheduled to commence in the second-half.
- Significant uncertainty continues to be created by:
  - Trade war between China and the US
  - Unknown impact from Brexit
  - Economic slowdown in Europe and China continues to impact the automotive industry sales volumes highlighted by recent results from OEMs
  - Increased currency volatility
- We are confident of increasing the FY20 interim dividend to 40¢ due to solid profit and cashflows, strong balance sheet and significant tangible assets

# Non-IFRS Financial Information

Underlying Profit Reconciliation (\$000's) <i>(all items after tax and minority interests)</i>	Full-Year Ending	
	June-2019	June-2018
<b>NPAT</b>	<b>22,899</b>	<b>23,292</b>
Profit on sale of Building Products division	-	(4,393)
Impairment of assets	711	3,150
Non-recurring costs	248	473
<b>Underlying Profit</b>	<b>23,858</b>	<b>22,522</b>

Non-recurring costs (\$000's) <i>(all items after tax and minority interests)</i>	Full-Year Ending	
	June-2019	June-2018
Redundancies and Facility Shutdown Costs - Automotive Leather	179	473
Redundancies - Building Materials	69	-
<b>Total non-recurring costs after tax and minority interests</b>	<b>248</b>	<b>473</b>

Schaffer Corporation Limited results are reported under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Company discloses certain non-IFRS financial measures. The non-IFRS measures should only be considered in addition to, and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of Directors, the ongoing operating activities of Schaffer Corporation in a way that appropriately reflects its underlying performance.

Non-recurring costs are defined as those costs that resulted from unusual or once-off events that are unlikely to occur again in the normal course of business.

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