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Pental Limited

2020 Half Year Results Investor Presentation February 2020

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Agenda

- Pental Overview
- Interim Financial Performance
- HY20 Business Update
- Outlook

Presented by
Charlie McLeish, CEO
Neil Godara, CFO

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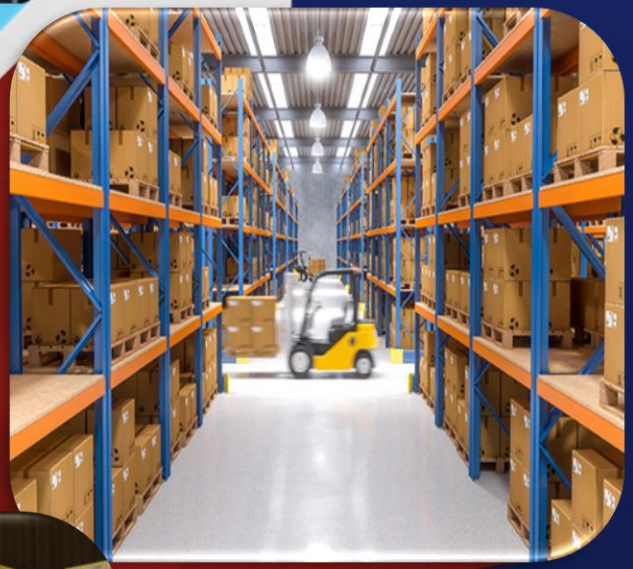

Pental Overview

Our Vision

"To be a leading supplier of shelf stable products to its chosen markets, built around a reputation of delivering quality, innovation and sustainability to the satisfaction of customer needs whilst enhancing shareholder value."

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"We are active in developing new products to grow market share and building strong, ongoing relationships with our customers and suppliers."

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Pental Team

Mark Hardgrave
Non-Executive
Chairman

Fred Harrison
Non-Executive
Independent Director

John Etherington
Non-Executive
Independent Director

Jeff Miciulis
Non-Executive
Independent Director

Oliver Carton
Company Secretary

Senior Executive Team

Charlie McLeish
CEO

Neil Godara
CFO

Substantial Shareholders (1)

Alan Johnstone – 22.36 %

John Homewood – 14.33 %

Allan Gray Australia Pty Ltd (2) – 12.07%

Elevation Capital Management LTD – 8.04%

(1) As at 12 February 2020
(2) Allan Gray Australia Pty Ltd has a relevant interest in shares held by a number of investment institutions including Citicorp Nominees Pty Limited, JP Morgan Nominees Australia Limited and National Nominees Limited amounting to 12.14% of the total issued capital of Pental Ltd.

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Core Values

PEOPLE
Trust & Development

- Compassion, honesty and consistency
- Empower, trust and support others
- Encourage positive can-do attitudes
- Work as one team, communication
- Foster personal growth and career development, success

QUALITY
Quality Control

- Immensely proud of our quality
- Accountability for achieving business objectives
- Agile, flexible and welcome change
- Long-term focus and plan for a sustainable future

CUSTOMERS
Heart of Our Business

- Build trusted and recognised brands
- Develop lasting relationships
- Responsive to their needs
- Provide outstanding value
- Pride in delivering the best products on time

SAFETY
#1 Priority

- Zero harm objective
- Proactive in hazard identification
- Maintain clean and safe equipment

INNOVATION
Embracing New Ideas

- Dare to be different
- Challenge the status quo
- Encourage fresh ways of working
- Maximise consumer insights

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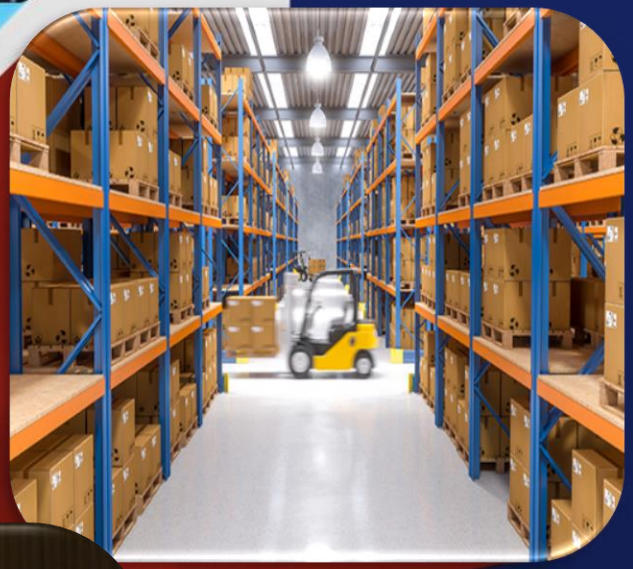

Interim Financial Performance

On the right track

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Strong and robust

- Challenging market environment – low growth, wage stagnation, tough retail environment
- Yet Pental is one of the industry leaders with **strong revenue growth** (15.1 per cent Australia, 10.81 New Zealand), **a 5 per cent EBITDA growth and no debt**

Trusted brands

- Pental's products are mostly **manufactured in Australia**
- 90 per cent of Australians aged 14+ say they are **more likely to buy products made in Australia** – up from 80 per cent four years ago
- Pental's 'house of brands' are highly **recognised and trusted**
- Our marketing tactics in 2019 saw our **customer demographics expand**

A strategy that is working

- **Growth strategy** through agency brands
- Returning strong growth in **New Zealand**
- Great **China potential** through partnership with The Export Group
- **Demand in China** for disinfectant and bleach-based products has **increased** demand for Pental's Australian products
- Capital investment in the Shepparton plant has allowed us to create flexible liquid filling lines that can absorb additional volumes through brand expansion and private label opportunities

Interim Financial Performance

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Highlights

- EBIT $2.214 million – up 6.2% on pcp
- Net Profit After Tax $1.475 million – 2.6% increase on pcp
- EBITDA was $4.169 million – 5% up on pcp on like for like basis[1]
- Total Sales Revenue $55.259 million – up 15.1% on pcp
- Basic EPS 1.08 cents
- Interim fully franked dividend 0.70 cents
- Strong cash position with effectively no debt
- Working capital improved by $0.421 million compared to June 19

[1]Excluding the impact of new accounting standard AASB 16 – leases adopted in the reported period.

Interim Financial Performance

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Key Consolidated Income Statement Items

	Dec-19 $'000	Dec-18 $'000	Change $'000	Change %
Gross Sales (GSV)	**85,288**	**74,190**	**11,098**	**14.96%**
Trade Spend & Rebates	(30,029)	(26,165)	(3,864)	(14.77%)
Net Sales	**55,259**	**48,025**	**7,234**	**15.06%**
Trade Spend & Rebates to GSV	35.21%	35.27%	0.06%	
EBIT	**2,214**	**2,085**	**129**	**6.19%**
EBIT to GSV	2.60%	2.81%	(0.21%)	
Net profit after tax	**1,475**	**1,438**	**37**	**2.57%**
Basic earnings per share in cents	**1.08**	**1.06**	**0.02**	**2.13%**
Interim Dividend Per Share in cents	**0.70**	**0.70**	**-**	**-**

- Gross sales increased by $11.1 million and net sales have increased by $7.2 million on previous corresponding period. This was driven predominantly by two additional months of Duracell distributorship sales.
- A strong performance in New Zealand with net sales up 8.36% (in NZD i.e. before conversion to AUD)
- Fabric softeners sales up, toilet sales stabilised but bleach, soakers and firelighter sales down.
- Overall operating costs remain controlled
- Interim Dividend of 0.70 cents. A payout ratio of 64.7% consistent with prior periods

Interim Financial Performance

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Key Statement of Financial Position Items

	Dec-19 $'000	Jun-19 $'000	Change $'000
ASSETS			
Cash	1,119	246	873
Trade and other receivables	15,386	17,617	(2,231)
Inventories	22,696	22,777	(81)
Property, plant and equipment	21,976	22,588	(612)
Leased assets	1,357	0	1,357
Brandnames and other intangible assets	12,484	12,501	(17)
Other	636	268	368
Total Assets	**75,654**	**75,997**	**(343)**
LIIABILITIES			
Trade and other payables	15,126	17,017	1,891
Current tax payable	206	336	130
Lease liabilities	1,363	0	1,363
Employee and other provisions	2,205	2,090	(115)
Other financial liabilities	678	26	(652)
Deferred Tax Liabilities	3,217	3,344	127
Total Liabilities	**22,795**	**22,813**	**18**
NET ASSETS	**52,859**	**53,184**	**325**

- Working capital down compared to June 19 position by $0.421 million as a result of active debtor and inventory management
- Strong cash position
- Leased assets and lease liabilities recognised on the balance sheet as a result of adoption of mandatory new accounting standard AASB 16

Interim Financial Performance

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Key Consolidated Statement of Cash Flow Items

	Dec-19 $'000	Dec-18 $'000	Change $'000
Profit after Tax	**1,475**	**1,438**	**37**
Add non cash items (depreciation, amortisation and employee share options expense)	1,955	1,681	274
Change in net working capital	421	(7,740)	8,161
Other balance sheet movements	(526)	(377)	(149)
Net cash provided / (used) by operating activities	**3,325**	**(4,998)**	**8,323**
Capital Expenditure	(1,053)	(1,066)	13
Lease liabilities repaid	(239)	0	(239)
Utilisation of supplier payment facility	611	0	611
Dividend Paid	(1,771)	(1,226)	(545)
Net increase/(decrease) in cash	**873**	**(7,290)**	**8,163**
Net cash position at the beginning of the period	246	7,045	(6,799)
Net cash position at the end of the period	1,119	(245)	1,364
EBTDA (Earnings Before Tax, Depreciation and Amortisation)	4,068	3,691	377
Cash conversion ratio (CCR) %	**81.7%**	**-135.4%**	**217.2%**

- A strong cash conversion ratio of 81.7% through effective working capital management enabled funding of FY 19 final dividend and capital expenditure requirements whilst remaining debt free as at Dec 19
- The Company remains in a strong cash position to support further expansion through agency agreements, innovation and market expansion
- Healthy cash flows are projected to continue into the second half of the year, enabling the payment of the interim dividend from operating cash flows.

HY20 Business Update

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Brand Building for the Future

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THE AUSTRALIAN COUNTRY LIFE

- Targeted consumer NPD
- New Soap Bars
- Specialised formulations

White King – The POWER to Protect

- New White King products
- Advertising support
- In-store activation

LITTLE LUCIFER

JIFFY FIRELIGHTERS

- Maintain market leadership
- Best quality products
- Strengthening positioning

softly

Huggie

Laundry

- Brand consolidation
- Softly
- Huggie

Velvet Since 1900

- Specialised formulations
- Beauty bars

Sunlight

- Product innovation
- New sales channels

Challenging Retail Environment

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Shelf Space Return ROI

Retailers growing own brands

Brand Range Rationalisation

Retailer Margin expectations increasing

Price Compression

Strategy

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Driving Sales Growth

- Defending our position
- Promotional driven
- Product Focus
- Investing at retailer level

Develop New Product and Sales Channels

- Launch New Products
- Fill the ideation pipeline
- Brand Protection
- Grow Margin Contribution

Value Added Projects

- Creating Partnerships
- New sales channels
- New Technology
- New Agencies
- New Segments

Export Market

- Grow New Zealand
- China Strategy
- Vietnam
- Explore other International Market Opportunities

Manufacturing Continuous Improvement

- Cost Savings
- CAPEX to drive business growth
- Delivering Quality Products
- Enhance preventative maintenance processes

Pental- Core Brands

- Brand consolidation strategy focused on supporting key retail brands
- Development of new branded products in line with retailer range reviews
- Implemented sales structure to support our brands and products at store level
- New pack designs and formats developed for changing consumer needs
- Ranged White King 2.5 Litre Bleach in Chemist Warehouse.
- Launched 3 new Sunlight Dishwashing Products in IGA
- Pental firelighter brands maintain No1 position in Grocery
- White King Bleach maintains No.1 position in Grocery
- White King Lemon Toilet Gel back to No. 1 ranking position

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Pears - Brand

- We now enter our 7th year of being the sales partner for the distinguished Pears Brand
- Overall growth between this year and last year has been driven by sales success in Chemist Warehouse both instore and Online
- Launched 3 new 500ml Pears Bodywash in IGA
- Successfully ranged 3 new Pears 250ml Handwash in Chemist Warehouse
- Consumers are continually looking for the Pears brand in Australia's key retail chains

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Duracell - Brand

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- Pental will be the official distributor of Procell Professional batteries in Australia and New Zealand
- This half we have 6 full months of Duracell sales compared to 4 months in 2018
- Ranged new Duracell speciality lithium coin batteries and Mobile Phone/Tablet Power Banks into the Metcash Warehouse
- Launched new updated Duracell packaging into Coles and IGA achieving 20% share growth in the Ritchies Supermarket Chain

New Zealand Business

- The New Zealand sales represents 22% of the total Pental Core Branded Business
- A strong performance in the first half – net sales up 8.36% on prior comparative period
- Even though this is a very competitive market, NZ leads the way with promotional effectiveness with very good controls over Trade Spend
- Continue the six year strong arrangement with our NZ based distributor
- Increased focus on developing the Duracell Battery Business
- Four brand focus - Janola, Softly, Sunlight and Little Lucifer
- Upgraded Janola packaging to align with White King
- Standardise Softly branding and formulations for both New Zealand and Australia.
- New sales channels - pharmacy and hardware

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China Market

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KEY EXPORT PARTNER: "The Export Group"

- The Export Group (TEG) is a sales and marketing company that manages the distribution of Australian and western FMCG, luxury, health and lifestyle brands into China and South East Asia
- TEG has an exceptional track record for executing sales and marketing strategies within china via their cross-border e-commerce and General Trade partner networks
- With offices in Sydney, Melbourne and Shanghai, the bilingual team of market specialists have the experience and knowhow to assist Pental to navigate the complex layers of regulation, distribution and sales & marketing within China
- Two brands that TEG have had significant success within the China markets are 'Morning Fresh" and "WeetBix"
- Pental has chosen to engage TEG as an export partner due to their expertise and resource within this very complex region

New Export Markets

Vietnam

South Korea

Thailand

Philippines

- **Continue the journey** with **expansion** into Asia. This includes discussions and negotiations in the Philippines, Thailand, South Korea and Vietnam
- Export project into Vietnam to supply commercial sized products has materialised with the **engagement** of a **key distribution** company based in **Ho Chi Minh City**
- Making progress with the **potential export** of **White King, Softly** and **Country Life** brands into **Thailand**
- Engaged Agent in South Korea that is currently in discussions with various distributors and retailers to supply Pental products into the market. This is an advanced consumer market with demand for premium soaps and body washes
- Exploring opportunities with the Philippines via discussions with key distributors and suppliers

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Operations - Investing for Growth

- New non chemical Liquid Line installed in September allowing versatility with new in-line filler to fill from 400ml through to 2 litre bottles
- This line has the flexibility to fill fabric care, personal care and homecare liquids with application for caps, triggers and sprays
- We now have the opportunity to tender for a wider range of Private Label Products including dishwashing liquids, laundry liquids, non bleach cleaners, handwash and bodywash
- Implemented air-conditioning in warehouse 3 to allow for temperature control storage of lithium batteries

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Operations- Continuous Improvements

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Distribution Improvements

- Delivery accuracy tracking at 100%
- Delivering quality products

Ongoing Productivity improvements is a major focus

- Warehouse picking accuracy is tracking at 100%

Manufacturing Improvements

- New non chemical Liquid Filling Line
- Reduction in trade waste to reduce chemical usage
- Ongoing improvements with preventative maintenance

Best in Class

Business Outlook

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Business Outlook

- Negotiating with a major non-grocery retailer for ranging of White King (supply opportunity looks very positive)
- Negotiating with major FMCG branded company to contract manufacture their product range
- Several tenders in place for the contract supply of Private Label
- New liquid filling line has created the opportunity to develop a range of sustainable eco friendly products
- Strategy developed and negotiation in place with multiple countries within the Asian markets to capitalize on the vast volume opportunities
- Pental will be focusing on the B2B growth opportunities with the Procell battery brand
- Pental sales structural changes to ensure new sales channel growth opportunities within the distributor and pharmacy channels

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Brand Outlook for the Future

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THE AUSTRALIAN COUNTRY LIFE

- Rejuvenate Country Life Brand
- Kids Soap Bars
- Formulating Hand Sanitisers

White King – The POWER to Protect

- New White King Disinfectant
- New White King Window Cleaners
- Digital and TV Advertisements

LITTLE LUCIFER JIFFY FIRELIGHTERS

- Maintain market leadership
- Best quality products on the Australian Market.
- Product Extensions

softly Huggie

Laundry

- Launch New Huggie Products
- Launch New Softly Products
- Tender for Private Label

Velvet Since 1900

- Specialised formulations
- Beauty bars

Sunlight

- Launch new products
- New sales channels

Business Outlook Summary

- Focus on effective branded promotions
- Tendering for a wider range of Private Label Products

- Building a wider customer network with Duracell Batteries
- Renew the Unilever supply contract with Pears
- Investigate other Agency Distribution Opportunities

- Costs out/ down initiatives at our Manufacturing Facility
- Find additional contract manufacturing opportunities

- Continue to build and develop strong Pental Sales Team
- Innovation with both products and processes
- Continued focus on productivity improvements

Pental has consolidated its position for future sustainable profitable growth

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