

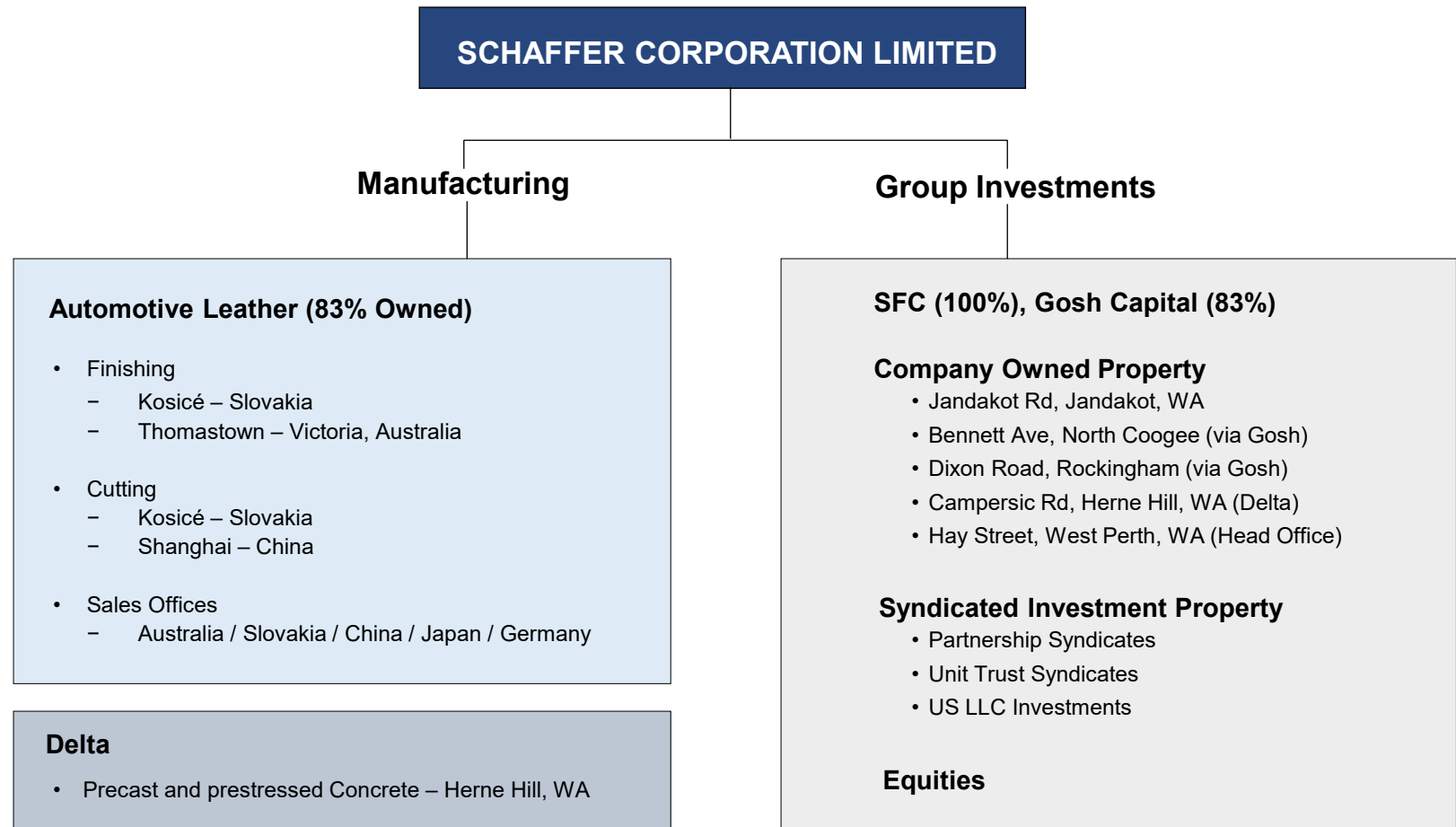


## Full-Year Results Presentation June 2020

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

Full-Year Ending	June-2020	June-2019
Revenue (\$m)	<b>\$155.6</b>	\$203.6
NPAT <sup>1</sup> (\$m)	<b>\$23.6</b>	\$22.9
EPS (cents per share)	<b>171.9</b>	165.6
Ordinary dividends (fully franked)	<b>\$0.80</b>	\$0.70

- Profit up 3% including 26% decrease in Automotive Leather profit due to Covid-19 offset by unrealised non-cash net gains for the Group's investment portfolio of \$7.7m after tax (FY19: \$0.7m)
- Total FY20 fully franked dividends up 14% on prior year.
- Group investments at market value<sup>2</sup> increased to \$162.6m from \$134.4m, an increase of \$28.2m (+21%)
  - Dividends from Automotive Leather \$27.4m
  - SFC dividends (\$11.7m)
  - Share buy-back (\$3.2m)
  - Unrealised pre-tax gains (equities) \$12.2m
  - Unrealised pre-tax losses (syndicates) (\$1.4m)
  - Pre-tax gains (properties held at cost) \$4.2m

\$15.0m

1. Net profit after tax and minority interests.

2. Market value refers to pre-tax net equity value excluding minority interests.

# Cash Flow Summary

Full-Year Ending (\$m)	June-2020	June-2019
NPAT	23.6	22.9
Unrealised pre-tax gains – group investments	(10.8)	(0.9)
Depreciation <sup>1</sup>	7.5	4.4
Lease payments <sup>1</sup>	(2.6)	-
Profit on sale of assets	-	(0.3)
Non-cash impairment of assets	0.2	1.2
Add minority interests	3.6	4.8
Change in tax provisions	(2.3)	(6.9)
Change in Howe trade working capital	(0.4)	2.3
Other changes in working capital	(0.8)	5.6
Proceeds from divestments / sale of assets	4.9	1.8
<b>Total cash generated</b>	<b>22.9</b>	<b>34.9</b>
Group investments	(17.6)	(17.6)
Capital expenditure	(7.3)	(5.3)
Capital raised / (share buy-back)	(2.8)	(0.5)
Dividends paid	(17.2)	(14.5)
<b>Total use of cash</b>	<b>(44.9)</b>	<b>(37.9)</b>
<b>Net debt<sup>2</sup> increase</b>	<b>(22.0)</b>	<b>(3.0)</b>

## Group investments included:

- 6 local syndicate property investments (\$7.1m)
- 1 US syndicate property investment (\$1.4m)
- 4 direct equity investments (\$5.8m)
- 1 fixed income investment (\$0.5m)
- Balances paid on prior investment commitments (\$2.8m)

## Capital expenditure included:

- ~\$5.3m for Automotive Leather
  - \$3.2m for Slovakian plant and machinery, including 2 CNC machines
  - \$2.1m for Thomastown Finishing plant upgrade
- ~\$1.2m for improvements to 39 Dixon Road, Rockingham to accommodate a new national tenant.
- ~\$0.5m for syndicate property improvements.

1. Depreciation includes an additional \$2.9m for depreciation on right-of-use assets recognised on the adoption of AASB 16 on 1 July 2019 (2019: nil) offset by (\$2.6m) lease payments for leases previously classified as operating leases prior to the adoption of AASB 16 on 1 July 2019 no longer included in net profit.
2. Net Debt presented excludes lease liabilities for leases previously classified as operating leases prior to the adoption of AASB 16 on 1 July 2019 (refer to reconciliation on page 19)

# Group Net Debt

	Manufacturing	Group Investments				
All amounts in \$m's	Automotive Leather	SFC Investments	Syndicated Investment Properties	Gosh Capital	Total 30 June 2020	Total 30 June 2019
<b>Type of Debt:</b>						
Bank debt	(25.1)	-	(21.7)	(6.6)	<b>(53.4)</b>	(29.2)
Equipment finance	(7.9)	-	-	-	<b>(7.9)</b>	(9.0)
Intercompany	-	1.0	-	(1.0)	-	-
<b>Gross Debt<sup>1</sup></b>	<b>(33.0)</b>	<b>1.0</b>	<b>(21.7)</b>	<b>(7.6)</b>	<b>(61.3)</b>	<b>(38.2)</b>
Cash and term deposits	11.4	22.6	1.0	-	<b>35.0</b>	33.9
<b>Net (Debt)/Cash<sup>1</sup></b>	<b>(21.6)</b>	<b>23.6</b>	<b>(20.7)</b>	<b>(7.6)</b>	<b>(26.3)</b>	<b>(4.3)</b>
% debt recourse to SFC	<b>0%</b>		<b>12%</b>	<b>0%</b>		

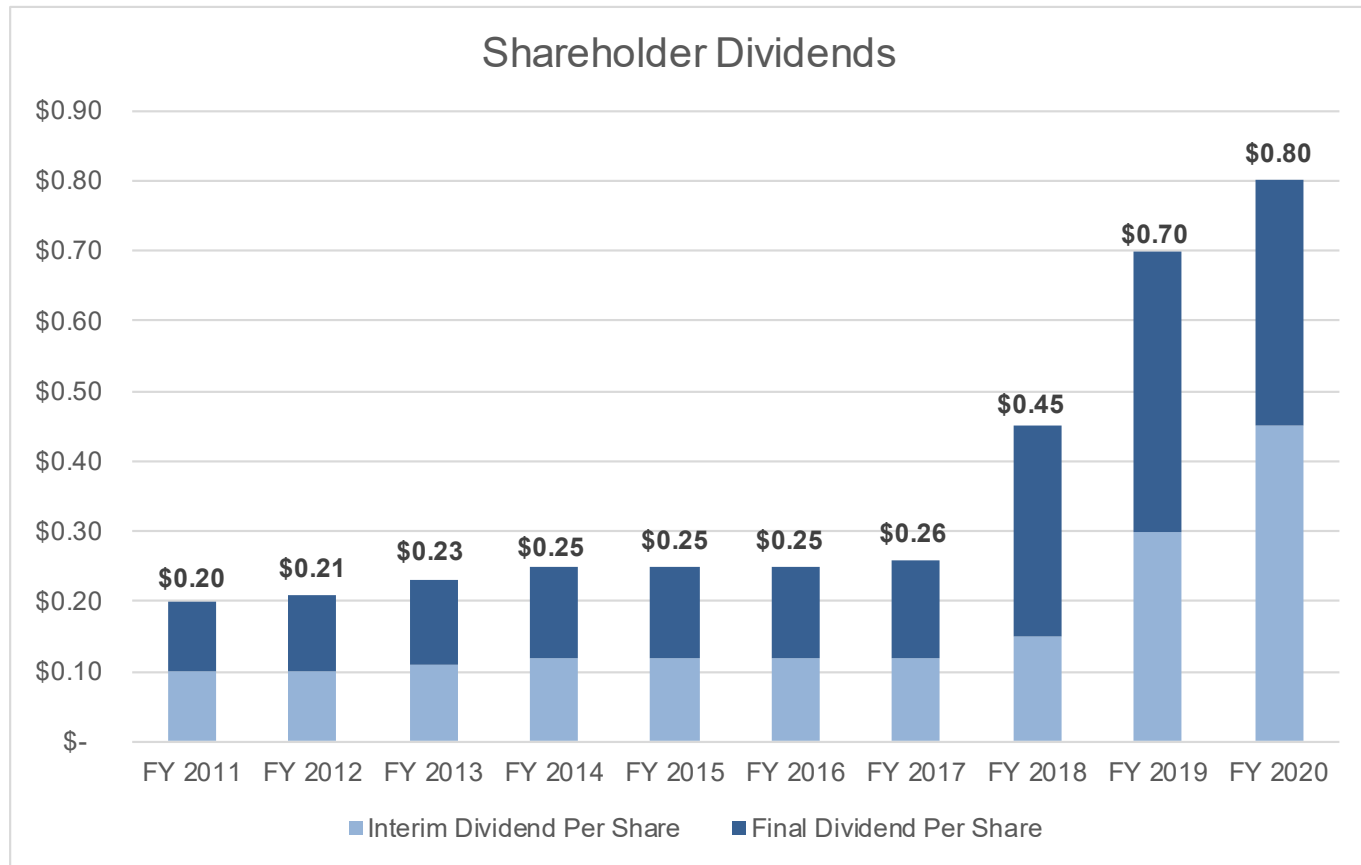
## Net Debt <sup>1</sup> increased (\$22.0m) during the year

- Automotive Leather currently holds excess inventory created by the reduction of sales due to the cessation of European automotive production for approximately two months. SFC expects strong cash generation as sales volumes increase and inventory is reduced.
- Automotive Leather increased net debt: (\$20.1m)**
  - Operating cash flow: +\$17.8m
    - Impacted by Covid-19
  - Dividends paid to SFC and minority shareholder: (\$32.9m)
  - CAPEX: (\$5.3m)
- Group Investments increased net debt: (\$1.9m)**
  - Automotive Leather dividends received: +\$27.4m
  - Divestments: +\$4.4m
  - SFC Dividends paid: (\$11.7m)
  - New investments: (\$17.6m)
  - Share buy-back: (\$3.2m)
  - CAPEX: (\$2.0m)

1. Gross Debt and Net Debt presented excludes \$25.7m of lease liabilities previously classified as operating leases prior to the adoption of AASB 16 on 1 July 2019 (refer to reconciliation on page 19)

# Dividends

- The Board has declared an interim fully franked dividend of 35¢ per share.
- Payable on 18 September 2020.
- Total dividends for FY20 of 80¢ per share, a 14% increase on FY19.



# Automotive Leather



# Automotive Leather

Full-Year Ending (\$m's)	June-2020	June-2019
Revenue	130.1	176.3
Segment NPAT*	17.6	23.4

\* NPAT excludes 16.83% minority interests.

- Revenue decreased 26% – significant impacted by Covid-19, particularly in Q4 of FY20.
  - European vehicle production ceased from late March until late May. Since late May, vehicle manufacturers have reopened and SFC expects volumes to continue to recover.
  - China/Asia operations were impacted during late January until late February by Covid-19, but have since stabilised.
- Management acted promptly to right size the business, reducing costs and matching production to sales demand.

## Outlook

- The outlook remains uncertain given the ongoing pandemic, however SFC expects FY21 first-half results to be higher than the Covid-19 impacted second-half of FY20. Volumes will benefit from new vehicle programs in Europe and China.
- Howe currently holds excess inventory created by the reduction of sales due to the cessation of European automotive production for approximately two months. SFC expects strong cash generation as sales volumes increase and inventory is reduced.



# Group Investments

## Objective: Maximising shareholder medium and long-term value

- Access to unique investment opportunities for shareholders
- Investing in businesses and people with proven track records
- Remain flexible and opportunistic

Full-Year Ending (\$m's)	June-2020	June-2019
Revenue	7.7	7.8
Segment NPAT*	10.1	1.8

\* NPAT excludes 16.83% minority interests for Gosh Capital investments.

- NPAT of \$10.1m includes unrealised gains from the revaluation of investments (predominantly equity) of \$7.7m after tax (FY19: \$0.7m)
- Reversal of impairment for 39 Dixon Road, Rockingham - \$0.9m after tax

## New Investments (FY20) – Total \$17.6m plus \$3.2m of share-buy backs

- Equities
  - 2 x direct interest in Australian listed companies (HTG; PWG) \$5.0m
- Property
  - 6 x Australian Syndicated Property Trusts \$7.1m
  - Funded commitments of existing investments \$2.8m
  - 1 x US Syndicated Property Investments (hotel refurbishment) \$1.4m

**Cash plus short-term deposits - \$22.6m**

# Group Investments – Net Equity Value Per Share<sup>1</sup>

Net Equity Value Per Share<sup>1</sup> increased to \$11.94/share

	Cost <sup>2</sup> (\$m)	Book Value (\$m)	Market Value (\$m)	Net Equity Value Pre-Tax <sup>1</sup> (\$m)	Net Equity Value Pre- Tax <sup>1</sup> Per share	Net Equity Value <sup>3</sup> (\$m)
Property Used by SFC Operations	\$6.4	\$6.4	\$9.7	\$9.7	\$0.71	\$8.8
Rental Properties	\$38.0	\$36.9	\$75.0	\$48.9	\$3.59	\$36.4
Development Sites	\$10.8	\$10.7	\$47.2	\$46.2	\$3.39	\$34.4
<b>Total Property</b>	<b>\$55.2</b>	<b>\$54.0</b>	<b>\$131.9</b>	<b>\$104.8</b>	<b>\$7.69</b>	<b>\$79.6</b>
Equities <sup>4</sup>	\$17.8	\$33.4	\$33.4	\$33.4	\$2.46	\$28.7
Fixed Income	\$1.8	\$1.8	\$1.8	\$1.8	\$0.13	\$1.8
<b>Investment Assets</b>	<b>\$74.8</b>	<b>\$89.2</b>	<b>\$167.1</b>	<b>\$140.0</b>	<b>\$10.28</b>	<b>\$110.1</b>
Cash and Term Deposits	\$22.6	\$22.6	\$22.6	\$22.6	\$1.66	\$22.6
<b>Total</b>	<b>\$97.4</b>	<b>\$111.8</b>	<b>\$189.7</b>	<b>\$162.6</b>	<b>\$11.94</b>	<b>\$132.7</b>

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

1. Market value less debt
2. Depreciated cost applicable for directly owned property
3. Market value less debt and notional tax on capital gain or loss
4. SFC's investment in Harvest Technology Group (ASX:HTG) is valued at \$16.0 million at 30 June. The share price used is \$0.135, which is below the \$0.185 closing share price of HTG at 30 June 2020. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group and a capital raise completed by HTG in June whereby they raised equity from shareholders at a share price of \$0.135, a 25% discount to the 10-day VWAP.

# Group Investments - Property



Magnesium Dr, Crestmead, QLD



Marriott Hotel, Yonkers, New York, USA



6 Centro Ave, Subiaco WA



Shaw Rd, Townsville, QLD



Hometown, Cannington, WA



Fairfield Rd, Brisbane, QLD



Cope Logistics – 7 properties nationwide



DoubleTree Hilton, Burlington, Vermont, USA



Buller St, Macquarie, QLD



IBM Building, West Perth, WA



Embassy Suites, Portland, Maine, USA



39 Dixon Rd, Rockingham, WA

# 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)	Notional 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%	5.7	8.0	-	(0.6)	7.4
1305 Hay Street, West Perth, WA	Head Office	SFC Direct	413	-	100%	0.7	1.7	-	(0.3)	1.4
						<b>6.4</b>	<b>9.7</b>	<b>-</b>	<b>(0.9)</b>	<b>8.8</b>
<b>RENTAL PROPERTIES</b>										
Hometown, 1480 Albany Hwy, Cannington, WA	Bulky Goods	Syndicate	59,319	20,637	25%	5.3	16.5	(9.7)	(3.5)	3.3
39 Dixon Rd, Rockingham, Western Australia	Bulky Goods	Gosh Direct	12,047	5,434	83%	7.8	9.1	(5.5)	(1.2)	2.4
Tamworth Homespace, Tamworth, NSW	Bulky Goods	Syndicate	31,160	13,050	25%	2.4	2.4	-	-	2.4
Auburn Megamall, 265 Parramatta Road, NSW	Bulky Goods	Gosh Syndicate	24,690	32,348	2%	1.1	1.1	-	(0.2)	0.9
IBM Centre, 1060 Hay Street, West Perth, WA	Commercial	Syndicate	5,797	8,466	22%	1.3	12.9	(7.2)	(3.2)	2.5
Buller Street, Port Macquarie, NSW	Commercial	Syndicate	5,042	6,214	5%	0.8	0.8	-	0.1	0.9
Fairfield Road, Brisbane, QLD	Commercial	Syndicate	3,600	4,198	5%	0.9	0.9	-	-	0.9
Faulding Street, Symonston, ACT	Commercial	Syndicate	7,360	3,479	6%	0.4	0.4	-	-	0.4
6 Centro Avenue, Subiaco, WA	Commercial	Syndicate	1,607	1,018	50%	1.0	1.0	-	-	1.0
Doubletree Hotel, Burlington, Vermont, USA	Hotel	SFC US Syndicate	64,600	309 rooms	6%	1.2	1.2	-	-	1.2
Marriott Hotel, Yonkers, New York, USA	Hotel	SFC US Syndicate		17,100	4%	1.2	1.2	-	-	1.2
Pacific Brisbane Hotel, Brisbane, QLD	Hotel	SFC Direct	2,899	7,759	4%	0.9	0.9	-	0.1	1.0
Pacific Suites, Canberra, ACT	Hotel	Gosh Syndicate	-	16,045	2%	0.8	0.8	-	0.1	0.9
Embassy Suites, Portland, Maine, USA	Hotel	SFC US Syndicate	11,250	11,250	7%	0.7	0.7	-	-	0.7
Seasons Hotel, Newman, WA	Hotel	Syndicate	29,000	82 rooms	5%	0.3	0.3	-	-	0.3
Coral Cat Resort, Mackay, QLD	Hotel	Syndicate	9,148	82 rooms	5%	0.3	0.3	-	-	0.3
Lot 701 Jandakot Road, Jandakot, WA	Industrial	SFC Direct	62,097	-	100%	3.0	12.2	-	(2.9)	9.3
Willung Rd, Rosedale, Victoria	Industrial/Rural	Subsidiary Direct	510,530	9,854	83%	1.9	2.4	-	(0.5)	1.9
Shaw Road, Townsville	Industrial	Syndicate	14,650	4,728	10%	0.8	0.8	-	0.1	0.9
Magnesium Drive, Crestmead, QLD	Industrial	Syndicate	16,800	8,800	12%	0.8	0.8	-	0.1	0.9
Cope Logistics – 7 properties nationwide	Industrial	Gosh Syndicate	78,042	23,575	3%	0.4	0.4	-	-	0.4
Pier 5350 Apartments, Jacksonville, Florida, USA	Residential	SFC US Syndicate	89,000	43,200	7%	1.7	1.7	-	(0.1)	1.6
Parks Shopping Centre, Bunbury, WA	Retail	Syndicate	30,804	10,622	17%	1.9	6.2	(3.8)	(1.3)	1.1
						<b>36.9</b>	<b>75.0</b>	<b>(26.2)</b>	<b>(12.4)</b>	<b>36.4</b>

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

# Group Investments - Property Portfolio (continued)

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)	Notional Tax on Capital Gain (\$m)	Net Equity Value (\$m)
<b>DEVELOPMENT SITES</b>										
Lot 702 Jandakot Road, Jandakot, WA	Commercial	SFC Direct	32,442	500	100%	1.2	7.0	-	(2.1)	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%	3.2	26.0	-	(7.2)	18.8
170 Flynn Drive, Neerabup, WA	Industrial	Syndicate	260,000	-	20%	1.5	2.8	(1.0)	(0.4)	1.4
62 Cosgrove Road, Enfield, NSW	Industrial	Syndicate	23,267	-	6%	1.0	1.0	-	-	1.0
10 Bennett Avenue, North Coogee, WA	Residential	Gosh Direct	21,035	-	83%	2.1	8.7	-	(2.1)	6.6
South Ocean Real Estate Fund	Residential	SFC US			1%	1.1	1.1	-	(0.1)	1.0
Part Lot 602 Yanchep Beach Road, WA	Residential	Gosh - Unit Trust	42,600	-	3%	0.2	0.2	-	0.1	0.3
						10.7	47.2	(1.0)	(11.8)	34.4
<b>TOTAL SFC PROPERTY VALUE</b>						<b>54.0</b>	<b>131.9</b>	<b>(27.2)</b>	<b>(25.1)</b>	<b>79.6</b>

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

- The difference between book value and market value is unrealised gains of \$77.9 million before tax and \$54.5 million after tax for directly owned property held at depreciated cost under Australian Accounting Standards.



# Beachside North Coogee

A 2.1 hectare property that has been zoned high density residential from industrial.

- State and Federal Government stimulus has accelerated interest in the site. We are aiming for Phase 1 titles by March 2021.
- Residential subdivision plans are currently with Department of Planning, Land and Heritage (DPLH) for approval. Groundworks to commence immediately after approval.
- Current plans include a mix of:
  - a. medium density 2 to 3 storey single residences:-  
~50 dwellings
  - b. 3 to 5 storey apartment developments:-  
~110 dwellings



beachside  
NORTH COOGEE

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# Delta





# Delta

Full-Year Ending (\$m's)	June-2020	June-2019
Revenue	17.8	19.5
Segment Underlying NPAT*	(0.6)	0.0

\* June-2020 Underlying NPAT excludes (\$1.0m) impairment of Delta assets after tax.

- Project complexity and schedule delays impacted profit performance.
- Management's continuous focus on maintaining efficient cost structures relative to the quantity of work is made difficult by project delays which have become usual in the construction industry.
- Recent government policies to help lift the economy should create further demand and opportunities.

## Outlook

Some optimism due to large pending projects and potential from government stimulus.

# Group Outlook – H1 FY21

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- Automotive Leather volumes continue to recover. SFC expects FY21 first-half results to be higher than the Covid-19 impacted second-half of FY20, supported by new programs in Europe and China.
- There is optimism for an improvement in Delta's profitability.
- Investments, other than directly held property, are revalued each period which could lead to profit volatility.

## Risk factors

Significant uncertainty continues to be created by:

- Impact of coronavirus on local and global economies.
- Equity market and currency volatility

# Non-IFRS Financial Information

Net Debt excluding lease liabilities for leases previously classified as operating leases (\$m's)	As at	
	June-2020	June-2019
Interest-bearing loans and borrowings	53,333	29,251
Lease liabilities	33,624	8,991
Less lease liabilities relating to leases previously classified as operating leases	(25,674)	-
<b>Gross Debt excluding lease liabilities relating to leases previously classified as operating leases</b>	<b>61,283</b>	<b>38,242</b>
Less cash and cash equivalents	(35,016)	(17,371)
Less short-term term deposits (terms 90 days or greater)	-	(16,515)
<b>Net Debt excluding lease liabilities for leases previously classified as operating leases prior to the adoption of AASB 16</b>	<b>26,267</b>	<b>4,356</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.

On 1 July 2019, SFC adopted AASB 16 using the modified retrospective approach for which comparative information has not been restated. Net Debt excluding interest-bearing liabilities for leases previously classified as operating leases prior to the adoption of AASB on 1 July 2019, is a non-IFRS measure that is determined to present, in the opinion of Directors, information that assists the understanding of the actual movements in Net Debt for the period.

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