Metro Performance Glass

FY20 Interim Results Presentation

25 November 2019

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Summary of the first half FY20

In New Zealand we continued to improve our customer experience and differentiate our offering, in an increasingly competitive and variable market.

Australian Glass Group grew revenue in the key double-glazing segment and continued to deliver improved operational performance.

We have strengthened the group balance sheet, with net debt reduced by $21.9m year on year and $10.0m over the past 6 months.

1H20: Key financial outcomes

1. Group revenue of $136.7m declined 3% vs. 1H19, EBIT* of $14.5m (-6%) and NPAT* of $7.7m (-15%) in challenging markets, supported by stable New Zealand performance and Australian double glazing growth

2. NZ revenue of $109.6m (-3%) and EBIT* of $17.2 (+2%), with broad softness in the residential sector, particularly in the upper North Island. Service levels continue to improve

3. Australia revenue maintained in soft market, EBIT* loss of $2.3m vs. loss of $1.3m 1H19, with higher volumes offset by lower pricing and adverse foreign exchange movements

4. Net debt declined $21.9 million year on year to $73.4 million, supported by a $5.3m reduction of working capital

** Inclusive of impacts from the new lease accounting standard (NZ IFRS 16). This was adopted in 1H20 with no adjustments made to prior years. Further details are provided in note 9 of the interim financial statements.*

Our strategy at a glance

What

OUR VISION
To be the leader in glass solutions

Why

OUR PURPOSE
Making lives brighter every day

How

FOR CUSTOMERS
By providing the best service

FOR OUR PEOPLE
By providing a great place to work

THE METRO WAY

SAFETY	PRODUCT & PROCESS QUALITY	OUR CUSTOMER	OUR PEOPLE	OWNING OUR WORK
Embed 'Home safe every day' as our way of life	Right first time, every time	At the centre of everything we do	We value, inspire, train and develop our team	We take responsibility and work as one team

Our goals

Deliver the best customer service in our market

Develop our organisational capabilities

Uphold our scale strength through leading products & distribution

Leverage that scale to deliver best product value

Executing on our strategy

Deliver **market leading** customer service

- Positive feedback received in recent customer survey[1] with NZ rated 7.3/10 and AGG rated 8/10
- Continued improvements in service levels and product quality in 1H20 (vs. 1H19)
    - NZ DIFOT up 2%
    - NZ external reworks down 32%
    - AGG DIFOT up 10%
    - AGG external reworks down 22%

Develop our **organisational capabilities**

- Embedding a culture of safety and wellbeing, supported by tools, frameworks and leadership
- Rolling 12 month voluntary turnover in NZ reduced from 28% to 22% year on year
- Courageous coaching conversations training provided to more than 150 people leaders
- Developing learning management system for launch in H2 FY20

Uphold scale strength through **product & channel leadership**

- AGG grew its customer base by 3% in 1H20
- Launched market-leading LowE 'Extreme' double glazing for the premium window market
- Continued to demonstrate market leadership and the potential of glass as the sole glass supplier for TV3's "The Block NZ"
- Introduced improved technical specification process for generic balustrades and pool fencing – significantly reducing lead-times for customers

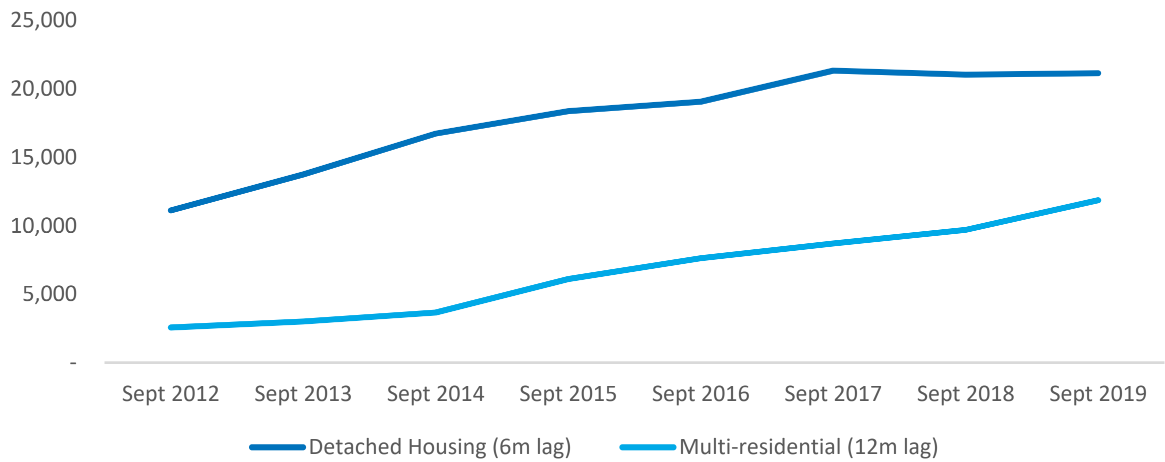
Leverage our scale to **deliver solutions efficiently**

- Continuous improvement being embedded across the plant network
- Christchurch restructure completed supporting improved South Island profitability

[1] *Question: "On a scale of 1 to 10, how likely are you to recommend Metroglass to a friend or colleague?"*

Residential construction in NZ remains at elevated levels, with the mix of consents increasingly weighted towards multi-dwellings

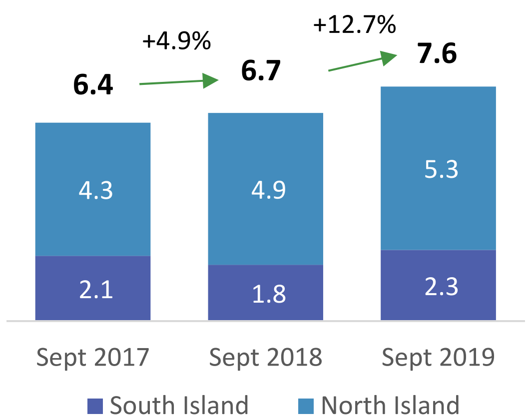
NZ detached housing (9 month lagged) and multi-residential (12 month lagged) consents (by number)[1]



On a lagged basis, for the 12 months to 30 September 2019:

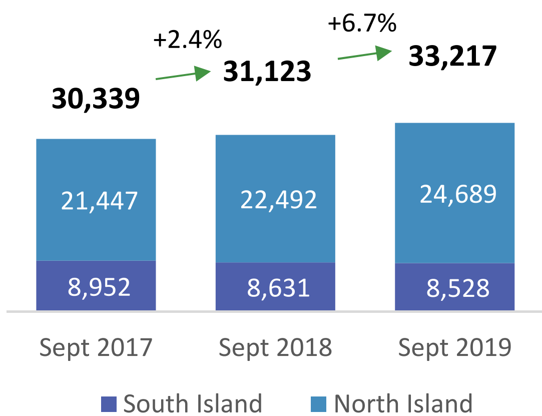
- Multi-dwelling consents rose +22% *(12 month lag)*
- Detached house consents were flat *(9 month lag)*
- The proportion of multi-dwelling consents has increased from 32% in 1H19, to 36% in 1H20. This shift has extended the average time between a consent and completion, and changes the mix of glass products demanded

NZ non-residential consents (by value $bn)[2]



- The value of non-residential dwelling consents for the 12 months to 30 September 19 rose +12.7%
- North Island +7.6%
- South Island +26.3%

Total NZ residential consents (9 month lagged, by number)

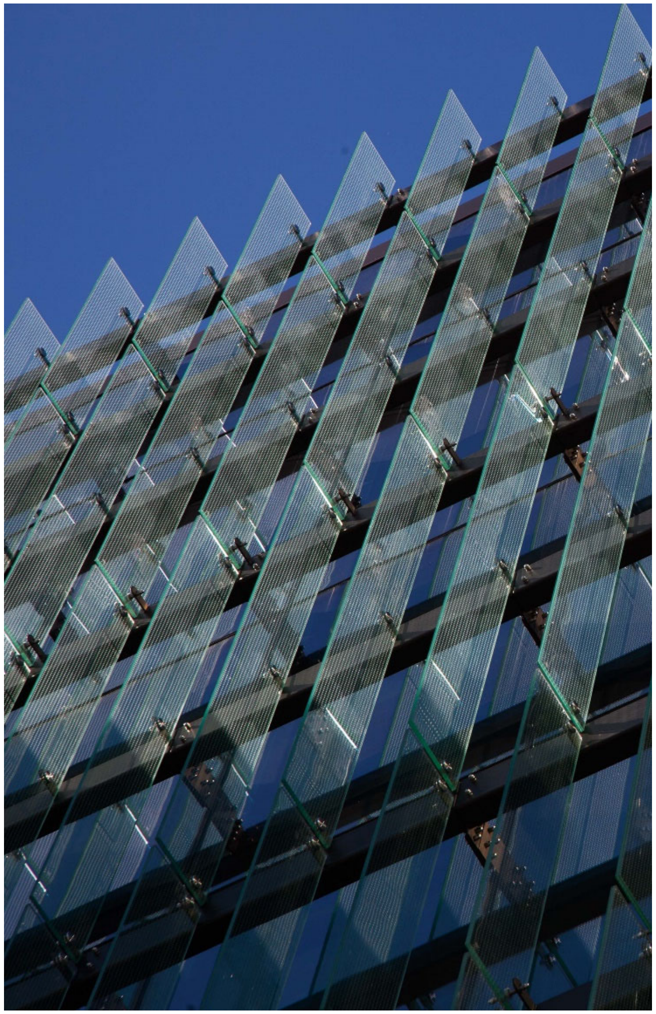


- Using a 9 month lag, residential dwelling consents for 12 months to 30 September 19 rose +6.7%
- North Island +9.8%
- South Island -1.2%
  Canterbury -8.8%

1. *Source: Statistics NZ, rolling month residential dwelling consents. Detached hosing consents lagged by 9 months, multi-residential consents lagged by 12 months.*
2. *Source: Statistics NZ, value of non-residential consents (new plus altered). No lag applied.*

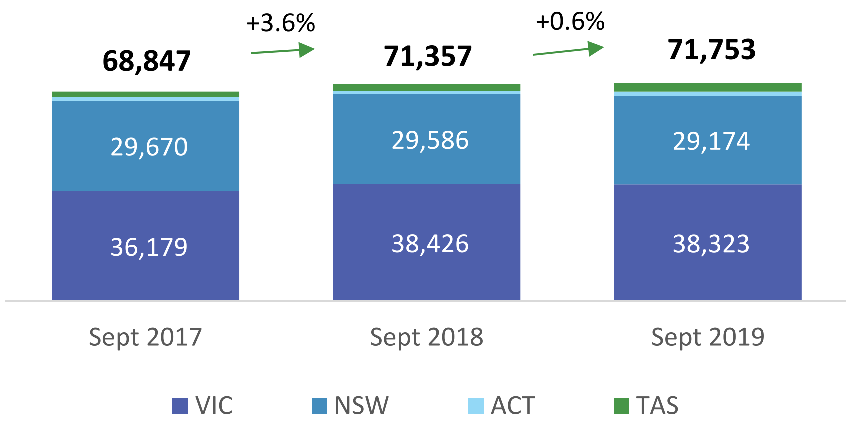
New Zealand is focused on delivering better quality and stable service levels as competitive activity intensifies across the country

- Delivering a consistent experience for our customers is critical for their success and enables stronger relationships
  - Customer service levels continue to trend positively with DIFOT up 2% and external reworks down 32%
  - Variable market activity, particularly in the Upper North Island, impacted sales, however GP% increased with a higher value mix
- Maintained, and continue to, focus on efficient operations and ensuring prudent operational expenditure
- Voluntary staff turnover declined from 28% to 22% in 1H20 vs. 1H19 on a rolling 12 month basis
- Introduced an improved technical specification process for generic balustrades and pool fencing. This provided customers with a Producer Statement #1 (PS1) in 1.5 days on average, down from 40+ days in the same period last year

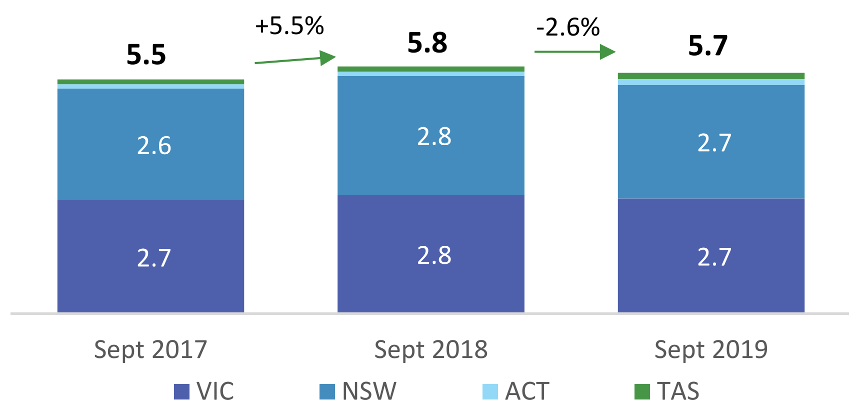


Residential construction activity in south east Australia is flat but expected to soften

South east Australia house approvals (6mth lagged, by number)[1]



South east Australia alterations & additions (by value A$bn)[2]



- Detached dwelling (house) approvals in south east Australia, lagged 6 months, for the 12 months to 30 September 19 grew +1%
- Victoria -0%, NSW -1%, ACT +26% Tasmania +28%
- Counter to the broader market activity levels, the penetration of double glazing in Australia is increasing as supported by increasing energy efficiency requirements for buildings

- The value of alterations and additions for the 12 months to 30 September 19 declined by -3%
- Victoria -3%, NSW -5%, ACT +39%, TAS +21%

1. *Source: Australian Bureau of Statistics, number of residential dwelling approvals (12 months to 30 September 2019) with a 6 month lag applied*
2. *Source: Australian Bureau of Statistics, value of alterations and additions (12 months to 30 September 2019). No lag applied.*

AGG has turned around its operating performance and has begun increasing share in key doubling glazing segments

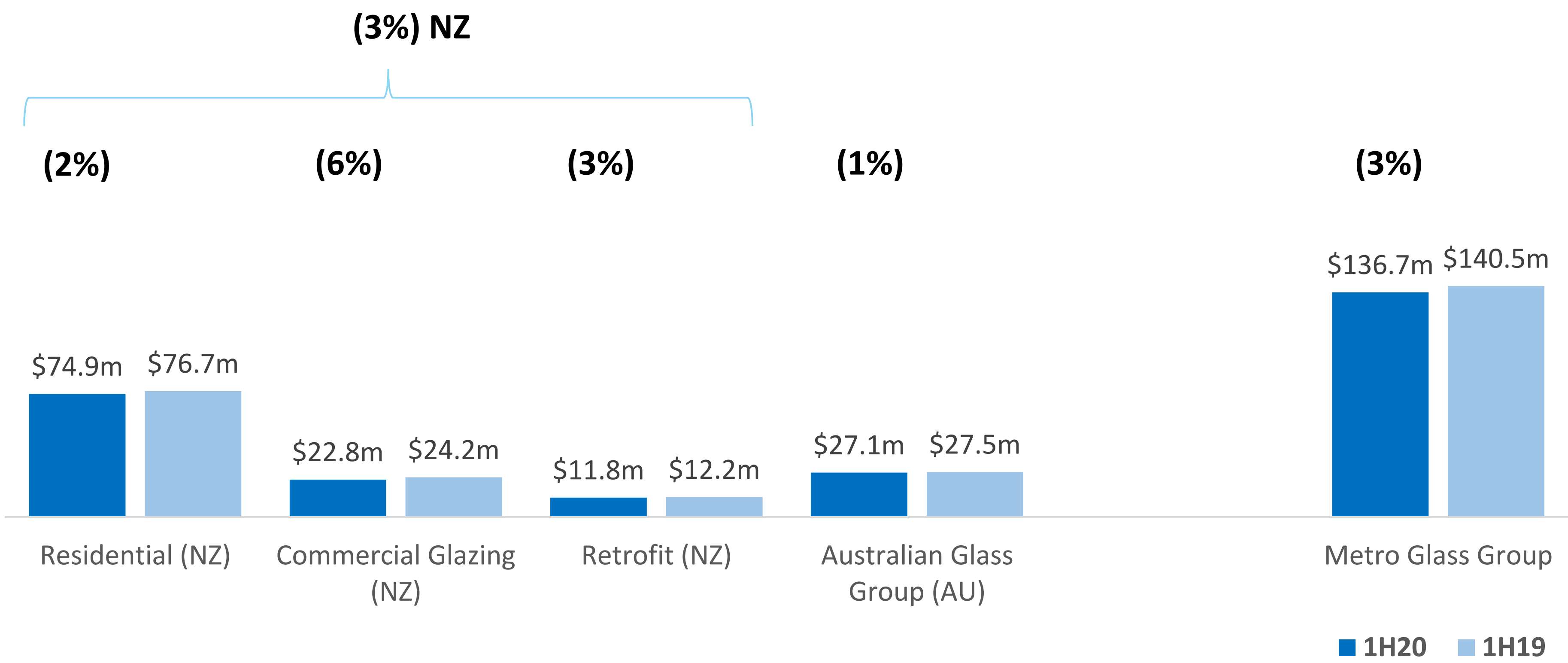
- **Australian revenue in AUD increased 1%,** including 3% growth in our key doubling glazing segment
- **Improved operational performance** across all states, with DIFOT +10% and external reworks down 22% vs. 1H19
- Increased customer confidence in **quality and delivery performance**, reinforced by positive feedback in July customer survey
- **AGG's branding strategy** has seen double glazing sales increase, supported by sales of premium soft coat LowE products +15%
- **Tasmania continues its growth trajectory** from start-up to profitable and competitive business

Australian Glass Group®

Update on New South Wales

- AGG's Victorian and Tasmanian operations are profitable, and the New South Wales business has significantly improved its operational performance and customer service. In the last 6 months double glazing sales in NSW grew by 19%, however this was offset by declines in margins and volumes of other processed glass
- Despite our best efforts NSW has continued to be a loss-making business. While we continue to see long term value and opportunity in the NSW market as the penetration of double glazing increases, this will take time
- Going forward, Sydney operations will be consolidated and focused on supplying double glazing to window manufacturers, with local production of non-window or processed glass being discontinued
- This restructure will regrettably impact a significant number of our Sydney staff and our priority is to support those affected
- We believe these changes will provide an improved competitive position and financial performance over the medium term
- In FY20, the restructure will have a one-off cash impact of $2.5 million (of which $1.1 million is already provided for) and an estimated asset write off totalling $3.5 million
- The transition is planned to be completed by the end of March 2020

1H20: Metroglass Group revenue (NZ$m)



Note: 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.

1H20: Financial results summary

NZ$ million[1]	Under IFRS 16 1H20	1H19	% change	Pre IFRS 16 1H20
Revenue	136.7	140.5	-3%	136.7
EBITDA[2]	**25.5**	22.7	12%	**20.6**
Depreciation & amortisation	11.0	7.2	51%	7.0
EBIT	**14.5**	15.5	-6%	**13.6**
Net profit for the period	**7.7**	9.1	-15%	**8.3**
Basic EPS (cents)	**4.2**	4.9	-15%	**4.5**
Total dividend declared (cps)		3.60	n.a.	

Segment results (NZ$m)[3]	Under IFRS 16 1H20	1H19	% change	Pre IFRS 16 1H20
New Zealand				
Revenue	109.6	113.0	-3%	109.6
Gross profit %	52.8%	51.0%		52.1%
Segmental EBIT	17.2	17.0	2%	16.3
Australia				
Revenue	27.1	27.5	-1%	27.1
Gross profit %	21.5%	26.9%		22.3%
Segmental EBIT	(2.3)	(1.3)	-69%	(2.2)

1. *Unless otherwise stated, financial results are inclusive of impacts from the new lease accounting standard (NZ IFRS-16). Further details are provided in note 9 to the interim financial statements.*
2. *The definitions for all non-GAAP measures of financial performance are provided on slide 18 of this release.*
3. *The full segment note is available in note 2 of the interim financial statements.*

EBIT bridge: 1H19 to 1H20 ($m)

** Increments shown in Australian dollars.*

1H20: Group summary cash flow & balance sheet

Key cash flow items (NZ$m)	1H20	1H19	Pre NZ IFRS 16 1H20
EBITDA	25.5	22.7	20.6
Operating cash flows	18.9	9.4	15.7
Capital expenditure	4.3	2.3	4.3
Dividends paid	-	7.0	-

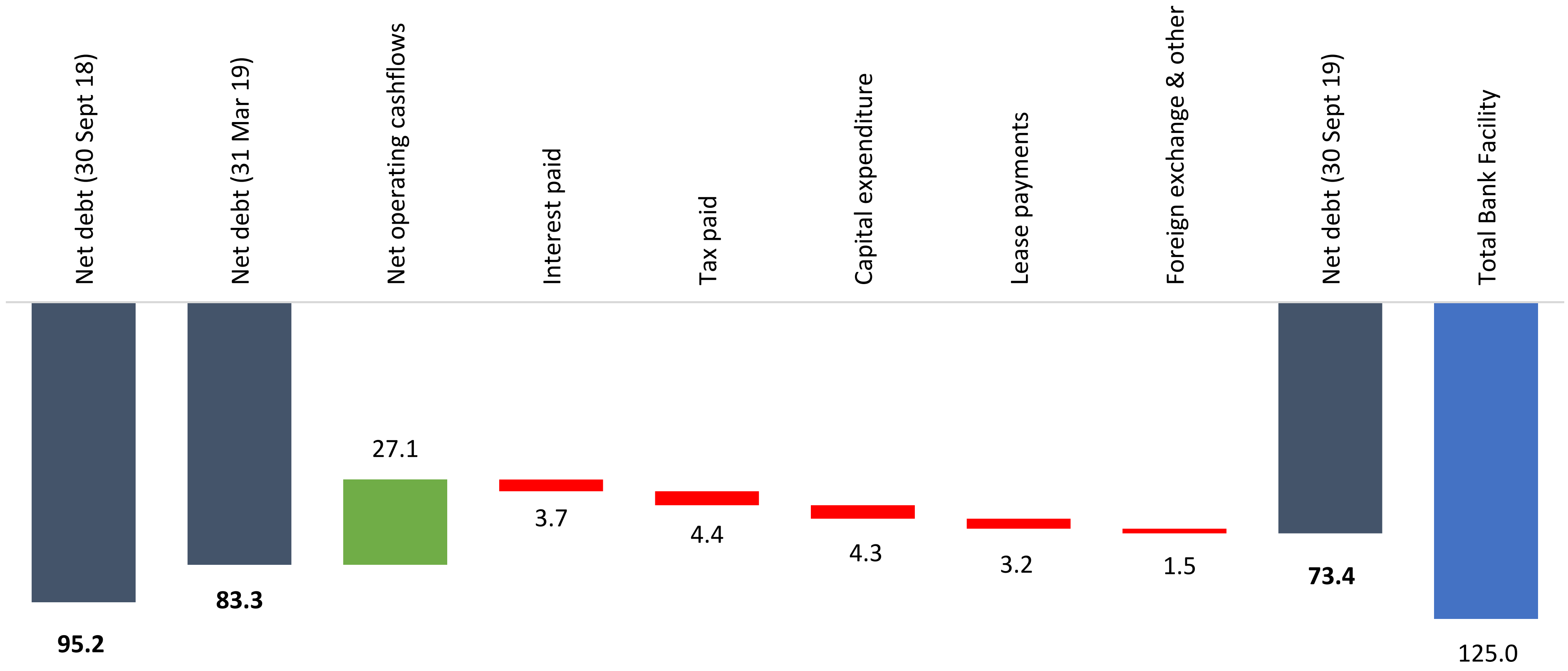
Key balance sheet items (NZ$m)	1H20	1H19	Pre NZ IFRS 16 1H20
Net working capital[1]	31.2	36.6	31.2
Property plant & equipment	63.8	65.8	63.8
Total assets	341.5	303.8	284.9
Right of use assets	54.9	*n/a*	*n/a*
Lease liabilities	63.0	*n/a*	*n/a*
Net debt	73.4	95.2	73.4
Total shareholders equity	161.4	162.8	166.0

- The group achieved reductions in working capital for the second successive year through close management of trade debtors and inventory
- Net operating cash flows doubled versus the prior comparable period, supported by reduced tax payments and the impact of NZ IFRS 16 lease accounting standards
- Reported net debt decreased by $21.9m year on year and $10.0m over the past six months. Group gearing[2] decreased from 36.9% at 30 September 2018 to 31.2% at 30 September 2019
- At 30 September 2019 the ratio of net debt to EBITDA was 1.9 times
- Right-of-use assets and lease liabilities are now shown on the balance sheet following the adoption of the NZ IFRS 16 accounting standard

Notes:

1. *Net working capital: trade & other receivables + inventory - trade & other payables.*
2. *Gearing: net interest bearing debt / (net interest bearing debt + equity).*

1H20: Net debt and cash flows



FY20 outlook

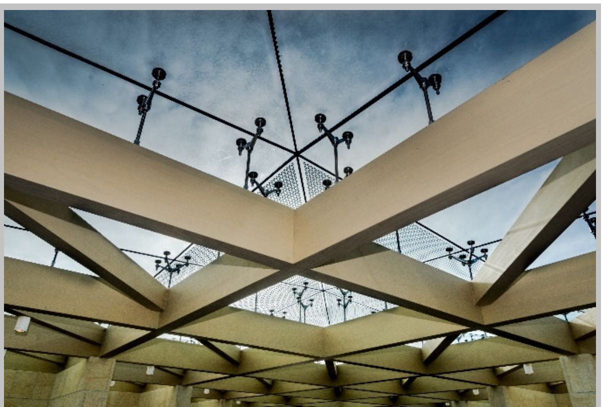
The market

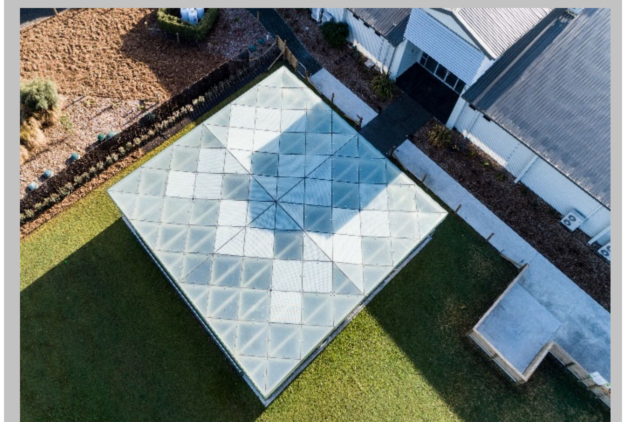
- In NZ, building consents to remain at elevated levels, weighted increasingly towards multi-residential dwellings. While leading indicators suggest no significant change to this in the near team, we expect further softness in certain regional markets, including Auckland
- In Australia, leading indicators point to a further softening of residential construction activity in the near term, impacting multi-residential approvals in particular. AGG is primarily involved in the new detached housing and alterations and additions segments which have been less volatile but are also expected to decline

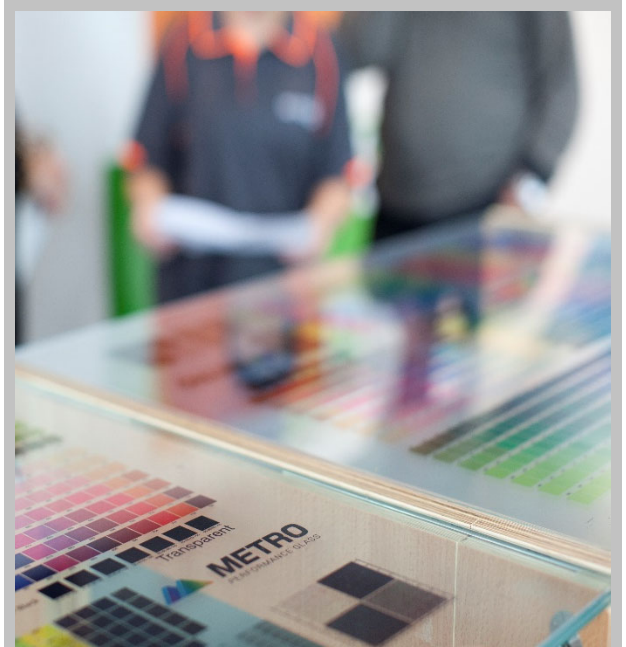
Revised outlook for the 2020 financial year

- Group EBIT in the range of $21m - $24m, excluding:
  - the impact of the change to IFRS 16 (lease accounting standards) which we expect to increase reported EBIT by ~$1.7 million
  - a net abnormal charge of approximately $5m related to the restructure of NSW (asset write off of $3.5m and cash costs of $2.5m, less $1.1m already provided for)
- Reduction in net debt of circa. $15m (inclusive of impacts from the restructure of NSW)

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
  - Segmental EBIT: Earnings before interest and tax (EBIT) for either the New Zealand or Australia segment of the Group
  - EBIT pre-IFRS 16: Earnings before interest and tax (EBIT) adjusted to remove the impact of changes from NZ IFRS 16 (lease accounting standard)
  - NPAT pre-IFRS 16: Profit for the period (NPAT) adjusted to remove the impact of changes from NZ IFRS 16 (lease accounting standard)
- 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

Six months to 30 September	**1H20 ($M)**	**1H19 ($M)**
Profit for the period (GAAP)	**7.7**	**9.1**
Add: taxation expense	3.1	3.7
Add: net finance expense	3.7	2.7
Earnings before interest and tax (EBIT) (GAAP)	**14.5**	**15.5**
Add: depreciation & amortisation	11.0	7.2
EBITDA	**25.5**	**22.7**
EBIT (GAAP)	14.5	
Add: Impact of NZ IFRS 16 changes	(0.9)	
EBIT pre-IFRS 16	**13.6**	15.5
Profit for the period (GAAP)	7.7	
Add: Impact of NZ IFRS 16 changes	0.6	
NPAT pre-IFRS 16	**8.3**	9.1

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