



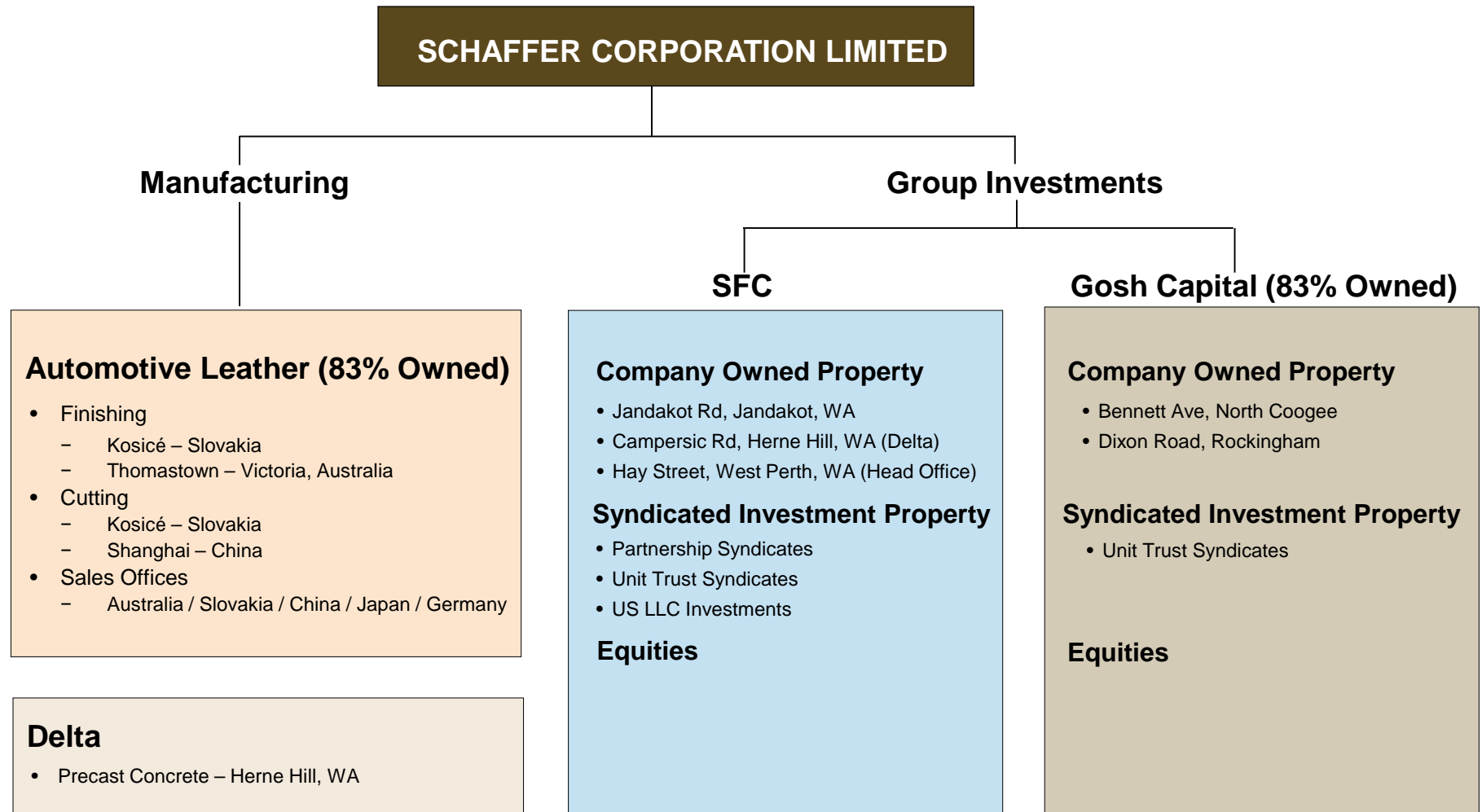
Schaffer Corporation Limited

Half-Year Results Presentation December 2018

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 profitability up 26% reflecting operational efficiencies and FX gains.
- Delta returned to profitability.

Half-Year	Dec-2018	Dec-2017
Revenue from continuing operations (\$m)	\$106.4	\$116.3
NPAT (\$m) ²	\$12.7	\$11.2
EPS (cents per share)	91.6	80.3
Ordinary dividend (fully franked)	\$0.30	\$0.15

Underlying Earnings

Underlying Profit ¹ (\$m)	\$12.8	\$10.1
Underlying EPS (cents per share)	92.3	72.5

1. Refer to slide 19 for underlying profit reconciliation.

2. Net profit after tax and minority interests.

Cash Flow

Half-Year Ending (\$m)	Dec-2018 (current)	Jun-2018	Dec-2017 (pcp)
NPAT	12.7	12.1	11.2
Add depreciation	2.2	2.2	2.6
(Profit)/loss on sale of businesses and assets	(0.2)	-	(5.0)
Add non-cash impairment of assets	-	-	4.5
Add minority interests	2.6	2.6	2.2
Change in tax provisions	(6.2)	4.1	1.7
Change in Howe trade working capital	-	(4.6)	4.7
Other changes in working capital	(2.4)	4.9	3.0
Total operating cash generated	8.7	21.3	24.9
Proceeds from divestments	1.6	-	17.4
Capital expenditure	(3.1)	(3.9)	(2.2)
SFC investments	(12.0)	(5.4)	-
Gosh Capital investments and developments	(1.7)	-	(1.1)
Capital raised / (share buy-back)	(0.2)	(2.0)	-
Dividends paid	(8.2)	(3.9)	(2.6)
Net debt (increase)/reduction	(14.9)	6.1	36.4

Payment of tax relating to increased profit in FY18

SFC and Gosh Investments include:

- Direct share investment
- 3 US property syndicates
- 2 property loan unit trusts
- 1 property development trust
- 1 managed equity fund

Full-year FY18 dividend increased 114% to 30c per share plus increased dividends to Automotive Leather minority shareholder

Group Net Debt

Net Debt increased \$14.9m during the half due to investments increasing by \$13.7m.

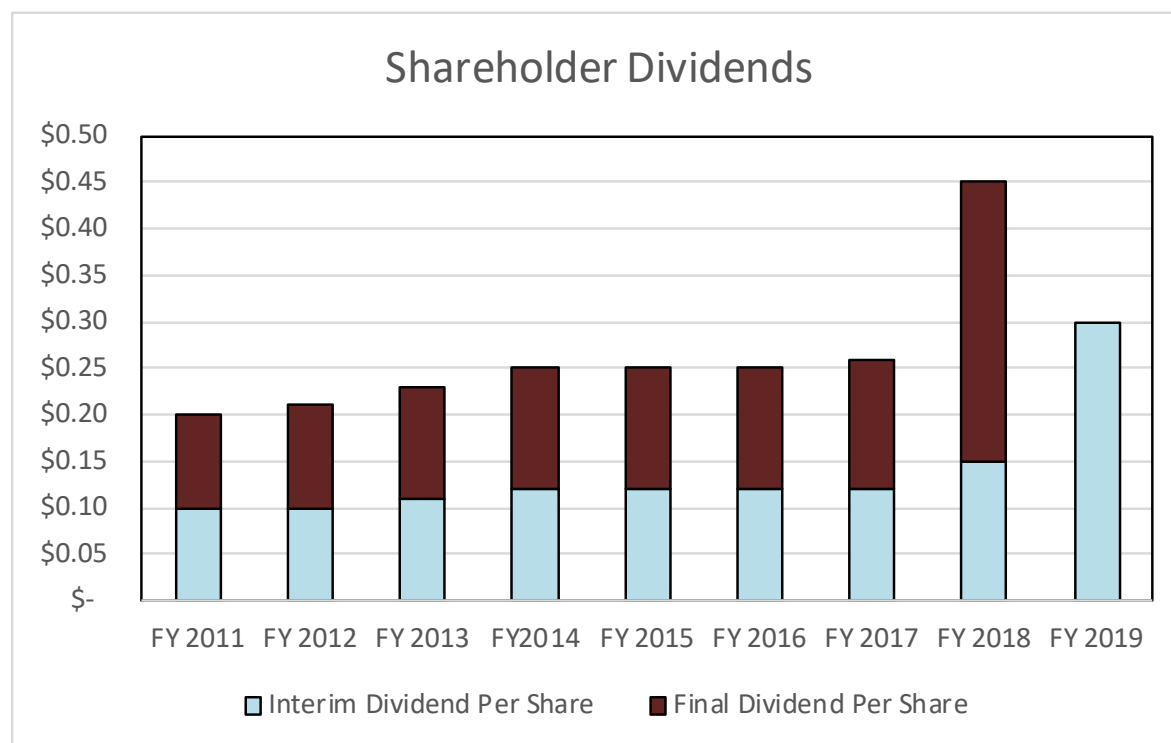
All amounts in \$m's	Automotive Leather	SFC Investments	Syndicated Investment Properties	Gosh Capital	Total 31 Dec 2018	Total 30 Jun 2018
Type of Debt:						
Bank debt	16.2	-	19.1	6.1	41.4	25.2
Equipment finance	7.8	-	-	-	7.8	8.1
Gross Debt	24.0	-	19.1	6.1	49.2	33.3
Cash and term deposits	(9.5)	(22.4)	(1.1)	-	(33.0)	(32.0)
Net Debt/(Cash)	14.5	(22.4)	18.0	6.1	16.2	1.3
% debt recourse to SFC	0%		12%	0%		
Gross Debt Maturity Profile:						
- FY19	1.1	-	-	-	1.1	2.3
- FY20	2.2	-	8.1	6.1	16.4	16.5
- FY21	18.5	-	11.0	-	29.5	13.2
- FY22 and beyond	2.2	-	-	-	2.2	1.2
	24.0	-	19.1	6.1	49.2	33.3

The Net Debt increase of \$14.9m includes:

- Increase in Automotive Leather Net Debt - \$21.1m
 - FY18 dividend and tax payments
- Offset by increase in SFC Investments Cash and Term Deposits - \$6.3m
 - Receipt of Automotive Leather dividend payments offset by \$13.7 million of property, equity and fixed income investments

Dividends

- The Board has declared an interim dividend of 30¢ per share fully franked which is double the prior corresponding period, payable on 15 March 2019.



Automotive Leather



Automotive Leather

Half-Year Ending (\$m's)	Dec-2018	Dec-2017
Revenue	91.0	105.0
Segment NPAT*	12.2	10.9

* NPAT excludes 16.83% minority interests.

- Volumes decreased – tougher global automotive conditions
- Revenue and NPAT include a significant positive FX impact compared to H1 FY18.
 - 5% 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 improved process efficiencies.

Outlook

- Risks from Brexit
- Slowing automobile sales in China
- Volatile FX
- Uncertain economic global backdrop

Schaffer Building Materials



Building Materials

Half-Year Ending (\$m's)	Dec-2018	Dec-2017
Revenue – continuing operations	11.6	8.2
Segment Underlying NPAT – continuing operations	0.4	(0.6)*

* Dec-2017 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.
 - Revenue increased due to the completion of a large civil infrastructure project. Profitability was higher than prior period, but lower than normal due to high production (labour) costs from increased complexity, project administration and challenging production schedules. The project was completed at the end of October 2018.

Outlook

- Delta has been awarded several new contracts which have increased the order bank
- Costs are being tightly controlled to align with the current level of production.

Group Investments

Company Owned Property



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

Syndicated Property



Burlington Hotel, Vermont, USA



Parks Centre, Bunbury, WA



Pacific Hotel, Brisbane, QLD

Group Investments

	Cost ¹ (\$m)	Book Value (\$m)	Market Value (\$m)	Net Equity Value Pre-Tax ² (\$m)	Net Equity Value ³ (\$m)
Property Used by SFC Operations	\$6.6	\$6.6	\$11.4	\$11.4	\$9.9
Rental Properties	\$25.4	\$26.1	\$61.3	\$38.2	\$27.4
Development Sites	\$9.2	\$9.0	\$43.1	\$42.1	\$32.0
Total Property	\$41.2	\$41.7	\$115.8	\$91.7	\$69.3
Equities	\$12.2	\$13.6	\$13.6	\$13.6	\$13.2
Cash / Term Deposits / Fixed Income	\$25.1	\$25.1	\$25.1	\$25.1	\$25.1
Total Investments	\$78.5	\$80.4	\$154.5	\$130.4	\$107.6

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

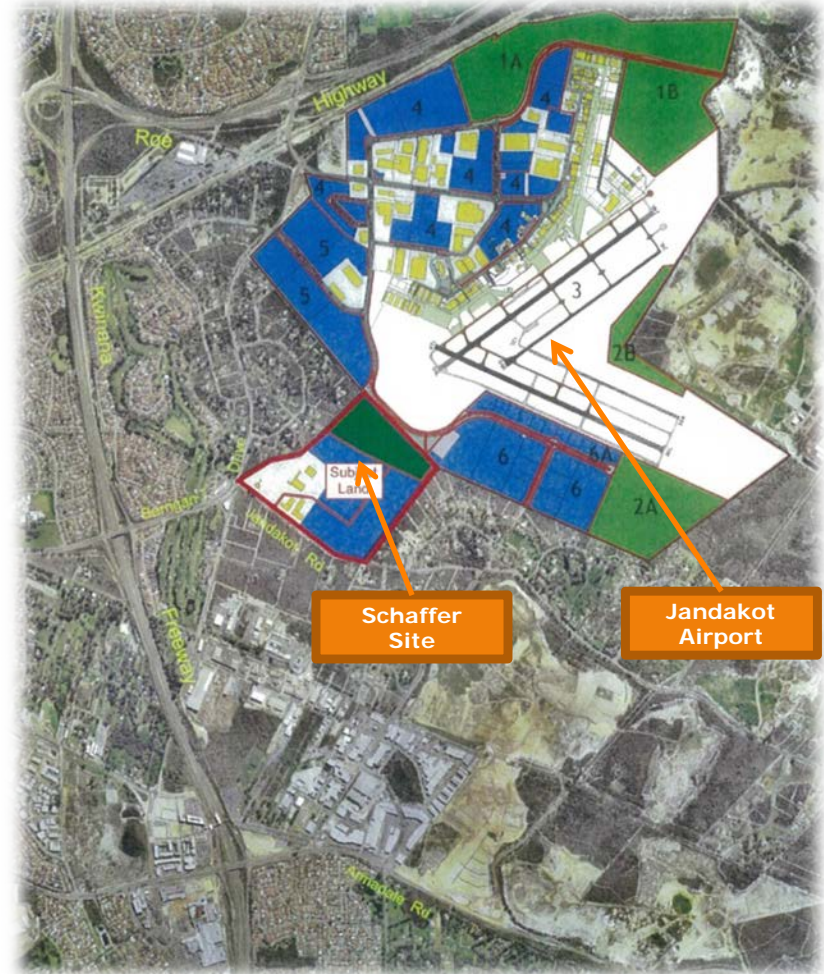
Address	Description	Ownership Structure	Land Size (sqm)	Current Lettable Area (sqm)	SFC Ownership %	SFC Share of Book Value (\$m)	SFC Share of Market Value (\$m)	SFC Share of Debt (\$m)	Tax on Capital Gain (\$m)	Net Equity Value (\$m)
Property used by SFC operations										
218 Campersic Road, Herne Hill, WA	Delta	SFC Direct	134,305	-	100%	5.9	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
						6.6	11.4	-	(1.5)	9.9
Rental Properties										
39 Dixon Rd, Rockingham, Western Australia	Bulky Goods	Gosh Direct	12,047	5,434	83%	7.6	8.2	(5.0)	(0.2)	2.9
Auburn Megamall, 265 Parramatta Road, NSW	Bulky Goods	Gosh - Unit Trust	24,690	32,348	2%	1.2	1.2	-	(0.2)	1.0
Pacific Brisbane	Hotel	SFC Direct	2,899	7,759	4%	1.0	1.0	-	-	1.0
Pacific Suites, Canberra, ACT	Hotel	Gosh - Unit Trust	-	16,045	2%	0.8	0.8	-	0.0	0.9
Lot 701 Jandakot Road, Jandakot, WA	Industrial	SFC Direct	62,097	-	100%	3.2	11.2	-	(2.4)	8.8
Cope Logistics – 7 properties nationwide	Industrial	Gosh - Unit Trust	78,042	23,575	3%	0.4	0.4	-	(0.0)	0.4
Symonston, ACT	Industrial	SFC - Unit Trust	7,360	3,479	6%	0.5	0.5	-	-	0.5
IBM Centre, 1060 Hay Street, West Perth, WA	Office	Syndicate	5,797	8,466	22%	1.1	12.4	(7.2)	(3.4)	1.8
Burlington Hotel, Vermont, USA	Hotel	SFC US	64,600	-	6%	1.4	1.4	-	(0.0)	1.4
Pier 5350 Apartments, Florida, USA	Residential	SFC US	89,000	43,200	7%	1.4	1.4	-	(0.0)	1.4
Hometown, 1480 Albany Hwy, Cannington, WA	Retail	Syndicate	59,319	20,637	25%	5.5	15.9	(7.1)	(3.1)	5.7
Parks Shopping Centre, Bunbury, WA	Retail	Syndicate	30,804	10,622	17%	2.0	6.9	(3.8)	(1.5)	1.6
						26.1	61.3	(23.1)	(10.8)	27.4
Development sites										
Lot 702 Jandakot Road, Jandakot, WA	Commercial	SFC Direct	32,442	500	100%	1.1	6.5	-	(1.6)	4.9
Lot 561 Paris Road, Australind, WA	Commercial	Gosh - Unit Trust	12,000	-	4%	0.4	0.4	-	0.0	0.4
170 Flynn Drive, Neerabup, WA	Industrial	Syndicate	260,000	-	20%	1.5	4.0	(1.0)	(0.8)	2.3
Lot 703 Jandakot Road, Jandakot, WA	Industrial	SFC Direct	449,639	-	100%	3.0	19.5	-	(4.9)	14.6
10 Bennett Avenue, North Coogee, WA	Residential	Gosh Direct	21,035	-	83%	1.6	11.3	-	(2.9)	8.4
Part Lot 602 Yanchep Beach Road, WA	Residential	Gosh - Unit Trust	42,600	-	3%	0.2	0.2	-	0.1	0.3
South Ocean Real Estate Fund	Residential	SFC US				0.5	0.5	-	(0.0)	0.5
62 Cosgrove Road, Enfield, NSW	Industrial	Syndicate	23,267	-	6%	0.7	0.7	-	-	0.7
						9.0	43.1	(1.0)	(10.1)	32.0
Total SFC Property Value										
						41.7	115.8	(24.1)	(22.4)	69.3

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

Lots 701, 702 & 703 Jandakot Road

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

- 38.8 ha – 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).
- 15.6 ha - 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.
- Approximate developable lot area ~29 ha after allowing for internal 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

Half-Year Ending (\$m's)	Dec-2018	Dec-2017
Revenue	3.1	2.3
Segment NPAT	0.8	0.4

- Unrealised gains from the revaluation of equity instruments ~\$0.3m after tax.

New Investments

- Cash plus term deposits (short-term) - \$22.4m
- 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 Dec 2018 (\$m)	6 months to Dec 2018 (\$m)
<u>Equities</u>		
6 Australian Managed Equity Funds (across different sectors)	4.0	0.5
Direct Share Investments	4.7	4.7
<u>Property</u>		
3 US Syndicated Property Investments	3.3	3.3
- US multi-family residential		
- Hotel refurbishment and repositioning		
- Residential development (co-investment, range of investments)		
2 Australian Syndicated Property Trust	1.5	0.8
2 Australian Property Loan Trusts (1st mortgage)	2.7	2.7
TOTAL	16.2	12.0

Gosh Capital Investments

Half-Year Ending (\$m's)	Dec-2018	Dec-2017
Revenue	0.7	0.7
Segment NPAT*	0.6	0.2

* NPAT excludes 16.83% minority interests

- Unrealised gains from the revaluation of equity instruments ~\$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 - \$22.4m

Group Outlook – FY19

- The Group FY19 Underlying full-year NPAT is expected to be similar to FY18, subject to the uncertainties listed below.
- Uncertainty is created by:
 - Trade war between China and the US
 - Unknown impact from Brexit
 - Economic slowdown in China, specifically automotive industry, highlighted by recent results from OEMs
 - Increased currency volatility

Non-IFRS Financial Information

Underlying Profit Reconciliation (\$000's) <i>(all items after tax and minority interests)</i>	Half-Year Ending	
	Dec-18	Dec-17
NPAT	12,674	11,249
Profit on sale of Building Products division	-	(4,393)
Impairment of assets	-	3,150
Non-recurring costs	208	144
Profit on disposal of trust assets	(117)	-
Underlying Profit	12,765	10,150

Non-recurring costs (\$000's) <i>(all items after tax and minority interests)</i>	Half-Year Ending	
	Dec-18	Dec-17
Redundancies and Facility Shutdown Costs - Automotive Leather	139	144
Redundancies - Building Materials	69	-
Total non-recurring costs after tax and minority interests	208	144

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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