

Hellaby Holdings delivers strong 2011 results as operational improvements bear fruit

Hellaby group performance highlights for the year to 30 June 2011:

- Trading EBITDA up 23% to \$34.0 million
- Trading EBIT up 32% to \$26.8 million
- NPAT up 49% to \$15.3 million
- Net debt 67% lower at \$24.5 million
- \$34.9 million free cash flow generated
- 25% return on funds employed
- 87% total shareholder return
- Turnaround completed

Investment company Hellaby Holdings Limited today reported significantly improved results for the financial year ended 30 June 2011. These improvements were driven by a turnaround in the operational performance of two divisions and a sharp reduction in financing costs resulting from balance sheet and capital structure reform.

Hellaby reported an after tax profit (NPAT) of \$15.3 million for the year ended 30 June 2011, 49% higher than the previous year's NPAT of \$10.3 million.

Challenging trading conditions continued for most subsidiaries during the year, resulting in relatively flat group revenue which, at \$469 million, was up only 2.5% against last year. However the group's ongoing focus on operational improvement saw Trading EBITDA (group trading surplus before interest, tax, depreciation, amortisation, one-off transactions and discontinued operations) increase by 23% to \$34.0 million and Trading EBIT (trading surplus before interest, tax, one-off transactions and discontinued operations) increase by 32% to \$26.8 million.

Operational performance

Hellaby Chairman John Maasland said the board was pleased to report that all Hellaby's businesses are now contributing positively to the bottom line.

"Despite strong economic headwinds, we have seen a dramatic uplift in profits, margins and return on funds from all our subsidiaries, and believe they are well positioned to reap benefits from an economic upturn."

Managing Director John Williamson said the previous year's underperforming divisions – Equipment and Footwear – achieved significant operational improvements during the year. The Footwear division achieved a 95% EBIT improvement in tight trading conditions. Despite the major business interruption resulting from natural disasters, both the Hannahs and Number One Shoes subsidiaries delivered considerably higher margins, profitability and free cash flow.

The Equipment division returned to profitability this year, due mainly to the operational restructuring of AB Equipment following a severe recession in the heavy equipment sector over recent years.

Free cash flow remained strong at \$34.9m thanks to higher profits and the optimisation of working capital. As a consequence of this and a \$28.4 million rights issue in October 2010, total net debt (interest-bearing debt including core bank debt) reduced to \$24.5 million, 67% lower than the \$73.3 million at 30 June 2010. Gearing (total net debt to total net debt plus equity) fell to 15.5%, from 42.3% at 30 June 2010, well within the company's target gearing levels of 45% or below.

Mr Williamson said that the rights issue and subsequent repayment of capital notes in December 2010 effectively completed the reform of Hellaby's balance sheet and that shareholders were now reaping the benefits.

"Since mid-2007 when this board and management began the reform of Hellaby, our businesses have generated a total of \$150 million of free cash flow. We believe this outstanding achievement demonstrates the tight financial disciplines and clearly defined strategies we've introduced and continue to operate within. Hellaby now has capacity to fund growth opportunities within the company's gearing targets."

Hellaby's earnings per share were 22.6 cents compared to 20.3 cents per share last year. This amount is diluted due to a 43% increase in the number of shares on offer following the rights issue. The full year result represents a 13.1% return on average shareholders' funds, compared to last year's 11.2%.

Mr Maasland said after four years hard work the foundations of a new Hellaby are now complete. "The company has a new sense of purpose - a vision to be a leading Australasian investor. We have a clear strategy - Buy, Build, Harvest - and we are ready to start on the next phase of our evolution".

Dividend

In keeping with the improving company performance, Directors have declared a final dividend of 6 cents per share, fully imputed, for the year ended 30 June 2011, bringing the total dividend for the year to 10 cents per share.

Investment approach

Mr Williamson noted that while there were no acquisitions or divestments during the year, the company had begun actively seeking investment opportunities.

"With the business turnaround completed and our balance sheet reformed, we're now definitely looking to enhance our portfolio. As identified in our investment strategy, we're targeting clearly defined sectors which complement our business mix, and will only make an acquisition that meets our shareholder value criteria."

"While we haven't yet secured a target that ticks all our boxes, we'll continue to be patient and selective. We have no intention of acquiring any business simply to demonstrate traction."

Outlook

Looking ahead, Mr Williamson said that the company was very positive about its future. He said that Hellaby's immediate operational focus was to further improve the profitability of the Equipment and Footwear businesses and to grow the group's Packaging revenues.

"Hellaby's fundamental short-term performance issue remains the flat economy and its corresponding impact on group sales. However, we are in good shape to take advantage of opportunities which may come our way. Our businesses are now sufficiently lean that any future improvement in sales should have a disproportionately positive impact on our profits going forward. Likewise, value accretive acquisition and investment opportunities are now more likely to emerge."

Mr Williamson noted that Hellaby's total shareholder returns were 87% for the year to 30 June 2011, compared to an NZX50 Gross Index return of 16% for the same period.

"We firmly believe that we can continue to deliver satisfactory results for our stakeholders. This is an exciting time for Hellaby, and we are ready to go."

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About Hellaby Holdings:

Hellaby Holdings ('Hellaby') is an NZX-listed investment holding company, which owns a diversified portfolio of New Zealand and Australian industrial, distribution and retail businesses. We structure our investment portfolio through four divisions – Automotive, Equipment, Packaging and Footwear.

Our vision is to be a leading Australasian investor, based on the value we add to our portfolio, the returns we deliver to our shareholders and the calibre of our people. Hellaby will generate attractive long-term shareholder value through a combination of performance improvement and organic growth in the businesses we own, and through smart acquisitions and divestments. We describe this strategy simply as 'Buy, Build, Harvest'. We seek to generate total shareholder returns superior to the NZX50 Gross Index.

We have a variable investment horizon, and our portfolio will evolve over time. We actively manage our investments through a small, lean corporate office, and decentralise leadership and performance accountabilities to our companies.