Schaffer Corporation Limited

SFC ANNOUNCES NET PROFIT AFTER TAX[1] OF $26 MILLION

Investment and manufacturing group Schaffer Corporation Limited (ASX: SFC) today reported net profit after tax[1] of $26.2 million. The Group declared a final dividend of $0.45 per share (fully franked), matching the final dividend from last financial year.

Schaffer Corporation Chairman, Mr John Schaffer, said that he was pleased with the performance of the Automotive Leather division and Group Investments in a challenging environment.

"Automotive Leather performed well, despite many challenges. Profitability for the year was good, with NPAT of $18.1 million, which included a large negative impact from currency movements in the second half and the impact of a delay in the launch of a major program," Mr Schaffer noted.

"Our management team performed well, aligning the cost base and limiting the impact on the division's profitability," Mr Schaffer added.

Mr Schaffer said that forecasting and providing guidance continued to be difficult in the short-term with risks ranging from currency volatility, the war in Ukraine, economic uncertainty in Europe, high energy prices, potential Covid related lock downs in China and other inflationary cost pressures.

"Automotive Leather has successfully renewed key programs in Europe with Jaguar Land Rover and won new programs with Mercedes and Audi. These programs should see our European sales volumes grow from 2023 onwards. In the short term, currency volatility and a slow start to a new major program could temporarily impact first half earnings for Automotive Leather, but the new program should be positive for the division as the ramp-up accelerates," Mr Schaffer noted.

"Our OEMs continue to report strong demand for new vehicles with large order books, particularly in the luxury segment," Mr Schaffer added.

The value of Group Investments continues to be an increasing proportion of the Group's underlying assets and valuation.

"At financial year end our Group Investment assets were valued at $188 million or $13.78 per share. Over the past 5 years, they have increased by $92 million, after having paid out $51 million of fully franked dividends and having bought back around $8 million in shares," Mr Schaffer said.

"At year end, we took the decision to change the accounting policy used to value our investment property from depreciated cost to fair value. This is consistent with the valuation of the Group's other investments," Mr Schaffer noted.

Mr Schaffer said that the Group was progressing the development at Jandakot, now called *South Connect Jandakot Logistics Estate*. "The value of *South Connect* increased by $20.7 million pre-tax in the year, with an increase in land value of $15.6 million and further $5.2 million of additional investment. The project is well located to benefit from the increased demand for showrooms and logistic warehousing driven by the rapid growth in ecommerce. Sites of this size and location are extremely rare," Mr Schaffer said.

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

1 Net Profit after tax and minority interest