

ASX ANNOUNCEMENT FOR PTL

19 February 2021

Pental Delivers 96% Growth in H1 FY21 NPAT, Raises Dividend

Highlights:

- Pental has delivered strong performance in the Australian market through both company owned and contracted branded product portfolios, driving H1 FY21 net sales growth of 17% to \$64.6 million
- Tight focus on cost controls and efficiency saw significant expansion of margins and profitability: H1 EBIT +91.4% to \$4.3 million and H1 NPAT +95.9% to \$2.9 million
- Pental continues to invest in developing new products with unique points of difference.
- Pental has declared an interim fully franked dividend of 1.0 cent per ordinary share (H1 FY20: 0.7 cents per share)
- Pental is in a strong position to drive continued profitable growth both organically and via mergers & acquisitions with a healthy balance sheet, \$2.7 million in net cash, effectively no debt, strong and increasing brand recognition

Branded home and hygiene product developer Pental Ltd (ASX: PTL, "Pental" or "the Company") is pleased to announce strong H1 FY21 results with significant growth in revenue, profit and dividends.

Financial Highlights

The Company increased net sales revenue by 17.0% or \$9.37 million in H1 FY21 from the previous corresponding period, achieving net sales of \$64.6 million.

Strong Australian performance drove this result, with net sales in the Australian market up 19.5%, driven by both contracted and the Company's branded product portfolios.

The Company's New Zealand operations performed strongly in the face of supply issues caused by port congestion in the later part of 2020, achieving H1 FY21 net sales revenue growth of 2.9% in AUD terms (3.6% in NZD).

Pental maintained a tight focus on cost controls and profitability in H1 FY21. As a result, labour efficiencies improved by 4% compared to H1 FY20 and labour utilisation rates also saw an improvement of 6% compared to the prior period.

The Company's continued focus on efficiency underpinned Pental's achievement of 91.4% year-on-year growth in H1 EBIT to \$4.3 million, and 95.9% year-on-year growth in H1 NPAT to \$2.9 million. Pental achieved significant margin expansion during the period, with the Company's EBITDA and EBIT margins on net sales expanding by 200bps and 260bps respectively.

The Company's achievement of \$3.3 million in net cash flow from operating activities and 2.12 cents of basic earnings per share (H1 FY20: 1.08 cents) has allowed the Board to declare an interim fully franked dividend of 1.0 cent per ordinary share (H1 FY20: 0.7 cents per share), payable to shareholders on 24 March 2021, with a record date of 1 March 2021.

Pental entered CY21 with \$2.7 million in net cash and effectively debt-free: a strong balance sheet providing capacity to fund the Company's strategy of growth through acquisitions, agency agreements, innovation and market expansion.

Operational Highlights

Domestic and Export Sales

Pental maintained healthy momentum throughout H1 FY21 after experiencing a surge in demand for its strong germ-killing products during the first wave of the COVID-19 pandemic.

Pental continued to invest heavily in supporting its powerhouse Australian-made brand, White King through both social media and outdoor advertising during the period. These initiatives, coupled with significant increases in demand for bleach and cleaning products, led to a 20.5% increase in White King branded sales compared to H1 FY20. Jiffy Firelighters also performed strongly, with an increase in net sales of 63.8% compared to the prior comparative period.

Duracell recorded a strong net sales growth of 32.5% compared to the prior period, as Pental was able to successfully acquire new customers and execute growth plans including Bunnings in New Zealand and Catch in Australia.

Sales into Asia were \$0.8 million compared to \$0.9 million in H1 FY20, with anticipated Asian expansion hampered by COVID-driven distribution disruptions and the unpredictable political environment for Australian companies exporting to China.

Marketing

The Company remains committed and focused on promoting Pental's core brands across multiple digital platforms, utilising static, animated and video creative. Since July 2020, the Group has garnered more than 25 million impressions while reaching more than 14 million highly targeted Australian consumers via paid advertising, programmatic displays and consumer promotions. Traditional outdoor advertising complemented the digital activity, with White King and Country Life featuring on billboards and FM radio nationally.

The Company was also proud to commence a partnership, through core Pental brand Country Life, with Australian charity Royal Far West on World Hand Wash Day in October 2020. Since 1924, Royal Far West has been working closely with families, schools and local communities to connect rural and remote Australian children with the healthcare they need. Pental through Country Life is proud to support Royal Far West on its mission to create better futures for Aussie kids in rural communities.

With the newly-launched Pental website revised to improve both the user experience and the Group's branded presence, the Company has established a strong platform to facilitate growth via eCommerce sales later in FY21.

New Product Development

Pental continues to invest in developing new products with unique points of difference in line with retailer range reviews. Following extensive research and development, the Company has developed two new scented Jiffy Firelighters and is preparing to launch these into Australian supermarkets. With confirmed ranging in both Coles and Woolworths in time for the approaching winter peak season, Jiffy is in a healthy position to deliver near-term sales growth.

Strategic Outlook

The Group has continued to execute the Pental business strategy of:

1. Driving sales growth
2. Developing new products and sales channels
3. Securing suitable acquisitions and new agency agreements
4. Expanding export markets
5. Continuous manufacturing improvement

The impact of the COVID-19 pandemic has accelerated the favorable growth trends that Pental has developed across its business. Although the retail landscape will continue to be challenging, Pental is in a strong position to drive continued profitable growth both organically and via M&A with a healthy balance sheet, effectively no debt, strong and increasing brand recognition and an export and eCommerce strategy that provides significant upside.

Pental Managing Director, Charlie McLeish, said:

"We are pleased to deliver a strong H1 FY21 result to our shareholders, especially given the uncertain market conditions faced by many businesses during 2020. We have continued to focus on our strengths, reducing our production costs to remain competitive, while remaining proactive in expanding our portfolio of trusted shelf-stable branded products."

"Our brands remain well-placed across all categories, and the success of our partnerships with various contracted brands is prompting us to explore new opportunities for Pental to partner with additional well-known brands."

"Our strong financial and operating performance, coupled with a robust balance sheet, has positioned Pental well to return capital to shareholders via fully franked dividends, while retaining sufficient balance sheet flexibility to identify and evaluate potential acquisitions to fit within our business."

Details of the reported statutory result for the Group are as follows:

	Dec 20 ⁽ⁱ⁾ \$'000	Dec 19 ⁽ⁱ⁾ \$'000	Change	
			\$'000	%
Gross Sales	95,089	85,288	9,801	11.5%
Trading terms, promotional rebates & discounts	(30,457)	(30,029)	(428)	1.4%
Net Sales Revenue	64,632	55,259	9,373	17.0%
EBITDA	6,113	4,169	1,944	46.6%
<i>EBITDA margin on net sales</i>	<i>9.5%</i>	<i>7.5%</i>		<i>2.0%</i>
Depreciation & Amortisation	(1,875)	(1,955)	80	(4.1%)
EBIT	4,238	2,214	2,024	91.4%
<i>EBIT margin on net sales</i>	<i>6.6%</i>	<i>4.0%</i>		<i>2.6%</i>
Profit after Tax	2,889	1,475	1,414	95.9%
<i>Basic EPS (cents)</i>	<i>2.12</i>	<i>1.08</i>		
	Dec 20 ⁽ⁱ⁾ \$'000	Jun 20 ⁽ⁱ⁾ \$'000		
Working Capital ⁽ⁱⁱⁱ⁾	25,324	25,211	113	0.4%
Net Cash	2,745	3,668	(923)	-25.2%
Gearing ⁽ⁱⁱⁱ⁾	Nil	Nil		

⁽ⁱ⁾ Non-IFRS financial table

⁽ⁱⁱ⁾ Receivables plus inventory less trade and other payables

⁽ⁱⁱⁱ⁾ Net debt to equity

Authorised for release by the Pental Board

For more information, please contact:

Investor queries: contact Oliver Carton, Company Secretary, Pental Limited, tel: +61 3 9251 2311

Media queries: contact Tim Dohrmann, NWR communications, email: tim@nwrcommunications.com.au

About Pental Limited (ASX: PTL)

At Pental, we are dedicated to delivering the highest quality and value in all our products. We are proud to make a range of branded products (including White King, Country Life, Velvet, Softly, Martha's, Sunlight, Huggie, Jiffy, Little Lucifer, Aim and Janola) that have been an important part of Australian and New Zealand families for generations. Our goal is to help families live better by providing high quality products for today's lifestyles – which in itself shows our commitment to catering to the ever-changing needs of our consumers' lifestyles.

Innovation, production efficiencies and quality are the pillars which make up our core focus as providers of quality products and continue to make our manufacturing sustainably successful. More information on Pental is available at:

www.pental.com.au