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Skellerup achieves another record result

Broad-based revenue growth underpinned a record year for Skellerup, generating earnings before interest and tax (EBIT) of $78.0 million, a seven per cent increase over the prior year.

Highlights for the year ending 30 June 2025

- Revenue of $353.5 million, up 7% on the prior comparative period (pcp)
- EBIT of $78.0 million – a record result, up 7% on the pcp
    - Industrial Division's EBIT of $48.4 million – a record result, up 3% on the pcp
    - Agri Division's EBIT of $35.3 million – a record result, up 15% on the pcp
- Net profit after tax (NPAT) of $54.5 million – a record result, up 9% on the pcp
- Operating cash flow of $66.5 million, down 6% on the pcp due to working capital investment
- Net debt of $12.4 million, down 19% on the pcp
- Final dividend of 16.5 cents per share (cps) (50% imputed), bringing the total FY25 dividend to 25.5 cps (50% imputed) for the full year, up 6% on the pcp

Group

CEO Graham Leaming said the Skellerup team performed well across the world. "We had consistent performance across the Group in FY25, delivering FY25 EBIT of $78.0 million, an increase of seven per cent over the pcp. This was the ninth successive year of EBIT growth, and has been enabled by the focus, quality, adaptability and tenacity of our team, supported by robust allocation of financial capital."

Leaming added, "Adaptability has been an important competency in recent years. Having navigated the challenges presented by the COVID-19 pandemic and regional conflicts interrupting freight routes, significant tariff cost increases became the dominant issue in the second half of FY25. The United States market is our largest, with 37 per cent of Group revenue generated from this market in FY25. We anticipated these tariff increases (at least to some extent) and mitigated the impact on FY25 by building inventory ahead of their imposition and then by moving swiftly with pricing and cost initiatives. Also, and importantly – both ahead of and post their imposition – we have been investing in modernising our manufacturing capability to build a more flexible platform capable of in-market deployment."

Lower financing costs provided an additional boost, resulting in NPAT of $54.5 million, up nine per cent on the prior year's Underlying NPAT (FY24's NPAT of $46.9 million included a $3.1 million non-recurring, non-cash tax charge required for the change in legislation in New Zealand to remove tax depreciation deductions on buildings. To provide a like comparison, Skellerup reported an Underlying NPAT of $50.0 million for FY24).

Industrial Division

The Industrial Division's EBIT was $48.4 million – a fifth consecutive record result and up three per cent on the pcp. Revenue was $241.3 million, up seven per cent on the pcp. Skellerup's products for industrial applications are manufactured across the world. Increased tariffs net of recoveries had a limited impact on FY25 due to inventory management, pricing and costing initiatives.

Leaming noted, "Earnings growth was more modest than in recent years. Sales of engineered polymer products and vacuum systems for potable water, wastewater and industrial control applications were up in the US and Australia. Roofing and construction sales grew, spurred by the installation of solar systems in the UK, more than offsetting the impact of a soft Australasian construction market. Marine foam (U-DEK™) sales into the US began to strengthen in the second half of the year after a prolonged period of low demand and inventory adjustment by our customers. Product mix, freight cost volatility, tariff costs and investment in development for expansion partially offset revenue growth impact on earnings."

Agri Division

EBIT for the Agri Division was $35.3 million – a record result and up 15 per cent on the pcp. Revenue was $113.8 million, up eight per cent on the pcp.

Leaming explained, "Demand for essential consumables for the global dairy industry was consistently strong throughout FY25, in contrast to FY24 where the first half of the year was impacted by customer destocking. FY25 sales in the New Zealand market were up six per cent and sales in international markets were up ten per cent. We have a multi-channel approach to this market, supplying our food-grade-compliant consumables and products to original equipment manufacturers (OEM) of milking platforms and our own branded products to customers throughout the world."

Footwear's contribution was lower in FY25. Demand strengthened in the second half of the year after a subdued start; however, higher material costs and reduced production to manage inventory levels negatively impacted the FY25 results. Countering these impacts, the Red Band™ Low, tailored for quick jobs around the home, garden or farm, was successfully launched and the limited-edition Pink Band gumboot in support of the Breast Cancer Foundation New Zealand (BCFNZ) was again well supported.

Application and Customer Focus

We continue to invest in developing products, people and manufacturing capability to ensure that we deliver earnings growth in the future. We have a deliberate strategy to design and manufacture predominantly polymer-based products for use in applications which demand precision, high performance and conformance. We focus on applications where we have expertise and that capitalise on our capability to integrate multiple materials. Our collective strength in material science, product design and manufacturing processes provide us with a point of difference to deliver valuable, critical products for our global customers.

Leaming noted, "Ensuring our product development initiatives are focused on a clear understanding of customer needs is crucial to deploying human and financial capital for the best return and (obviously) meeting customer requirements. Customer feedback places great value on our ability to rapidly prototype products to give them tangible items to evaluate. This builds trust and confidence, and, with customer commitment or market conviction, we are then able to convert these into production quickly."

Potable water, wastewater and industrial control applications continue to provide significant opportunity for growth, and this is an area we will reinforce with more in-market resource to capitalise. These applications demand products that deliver high performance and conformance – a perfect fit for our technical capability. We have a good pipeline of new products for customers across the world.

Dairy is one of the cornerstones of Skellerup and the demand for protein globally continues to grow. Our focus is to develop innovative products with features that deliver productivity gains for farmers. Over the past 18 months, we have successfully launched new high-performance milking liners in the US market and the first products from our Thriver™ calf feeding range into New Zealand and international markets. We have also been investing in modernising our manufacturing capability, which has reduced engineered and production waste as well as energy consumption, has improved productivity and provides a platform for possible future deployment in other markets.

Looking Ahead
Chair John Strowger highlighted the durability of the Skellerup business and the potential this presents for expansion.

"I have talked previously of our preference for incremental growth and development as a least-risk approach. We are, by nature, conservative. However, some of the future initiatives we may implement (in particular, if the establishment of in-market capability is pursued) will be more significant, from both a financial and operational perspective. In addition, it will be important to develop new markets for our products – the establishment of in-market capability would result in capacity at existing facilities. The management team is undertaking work in this area now, in anticipation of this occurrence in the future."

Strowger noted further that there is scope for the next 12 to 36 months to be quite a watershed period for Skellerup.

"As we move to best configure the business for the future, there are exciting times ahead. Shareholders can be assured that we will be cautious in the deployment of capital. Of course, it helps that we have a very strong balance sheet – net debt on 30 June was $12.4 million (a $3.0 million reduction from FY24). This has also enabled the Board to declare dividends totalling 25.5 cents per share in FY25 – another record. The increase in dividend (which amounts to a distribution of 92 per cent of FY25's NPAT) is also a reflection of the Board's confidence in Skellerup's future."

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