METRO PERFORMANCE GLASS

Half year result 30 September 2022

Key messages

- The Metroglass Group has faced challenging market conditions, but we have focused on our customers, margin recovery, and preparing for regulatory change
- In New Zealand, a period of uninterrupted operations and a series of price increases have begun to recover margins from the second quarter
- AGG continued its performance momentum with improved profitability driven by solid demand and price increases, despite disruptions
- Increases to Metroglass' net debt in 1H23 driven by increased working capital due to continued supply chain disruption
- Commenced a cost-out programme. These initiatives, including the Bay of Plenty site rationalisation, are expected to achieve annualised savings, in the New Zealand business, in the range of $8.0 million to $9.0 million with benefits accruing from the second half of FY23

Financial highlights

GROUP

Revenue
$138.1m +18%
(1H22: $116.9m)

EBIT
$5.6m +78%
(1H22: $3.1m)

NPAT
$0.6m +51%
(1H22: $0.4m)

Net debt
$59.1m +11.2m
(1H22: $47.8m)
(FY22: 52.3m)

Leverage ratio
3.8x nm
(1H22: 2.8x)
(FY22: 3.8x)

NEW ZEALAND[1]

Revenue
$100.0m, +14%
(1H22: $87.9m)

EBIT
$3.6m, -15%
(1H22: $4.2m)

AUSTRALIA

Revenue
$38.2m, +32%
(1H22: $29.0m)

EBIT
$2.6m, +$3.3m
(1H22: $(0.7)m)

[1] *The full segment note is available in note 2 of the interim financial statements.*

Uninterrupted operations and a series of price increases in New Zealand have begun to recover margins from the second quarter

Revenue
$100.0m 14% ▲

EBIT
$3.6m (15%) ▼

- Uninterrupted operations and a series of price increases have begun to recover margins from the second quarter
- All of segments faced disruptions in supply chain, project delays, and people availability challenges that impacted operational efficiency
  - Revenue in the residential segment rose 14%, driven by price increases and a full trading period. Our customer relationship focus continues to deliver in a highly competitive market
  - Commercial glazing revenue increased 14%, as construction site efficiencies improved enabling several project completions
  - Retrofit continued its revenue momentum with a further 11% growth, as homeowners reap the benefits of double glazing in their homes
- Our focus on continually improving the customer experience continues to reflect in positive levels of customer satisfaction, achieving 7.9/10[1] in our latest survey in May 2022.
- Key major capital project to install a new furnace at the Highbrook plant, in Auckland, has progressed well, with the commissioning phase underway.

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

Update on organisational review

- In light of year on year declines in volume and an expectation that further declines are likely later in the new calendar year, Metroglass has undertaken an organisational review and implemented a series of initiatives across the group to ensure capacity and resources are appropriate to service demand as the cycle changes.
- Following recent investments in processing capability and furnace capacity at our Auckland and Christchurch plants the business is now in a position to rationalise its production footprint and will cease manufacturing operations in the Bay of Plenty by end of December 2022. Metroglass will continue to have sales representation, Commercial and Residential glazing resources and Retrofit presence in the important Bay of Plenty market
- The overall cost-out programme, including the Bay of Plenty site rationalisation, is expected to achieve annualised savings, in the New Zealand business, in the range of $8.0 million to $9.0 million with benefits accruing from the second half of FY23
- These changes impact on a number of our people and we are committed to supporting our impacted teams through this period

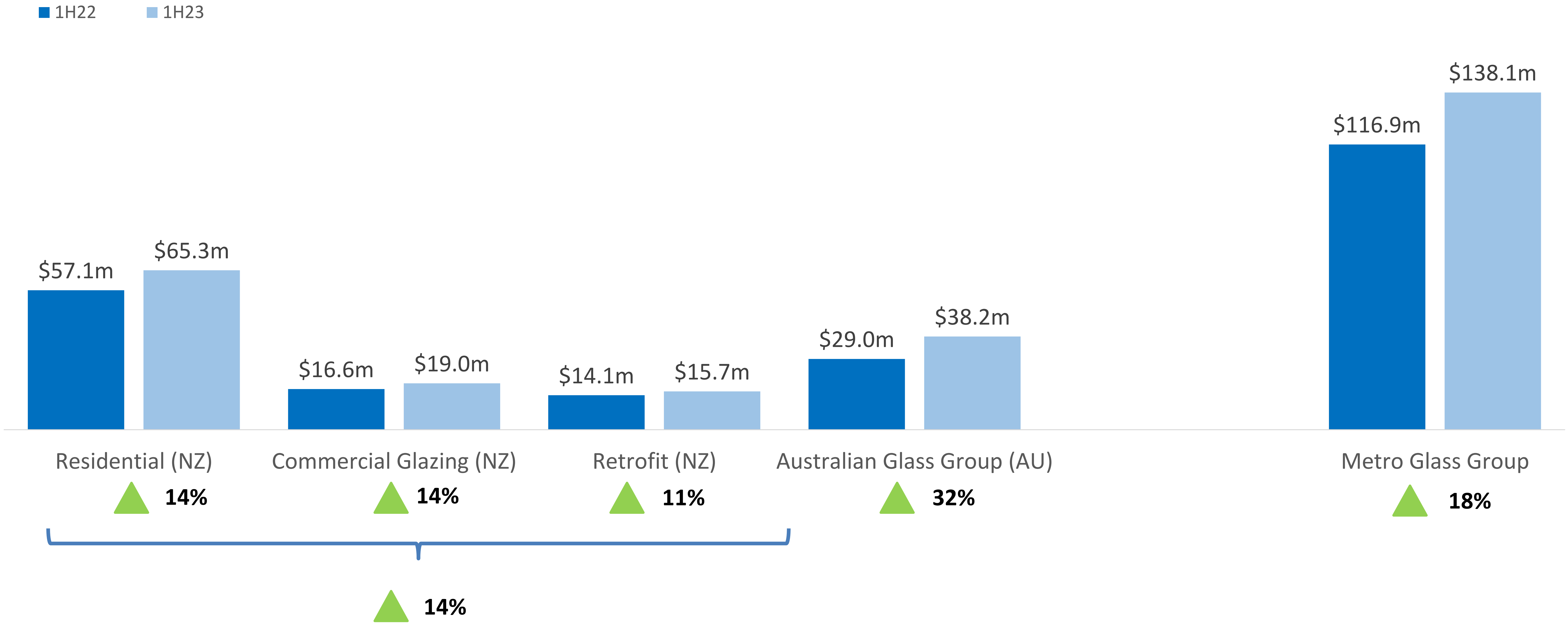
AGG continued its performance momentum with improved profitability driven by solid demand and price increases, despite disruptions

Revenue
NZ$38.2m +32% ▲

EBIT
$2.6m vs. $(0.7)m LY ▲

- AGG delivered on its turnaround plan, achieving revenue and EBIT targets for 1H23, supported by stable operating performance and market price increases
- Gross profit percentage improved to 33.1% (1H22: 26.6%) reflecting strong pricing in the market and solid operating disciplines
- New South Wales has made a significant turnaround in the half
- AGG enters the next phase of its strategy, having achieved its turnaround, well positioned for growth alongside the increasing adoption of double glazing and changes to National Construction Code (NCC) expected in 2023 that will further accelerate its uptake

1H23: 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.

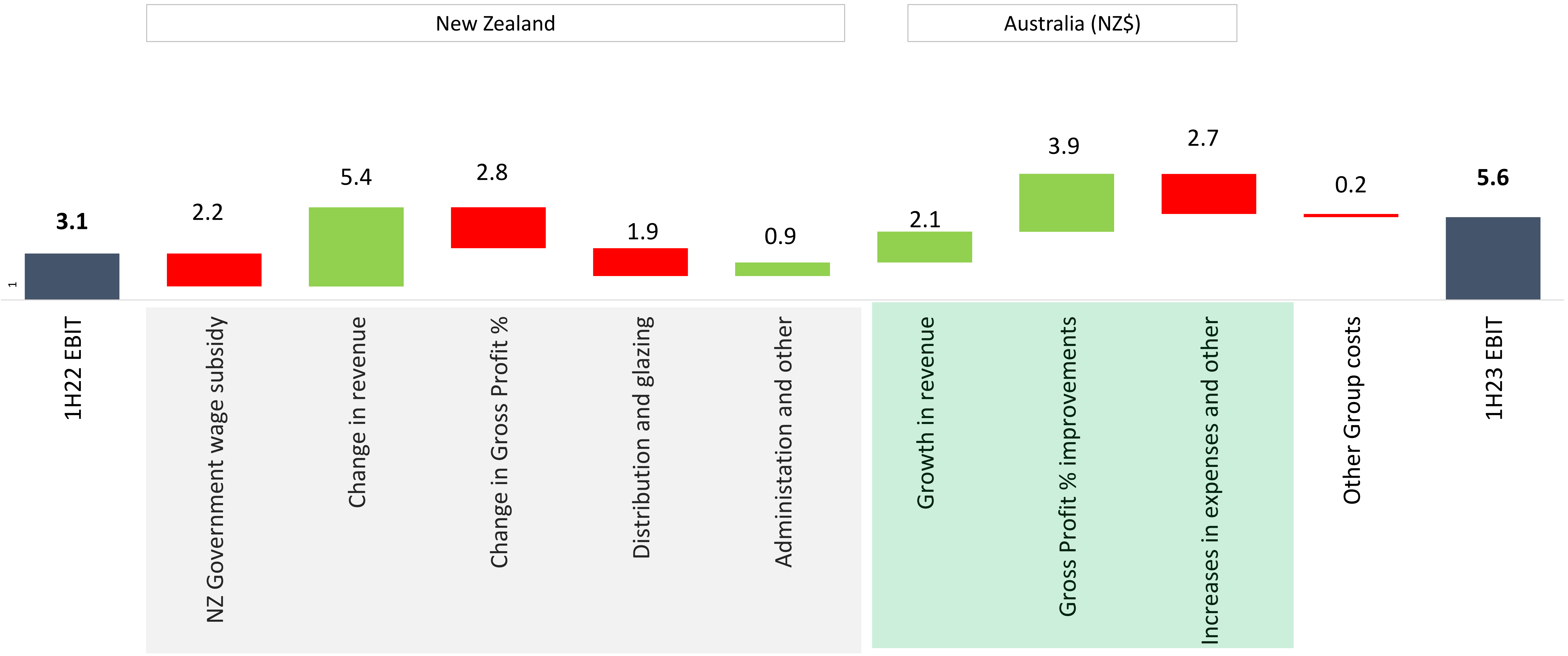
1H23: Financial results summary

Group results NZ$m[1]	1H23	1H22	% change
Group			
Revenue	138.1	116.9	18%
EBITDA	**15.1**	12.7	18%
Depreciation & amortisation	9.4	9.6	(2)%
EBIT	**5.6**	3.1	78%
Profit for the period	**0.6**	0.4	51%
Basic EPS (cents)	0.3	0.2	51%

Segment results NZ$m[1,2]	1H23	1H22	% change
New Zealand			
Revenue	100.0	87.9	14%
Gross profit	41.6	39.0	7%
Segmental EBIT	3.6	4.2	(15)%
Australia			
Revenue	38.2	29.0	32%
Gross profit	12.6	7.7	63%
Segmental EBIT	2.6	(0.7)	+$3.3m

[1] The definitions for all non-GAAP measures of financial performance, and additional detail on significant items are provided on slide 14 of this release.
[2] The full segment note is available in note 2 of the interim financial statements.

1H23: EBIT bridge (NZ$m)



1H23: Group summary cash flow & balance sheet

Key cash flow items (NZ$m)	1H23	1H22
EBIT before significant items	5.6	3.1
Operating cash flows	1.8	9.9
Capital expenditure	5.0	7.3
Dividends paid	-	-

Key balance sheet items (NZ$m)	1H23	FY22	1H22
Net working capital[1]	39.7	31.7	27.7
Property plant & equipment	54.3	54.7	54.6
Right of use assets	68.7	70.5	49.3
Total assets	285.7	272.1	242.6
Lease liabilities	80.5	81.3	59.8
Net debt	59.1	52.3	47.8
Total shareholders equity	89.6	85.5	85.0

- Net operating cash flows were significantly below last year primarily driven by a higher value of inventory and trade receivables, a greater stock quantity on hand to cover the ongoing lack of reliability in the supply-chain and the working capital requirements of a growing business in AGG.
- Capital expenditure was reduced to $5.0 m in 1H23 with a focus on targeted investments and maintenance capital only
- Right of use assets increases from the prior comparable period and reflects the extension of existing lease agreements
- Net debt increased by $6.8m from 31 March 2022, to $59.0m at 30 September 2022. Net debt was $47.8m at 30 September 2021.
  - Group gearing[2] increased to 37.9% at 31 March 2022, to 39.7 at 30 September 2022. Group Gearing was 36.0% at 30 September 2021.
  - Group net debt to EBITDA ratio[3] remained consistent with the full year at 3.8x. The ratio was 2.8x at 30 September 2021.

[1] Net working capital: trade & other receivables + inventory - trade & other payables.
[2] Gearing: net debt / (net debt + equity).
[3] Calculated on a pre-IFRS-16 (leases) basis and includes other minor adjustments.

Positioning Metroglass' for the future

- The number of residential consents in New Zealand has been running at elevated levels and well-above the industry capacity, supporting a stable pipeline of work in the near term.

- However, we expect that economic headwinds are likely to reduce the number of dwellings actually constructed later in the calendar year 2023.

- Updates to the H1 building code, applicable to consents from November 2022, will support an increase demand for higher performing Low E glass and will have positive impacts on gross profit performance

- The overall cost-out programme, including the Bay of Plenty site rationalisation, is expected to achieve annualised savings, in the New Zealand business, in the range of $8.0 million to $9.0 million with benefits accruing from the second half of FY23

- Any slow-down in Australian construction activity is likely to be offset by increases in the market penetration of double-glazing and accelerated by upcoming changes to the National Construction Code in 2023.

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

Thank you

Questions

Appendix: Reconciliation of non-GAAP to GAAP profit measures

Half year to 30 September 2022	1H23 ($M)	1H22 ($M)
Profit for the period (GAAP)	**0.6**	**0.4**
Add: taxation expense	(0.1)	0.1
Add: net finance expense	5.1	2.6
Earnings before interest and tax (EBIT)	**5.6**	**3.1**
Add: depreciation & amortisation	9.4	9.6
EBITDA	**15.1**	**12.7**

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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