NZX (MPG), ASX (MPP) and media release 23 May 2019

Steady progress in New Zealand offset by transitional year in Australia

Summary of the results for the 12 months ended 31 March 2019 (FY19)[1]

NZ$m	New Zealand		Australia		Group	
	FY19	FY18	FY19	FY18	FY19	FY18
Revenue	217.4	212.9	50.4	55.4	**267.8**	**268.3**
Segmental EBIT[2]	31.1	29.2	(4.8)	3.2		
EBIT before significant items[3]					**25.2**	**30.9**
EBIT					**15.7**	**28.0**
Net Profit for the period before significant items					**14.2**	**18.4**
Net Profit for the period (or NPAT)					**5.0**	**16.3**

- Group revenue in line with the prior year. EBIT was in line with our March earnings guidance, but below last year following poor trading results in Australia and resulting intangible asset impairment
- Reported net debt reduced by $11.0 million to $83.3 million
- Capital expenditure down by 62.0% year on year to $7.8 million
- Positive progress in NZ with improved operating performance and financial results. NZ revenue grew 2.1% and EBIT grew 6.3% benefiting from favourable product mix and pricing, and efficiency gains
- Disappointing Australian results impacted by protracted operational challenges in Victoria and New South Wales, and the start-up of the new Tasmanian plant. Improvements now emerging following business reset
- NZ$9.6 million impairment charge on Australian Glass Group's (AGG) intangible assets

Metro Performance Glass (Metroglass) today reports FY19 financial results in line with the guidance provided on 18 March 2019, with good progress in New Zealand diluted by significant challenges in Australia.

Group revenue for the year to 31 March 2019 of $267.8 million was in line with last year, with New Zealand up 2.1% and Australia down 9.0%. EBIT before significant items fell 18.4% to $25.2 million. Primarily as a result of an impairment charge on Australian assets, group NPAT declined to $5.0 million, from $16.3 million in FY18. NPAT before significant items declined to $14.2 million, from $18.4 million in FY18.

Reported group net debt at 31 March 2019 of $83.3 million was down $11.0 million year on year, due to a 62.0% reduction in capital expenditure, working capital reduction in New Zealand, a weaker Australian dollar and having only made one dividend payment in the year. Strong cash generation in New Zealand was offset by the negative operating cash flow in Australia.

CEO Simon Mander said: "Progress has been made across all parts of the group this year, and we are pleased with the operational improvements and stronger financial results achieved in New Zealand. The Australian business, AGG had a disappointing year, taking longer than expected to recover from the significant operational changes we've made over the past 18 months.

"We have a clear strategy and plan in place for AGG, and in the latter stages of the financial year we improved service delivery in all three states, reduced reworks and achieved a more stable and engaged workforce. These

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[1] *All prior period comparisons are to the full year ended 31 March 2018 (FY18) unless otherwise stated.*

[2] *All non-Generally Accepted Accounting Principles (GAAP) financial measures are defined and reconciled to a GAAP measure in the 2019 Annual Report also released today, available here: https://www.metroglass.co.nz/investor-centre/annual-interim-reports/.*

[3] *Significant items were $9.6m of intangible asset impairment cost in FY19 and $2.9m of CEO departure and recruitment costs in FY18.*

positive changes have resulted in a number of former customers already returning and we're focused on regaining their confidence and trust."

New Zealand – steady progress

New Zealand revenue rose 2.1% to $217.4 million (~80% of group revenue), with increases in North Island revenue offsetting further declines in the Canterbury region. Residential and Retrofit sales were in line with last year, and commercial glazing revenue grew 8.9% to $52.5 million.

Segmental EBIT grew 6.3% benefiting from favourable product mix including more safety- and heat strengthened-glass as a result of recent building code changes, and pricing and efficiency gains.

Metroglass is being more considered in how it brings on new sales volumes, or tenders for complex commercial projects. New Zealand's revenue and margins both improved year on year, however management believe its share of the overall market declined with increased imports and domestic competition.

Metroglass' New Zealand operations also delivered improved customer service and operational metrics following the launch of a number of people and process focussed initiatives. Pleasingly, over the course of the year, customer service levels improved and voluntary staff turnover and absenteeism declined.

Competitive landscape in New Zealand

The New Zealand market is rapidly evolving, with the buoyant housing and construction markets encouraging investment from new and existing players.

In November 2018, a large aluminium extruder, based in the upper North Island announced their intention to enter the glass processing market. This announcement had a negative impact on market commentator's views of Metroglass' value, and consequently the share price.

The board considers that the current share price does not reflect the underlying value of the business, and incorporates an overly pessimistic view of the group's future in both New Zealand and Australia.

As at today, there continues to be little reliable information available about the new entrant's specific plans. Metroglass' board and management have undertaken detailed market impact assessments and anticipate that once the plant commences production a gradual reduction in our sales from window fabricators affiliated to the new entrant, primarily in the upper North Island, could be expected in the following years.

Our customers already have the ability to select between multiple glass suppliers, and yet choose to work with us. We're working hard to continually improve their experience and have made good steps forward this year.

Metroglass is the clear market leader in New Zealand and is well placed to succeed having already significantly invested in new manufacturing capacity and people capabilities. The company will continue to focus on differentiating and reinforcing its value proposition to its customers through continued execution of its strategy. We will draw on our scale advantages, strong customer relationships and the depth of talent the business has built up over its more than 30-year history.

Australia – improvements emerging following business reset

Australian Glass Group's (AGG) FY19 revenue declined by 9.0% to $50.4 million and Segmental EBIT fell from $3.2 million in FY18 to a loss of $4.8 million in FY19. The business had a challenging year as it worked to bed in the substantial changes made across the business over the past 18 months. These changes have included a major capital programme, the shift from domestic to international glass supply, moving the business' manufacturing and sales focus towards double glazing products, and opening AGG's Tasmanian plant.

Progress in Australia was slower and more challenging than expected, with inconsistent manufacturing performance and high staff turnover significantly impacting customer service in the 2018 calendar year.

AGG's disappointing financial performance this year was particularly driven by the operational issues in Victoria and NSW and the start-up of the new Tasmanian factory. These operational challenges have been progressively addressed through increased management support as well as additional training and recruitment to fill capability gaps. In the second half of the financial year, and particularly in the final quarter, AGG steadily improved its service delivery in all three states, reduced reworks and had a more stable and engaged workforce. A number of customers have returned in response to these positive changes, albeit some are trialling supply on a limited basis. These improvements take time to flow into financial results.

The new Tasmanian manufacturing facility is the seventh in the Metroglass group. Tasmania met its year one financial goals, which included breaking even on an EBIT basis in the final quarter of FY19.

We are implementing a state-by-state plan to turn AGG's disappointing results around. NSW in particular, as an underperforming business, has clear milestones in place for performance improvement that must be met within the year ahead. As the business stabilises, its ongoing operating costs will be reviewed.

The carrying value of AGG's assets has been reviewed following the business' recent performance, resulting in a NZ$9.6 million impairment of intangible assets. This is presented as a significant item in the financial statements.

Market conditions and outlook

In New Zealand economic fundamentals have continued to support strong demand for construction and glazing products. Looking forward, similar conditions are expected for the coming period; however, we also anticipate supply constraints in the broader market to persist potentially delaying the impact of the recent growth in residential consents.

The growth in consents in recent years has primarily been in the multi-dwelling segments (townhouses, apartments etc.) which typically cover less floor area per consent, require less double glazed units, and more internal fit out products such as showers, mirrors and balustrades.

Further declines in Australian housing starts are expected, particularly in multi-residential inner city demand. AGG primarily services the new detached housing construction and alterations and additions markets that have historically been more stable. We continue to see evidence of increased penetration of double glazing in our key markets and opportunities as a smaller player, in a large and fragmented market.

Mr Mander said: "Metroglass will continue to focus on differentiating and reinforcing its value proposition to its customers through continued execution of our strategy. We will draw on our scale advantage, strong customer relationships and the depth of talent the business has built up over its more than 30-year history.

"While being acutely aware of the challenges ahead, Metroglass is firmly focussed on rebuilding shareholder value through further improved performance in New Zealand, and by executing its plan for stabilising and growing the Australian business. There is a clear strategy and plan in place as we position the company for further success and improved financial results in the coming year."

The company will provide shareholders with a trading update, including preliminary financial guidance for the 2020 financial year, at our Annual Shareholders' Meeting on 26 July.

/Ends

Full year results webcast and conference call details

Metro Performance Glass Limited will host a conference call today to review its FY19 results. The conference call is scheduled to begin at 10am NZDT, and can be joined by webcast or conference call.

You can listen to the webcast via the company's website: www.metroglass.co.nz/investor-centre or directly: https://edge.media-server.com/m6/go/Metro-Glass-2019-full-year-results. Please allow extra time prior to the webcast to visit the site and download streaming software if required. An online archive of the event will be available after 2pm today.

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: **2090673**.

New Zealand Toll Free	0800 423 970	International	+64 (0)9 9133 622
Australia Toll Free	1800 573 793	Sydney, Australia	+61 (0)2 9193 3706
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