

METRO PERFORMANCE GLASS

2022 Annual Shareholders' Meeting

9 August 2022



Metro Performance Glass Board of Directors



Jenn Bestwick

Independent Non-Executive Director, Member of the
Audit and Risk Committee

Appointed: May 2022



Mark Eglinton

Independent Non-Executive Director, Chair of the
People and Culture Committee

Appointed: April 2020



Peter Griffiths

Independent Non-Executive Chair, Member of the
People and Culture Committee

Appointed: September 2016



Rhys Jones

Independent Non-Executive Director, Member of the
People and Culture Committee

Appointed: April 2018



Julia Mayne

Independent Non-Executive Director, Member of the
Audit and Risk Committee

Appointed: September 2021



Graham Stuart

Independent Non-Executive Director, Chair of the
Audit and Risk Committee

Appointed: December 2019

Today's agenda

1. Welcome and introductions
2. Chair's address
3. Chief Executive's address
4. General business and shareholder questions
5. Formal business and resolutions



Chair's address



Our strategy



- SAFETY**
Working safe, living well
- PRODUCT & PROCESS QUALITY**
Right first time, every time
- OUR CUSTOMER**
At the centre of everything we do
- OUR PEOPLE**
We value, inspire, train and develop our team
- OWNING OUR WORK**
We take responsibility and work as one team



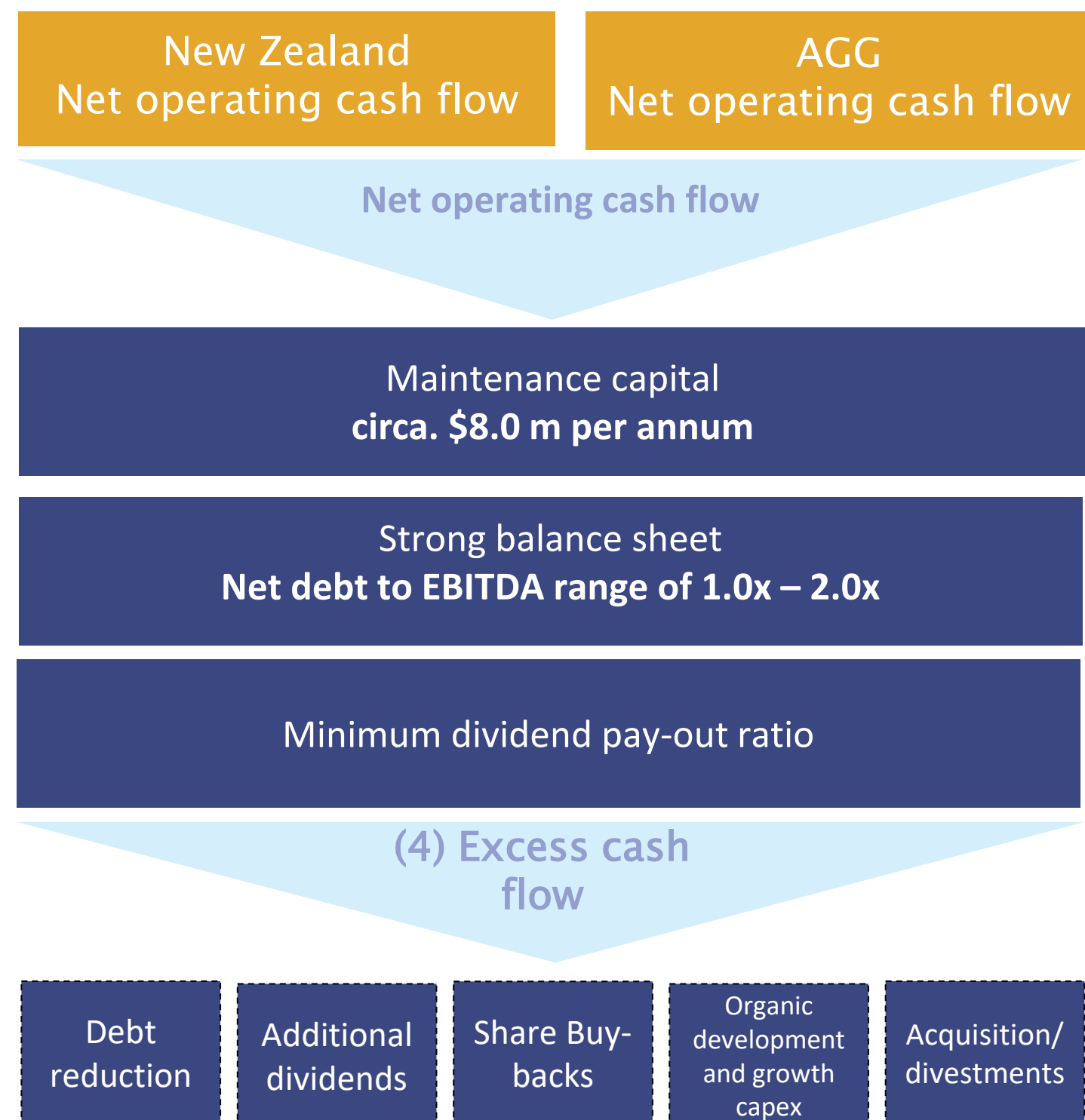


Key messages

- The Group managed frequent and evolving Covid-19 disruptions and other external pressures well, limiting supply volatility to customers
- Strategic actions and investments in double glazing processing and high-performance glass mean we are well positioned for the upcoming changes in residential building regulation in both New Zealand and Australia
- Demand for glass products in our markets has remained steady, however higher input costs, New Zealand lockdowns and supply chain disruptions materially impacted profitability in FY22
- Improved operational and financial performance in Australian Glass Group, though turnaround delayed by Covid-19 disruptions and extreme weather events



Metroglass' framework guides our approach to capital allocation



- Net operating cash flows impacted by rapid increases in material costs that are partially offset by a series of price increases, and a lower NZ Government wage subsidy in FY22
- Strengthening Metroglass NZ and Australian Glass Group's position in their markets, ahead of supportive regulatory changes. Targeted investments were made that deliver increased capability, capacity and quality.
- We continue to focus on reducing group leverage to a target range of 1.0x to 2.0x net debt to EBITDA.
- Increase in FY22 driven by an increase to debt and reduced EBITDA, including August and September lockdowns
- It remains the boards intention to resume a dividend programme as soon as business conditions allow

Chief Executive's address



The Group made progress despite ongoing external pressures

OUR BUSINESS

- Managed service to our customers well with strong and clear communication, sufficient stock levels and operational stability
- AGG's transformation into a specialist double-glazing business continued in FY22, with a modest improvement in EBIT despite Covid-19 headwinds
- Rapid increases in input costs impacted gross profit, which have been addressed with significant price increases in both New Zealand and Australia
- Increases to net debt in FY22 driven by targeted investments in capability, capacity, and quality, ahead of building insulation requirement changes and an increase in safety stock levels to better manage supply volatility for customers

ENVIRONMENTAL SOCIAL GOVERNANCE

- Good progress improving safety and wellbeing, with TRIFR trending lower
- Continued investment in the training and capability, including our apprenticeship scheme, with 79 enrolled and 8 employees qualifying in FY22
- Launched a Group Environmental Sustainability policy, with initiatives focused on carbon emissions and the consumption of resources (Water, Electricity)



Metroglass extends its reach into glass recycling with 5R Solutions Limited (5R) investment

- Metroglass is in the process of converting its loan to 5R solutions Limited to a 50% equity position
- Equity accounted results will be reflected in the Group's financial statements for future reporting periods
- All Metroglass glass processing waste is recycled through 5R Solutions



Who are 5 R Solutions Limited (5R)?

- Established in 2009, 5R Solutions specialises in window glass recovery in New Zealand.
- Two reprocessing sites located in Auckland and Christchurch, moving and processing tens of thousands of tonnes of glass each year.
- Capable of processing the full spectrum of waste flat glass that is generated by commercial and post-consumer markets. Fully developed in-house supply chain management for the collection of waste glass and delivery of end products.
- Recycled glass is used in various new life products such as glass wool insulation and filter mediums



Significant achievements in FY22

Window and Glass Association awards:

Won the **Designing with Glass - Residential** for Ferg's house, Sandy Bay featuring Metroglass toughened single glazed glass installed by the Metro Direct Whangarei

Finalists:

- Design Awards – commercial Dunedin Mall glass floor over historic pedestrian track (installed by the Metro Direct Dunedin using triple play laminated safety glass (LSG))
- Designing with Glass – Commercial Puhinui Train Station (Installed by Metroglass Auckland Glazing using toughened LSG, Digital print, Mirrors, Curved Glass, Toughened Processed Glass, MFG Hardware)

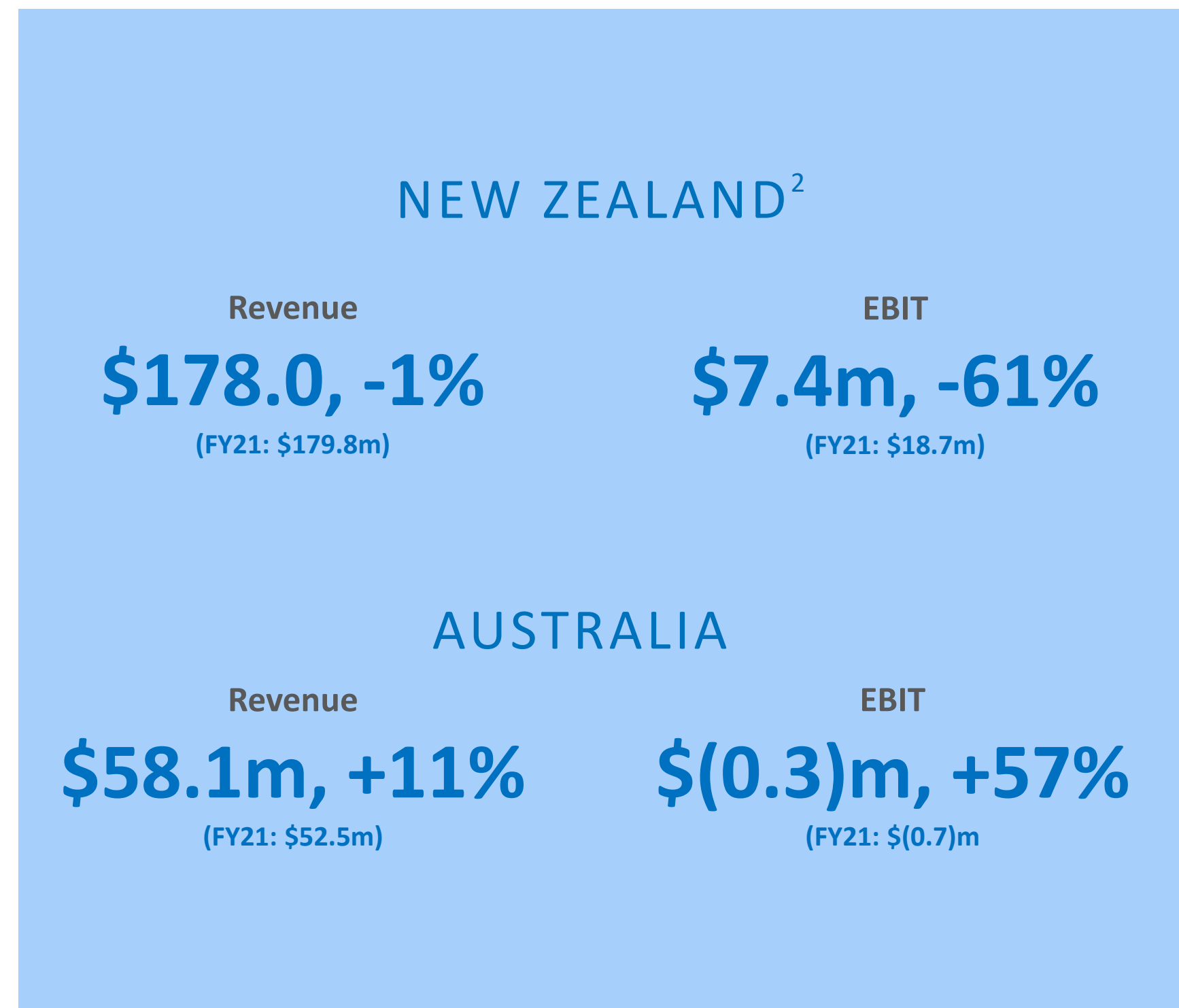
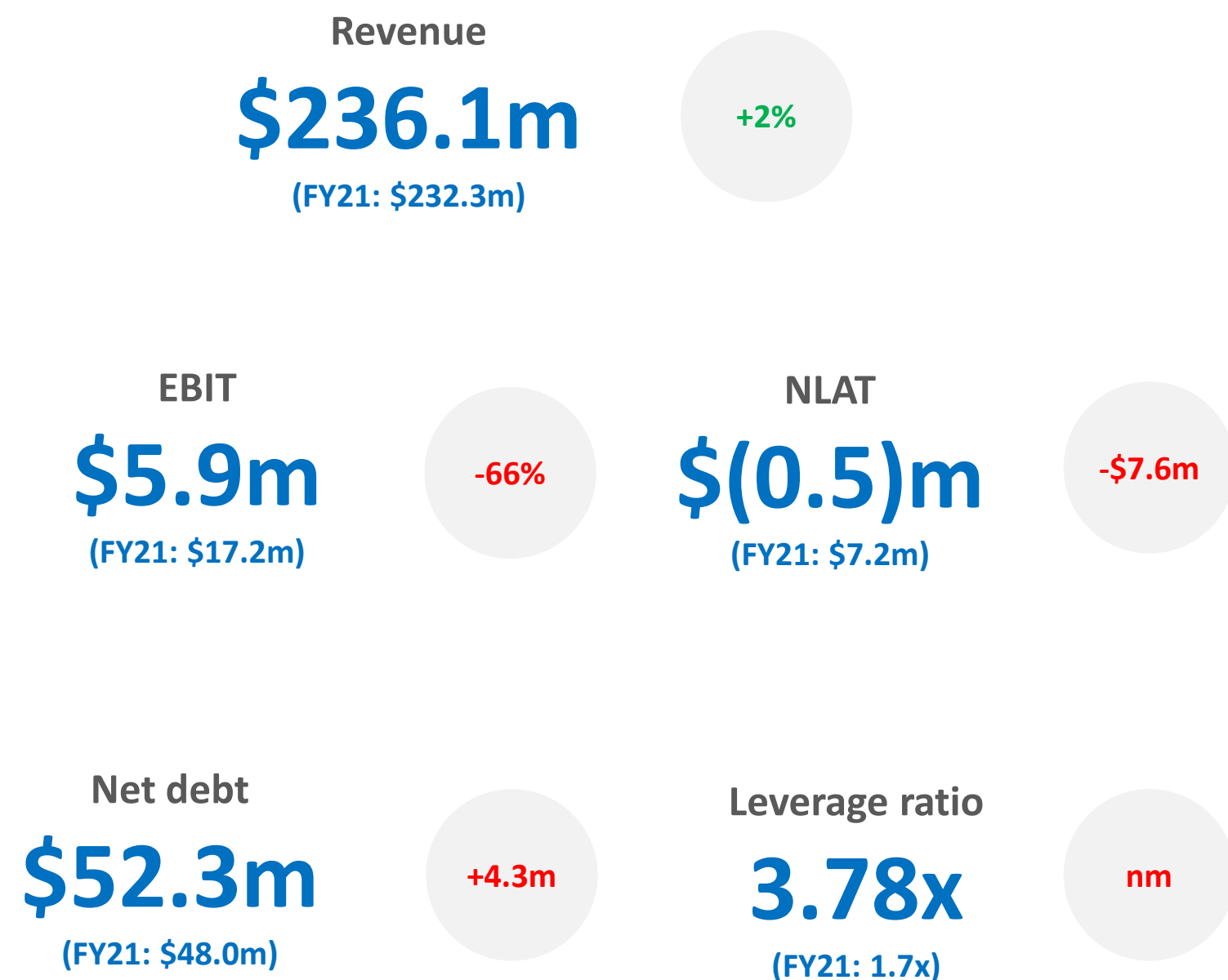
NZ Workplace Health and Safety Awards:

Finalist - Business Leaders' Health and Safety Forum Leader of the Year – Simon Mander, reflecting Metroglass' continued drive for safety and wellbeing performance



FY22 Financial snapshot

GROUP

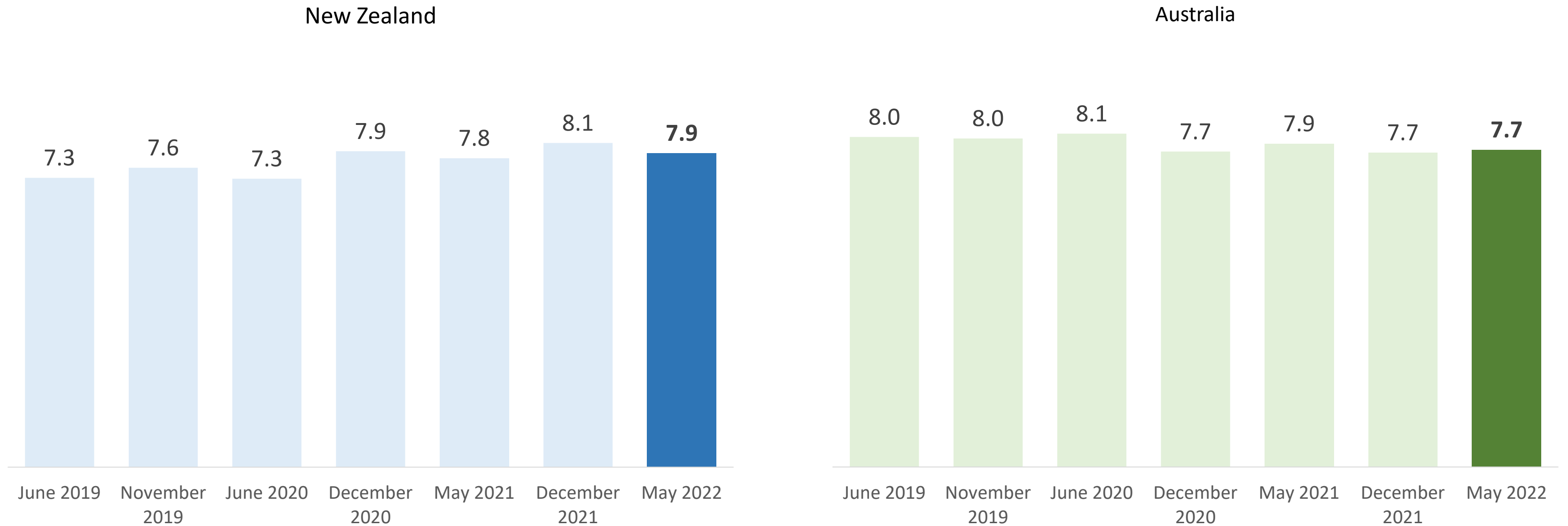


¹ Unless otherwise stated, results are shown in NZ\$m and before significant items. Details on the significant items are provided in note 2.4 to the financial statements.

² The full segment note is available in note 2.1 of the financial statements.



Our customers continue to rate our service positively and guide our initiatives to improve



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



Changes to building insulation requirements support usage of Low E glass in New Zealand, and penetration of double glazing in Australia

New Zealand

H1 insulation changes increase the use of high-performing low-E glass in windows

- MBIE introducing changes to the minimum thermal performance requirements for compliance with the Building code H1 Energy Efficiency. **First major change since the introduction of Double Glazing in 2007/08**
- 6 climate zones to better reflect specific minimum insulation requirements for their local climate
- Almost universally require use of Low Emissivity (Low E) glass to comply
- Metroglass well-positioned with world-class facilities, people and a range of high-performing LowE glass specifications

Implementation: from November 2022

Australia

National Construction Code changes increase the use of double-glazing in Vic, Tas, ACT, regional NSW

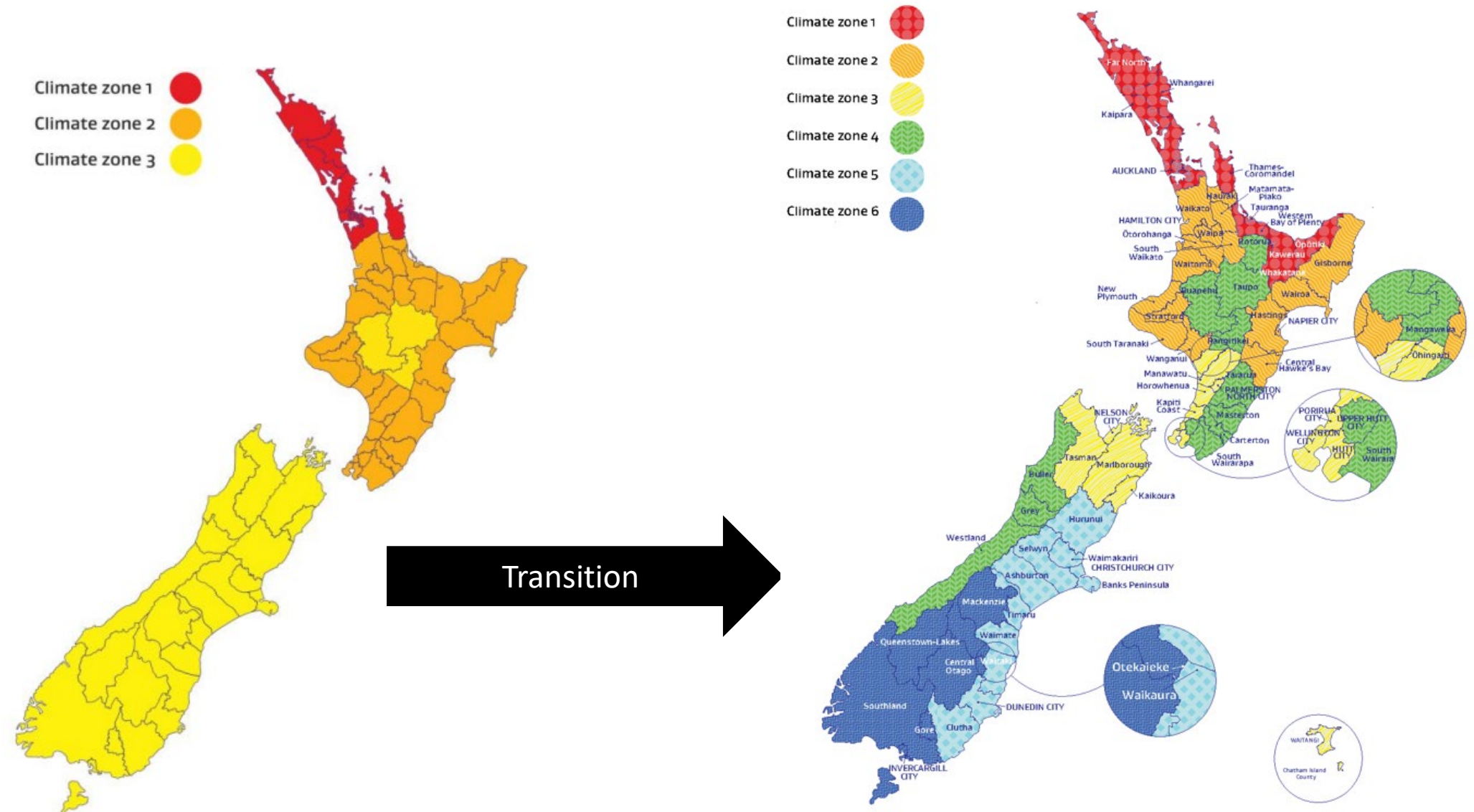
- National Construction Code (NCC) 2022 changes to Energy Efficiency increases thermal performance requirements for residential buildings
- A minimum standard of double glazing will be required in colder climate zones (currently standard is achieved with single glazing)
- Where standard aluminum frames are used, there will also be a higher demand for advanced high performing Low E double glazing
- Standards were introduced for commercial buildings in 2019, with significant increases in double glazing

Implementation: expected late FY23



Thermal performance changes are the first major change since the introduction of Double Glazing in 2007/08

- Current building code compliance for windows is achieved with R0.26 thermal performance, applied to all zones
- New building code compliance increase all zones, in three phases:
 - **November 2022:** All zones increasing 42% on today's thermal performance to R0.37
 - **May 2023,** split into 3 R value requirements, with the coldest areas requiring R0.50 (an increase of 92% on today's thermal performance)
 - and a final step in **November 2023.** which brings zone 1 & 2 inline with 3 & 4, at a thermal performance of R0.46 (an increase of 77% on today's thermal performance)
- Almost universally require the use of Low Emissivity (LowE) glass to comply.
- Metroglass currently processes approximately 25% Low E in its product mix, and is expected to increase to >95%



| Climate Zones | 1 | 2 | 3 | 4 | 5 | 6 |
|--|-------|---|-------|---|-------|---|
| Current Standard | R0.26 | | | | | |
| Interim minimum R_{window} value 3 November 2022 all Climate Zones | R0.37 | | | | | |
| 1 May 2023 Climate Zones 3-6 move to final R_{window} performance levels | R0.37 | | R0.46 | | R0.50 | |
| 2 November 2023 Climate Zones 1-2 align to Climate Zones 3-4 for final R_{window} performance levels | R0.46 | | | | R0.50 | |

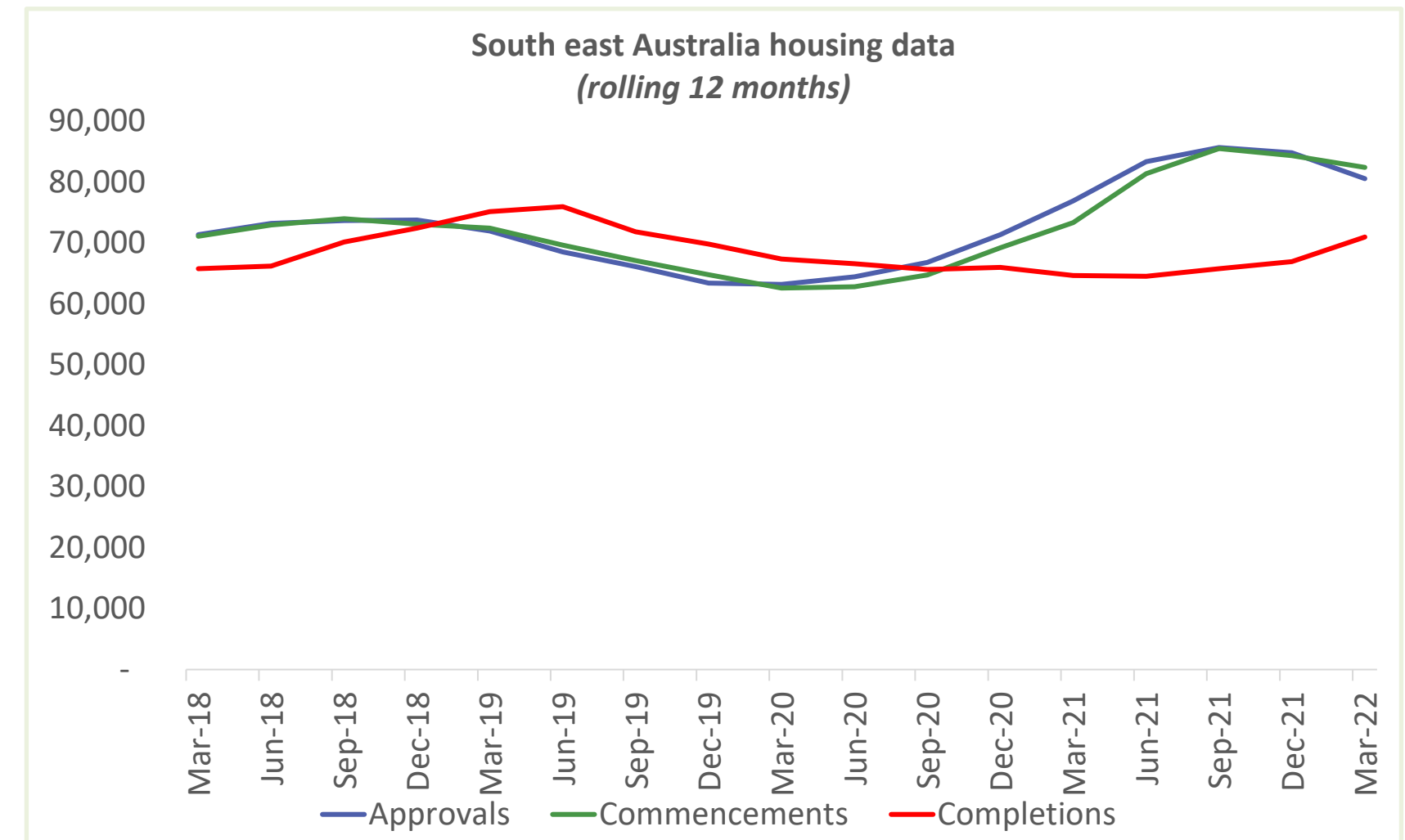
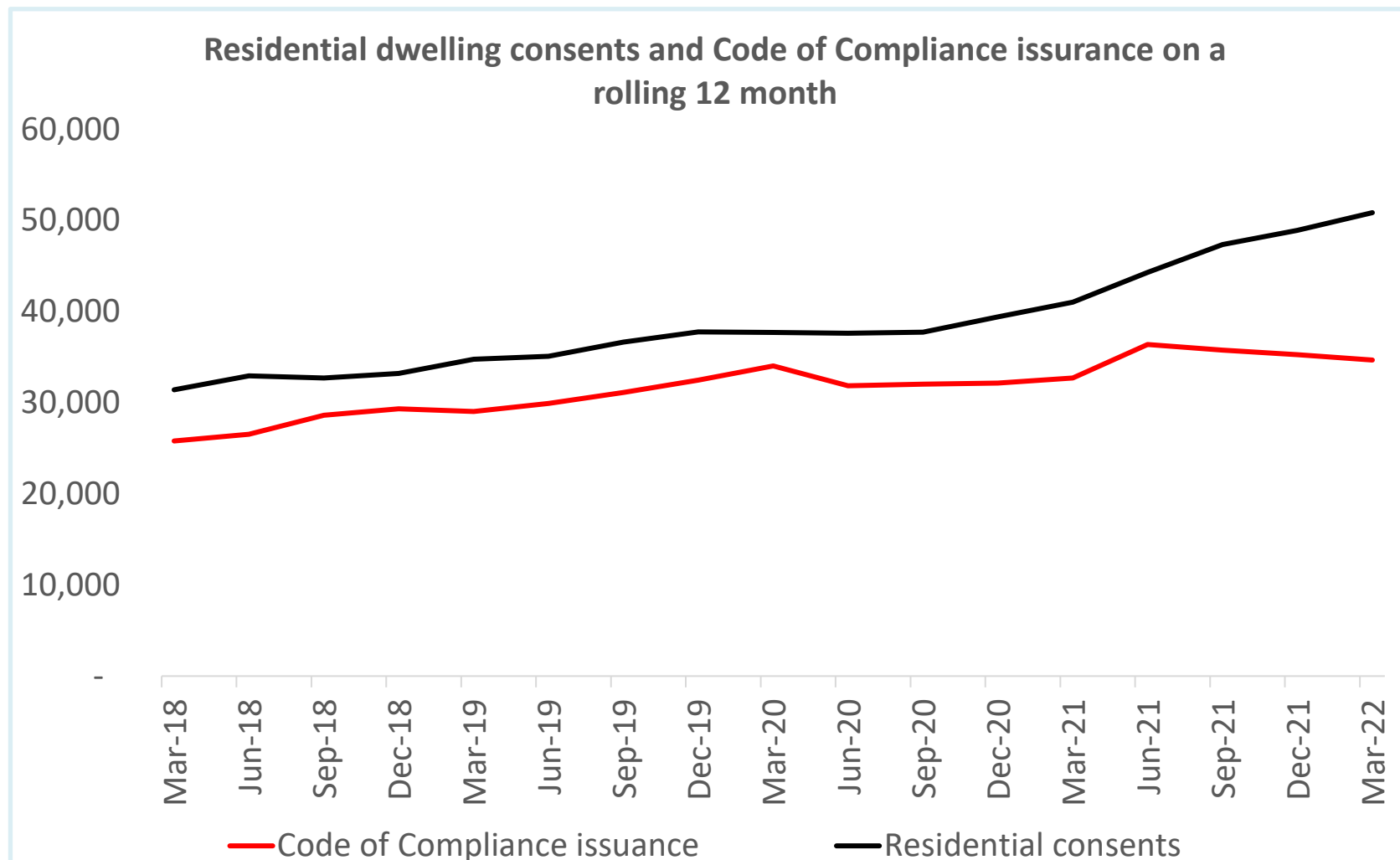
1. Source: <https://www.mbie.govt.nz/dmsdocument/13808-consultation-document-building-code-update-2021>
 2. Source: <https://www.building.govt.nz/assets/Uploads/building-code-compliance/h1-energy-efficiency/asvm/h1-energy-efficiency-as1-5th-edition.pdf#page=23>
 3. Source: <https://www.building.govt.nz/assets/Uploads/building-code-compliance/h1-energy-efficiency/asvm/h1-energy-efficiency-as1-5th-edition.pdf#page=9>



Activity in our markets

New Zealand residential construction remains steady, as capacity constraints widen the gap between consents and actual activity

Australian residential market is solid, as strong approvals translate into activity. However, supply constraints temper completion rates



- Code of compliance issuance grew 6% in the year to March 2022, while consents grew 24%
- Residential construction sector at capacity, as supply chain disruption and labour availability restrict growth

- Market conditions are solid, supported by several state and federal initiatives
- A combination of covid-19 restrictions, adverse weather events, disruptions to international supply chains, and reduced labour availability have contributed to a slower residential dwelling completion rate

1. Source: Statistics NZ, number of residential dwelling consents (rolling 12 months). No lag has been applied.
 2. Source: Statistics NZ, experimental building indicators: March 2022, number of residential code of compliance issued (rolling 12 months). No lag has been applied.
 3. Source: Australian Bureau of Statistics residential approvals, commencements and completions (rolling 12 months). No lag has been applied.



Rapid increases to input costs has created acute pressure, with successful market pricing supporting a path to gross profit recovery

- In the prior 12 months, the weighted average cost per sqm of glass increased significantly, and rapidly
- Consist with other industries inflationary cost pressure has been evident across direct and indirect costs

New Zealand

- Metroglass has responded over the same time period with a number of price increases (a cumulative 26%), with a further price increase of 5% is effective 1 September 2022
- The implementation of price increases were focused on improving gross profit performance from Q2 onwards

Australia

- In a market with traditionally lower market pricing for glass; AGG have implemented cumulative price increases of 39%, in-part reflecting cost inflation pressures, but also supported by the increasing value being recognised in high performing glass throughout the industry



Trading update: April to July 2022¹

Softer activity levels in the first quarter (YTD), driven by industry supply chain disruptions and labour availability that moderated execution

- YTD Group revenue similar to prior year; the volumes in New Zealand business were softer and the Australian business above the prior year
- Strong residential consents and approvals, balanced by industry capacity constraints, should support a stable pipeline in New Zealand and Australia
- New Zealand activity is impacted by ongoing market disruptions and industry-wide material and labour shortages and poses a risk
- Raw material and international shipping costs, while remaining historically high, have stabilised through Q1. The successful introduction of price increases and improved pricing disciplines are beginning to demonstrate positive trends for margin recovery from Q2 onwards.
- Sales in Australian Glass Group YTD are ahead of last year and are profitable, supported by strong market activity and consistent service and operational performance across each of our regions
- Recruitment is challenging with a tight labour market and associated wage pressure
- Higher inventory costs leading to increased working capital funding requirements

¹ Based on unaudited management accounts.



Metroglass is positioning for a challenging market

- New Zealand residential building consents are at record levels in the last 12 months. Capacity constraints in the industry mean that we expect building activity continue, but the rate of execution due to wider industry issues likely to be a drag
- Strong approvals activity in Australia and a similar capacity constrained industry have created a solid pipeline of work
- Current construction sector conditions continue to drive a challenging outlook in the short to medium term. Our focus remains on gross margin improvement, with the inflationary pressures in our supply chain and the constraints on labour not expected to improve in the near term
- Our strategic programme continues to unlock the potential of the business, with investments in capability, quality, and a strong focus on improving our offering to customers. This creates value opportunities for the business alongside building insulation regulation changes to be introduced in our markets during FY23
- We will be focused on our cost base and be ready to adjust and respond to future demand and activity levels



We remain focussed on our strategy and near-term goals

Building resilience and defending Metroglass' leadership position in New Zealand

Grow profitability in Australia, benefiting from increasing demand for double-glazing

Ensure our balance sheet is robust to cope with future risks and opportunities



General business and shareholder questions





Resolutions



Resolution 1: Auditor remuneration

To consider and, if thought fit, pass the following ordinary resolution: ***That the Board be authorised to fix the fees and expenses of PwC as Auditor for the ensuing year.***



Resolution 2: Jenn Bestwick

Metro Performance Glass constitution and NZX Listing Rule 2.7.1 require that any director appointed by the board must retire from office at the next annual meeting but is eligible to seek election.

Director Jenn Bestwick retires in accordance with this requirement and offers herself for election.



Resolution 3: Julia Mayne

Metro Performance Glass constitution and NZX Listing Rule 2.7.1 require that any director appointed by the board must retire from office at the next annual meeting but is eligible to seek election.

Director Julia Mayne retires in accordance with this requirement and offers herself for election.



Thank you

Opportunity for questions



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