Metro Performance Glass

FY18 Results Presentation

24 May 2018

METRO
PERFORMANCE GLASS

Disclaimer

This presentation ("**Presentation**") has been prepared by Metro Performance Glass Limited (Company Number 5267882) ("**Metro Performance Glass**").

Please do not read this Presentation in isolation

This presentation contains some forward looking statements about Metro Performance Glass and the environment in which the company operates. Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "expect", "likely", "intend", "should", "could", "may", "propose". "will", "believe", "forecast", "estimate", "outlook", "target", "guidance" and other similar expressions. Forward looking statements, opinions and estimates provided in this Presentation are inherently uncertain and are based on assumptions and estimates which are subject to certain risks, uncertainties and change without notice. Because these statements are forward looking, Metro Performance Glass' actual results could differ materially. Any past performance information in this Presentation should not be relied upon as (and is not) an indication of future performance.

Media releases, management commentary and analysts presentations are all available on the company's website. Please read this presentation in the wider context of material previously published by Metro Performance Glass.

There is no offer or investment advice in this Presentation

This presentation is not an offer of securities, or a proposal or invitation to make any such offer. It is not investment advice or a securities recommendation, and does not take into account any person's individual circumstances or objectives. Every investor should make an independent assessment of Metro Performance Glass on the basis of independent expert financial advice.

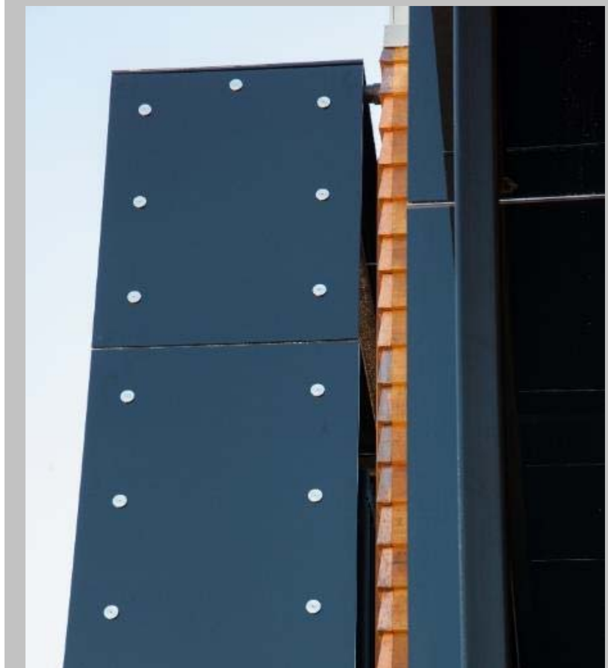
All information in this Presentation is current at the date of this Presentation, and all currency amounts are in NZ dollars, unless otherwise stated. Metro Performance Glass is under no obligation to, and does not undertake to, update the information in this Presentation, including any assumptions.

Disclaimer

To the maximum extent permitted by law, Metro Performance Glass and its affiliates and related bodies corporate, officers, employees, agents and advisors make no representation or warranty (express or implied) as to the currency, accuracy, reliability or completeness of the information in this Presentation and disclaim all liability for the information (whether in tort (including negligence) or otherwise) to you or any other person in relation to this Presentation, including any error in it.

Agenda

1. **FY18 highlights**
2. **Financial results**
3. **Market conditions**
4. **FY19 outlook and financial targets**
5. **Strategy update**
6. *Q&A session*



1. Market conditions & FY18 highlights

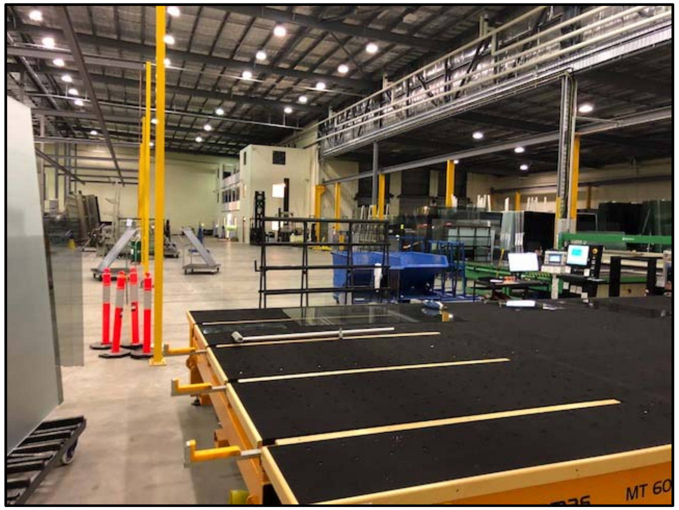
METRO

FY18: Full year result highlights

1. Group revenue of $268.3m (+10%) including a full 12 months of trading from AGG. EBIT of $28.0m (-15%) and NPAT of $16.3m (-16%) impacted by significant items
2. Strong operating cash flow of $33.6 million (+92%); net debt flat at $94.3m
3. Soft NZ construction activity resulted in flat NZ sales; RetroFit revenue grew +25%
4. Australian revenue supported by Victorian double glazing sales, however capital programme disruptions impacted financial results in the final quarter of FY18
5. Completed a $20.6m capital programme involving all plants, and a greenfield Tasmanian plant
6. Declared a fully-imputed final dividend of 3.8 cps, bringing total FY18 dividends to 7.4 cps
7. Conducted a strategic review of the business
8. Changes at board and senior management level

Manufacturing performance and the FY18 capital programme

- Capital programme aimed at delivering improved capability and efficiency at the Group's existing six processing plants as well as establishing the seventh plant in Hobart, Tasmania *(photos below)*
- New Zealand's installation programme was executed on time and budget. The business' customer experience metrics have quickly rebounded and are trending positively
- The Australian programme proved challenging due to significant shipping disruptions delaying some key equipment beyond the planned shutdown period. As a consequence, AGG's sales, costs and customer experience were impacted in the final quarter of the financial year
- All sites are back to full operation and are focused on delivering for customers



New glass processing plant based in Hobart, Tasmania.

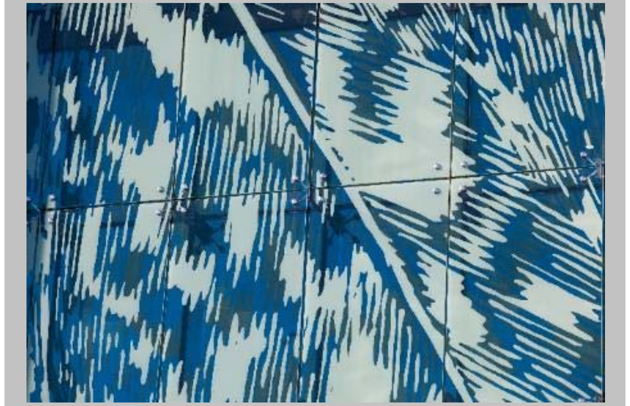
Operational highlights

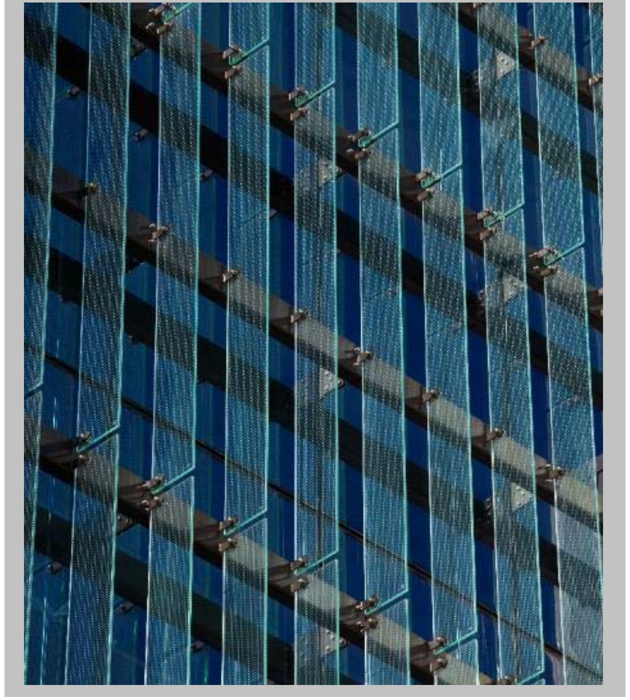
METRO PERFORMANCE GLASS

- Maintained leadership position and NZ glass category share above 55%
- Capital program successfully completed. Plant performance and customer service trending positively
- FY18 sales in line with last year (up marginally on a daily sales basis), with Canterbury activity declines driving a 2% fall in NZ residential revenue
- Commercial glazing profitability improved as the business focussed on projects in its core capability. Forward book of work currently at $28.3m
- Retrofit revenue grew +25% year on year after a particularly strong second half across the North Island following a successful summer advertising campaign
- NZ financial performance stabilised in the second half, with labour and inventory costs aligned to softer activity levels
- Underlying profit improvement offset by a number of non-recurring cost items

Australian Glass Group

- Transitional year for AGG as it invested significantly in double glazing capacity, moved to an international glass import model and opened its third plant
- AGG's AUD$9.5m capital program has close to doubled AGG's double glazing production capacity, and step changed the business' ability to service its customers
- Underlying performance in Victoria was acceptable with continued growth in double glazing sales as we increased production capacity into a strong market
- The New South Wales business had a disappointing year, with revenue impacted by ongoing plant reliability issues prior to the capital programme, followed by installation delays
- AGG opened a greenfield processing plant in Hobart, Tasmania in early 2018. Enables better service levels for the local market and frees up capacity in the Victorian plant that had serviced this market previously

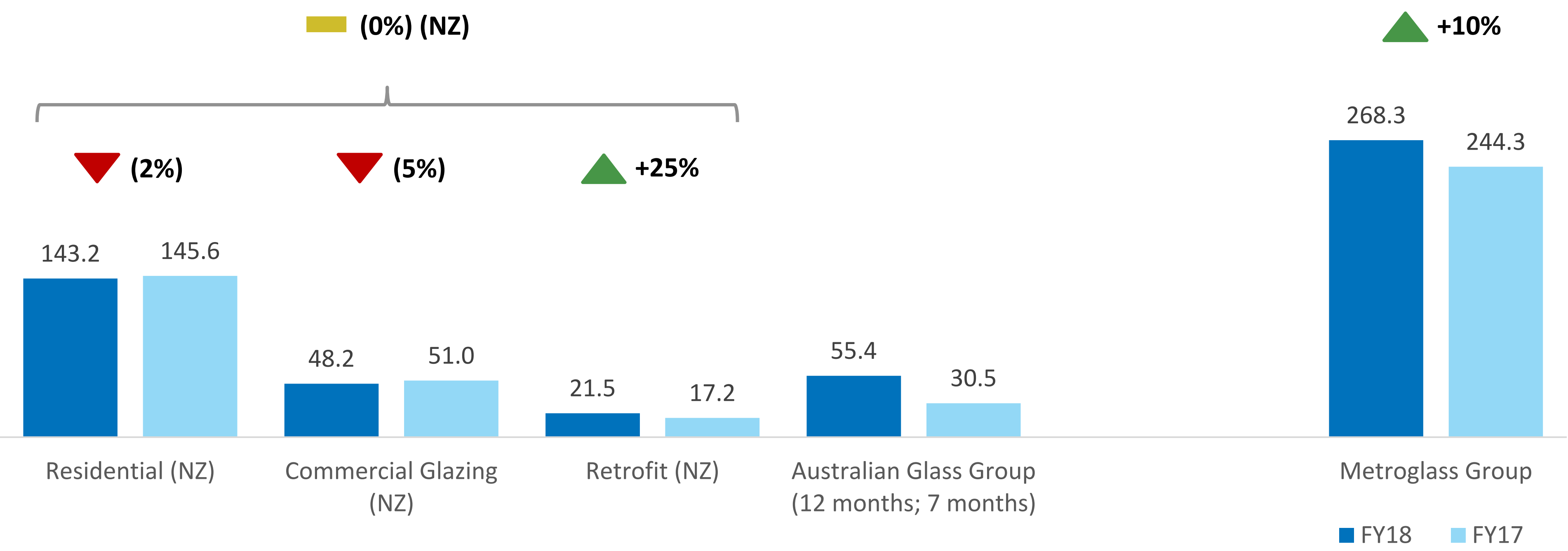




2. Financial results

FY18: Group revenue

Metroglass Group revenue (NZ$ million)[1,2]



Notes:

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.*
2. *Residential revenues include sales to residential window manufacturers, merchants, and retail.*

FY18: Full year results summary

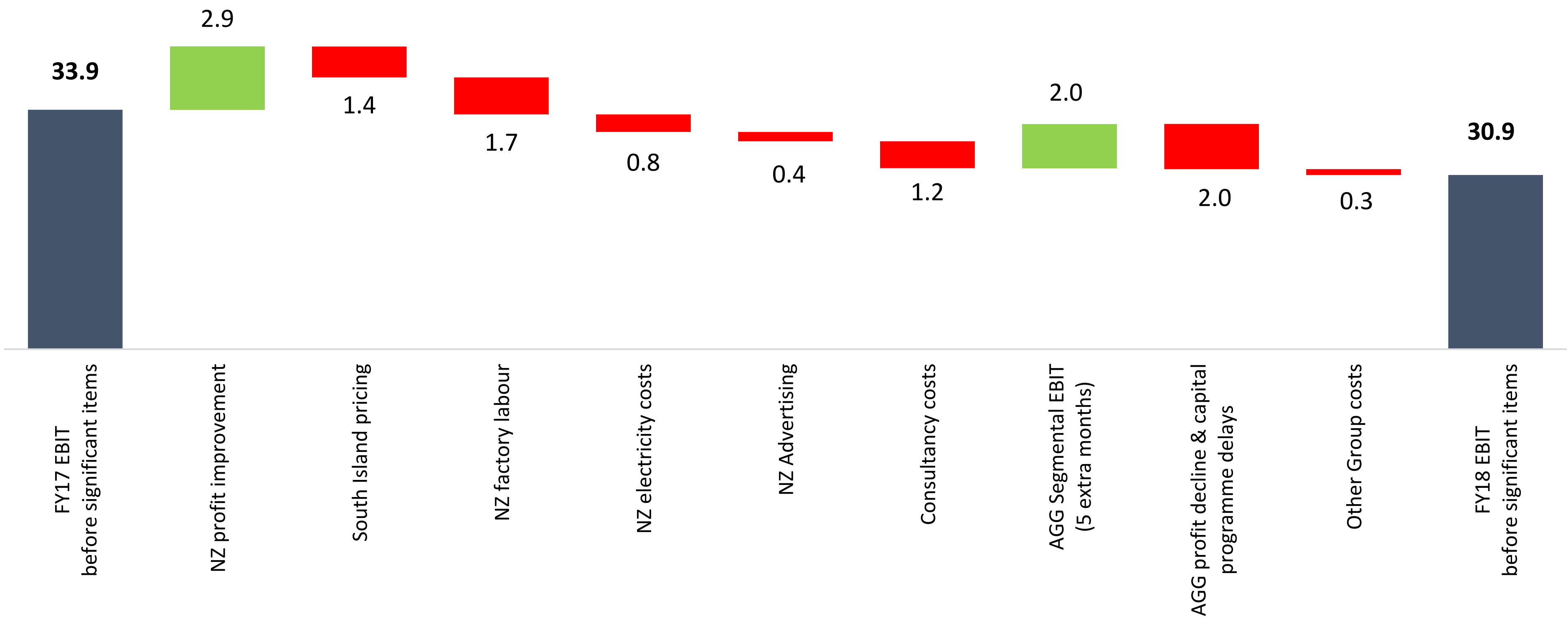
Metroglass Group (NZ$m)	FY18	FY17	% chg
Revenue	**268.3**	244.3	10
EBITDA before significant items[1]	**43.3**	44.9	(3)
Depreciation & amortisation	12.4	11.0	13
EBIT before significant items[1]	**30.9**	33.9	(9)
NPAT before significant items[1]	**18.4**	21.3	(14)
Significant items	(2.1)	(2.0)	7
NPAT	**16.3**	19.4	(16)
Basic EPS (cents)	**8.8**	10.5	(16)
Total dividend (cps)	**7.6**	7.6	-

Segment results (NZ$m)	FY18	FY17[4]	% chg
New Zealand			
Revenue	212.9	213.8	(0)
Segmental EBIT[1]	29.2	31.9	(8)
Australia	*(12 months)*	*(7 months)*	
Revenue	55.4	30.5	n/a
Segmental EBIT	3.2	3.2	n/a

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 28 of this release.*
2. *The full segment note is available in the FY18 Annual Report (financial statements note 2.1). FY17 D&A has been restated to conform with the current year's presentation, with NZ amortisation previously sitting under Group D&A. Significant items for both FY17 and FY18 are included in the Group Costs line (therefore excluded from Segmental EBIT figures).*

FY18: EBIT summary

EBIT before significant items bridge: FY17 to FY18 ($m)



FY18: Summary cash flow & balance sheet

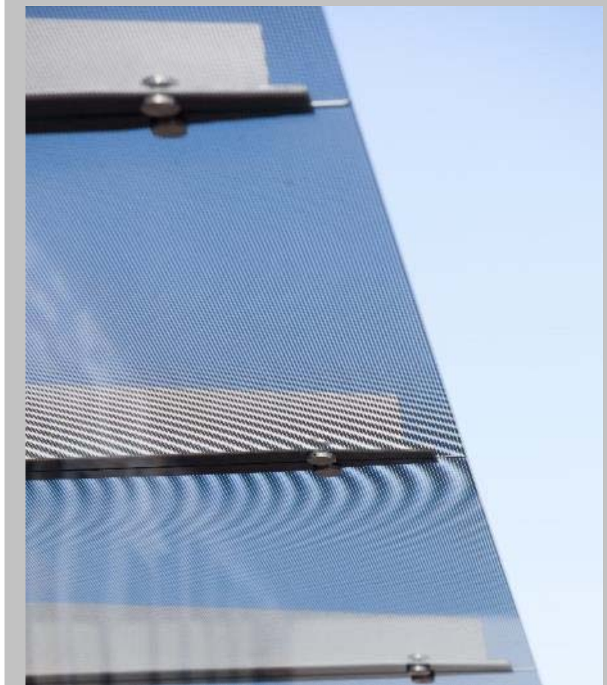
Key cash flow items (NZ$m)	FY18	FY17
EBIT before significant items	30.9	33.9
Operating cash flows	33.6	17.6
Capital expenditure[1]	20.6	10.1
Dividends paid	14.1	14.1

Key balance sheet items (NZ$m)	FY18	FY17
Net working capital[2]	32.6	38.0
Property plant & equipment	68.4	57.0
Total assets	300.4	293.8
Net debt	94.3	94.5
Total shareholders equity	159.0	156.5

Notes:

1. *Excludes the consideration paid when acquiring AGG in FY17.*
2. *Net working capital: trade & other receivables + inventory – trade & other payables.*
3. *Gearing: net interest bearing debt / (net interest bearing debt + equity).*

- Operating cash flow + 92% or $16.1m, with improved working capital management and lower tax payments in the year
- Group inventory increased $1.1m to $23.5m as AGG transitioned to a glass import model
- Excess inventory held in NZ at the half year was wound back in the second half
- Accounts payable increased across the Group on improved terms for purchases of glass and imported consumables; also included final capital program payments post commissioning and the CEO settlement paid in April 2018
- Net debt remained flat year on year, while accommodating $20.6m of capital expenditure. Group gearing[3] decreased from 37.6% at 31 March 2017 to 37.0% at 31 March 2018
- The Board declared a fully imputed final dividend of 4.0 cents per share to be paid on 24 July 2018 to all shareholders on the register at 9 July 2018
  - Total FY18 dividends of 7.6 cps are at the top end of the Company's dividend policy range (77% of NPATA or 69% of NPATA before significant items)

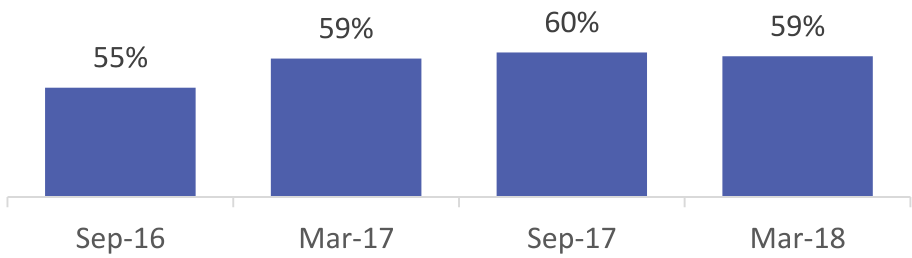


3. Market conditions

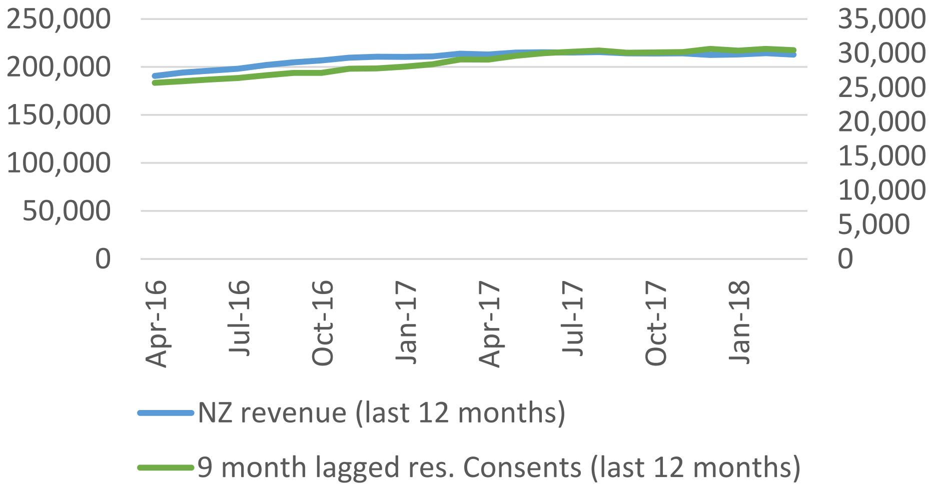
Macro conditions in New Zealand

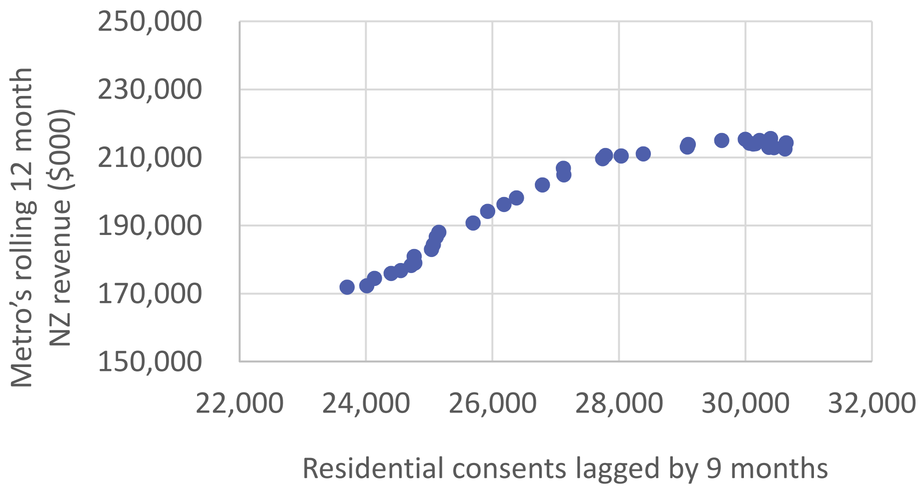
- While strong economic and demographic fundamentals (migration, interest rates, underbuilt Auckland, KiwiBuild) continue to support strong activity, supply-side constraints (capacity, costs, credit availability) are dampening growth
- Metroglass maintained total glass category share above 55% in FY18. This measure fluctuates based on glass purchasing levels, and is expected to fall in 1H19 due to the Company's glass inventory reduction program

Metroglass maintained New Zealand glass category share[4] of greater than 55% (rolling 6 months)



Metroglass NZ revenue remains relatively aligned to 9 month lagged NZ housing consents, however participation in commercial glazing and RetroFit are lowering this correlation over time

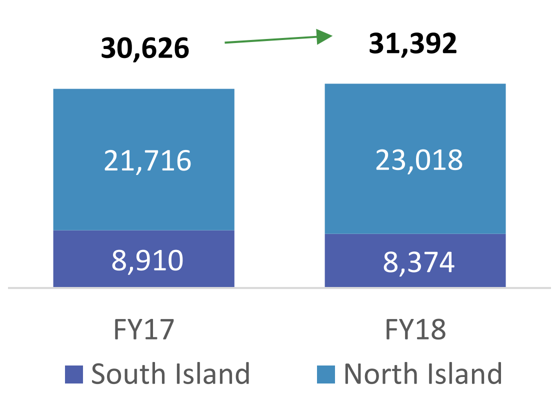




[4] Rolling six month metric based on quantities of glass imported into New Zealand (source: Company analysis, Statistics NZ). Data points prior to Mar-18 differ slightly to that previously released as the analysis now considers a small number of additional glass tariff codes.

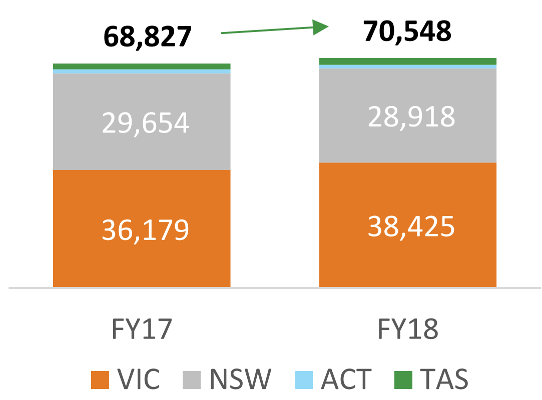
Residential and non-residential activity remains supportive but growth in New Zealand was less than previously anticipated

New Zealand – # of residential consents[1]



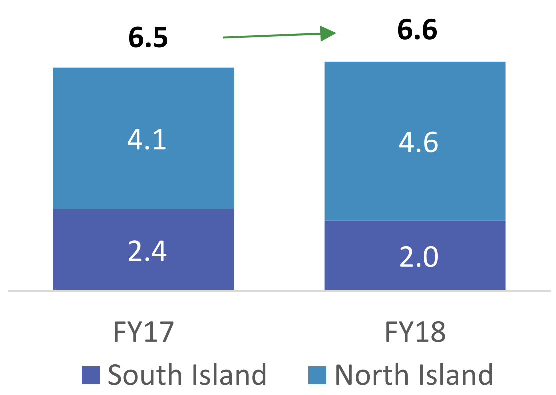
- Residential dwelling consents for the 12 months to 31 March 2018 rose +3%
- North Island +6%
- South Island -6% Canterbury -15%

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



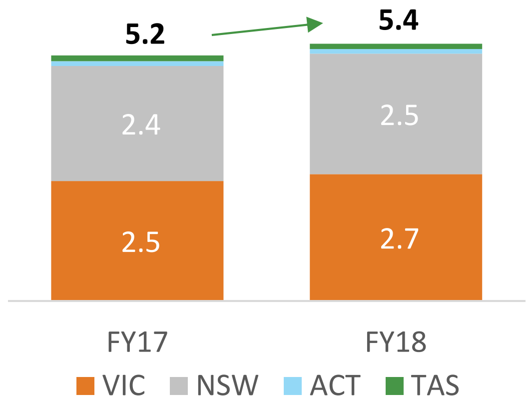
- Double glazing penetration is continuing to increase
- Detached dwelling (house) approvals for the 12 months to 31 March 2018 rose 3%
- Victoria +6%, NSW -2%

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



- The value of non-residential dwelling consents for the 12 months to 31 March 2018 rose +3%
- North Island +12%
- South Island -14%

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



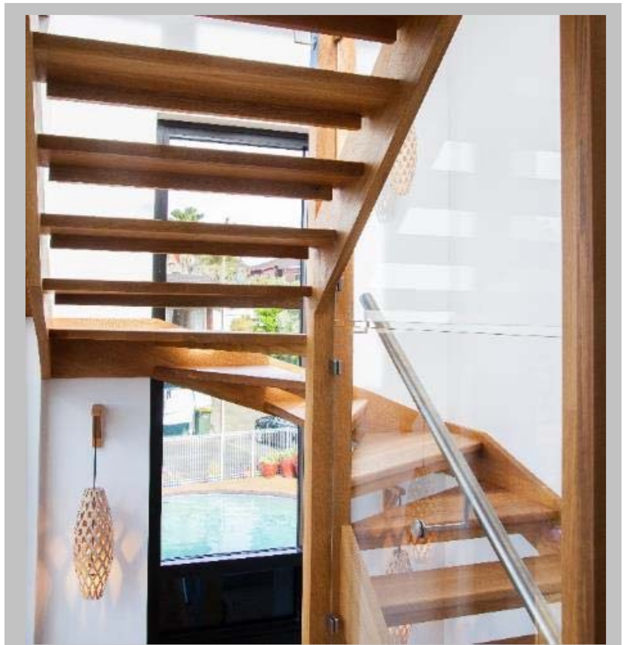
- The value of alterations and additions for the 12 months to 31 March 2018 rose +5%
- Victoria +6%, NSW +5%

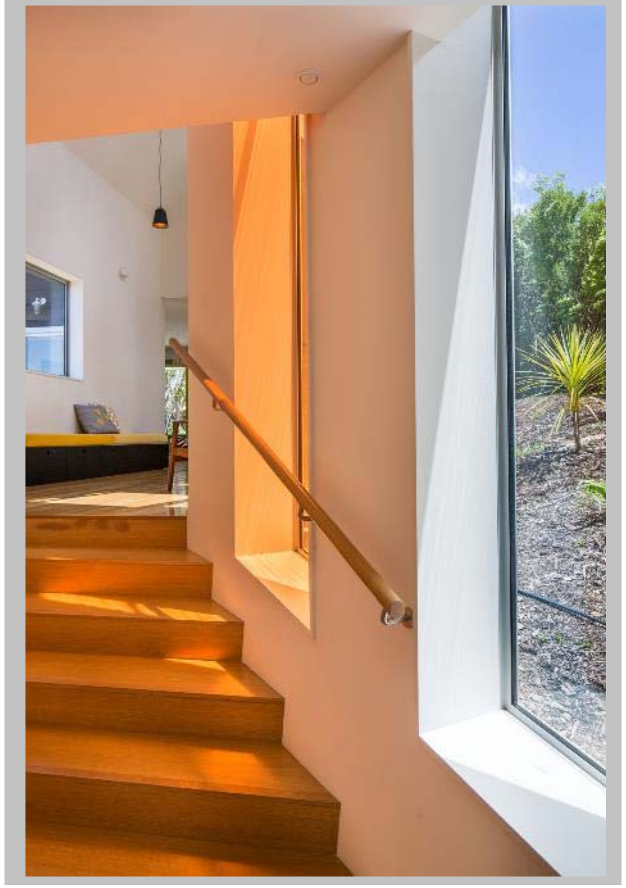
1. *Source: Statistics NZ, number of residential dwelling consents (12 months to 31 March 2018). No lag has been applied.*
2. *Source: Statistics NZ, value of non-residential consents (new plus altered; 12 months to 31 March 2018).*
3. *Source: Australian Bureau of Statistics, 8731.0 Building Approvals, Australia (12 months to 31 March 2018).*

4. FY19 outlook and financial targets

Outlook for FY19

- Future market conditions are always difficult to predict. Our current expectations are:
  - New Zealand: Activity to remain close to the current levels for the coming 12 months, with further Canterbury declines being offset by growth in other regions
  - Australia: activity in AGG's target markets has held up well this year. We consider overall market activity may soften, however AGG will still have significant growth opportunities ahead of it as it builds sales capability and utilises its increased production capacity
- As we implement our initiatives across the Metroglass Group in the 2019 financial year, we are targeting Group EBIT of between $30 - $33 million capital expenditure of approximately $10 million and debt repayment of between $7.0 – $10 million of debt. We also intend to maintain our current dividend policy.





5. Strategic Review

Why was the strategic review conducted?

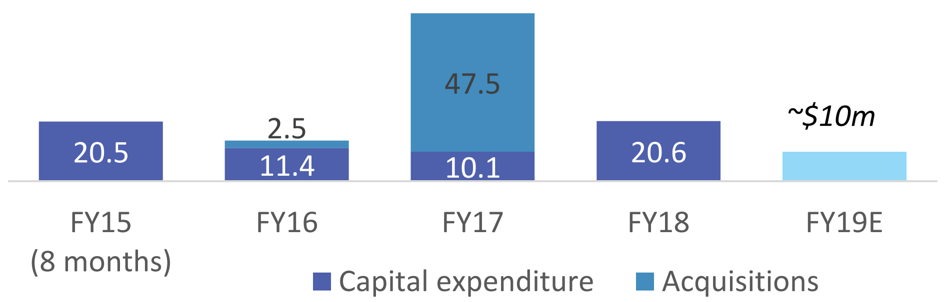
- **Review purpose**: *To ensure that the company's business model continues to be effective and efficient for the two countries in which it operates, and that the best opportunities to improve customer experience and financial returns to our shareholders are prioritised*
- Our review considered the impact of changes in our strategic context, reassessed our thinking for each channel and geography, undertook deep dives on our production approach, and took on board feedback from customers and shareholders
- Particular focus on capital returns and productivity at Highbrook
- The outlook for further construction activity growth in New Zealand slowed materially during FY18. Competitor activity in selected markets has impacted margins, and staff turnover and ineffective production planning have resulted in falling service levels (i.e. DIFOT) and customer satisfaction
- Targeted returns have not been achieved in a timely manner
- Execution was inconsistent as we have struggled to keep our learning curve and performance in line with sales growth

Reflecting on our journey

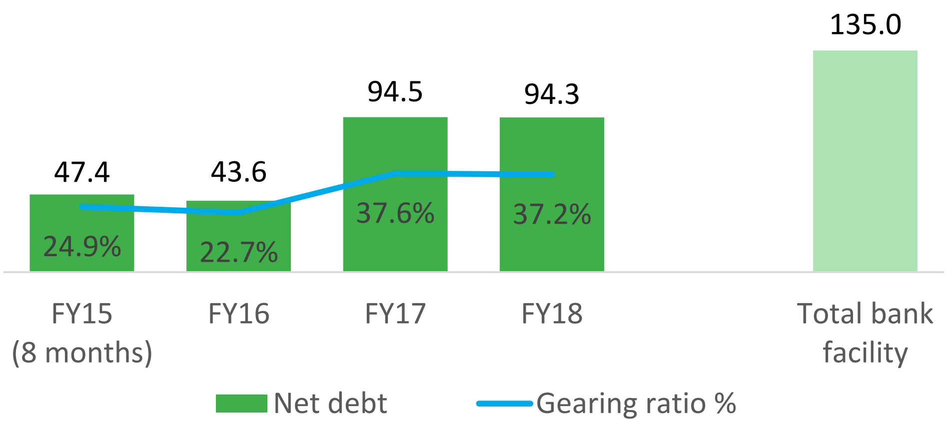
- Metroglass has grown strongly, diversified its revenue base and increased its product and service offerings, but experienced material growing pains, and customer experience was negatively impacted
- Developed and expanded the businesses while market conditions allowed, in order to secure market leadership for the long term
- Margins have remained attractive vs. industry peers, however we expected that we could achieve a higher degree of operating leverage and return on investment
- The company faced four key underlying drivers at the same time that have made execution challenging:
    1. Rapid growth in demand in line with a very strong construction market (and tight labour market)
    2. Transitioning from manual to automated manufacturing
    3. Product mix increased in complexity
    4. Diversifying revenue streams into commercial and retrofit from a low base
- Our execution was impacted by insufficient organisational capabilities to keep up with the rate of change
- While the acquisition of Australian Glass Group positioned the Group well to benefit from the increasing penetration of double glazing in the South East of Australia, it added to Group complexity
- Despite these challenges, the company has now cemented a superior market position, has excellent manufacturing capability, a strong customer service proposition, and has a portfolio of solid assets with which to build a stronger business. This will include a greater focus on our customers, people, execution and value creation

Investing in capacity and modernised manufacturing was required to meet the rapid evolution of glass and build Metroglass' market position

Metroglass Group capital expenditure (NZ$ million)



Borrowings (NZ$ million) and Gearing (%)



- Investments in NZ's first double glazing growth cycle including an expanded presence in commercial glazing and retrofit markets, and the acquisition of AGG are setting Metroglass up for the long term
- Ensures that Metroglass retains its industry leadership position and can continue to offer a stronger value proposition than import competition
- Capex has been funded by debt and operating cashflow
  - 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
- Acquisitions totalling circa. $50 million including AGG ($47.5m) and five bolt-on regional distribution businesses
- Bank debt increased in September 2016 following the acquisition of AGG, but remains well within facility limits and covenants

Metroglass’ four strategic objectives

Following extensive reviews, we have confidence that Metroglass’ purpose to be a customer-dedicated organisation that delivers market-differentiated glass products and glazing services remains valid.

However, the focus has shifted from expansion and diversification, to optimisation and enhancement of our internal capability to execute on the opportunities we see ahead.

1. Delivering market leading service to our customers

2. Developing our organizational capabilities

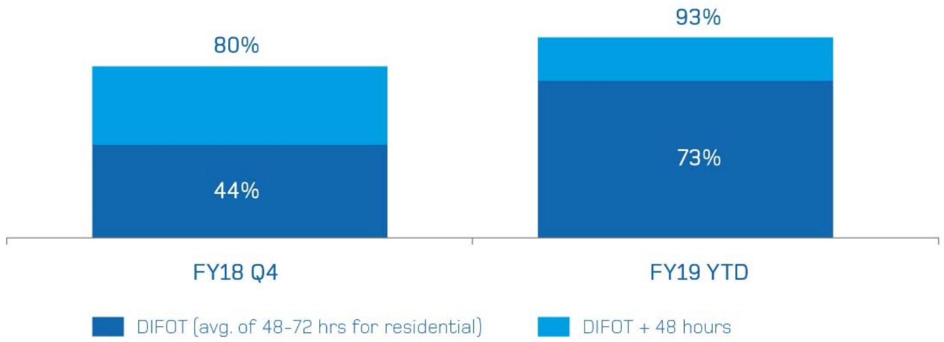
3. Maintaining our scale position via product and channel leadership

4. Leveraging our scale and assets to deliver lowest total delivered cost

1 Delivering market leading service to our customers

- Service is a key differentiator for our customers and critical to their success and profitability
- The New Zealand and Australian businesses are now well equipped to satisfy anticipated market demands over the next 24 months, and will focus on processing and installation efficiency, productivity and reliability

EXAMPLE: HIGHBROOK DIFOT %



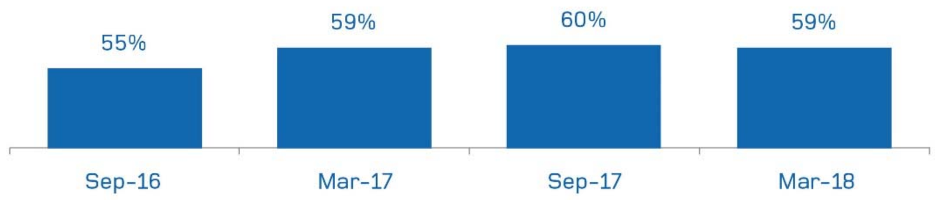
2 Developing our organizational capabilities

- Improving our ability to execute against these strategic initiatives is critical
- Following a number of years of rapid growth, a greater focus will be placed on investing in our people and their capabilities as well as on our support systems

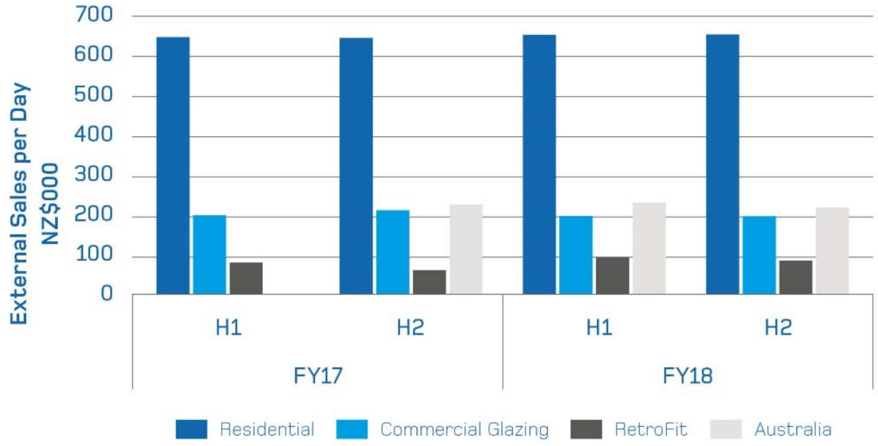
3 Maintaining our scale position via product and channel leadership

- Metroglass has grown to service more than 55% of the NZ flat-glass market. Scale is an important advantage in this market, providing significant manufacturing, procurement and distribution advantages
- Glass is a rapidly evolving product, and we have invested to keep pace with the rate of change. We will continue to drive product leadership in ‘NZ first’ products through ongoing market research and innovation
- We will maintain our multiple channels to the different key market segments, which offer varied cycle exposure and growth opportunities. We will continue to participate in the value chain through to the customer in the RetroFit channel for the medium term
- AGG will use its significant new double glazing capacity and improved supply chain to deliver profitable growth in the South East Australian market

NZ GLASS CATEGORY SHARE

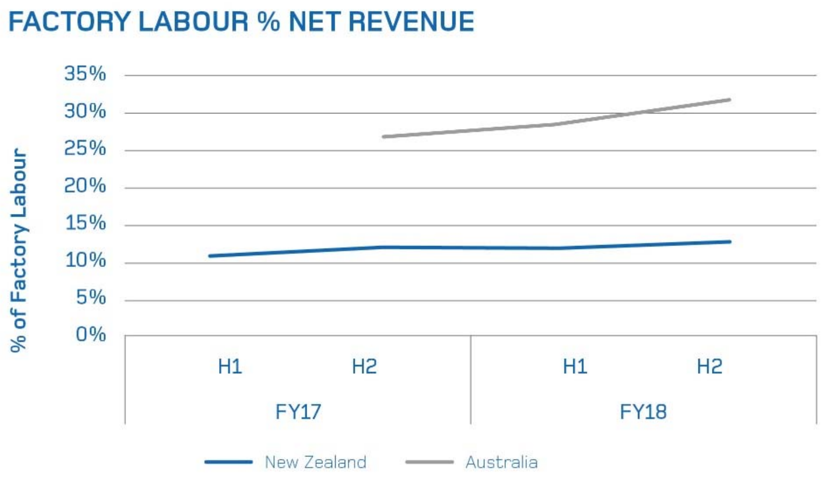


DAILY SALES (NZ$000)



4 Leveraging our scale and assets to deliver lowest total delivered cost

- A persistent focus on increasing efficiency and automation and lowering costs is essential for the long-term sustainability of our business, and to enable us to compete successfully against imports and changing industry dynamics



What does the next 24 months look like?

- Re-dedicated to a focus on excellent service to our core customer groups (but not all things to all people)
- We are committed to our product leadership position, and we choose to maintain a broad product offering, our existing routes to market, and our current geographic spread
- Deeply embedded best practice production culture. We have the equipment but need to refocus on building and sustaining excellent people across the business
- Capital management discipline will generate strong cash flows, with capital spend at maintenance levels, inventory will be optimised, and Group debt will be reduced

Managing for success

- The composition of Metroglass' board has changed significantly over the past 12 months
  - Peter Griffiths elected as Chair following Sir John Goulter's retirement
  - Angela Bull and Rhys Jones appointed as independent directors
  - CEO / Executive Director Nigel Rigby departed the business in March following his resignation in December 2017
- Board committees and members:
  - Audit & Risk Committee: Bill Roest (Chair), Russell Chenu, Peter Griffiths
  - People & Culture Committee: Angela Bull (Chair), Gordon Buswell, Rhys Jones
- The company currently being led by CFO John Fraser Mackenzie and the senior leadership team
- Recruitment of a new CEO is progressing, and the market will be updated when an appointment has been made

6. 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: $2.9m of CEO departure and recruitment costs in FY18 ("CEO departure & recruitment costs") and $1.0m of one-off expenses related to the acquisition of Australian Glass Group in FY17 which are not tax deductible ("AGG Acquisition Expenses")
  - EBIT before significant items: EBIT less significant items, being: CEO departure & recruitment costs, and the AGG Acquisition Expenses
  - Profit for the period before significant items: Profit for the period less significant items, being: CEO departure & recruitment costs; the AGG Acquisition Expenses and tax adjustments relating to IPO expenses and finalisation of prior year tax positions
  - Segmental EBIT: EBIT of an operating segment in the Group. Excludes Group costs including insurance, professional services, director fees and expenses, listing fees, share incentive scheme costs. Further details provided in the segment note of the 2018 Annual Report
  - 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	FY18 ($M)	FY17 ($M)
Profit for the period before significant items	**18.4**	**21.3**
Less: Tax adjustments relating to prior periods	-	1.0
Less: AGG Acquisition Expenses	-	1.0
Less: CEO departure and recruitment costs (tax effected)	2.1	-
Profit for the period (GAAP)	**16.3**	**19.4**
Add: taxation expense	7.0	9.6
Add: net finance expense	4.7	4.0
Earnings before interest and tax (EBIT) (GAAP)	**28.0**	**32.9**
Add: depreciation & amortisation	12.4	11.0
EBITDA	**40.4**	**43.9**
EBIT (GAAP)	28.0	32.9
Add: AGG Acquisition Expenses		1.0
Add: CEO departure and recruitment costs	2.9	
EBIT before significant items	**30.9**	**33.9**
EBITDA	40.4	43.9
Add: AGG Acquisition Expenses		1.0
Add: CEO departure and recruitment costs	2.9	
EBITDA before significant items	**43.3**	**44.9**
Profit for the period (GAAP)	**16.3**	**19.4**
Add back: amortisation of acquisition-related intangibles and its associated tax effect	1.9	1.7
NPATA	**18.2**	**21.1**

Contact information

Metro Performance Glass Limited

5 Lady Fisher Place, East Tamaki

Auckland 2013

New Zealand

Ph: + 64 9 927 3000

www.metroglass.co.nz/

John Fraser-Mackenzie – Chief Financial Officer

john.fraser-mackenzie@metroglass.co.nz

(+64) 027 551 6751

Andrew Paterson – Investor Relations Manager

andrew.paterson@metroglass.co.nz

(+64) 027 403 4323