



METRO PERFORMANCE GLASS

# 1H22 Interim Results Presentation

22 November 2021

## Key messages

- As Covid-19 restrictions reemerged, the Metroglass Group remained committed to stabilising the business and delivering to its customers
- Metroglass' performance was significantly impacted by the Covid-19 lockdown at the end of the half
- Australian Glass Group continues to execute well against its turnaround plan despite prolonged Covid-19 restrictions
- Ongoing supply chain disruption and emerging inflationary pressures are expected to continue however they will continue to be addressed through pricing strategies.
- Our focus on debt reduction has placed Metroglass in a strong position to cope with the immediate impacts of the pandemic



# The Metroglass Group displayed its resilience in another challenging six-months



## OUR PEOPLE

- Remained focused on safety and wellbeing
- Consistently maintained normal pay for all staff during New Zealand's Alert Level 4
- Encouraged our people to get vaccinated
- Invested in staff promotion, training and capability development. Over 80 apprentices enrolled, and 5 qualifying in the half



## OUR CUSTOMERS

- Maintained connections with customers
- Resumed the glass supply chain swiftly once Alert Levels allowed
- New Zealand business achieved highest customer survey results<sup>1</sup> (7.8/10) and AGG's results remained solid despite Covid-19 imposed challenges (7.9/10)



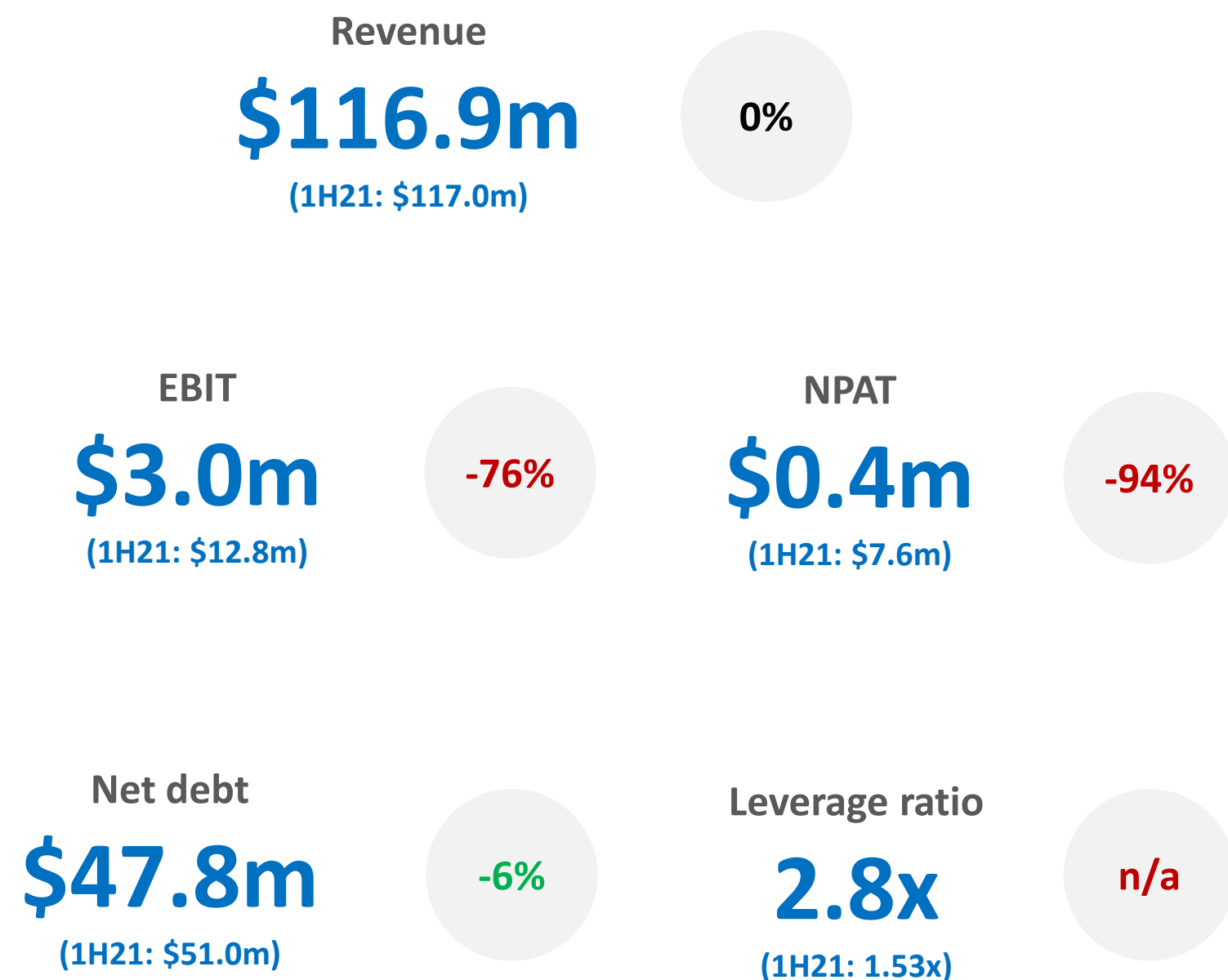
## OUR BUSINESS

- Successfully reopened all sites in New Zealand under Covid-19 protocols as alert levels allowed
- AGG maintained operations as they coordinated the state-by-state Covid-19 restrictions and safety requirements
- Group-wide capital Investment to improve capability, quality and unlock capacity
- NZ wage subsidy received (\$2.2m)

1. Survey question: "On a scale of 1 to 10, how likely are you to recommend Metroglass to a friend or colleague?"

# 1H22 key financial outcomes<sup>1</sup>

## GROUP



## NEW ZEALAND<sup>2</sup>



## AUSTRALIA<sup>2</sup>



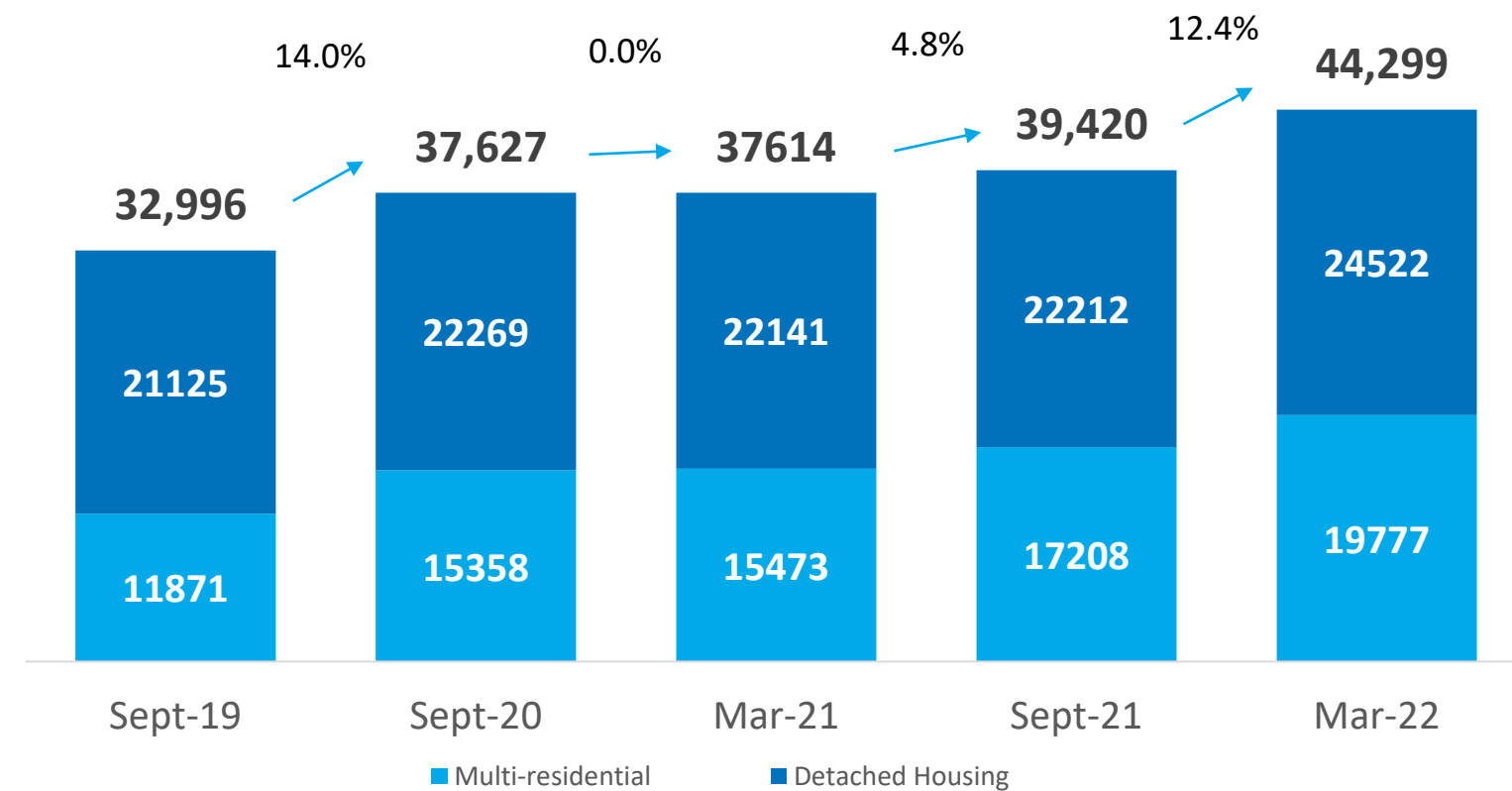
<sup>1</sup> Unless otherwise stated, results are shown in NZ\$m and before significant items.

<sup>2</sup> The full segment note is available in note 2 of the financial statements.



# Consenting activity is strong in New Zealand, though there are clear constraints as supply chain and labour issues cap medium term activity

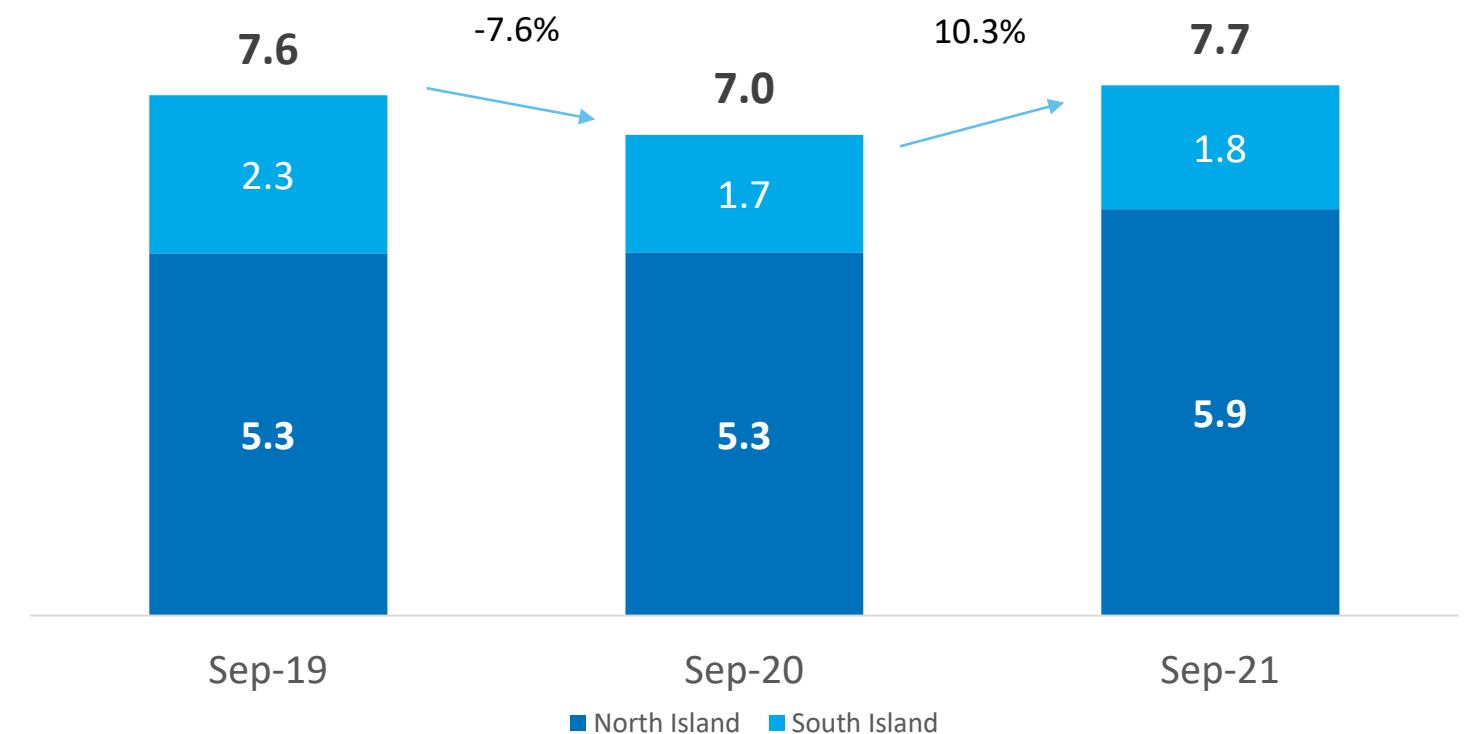
Total NZ residential consents (9 month lagged, by number)<sup>1</sup>



In the six months to September 2021 (on a 9-month lagged basis):

- Total residential consents rose 4.8%, or 4.0% in floor area (sqm)
- Detached dwelling consents rose 0.3%, with a 11.2% rise in multi-residential which represents 43.7% of all residential consents
- Since the start of 2021 residential consents continued to growth above record levels on a 9-month lag basis

NZ non-residential consents (by value \$bn)<sup>1</sup>



The value of non-residential consents for the 12 months to September 2021 (non-lagged) grew 10.3%

- North Island 11.9%; South Island 5.5%, Canterbury 28.1%
- Non-residential consents rebound to pre-covid levels as Metroglass' glazing forward books increase 7% at 30 September 2021 when compared to the prior year

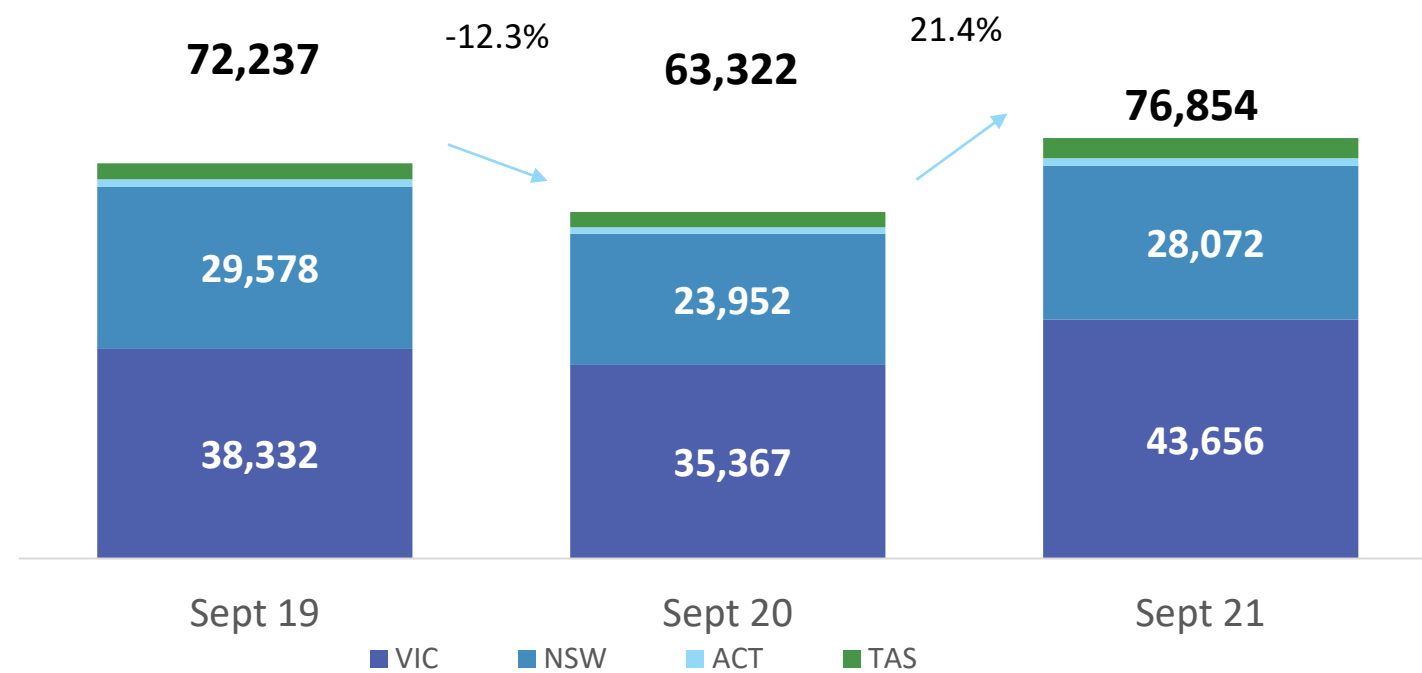
# Metroglass' performance was significantly impacted by the Covid-19 lockdown at the end of the half

- Our efforts to diversify the product and customer mix delivered results, however this was overshadowed by Covid-19 lockdowns and ongoing supply chain disruptions
- We responded swiftly to the Covid-19 restrictions, focusing on people wellbeing, maintaining connections with customers, and managing the network of glass supply.
- Metroglass received the NZ Government wage subsidy<sup>1</sup>, although this was not enough to offset the impacts from the Alert Level 4 lockdowns
- International supply chain costs have significantly impacted profitability in the half
- We have implemented a series of internal and customer-partnered initiatives that have supported a solid performance in an uncertain and competitive market. Our improving customer survey ratings and positive feedback reinforce that we are on the right track
- We remain committed to developing our people and processing capabilities investing \$7.3 million on equipment focused on improving quality, capability and capacity. We continue to develop and implement a series of on-the-job training schemes, with 80 plus staff enrolled in our apprenticeship programme

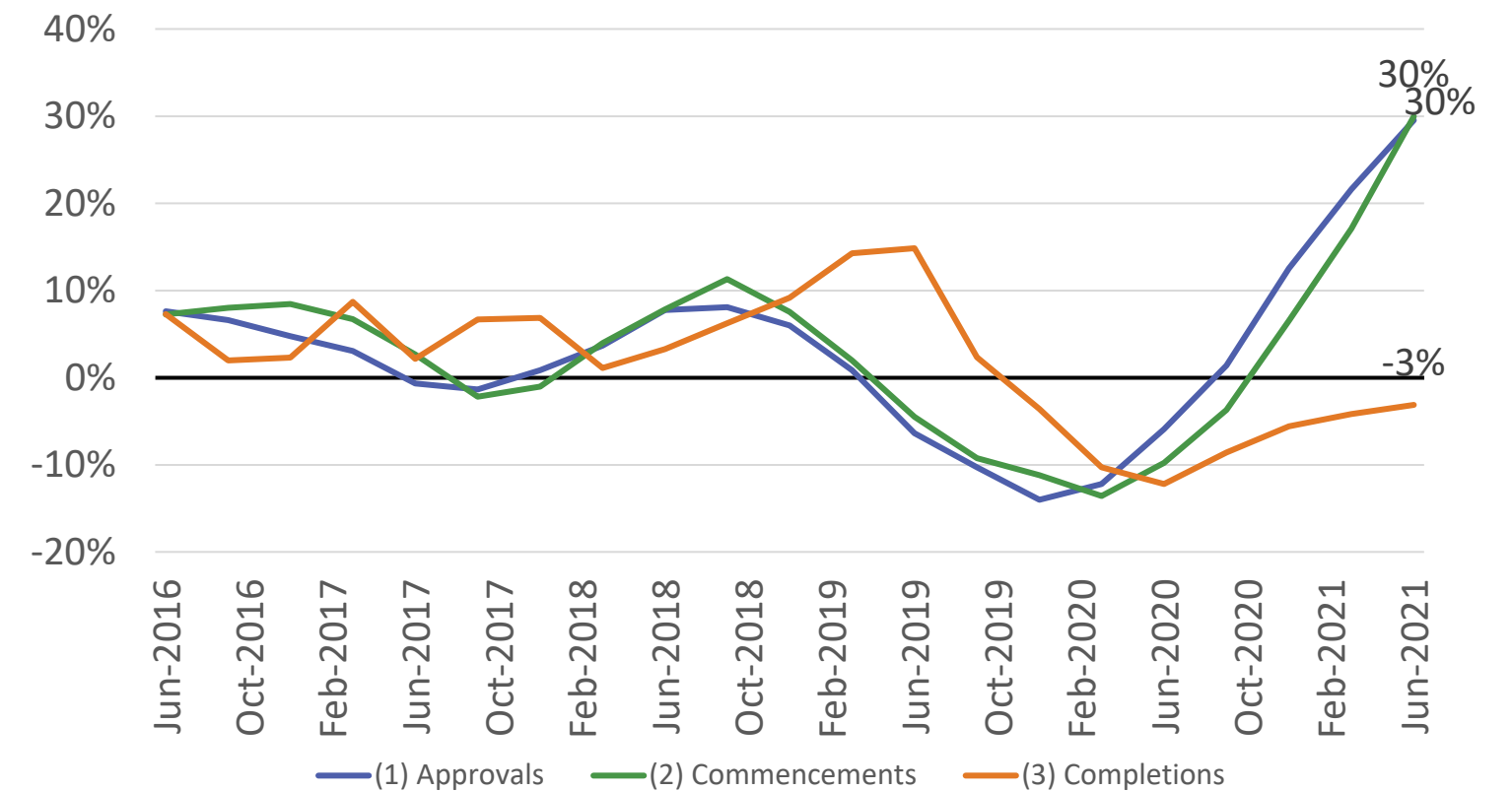


# Residential construction activity in southeast Australia has strengthened following c.18 months of declines and despite Covid-19 restrictions in place

South east Australia: house approvals (6m lagged, by number)<sup>1</sup>



South east Australia: housing data (rolling 12 months)<sup>2</sup>



In the twelve months to September 2021:

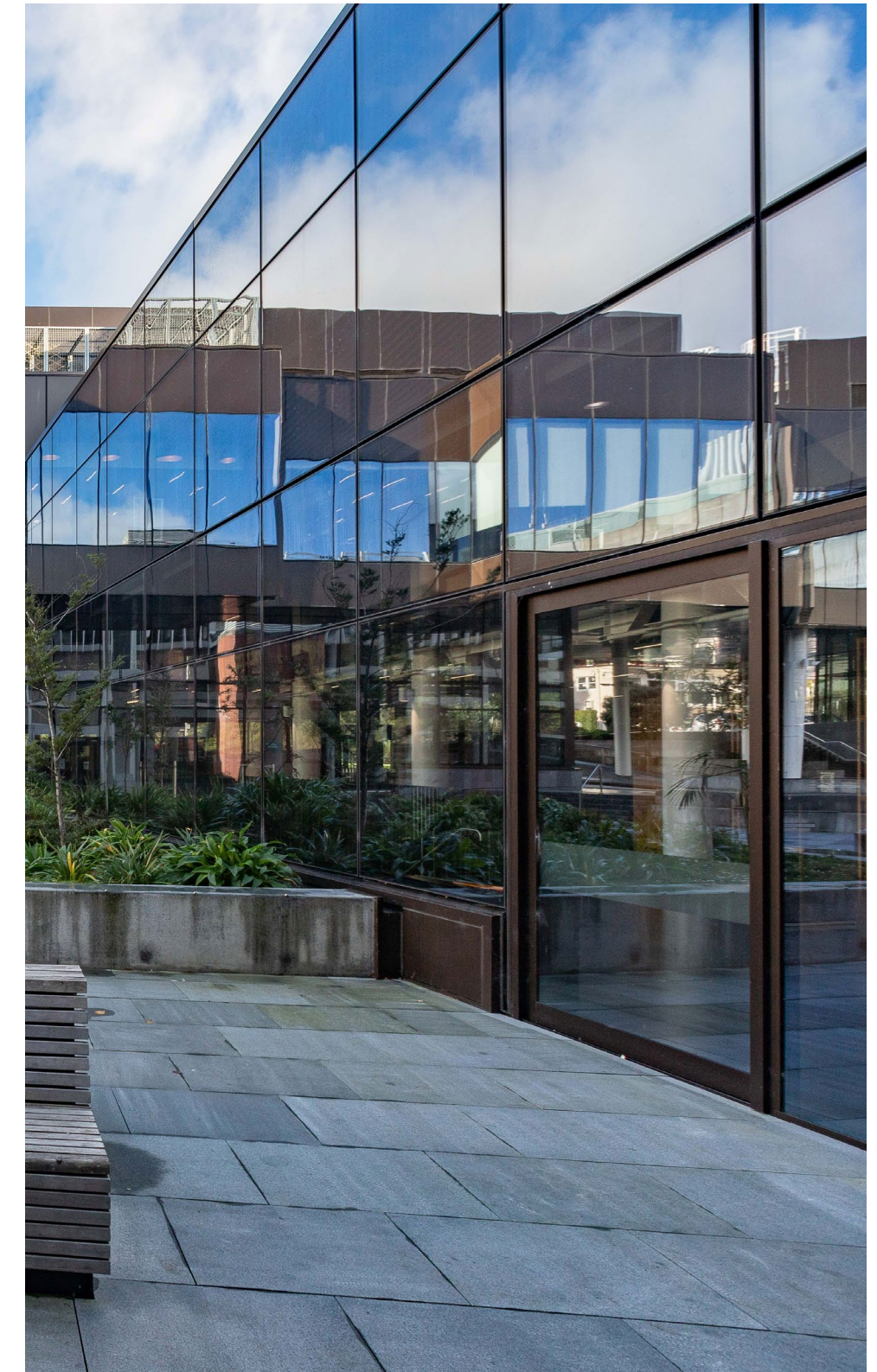
- Detached dwelling (house) approvals<sup>1</sup> rose 21.4%, with Victoria 23.4%, New South Wales 17.2%, Tasmania 31.9%
- Approvals for alternations and additions<sup>2</sup> rose 36.4%, with Victoria 33.0%, New South Wales 41.0%, Tasmania 41.5%
- The use of double-glazing products is continuing to grow as customers become more aware of the benefits, as well as expected changes to the National Construction Code for residential dwellings

- Housing approval numbers have continued to increase, which is expected flowing progressively through to commencements and completions

1. Source: Australian Bureau of Statistics, number of residential dwelling approvals (12 months to 30 September 2021). 6-month lag applied.  
 2. Source: Australian Bureau of Statistics, 12 months to 30 September 2021, no lags applied.

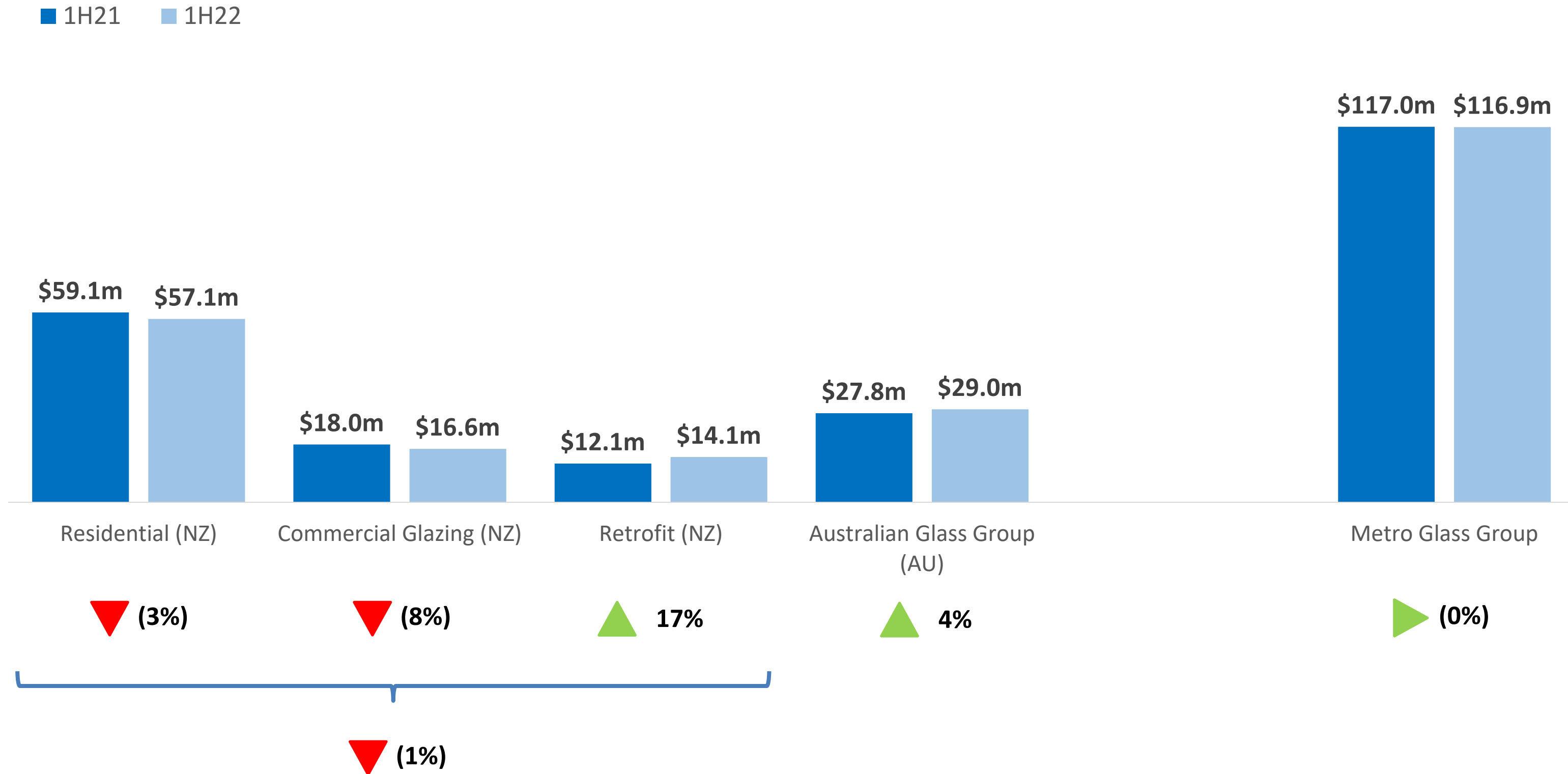
# Australian Glass Group continues to execute well against its turnaround plan despite prolonged Covid-19 restrictions

- Australian Glass Group (AGG) processing plants have largely remained operational throughout the first half, however disruptions to supply chains and people availability impacted profitability
- Covid-19 restrictions were in place for multiple weeks. Most short-term impacts concentrated in New South Wales and Victoria, with limited impact on the Tasmanian business
- Despite construction sector disruptions that have affected staff, product distribution and customer operations, AGG still achieved growth. Cost pressures impacted profitability
- Key southeast Australian markets have remained strong with AGG delivering 7% growth in the key double-glazing segment
- AGG's success in growing its double-glazing segment further illustrates the opportunity the increasing penetration in markets that have low adoption
- National Building Code (NCC) changes to come into effect in calendar years 2022/23, following the introduction to commercial buildings in 2019





# 1H22: Metroglass Group revenue (NZ\$)



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.

# 1H22: Financial results summary

Group results NZ\$m <sup>1</sup>	1H22	1H21	% change
<b>Group</b>			
Revenue	116.9	117.0	0%
EBITDA before significant items	12.6	23.1	(45)%
Depreciation & amortisation	9.6	10.3	7%
<b>EBIT before significant items</b>	<b>3.0</b>	<b>12.8</b>	<b>(76)%</b>
Significant items	0	1.0	n/a
EBIT	3.0	13.7	(78)%
<b>Profit for the period</b>	<b>0.4</b>	<b>7.6</b>	<b>(94)%</b>
Basic EPS (cents)	0.2	4.1	(95)%

Segment results NZ\$m, <sup>1,2</sup>	1H22	1H21	% change
<b>New Zealand</b>			
Revenue	87.9	89.2	(1)%
Gross profit %	44.4%	48.7%	
Segmental EBIT	4.1	12.8	(68)%
<b>Australia</b>			
Revenue	29.0	27.8	4%
Gross profit %	22.8%	26.3%	
Segmental EBIT	(0.7)	0.4	n/a

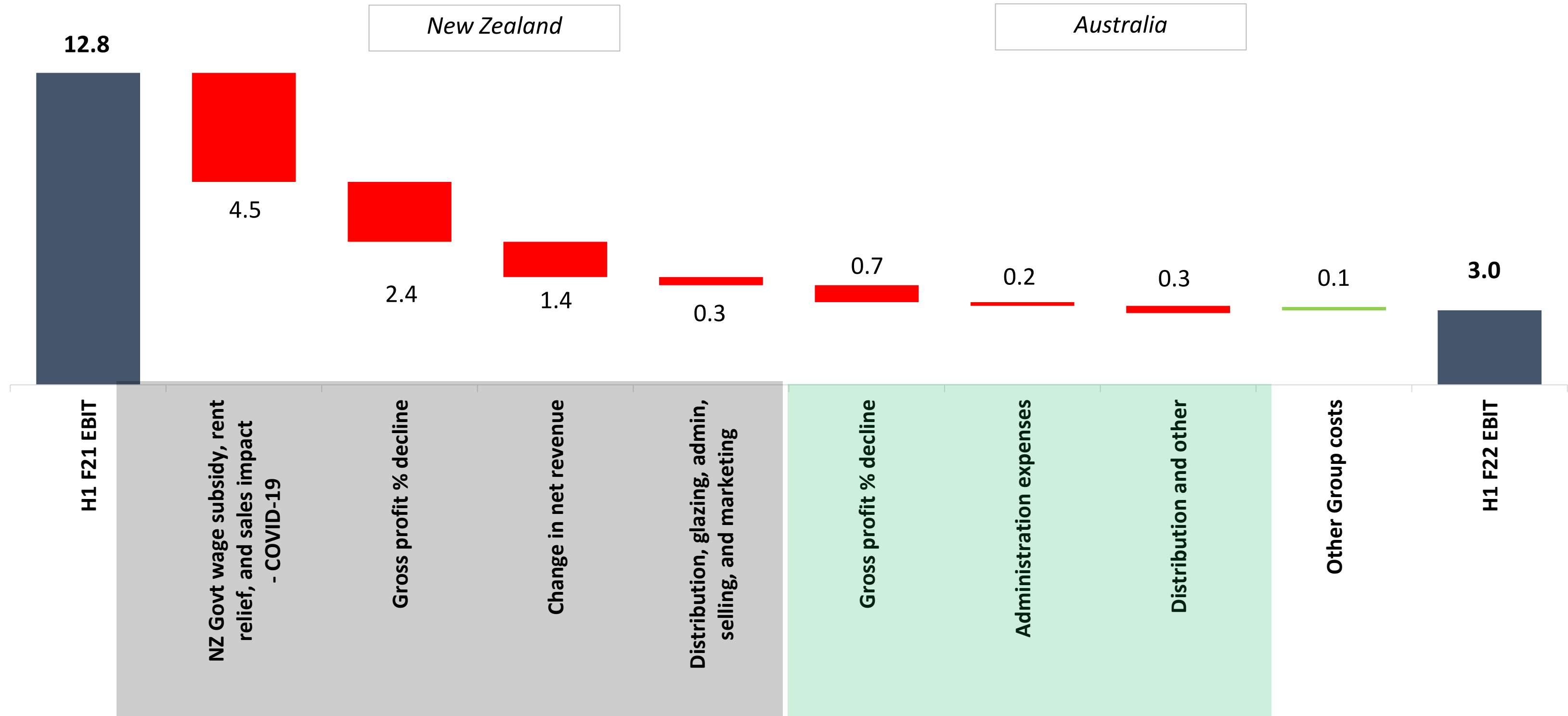
<sup>1</sup> Unless otherwise stated, results are shown in NZ\$m and before significant items.

<sup>2</sup> The full segment note is available in note 2 of the financial statements.

<sup>3</sup> The definitions for all non-GAAP measures of financial performance are provided on slide 16 of this release.



# 1H22: EBIT bridge



# 1H22: Group summary cash flow & balance sheet

Key cash flow items (NZ\$m)	1H22	1H21
EBIT <i>(post significant items)</i>	3.0	13.7
Operating cash flows	9.9	19.6
Capital expenditure	7.3	2.1
Dividends paid	-	-

Key balance sheet items (NZ\$m)	1H22	1H21
Net working capital <sup>1</sup>	23.6	26.7
Property plant & equipment	54.6	54.3
Right of use assets	49.3	52.5
Total assets	241.2	242.7
Lease liabilities	59.8	62.0
Net debt	47.8	51.0
Total shareholders equity	83.6	82.1

- Increased holdings in glass inventory due to supply chain disruption and the impact of Level 4 restrictions was offset by a reduction in trade receivables in NZ due to the impact of Level 4 restrictions late in the reporting period
- Net operating cashflow flows lower than last year driven by impact of Covid-19 restrictions and increases in material costs negatively impacting EBITDA
- Net debt decreased by \$3.2m year on year and remained stable over the past six months despite Covid-19 impacts
  - Group gearing<sup>2</sup> decreased from 38.3% at 30 September 2020 to 36.4% at 30 September 2021
  - The Company's net debt to EBITDA (pre-IFRS 16) ratio increased year on year from 1.5x to 2.8x<sup>3</sup> driven by a significantly reduced EBTIDA

<sup>1</sup> Net working capital: trade & other receivables + inventory - trade & other payables.

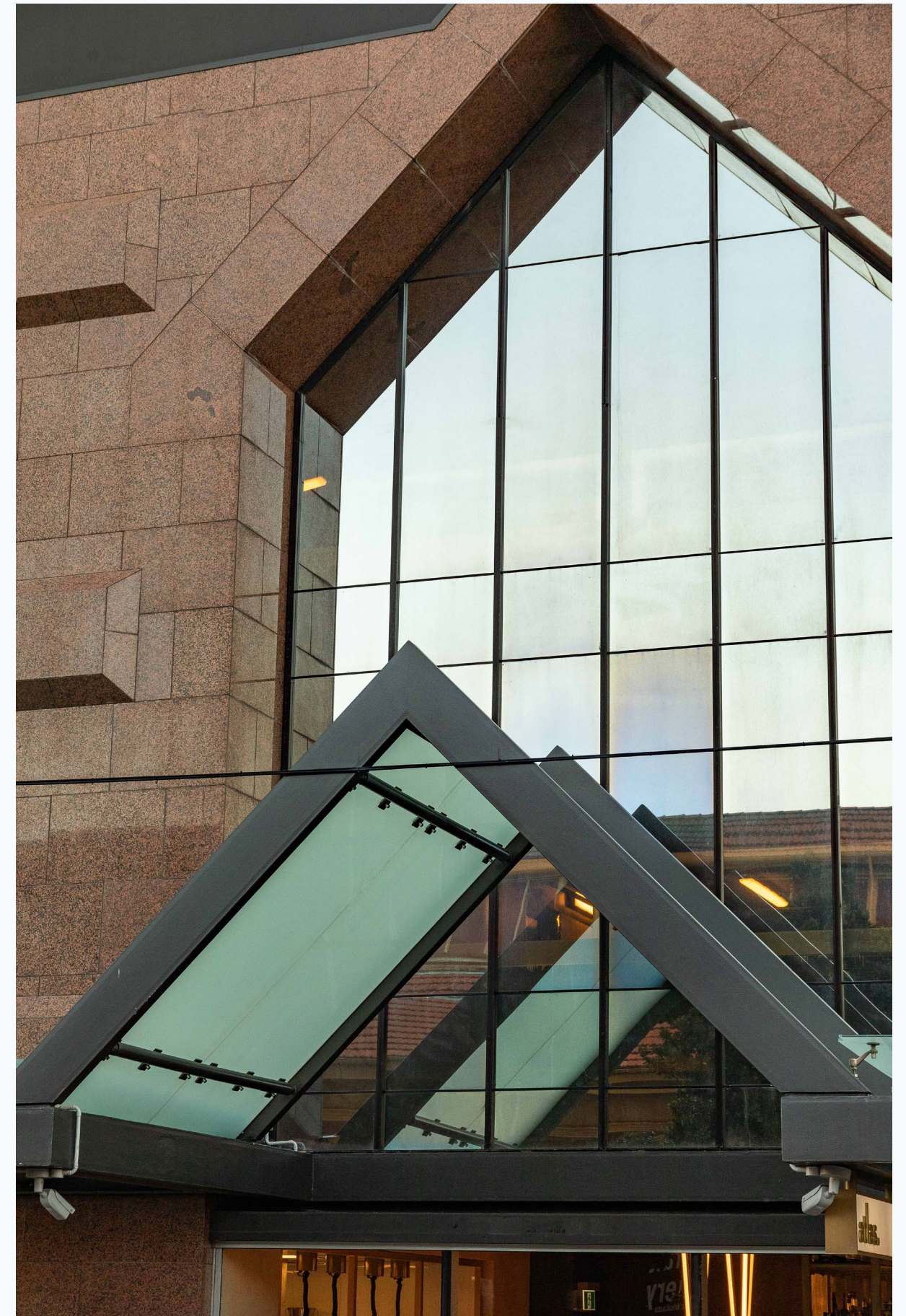
<sup>2</sup> Gearing: net debt / (net debt + equity).

<sup>3</sup> Net debt includes net bank debt of \$44.7 million and other interest-bearing liabilities of \$3.1 million which primary relates to the sale and leaseback of certain vehicles in New Zealand.



# Outlook for FY22

- 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
- 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. Glass demand remains strong with forward books for both the Retrofit and commercial glazing segments higher than the same point last year.
- As the disruptions dissipate, we are confident that activity levels in both New Zealand and Australia will return to previous levels. We also expect to run a shorter Christmas shutdown than last year as the sector looks to recoup lost work in August and September.
- 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 in costs 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 New South Wales and Victoria as Covid-19 restrictions reduce. We continue to prepare the business for changes to the National Construction Code, educating the market on benefits of double-glazing and remaining a strong proposition in the market.
- **Given the significant level of disruption the construction industry is facing, we anticipate providing guidance on expected FY22 results alongside a trading update in February 2022**



# Our strategy and focus remains unchanged

Build resilience and defend Metroglass' leadership position

Further improve our positive trajectory in Australia, and benefit from growing demand for double-glazing

To ensure our balance sheet remains strong and sufficient to cope with future risks and opportunities



# Q&A

# Appendix: Reconciliation of non-GAAP to GAAP profit measures

Half year to 30 September	1H22 (\$M)	1H21 (\$M)
<b>Profit for the period before significant items</b>	<b>0.4</b>	<b>6.9</b>
Add: Sale and leaseback gain on disposal (tax effected)	-	0.7
<b>Profit for the period (GAAP)</b>	<b>0.4</b>	<b>7.6</b>
Add: taxation expense	0.1	3.1
Add: net finance expense	2.5	3.0
<b>Earnings before interest and tax (EBIT)</b>	<b>3.0</b>	<b>13.7</b>
Add: depreciation & amortisation	9.6	10.3
<b>EBITDA</b>	<b>12.6</b>	<b>24.1</b>
Earnings before interest and tax (EBIT)	3.0	13.7
Less: Sale and leaseback gain on disposal	-	(1.0)
<b>EBIT before significant items</b>	<b>3.0</b>	<b>12.8</b>
EBITDA	12.6	24.1
Less: Sale and leaseback gain on disposal	-	(1.0)
<b>EBITDA before significant items</b>	<b>12.6</b>	<b>23.1</b>
Profit for the period (GAAP)	0.4	7.6

## 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
- 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



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