



## **CHAIRMAN'S ADDRESS TO SHAREHOLDERS**

Delivered at the Annual General Meeting on  
Tuesday 31<sup>st</sup> October 2023

Ladies and Gentlemen,

This morning I will be commenting on the 2023 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**

2023 was another outstanding financial year with profit after tax of \$11.2 million falling just shy of the 2022 record of \$11.3 million. This result was achieved due to record revenue of \$107.5 million. This is the first time that Korvest's revenue has exceeded \$100 million.

Historically Korvest has generated strong cash flows. Typically, in the early stages of a major project, cash is consumed as working capital associated with the project grows. This then reverses as the project progresses. In 2023 a record \$14.9 million of operating cash was generated as a result of the completion of a number of major projects.

This strong cash generation has enabled Korvest to continuously pay franked dividends for a very long time and in 2023 we were pleased to be able to declare dividends of 60 cents per share relating to the financial year.

The improved revenue in 2023 was driven by growth in day-to-day markets comprising wholesalers and small projects. The major infrastructure work remained strong in 2023 albeit at lower level than in 2022. Six major infrastructure projects were supplied during 2023 with three of those completing during the year and the other three continuing on into the new financial year.

The Galvanising business performed well in a year when the cost of zinc and gas both increased. A new gas contract commenced on 1 January 2023 and this resulted in the cost of gas in the second half being 72% higher than the first half. Necessary price increases and a specific gas levy were required to recover the increased costs.

Working capital levels reduced over the year with inventory lower due to reduced project stock on hand and also the reduction in some of the safety stock levels that had been applied to overcome supply chain disruptions during COVID.

## **BOARD RENEWAL**

In September we announced some changes to the Board. Gerard Hutchson recently advised that he intended to retire from the Board at the conclusion of today's Annual General Meeting. Gerard joined the Board as a non-executive director in November 2014. During his time on the Board he has served as Chairman of the Audit Committee as well as being a member of the Remuneration and Nomination committees. Gerard's insight, skills and advice have been invaluable to Board discussions and decision making. On behalf of the Board and Shareholders I would like to thank Gerard for his service and significant contribution to Korvest.

I am pleased to advise that Warrick Ranson will be appointed to replace Gerard with effect from 1 November 2023. Unfortunately a prior commitment means that Warrick is unable to be with us today.

Warrick has broad commercial and financial experience across board, C-Suite and advisory roles in listed entities, large businesses and community focused organisations. His roles have included senior finance and governance

stewardship; strategy and thought leadership; merger and acquisition oversight; and developing and driving ESG, risk, and assurance frameworks. Warrick has had an extensive career in the mining industry, including as Chief Financial Officer at OZ Minerals Limited and over 18 years at Rio Tinto where he held various senior executive financial, commercial and transformation roles.

Warrick is a Fellow of the Institute of Chartered Accountants in Australia, a graduate of the Australian Institute of Company Directors, and holds an MBA from the University of Oxford.

We look forward to Warrick joining us in November as a non-executive director and Chairman of the Audit Committee.

## **CURRENT YEAR TO DATE AND OUTLOOK**

The first quarter trading of FY24 has continued at similar levels to the final quarter of FY23. The major projects that continued into the new year are coming to an end and, as a result, the major infrastructure volumes have decreased in the new year. However, the day-to-day and small project markets have largely offset the major project reduction. It is expected that first half profitability for FY24 will be at least at the level achieved in first half of FY23.

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 2023 financial year and will also provide an update on the current trading conditions and key focus areas for Korvest going forward.

### **FINANCIAL YEAR 2023**

FY23 was another outstanding year, consolidating the strong growth achieved in FY22. Before I discuss the financial results I would like to make a few comments regarding our safety performance and ESG.

FY23 was a much improved year in terms of safety performance. The business achieved a significant improvement in our lost time injury frequency rate. Further safety improvements in areas such as manual handling and safety leadership will be the key focus areas in the upcoming year.

The progress of Korvest's ESG related activities continues to evolve. A reduction of 3.1% for combined Scope 1 and 2 CO<sub>2</sub>e emissions was achieved. There are a number of projects underway aimed at reducing emissions, including hybrid vehicles, electric forklifts and gas usage reductions. The gas usage reductions are important given the significant price increases Korvest has incurred for gas purchases. The gas reduction projects include waste heat capture for heating pre-treatment fluids, insulation improvements, burner tuning and burner control. A number of social initiatives were undertaken throughout FY23, with a highlight being the \$24,500 in donations to staff-nominated not for profit organisations and charities under the Korvest Community Support Program. We have also launched the Korvest

Mechanical Engineering and Advanced Manufacturing Scholarship in conjunction with UniSA, with interviews about to commence. A key focus for FY24 will be the completion of existing emission reduction projects and analysing opportunities for further reductions.

As Andrew has already mentioned, FY23 was a record revenue result for Korvest of \$107.5 million. This revenue led to a profit after tax that was similar to the achievement in FY22. This was most pleasing given the FY22 result was a record achievement for the company. Both years had one-off gains that were similar in magnitude, being the profit on sale of Power Step and Titan in FY22 and the derecognition of the environmental provision in FY23.

FY23 was a changing landscape in the labour market. Staff remuneration was adjusted to take into account the effects of inflation and to enable Korvest to attract and retain staff. Availability of factory labour improved throughout the year.

In the Industrial Products group, the EzyStrut business had another outstanding year. At a state level, the results were mixed, with major projects being the key factor for changes in state revenue. As advised in the FY23 results release, overall project work was down in FY23 compared to FY22, but pleasingly all states achieved solid revenue growth in the day-to-day segment. Despite the reduction in project work, the focus on major infrastructure projects remains. As mentioned by Andrew, EzyStrut finished FY23 with 3 ongoing infrastructure projects and the sales teams expect at least 1 major infrastructure project to be awarded in FY24. Winning this work is a key

priority for the business. Steel prices started the year at very high levels, trending down slightly throughout the year until April, where the upward trend began again. This upward trend has seen prices peak during the first quarter of FY24 with a slight softening expected towards the end of calendar year 2023. These cycles are typical for the steel industry and are closely monitored to ensure margins are protected. Overseas freight costs reduced significantly from the COVID-19 related peaks and are now back at more normal levels. Domestic freight rates have been rising significantly due to increasing fuel and labour costs.

The factory had a busy year, with manning levels remaining high. The availability of labour improved throughout the year. A key highlight for the factory was the upgrades to the Auto Ladder Weld Cell by Scott Automation to enable contract completion. These upgrades have improved the machine reliability and output significantly. Overall Capex spend was down slightly, in the main due to timing, with the final payment for the tube laser not occurring until July 2023.

In the Production group, the Galvanising business achieved a significant improvement in results, despite a reduction in overall volume. External volumes increased slightly, whereas internal volumes were down, in the main due to product mix in the EzyStrut business. Zinc prices increased throughout the year, with total cost of zinc consumed being 10.6% higher than the prior financial year. The cost of gas increased by 72% in the second half, with both an internal price rise and external gas levy required to offset this cost. The business managed the cost increases in labour, zinc and gas well, a credit to the management team. Gas supply and pricing has been locked in for

calendar year 2024 and 2025 at similar levels to those experienced in calendar 2023.

## **FINANCIAL YEAR 2024 OUTLOOK AND STRATEGY**

The day-to-day market has remained healthy, but there are increased levels of competition for available project work. Despite this increased level of competition Korvest expects the current level of activity to continue throughout the first half of FY24, with overall business performance expected to be at least at the level achieved in the first half of FY23. A further update on expectations for the second half of FY24 will be provided with the release of the results for the first half.

Korvest remains focused on improving our manufacturing productivity and output and is in the process of undertaking a review of options for redevelopment of the Kilburn site. A number of options will be considered, including building an additional manufacturing facility on the site.

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

CHRIS HARTWIG  
Managing Director  
31 October 2023