

ASX Announcement

19 February 2025

Solid revenue growth despite challenging consumer conditions in Australia and China

Lynch Group Holdings Limited (ASX:LGL) ('Lynch' or 'the Group'), Australia and China's leading vertically integrated wholesaler and grower of flowers and potted plants announces its half year results for the 6 months ended 29 December 2024 (1H FY25).

1H FY25 Key Metrics:

- Revenue of \$196.5m, up 5.3% on 1H FY24, underpinned by resilient demand for floral products in Australia, strong revenue growth in China due to tulip and export volumes
- EBITDA of \$16.5m at midpoint of guidance, down 0.8% on 1H FY24, with Australia demonstrating stability and China weaker over the half year
- Australia revenue increased 3.9% on 1H FY24, with resilient demand for quality supermarket floral product, supported by new brand launches
- China revenue increased 19.7%, with growth in tulip and export volumes, set against weak pricing for roses
- Cash conversion of 46% with seasonal unwind of working capital expected in 2H – below prior year due to timing of customer receipts
- Interim dividend for 1H FY25 of 5.0 cents fully franked declared

Hugh Toll, Chief Executive Officer, commented: *"We are pleased to report solid revenue growth across both the Australian and China markets as our business continues to show great stability amidst a challenging consumer environment in both geographies."*

In Australia, despite constrained consumer spending, we continue to see resilient consumer demand for supermarket floral product, with revenue growth supported by new brand launches. Earnings outperformed revenue growth, underpinned by a combination of initiatives across range management and profit improvement projects, as well as disciplined cost control. The strong growth of floral continues to drive the penetration story for the grocery channel.

In China, revenues grew strongly due to increases in tulip and export volumes during the half, offset by ongoing weakness in rose pricing. Despite the challenging environment, our team on the ground performed incredibly well, ensuring all production was sold and controllable costs were well managed. We continued to invest in our downstream value-add distribution capabilities.

Looking ahead, we expect revenue performance in Australia to continue to be positive, underpinned by category penetration in supermarkets and strong consumer demand during key events. In China, we expect a gradual improvement in price as supply and demand begins to rebalance."



Financial Overview

1H FY25 produced solid revenue growth for the Group, with positive performance and improved margins in Australia demonstrating stability in that market, with strong revenue growth in China on increased tulip and export volumes. Group EBITDA of \$16.5m was at the midpoint of guidance but down 0.8% on 1H FY24, with Australian EBITDA outperforming revenue growth due to a combination of range management, maturation of profit improvement initiatives and disciplined cost control initiatives, offset by weak rose pricing in China. NPATA of \$1.1m reflects a positive result in Australia with China loss making during the half (but with positive operating cashflow). Cash conversion was 46%, due to the timing of customer receipts, with a substantial unwind of the first half working capital deficit expected in 2H. The interim dividend declared for 1H FY25 was 5.0 cents fully franked, up 1.0 cent on the period last year.

Operational Overview

Australia

Revenue was up 3.9% on 1H FY24, demonstrating the continued resilience of consumer demand for quality supermarket floral product and launch of new brands during the half. The Group's sale or return stores remained at 26% of the store network with these stores continuing to grow faster than core stores. Floral revenue was up 8.3% with the plants category declining 15.8% as consumer demand resets from the peaks of pandemic impacted 2021 / 2022. EBITDA was up 7.2% on 1H FY24 – outperforming revenue growth – with the margin improving to 8.9%. Drivers included a combination of range management, maturation of profit improvement initiatives and disciplined cost control initiatives amid a constrained consumer environment.

In 1H FY25 the key Christmas event proved challenging due to industrial action impacting a major customer, however a satisfactory result was still delivered following collaborative efforts between teams. Automated bouquet making lines were added into New South Wales during the half with further investment expected in 2H to drive labour productivity and product quality. Lynch's SAP system upgrade is well progressed with the project's first phase expected to be completed on time and budget within FY25 with costs of c. \$1.5m.

China

In China, revenue grew 19.7% due to growth in tulip and export volumes. An increase in domestic rose volumes was offset by moderate declines in ASP, leading to a neutral revenue outcome for that product line.

China EBITDA fell 36.8% with domestic rose pricing continuing to underperform in an environment of weak domestic spending.

Operational execution and costs were well controlled with volume increases achieved and costs in line with expectations. One hectare (1ha) of additional land was developed to bring the total land developed to 85ha. The business continued to enhance its downstream distribution capabilities and



broaden channel and customer reach from Kunming, Shanghai and Guangzhou, positioning the business well for a market recovery.

Outlook

Hugh Toll, Chief Executive Officer, commented: *“While the challenging consumer environment in China continued through the half, we see a significant opportunity in the market over the medium to long term alongside continued growth in Australia. China revenue over the first seven weeks trading of the second half is up 15% on the same period last year with pricing achieved during Chinese New Year and Valentine’s Day favourable compared to the same period in FY24 providing more confidence on the earnings outlook as we move into the second half. Any improvement in pricing is expected to translate to improved earnings, demonstrating the significant operating leverage in the China business. In Australia, revenue for the first seven weeks of the second half including the Valentine’s Day event is up 7% year on year with strong consumer demand and favourable event timing, while forward orders for Mother’s Day indicate strong volume growth over the previous year. We expect positive sales momentum to continue, driven by the resilience of demand in floral product and new brands launched to support our major customers.”*

FY25 Group outlook as of February 2025 is for:

- **FY25 full year group Revenue growth** of around 6% driven by strong performance during key event periods – Chinese New Year, Valentine’s Day, International Women’s Day and Mother’s Day
- **FY25 full year group EBITDA margin** at a similar level to the prior year

Further guidance on trading conditions is expected to be provided following the Mother’s Day event in May 2025.

Authorised for release by the Board of Lynch Group Holdings Limited

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