NZX, ASX and Media Release 21 November 2016

RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2016 (1H17)

# Metro Performance Glass lifted by buoyant construction markets and growing commercial and Retrofit businesses

**Highlights for the first half versus the prior comparable period (1H16)[1]:**

- Group revenue of $116.3 million, up 23% and New Zealand revenue of $111.7 million, up 18%
- Reported EBIT[2] rose 14% to $18.2 million; normalised EBIT[2, 3] rose 21% to $19.2 million
- Reported NPAT rose 5% to $11.5 million; normalised[3] NPAT rose 14% to $12.5 million
- Commercial forward order book grew to $29.7 million at period end, 60% higher than 1H16
- Retrofit double glazing revenue grew to $10.0 million, 29% higher than 1H16
- Declared a fully-imputed interim dividend of 3.6 cents per share, in line with 1H16

Metro Performance Glass (NZX.MPG, ASX.MPP, Metro Glass) today reports strong growth in sales and earnings as the group benefits from robust housing and construction markets and continued expansion of its commercial and Retrofit businesses.

Including one month of trading from Australian Glass Group (AGG)[4], group revenue rose 23% to $116.3 million from $94.9 million in the same period in the prior year. Excluding AGG, Metro Glass' New Zealand revenue rose 18% to $111.7 million.

Reported operating profit (EBIT) rose 14% to $18.2 million and normalised EBIT[3] (excluding one-off acquisition-related expenses) grew 21% to $19.2 million, from $15.9 million in 1H16.

Reported net profit after tax (NPAT) for the group rose 5% to $11.5 million and normalised[3] NPAT in 1H17 rose 14% to $12.5 million, from $11.0 million in 1H16.

Metro Glass' manufacturing cost position continued to improve in the period, however these gains were diluted by investments required to maintain service levels and support the substantial growth of the business.

The group had a higher effective tax rate in 1H17 (30% in 1H17 vs. 24% in 1H16) due to one-off items including non-deductible acquisition expenses in 1H17 and deductible IPO related expenses in 1H16. The higher tax rate and the timing of tax payments resulted in income taxes paid of $8.1 million, up from $3.0 million in 1H16. This had an impact on operating cash flows in the half year which decreased from $8.8 million in 1H16 to $4.7 million in 1H17.

Metro Glass refinanced its existing borrowing facilities (previously due to expire in July 2017) for a three year term, as part of its acquisition of Australian Glass Group (AGG). This acquisition saw the group's gearing[5] increase from 26.0% at 30 September 2015 to 38.5% at 30 September 2016. Net interest bearing debt at the end of the period was $95.4 million, up from $52.2 million at the end of 1H16.

Chairman Sir John Goulter said: "The company continued to make good progress in the half year, achieving strong growth and completing the significant strategic step of entering Australia. We are confident that AGG, and the Australian glass processing market more broadly, represent an attractive long term growth opportunity for Metro Glass.

"Reflecting the significant opportunities that the group has in front of it and the group's increased gearing level following the debt funded acquisition of AGG, the board has declared an interim dividend of 3.6 cents per share, in line with last year. The interim dividend will be fully imputed for New Zealand resident shareholders. The record date for dividend entitlements is 9 January 2017 and the payment date is 23 January 2017."

Chief Executive Nigel Rigby said: "Metro Glass continues to scale up its capabilities, team and product offering to meet the healthy demand we see from both the residential and commercial construction markets in New Zealand. However, it is critical that we balance the group's rapid growth with our commitment to market leading service. We have taken a number of steps in the half to increase capacity and deliver improved service for our customers.

"We also completed the acquisition of AGG in the period, reflecting our view that Metro Glass' core competencies in double glazing and high performance glass, position us well for the significant long term opportunities identified in the Australian market. We took ownership on 1 September 2016 and are pleased with the early progress the company has made.

"Metro Glass' commercial business grew well in 1H17, with the company completing or commencing a number of significant projects, particularly in the North Island. The NZ forward book of commercial work grew 60% to $29.7 million as at 30 September 2016, from $18.6 million at the end of 1H16.

"The Retrofit double glazing business continued its rapid growth and development in the half with revenue up 29% to $10.0 million from $7.8 million in 1H16.

"The commercial and Retrofit businesses generally utilise a higher level of glazing resource than our traditional window manufacturer, merchant and retail businesses. Therefore with their expansion, Metro Glass' glazing costs increased in the period both in absolute dollar terms and as a percentage of revenue. The increased costs primarily related to increased activity levels, however our glazing infrastructure and management team was also strengthened to prepare us for future growth.

"Metro Glass targets both a service and cost leadership position through manufacturing excellence and customer focus. Our investment in extra capacity in Auckland has enabled us to service the growing market. Good progress continued to be made on processing costs in 1H17 with factory costs continuing to reduce as a percentage of revenue. While balancing the demands of processing record volumes of glass, we continue to see further opportunities to drive manufacturing cost savings and plant optimisation."

Sir John Goulter said: "The group is continuing to optimise its business to make the most of the supportive market conditions, and is looking ahead to the remainder of the financial year with confidence."

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**Accompanying documents**

- 2017 Interim Report
- NZX Appendix 1 and NZX Appendix 7

**Half year results conference call**

Metro Glass will host a conference call today to review the results for the six months to 30 September 2016. The conference call is scheduled to begin at 10:00am NZDT, 8:00am AEDT and will be webcast simultaneously over the Internet.

To view the webcast, access the company's website at http://www.metroglass.co.nz/investor-centre/. Please allow extra time prior to the webcast to visit the site and download streaming media software if required. An online archive of the event will be available approximately two hours after the webcast.

To join the conference call, participants will need to dial in to one of the numbers below at least 5 minutes prior to the scheduled call time and identify yourself to the operator. When prompted, please quote the conference code of: **1467479**

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**APPENDIX 1: GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) TO NON-GAAP RECONCILIATION**

Metro Performance Glass' results are reported under New Zealand International Financial Reporting Standards (NZ IFRS). This release includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS. The non-GAAP financial measures used in this release include:

- **EBITDA**: calculated by adding (or deducting) finance expense / (income), taxation expense, depreciation, and amortisation, to net profit after tax.
- **EBIT**: calculated by adding (or deducting) finance expense / (income), and taxation expense to net profit after tax.

Metro Glass believes that these non-GAAP financial measures provide useful information to readers to assist in the understanding of the company's 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.

| **Half Year to 30 September; $M** | **1H17** | **1H16[1]** |
|---|---|---|
| Normalised net profit after tax | 12.5 | 11.0 |
| Less: abnormal expenses[3] | 1.0 | 0 |
| **Net profit after tax (or Profit for the period)** | **11.5** | **11.0** |
| Add: taxation expense | 5.0 | 3.4 |
| Add: net finance expense | 1.7 | 1.6 |
| EBIT[2] (or Operating Profit) | 18.2 | 15.9 |
| Add: depreciation & amortisation | 4.8 | 3.2 |
| EBITDA[2] | 23.1 | 19.2 |
| | | |
| EBIT (or Operating Profit) | 18.2 | 15.9 |
| Add: abnormal expenses[3] | 1.0 | 0.0 |
| Normalised EBIT | 19.2 | 15.9 |
| | | |
| EBITDA | 23.1 | 19.2 |
| Add: abnormal expenses[3] | 1.0 | 0.0 |
| Normalised EBITDA | 24.0 | 19.2 |

**About Metro Performance Glass**

Metro Performance Glass (NZX.MPG; ASX.MPP) is the largest value added glass processor in New Zealand. It produces a range of customised glass products that are predominantly used in residential and non-residential construction applications such as windows, doors, internal partitions, balustrades, facades, showers, mirrors, furniture and splash backs. Metro Performance Glass has national NZ coverage through its 17 sites, including four major processing sites, a fleet of over 300 service vehicles and more than 850 employees across New Zealand. Additionally, the company acquired Australian Glass Group, the third largest glass processor in Victoria and New South Wales in September 2016.
Learn more: www.metroglass.co.nz, www.australianglassgroup.com.au

[1] All prior period comparisons are to the half year ended 30 September 2015 (1H16) unless otherwise stated.
[2] EBITDA and EBIT are non-GAAP measures of financial performance. Additional detail is provided on page 3 of this release.
[3] Normalised financial items exclude the impact from one-off, non-deductible acquisition related expenses totalling $1.0m.
[4] Metro Glass acquired Australian Glass Group on 1 September 2016.
[5] Gearing: net interest bearing debt / (net interest bearing debt + equity).