

Hellaby Holdings Limited Half Year Results 2010



Disclaimer

This half year results presentation dated 25 February 2010 provides additional comment on the NZX / media release of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in that release.

Please read this presentation in the wider context of material previously published by Hellaby Holdings.

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Results overview

- Net profit after tax (NPAT) of \$2.3 million
- EBITDA of \$9.7 million from continuing operations
- Free cashflow of \$9.8 million
- Sales revenue down by 7% on pcp¹, due to lower sales volumes in Equipment and Footwear
- \$1.2 million recovery against provided for BBQ Factory debt
- Total net debt at \$96.9 million is 32% lower than pcp
- 3 cents per share fully imputed interim dividend

1. previous corresponding period

FY2010 interim results summary

\$NZm	6 months	6 months	% change
	Dec 09	Dec 08	
Total revenue	224.5	242.3	(7.3)
Trading EBITDA	9.7	10.6	(8.1)
Trading EBIT	6.0	6.5	(5.9)
NPAT	2.3	0.4	518.8
Free cashflow	9.8	3.7	164.5
Total net debt ²	96.9	143.0	(32.2)
Core bank debt	48.0	80.0	(40.0)
Interim dividend	3.0c	0.0c	

2. Interest bearing debt including core bank debt, trade loans and capital notes

Several sectors impacted by difficult trading conditions

- Rate of economic recovery slower than expected
- Group earnings impacted by very tough trading conditions in key sectors
 - Equipment division sales revenue down 24% on pcp
 - Tractor tyre sales revenue down 20% on pcp
 - Footwear division sales revenue down 4% on pcp
- Improved earnings performance for Automotive and Packaging in flat trading conditions
- Businesses which have already been restructured now performing to expectation (Eurolift, Elldex Packaging, Diesel Distributors)
- Major restructuring initiatives underway at AB Equipment and Number 1 Shoes
- Working capital projects continue to drive debt reduction

Automotive

<u>\$NZm</u>	<u>6 months Dec 09</u>	<u>6 months Dec 08</u>	<u>% change</u>
Total revenue	79.5	79.3	0.2
EBITDA	9.6	8.5	
EBIT	9.0	7.7	
Free cashflow	11.6	8.9	

- Economic activity in automotive parts sector has normalised
- Strong BNT operating performance and free cashflow
- Successful performance turnaround at Diesel Distributors
- TRS Tyre & Wheel impacted by reduced on-farm spending and lower new tractor imports

Equipment

<u>\$NZm</u>	<u>6 months</u> <u>Dec 09</u>	<u>6 months</u> <u>Dec 08</u>	<u>% change</u>
Total revenue	41.8	54.9	(23.9)
EBITDA	(0.9)	0.7	
EBIT	(1.7)	(0.6)	
Free cashflow	1.3	(1.1)	

- Severely reduced demand for new materials handling and construction equipment
- AB Equipment being reconfigured into leaner, decentralised business
- Eurolift performance improved
- Increased focus on aftermarket sales
- Improved performance expected during second half

Packaging

<u>\$NZm</u>	<u>6 months Dec 09</u>	<u>6 months Dec 08</u>	<u>% change</u>
Total revenue	26.1	26.7	(1.9)
EBITDA	2.5	0.5	
EBIT	2.3	0.3	
Free cashflow	1.8	(1.3)	

- Significant performance improvement
- Margins stronger due to process improvement and consolidation into single Elldex packaging company
- Substantial repositioning into primary sector food / timber packaging

Footwear

<u>\$NZm</u>	<u>6 months Dec 09</u>	<u>6 months Dec 08</u>	<u>% change</u>
Total revenue	78.6	82.1	(4.4)
EBITDA	0.4	2.7	
EBIT	(1.5)	1.0	
Free cashflow	(2.8)	0.0	

- Earnings impacted by lower sales, discounting and Number 1 Shoes restructuring costs
- Number 1 Shoes internal process improvement, incl merchandise planning, inventory management and labour utilisation
- Improved performance expected during second half for Hannahs and Number 1 Shoes

Capital management

- Total net debt at \$96.9 million is 32% lower than pcp
- Core bank debt at \$48.0 million is 40% lower than pcp
- Group inventories 17% lower than pcp
- Working capital improvement remains a key group focus in 2010
- Gearing has further reduced to 52% (compared to 61% in pcp)
- Targeting further reduction in gearing to 50% or below

Performance summary - 6 months to 31 Dec 2009

- Tough decisions, risk mitigation and restructuring now largely completed
- Significant culture change across Hellaby group during 2009
- Subsidiary management teams have been strengthened with additional talent
- Subsidiaries are generally leaner than before, each with clear strategic focus

2010 Priorities

- Completion of major restructuring initiatives at AB Equipment and Number 1 Shoes
 - Effective redesign of both businesses; enhanced management capability
 - Targeting improved profitability, productivity and customer focus
 - ‘short term pain for long term gain’
 - Performance of both subsidiaries should improve during second half
- Further group working capital and gearing improvement
- Now in a position to pursue acquisition opportunities which meet investment criteria

Outlook

- Hellaby's earnings performance traditionally strongly weighted to second half
- Economic outlook remains patchy across many sectors (capital equipment, agriculture, retail)
- Confident that Hellaby will achieve significantly improved earnings for full financial year, relative to previous year
- Well positioned for slow economic recovery commencing 2010
- Any future improvement in sales revenues will have disproportionately positive impact on profits
- Interim dividend signals company's confidence in improved earnings during 2010