

Metroglass announces its FY22 interim results

Summary of the unaudited results for the six months ended 30 September 2021 (1H22) ¹

\$m	New Zealand		Australia		Group	
	1H22	1H21	1H22	1H21	1H22	1H21
Revenue	87.9	89.2	29.0	27.8	116.9	117.0
Segmental EBIT²	4.1	12.8	(0.7)	0.4		
Group EBIT					3.0	12.8
NPAT					0.4	7.6

- Consistent with our market guidance in September 2021, the Group has achieved an EBIT of \$3.0m (-76%) on a revenue of \$116.9m (0%), and NPAT of \$0.4m (-94%)
- One-off Covid-19 restrictions and ongoing global shipping disruption impacted profitability in New Zealand.
- Ongoing supply chain disruption and emerging inflationary pressures are expected to continue however they will continue to be addressed through pricing strategies.
- Retrofit achieved another year of growth as the business continues to focus on diversification of products and customers
- Steady double-glazing sales growth in Australia was supported by solid operational performance however prolonged and dynamic Covid-19 restrictions impacted profitability
- Net debt reduced to \$47.8m, down \$3.2m from 12 months ago

Metro Performance Glass (NZX.MPG, ASX.MPP, Metroglass) today released interim results for the 2022 financial year, achieving revenue growth in Australia in a difficult market and a continued focus to diversity product and customer mix in New Zealand. As announced in September 2021, profitability has been significantly impacted by extensive Covid-19 restrictions and international supply chain costs in the half. As a result, the board took the prudent decision to not consider a dividend alongside the 2022 interim results.

Group revenue for the six months to 30 September 2021 (1H22) of \$116.9m was in line with the prior year. New Zealand revenue declined 1% to \$87.9m as Covid-19 restrictions impeded trading at the end of the half. In contrast, Australian revenue rose 4% to \$29.0m. Group EBIT (before significant items) for the half year was \$3.0m, down from \$12.8m in 1H21 and net profit after tax (NPAT) in 1H22 was \$0.4m, down from \$7.6m in 1H21.

New Zealand performance

During the initial four months the business achieved solid sales demand and a strong future order book. Efforts to diversify the product and customer mix delivered results, however this was overshadowed by Covid-19 lockdowns and ongoing supply chain disruptions.

In the first half of the year, New Zealand revenue declined 1% to \$87.9m, with the residential and commercial segments impacted by Alert Level 4 lockdown in a typically busy period. Retrofit maintained its momentum despite Covid-19 restrictions, growing sales by 17% as customers continued to upgrade their properties.

New Zealand EBIT was 70% lower than last year at \$4.1 million, principally driven by the Covid-19 lockdown and the global supply chain imbalances that introduced a rapid spike in input costs. The lower wage subsidy compared with the prior comparable period was not sufficient to offset the impact of August and September 2021 lockdown, which were of a similar scale to April 2020 in terms of business impact.

¹ All prior period comparisons are to the half year ended 30 September 2020 (1H21) unless otherwise stated.

Metroglass CEO Simon Mander said “The Group has been confronted with significant short-term challenges in the half. Throughout, our teams have rallied together to deal with the disruptions of international shipping and prolonged Covid-19 restrictions that have had material implications for the Group.”

Australian performance

Australian Glass Group’s (AGG) revenue grew 4% in 1H22 versus the prior comparable six-month period, including 7% growth in the key double-glazing products.

Metroglass’ key south east Australian markets have remained strong, however state-by-state Covid-19 shutdowns and restrictions have hampered momentum. AGG’s three processing plants have largely remained operational throughout the first half, however disruptions to supply chains and people availability have impacted profitability and is reflected in an EBIT loss of (\$0.7m), down from an \$0.4 EBIT in 1H21.

“The Covid-19 related restrictions have been in place for a significantly longer period compared with New Zealand. Despite this environment, our teams continue to execute well against our turnaround plan to improve AGG’s operational and financial performance. Our key markets have remained strong, and the business remains on a positive trajectory supported by consistent operational performance and positive customer feedback.”

Net debt and capital expenditure

The business maintained a net debt position similar to 31 March 2021, despite Covid-19 related impacts in the first half. In recognition of the one-off financial impacts of the Covid-19 lockdowns, a covenant relief extension was agreed with the banking syndicate. Net debt declined by \$3.2m year on year to \$47.8m.

To ensure security of supply in an uncertain shipping environment, Metroglass has increased its safety stock levels for our most critical core glass components.

Our capital programme of \$7.3 million is weighted to the first half and is focused on improving processing capability, capacity, and quality.

Market conditions and outlook

Mr Mander said “As the New Zealand and Australian Governments continue to rollout their vaccination programmes and the reopening of the economy, we expect this will provide certainty and a supportive environment for the construction sector.

“In New Zealand, glass demand has remained strong with year-on-year growth in the forward books for both the Retrofit and commercial glazing segments. Residential consenting activity continues to track at record levels despite the pandemic, creating a solid and elongated pipeline of work due to construction industry capacity constraints.

“While parts of the construction sector continue to be challenged by short-term building product shortages, we believe that this will improve over the near to medium term. The international shipping environment and inflation have created significant cost pressures impacting gross profit. We expect this environment to remain for at least the next 12 months. Prices increases to offset the rapid spike continue to be introduced, however there is a lag from a timing perspective.

“In Australia we are seeing early signs of a snap back in demand in NSW and Victoria as the respective States reduce Covid-19 restrictions. We continue to prepare the business for changes to the National Construction Code, educating the market on double-glazing and remaining a strong proposition in the market.

“As the disruptions dissipate, we are confident that activity levels in both New Zealand and Australia will return to previous levels for at least the remainder of the financial year. We also expect to run a shorter Christmas shutdown than last year as the sector looks to recoup lost time in August and September.

“We do however remain very aware of the potential risks to our business from another Covid-19 event and will continue to monitor the environment and adapt as required. We anticipate providing guidance on expected results for the 2022 financial year alongside a trading update in February 2022.”

/ends

HALF YEAR RESULTS WEBCAST AND CONFERENCE CALL:

Metro Performance Glass Limited will release its results for the 6 months ended 30 September 2021 at 8:30am (NZDT) on Monday, 22 November 2021, followed by a briefing for investors, analysts and media at 10am.

You can listen to the webcast via the company's website: www.metroglass.co.nz/investor-centre or directly: <https://protect-au.mimecast.com/s/BuonCyoinVsljPytZ2Yvf?domain=event.webcasts.com>. Please allow extra time prior to the webcast to visit the site and download streaming media software if required. An online archive of the event will be available after 2pm on the day.

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 when prompted, please quote the conference code: **354363**.

New Zealand Toll Free	0800 423 972	International	+64 (0)9 9133 624
Australia Toll Free	1 800 590 693	United Kingdom Toll Free	0800 358 6374
Australia (Sydney)	+61 (0)2 7250 5438	US/Canada Toll Free	866-519-2796
Australia (Melbourne)	+61 (0)3 8317 0929		

For further information please contact:

Liam Hunt, Investor Relations
(+64) 022 010 4377
liam.hunt@metroglass.co.nz

Authorised for release by the Metroglass Board.