

14 February 2020

ASX Market Announcements
ASX Limited
4th Floor, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

SCHAFER CORPORATION LIMITED (ASX:SFC) INVESTOR PRESENTATION - HY20 RESULTS

Please find attached SFC's Investor Presentation for the first half of the 2020 financial year.

The Board has authorised the document to be released to the ASX.

For further information, please contact:

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Yours sincerely



Jason Cantwell
Company Secretary



Half-Year Results Presentation December 2019

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



Organisation Chart (Core Businesses)

SCHAFFER CORPORATION LIMITED

Manufacturing

Automotive Leather (83% Owned)

- Finishing
 - Kosicé – Slovakia
 - Thomastown – Victoria, Australia
- Cutting
 - Kosicé – Slovakia
 - Shanghai – China
- Sales Offices
 - Australia / Slovakia / China / Japan / Germany

Delta

- Precast Concrete – Herne Hill, WA

Group Investments

SFC (100%), Gosh Capital (83%)

Company Owned Property

- Jandakot Rd, Jandakot, WA
- Campersic Rd, Herne Hill, WA (Delta)
- Hay Street, West Perth, WA (Head Office)
- Bennett Ave, North Coogee (via Gosh)
- Dixon Road, Rockingham (via Gosh)

Syndicated Investment Property

- Partnership Syndicates
- Unit Trust Syndicates
- US LLC Investments

Equities

Group Consolidated Financial Performance

Half-Year Ending	Dec-2019	Dec-2018
Revenue (\$m)	\$92.7	\$106.4
NPAT ¹ (\$m)	\$13.9	\$12.7
EPS (cents per share)	101.6	91.6
Ordinary dividends (fully franked)	\$0.45	\$0.30

- Profit up 10% including unrealised non-cash net gains for the Group's non-property investment portfolio of \$3.2m after tax (H1 F19: \$0.2m)
- FY20 fully franked interim dividend up 50% on previous corresponding period
- Group investments at market value³ increased to \$147.2m from \$134.4m at 30 June 2019

Movements during the half-year

- New investments \$15.1m
- Unrealised gains (equities) \$4.6m
- Unrealised gains (property) \$0.8m
- Share buy-back (\$2.3m)
- SFC dividends (\$5.5m)
- Net debt² increase of \$20.0m to fund \$15.1m of investments (\$9.3m property, \$5.8m equities) and \$2.3m of share buy-back

1. Net profit after tax and minority interests.

2. Net Debt excludes interest-bearing liabilities for operating leases recognised under AASB 16 from 1 July 2019 (refer to page 19).

3. Market value refers to pre-tax net equity value

Cash Flow

Half-Year Ending (\$m)	Dec-2019 (current)	Jun-2019	Dec-2018 (pcp)
NPAT	13.9	10.2	12.7
Unrealised gains – Group investments	(4.7)	(0.6)	(0.4)
Depreciation and other non-cash items	3.6	2.4	2.2
Profit on sale of businesses and assets	-	(0.1)	(0.2)
Non-cash impairment of assets	-	1.2	-
Add minority interests	2.2	2.2	2.6
Change in tax provisions	(2.4)	(0.8)	(6.2)
Change in Howe trade working capital	(2.8)	2.3	-
Other changes in working capital	-	8.4	(2.0)
Total operating cash generated	9.8	24.4	8.7
Proceeds from divestments	2.4	0.2	1.6
Capital expenditure	(5.5)	(2.2)	(3.1)
Group investments	(15.1)	(3.9)	(13.7)
Capital raised / (share buy-back)	(2.1)	(0.3)	(0.2)
Dividends paid	(7.7)	(6.3)	(8.2)
Lease payments ¹	(1.7)	-	-
Net debt² (increase)/reduction	(20.0)	11.9	(14.9)

Capital expenditure included:

- ~\$4.1m for Automotive Leather
 - \$2.1m for Thomastown Finishing plant upgrade
 - \$2.0m for Slovakian plant and machinery, including 2 CNC machines
- ~\$1.0m for improvements to 39 Dixon Road, Rockingham to accommodate a new national tenant.

Group investments included:

- 5 local syndicate property investments (\$4.9m)
- 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 (\$2.5m)

1. Payments for leases previous classified as operating leases prior to the adoption of AASB 16 on 1 July 2019.
2. Net Debt presented excludes interest-bearing liabilities for leases previously classified as operating leases prior to the adoption of AASB 16 on 1 July 2019.

Group Net Debt

Net Debt¹ increased \$20.0m during the half with investments increasing by \$15.1m.

All amounts in \$m's	Automotive Leather	SFC Investments	Syndicated Investment Properties	Gosh Capital	Total 31 Dec 2019	Total 30 June 2019
Type of Debt:						
Bank debt	(15.7)	-	(21.4)	(6.1)	(43.2)	(29.2)
Equipment finance	(8.2)	-	-	-	(8.2)	(9.0)
Gross Debt¹	(23.9)	-	(21.4)	(6.1)	(51.4)	(38.2)
Cash and term deposits	9.4	16.7	1.0	-	27.1	33.9
Net (Debt)/Cash¹	(14.5)	16.7	(20.4)	(6.1)	(24.3)	(4.3)
% debt recourse to SFC	0%		11%	0%		

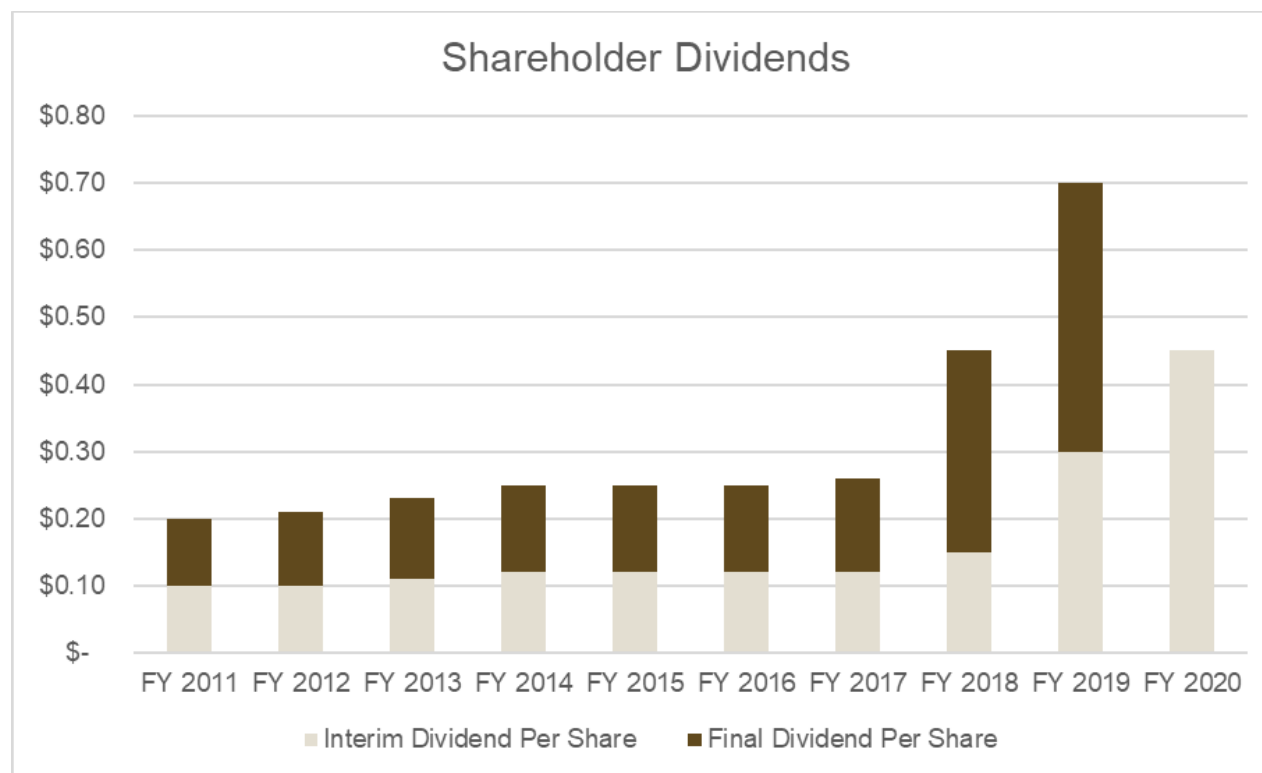
The Net Debt increase of \$20.0m includes:

- **Automotive Leather increased net debt: \$13.1m**
 - Balance of FY19 dividends – (\$18.4m)
 - CAPEX – (\$4.1m)
 - Operating cash flow - +\$9.4m
- **SFC Investments decreased cash: \$4.4m**
 - New investments – (\$15.1m)
 - Share buy-back – (\$2.3m)
 - SFC Dividends – (\$5.5m)
 - Howe FY19 dividends received - \$16.8m
 - Divestments - \$2.0m

1. Gross Debt and Net Debt presented excludes \$26.6m of interest-bearing 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)

Dividends

The Board has declared an interim dividend of 45¢ per share fully franked which is a 50% increase compared to the prior corresponding period, payable on 13 March 2020.



Automotive Leather



Automotive Leather

Half-Year Ending (\$m's)	Dec-2019	Dec-2018
Revenue	78.5	91.0
Segment NPAT*	11.0	12.2

* NPAT excludes 16.83% minority interests.

- Volumes decreased – tougher global automotive conditions
- Margins were positively impacted by cost management and continued improved process efficiencies.

Outlook

- Full year FY20 profit is expected to be similar to FY19.
- Unknown impact of coronavirus on China and global economies.
- Global risks include, Brexit, US/China trade war, currency volatility and European emission regulations.

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 ¹ (\$m)	Book Value (\$m)	Market Value (\$m)	Net Equity Value Pre- Tax ² (\$m)	Net Equity Value Pre- Tax ² Per share	Net Equity Value ³ (\$m)
Property Used by SFC Operations	\$6.5	\$6.5	\$11.4	\$11.4	\$0.83	\$9.9
Rental Properties	\$37.0	\$36.5	\$73.2	\$47.7	\$3.49	\$37.0
Development Sites	\$10.1	\$10.0	\$43.2	\$42.2	\$3.09	\$32.3
Total Property	\$53.6	\$53.0	\$127.8	\$101.3	\$7.41	\$79.2
Equities	\$19.5	\$27.7	\$27.7	\$27.7	\$2.02	\$25.3
Fixed Income	\$1.5	\$1.5	\$1.5	\$1.5	\$0.11	\$1.5
Investment Assets	\$74.6	\$82.2	\$157.0	\$130.5	\$9.54	\$106.0
Cash and Term Deposits	\$16.7	\$16.7	\$16.7	\$16.7	\$1.22	\$16.7
Total	\$91.3	\$89.9	\$173.7	\$147.2	\$10.76	\$122.7

All values represent SFC's share, i.e. 83.17% for Gosh Capital and other subsidiary 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)
PROPERTY USED BY SFC OPERATIONS										
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
						6.5	11.4	-	(1.5)	9.9
RENTAL PROPERTIES										
Hometown, 1480 Albany Hwy, Cannington, WA	Bulky Goods	Syndicate	59,319	20,637	25%	5.3	16.5	(9.4)	(3.4)	3.7
39 Dixon Rd, Rockingham, Western Australia	Bulky Goods	Gosh Direct	12,047	5,434	83%	7.3	7.3	(5.0)	0.3	2.6
Tamworth Homespace, Tamworth, NSW	Bulky Goods	Syndicate	31,160	13,050	25%	2.2	2.2	-	-	2.2
Auburn Megamall, 265 Parramatta Road, NSW	Bulky Goods	Gosh Syndicate	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	13.2	(7.2)	(3.6)	2.4
Buller Street, Port Macquarie, NSW	Commercial	Syndicate	5,042	6,214	5%	1.0	1.0	-	-	1.0
Fairfield Road, Brisbane, QLD	Commercial	Syndicate	3,600	4,198	5%	1.0	1.0	-	-	1.0
Faulding Street, Symonston, ACT	Commercial	Syndicate	7,360	3,479	6%	0.4	0.4	-	-	0.4
Doubletree Hotel, Burlington, Vermont, USA	Hotel	SFC US Syndicate	64,600	309 rooms	6%	1.5	1.5	-	-	1.5
Marriott Hotel, Yonkers, New York, USA	Hotel	SFC US Syndicate		17,100	4%	1.4	1.4	-	-	1.4
Pacific Brisbane Hotel, Brisbane, QLD	Hotel	SFC Direct	2,899	7,759	4%	1.0	1.0	-	-	1.0
Pacific Suites, Canberra, ACT	Hotel	Gosh Syndicate	-	16,045	2%	0.9	0.9	-	-	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%	0.4	0.4	-	-	0.4
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%	3.2	11.2	-	(2.4)	8.8
Willung Rd, Rosedale, Victoria	Industrial/Rural	Subsidiary Direct	510,530	9,854	83%	2.0	2.4	-	-	2.4
Shaw Road, Townsville	Industrial	Syndicate	14,650	4,728	10%	1.0	1.0	-	-	1.0
Magnesium Drive, Crestmead, QLD	Industrial	Syndicate	16,800	8,800	12%	1.0	1.0	-	-	1.0
Cope Logistics – 7 properties nationwide	Industrial	Gosh Syndicate	78,042	23,575	3%	0.3	0.3	-	-	0.3
Pier 5350 Apartments, Jacksonville, Florida, USA	Residential	SFC US Syndicate	89,000	43,200	7%	1.3	1.4	-	-	1.4
Parks Shopping Centre, Bunbury, WA	Retail	Syndicate	30,804	10,622	17%	2.0	6.9	(3.8)	(1.5)	1.6
						36.5	73.2	(25.4)	(10.8)	37.0

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

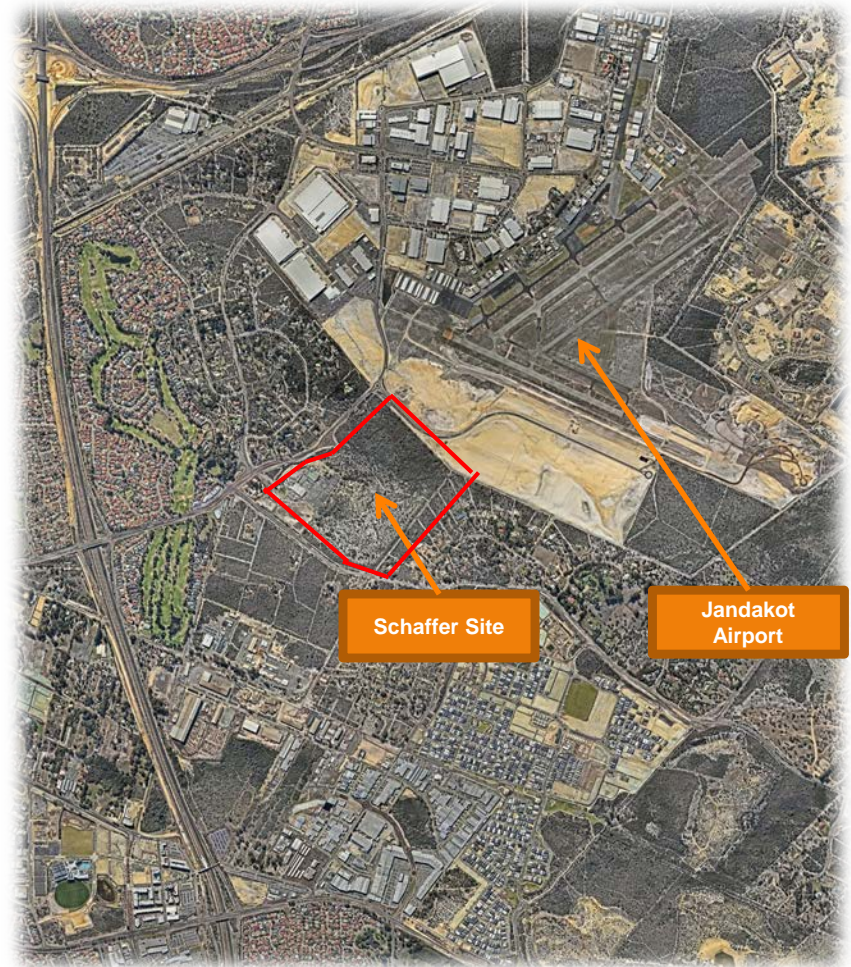
Group Investments - Property Portfolio (continued)

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)	Tax on Capital Gain (\$m)	Net Equity Value (\$m)
DEVELOPMENT SITES										
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	3.3	(1.0)	(0.6)	1.7
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%	1.6	11.3	-	(2.9)	8.4
South Ocean Real Estate Fund	Residential	SFC US			1%	1.0	1.0	-	-	1.0
Part Lot 602 Yanchep Beach Road, WA	Residential	Gosh - Unit Trust	42,600	-	3%	0.2	0.2	-	0.1	0.3
						10.0	43.2	(1.0)	(9.9)	32.3
TOTAL SFC PROPERTY VALUE						53.0	127.8	(24.1)	(21.8)	79.2

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. Construction expected to commence in 2020.
- 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

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

- Residential subdivision plans produced.
- Consulting with local government and planning authorities to implement planning guidelines that permit residential products relevant to the current market.
- Current plans include a mix of:
 - a. medium density 2 to 3 storey single residences:-
~50 dwellings
 - b. 3 to 5 storey apartments developments:-
~110 dwellings



Group Investments

Half-Year Ending (\$m's)	Dec-2019	Dec-2018
Revenue	4.1	3.8
Segment NPAT*	4.4	1.4

* NPAT excludes 16.83% minority interests for Gosh Capital investments

- Unrealised gains from the revaluation of equity investments - \$3.2m after tax (H1 FY19 - \$0.2m)
- Cash plus term deposits (short-term) at 31 December 2019 - \$16.7m

New Investments

Group Investments	Entity	6 months to Dec-2019 (\$m)
<u>Equities</u>		
2 x direct interest in Australian listed companies (SM8; PWG)	SFC	5.0
1 x direct interest in an Australian public unlisted company	SFC	0.5
1 x direct interest in an Australian property asset management company	SFC	0.3
<u>Property</u>		
1 x US Syndicated Property Investments (hotel refurbishment)	SFC US	1.4
5 Australian Syndicated Property Trusts	SFC	4.9
1 Australian Property Loan Trusts (1st mortgage)	SFC	0.5
Previous investment commitments	SFC	2.1
	SFC US	0.3
	Gosh	0.1
TOTAL		15.1

Schaffer Building Materials



Building Materials

Half-Year Ending (\$m's)	Dec-2019	Dec-2018
Revenue	10.1	11.6
Segment NPAT	(0.1)	0.3

- Delta (precast concrete) remained close to break even.
 - Project schedule delays reduced the quantity of work and impacted profit performance.
 - Management is focused on maintaining efficient cost structures relative to the quantity of work but this is made difficult by continual project delays which have become usual in the construction industry.

Outlook

- Delta is expected to have similar revenue and profit performance relative to the first half of FY20.
- The quantity of upcoming industry projects is improving but will not impact current year results.

Group Outlook – FY20

- FY20 Group profit is expected to be similar to FY19, subject to the risk factors mentioned below.
- SFC expects the Automotive Leather second half profit to be similar to the first half.
- 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;
 - Unknown impact of coronavirus on global economies.
 - Trade war between China and the US
 - Unknown impact from Brexit
 - Currency fluctuations
 - Economic slowdown in Europe and China continues to impact the automotive industry sales
 - Equity market volatility

Non-IFRS Financial Information

Net Debt excluding interest-bearing liabilities for leases previously classified as operating leases (\$000's)	As at	
	Dec-2019	Jun-2019
Interest-bearing liabilities	78,026	38,242
less interest-bearing liabilities relating to leases previously classified as operating leases	(26,614)	-
Gross Debt excluding interest-bearing liabilities relating to leases previously classified as operating leases	51,412	38,242
less cash and cash equivalents	(23,577)	(17,371)
less short-term term deposits (terms 90 days or greater)	(3,515)	(16,515)
Net Debt excluding interest-bearing liabilities for leases previously classified as operating leases prior to the adoption of AASB 16 on 1 July 2019.	24,320	4,356

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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