

## PRESS RELEASE

### Korvest First Half FY2017 results

The Chairman, Mr Graeme Billings, today announced the following operating results for the 6 months ended 31<sup>st</sup> December 2016 for Korvest Ltd.

	6 MONTHS TO 31/12/16 \$'000	6 MONTHS TO 31/12/15 \$'000	% CHANGE
Revenues	21,285	27,330	- 22.1%
Operating Profit After Tax	(1,033)	(88)	
Dividends per share (cents)	10.0	10.0	

Mr Billings said that revenue from trading operations for the half-year decreased by 22.1% to \$21.3 million. Day-to-day and project work remained subdued during the period however the completion of the major portion of the large LNG project in the second half of FY16 was the dominant factor in the reduced revenue during the first half.

#### Industrial Products

The EzyStrut business suffered from the lack of major project work during the period. Most geographical regions experienced reduced activity levels compared to the prior comparative period (PCP). The exception to this was the NSW market where revenue improved in line with the increased infrastructure activity in that market.

Domestic markets currently have excess capacity and as a result orders are aggressively targeted by numerous competitors. This has resulted in a decline in margins compared to the PCP.

For the past few years international markets in South East Asia have been pursued to mitigate the impact of declining domestic markets. Late in the period this strategy was reviewed and it was decided to substantially reduce cost associated with this focus. Costs associated with this strategy were approximately \$400k in the first half and these costs will not be repeated in the second half.

The Power Step and Titan Technologies businesses reported their best combined result for a half year under Korvest's ownership. This was principally as a result of a sizeable Power Step order that was supplied in the first quarter.

#### Production

The Galvanising business continues to suffer from low plant volumes and in overall terms the tonnes processed through the plant deteriorated during the first half to the lowest levels for over a decade. During the first half there was some modest improvement in External tonnes however this was more than offset by a sharp reduction in internal tonnes. Surplus capacity in the SA and Victorian markets has increased competition for the galvanising business and resulted in pricing pressures. In addition margins have been come under pressure from the cost of zinc increasing over the period.

## **DIVIDEND**

The Directors announced a fully franked interim dividend of 10.0 cents per share.

The Dividend Reinvestment Plan (DRP) will operate for the interim dividend with the issue price calculated at a 2.5% discount to the volume weighted average market price for the period from 23 February 2017 to 1 March 2017. The dividend will be paid on 10 March 2017 and the record date is 24 February 2017.

## **OUTLOOK**

There are a number of domestic infrastructure projects expected to commence supply in the second half of FY 2017 which will result in increased activity in markets serviced by Korvest. Korvest is well placed to benefit from the increased activity levels. This improved level of activity coupled with a lower cost base attributed to the international business activity is expected to result in a return to profitability in the second half.

## **G BILLINGS CHAIRMAN**

25 January 2017

For further information contact:

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