



CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Delivered at the Annual General Meeting on
Friday 21st October 2022

Ladies and Gentlemen,

This morning I will be commenting on the 2022 financial year as well as providing an update on our current trading conditions. I'll then hand over to Chris Hartwig to provide more detail on both last financial year and the year ahead.

FINANCIAL RESULTS

The 2022 financial year produced a remarkable result with record revenue of \$99.2 million and record profit after tax of \$11.3 million. This resulted in record Earnings Per Share of 99 cents which enabled dividends of 60 cents per share to be declared relating to the financial year. As a consequence, the share price outperformed the market, ending the financial year at \$7.01, 40% higher than it started. By way of comparison the ASX200 ended the year 10% lower than it started.

The first half was particularly strong with a concentration of project work, a buoyant day-to-day market and the sale of the Power Step and Titan businesses resulting in a half-year profit that exceeded Korvest's previous annual record.

Second half activity tapered somewhat but remained at what would have been record levels had it not been for the extraordinary performance in the first half. The year was not without challenges. Working capital levels grew, particularly inventory, which increased by \$8 million due to the increased cost of steel and zinc, higher levels of project stock and a conscious decision to hold more inventory to guard against global supply risks.

Supply chain uncertainties, a tight labour market and wage pressures have added some increased risk to our operating environment. Consequently, the

Board remains very active in ensuring its strategic plan is regularly reviewed and closely managed to both manage these risks and capitalise on strategic opportunities.

Chris Hartwig will comment in more detail on the 2022 result shortly.

ESG

With the growing focus on ESG, our 2022 Annual Report included our first ESG report. This report articulates our ESG Vision and reproduces our values that have been disclosed on our website for a number of years. The report summarises what the Company has been doing in relation to environmental, social and governance issues over recent years.

I'd like to highlight a few items from it.

In regards to the Social dimension, as a manufacturing business, safety has and always will, be a key focus area. It was pleasing that during FY22 our lost time injury frequency rate improved by 49% however there is work to be done to reduce this further. Our strategy to further improve our safety record is to invest in automation of manual handling tasks to reduce or eliminate repetitive welding and stacking tasks.

On environmental, Korvest has invested significantly in solar installations over recent years and the 2022 financial year was the first full year that all three systems were operational. There is a chart in the ESG report showing CO₂ emissions relative to hours worked at the Kilburn site. This shows a significant reduction over the past three financial years as the solar footprint has grown. In FY22 Korvest's Kilburn Scope 2 emissions from the electricity we purchased were 380 tonnes of CO₂ compared to 718 tonnes in FY19. This absolute reduction of 47% in emissions is despite an increase in activity over

that time. When related to hours worked the reduction in Scope 2 emissions between FY19 and FY22 is 55%.

We have also disclosed our total Scope 1 and 2 emissions for FY22. This is the first time these numbers have been collated and will provide a benchmark for future reporting.

The ESG report covers a number of other areas including diversity, galvanising plant emissions and waste management and recycling. I'd encourage you to read the full report.

CURRENT YEAR TO DATE AND OUTLOOK

The momentum from the second half of FY22 has continued into the first quarter of FY23. The day-to-day and small project market remains strong and demand from larger projects has remained at levels similar to the second half of FY22. Korvest started the new financial year with a healthy order book and project pipeline and that has not changed during the first quarter of FY23.

The expectation is that the FY23 first half performance will be similar to the second half of FY22.

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

Thank you Andrew,

Ladies and Gentlemen, today I will be reflecting on the 2022 financial year and will also provide an update on the current trading conditions and key focus areas for Korvest going forward.

FINANCIAL YEAR 2022

FY22 was an amazing result by many measures. Before I discuss the fantastic financial results I would like to make some comments regarding our safety and environmental performance.

I believe good safety is good business. FY22 saw a significant improvement in our safety performance during the year, resulting in a 50% reduction in the number of LTI's. However, there is more that we can do to bring our performance to within world's best practice and this will remain a constant focus during FY23. Sprains and strains as a result of manual handling are the largest injury category and we have a number of concurrent strategies aimed to assist in reducing them. In early FY23 we have appointed a General Manager of the Galvanising Business. The new General Manager comes to the business with a strong safety management background and we are already starting to see the positive effects of this appointment.

Andrew has already mentioned some of the activities in the area of ESG. Korvest acknowledges the increasing importance of our environmental performance, social engagement and governance practices and will continue to review and develop these activities over time.

The impact of COVID-19 continued to be felt across the business during the year. Whilst many of the previously significant impacts such as input prices, shipping costs and shipping lead times remained during FY22, the availability of labour became increasingly difficult during the year. In the first half Korvest did not have any positive COVID-19 cases, but this changed rapidly during the second half, with up to 31 positive cases in any one month. The related absences have required additional overtime shifts to make up for lost production.

As Andrew has already highlighted, FY22 was a record year for Korvest, with a significant improvement in both revenue and profitability.

In the Industrial Products group, the EzyStrut business had an outstanding year, with all states achieving significant revenue growth. The focus on major infrastructure projects continued, with supply to these projects reaching record levels. At some stages during the year 4 major projects were being supplied simultaneously. Whilst generally the phasing of projects is beyond our control, we were able to flex our capacity and work with our customers to ensure project deadlines continued to be met. Steel prices remained high throughout the year with further peaks experienced during the second half, related to overseas events. These increases directly impact margin. We believe steel prices have peaked for the current cycle and will start to soften somewhat during the second quarter of FY23.

During the year we continued to develop our range of fire rated solutions and also expanded our project management team, both of which are a critical part of our infrastructure growth strategy. In addition to major project work, the day-to-day segment remained strong and the wholesaler segment experienced record sales.

The factory was extremely busy during the year. Manning levels remained high and could have been higher had suitable labour been available. During the year a 3-year Enterprise Bargaining Agreement for the Kilburn site was resolved, providing certainty to both the workforce and Korvest. Capex in the factory continued at high levels, focussed on productivity and capacity projects. Key highlights include the commissioning of the flat-bed fibre laser cutter and a new robotic general weld cell. This cell was project managed in-house and is performing well.

The Power Step and Titan businesses were sold in August 2021 after it was determined that they were no longer core businesses that fitted with the remaining Korvest businesses.

In the Production group, the Galvanising business experienced record volume in the main plant and the highest volume since 2012 in the spin plant. This growth led to an improvement in profitability. The growth in the main plant came from EzyStrut volume, whereas the growth in the spin plant was from external volume. Zinc prices increased significantly throughout the year, with the average cost of zinc consumed being 19% higher than the prior financial

year. This trend will continue in FY23. In a similar vein to steel, overseas events have had a significant impact on gas pricing. The current gas pricing will expire at the end of calendar year 2022. Gas pricing has been locked in for calendar year 2023 at significantly higher prices. Customer pricing will need to increase to offset this major cost burden.

FINANCIAL YEAR 2023 OUTLOOK AND STRATEGY

Korvest remains focused on improving our manufacturing productivity, capacity and agility to improve our share of available markets. The day-to-day market has remained healthy and the infrastructure pipeline remains strong, with Korvest still experiencing high levels of work on hand. Korvest entered FY23 with 2 major infrastructure projects in the supply phase, with 2 new projects commencing supply during the first half of FY23.

Korvest expects that this current level of activity will continue throughout the first half of FY23, with overall business performance expected to be similar to the second half of FY22. A further update on expectations for the second half of FY23 will be provided with the release of the results for the first half.

Our recent levels of Capital Expenditure will continue during FY23 to support our strategic and safety objectives. We will see delivery of a state-of-the-art fibre laser tube cutter along with a number of smaller automation projects during FY23. We will also refurbish the pre-treatment tanks in our spin plant.

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

CHRIS HARTWIG
Managing Director
21 October 2022