



**K** Korvest Ltd

**December 2020 – Half Year**

**Chris Hartwig and Steven McGregor**



**Cable and Pipe Supports**



**Torque and Tension Solutions**



**Galvanising**



**Safety Access Systems**

# Agenda

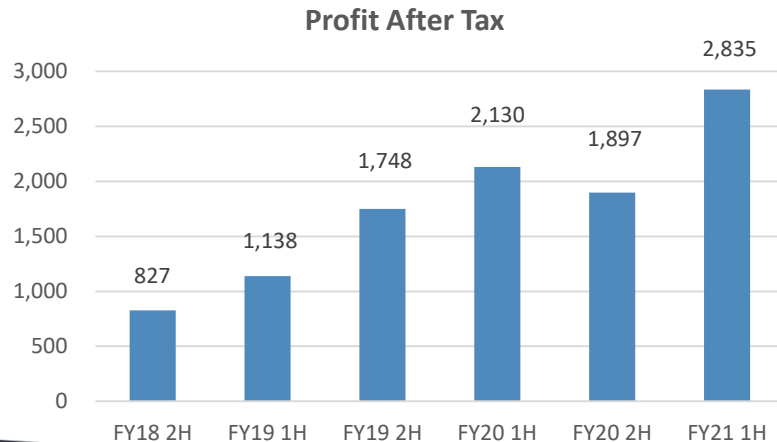
- FY21 1H Key Points
- Financial Results
- Outlook
- Company Overview

# Introduction to Korvest

- Korvest (ASX:KOV) is headquartered in South Australia and provides cable and pipe supports, access systems for large mobile equipment, hydraulic tools and wrenches, and galvanising services
- Listed in September 1970
- Korvest has sales offices and warehouses in Adelaide, Melbourne, Sydney, Brisbane and Perth, with distributors in Darwin, Townsville, Hobart and New Zealand
- Manufacturing, fabrication and galvanising in Adelaide
- Power Step and Titan Technologies in Brisbane
- Overseas supply chain provides make vs buy flexibility
- Sell to a wide variety of industry sectors

# Headline Numbers

	Dec 20 (1H)	June 20 (2H)	Dec 19 (1H)	Dec 20 vs Dec 19
<b>Sales</b>	\$32.6m	\$27.0m	\$36.1m	(9.7%)
<b>EBIT</b>	\$4.16m	\$2.76m	\$3.08m	35.1%
<b>NPAT</b>	\$2.84m	\$1.90m	\$2.13m	33.3%
<b>Operating cash flow</b>	\$2.74m	\$4.24m	\$7.98m	
<b>EPS</b>	25.1c	16.8c	19.0c	32.1%
<b>Dividend per share</b>	15c	13c	15c	-



- Less project work compared to PCP
- General market down a little
- JobKeeper (\$1.86m before tax)(2H FY20 \$1.06m)

# COVID-19

- \$1.86m before tax JobKeeper income in FY20
- Did not qualify for JobKeeper 2
- International shipping delays and rising costs
- VIC branch continued to operate during prolonged lockdown
- SA 3-day lockdown affected production, increased overtime
- COVID-19 preventative protocols continue to be embedded into normal operations

# Industrial Products

	Dec 20 (1H)	June 20 (2H)	Dec 19 (1H)	Dec 20 vs Dec 19
<b>Sales</b>	\$29.47m	\$24.20m	\$32.89m	(10.4%)
<b>EBIT</b>	\$2.41m	\$1.52m	\$2.97m	(18.9%)
<b>EBIT %</b>	8.2%	6.3%	9.0%	

## Trading Update



- One major project supplied during 1H FY21 vs two in 1H FY20
- General market improved compared to 2H FY20 however was below 1H FY20
- Strong competition impacting project margins



- Small decrease in revenue
- Improved margin has been maintained
- Continues to operate profitably

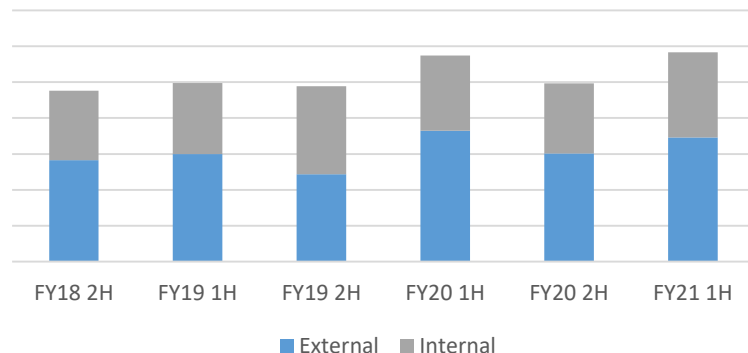
# Production Services

	Dec 20 (1H)	June 20 (2H)	Dec 19 (1H)	Dec 20 vs Dec 19
<b>Sales</b>	\$3.15m	\$2.77m	\$3.23m	(2.5%)
<b>EBIT</b>	\$0.29m	\$0.30m	\$0.39m	(25.6%)
<b>EBIT %</b>	9.2%	10.8%	12.1%	



**korvest galvanisers**

Galvanising volume



## Trading Update

- Strong volume, increased project mix
- Small decline in external work more than offset by increased EzyStrut work
- Energy costs stabilised
- Zinc cost increased 10% during period
- Expenses associated with tank replacement



# Strategic and operational initiatives

## Automation

- Robotic Ladder Weld Cell has arrived and currently being commissioned
- Robotic Tray Stacking Capex approved for installation during 2H

## Operational

- 4 new pre-treatment tanks successfully installed in Galvanising during end-of-year shutdown
- Continued progress of ERP system enhancements in factory
- Review international sourcing arrangements

## Cost optimisation

- 270kw Solar System currently being installed
- New (lower) gas rates from Jan 1, 2021
- New IT provider with cost savings

# Balance Sheet

**ASSETS**                      \$m                      Dec 2020                      Jun 2020                      Dec 2019

Cash & Investments	6.4	6.7	8.6
Receivables	10.3	10.1	10.0
Inventories	11.4	10.6	8.7
Property, Plant & Equipment	16.4	15.9	13.3
Right-of-use Asset	4.2	4.7	4.7
Other	0.5	0.3	0.4
<b>Total Assets</b>	<b>49.2</b>	<b>48.3</b>	<b>45.7</b>

Increased project stock holding at Dec 20

Ongoing investment in factory

## LIABILITIES

Payables	(5.5)	(5.9)	(4.3)
Lease Liabilities	(4.3)	(4.7)	(4.8)
Other Liabilities	(5.2)	(5.1)	(4.9)
<b>Total Liabilities</b>	<b>(15.0)</b>	<b>(15.7)</b>	<b>(14.0)</b>

Timing of zinc and project related purchases

**NET ASSETS**                      **34.2**                      **32.6**                      **31.7**

# Dividends

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
<b>Interim</b>	15c	15c	9c	5c	10c
<b>Final Dividend</b>		13c	13c	7c	3c
<b>Total Dividend</b>		28c	22c	12c	13c
<b>Franking</b>	100%	100%	100%	100%	100%

- DRP suspended for final dividend

## Key Dates

Record Date: 19 February 2021

Payment Date: 5 March 2021

# Outlook

- Supply to major infrastructure project to continue throughout 2H at similar levels to 1H
- Infrastructure pipeline for the next 3-5 years remains strong
- Day-to-day and small project markets expected to remain at 1H levels throughout 2H
- Uncertainty around future impact of COVID-19
- Steel prices starting to rise significantly and predicted to continue



# Company Overview

# Industrial Products



## EzyStrut

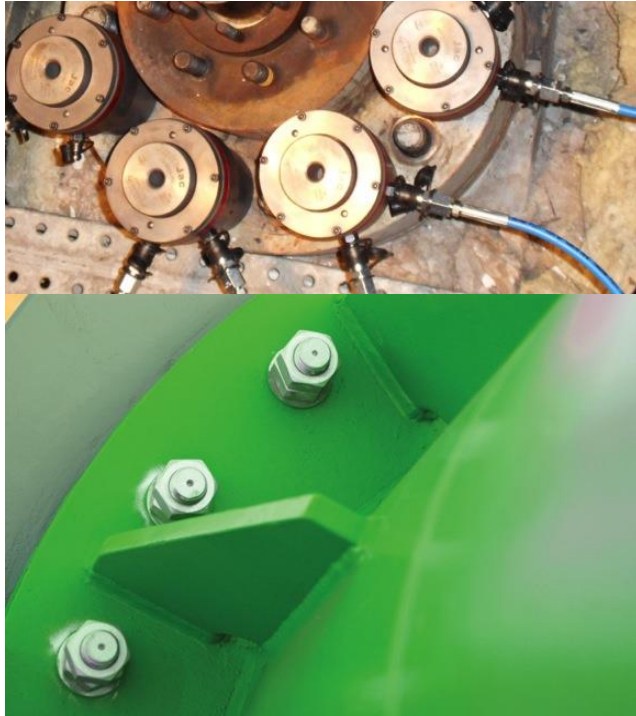
- Cable and pipe supports
- Market leader in cable supports
- Manufacturing facility in Kilburn, SA
- Overseas supply chain
- Sells to EPCMs, Wholesalers, and direct to project contractors and trade
- Local manufacture allows quick response time and ability to manufacture specials – a differentiator to overseas competition
- National sales and warehouse network
- Vertical integration with Korvest Galvanisers

# Industrial Products



- Hydraulic/Electric Safety Access Systems for mobile vehicles
  - Design
  - Manufacture
- Safety Lighting
- Filter Crushers
- Queensland Based

# Industrial Products



- Hydraulic tools and wrenches
  - Sale
  - Hire
  - Repair
- Markets
  - Large scale construction
  - Power stations
  - Industrial sites
  - Mines
  - Wind towers



# Production Services



- Longest galvanising kettle in Australia (14m)
- South Australia's only centrifuge plant (national market)
- Predominantly structural work for SA projects or fabrications
- In-house work for EzyStrut



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