

## Hellaby announces significantly higher profit and \$28.4 million equity raise

- NPAT up by \$9.6 million to \$10.3 million
- EBITDA up by \$1.2 million (4.6%) to \$27.7 million
- EBIT up by \$2.2 million (11.8%) to \$20.3 million
- Total net debt reduced 29.2%
- \$36.0 million free cashflow generated
- 39.5% total shareholder return
- 3:7 pro-rata renounceable rights offer announced

Investment company Hellaby Holdings Limited today reported a significantly improved profit result for the financial year ended 30 June 2010.

Hellaby reported an after tax profit (NPAT) of \$10.3 million for the year ended 30 June 2010. This compares to an NPAT of \$0.7 million in the previous year.

Group revenue was \$457 million, down 4.8% against last year's revenues, reflecting the recessionary impact of lower market demand across most subsidiaries. Hellaby group EBITDA (group trading surplus before interest, tax, depreciation, amortisation and before one-off transactions and discontinued operations) was \$27.7 million, up 4.6% against last year. Group EBIT (group trading surplus before interest, tax, and one-off transactions and discontinued operations) was \$20.3 million, up 11.8% against last year.

### Operational performance

Hellaby Chairman John Maasland said that the company's performance during the year to 30 June 2010 had provided a solid platform for recovery.

"We believe investor confidence in Hellaby is being gradually restored in line with our improved performance. This is reflected in our resumed dividend payouts and a 39.5% total shareholder return for this past financial year."

The company generated \$36.0 million free cashflow, largely through working capital improvements, which enabled further balance sheet reform with a 51.0% reduction in core bank debt to \$25.0 million. Total net debt (interest-bearing debt including core bank debt, trade loans and capital notes) reduced by 29.2% to \$73.3 million.

Managing Director John Williamson noted that the company's debt reduction programme over the previous three years had significantly improved Hellaby's balance sheet and debt gearing.

“This was, we believe, the final year of a three year turnaround of Hellaby, during which time we have transformed the culture and performance of the group. Our balance sheet and investment portfolio are now substantially de-risked. We have successfully restructured a number of subsidiaries and the tough decisions are largely behind us.”

There were no acquisitions or divestments during the year to 30 June 2010.

The full year Hellaby group result represents a return of 11.2% on average shareholder funds, compared to 0.8% last year. Net asset backing is \$1.96 per share, compared with \$1.67 last year. Net tangible asset backing is \$0.84 per share, compared to \$0.54 per share last year. Hellaby’s earnings per share were 20.3 cents, compared with 1.4 cents last year.

With regard to capital management, Mr Williamson said that the company had renegotiated its banking facility maturity date with its principal bank Westpac in August 2010 for a further 12 month period to now mature effective 31 July 2012.

### **Rights offer**

Hellaby today also announced a 3:7 pro-rata renounceable rights offer, which Mr Williamson said would enable the company to adopt a more conservative capital structure, increase financial flexibility, and position the company for improved profitability and growth.

Hellaby has received a firm commitment from its largest shareholder, Castle Investments, to subscribe for its full rights entitlement, with the remainder of the issue underwritten by Forsyth Barr Group. Mr Williamson said that the rights offer gave all shareholders the opportunity to participate, and would raise approximately \$28.4 million.

“Following this equity raise, we are confident that Hellaby will be appropriately capitalised in the current economic and trading environment and will be well placed to improve shareholder returns.”

Mr Maasland said that the Hellaby Board has decided to delay payment of a dividend until after the rights issue. Consequently the Board has declared a final dividend equivalent to 5.0 cents per share, fully imputed, on the increased shareholding. The dividend will therefore be paid on 12 November 2010, and for the purposes of determining shareholder entitlements the company will be ex-dividend on 5 November 2010. Mr Maasland said that directors continued to recommend the company’s Dividend Reinvestment Plan to shareholders.

### **Outlook**

Looking ahead, Mr Williamson said that the company was well positioned for what it expected to be a relatively slow economic recovery.

“Although we have seen few ‘green shoots’ to date, our businesses are now so lean that we believe any improvement in sales will have a disproportionately positive impact on our profits going forward.”

Mr Williamson said that the company’s key operational challenges in this current financial year would be to improve the profitability of its Equipment and Footwear subsidiaries, and to drive organic growth in its Automotive and Packaging subsidiaries.

“We have tightened our financial disciplines, streamlined our businesses, and developed a culture of ownership, accountability and continuous improvement across our subsidiaries. Despite the continuing soft economic conditions, we start this new financial year in good shape. We have reached a performance milestone where we can now plan the company’s future with greater confidence.”

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Hellaby Holdings Limited is an NZX listed investment holding company, with shareholdings in a diversified range of New Zealand industrial, distribution and retail businesses. Hellaby structures its investment portfolio through four divisions – Automotive, Equipment, Packaging and Footwear.