

Hellaby confident despite reduced profit

Key points - Hellaby Holdings Limited interim results for the six months to 31 December 2008:

- Accelerating decline in global and local market conditions has affected all Hellaby subsidiaries
- Ongoing focus on cashflow management has resulted in:
 - 32.5% reduction in core bank debt (year-on-year);
 - 20.9% reduction in debtors (year-on-year); and
 - 7.9% reduction in inventory (year-on-year)
- NPAT of \$0.4 million compared to \$5.0 million in the previous corresponding period
- Net asset backing at \$1.84 per share
- No interim dividend
- Year end expectations:
 - EBITDA at year end projected to be around \$25 million;
 - NPAT at year end projected to be around \$5 million; and
 - Core bank debt target reaffirmed at or below \$70 million

Investment company Hellaby Holdings Limited today reported a “mixed bag” of results for the half year to 31 December 2008.

Hellaby Chairman Bill Falconer said that like most other New Zealand companies, Hellaby had been significantly affected by the accelerating decline in market conditions during the second half of 2008.

“The rate of economic deterioration is unprecedented, and it has affected all subsidiaries, with margins particularly impacted. However this has not stopped our focus on performance improvement, and has intensified the urgency with which the company is addressing operational issues, working capital and debt reduction initiatives. We are confident that we have a portfolio of good businesses.

Although we are in a severe downturn, we see this as an opportunity for management to get the business in the best possible shape for when the economy improves.”

Managing Director John Williamson said that group revenue declined by 4.0% to \$242.3 million for the six month period. AB Equipment was particularly affected with a 28% reduction in sales for the October to December period, compared to the previous corresponding period.

Margins were affected in all divisions, not only by pricing pressure but also by the effect of downward currency movement on the cost of goods sold. Higher overheads – mainly in payroll costs and increased property rentals – further affected profits, resulting in a group EBITDA (trading surplus before interest, tax, depreciation, amortisation, discontinued operations and before one-off transactions) of \$10.6 million, compared to \$20.6 million for the same period last year.

Hellaby’s tax-paid profit (NPAT) was \$0.4 million, compared to an NPAT of \$5.0 million for the corresponding period last year.

Mr Williamson said that he was relatively pleased with the company's progress in achieving its debt targets. "On a positive note, core bank debt reduced by 32.5% to \$80 million at 31 December 2008, compared to \$118.5 million at 31 December 2007."

"Our balance sheet has been strengthened by lower inventories and debtors," he said. "Group inventories were \$131.2 million at 31 December 2008, which is 7.9% lower than the same period last year, despite the exchange rate impact from a weakening New Zealand dollar on inventory carrying value. Group receivables and prepayments at 31 December 2008 were \$42.1 million, 20.9% lower than at December 2007. In the circumstances, we are very pleased with this performance, but believe there is still more we can achieve."

Net asset backing at 31 December 2008 was \$1.84 per share, compared with \$1.80 per share at 30 June 2008 and \$1.77 per share at 31 December 2007.

Based on the deteriorating economic environment, likely restructuring costs within AB Equipment, the company's intention to further reduce inventories and the current trading performance of subsidiaries, the Hellaby group EBITDA is likely to be around \$25 million for the year to 30 June 2009. This is below the guidance previously provided by the company, and compares to an EBITDA of \$40.6 million in the previous financial year (including results from the discontinued operations of BBQ Factory).

Correspondingly, the Hellaby group tax-paid profit (NPAT) is presently estimated to be around \$5 million for the year to 30 June 2009, compared to \$4.7 million in the previous year (including results from the discontinued operations of BBQ Factory).

Mr Falconer said that Hellaby directors have not declared an interim dividend for the half year. "Whilst the Board expects the group to achieve a profit for the second half, the priority at this stage is to reduce debt. Hellaby's dividend policy of distributing approximately 50% of net tax-paid operating profits will be applied to the full year NPAT at year end."

Looking ahead, Mr Williamson said Hellaby continues to face what is probably the harshest and most wide-reaching economic downturn since the company listed in 1994.

"We are unable to predict when conditions might sustainably improve. However, that won't stop us from driving further balance sheet improvement across all subsidiaries, and consequently we can reaffirm our target for core bank debt to be at or below \$70 million at 30 June 2009. We will also be focused on ensuring our subsidiaries are responding appropriately to the market conditions, and in the case of AB Equipment, this means a significant restructure.

However, as we continue to tighten our financial disciplines and streamline our businesses, I am confident that Hellaby will emerge in significantly better shape when economic conditions do eventually improve."

Ends

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NB: The results for the six months ending 31 December 2008 isolate out those of BBQ Factory, the assets and business of which were sold on 30 June 2008. As such, BBQ Factory constitutes a 'discontinued operation', which requires its results to be reported separately under IFRS requirements. All comparative operational results have also been adjusted accordingly.