






PENTAL LIMITED 2020 FULL YEAR FINANCIAL RESULTS

Strong brands, strong demand, and strong team drive Pental's profit

| Highlights | | |
|--|---|--|
|  <p>Net profit after tax \$5.019 million (increased by 161.3% on last year)</p> |  <p>Underlying EBIT Increased by 47.51%</p> |  <p>Dividend Up 45% (including special dividend of 0.7 cents per share)</p> |
| <p>Debt Free (with cash at bank of \$3.668 million)</p> | <p>Sales Revenue up \$26.01 million (increased by 25.9% on last year and revenue growth achieved across all channels and territories)</p> |  <p>Increased multimedia Advertising Spend by 31% (compared to previous year)</p> |
|  <p>Inventory well managed (increased by only 2.8% despite revenue increasing by 25.9%)</p> | <p>Strong start in FY 21 (momentum of strong demand carried into the new financial year)</p> | <p>Seeking acquisitions and growth projects</p> |

Pental Limited (Pental) today announced a statutory net profit after tax of \$5.019 million for the full year ended 28 June 2020 ('FY20'), compared to a profit of \$1.921 million in FY19. Net sales revenue was \$126.460 million, up 25.90% (FY19: \$100.446 million). Reported EBIT increased to \$7.396 million compared to \$2.829 million last year – an increase of 161.3%. On an underlying basis, EBIT increased 47.51% excluding non-cash impairments taken in the prior year.

Pental's earnings growth was driven by strong demand of products and the company's ability to respond by ramping up production and introducing new products to the market.

Overview of FY 20 trading performance

- Net sales revenue was up 25.9% which was driven by increase in consumer demand for strong germ-killing products.
- Net sales revenue in Australia was up 26.98% or \$23.280 million on last year driven by a strong uptake of branded cleaning and personal care products, also assisted by new products introduced to the market during COVID 19 pandemic. Duracell branded products delivered a strong net sales growth of 44.26% in Australia compared to the prior period. After excluding the additional 2 months of trade (July and August 2019) in the financial year, Duracell net sales in Australia grew by 26.80% on a like for like basis.
- Net sales revenue in New Zealand was up \$2.341 million on last year (in New Zealand dollars) or 18.0% driven by strong sales across most brands and categories led by bleach, toilet, household cleaners and manual dishwash. Pental's share in the New Zealand market in several categories such as Toilet, Household Cleaning and Dish Wash remains strong.

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- Exports to Asia grew by \$0.392 million or 20.59% compared to the prior year. Although there was good growth in export market, progress was impacted by COVID 19 driven disruptions, as at the peak of demand, supply to Australian and New Zealand markets was prioritised.
- During the challenging times created by the COVID-19 pandemic, the Company treaded cautiously by making its workplace safe adhering to government guidelines and ramping up production at the same time to address surge in demand for its strong germ and virus killing products.
- Pental continued its focus on efficiency improvement and driving production costs down. As a result, even though direct production labour increased by \$0.493 million predominantly due to increased production driven by increased demand, labour utilisation factor improved by 1.5% compared to prior year.
- Energy and utility costs largely remained in line with last year as a percentage of production costs. The number of cartons produced was up 9.8% compared to the prior year.
- The Group invested in supporting its core brands White King and Country Life through various platforms including social media, sponsorship of Western Bulldogs football club and multimedia advertisements to ensure our high quality Australian manufactured brands remain relevant to the consumers. As a result, marketing expenses were \$0.721 million above prior period.
- Net cash provided by operating activities was \$8.505 million (2019: Net cash used in operating activities \$2.430 million) representing a strong cash conversion of EBITDA at 71%.
- Net working capital (receivables, inventories less trade and other payables) of \$25.212 million was higher than last year by \$1.835 million predominantly due to the timing of financial year end on 28 June 2020.
- Capital investment of \$2.079 million supported initiatives undertaken during the FY20 year. Major capital investment initiatives undertaken during the FY 20 year included replacement of one liquid filling line to improve speed and efficiency of non-bleach based liquid products and to target additional private label business opportunities. As at the reporting date, Pental was in an advanced stage of commissioning enhancements to its existing lines to target ethanol-based hand sanitiser products. The demand for hand sanitisers has increased significantly in recent months due to the COVID 19 pandemic which is expected to remain stable in medium to long term.
- The Company's closing net cash position of \$3.668 million was strong and Pental remains debt free.
- The Company paid a fully franked special dividend of 0.7 cents per share on 7th August 2020 and has also now declared a fully franked final dividend of 1.50 cents per ordinary share (payable on 25 September 2020 with a record date of 7 September 2020), bringing the total dividend for FY20 to 2.9 cents versus 2.0 cents in FY19.
- Given the strong underlying performance of the group coupled with a strong balance sheet, Pental is seeking to identify and evaluate potential acquisitions to fit within its business.

Details of the reported statutory and underlying result for the Group are as follows:

| Statutory & underlying profit comparison to prior period | FY20 (i) \$'000 | FY19 (i) \$'000 | % Change |
|--|--------------------|--------------------|----------|
| Underlying EBITDA (ii) | 11,972 | 8,330 | 43.7% |
| Depreciation and amortisation | (4,576) | (3,316) | |
| Underlying EBIT | 7,396 | 5,014 | 47.5% |
| Finance costs | (175) | (73) | |
| Underlying profit before tax | 7,221 | 4,941 | 46.1% |
| Underlying income tax expense | (2,202) | (1,490) | |
| Underlying net profit after tax | 5,019 | 3,451 | 45.4% |
| Significant items (net of tax): | | | |
| Impairment of brandnames (net of tax) | - | (1,530) | |
| Reported profit after tax | 5,019 | 1,921 | 161.3% |
| (i) Non-IFRS financial table | | | |

(ii) FY20 EBITDA includes the impact of adopting AASB 16 Leases (increase in EBITDA of \$549 thousand). Refer to statutory accounts for full details of the impact.

Leveraging our own strong brands and our expertise to manage brands

Pental is a proud Australian company with a diverse portfolio of iconic brands that are found in households across Australia, New Zealand and Asia, many of which have been used by families for generations.

Pental's strategic partnership with Berkshire Hathaway has also worked successfully with a 44.26% increase in revenue for Duracell & Procell branded products compared to the previous financial year. This bolsters Pental's credentials as an efficient and proven strategic brand development partner in the Australian consumer market.

The strength of its core brands in Australian and New Zealand market is a lever for its growth opportunities. The Company was able to capitalise on a surge of demand for strong germ-killing products by introducing new products under its White King and Country Life brands. The strength of Pental's brands was also supported by Aldi ranging Pental's branded products for the first time.

Managing Director of Pental, Charlie McLeish said: "We are very pleased to be able to service our Australian and New Zealand communities during these challenging times by making locally manufactured high quality strong germ and virus killing products available whilst international supply chains were interrupted. Our strength is in our agility and nimbleness. On top of ramping up our production to address surge in demand, we managed to create new products from concept to launch within a space of 6 weeks which is a great achievement by our team."

For more than sixty years, Pental has capitalised on its reputation for producing quality Australian-made products at its manufacturing base in the regional Victorian town of Shepparton, leveraging increasing consumer preference for locally made brands. The site has been developed further with secure, state-of-the-art warehousing and distribution facilities including Electronic Data Interchange for major distribution customers.

"We are the largest Australian manufacturer of bar soaps, liquid bleach and firelighter cubes with four different production plants. We continue to invest in our manufacturing and distribution capability to create better efficiencies and future-proof our business. Our expertise is also attracting both private label and branded growth contracts," said Mr McLeish.

More progress was made by Pental's strategy in entering new sales channels with the arrangement to supply Pental's flagship brand White King into Bunnings for the first time in May 2020.

Three new White King disinfectant products were developed and released through various retailers during the height of the pandemic, each offering strong germ-killing efficacy to help families stay protected. Two new hand wash products were also developed under its Country Life brand.

Outlook

Pental expects to maintain momentum in FY21.

Pental's strategic distribution partnership with Duracell will support sustainable profitability and the Company is exploring additional partnership opportunities. Pental continues to support its own trusted brands such as White King, Janola, Country Life and Softly with strong above the line investment.

Product innovation is the key to Pental's long term success, and the Company constantly explores opportunities to introduce new products, similar to the successful launch of the White King disinfectants and Country Life anti-bacterial handwash.

The Company is also working with key customers to expand its portfolio of Private Label products.

In a further step towards export growth, Pental is currently in the early stages of supply with a large distributor in China that can provide more scale into the market where high quality Australian brands are well regarded. The Company will continue to investigate opportunities to supply other markets.

Pental will continue delivering on its five strategic priorities:

1. Driving sales growth
2. Developing new products
3. New Sales channels
4. Export markets
5. Continuous manufacturing improvements.

-ENDS-

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Authorised for release by the Pental Board

About Pental Limited

*Wherever you go in an Australian and New Zealand home today it would be odd not to find at least one Pental product. White King, Janola, Sunlight, Softly, Country Life, Velvet, Martha's, Huggie, Lux, Duracell, Little Lucifer and Jiffy form the iconic brand portfolio. All created to make everyday life that much easier- that much simpler. The Pental tradition of providing our customers with products of superior quality continues with constant product innovation and improvements. Pental – Trusted by families for generations. **More information on Pental is available at:** www.pental.com.au*

'Trusted brands since 1856'