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Schaffer Corporation Limited

FIRST HALF 2025 RESULTS
SFC ANNOUNCES NET PROFIT AFTER TAX[1] OF $12.7 MILLION, UP 44%

19 February 2025

Dear Shareholder,

Schaffer Corporation Limited (ASX: SFC) reported first half statutory net profit after tax (NPAT[1]) of $12.7 million (1H24: $8.8 million). SFC's results reflect a strong performance from Delta and similar profits for Automotive Leather versus the comparative period.

The Board has declared an interim fully franked dividend of $0.45 per share, matching last year's interim and final dividend.

Automotive Leather generated profits[1] of $7.8 million (1H24: $7.8 million). Automotive Leather saw some new programs launch during the half while other program launches were delayed.

Delta's profitability was strong at $4.2 million (1H24: $2.2 million) having benefited from the high level of infrastructure projects in Western Australia. Going forward however many of these large-scale projects have been completed and the industry now has excess capacity.

Group Investments contributed NPAT[1] of $2.3 million (1H24: $0.5 million) mainly due to net unrealised gains on equity investments compared to net unrealised losses in the comparative period.

At 31 December 2024, the pre-tax net equity value of the Group's investments was $219.9 million or $16.18 per share. This compares to the 30 June 2024 value of $210.9 million or $15.53 per share.

Half-Year ($ million)	1H25	1H24	$ Change
Revenue	**112.3**	112.9	($0.6)
NPAT[1] from:			
Automotive Leather	**7.8**	7.8	0.0
Delta	**4.2**	2.2	2.0
Manufacturing NPAT[1]	**12.0**	10.0	2.0
Group Investments	**2.3**	0.5	1.8
Corporate	**(1.6)**	(1.7)	0.1
Statutory NPAT[1]	**12.7**	8.8	3.9
EPS	**$0.94**	$0.65	$0.29
Ordinary Dividends (fully franked)	**$0.45**	$0.45	

1. Net Profit after tax and minority interests.

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AUTOMOTIVE LEATHER

Half-Year ($ million)	1H25	1H24
Revenue	**84.1**	92.8
Segment NPAT[1]	**7.8**	7.8

1. Net Profit after tax and minority interests.

Automotive Leather had a good first half notwithstanding lower revenues.

Revenues decreased 9.4% to $84.1 million (1H24: $92.8 million) while profits of $7.8m were similar to 1H24. Revenues were impacted by delayed launches of certain new programs. We now anticipate the delayed launch towards the middle of the second half.

Sales volumes were also impacted by the flooding of a key aluminium supplier for one of our major customers which resulted in a large reduction in sales volumes on key models for around two months. The aluminium shortage was resolved during the half, and we anticipate that these sales will be caught up in the second half.

Design complexity and lower production tolerances on new programs continues to impact margins. Management remains focused on improving operational processes to drive better production efficiencies.

Our main luxury automotive customers in Europe have recently reported their quarterly results which were mixed. Jaguar Land Rover reported good results, while Audi and Mercedes reported ongoing sales weakness, particularly from China.

Risks for Automotive Leather include:

- Slower than expected or delayed new program launches.
- Global economic uncertainties, including a global economic slowdown.
- Adverse currency volatility.
- Inflationary costs pressures, particularly labour and energy.
- Geopolitical risks may cause elongated supply chains.

Subject to the above risks, our profits for 2H25 should be higher than 1H25 as new programs should launch and operational efficiencies on programs should improve.

DELTA

Half-Year ($ million)	1H25	1H24
Revenue	**22.0**	14.7
Segment NPAT	**4.2**	2.2

Delta reported a strong 1H25 profit of $4.2 million (1H24: $2.2 million) on higher revenue of $22.0 million (1H24: $14.7 million).

Delta benefited from the Government's continued investment in large-scale infrastructure projects in Western Australia.

Going forward many of these large-scale projects have been completed and the industry now has excess capacity. Based on current market competitive conditions, we anticipate both revenues and profits should be considerably lower.

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Given Delta's current order book, profits should be closer to break even for 2H25.

GROUP INVESTMENTS

Half-Year ($ million)	1H25	1H24
Revenue	**$6.2**	$5.4
Segment NPAT[1]	**$2.3**	$0.5

1. Net Profit after tax and minority interests.

Group Investments represent a growing proportion of the Group's underlying assets and valuation. We continue to grow the division opportunistically with the objective of maximising shareholder value over the medium and long-term.

Revenue was $6.2 million (1H24: $5.4 million) with profits[1] of $2.3 million (1H24: $0.5 million). The increase in profitability primarily relates to a non-cash, unrealised gain on our investment in Harvest Technology Group (ASX: HTG) of $0.2 million versus a loss in 1H24 of -$1.5 million.

The pre-tax net equity value[2] of Group Investments ended the half up $7.2 million to $219.9 million (June 2024: $210.9 million) or $16.18 per share (June 2024: $15.53 per share).

Approximately 72% of SFC's investments are property, the largest portion being South Connect Jandakot. Most of the property assets are value-add, focusing on potential medium to long-term capital gains. A further 21% of SFC's investment assets are invested in cash deposits and highly liquid equities with a bias towards quality and value, through internally managed SFC global equity funds and other externally managed equity funds.

Pre-Tax Net Equity Value[2]	**Dec 2024**	Jun 2024	**Dec 2024**	Jun 2024
	$m	$m	**$/Share**	$/Share
South Connect Jandakot	**83.9**	82.1	**6.18**	6.06
Other Property Investments	**73.9**	73.6	**5.43**	5.41
Equity investments at market value[3]	**37.3**	36.3	**2.75**	2.67
Cash, term deposits and fixed income	**24.8**	18.9	**1.82**	1.39
Overall investment portfolio	**219.9**	210.9	**16.18**	15.53

2. Group share of fair value less Group share of debt.
3. SFC's investment in Harvest Technology Group (ASX: HTG) is included using a value per share of $0.009, which is below the $0.022 closing share price of HTG at 31 December 2024. The discount to the closing price takes into consideration the significant volume of HTG shares held by the Group.

Property

The Group's property investments comprise the following (SFC's share of pre-tax net equity values in parentheses):

- ***South Connect Jandakot: ($83.9 million, June 2024: $82.1 million)***

  South Connect Jandakot is well located to benefit from the increased demand for showrooms and logistic warehousing driven by the rapid growth in ecommerce. The property has an approximate net developable area of 34 hectares with the final stage of civil works (roads, sewerage, power, lighting and drainage etc.) now completed.

South Connect Jandakot's current "as is" pre-debt valuation is $96.1 million (June 2024: $94.3m). Around 55% of the civil works has been funded by debt, totalling $12.2 million. The pre-tax net equity value of $83.9 million reflects an increase from the prior year of $1.8 million, including $2.0 million for completion of civil works.

- ***Syndicate properties ($53.1 million)***

- ***Other directly owned property ($13.8 million)***

- ***39 Dixon Road, Rockingham ($5.3 million)***

  The property is a large format retail site, comprising three tenancies. The site is at full occupancy with three national tenants and a weighted average lease expiry of four years.

- ***North Coogee - Beachside (market value $1.7 million*****)**

  The Group sold its final residential lot during the half and still holds three apartment sites while waiting for apartment market conditions to improve.

OUTLOOK

The current global economic environment shows signs of slowing with many other potential risks which could impact our businesses. We remain cautious but continue to see opportunity for Automotive Leather during the second half of the 2025 financial year.

Automotive Leather

Profitability for the second half should be higher than the first second half of this financial year.

Delta

We expect Delta's profits to be closer to break even for the second half.

Group Investments

Our investments are revalued each period. This may result in profit volatility, both up and down.

DIVIDENDS

The Board has approved a fully franked interim dividend of $0.45 per share. The record date is 7 March 2025. The dividend will be paid on 14 March 2025.

Yours sincerely

John Schaffer AM
Chairman

The Board has authorised this document to be released to the ASX.

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