

# Metro Performance Glass

*2015 Building and Construction Sector Conference*

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# Disclaimer

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This presentation contains not only a review of operations, but also some forward looking statements about Metro Performance Glass and the environment in which the company operates. Because these statements are forward looking, Metro Performance Glass's actual results could differ materially. Media releases, management commentary and analysts presentations, including those relating to the 2015 Half Year results announcement, are all available on the company's website and contain additional information about matters which could cause Metro Performance Glass's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Metro Performance Glass.

# Business snapshot

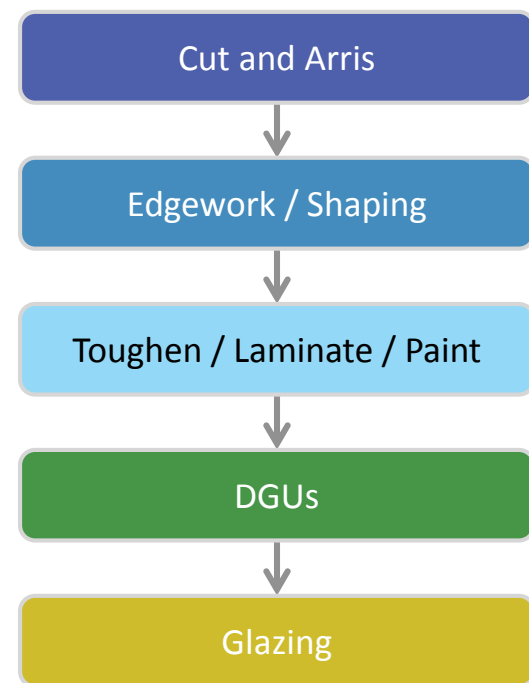
Metro is the leading value added glass provider in New Zealand with >50% share and national coverage through 17 sites, >700 employees and >260 vehicles

## 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







## Key activities



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

# New Zealand glass value chain

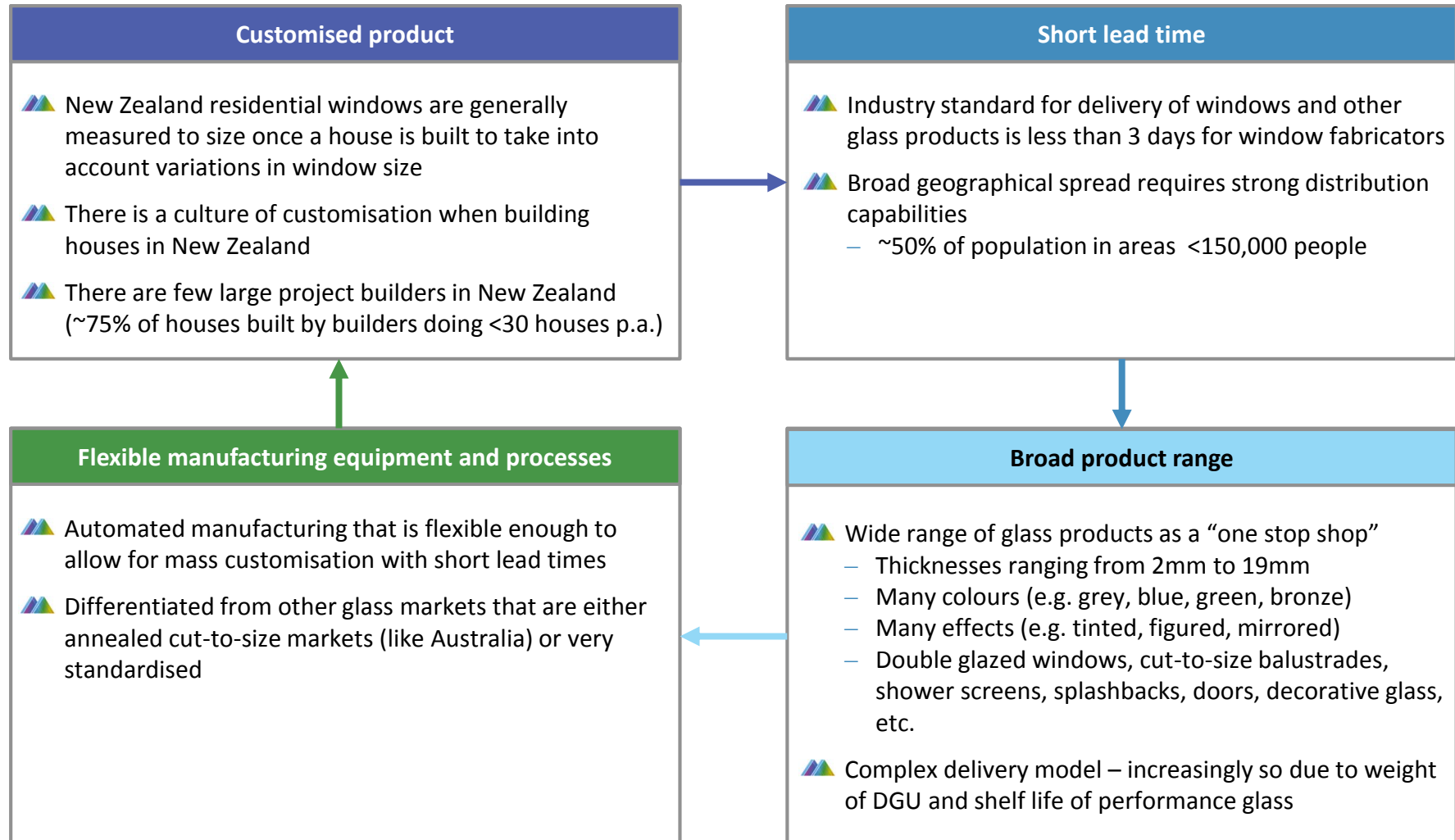
Metro Performance Glass has a wide choice of suppliers and fragmented customer base

	Float glass manufacture	Value added glass activities	Window manufacturing and glass installation	Builders
				
	Asian / global suppliers	Metro (>50%)	~350 window manufacturers	
	Major competitor	Others (20 – 25%)	~750 merchants / glaziers	~17,000 builders
		Major competitor (25%)	Retail / other	
Activity	Manufacture of large glass sheets	Cutting, smoothing, edgework, toughening, laminating, printing, etc. DGU production	Window fabrication and installation, site glazing, residential retrofit/interior glass, commercial fitout	Residential and commercial building
Characteristics	Fragmented supplier base Global overcapacity High capital intensity and fixed costs No NZ manufacturing	Concentrated market Short lead times and mass customisation protect against imports Automated processing required for scale DGU driving higher value added glass products	Highly fragmented Largely manual job shops	Highly fragmented Customisation Short lead times
Metro	Able to shift suppliers to access latest innovations Scale provides it with competitive pricing Largest competitor associated with Australian manufacturer	National coverage and distribution network provides scale Investment in technology and processes has enabled more efficient cost structure than competitors Extensive product range serves market needs as “one stop shop”	No customer concentration risk with largest customer <2% of sales Metroglass provides some glazing services	High levels of customer service with strong DIFOT performance Key service differentiation
		<b>Metroglass’ core focus</b>		

Source: Management estimates

# 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"> <li>New Zealand construction market general expects a high level of customisation</li> <li>Glass orders vary in terms of window size, colour, finishes, etc. (manufacturing flexibility required).</li> <li>Metro supplies windows, kitchen splashbacks, balustrades, mirrors, glass for furniture, showers, glass hardware and glass for other applications</li> </ul>
Short lead times	<ul style="list-style-type: none"> <li>General expectation from window fabricators is for 3 day turnaround for a house lot of glass (typically &gt;20 windows)</li> <li>Customisation requirements and short lead times make it challenging for imports to compete</li> </ul>
Importance of DGUs	<ul style="list-style-type: none"> <li>More than 80% of new dwellings use DGUs (supported by building code requirements)</li> <li>DGUs have increased processing complexity and weight relative to single pane glass</li> </ul>
Geographical spread	<ul style="list-style-type: none"> <li>Approximately 50% of NZ population located in areas of &lt;150,000 people</li> <li>Requires strong distribution capabilities (Metro has &gt;260 vehicles)</li> </ul>
Complex delivery requirements	<ul style="list-style-type: none"> <li>Typical house has &gt;20 windows (primarily DGUs) of differing sizes (production complexity)</li> <li>In addition there may be balustrades, splashbacks and other glass products</li> </ul>
Glass installation lags consents	<ul style="list-style-type: none"> <li>Glass installation typically lags 6-12 months after a consent to build a house is issued</li> <li>Strong growth in new dwelling consents expected to continue (~30,000 consents forecast for 2016). This is forecast to support growth in Metro revenue</li> </ul>

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 workforce)



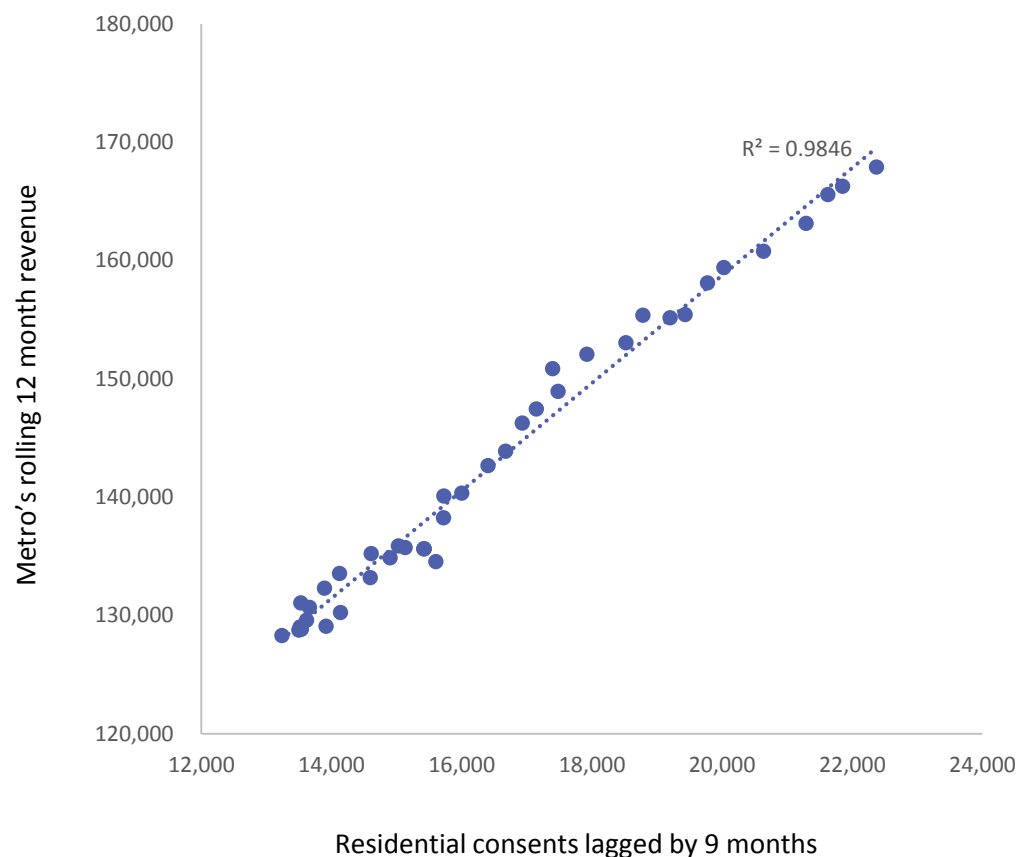


## Market Update



# Metro's revenue is growing with consents

Metro Revenue vs Housing Consents (9 Month Lag)



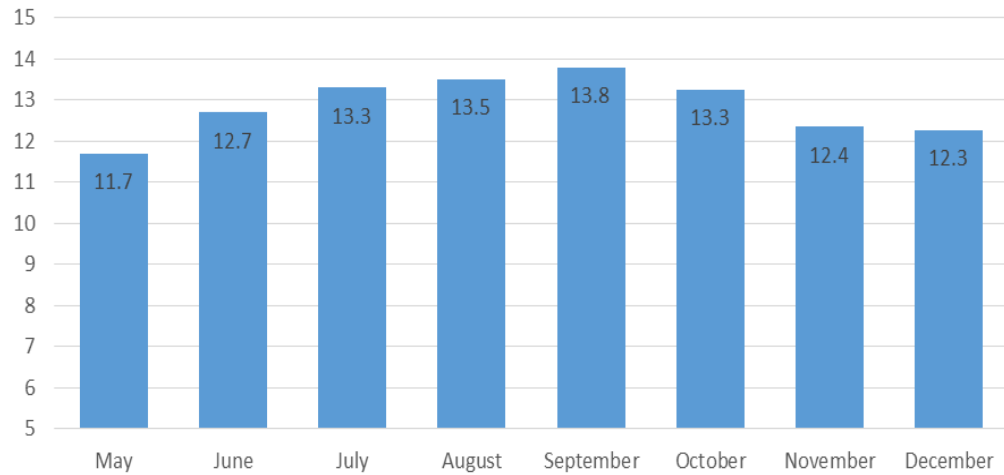
## Comments:

- Sales for 2 months ended 30 September was 13% ahead of prior year and 6% ahead of PFI.
- Current sales continue to trend in line with consents (with 9 month lag)
- Current sales trending +13% vs pcp and +25% vs same period 2 years ago.
- Glass market is facing first peak cycle as principally an IGU market and capacity is a concern.
- Last 5 months are below the trend line suggesting conversion of consents to revenues is slowing slightly.



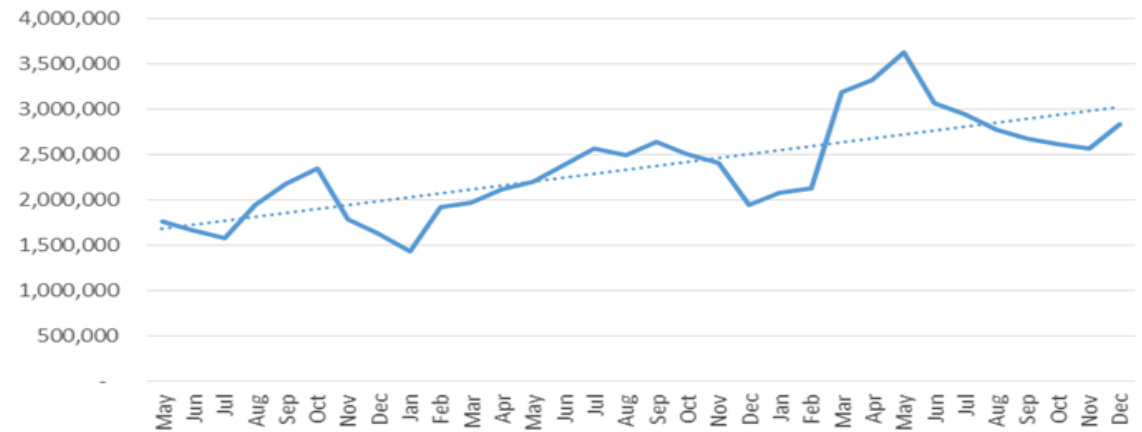
# The commercial pipeline is strong

FY15 Forward Work (\$M)



Forward work was building through September with large projects now beginning - effectively reducing forward book.

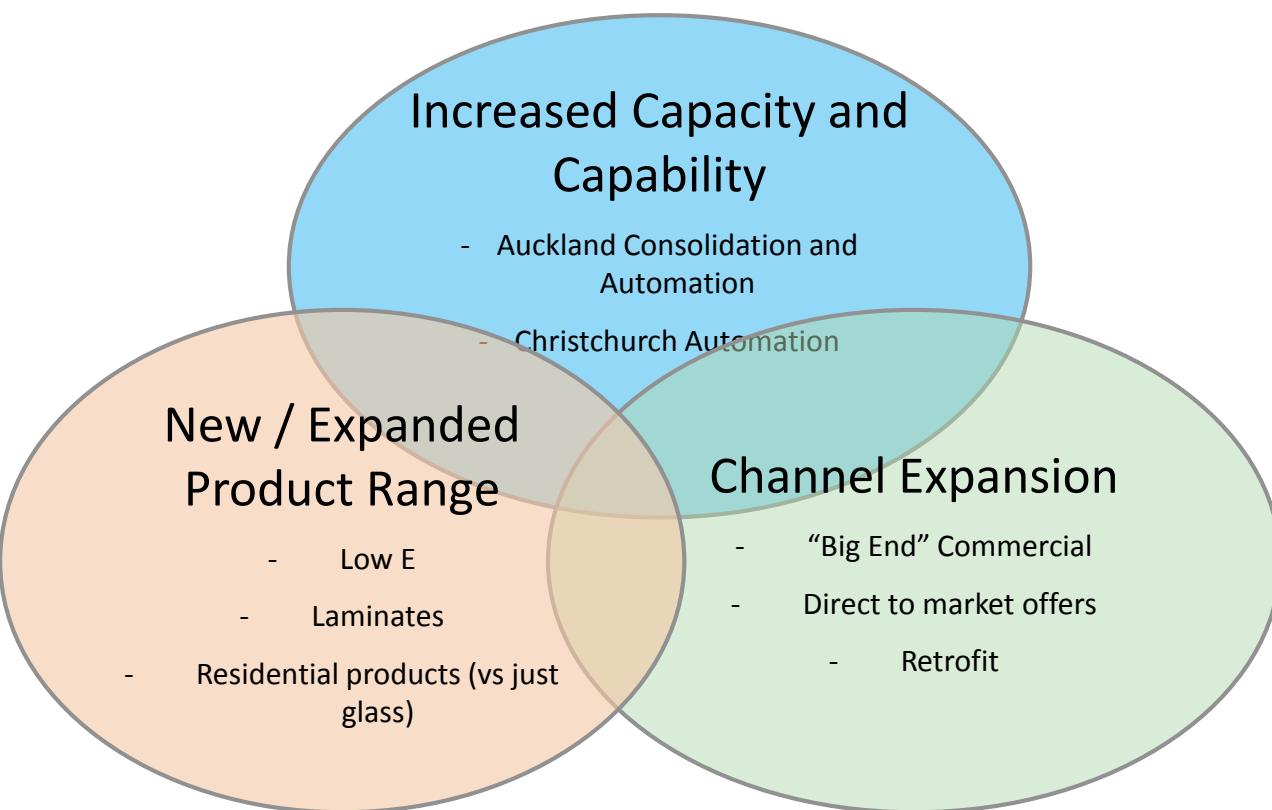
Acceptances  
Rolling 3 Mth Average



# How is Metro Capturing The Opportunity?



# Our growth strategies centre around 3 elements which are interconnected



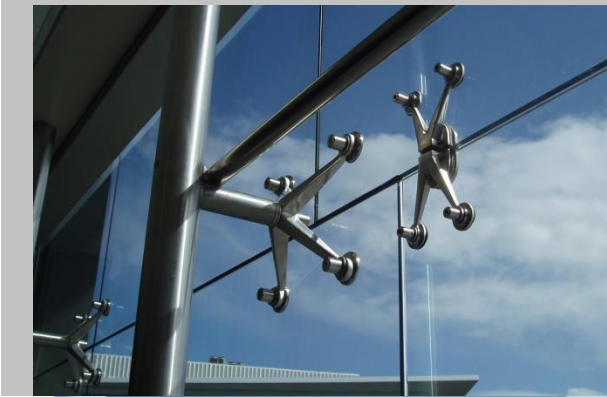
- Expanding capacity is key current demand exceeded our pre upgrade capacity in Christchurch and Auckland.
- Metro has invested heavily over past 2 years with a +\$30M investment which included automation of both the Christchurch and Auckland plants.
- The plant upgrade together with the additional equipment now enhances our capacity to support new product initiatives around "Low E" glass and laminates.
- Low E glass and laminates together with our larger furnaces and heat soak ability gives us capacity to enter the "Big End" commercial market. We have not historically been in this segment.
- We have historically supplied glass and some fittings to merchant customers. We are now moving to product solutions such as showers and balustrades. These can also be sold direct via our Metro Direct branches.
- Retrofit continues to be a key source of growth and we are ramping up our marketing to gain to grow this channel.

# The Auckland start-up is largely on track

- Plant now fully operational except for automated edge working, which is scheduled for a March installation.
- As expected some start-up issues which we are working through:
  - Not yet at full production
  - Our DIFOT is not where we would like it
  - Capex and restructure expenses are largely in line with previous advice
- Our customers continue to show their support.
- We do not see any impediment to achieving the previously advised financial targets.



## Summary and Q&A





# Contact information

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## **Metro Performance Glass**

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