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C: John Fraser-Mackenzie; Metro Glass; CFO
P: Matt Henry; Forsyth Barr; Analyst
P: Angus Simpson; UBS; Analyst
P: Kar Yue Yao; First NZ Capital Securities; Analyst
P: Stephen Hudson; Macquarie; Analyst
P: Darren Manning; Forsyth Barr; Analyst
P: Rickey Ward; JBWere; Analyst

+++ presentation

Operator^ Good day and welcome to the Metro Performance Glass 2018 interim results call. At this time, I would like to turn the conference over to Mr. Nigel Rigby. Please go ahead, sir.

Nigel Rigby^ Good morning, everyone. I'd like to welcome you on the call covering the Company's results for the first half year ended 30 September 2017. In the room, I've got myself, John Fraser-Mackenzie and Andrew Paterson. So, we're going to take a fairly quick look at the highlights of the presentation that you'll have seen and leave most of the call to the Q&A.

I'll start with slide 5 and cover the key priorities and achievements of the Group in the first half. Company delivered a NPAT of \$11.8 million in the first half in line with guidance provided at the ASM in August. The result was in line with the first-half result last year, but the composition was very different. We owned Australian Glass Group for a full six months versus one month in the same half-year last year. But this increased contribution was offset by disappointing [wincap] profitability in New Zealand.

In New Zealand, we entered the half expecting reasonable market growth to continue at 10% growth similar to second half in FY17. But this didn't eventuate capital with a \$4 million revenue decline in Canterbury. The results from many other players in the industry recently would support the belief that softening market was broad-based and we're pleased to maintain our net New Zealand glass category share above 55% in the period. The sector was adversely impacted by housing affordability - available, difficult weather conditions, uncertainty around the general election and general industry-wide capacity that I'm sure you guys will be pretty familiar with.

In recognition of the softening conditions, the business took steps to manage the costs and reassess and reduce the capital expenditure program. On the positive side, we're pleased to deliver significantly improved operating cashflows, continue with double-digit growth and RetroFit's improved profitability in our Auckland RetroFit and Auckland commercial glazing businesses. Sales in the New Zealand commercial glazing business fell 6.1% in the half, as the business focuses on profitable growth and ensuring that these projects are only taken on if they're within the business core competencies.

The commercial forward book grew slightly year on year at \$30 million as at 30 September 2017. In Australia, AGG increased sales by 12% in the half on a proforma basis driven by a 33% increase in double-glazed unit sales in Victoria as penetration of double-glazing in residential homes continues to gain momentum.

If I turn now to slide 7, we presented an update on the market data for New Zealand, Australia. In Australia, the business is primarily impacted by the rate of DGU penetration and construction of new detached dwellings, and additions and alterations in the Victoria, Tasmania and New South Wales markets. The increased DGU penetration is hard to quantify and track but we continue to expect that the DGU momentum will more than

offset single percentage figure declines currently being seen in new building approvals in these states.

AGG's profitability in the half year was impacted by a number of short-term factors, including machine reliability due to the age of the current machinery in New South Wales and costs incurred in setting up the business for its new international procurement model. We're excited by the opportunity this business presents, particularly the uplift in DGU capacity coming from the capital programs in the second half. The Group will spend \$20 million on capital expenditure this year which will improve processing ability for high specification glass across the Group. It will also simplify the operations of Highbrook plant whilst giving the capability to more efficiently process large panels of glass.

Additionally, the Australian capital spend will seek to change AGG's ability to service the south-east Australian market and will ensure the business has the necessary process and capabilities to meet the DGU penetration anticipated over the next two to three years which were all part of our original capital assumptions.

So, I might pause and hand over to John. He can give you a bit of detail on the numbers and I'll come back later and update on FY18 guidance, governance changes and strategic review.

John Fraser-Mackenzie^ Good morning, everyone. I'd just like to start with slide 9 and movements from Group sales versus the first half of last year. Firstly, just to comment that the current half had three less trading days than the comparative period. Internally we focus on daily sales. So that reflects the 3% growth in the first half of last year for New Zealand, but obviously the charts that we're showing here show reported dollar sales.

From a channel perspective, residential New Zealand grew 1% and that really represents a good performance in underlying businesses that's offset by decline in Canterbury where revenue decreased by approximately \$4 million against the comparative period last year.

The revenue in our four commercial glazing businesses declined by 6% with a decline in Auckland as we reduced our Mint business and focused on profitable projects in that market. Australian sales revenue reflects an additional five months on last year so it's six months in the current versus one in the prior and with strong growth in double-glazed units in Victoria and Tasmania, and that was offset by slightly lower sales in New South Wales.

So, turning onto slide 11, you'll see a normalized EBITDA bridge and the key movements we've seen in the half. As communicated in May, we had continued impact of lower pricing in the South Island as the volumes dropped and new competition impacted the market. NPAT reflects changes made in the last financial year, price changes made in the last financial year and we have not seen any reduced pricing in the last six months. So, our factory labor, which includes dispatch, was disappointing given the flat revenue, but driven mainly by our Highbrook factory in anticipation of higher volume growth. We now have initiatives in place to address this.

Other significant impacts in the half were from electricity as prices spiked in May through to August, and also higher advertising Low-E campaigns. Outside of those factors we did have improvement in profitability, predominantly in the businesses which we referred to previously as development businesses. The EBITDA margin of the AGG business declined slightly as we bought on stream warehouses in Sydney and New South Wales to support a full glass importation model and the New South Wales facility struggled with the reliability of key machinery, which impacted our level of reworks and overtime. But both of these headwinds will be eliminated as we move to the second half of the year.

If we move to slide 12, we have provided the highlights from the good cash flow and balance sheet. I'd just like to touch on the cash flow. As stated, our intent was to finance our capital program and dividend payments out of operating cash flows without increasing debt in the financial year. Significant improvement in operating cash flows reflect improved working capital management across creditors and debtors and was impacted by the timing of tax payments in the prior period. We believe this reflects a normalized level of operating cashflow and will be supported in the second half as we reduce inventory levels in New Zealand.

In the capital program, we are approximately halfway through the spend with implementation to incur mainly over the Christmas break. As flagged, we anticipate the final spend in the region of \$20 million in the current financial year and that's split almost evenly across New Zealand and Australia. With that, I'll pass back to Nigel.

Nigel Rigby^ Okay, all right. So, I thought we'd head to slide 16 which I guess is the key one which would be outlook. Currently we're anticipating Group net profit after tax for 12 months March 31, 2018 in the range of \$18.5 million to \$20 million compared to \$19.4 million in FY17. The guidance is predicated on our expectation the conditions in the second half will be broadly similar to the first half. So, I thought I'd just give you a quick seven points on the assumptions that go in to that guidance.

One, we believe flat revenues. Two, we've got a \$20 million capital program execution basically in every plant in Metro and AGG and we're greenfielding a plant in Tasmania and we see the benefit from that coming in FY19. Some of it will be in February, March but most of it will be in FY19. Three, less days in half two versus half one. Four, we've got investment programs on a manufacturing improvement of \$750,000 to \$1 million. Five, we'll get benefits out of our operating strategies. So, operating efficiency in strategies will deliver results. We started in August, we see some positives there. We'll continue to see development business improving. Seven, we'll get limited benefit from price and most of that price will be delivered in FY19.

Okay, so that sort of gives you a bit of a bridge of in terms of how we come up and made the assumption and obviously the revenue is merely just a forecast based on the best external information we have and something that's somewhat below our control. We're not expecting any share loss. In fact, in the second half, with increased manufacturing efficiency, we're hoping we're going to pick up some share.

Okay, so if I go through - if I just cover the last bit of guidance which was manufacturing improvement, just to pre-empt some of your questions. We've got explicit targets over the next 12 months on throughput and labor efficiencies. It's a change in process that will take a little bit of time to bed in and we're entering the first nine-week program this week. So, the real rubber hitting the road will be in the next three to six months.

Okay, heading to slide 18. As was announced in mid-October, we've commenced a strategic review of the business expected to be completed by March 2018. We are using this process to evaluate the Group's business model to ensure it continues to be effective and efficient in line with current market conditions and review and prioritize the Company's opportunities to improve customer experience and financial returns to our shareholders.

Turning to the Metro Glass Board, you'll have noted in our announcement that this morning Sir John Goulter has retired from the Board effective from today. The Board elected Peter Griffiths, who joined the board in September 2016, a little over a year ago, as the new chairman. Peter, as many of you may know, is formally chief executive officer and managing director of BP Oil New Zealand for two years and has moved into a number of governance roles. He is an experienced director and is currently the chairman of Zed Energy and director of Marsden Maritime Holdings. Special thanks to Sir John for being chairman from IPO. It's really been a fun ride.

So, in summary, the six-month period was a challenging one with disappointing result in New Zealand offset by some good early progress in Australia. I'll pause there and we'll open the lines up for questions.

+++ q-and-a

Operator^ Thank you, sir. Ladies and gentlemen, if you would like to ask a question, please press star 1 on your telephone keypad at this time. Once again, it is star 1 for questions. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, star 1 and our first question comes from Matt Henry with Forsyth Barr.

Matt Henry^ Yeah, morning guys. I've got a few questions. I guess just starting on price, you just made a statement that you didn't think that price would benefit significantly this year. It's my understanding that you've looked at price from December 1. So how do I reconcile that therefore there won't be significant benefit in the second half and just more broadly, what's been the customer reaction to that price increase? Can you give us any color around what sort of percentage you expect to capture?

Nigel Rigby^ Sure. Obviously, it's December 1 so we've really only got a quarter of the price increase and it's in a low volume part of the year. So, December, January, February, is some of our lower trading months. December, on a day sales basis, is high. Yes, it's effective December 1, and it will flow through the market as it would normally do. So, we've only got a quarter of it. Like all markets, it takes time for it to take hold and we've taken a pretty conservative approach to how much benefit we'll receive.

Matt Henry^ Sure Okay, and the customer reaction?

Nigel Rigby^ Customers are never - I guess they're reasonably understanding. Obviously, we've all got labor costs and they realize that the dollar's going down, so imports, and so they have a commitment from us that we'll ensure that they're competitive. So, we've lived that commitment for the past five years and so they know we'll make sure that they are competitive because that's the position. So, you know, I'd say reasonable price increases are never great things but they're an administration challenge for everybody but I think everyone's reasonably accepting of the logic and as long as Metro keeps them competitive, they'll be fine.

Matt Henry^ Okay. I guess that sort of leads into sort of the second question just around competition. You've mentioned that you haven't seen any further pressure in the South Island for six months or so, but I guess just more broadly, there's obviously been a number of new entrants into a couple of markets over the last 24 months. Are you able to just give us a sense around how you feel - how you're feeling around the competitive threat at the moment, whether you've sort of lost or gained any customers either in the South Island or the North Island of late and whether you feel those risks are sort of growing or changing at all at the moment?

Nigel Rigby^ So part of the reason, Matt, is on slide 6, note, obviously as the business evolves it's got to give out more disclosure and so first time we've given a disclosure. So, slide number 6 talks about our 12-month lag starts, but also tells you about our category share. So, we monitor that like a hawk. There's another couple of share figures we monitor that are more product specific, but this is the best one. Stats New Zealand is very explicit about how they trap category share of glass and we of course know what we buy and we know from what country. We can actually pretty much decipher where it's all coming from by country of origin. So, we published that.

We've been tracking this for four and a half years, so we know this pretty well. We've given you the last three data points I guess going back any further. It started in the low 40s and now, as you can see here, it moves around a little bit based on fluctuation of product movement. So, it just gives you an idea is Metro winning or losing share because I know there's been some commentary that hey, listen, I get all this rhetoric from the market that we're losing share. I guess you can pretty much see that it moves around between 55 and 60. It's generally been pretty consistent over the last - if I went back another couple of data points, I think you wouldn't see much difference.

Yes, there's increased competition in Christchurch, I think, that's a really hard deal for those guys who've opened up at probably the worst time you could have opened up. Canterbury, as we said, Canterbury sales from Metro alone are down \$4 million and the rest of the South Island's only down \$3 million, so it gives you an impact of the Canterbury sales.

So, yep, generally speaking in the North Island, pretty consistent in terms of competitors. We're a bit - we're pretty pragmatic around competitors and tracking just our position. Christchurch, I think we're through the worst of it now and we're actually looking for a bit more favorable times in the next six to 12 months. We think we've bailed the storm and we think we've got a good platform under which to move forward. So no question, there's two guys moved in to Christchurch. I think they'll find it reasonably difficult. We've got a good competitive offence of strategy and in the North Island, pretty similar.

I think there's some downsides to the flat market and one of them is you can churn your business up and so yeah. I acknowledge your point, but we're acutely aware and we're pretty paranoid about our share position which is why we track it so heavily. I think the players that you talk about have been in the market for over 12 months, 24 months now, so if they're going to ding us in terms of category share, it would have happened by now. I'm not saying that - you never say never, but yeah, I guess that's one of the reasons we've put on slide 6, the data.

Matt Henry^ Okay. So basically, in summary, outside of that South Island price impact, no meaningful impact from sort of competition.

Nigel Rigby^ I think in the North Island, I guess I'm reasonably bullish. Obviously, we - it's very heavily predicated on our manufacturing plan but I think there is share gain to be made in the North Island.

Matt Henry^ Okay.

Nigel Rigby^ Certainly in Australia --

Matt Henry^ I was just going to say, I mean, like we're most of us are a bit further away than Australia. I guess we can look at some of the big guys and they have double-glazing strategies, but can you just give us any color around what the dynamic looks like over there?

Nigel Rigby^ Sure. Our strategy is pretty simple in Australia. Obviously, it's mainly a Victorian business, so I don't think we're giving any clues away that suggest and we've had 33% lift in DGU sales in Victoria, and that's a little bit about Metro's manufacturing methodology moving into AGG and a lot about those guys really stepping up and taking on the challenge of some new owners.

The capital program we're about to greenfield and start up a Tasmanian plant in the next 14 days. Now, I know you might think that's a little bit crazy, but basically, we're looking to pull volume off Victoria and double the size of that business in Tasmania, really to simplify Victoria for its own market because currently we're sold out.

The other big player is New South Wales. We're looking to reconfigure that plant as well as the double-glazing on it's coming out of New Zealand is going across there. We think that will pull northern capacity, or northern Victorian capacity off Victoria. So, the bottom line is we've basically effectively doubled our capacity of double-glazing in Australia, which was all part of our original capital and acquisition theory. You can see we've got a bit of a taste for some growth. Now obviously, there's got to be profitable growth.

We've also moved them on to a 100% import model so using Metro's methodology around importation which meant we've had to start up two offsite warehouses full of glass and get inventory planning figured out and then shipping because these plants don't have a lot of room and so they've got no room for bulk storage. So, we would see, at a macro level, DGU penetration growing way in excess of any start - any consent movements. So, we've shown on slide 7 that we see Victoria and New South Wales dropping marginally in terms of residential consents. That will be way offset. This is an early [SKU] - DGU market and so a company that gets their positioning right, as I think Metro did some number of years ago, can be a winner if - under different configurations. So, yeah. Hopefully that gives you a bit of a concise summary of our game plan and how we see the market.

Matt Henry^ I guess my question is just the Viridians and the G James of this world also have a double-glazing strategy. Is the ambitions of those big guys do you think in a - impact the market or not much or impact your opportunity to a major degree?

Nigel Rigby^ Well, not to be seen as arrogant, we think we've got a recipe and no, we don't think that recipe will be impacted in the medium to long term. It's very, very early days in double-glazing and, as you can see, it's grown rapidly and New South Wales have just changed their insulation code to similar Victoria. So, Victoria's probably four years ahead but, no, to answer your question, Matt, I know you'll be looking at Viridian's numbers and saying how do we rationalize them, but, no, we have a recipe, we're going to play that recipe out, we're going to become very, very focused. We're not - it's a very focused business. What it does is glass processing. It doesn't have glazing or Metro Directs or RetroFit or anything like that. It's a very dedicated focused game for two to three years to build a position in a simplified game.

So, we believe that recipe will be good for us. We're not playing in commercial or other things so we're not into windows. We're just a very focused glass manufacturer and not looking to step outside that and we think that recipe will be effective. To date it has been, and we like the price over here. It's pretty similar to New Zealand and we think the market is going to go soft (inaudible) as New Zealand has and of course we're okay at that. We do okay at that - not at this stage.

Matt Henry^ Sorry, I know I'm taking up a bit of time but just last question from me. Your strategic review, you've obviously made this announcement, you're taking a strategic review without a lot of detail. Can you just give us any color around what is actually open for debate, for discussion?

Nigel Rigby^ I guess part of it will be splitting the business into two parts. Obviously, we're a glorified logistics business and so our channels to market will be something that we really focus on. So, obviously we have a number of channels in the market we serve and obviously sell RetroFit direct to consumers and we have Metro Directs and we sell through window manufacturers B to B, and we sell to merchants and we directly glaze. So, one of the things we'll be thinking about is we have seven parts to our business. If we split out AGG, it's a very focused manufacturer, we've really got to look at our channels to market and say okay, is that the most efficient way to run?

We've also got to be conscious we're cyclical, so although we have a - our position that the market's going to be reasonably robust to 2021, what does that look like? So that's - and

then obviously our manufacturing concept. We obviously believe we can get to a cost position that's competitive with imports. We've got to continue to challenge that and say, okay, is that right? So, it's a good opportunity to do that. Also, there's some board and governance opportunities that we've got. Clearly, our share price reflects that we have to do some things differently.

Matt Henry^ Okay, and in terms of having an investment bank involved?

Nigel Rigby^ Yeah, I guess the Board and management needs advice along with a whole - along with a bunch of other inputs. So, it's helpful to get a broad range in advice.

Matt Henry^ Okay, I'll leave it there. Thank you.

Operator^ Ladies and gentlemen, if you find that your question has been answered, you may remove yourself from the queue by pressing star 2 on your telephone keypad. We go now to Angus Simpson with UBS.

Angus Simpson^ Good morning, guys. Just a couple of quick questions from me. Just on the procurement change in Australia, can you just say sort of exactly what's occurring there and have you got an indication of what you expect the upside is from moving to that model?

Nigel Rigby^ Okay. So, what that involves is basically, 70% of our glass purchasers were domestically sourced and now 100% of the glass is internationally sourced using Metro's procurement model because obviously everything in New Zealand is imported. Australia has some high jumps you've got to navigate your way around. There is some dumping duties and different things that are in place that ultimately you have to take into account. We basically put two warehouses, one in Victoria and one in New South Wales as close to our plants as we can get them. We've got two glass float liners there, things that basically pick up on an [L frame], a container of glass and deliver it to the plant every day. We obviously need a number of different glass types and we think the saving is fairly substantial. I don't know that we'd published it but we think it will near \$1 million when all is said and done.

Angus Simpson^ Thank you. Then I guess my last question, but there's a couple of parts to it. With regard to the guidance, so in the August announcement you pointed to year-on-year growth in 2018 versus 2017. The midpoint of the guidance would suggest that's slightly down. What have been the key changes since then given that that previous guidance was reiterated when the strategic review was announced about a month ago?

Nigel Rigby^ I guess we're reasonably conservative on the revenue line. So, we obviously, we're not forecasters so we don't actually know. So, we've just got to look at how our revenue has been accruing over the last sort of three to four months and then make a prediction on that, I guess. So that would be one. We do believe the operating efficiencies that we've been able to gain in August and September, we're going to hold on to them and we do believe that retrofit and commercial and our development businesses will continue to improve. So, that's probably more the guidance impact that our revenues we see as flat.

Angus Simpson^ Okay, brilliant. Then just I misheard this, that you'd had the seven --

Nigel Rigby^ Yeah, I guess we would have been our original assumption would have been that hey, listen, there's a number of factors, they're terrible factors within a whole bunch of others and we're obviously looking for other market posts in the market. We would have probably seen there was a margin of improvement in revenue growth but our base case is now flat. We might be surprised and we're ready to be surprised but we don't want

to get our costs out of kilter. So, we've basically got to pitch the business on flat revenues and we know we can flex up. Gives you a bit of an idea.

Angus Simpson^ Great, and then just you mentioned the seven points that went into your guidance. Point four it was -- I just misheard this -- did you mention a number \$750,000 to \$1 million?

Nigel Rigby^ Okay, so we've got a number of -- that's right. We've got a number of improvement programs. Obviously the largest one in that band is our manufacturing improvement and that will be expensed in this half year. That forms part of our base case for H2.

Angus Simpson^ Okay, brilliant. Then just as the last question, what was your [diaphot] number for the half versus the previous half?

Nigel Rigby^ I'm going to guess this number but it will be marginally up. But I don't have that number. I can certainly come back to you on that number. I don't have it readily with me. We don't - it's not that we're trying to be evasive. We don't measure it like that. We measure it in different - we break that diaphot down into components like full and complete and late tail and customer experience in terms of urgency and reworks overnight. So, but I would expect that our diaphot's improved over the last six months. On six months, on six months. We would expect that improvement to continue. As you can see from our share, I know there's a lot of rhetoric about a better diaphot but if our diaphot was off the industry, we would lose share because we are premium price. We do command a price. So, we just see service is a differentiate of the Metro and normally it's ahead of the market by a decent quantum that affords Metro's share. You either get it in share or price.

Angus Simpson^ Thanks, that's all from me.

Operator^ Once again, ladies and gentlemen, star 1 if you'd like to ask a question. We go next to Kar Yue Yeo of FNZ.

Kar Yue Yeo^ Thank you. Good morning, Nigel and John. Couple of things please. Firstly, for Nigel, you talked about a nine-week program earlier on starting this week. Could you describe what type of initiative you're looking to embark on, forced on, in the next several weeks?

And then secondly, in regard to some of these initiatives that you're undertaking, to what extent would you regard them as being unusually large item which you expense off in the second half numbers as part of your guidance?

Nigel Rigby^ Okay. All right. So, let me cover the manufacturing improvement project. So, we're in the last -- just to clarify, we're in the last week of a nine-week program. So, we already had this planned long ago and so what it involves is, we have a manufacturing methodology under which Highbrook was designed. As it's evolved over the last two and a half years, there is an element of variation in the process that we have to eliminate. Now, we're a made-to-order business. We get orders 48 hours in advance so we've got to engineer out that variation.

So, the last nine weeks, we've had a program where we fundamentally restructured up how the plant runs from an order which is received and accepted, which means its price is right and the specification's right, right through to master production schedule dropped to the floor and the disciplines under which the floor operates. So, the plant's gone through everything from visual [performance] to root cause analysis to wiring the plant up to deliver our operational strategy.

We have a line map how we see, so 5,000 to 6,000 pieces of glass being cut right through to making double-glazing and finishing at the end of the plant and delivered to a customer. So, we have a line map that tells us theoretically how that will work and we're putting the operational disciplines around eliminating variation and delivering the probability of that occurring with all the vagrancies of reworks and scratches and broken glass and order changes and all in a very short space of time.

So that's the basic program and so we've been operating that for the last eight weeks. We're in the ninth week now and the crew leave and then Metro run it themselves. So, we institutionalize those disciplines over the next 90 to 180 days. It doesn't mean it's over. It just means that this first phase is over and we execute what we've got. That's the program. The majority of the \$750,000 to \$1 million in this programs is invested in this program for manufacturing.

Kar Yue Yeo^ Right, okay. That's helpful. On the back of this program, I guess if you didn't actually implement this program, how much would you be worse off do you think in terms of cost, i.e. I guess another way I'm asking question is actually what is the efficiency gain here that you expect to achieve out of it?

Nigel Rigby^ We get a double whammy. We want a throughput gain. We want a 30% plus throughput gain. So that means for every hour worked, we want 30% uplift. Now it will take us 12 months to get there so I don't want you to say I've factored that in your models, but in the next 12 months, we want a 30% gain in throughput and we want to reduce labor as a percentage of revenue because generally we can crack that or labor as a percentage of meters squared cut. We want that to reduce and we have a number in mind and we've got targets set out for the next 12 months of milestones that we're heading. Now they're not obviously it's not a straight shot so some of them will hit and some of them will struggle and some of them we'll have to have another crack at. But as a general rule, we're pretty explicit over the next 12 months and sort of quarterly market posts what the process will deliver and what the prize will be.

Kar Yue Yeo^ Okay, and final question for John. John, there is about \$600,000 worth of unallocated corporate cost in your first half number. Could you give us a sense whether that is ongoing or whether there's some abnormal items and it shouldn't have any at all going forward?

John Fraser-Mackenzie^ So those are -- we pull those out of the segments, Kar Yue. So those are the really board, predominantly the kind of board -- what's in it board, listing fee - those sorts of costs. So, those will be ongoing. Those are really associated with MPG rather than the operating entities of New Zealand and Australia.

Kar Yue Yeo^ All right. Okay. Thank you.

Operator^ Our next question comes from Nick Marr of Macquarie Securities.

Stephen Hudson^ Hi, guys. It's actually not Nick, it's Steve. There's been obviously a titanic amount of questions asked today so I won't prolong proceedings much longer. I was just interested if you can reconcile the residential segment for me. We welcome the segmentals but we're trying to reconcile the nine-month lag to consensus which I think are up kind of 6% to 8% depending on whether or not you look at it on a number basis or a fall basis with the 1% that you've talked about. You obviously talked about Easter but you seem to be indicating that you've held market share or maybe even pushed it higher by 5%. So, there just seems to be an inconsistency there in terms of the New Zealand sales performance. I just wondered if you can comment specifically on that?

Nigel Rigby^ Okay, well, two things. One is, as you can see from slide 6, the share moves around a lot so I wouldn't - we don't look at it. We look at it on a rolling six-month, 12-

month basis. But we don't take too much credence. I think if you said the share was flat, I think, it looks like it's up, we've given you three data points. We just wanted to not really communicate our share position.

The other thing I want to note in the share position is just pre-empting the next one, is that we've got a program around inventory reduction in both Australia and New Zealand and we think we can pull \$3 million worth of inventory out so the next share number might be a bit interesting, but we'll factor that in. But you can see we've sort of done some analysis on the six-month lag starts and don't see a ton of variation from where we're at.

Stephen Hudson ^ Okay, maybe I haven't ==

John Fraser-Mackenzie ^ Just to - if you take our positive 1% and residential New Zealand, it's kind of a reported number. Just adding another three days, if you add two and a half on that would get you to three and a half, and then that's the sector that's impacted by the \$1 million of price. So, add on another 1% and a bit and you kind of - and you're up at around 5%. So, 5% against consensus you mentioned 6% or 7%, so there are kind of a couple of parts that would reconcile it pretty near to the consensus number.

Stephen Hudson ^ Okay. In terms of diaphot maybe relatedly, we've long talked about the core of this business is its service offering, it's just hard to come away from this call without some feel for where your service offering is in New Zealand, DGs. Can you give us anything at all because, I guess, we're all trying to work out that your pricing power is and your ability to hold share somewhere near an elevated level in the cycle, it seems quite an important question?

Nigel Rigby ^ Yeah, obviously, we provided share data to clean that up and say, and I'm happy to go backwards. The diaphot as we said, six month on six month would be improved. We think of it a lot more in specific terms of impact to customer more than anything else. So, it's something we'll have to try and figure out because we think about it in terms of deliveries in full. We think about it in terms of 24-hour reworks. So, our six months over six months would be improved. If it wasn't, our share would be impacted. So, it's something we have to get our head around. Obviously, every time we report, we, with the exception of diaphot, we include more as we get your feedback. So, a lot of the feedback is how can we understand shares so we've included a share number which is the most robust way we can report on it. So, our diaphot would be in terms of percentage, would be up half on half and we'll figure out a way to disclose more on diaphot and the customer experience, because that's really what's so critical.

Stephen Hudson ^ Okay, thanks.

Operator ^ We move now to Darren Manning of Forsyth Barr.

Darren Manning ^ All right, gentlemen. Given the change in chair announced today, is there any early stage guidance you can give us as to what the market can reasonably expect to be done differently by Peter Griffiths? This is the previous incumbent particularly given the comment also announced in here of the Board continuing to evaluate its own composition?

Nigel Rigby ^ Sure, I think obviously, John - sorry, Peter's been on the Board for a little over 12 months so he's got a reasonable tenure to understand how the company operates. I think we've also run a perception survey which has given us some good clues on in terms of some things that we should - we can do differently to improve. So, I think that's part of the strategic review. Certainly, the governance is definitely on the agenda as part of the strategic review and the interaction with shareholders. So, one thing I think Peter will be is proactively interfacing with shareholders which will be announced, I guess, in due course. I can't - you'll get the opportunity to speak to Peter but certainly, he's got

experience with the business over the last 12 months and as part of the strategic review, I think governance is going to be a pretty fundamental part of evaluation with Metro sits.

Darren Manning ^ Okay, thank you.

Operator^ A final reminder, star 1 if you have a question. I'll pause for just a moment. Mr. Rigby, there are no other questions at this time, sir. I beg your pardon. We do have a question from Rickey Ward at JBWere. Mr. Ward, your line is open.

Rickey Ward ^ Sorry, thanks for that. Just to carry on from Darren's question, what skills do you think the Board does need?

Nigel Rigby^ Oh, [obviously] you're asking a tough question, Rickey. I think you guys would know our business, obviously we're involved in some technology so having technology bias would be important. Obviously, we're a logistics and manufacturing supply chain company so those capabilities will be important and obviously we have a B2B and a B2C program around customer experience which is pretty key to our shares. So those sort of three skills would be pretty fundamental on the Board and I'm sure Peter's evaluating how he sees that Board composition and those sorts of skills relative to Metro's capabilities going forward. Then, of course, we've got Australia and understanding a fair bit about Australia being it's going to be a bit of growth engine over the next three to five years will also be important. So I'm sure he's taking that into account when he's thinking about how the board should be compiled and the sort of the skills around the table. Secondly, I'm sure you're going to get that opportunity to talk to Peter about that.

Operator^ Mr. Rigby, there are no other questions at this moment, sir. I'd like to turn the conference back over to you for any additional or closing remarks.

Nigel Rigby^ No, thank you very much. We look forward to catching up with you in the next few weeks. Cheers.

Operator^ That does conclude today's conference. We thank everyone for joining us.