



**CHAIRMAN'S AND MANAGING DIRECTOR'S  
ADDRESSES  
TO SHAREHOLDERS**

Delivered at the Annual General Meeting on  
Wednesday 20<sup>th</sup> October 2021

### Key highlights from the addresses

- Strong finish to FY21 with increased major project supplies and improved small project and day-to-day activities
- 270kW solar generating capacity installed at Kilburn to lower electricity costs and reduce CO<sub>2</sub> emissions by in excess of 200 tonnes per annum
- Power Step and Titan businesses sold in FY22 - \$0.5m profit on sale
- First half profit before tax (incl profit on sale of business) to exceed \$8m
- Second half performance likely to taper as first half has benefited from accelerated delivery of major project work

Ladies and Gentlemen,

This morning I will be commenting on some key aspects of the last financial year before handing over to Chris Hartwig to provide more detail on both last year and the year ahead.

### **BOARD RENEWAL**

As this is my first AGM as Chairman, I would like to start by talking about changes that have occurred on the Board since we met last year. In August, Graeme Billings resigned as Chairman and Director due to increasing demands in other public company roles. Graeme joined the Board in May 2013 as Chairman of the Audit Committee and in September 2014 was appointed as Chairman of the Board. On behalf of the Board and Shareholders I would like to thank Graeme for his service and significant contribution to Korvest.

In anticipation of Graeme's departure, the Board conducted a search for a replacement director and we are fortunate to have secured Therese Ryan to fill the vacancy. Therese has a legal background and brings a wealth of experience from her executive career with General Motors in China and General Motors and Qenos in Australia. She serves on a number of other boards including another public company and we expect that Korvest will benefit from her exposure to these other businesses.

For those not familiar with my background, I joined the Korvest Board in August 2016. My executive experience was in the same industrial markets serviced by Korvest. I was the Managing Director of Olex Holdings Pty Ltd and led its divestment from Pacific Dunlop in a management buyout and then subsequently its sale to Nexans SpA. Under Nexans ownership I was

Executive Chairman of Nexans Olex Australia & New Zealand until I retired in February 2020.

## **FINANCIAL RESULTS**

FY21 finished strongly with revenue increasing to \$69.8 million, up 10.6% on the previous year. The strong finish to the year is evidenced by the fact that the first half revenue was 9.7% down on the corresponding half in the prior year. The Group recorded a net profit after tax of \$6.1 million in FY21 compared to \$4.0 million in the previous year. Increased major project supplies and improved small project and day-to-day activity underpinned the result. I'll let Chris Hartwig comment in more detail on the FY21 year shortly.

## **STRATEGIC INITIATIVES**

For the past two years Korvest has made significant investment in the Kilburn site to improve capacity and capability. There will always be ongoing "stay in business" investment required and during FY21 the galvanising acid tanks were replaced. The strategic decision to invest in automation, capacity and efficiency in the Kilburn factory continued and a significant portion of the FY21 expenditure can be characterised in this way.

From both a cost reduction and environmental perspective, a 270kW of additional solar generating capacity was installed on the Kilburn warehouse roof in May 2021. We expect that this will both lower electricity costs and reduce carbon emissions by in excess of 200 tonnes per year.

We recently announced the sale of the Power Step and Titan businesses.

Whilst these businesses had improved their profitability over the past few years, the Board determined that they were not core businesses and that there were no strategic alignment or synergies with the EzyStrut and

Galvanising businesses. The sale completed in September and will result in a

pre-tax profit of approximately \$0.5 million in FY22, after taking into account the costs of sale.

### **CURRENT YEAR TO DATE AND OUTLOOK**

In our 2021 Annual Report it was noted that as a result of the unprecedented levels of large project work, coupled with a buoyant general market, Korvest entered FY22 with record levels of work on hand. On the 7<sup>th</sup> of October we provided a trading update to the market outlining that the pull forward of major project supply and an ongoing buoyant general market, means that we now expect that the first half profit before tax will exceed \$8 million. This includes the \$0.5 million profit on sale of Power Step mentioned previously.

The accelerated delivery of major project work in early FY22, compared to major project deliveries later in the year means that the outstanding first half performance will likely taper in the second half.

I would now like to hand over to Chris Hartwig to provide more detail on last year's performance and the future.

## **Managing Director's Address**

Thank you Andrew,

Ladies and Gentlemen, today I will be reflecting on the 2021 financial year and will also provide an update on the current trading conditions and key focus areas for Korvest going forward.

### **FINANCIAL YEAR 2021**

I will start with some comments regarding our safety and environmental performance. Safety is a core value for Korvest and was subject to additional focus during the year. Despite these efforts our performance has stagnated and remains a key area for improvement going forward. This year was our first full year of operation for the particulate filter in galvanising. Dust emissions from the main plant are now negligible, with approximately 2 tonnes of dust captured and sold during the year. We commissioned the additional 270kw solar system in May, taking our total solar generation to 443kw. We have developed a Noise Management Plan with a number of key initiatives designed to minimise noise output from our plant. Looking forward, we will continue to review our environmental performance and seek opportunities for continual improvement.

As Andrew has already highlighted, financial year 2021 was a very successful year for Korvest, with a significant improvement in both revenue and profitability.

Managing the effects of COVID-19 has been a continual focus for the business. Korvest has been fortunate that, other than some short shutdowns, the construction sector has been able to continue to operate across Australia. The largest impact of COVID-19 has been the effect on world steel pricing and availability, the availability of labour, shipping lead times and shipping costs. Where possible, these cost increases have been passed on via price rises, but the rapid nature of these increases provides an ongoing challenge across the business. The increases in raw materials and subsequent selling prices have resulted in increased working capital requirements for stock and debtors that have extended into financial year 2022.

In the Industrial Products group, the EzyStrut business had an excellent year, with activity skewed towards the second half. We continued to supply one major infrastructure project throughout the year and also commenced supply on two further infrastructure projects during the fourth quarter. The win rate achieved by EzyStrut for these major projects has been very high. This is a direct result of strategic initiatives taken over the past few years to grow our factory capability and capacity as well as invest in our engineering and project management teams. Aside from major project work, the day-to-day and wholesaler segments enjoyed solid growth.

The factory performed well throughout the year and has now moved to paperless production, providing real-time factory data. We added a significant

number of factory workers late in the financial year in response to factory demand. Capex in the factory remains focussed on productivity and capacity projects. Key highlights include the commissioning of the IXL tray and strut lines and robotic tray stacking. A lowlight has been the continual delays with commissioning of the automated ladder weld cell. This cell is a turn-key purchase from a large multinational automation supplier. COVID travel restrictions have contributed to commissioning delays and the supplier is working hard to finalise commissioning.

The Power Step and Titan businesses had a solid year and contributed a small profit. As already mentioned by Andrew these businesses were sold after the end of the financial year and hopefully will thrive under new ownership. I would like to take this opportunity to thank the staff for their efforts and wish them well for the future.

In the Production group, the Galvanising business enjoyed improved volume in both plants. This growth led to an improvement in profitability. The majority of the volume growth came from the increasing levels of internal (EzyStrut) volume. The Gawler rail electrification upgrade was the major local project for the year. Whilst the average cost of zinc consumed was 5% lower than the prior financial year, this trend has since reversed. The increases in zinc pricing on the London Metal Exchange, coupled with a falling Australia Dollar, has resulted in current zinc purchase prices being at close to their highest levels in the past 10 years. This has necessitated ongoing price rises to our customers. Reduced gas pricing has been locked in for calendar years 2021 and 2022.

## **FINANCIAL YEAR 2022 OUTLOOK AND STRATEGY**

Korvest remains focused on improving our business and taking advantage of the strong day-to-day market and infrastructure pipeline. As highlighted by the recent trading update, Korvest entered financial year 2022 with record levels of work on hand. These high levels of work on hand have been driven by key road and rail tunnel projects in both NSW and VIC. Activity on these projects has been high, with supply being brought forward to meet construction timelines. Previous decisions to improve factory capacity and capability have allowed Korvest to be able to respond to these requirements.

Korvest expects that this high level of activity will continue for the remainder of the first half. Whilst the business will enter the second half with high levels of work on hand, it is expected that the delivery schedules will result in some tapering of requirements. A further update on expectations for the second half will be provided with the release of the results for the first half.

COVID-19 remains a challenge and risk for the business. We have seen some short construction shutdowns early in the first half. To date these have not had a material effect on production and delivery levels. Korvest has provided staff with paid time off for vaccinations with a solid take-up rate.

Our recent high levels of Capital Expenditure will continue during financial year 2022. We will see delivery of the new fibre laser cutter and guillotine in the first half, along with the second robotic bracket welding cell. These and other capital projects will improve productivity and provide a safer work environment.

Thank you for your time, and I will now hand the meeting back to the Chairman.

CHRIS HARTWIG  
Managing Director  
20 October 2021