









Metro Performance Glass

Interim Results For The 2 Months Ended 30 September 2014

Disclaimer

This presentation, dated 21 November 2014, provides additional comment on Metro Performance Glass's financial results announcement for the two months ended 30 September 2014. It should be read in conjunction with the documents attached to that announcement, which highlight future outlook, expectations of earnings, activities and market conditions.

Results Summary – 2 Months Ended 30 September 2014

-  Operating profit before interest tax and abnormal items of \$7.0 million.
-  Increasing EBITDA margins vs the pcg.
-  Abnormal expenses (primarily IPO expenses) of \$3.9M, which is in line with the prospectus forecast.
-  Net profit after tax of \$0.8 million.
-  Sales growth of +13.4% vs pcg for the 2 months ended 30 September.
-  Auckland site consolidation on track.
-  Assuming the current consents continue to flow through to sales activity, Metro is forecast for the 8 months to achieve sales revenue of \$117.8 million and profit after tax of \$9.4 million as disclosed in the prospectus.
-  As outlined in the prospectus, the Directors will consider whether to pay a dividend for the 6 months ended 31 March 2015 in May 2015. No dividend will be payable for the period ended 31 September 2014.

Business snapshot

Metro is the leading value added glass provider in New Zealand with >50% share and national coverage through 17 sites, >700 employees and >260 vehicles

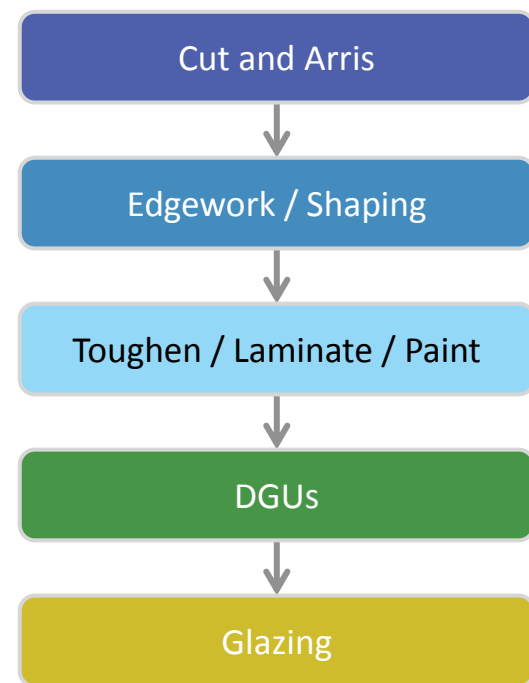
Key facts

- Market leader with >50% share (~2x largest competitor)
- National coverage through 17 sites
- Low customer concentration (largest customer <2% of sales)
- >700 employees, including largest glazing workforce in NZ
- >260 vehicles. Strong logistics and distribution capabilities



DGUs are Double Glazed Units

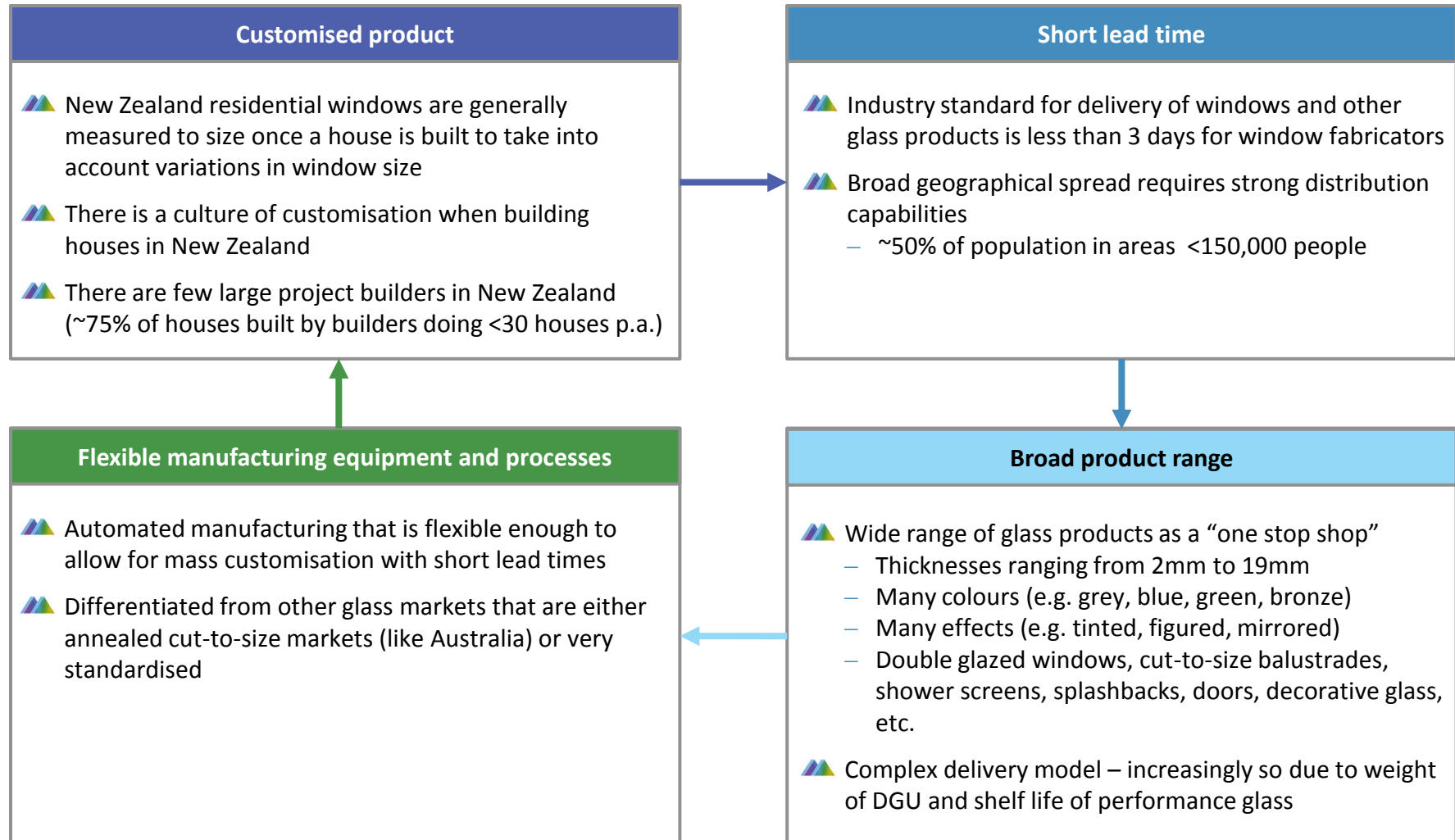
Key activities



Metro converts float glass into end use products and applications including windows, shower screens, balustrades, splashbacks and other applications

Metro's business model

Metro's business model is driven by customised product, short lead times and a broad product range that requires flexible manufacturing equipment and processes



Key market characteristics

The New Zealand value added glass market is a just-in-time (JIT) market with limited imports

Customisation	<ul style="list-style-type: none"> New Zealand construction market has a high level of customisation Glass orders vary in terms of window size, colour, finishes, etc. (requires manufacturing flexibility). Metro supplies windows, splashbacks, balustrades, mirrors, glass for furniture, showers, glass hardware and glass for other applications
Short lead times	<ul style="list-style-type: none"> General expectation from window fabricators is for 3 day turnaround for a house lot of glass (typically >20 windows) Customisation requirements and short lead times make it challenging for imports to compete
Importance of DGUs	<ul style="list-style-type: none"> More than 80% of new dwellings use DGUs (supported by building code requirements) DGUs have increased processing complexity and weight relative to single pane glass
Geographical spread	<ul style="list-style-type: none"> Approximately 50% of NZ population located in areas of <150,000 people Requires strong distribution capabilities (Metro has >260 vehicles)
Complex delivery requirements	<ul style="list-style-type: none"> Typical house has >20 windows (primarily DGUs) of differing sizes (production complexity) In addition there may be balustrades, splashbacks and other glass products
Glass installation lags consents	<ul style="list-style-type: none"> Glass installation typically lags 6-12 months after a consent to build a house is issued Strong growth in new dwelling consents expected to continue. This is forecast to support growth in Metro revenue

These market characteristics have led to the New Zealand value added glass market:

- Generally operating on just in time production and delivery
- Limited market share for imports
- Large value added distributors benefiting from:
 - Ability to establish national distribution networks; and
 - Scale to invest in efficient manufacturing automation
 - Ability to invest in customer service (eg glazing capability)



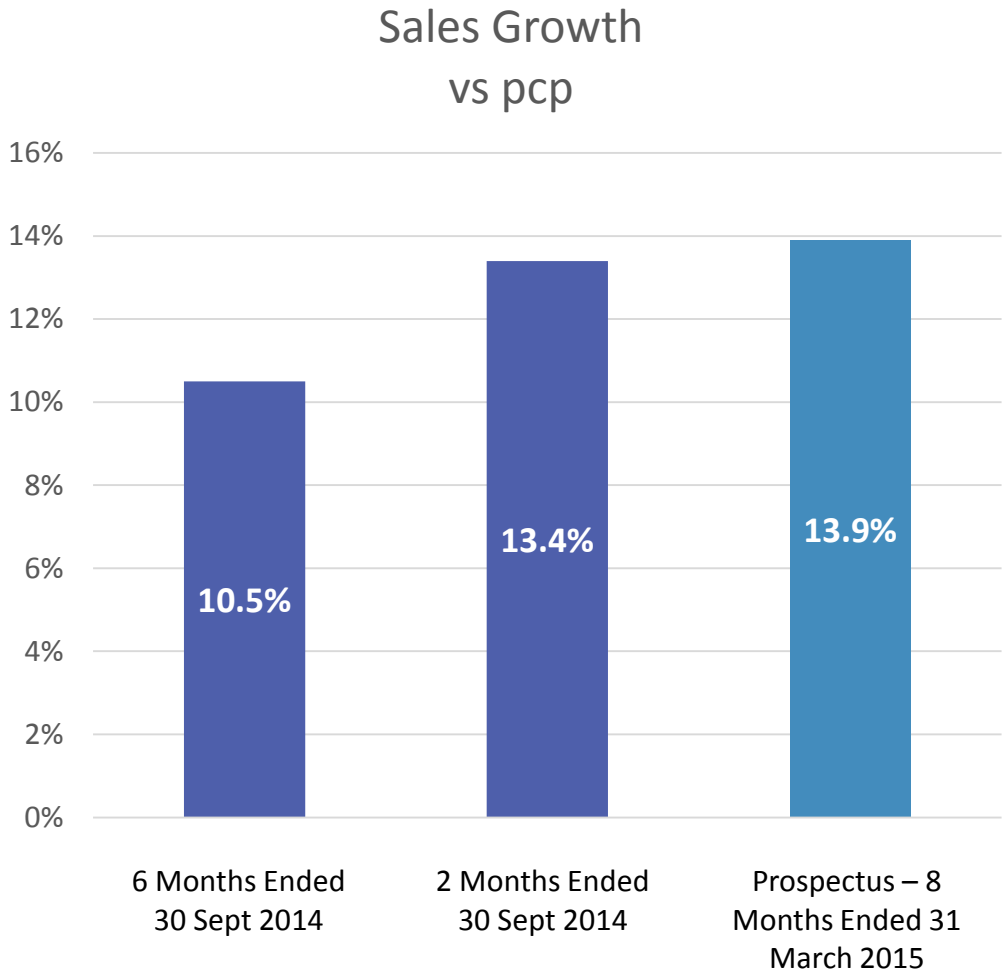
Results Overview



Non GAAP Profit and Loss Statement for the 2 months ended 30 September

	\$000's	Comment
Net Sales	31,555	Sales +13.4% vs pcp
Gross Margin	16,750	
Gross Margin %	53.1%	
Distribution and glazing	5,177	
Selling and marketing	1,235	
Administration expenses	3,346	
Recurring EBIT (EBIT before abnormals)	6,992	
Abnormal expenses	3,916	Prospectus forecast of IPO expenses was \$3.9 million
EBIT	3,076	
Net interest	424	
Profit before tax	2,652	
Income tax	1,846	Effective Income tax rate of 70% is high due to non - deductibility of the IPO expenses
Profit after tax	806	
Depreciation and amortisation	891	
Recurring EBITDA	7,883	
Recurring EBITDA % to sales	25.0%	

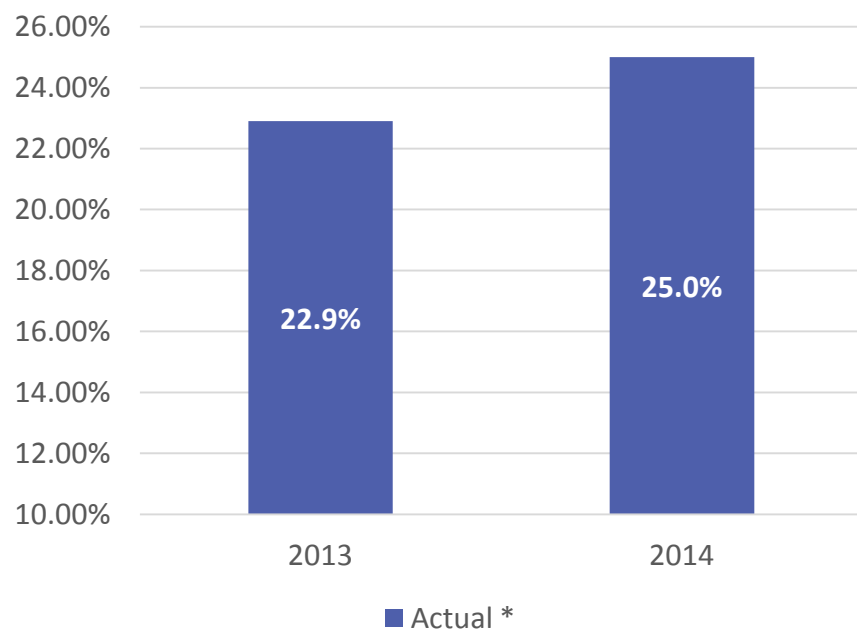
Sales have been solid and momentum is building



- ▲ Sales have continued to build.
- ▲ Sales growth has been solid in all geographies.
- ▲ South Island supported by the Christchurch rebuild has delivered strong sales growth.
- ▲ Growth in window residential and commercial has performed strongly.

Margins have met expectations

EBITDA Margins %
2 Months Ended 30 Sept



<u>Cost components</u>	Cost Relative to Volume	Price
Raw materials	Higher	Flat
Operating labour	Flat	Higher
Other	Lower	Flat
Overhead	Lower	Higher

* Actual EBITDA for 2013 is as per the predecessor group and is not directly comparable

Balance Sheet / Capital Structure

Key Items As At 30 September	\$000's
Cash	7,380
Working capital	15,905
Other assets	12,965
Property plant and equipment	30,073
Intangibles	126,395
Total Assets	192,718
Senior Debt	55,000
Other liabilities	3,359
Total liabilities	58,359
Net Assets	134,359
Equity	302,746
Retained earnings	(169,859)
Other reserves	1,472
Total Equity	134,359

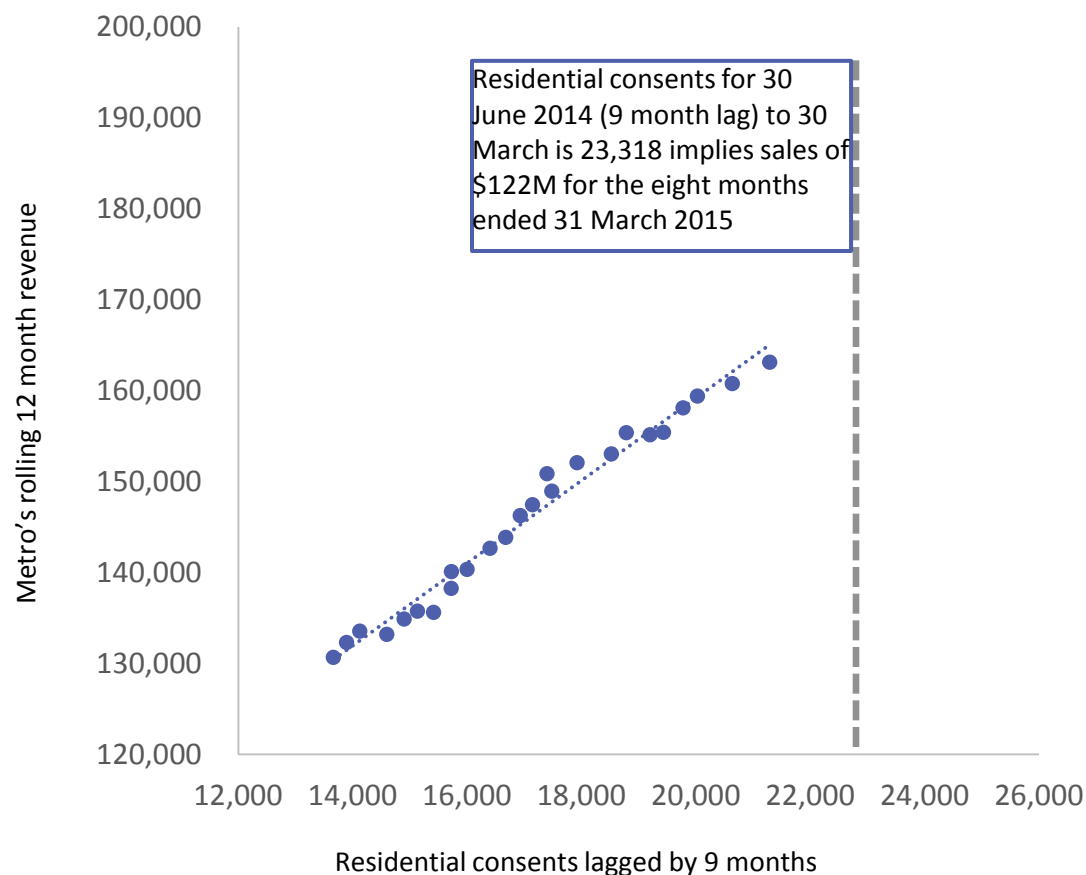


Market Update



Metro's revenue is growing with consents

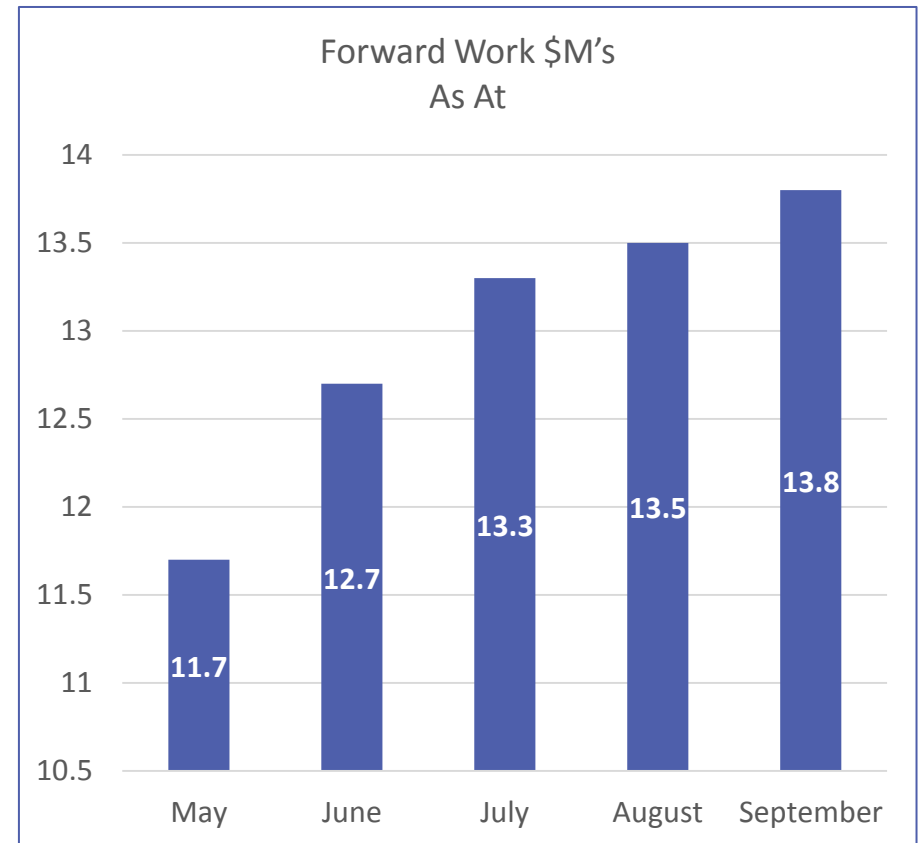
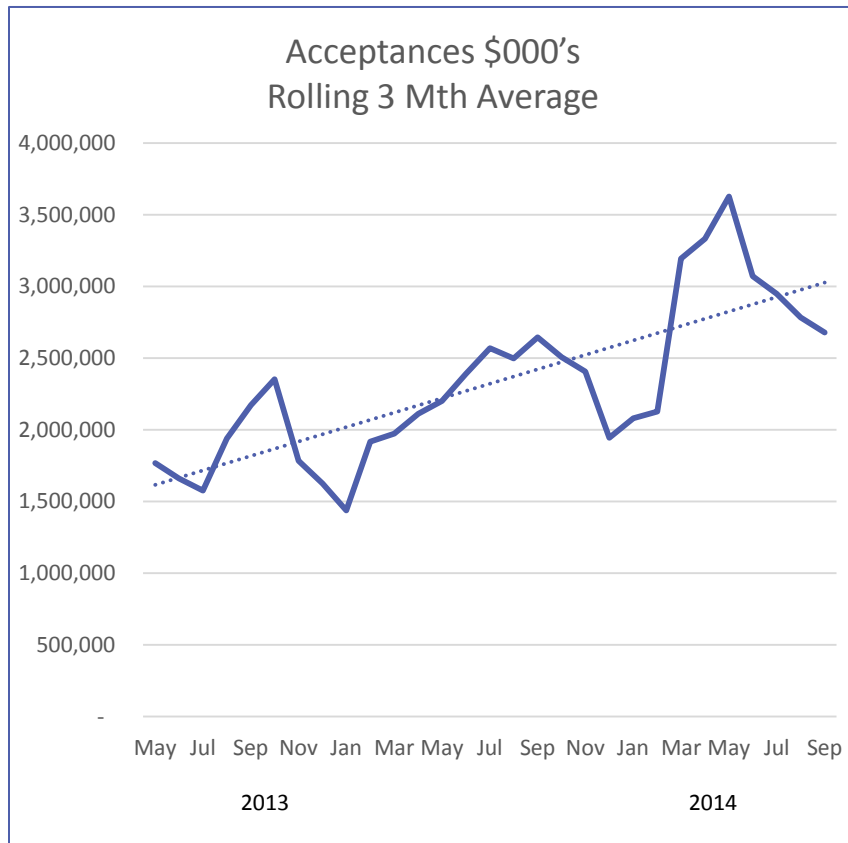
Metro Revenue vs Housing Consents (9 Month Lag)



Comments:

- ▲ Sales for 2 months ended 30 September was 13% ahead of prior year and 6% ahead of the prospectus forecast.
- ▲ Current sales continue to trend in line with consents (with average 9 month lag)
- ▲ Overall market appears solid with window fabricators still strong and indications are volumes will be strong into Christmas.
- ▲ Regionally volumes have been strong but not consistently so every month, makes forward planning challenging.

The commercial pipeline is growing



The Commercial market is active

151 Cambridge almost complete

- 5, 246 sqm
- N 70 and digitally printed laminate



Successfully tendered for Awly Building

- 4,500 sqm
- Stop Ray 50 and Tempaclad

Successfully tendered for Burwood Hospital

- 6,500 sqm
- Stop Ray 50T



Auckland Site Consolidation Update



Auckland site consolidation is largely on track

Metro's Auckland operations are in the process of being automated and consolidated

Description

- Consolidation of existing Auckland sites (Head Office and adjacent Bulk Glass Store, Retrofit and Metro Frameless Glass offices, and South and Central factories) into one purpose built facility at Highbrook in Auckland
- Automation of the glass cutting, toughening, DGU and edgeworking processes
- Project includes purchase and installation of an automated glass sorting buffer, automation equipment for the DGU lines, cutting table, arrisser, jumbo furnace, automated edgeworking and IT control room
- Estimated capital cost of \$21.5 million (no change to this contemplated)

Status

- Project currently approximately 80% complete
- Practical completion on building completed in October 2014
- Installation and testing still underway (expected commissioning end January)
- Progressive relocation of existing equipment occurring from end of November
- Start-up scheduled for the end of January

Key assumptions in respect to Auckland one-off costs for the 8 months ended 31 March 2015

Component	Prospectus Forecast Assumption \$000's	Latest Assumption \$000's	Comment
Fixed asset impairment*	1,523	1,523	No additional impairments expected
Lease exit costs*	2,954	3,560	Three sites with lease tails. Largest most difficult we have reached conditional agreement to exit. One site has one year to run (fully allowed). Smallest site we expect to sub-lease.
Make good^	500		
Total lease exit and make good	3,454		
Rent duplication^	1,140	1,100	
Redundancies^	500	475	Staff turnover has reduced
Equipment relocation^	800	790	Little change from original estimate
Total	7,417	7,448	Overall expect to be in line

* Amounts previously provided for in accounts, fixed asset impairment is a non cash charge.

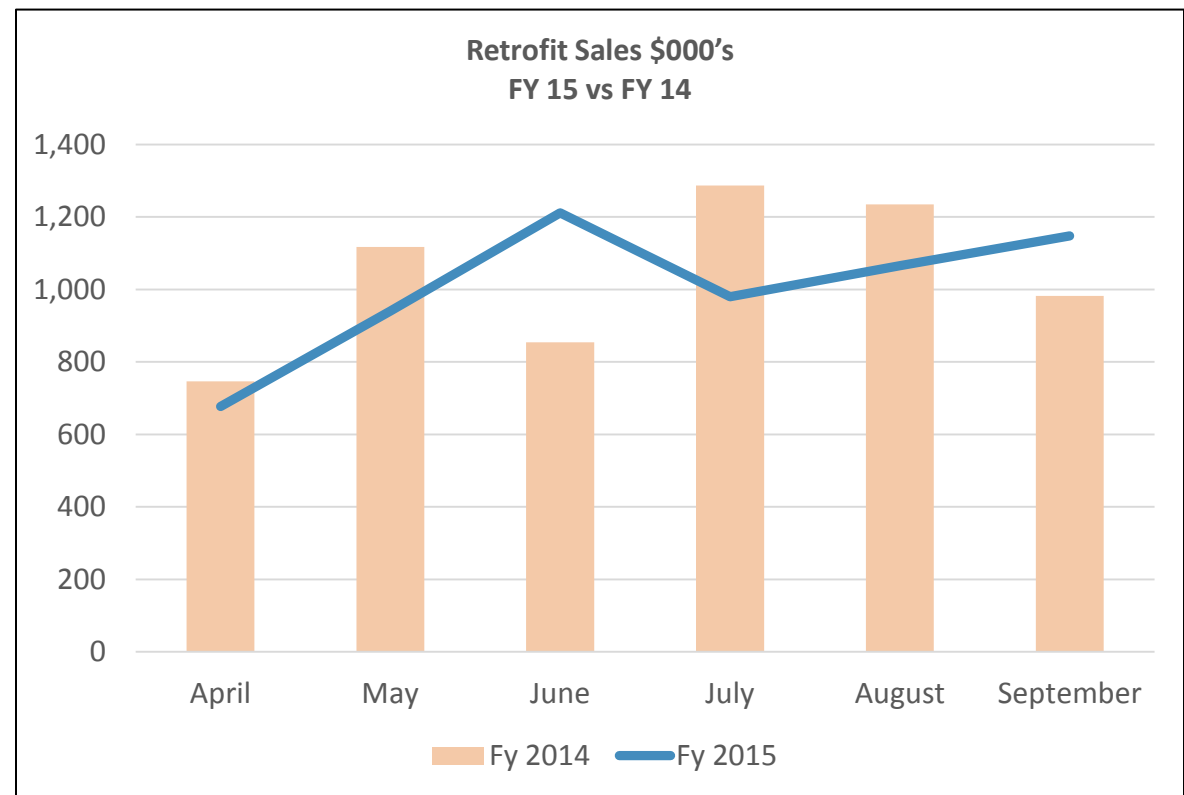
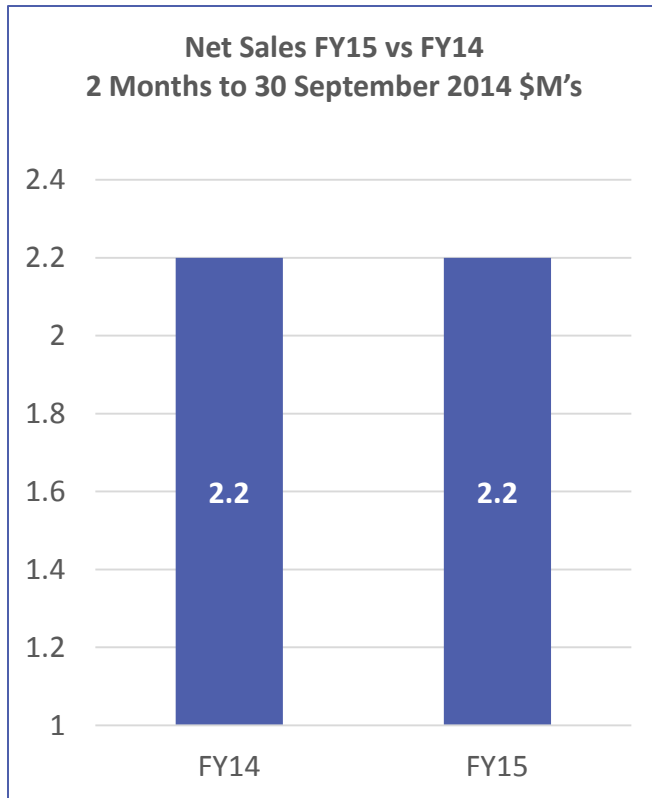
^ Amounts forecast in prospectus as abnormal expenses



Retrofit Update



Retrofit sales have lagged – the market focus has been on new builds



We have done a lot to improve the overall branding of Retrofit

- 📊 New Branding – Change from Metrofit to Retrofit to improve exposure – rationale, retrofit is a common term used in the building industry and with consumers.
- 📊 New improved website – Along with the brand change a new website has been developed in keeping with a fresh contemporary look.
- 📊 Improved digital assets – New videos highlighting the process of retrofitting double glazed windows. The intention is to improve awareness of Metro's credible offer as the only producer of double glazed units for retrofitting into existing window frames.



We have also stepped up promotional activity

- Over 500,000 homes targeted for the direct mail campaign.
- The target is specific to homeowners that have a household income of +\$100k and are most susceptible to the retrofit double glazing offer.
- Retrofit has been represented at all the major consumer home shows nationally - interest in double glazing existing homes is increasing as consumers gain increased awareness for this product.
- National print campaign with all the major newspapers were executed over the winter months when retrofit double glazing sales are at their peak.
- In conjunction with the print campaign a promotional offer to stimulate interest.





Summary and Q&A



Summary



Financial results to date on track

- Sales positive to pcg
- DIFOT negatively impacted by lumpy volumes and product complexity which is recovering
- Margins on track



Auckland site consolidation on track for late January start-up



Retrofit sales have lagged in favour of new builds



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