Eight years of growth, and one division quietly losing money

A three-division group: distribution, manufacturing and services. Eight years of results, FY2019 to FY2026, assessed division by division and as a group.

CAUTION Revenue grew every year, but the group now earns less than its cost of capital. One division has turned a profit into a loss and is being funded by the other two.

$96.7m
Group revenue in FY2026, up from $67.6m in FY2019

6.9% vs 9.0%
Return on invested capital vs cost of capital

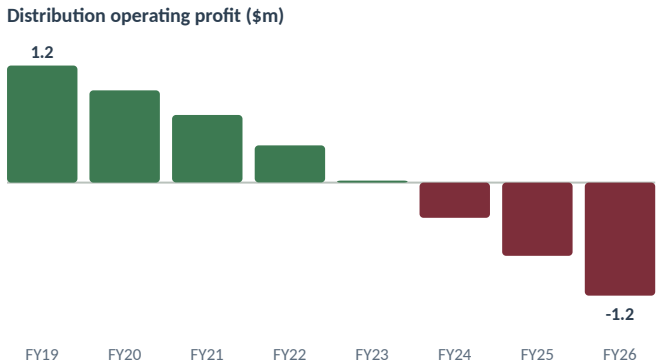
$12.6m
Distribution short-term borrowing, up from nil

125%
Share of group profit paid out in dividends

Division scorecard, FY2026

Division	Revenue	Operating margin	Health score	Value added
Distribution	$47.6m	−2.5%	24.4 critical	n/a
Manufacturing	$33.3m	15.5%	78.5	$1.60m
Services	$15.8m	10.5%	72.3	$0.78m
Group	**$96.7m**	**5.8%**	**50.0**	**−$1.00m**

Value added is profit after a charge for the capital used, at a 9.0% cost of capital. It is not shown for Distribution.



What the diagnostic found

- **Distribution sells more and earns less.** Its gross margin fell from 22.4% to 17.1% as revenue grew, turning a $1.23m operating profit into a $1.19m loss.
- **The other divisions are carrying it.** Manufacturing paid $3.04m in dividends to the group in FY2026 while Distribution's borrowing kept rising.
- **The best division is running down its plant.** Manufacturing is at 94% capacity, with capital spending at 41% of depreciation.
- **Dividends are being paid from debt.** The group paid out more than it earned, and short-term debt rose to $13.95m.

Decisions put to the board

1. A 12-month turnaround test for Distribution, with a restructure or exit decision at the end.
   If nothing changes: a further loss of about $1.85m next year, on current trends.
2. Reset the dividend to what the group actually generates in free cash.
   If nothing changes: the group keeps borrowing to pay its owners.
3. Approve a plant reinvestment and capacity plan for Manufacturing.
   If nothing changes: growth stops at capacity, on an ageing plant.

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