Metro Performance Glass

FY19 Annual Results Presentation

23 May 2019

METRO PERFORMANCE GLASS

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Summary of the year

Summary of the year

- EBIT in line with March guidance, stronger debt reduction
- Improved financial results in New Zealand *(80% of group revenue)*
- Good progress made on people and customer focused initiatives in NZ, positioning the company well for increased competition
- New Tasmanian plant achieved year one targets including reaching EBIT breakeven in Q4
- Strengthened balance sheet reported net debt reduced by $11m
- Simon Mander joined in November as Metroglass' new CEO

Balanced by

- Disappointing Australian financial results, including impairment of Australian intangible assets. Remedial actions and clear milestones in place for performance improvement
- Operational improvements now emerging in Victoria and New South Wales following business reset
- Increased competition across our markets

Metroglass' position in New Zealand

- Metroglass is a clear market leader and is well placed to succeed having invested ahead of its competition in new manufacturing capacity and people capabilities
- The company will continue to focus on differentiating and reinforcing its value proposition to its customers through continued execution of its strategy
- We will draw on our scale advantages, strong customer relationships and the depth of talent the business has built up over its more than 30-year history

Our strategy at a glance

THE METRO WAY

SAFETY
Embed 'Home safe every day' as our way of life

PRODUCT & PROCESS QUALITY
Right first time, every time

OUR CUSTOMER
At the centre of everything we do

OUR PEOPLE
We value, inspire, train and develop our team

OWNING OUR WORK
We take responsibility and work as one team

Our goals

Deliver market leading customer service

Develop our organizational capabilities

Uphold our scale strength through product & channel leadership

Leverage that scale to deliver solutions efficiently

Executing on Metroglass’ strategic objectives (1/2)

The New Zealand operations have achieved sustained incremental improvements in customer experience, operating performance and culture. The Australian business has taken longer to reset its operations, however the business stabilised in the second half

1. Deliver market leading **customer service**

- Continued improvement in NZ customer service– lower external reworks, improved responsiveness
- Actioning feedback from customer survey – focusing on quality, delivery in full, and delivery on time
- AGG service levels continuing to improve

Action: Reset of Australian business improved customer service metrics (DIFOT, reworks) in all three states through the second half of the financial year and into FY20

2. Develop our **organisational capabilities**

- Mixed H&S performance with increased LTIFR and decreased TRIFR
  Action: Focusing on improved safety through preventative efforts; appointed a Group H&S Manager (also on senior leadership team)
- Increasingly stable team in NZ, with voluntary staff turnover declining 9% and absenteeism ~10% YOY
- Delivered initiatives to better support, train and engage our people
- Included a group-wide staff engagement survey and appointment of a learning and development manager
- Strengthened AGG leadership team and front-line factory supervision in NZ
- Aligned NZ wage rates with a competitive labour market and reinvigorated our apprenticeship programme
- Completed a number of IT system improvements with a focus on people and customer service
- New Group CEO Simon Mander joined in November 2018

Executing on Metroglass' strategic objectives (2/2)

3. Uphold our scale strength through product & channel leadership

- Metroglass' NZ revenue and margins grew, but market share of glass imports declined on new competitor capacity, lower inventory by $1.6m and mix focus
- Commercial glazing revenue grew by 8.9%, residential and Retrofit sales in line with last year
- AGG revenue declined 9.0%, following operational issues
  Action: Rebuild customers' confidence and trust through sustained improvements in operating performance. Good progress in the second half of the financial year is continuing
- New Tasmanian plant met its year one financial goals, including reaching EBIT break even in Q4 FY19
- AGG launched its 'good-better-best' range of low-emissivity (LowE) double glazed units
- AGG product specifications now available in the widely used Window Energy Rating Scheme (WERS) system

4. Leverage our scale to deliver solutions efficiently

- Increased NZ margins through favourable product mix and pricing, with efficiency gains offsetting cost pressures in labour, distribution and materials
- Achieved labour efficiency gains (and service improvements) in NZ resulting from a more stabilized workforce and increased front-line leadership roles
- Completed improved finished goods delivery system trials in two NZ plants with positive results
- Reshaped the Canterbury business in line with reduced activity levels
- Refreshed manufacturing continuous improvement program launched in Auckland and Christchurch with good early progress
- Lower growth rate than anticipated in Retrofit

  Action: Re-prioritised Retrofit marketing activity, executing an operational effectiveness programme
- Operational challenges impacted Australian labour efficiency, particularly in the first half of the year

  Action: Initial cost reduction plan has been executed. As the business stabilizes, its operating costs will be reviewed

FY19: Key financial outcomes

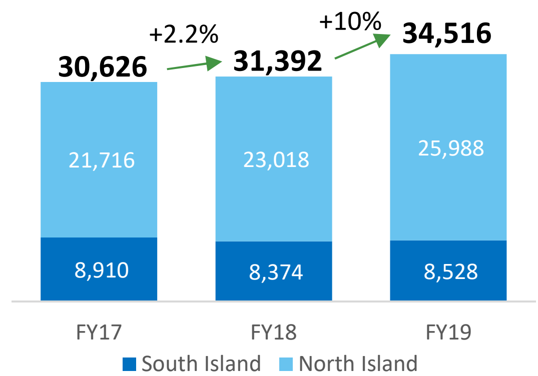
1. Group revenue of $267.8m in line with pcp, EBIT* of $25.2m (-18%) and NPAT* of $14.2m (-23%), impacted by poor trading results in Australia
2. NZ revenue of $217.4m (+2%) and EBIT of $31.1m (+6%), with growing North Island activity offset by further South Island declines. Sustained improvements in service levels were delivered
3. The Australian business delivered an EBIT loss of $4.8m vs. EBIT of $3.2m in FY18 driven by operational challenges and the Tasmanian plant start-up. A new senior leadership team is in place and operational improvements observed in 2H19
4. Reported net debt decreased by $11m to $83.3m (2.1x EBITDA)
5. Announced the intention to prioritise debt repayments and declare no dividends until reported net debt to EBITDA reduces to ~1.5x
6. Capex reduced by 62% to $7.8m

* Before significant items

Building activity levels remain at historically high levels, with positive leading indicators in NZ and negative indicators in Australia

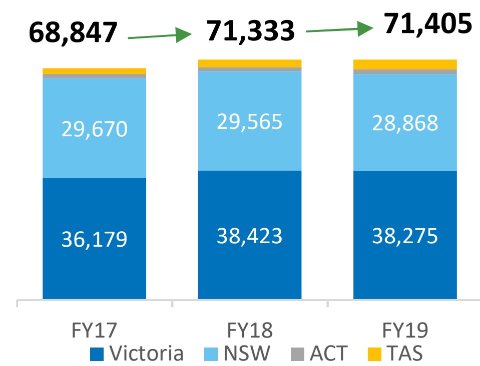
Strong economic and demographic fundamentals continue to support strong activity (moderating but still high migration, low interest rates, underbuilt Auckland, KiwiBuild), but supply-side constraints (capacity, costs, credit availability) are impacting growth

New Zealand – # of residential consents[1]



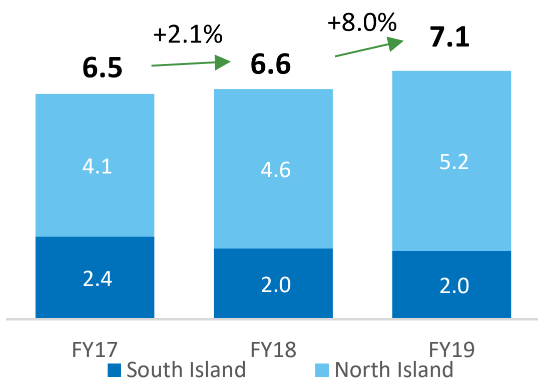
- Residential dwelling consents for 12 months to 31 March 19 rose +10%
- North Island +13%
- South Island +2% Canterbury 0%

South East Australia – # of detached dwelling approvals[3]



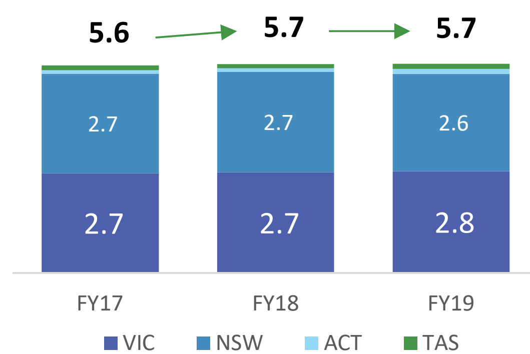
- Double glazing penetration is increasing
- Detached dwelling (house) approvals for the 12 months to 31 March 19 rose 0.1%
- Victoria -0.4%, NSW -2.4%

New Zealand – value of non-residential consents ($bn)[2]



- The value of non-residential dwelling consents for the 12 months to 31 March 19 rose +8%
- North Island +13%
- South Island -3%

South East Australia – value of A&A (A$bn)[3]



- The value of alterations and additions for the 12 months to 31 March 19 rose +0.1%
- Victoria +0.9%, NSW – 3.1%

1. *Source: Statistics NZ, number of residential dwelling consents (12 months to 31 March 2019). No lag has been applied.*
2. *Source: Statistics NZ, value of non-residential consents (new plus altered; 12 months to 31 March 2019).*
3. *Source: Australian Bureau of Statistics, 8731.0 Building Approvals, Australia (12 months to 31 March 2019).*

Operational update – New Zealand

- Conducted extensive customer survey, re-prioritised internal initiatives to align with customer requirements
- Focus has been on building organisational capability in order to improve our service to customers
  - Service metrics have been highest achieved in over 2 years, e.g. items delivered on time or within 48 hours if late (late-tail-DIFOT) improving from an average of 86% H2 2018, to 93% in FY19.
  - Filled all operational leadership roles and strengthened supervisor levels across sites
  - Reset of wage rates to more accurately reflect the market
  - Voluntary staff turnover continues to decline – 31% in FY18 to 22% in FY19
- Re-shaped the Canterbury business inline with reduced activity levels, will provide dedicated focus on production, glazing and the merchant/retail market
- Margins in New Zealand have been supported by selling an increasingly higher-value product mix, including more safety- and heat-strengthened glass as a result of building codes changes in 2017.

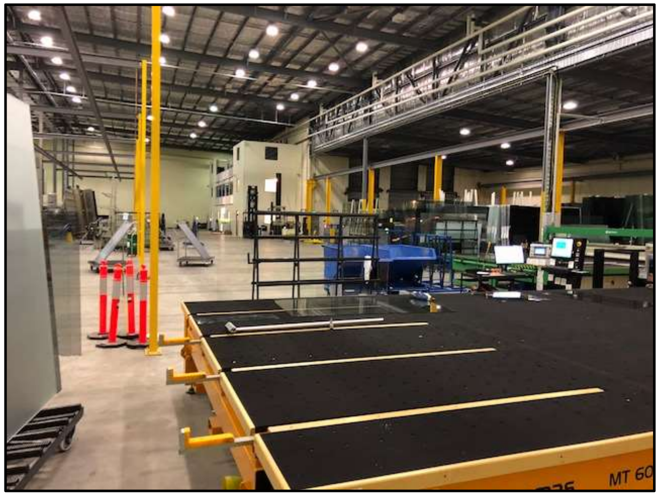
Changes in Metroglass' competitive landscape

- The New Zealand market is rapidly evolving, with the buoyant housing and construction markets encouraging investment from new and existing players
- As at today, there continues to be little reliable information available about new entrant's specific plans
- Metroglass' board and management anticipate that once the plant commences production a gradual reduction in our sales from window fabricators affiliated to the new entrant, primarily in the upper North Island, could be expected in the following years
- Today our customers already have the ability to select between multiple glass suppliers, and yet choose to work with us. We're working hard to continually improve their experience and have made good steps forward this year
- Metroglass is well placed to succeed having already significantly invested in new manufacturing capacity and people capabilities. The company will continue to focus on differentiating and reinforcing its value proposition to its customers through continued execution of its strategy

Operational update – Australia

Tasmania

- Embedded processes and organisational capability in new facility with full glass processing capability, (including LowE glass)
- Transition of service from Victoria to the new plant saw service levels fall and a (temporary) loss of market share
- The plant is now performing well, with sales run rate ahead of AGG's historical sales to Tasmania from Victoria
- Offers better service to the market and releases capacity in Victoria
- EBIT positive run rate in final quarter, achieving year 1 financial and operational goals



New glass processing plant based in Hobart, Tasmania.

Operational update – Australia

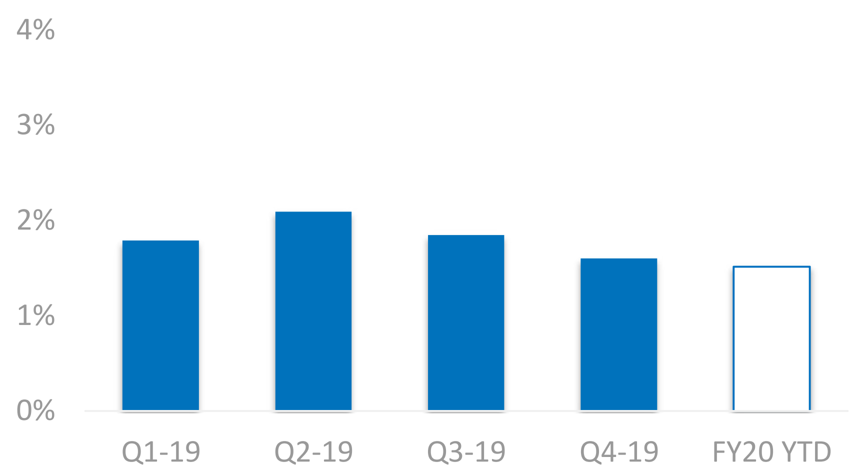
Victoria

- Capital programme has delivered the right equipment to meet market demand
- Variable production performance in the period. Excess capacity following commissioning of Tasmania plant also led to diseconomies of scale
- Organisation and culture changes in progress to drive sales and financial performance improvements.
- Additional capacity installed by competitors alongside the strong market activity
- Profitable business

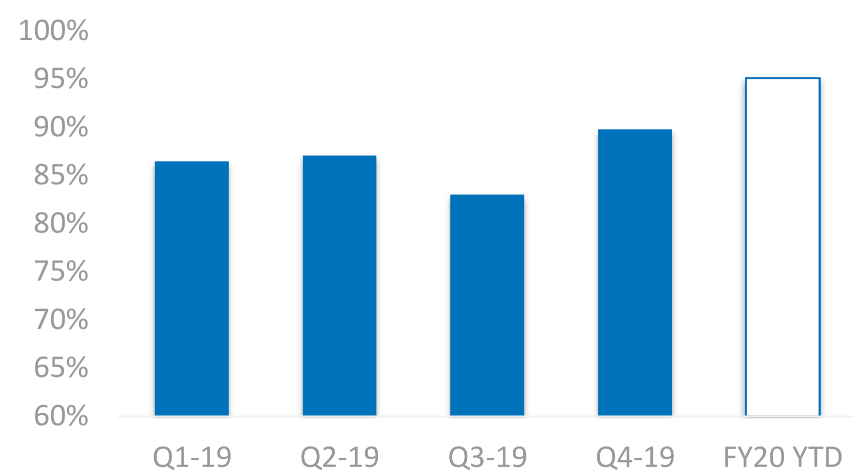
New South Wales

- Variable production performance in the period as the business transitions focus away from toughened glass towards double glazing
- Plant transferred from Highbrook is now performing well, increased capacity now on stream to support growth across market in South East
- Reduction in headcount of c. 20% on the back of capital program bringing improved layout and equipment reliability
- Organisational and process changes now embedded and beginning to take effect

% external reworks

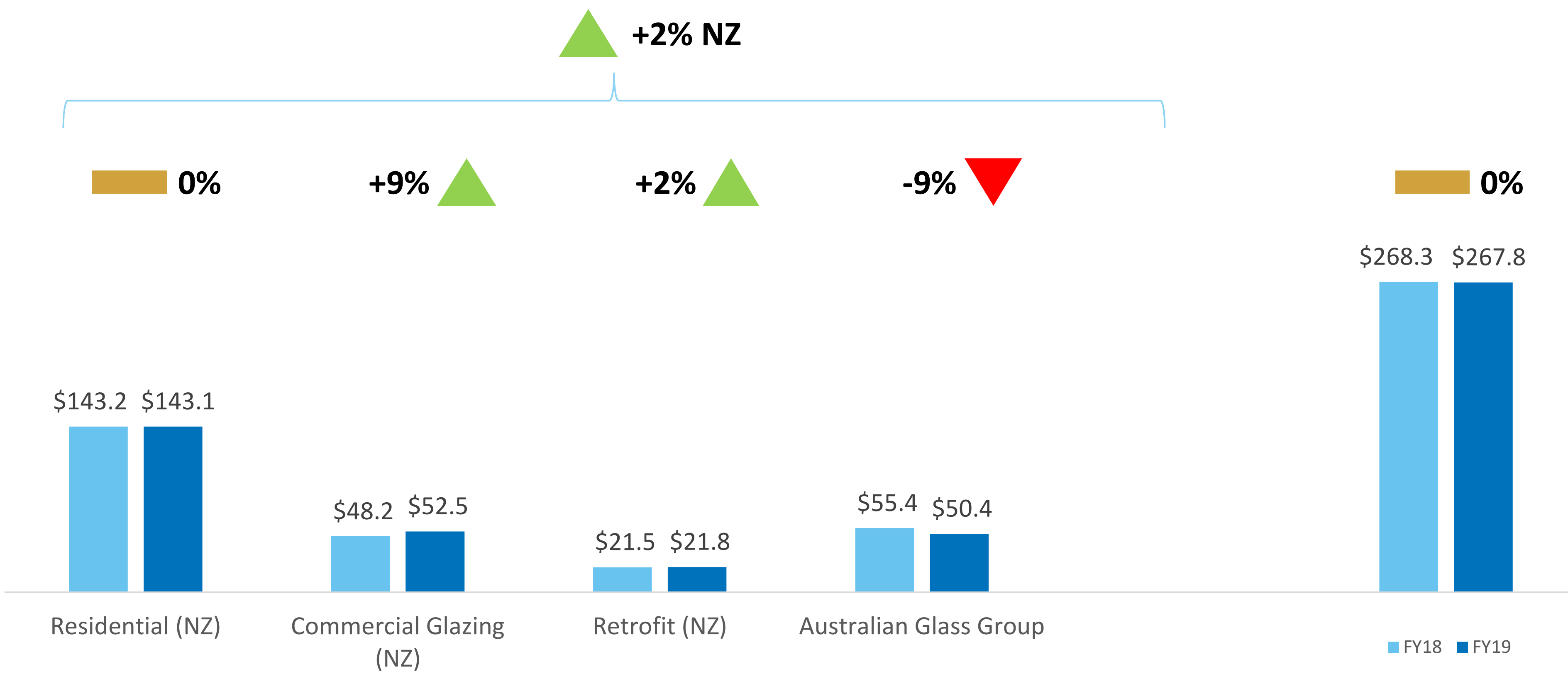


AGG DIFOT



FY19: Group revenue

Metroglass Group revenue (NZ$m)[1]



1. *The allocation of sales between residential and commercial applications is difficult as Metroglass doesn't always know the end use of a piece of glass. The categorisation methodology is consistent across periods, however Commercial Glazing revenue will include some level of residential glazing sales and services.*

FY19: Full year results summary

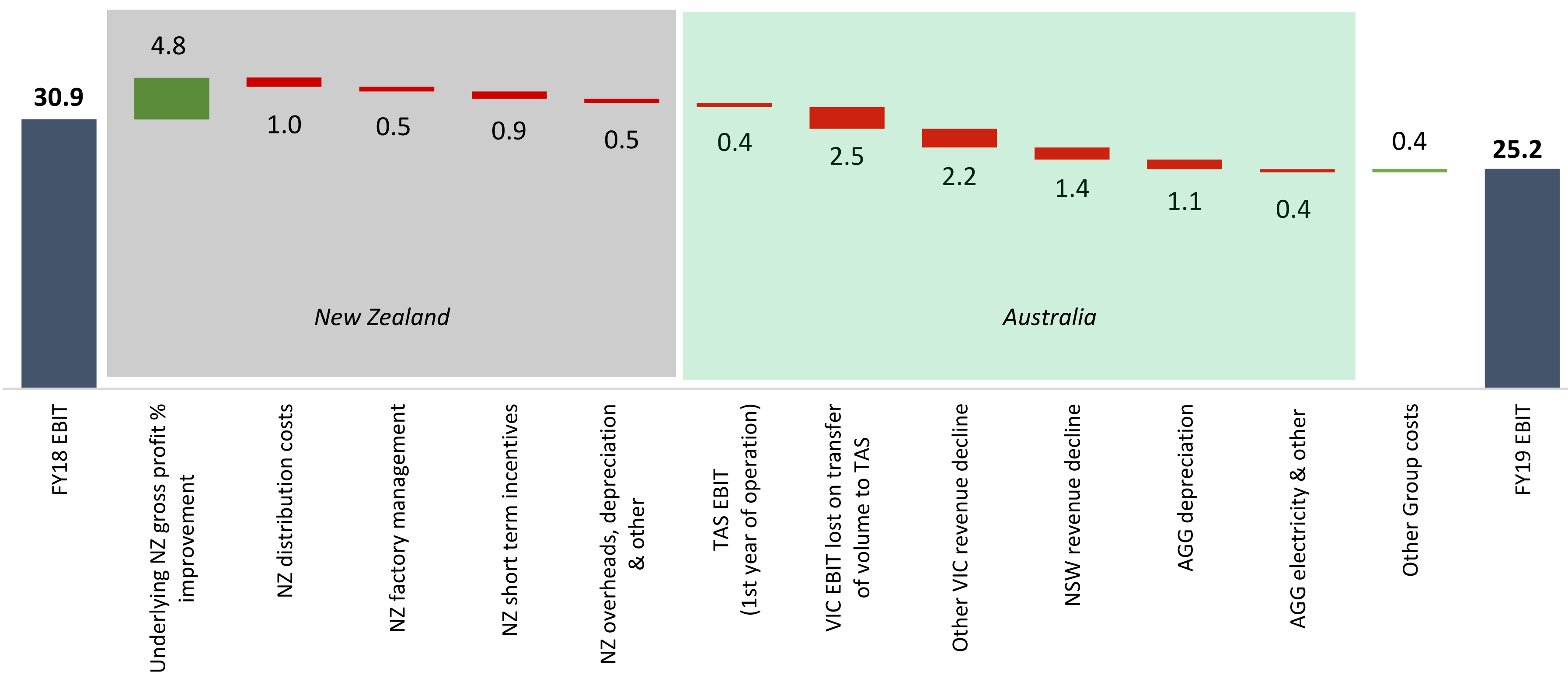
NZ$m	FY19	FY18	% change
Revenue	267.8	268.3	0%
EBITDA before significant items[1,2]	39.7	43.3	-8%
Depreciation & amortisation	14.5	12.4	17%
EBIT before significant items[1,2]	25.2	30.9	-18%
Net profit for the period before significant items[2]	14.2	18.4	-23%
Significant items after tax	(9.2)	(2.1)	n/a
Net profit for the period	5.0	16.3	-69%
Basic EPS (cents) before significant items[2]	7.7	9.9	-23%
Basic EPS (cents)	2.7	8.8	-69%
Total dividend (cps)	-	7.6	n/a

Segment results (NZ$m)	FY19	FY18	% chg
New Zealand			
Revenue	217.4	212.9	2%
Segmental EBIT[1]	31.1	29.2	6%
GM%	50.7%	49.5%	
Australia			
Revenue	50.4	55.4	-9%
Segmental EBIT	(4.8)	3.2	-251%
GM%	21.9%	30.7%	

1. *EBITDA before significant items, EBIT before significant items and Segmental EBIT are non-GAAP measures of financial performance. Additional detail is provided on slide 21 of this release.*
2. *The full segment note is available in the FY19 Annual Report (financial statements note 2.1)*

FY19: EBIT summary

EBIT bridge: FY18 to FY19 ($m)



FY19: Summary cash flow & balance sheet

Key cash flow items (NZ$m)	FY19	FY18
EBIT	25.2	30.9
Operating cash flows	23.6	33.6
Capital expenditure	7.8	20.6
Dividends paid	7.0	14.1

Key balance sheet items (NZ$m)	FY19	FY18
Net working capital[1]	31.9	32.6
Property plant & equipment	64.6	68.4
Total assets	289.0	300.8
Net debt	83.3	94.3
Total shareholders equity	157.0	160.3

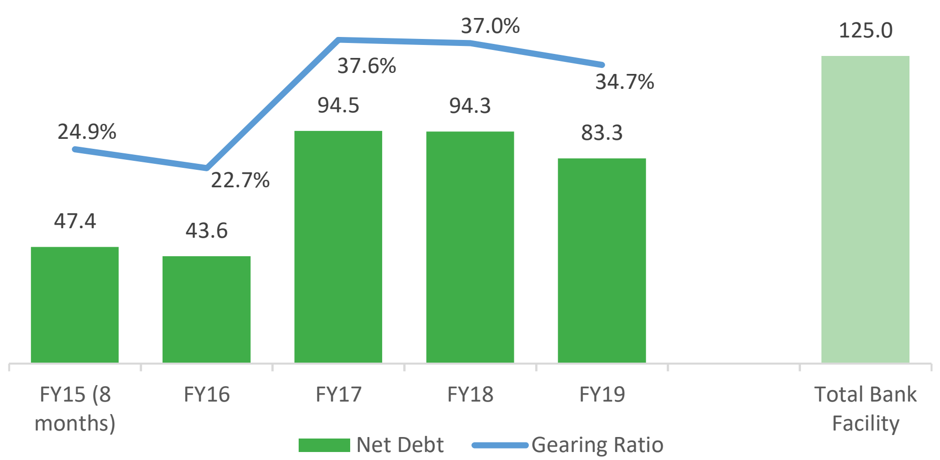
Notes:

1. *Net working capital: trade & other receivables + inventory – trade & other payables.*
2. *Gearing: net interest bearing debt / (net interest bearing debt + equity).*

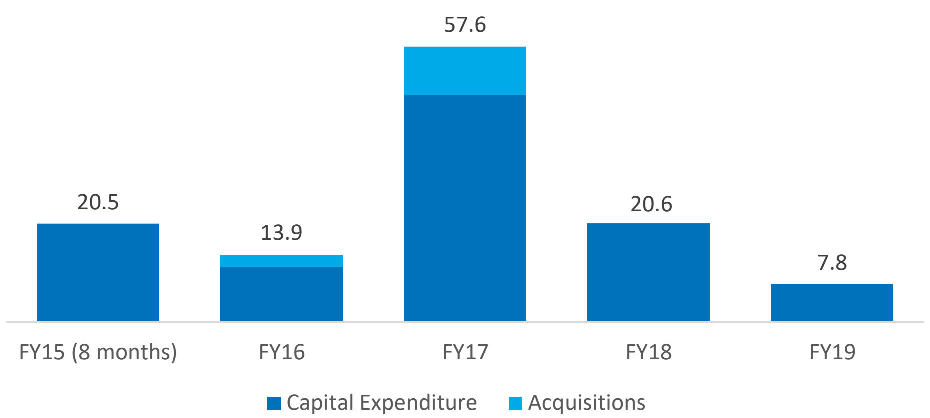
- The New Zealand operations continued with its progress reducing working capital by $3.1m for the second successive year on the back of reduced inventory levels.
- Net operating cash flows improved marginally on the prior year with improved EBITDA partially offset by the timing of tax payments in the period.
- Working capital in AGG was in line with the prior year as lower accounts receivable were offset by a higher inventory balance as expected sales did not eventuate.
- The business had negative operating cash flow on account of the loss incurred during the year.
- Capital expenditure was 62% lower than FY18
- The Group refinanced its syndicated borrowing facilities for a further three year term in September 2018, retaining headroom of more than $30m. There were no changes in lender covenants
- Reported net debt decreased by $11.0m year on year, through reduced capital expenditure and NZ borrowing repayments offset. Group gearing[3] decreased from 37.0% at 31 March 2018 to 34.7% at 31 March 2019

FY19: Net debt and capital expenditure

Net debt (NZ$m) and Gearing (%)



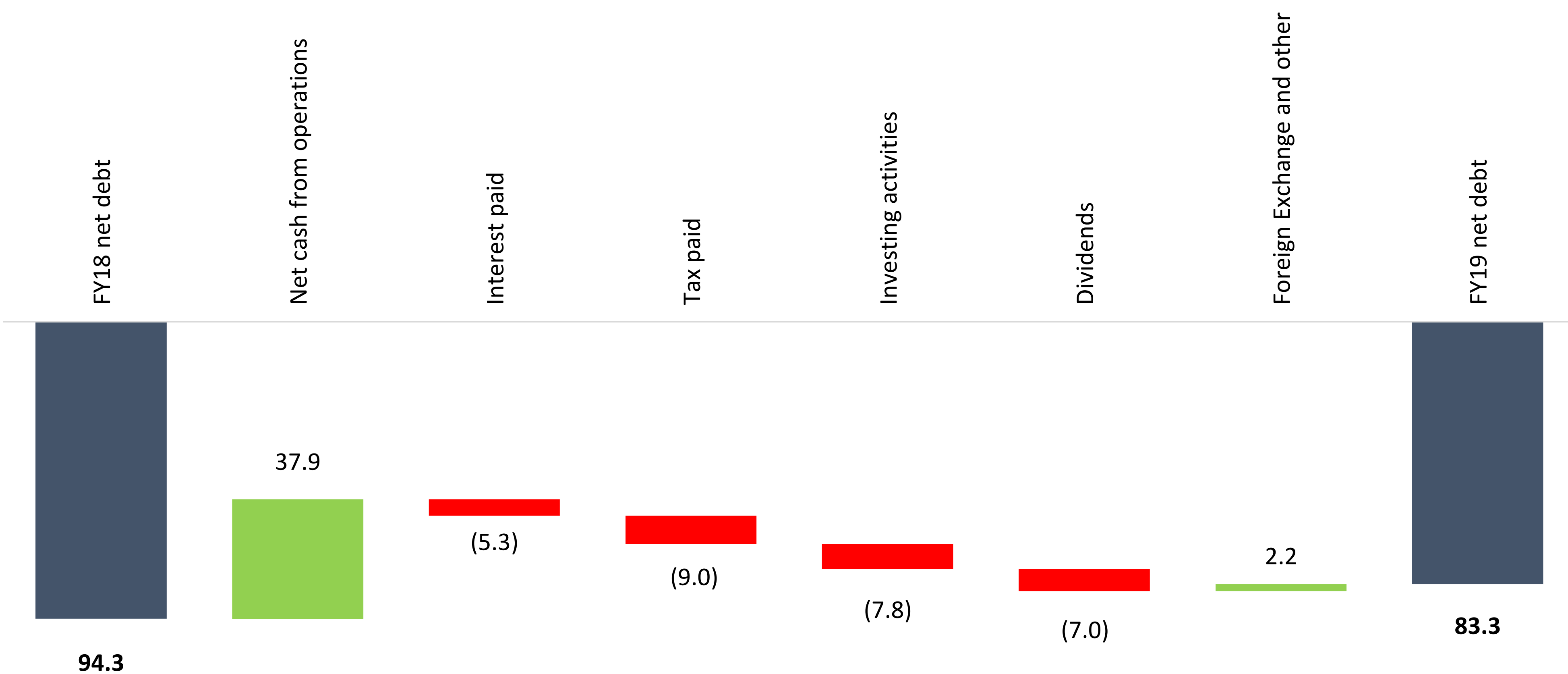
Metroglass Group capital expenditure (NZ$m)



- Net debt reduced by $11m to $83.3m
- Capital expenditure reduced 62% to $7.8m
- Capex has been funded by debt and operating cash flow
  - Includes refurbishing plant and equipment that extends life, H&S improvements, efficiency projects, IT replacement capex
  - Ongoing investment in expanding and upgrading our fully owned fleet of ~350 vehicles

FY19: Cash flows

- Strong net cash from operations - New Zealand cash flow performance offset by AGG
- Final FY18 dividend of $7m paid during the year



Outlook for FY20

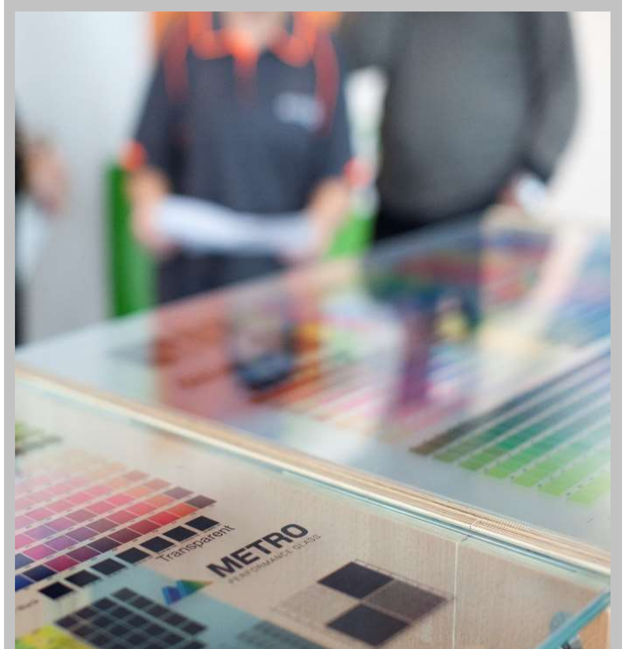
The market

- In New Zealand, building activity to remains at consistent strong levels
- Anticipate that housing starts in detached and A&A will remain near current levels
- A trading update, including preliminary financial guidance for the 2020 financial year, will be provided at our Annual Shareholders' Meeting on the 26 July

Executing our strategy

- Reset of AGG business, with a focus on building on the improved customer service metrics and delivering customer value
- Focus on improving safety through preventative efforts
- Continued improvement of quality and service
- Focus on developing our capabilities and people
- Build a nationally aligned retrofit business model

Q&A session



Appendix: Explanation of non-GAAP profit measures

Non-GAAP financial information

- Group results are reported under NZ IFRS. This presentation includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS, being:
  - EBITDA: Earnings before interest, tax, depreciation and amortisation
  - EBITDA before significant items: EBITDA less significant items, being: $9.6m of intangible asset impairment cost which is not tax deductible in FY19 ("Impairment of intangible assets") and $2.9m of CEO departure and recruitment costs in FY18 ("CEO departure & recruitment costs")
  - Segmental EBIT: Segment EBIT before significant items
  - EBIT before significant items: EBIT less significant items, being: intangible asset impairment cost and CEO departure & recruitment costs
  - Profit for the period before significant items: Profit for the period less significant items, being: intangible asset impairment cost and CEO departure & recruitment costs
  - NPATA: Profit for the Period before the amortisation of acquisition-related intangibles and its associated tax effect
- We believe that these non-GAAP financial measures provide useful information to readers to assist in the understanding of our financial performance, financial position or returns, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZIFRS
- Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies

Full year to 31 March	FY19 ($M)	FY18 ($M)
Profit for the period before significant items	**14.2**	**18.4**
Less: Impairment of intangible assets	(9.2)	-
Less: CEO departure and recruitment costs (tax effected)	-	(2.1)
Profit for the period (GAAP)	**5.0**	**16.3**
Add: taxation expense	5.5	7.1
Add: net finance expense	5.1	4.7
Earnings before interest and tax (EBIT) (GAAP)	**15.7**	**28.0**
Add: depreciation & amortisation	14.5	12.4
EBITDA	**30.1**	**40.4**
EBIT (GAAP)	15.7	28.0
Add: Impairment of intangible assets	9.6	-
Add: CEO departure and recruitment costs	-	2.9
EBIT before significant items	**25.2**	**30.9**
EBITDA	30.1	40.4
Add: Impairment of intangible assets	9.6	-
Add: CEO departure and recruitment costs	-	2.9
EBITDA before significant items	**39.7**	**43.3**
Profit for the period (GAAP)	5.0	16.3
Add back: amortisation of acquisition-related intangibles and its associated tax effect	1.7	1.9
NPATA	**6.7**	**18.2**

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