

Metro Performance Glass

Results for the 6 months ended 30 September 2015

Agenda

1. Overview – Nigel Rigby, CEO
2. Financial results – John Fraser-Mackenzie, CFO
3. Market trends and operational highlights – Nigel Rigby
4. Outlook – Nigel Rigby

Overview



1H16: highlights and results summary

-  In June, the new \$21.5m Auckland automated processing plant was officially opened by New Zealand's Prime Minister, the Rt. Hon John Key
-  Strong sales growth achieved in the 6 months to 30 September 2015 despite lower than anticipated industry growth, +8.4% vs. pcp and +0.8% above the prospective financial information (PFI) forecast
 - Focused on delivering strong customer service and improving glass category shares
 - Pleased with growth given the constraints currently facing commercial construction markets
-  New Auckland plant's performance ramping up towards expected volume levels, alongside continued improvement in customer service measures such as DIFOT
-  Key growth initiatives in the commercial and retrofit markets tracked well
-  Net profit after tax of \$11.0 million, at the top end of company guidance but 9.6% below PFI
-  Completed period of significant capital investment and continue to meet our financial covenants with considerable headroom



Financial results



1H16: summary income statement

\$000's	1H16	1H16	Var %
	Actual	PFI	
Sales	94,863	94,081	0.8%
Cost of sales	45,237	41,973	(7.8%)
Gross profit	49,626	52,108	(4.8%)
Gross profit %	52.3%	55.4%	(3.1%)
Distribution and glazing	16,543	15,585	(6.2%)
Selling and marketing	4,209	4,601	8.5%
Administration expenses	9,716	9,651	(0.7%)
EBITDA	19,158	22,271	(14.0%)
Depreciation and amortisation	3,246	3,860	15.9%
EBIT	15,912	18,411	(13.6%)
Net interest	1,555	1,581	1.6%
Income tax	3,404	4,713	27.8%
Net profit after tax	10,953	12,117	(9.6%)

Notes:

1. The interim financial statements for the period ended 30 September 2015 have been reviewed by the company's auditors, PwC.
2. Comparative historical figures cannot be provided because the Company only began trading at the time it acquired Metroglass Holdings Limited via its IPO on 29 July 2014.

-  Half year sales grew +8.4% vs. pcp and were +0.8% above both guidance and PFI
-  Lower gross profit driven by higher labour and raw material costs
-  Temporarily maintained a higher factory & glazing cost base due to:
 - The company's strategic focus on achieving revenue and market share growth through unrivalled customer service
 - Preparing for the execution of the record forward book of commercial work
 - Continuing development of infrastructure supporting the growing Retrofit business
-  Income tax expense benefited from a prior year tax adjustment relating to certain restructuring expenditure subsequently being confirmed as deductible
-  NPAT of \$11.0 million, at the top end of company guidance provided in August but 9.6% below PFI

1H16: summary balance sheet

\$000's	Sept-15 Actual	Mar-15 Actual	Sept-15 PFI
Cash	2,752	7,609	11,369
Working capital	23,770	19,264	25,559
Derivative instruments	2,308	353	-
Other assets	2,861	1,877	1,938
Property plant & equipment	47,415	43,496	47,763
Intangibles	127,964	128,145	126,601
Senior Debt	55,000	55,000	55,000
Other liabilities	3,566	3,065	2,845
Net Assets	148,504	142,679	155,385
Total Equity	148,504	142,679	155,385

Note:

1. Comparative historical figures cannot be provided because the Company only began trading at the time it acquired Metroglass Holdings Limited via its IPO on 29 July 2014.
2. Software assets have been included in Intangibles above, but were originally presented in equipment in the Prospectus.
3. Gearing: net debt / (net debt + equity).

-  Major plant-related capital investment programme now complete
 - The Auckland plant will have some final pieces of equipment installed in December, including a market leading glass digital printer
-  Financial position remains strong with gearing³ at 26.0% (24.9% as at 31 March 2015) providing considerable financing headroom
 - Total financing facilities in place totaling \$75m with current available liquidity of ~\$18m
 - Senior debt facility set to expire in July 2017
-  Leverage and interest cover ratios are well within our financial covenants

1H16: summary cash flow statement

\$000's	1H16 Actual	1H16 PFI	Var %
Receipts from customers	92,514	90,030	2.8%
Payments to suppliers & employees	(79,101)	(72,793)	(8.7%)
Net interest paid	(1,541)	(1,581)	2.5%
Income taxes paid	(3,040)	(5,000)	39.2%
Operating cash flows	8,832	10,656	(17.1%)
Capital expenditure	(6,985)	(3,962)	(76.3%)
Dividends paid	(6,704)	(6,700)	(0.1%)
Net increase in cash	(4,857)	(6)	n/m



Capital expenditure in this period related to:

- The purchase of enhanced glass edge-working machinery for the Auckland plant
- Upgrading the company's fleet of service vehicles
- The acquisition of the assets of Mainland Glass



The company paid its inaugural dividend of 3.6c per share in August 2015, in respect of earnings for the eight months to March 2015

Note: Comparative historical figures cannot be provided because the Company only began trading at the time it acquired Metroglass Holdings Limited via its IPO on 29 July 2014.

IH16: interim dividend

-  The Board declared a fully imputed interim dividend of 3.6 cents per share, to be paid on 22 January 2016 to all shareholders on the register as at 8 January 2016
-  This pay-out is consistent with the company's dividend policy of paying between 55% and 75% of full year NPATA, weighted towards the second half of the financial year
 - NPATA is defined as net profit after tax before the amortisation of acquisition related intangibles and its associated tax effect



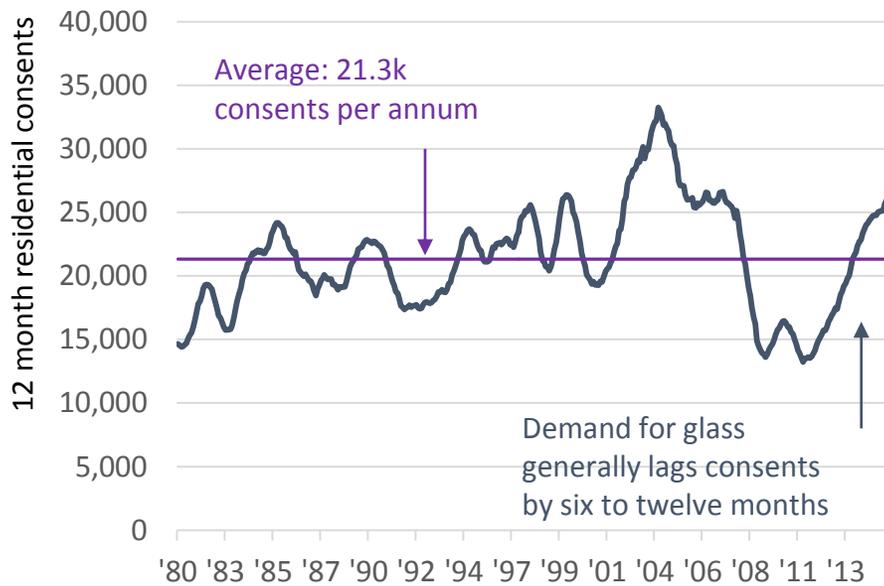
Market trends and operational highlights



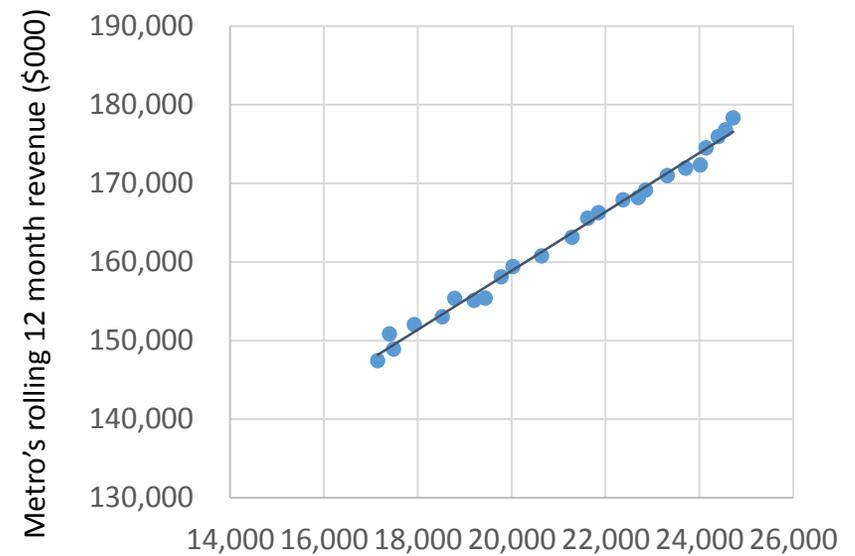
Market conditions: macro trends

Construction activity and building consents have returned to pre global financial crisis levels, backed by record net migration, low interest rates and rising momentum in building activity

New Zealand residential new build consents



Revenues remain highly aligned to 9 month lagged housing consents



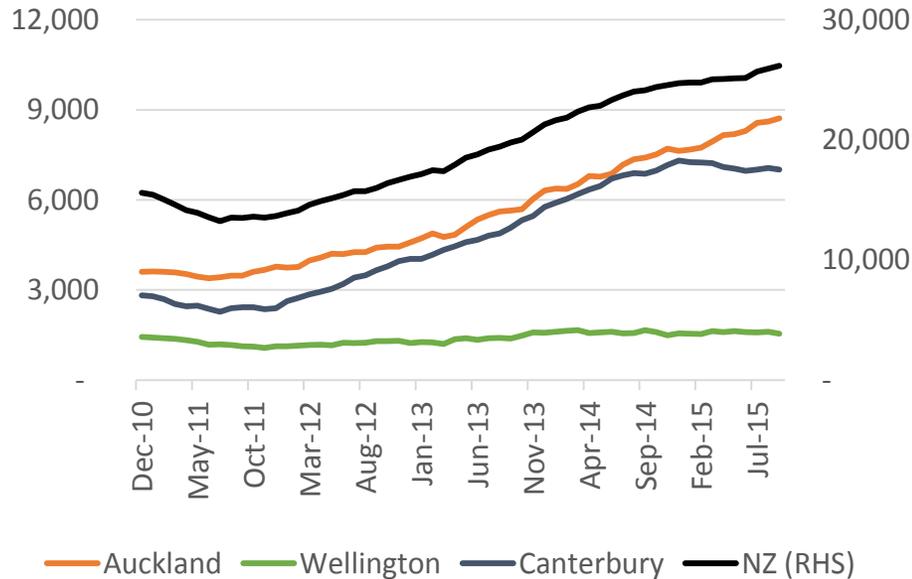
Residential consents lagged by 9 months

Source: Company information, Statistics NZ (January 1980 – September 2015)

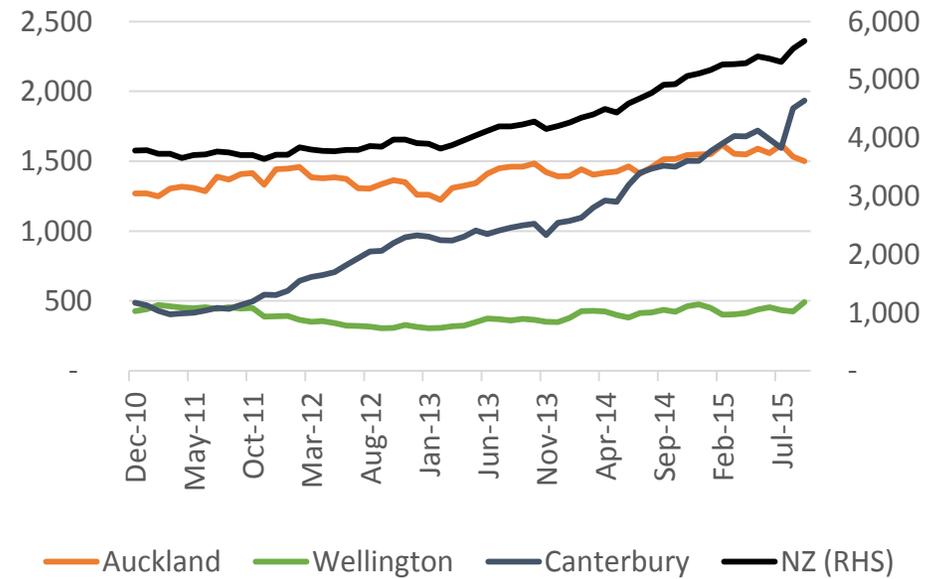
Market conditions: regional trends

- Residential building consent issuance grew 12% over the September quarter (vs. the June quarter), with consents for the twelve months to September reaching ~26,200
- Commercial construction activity is also on an upward trajectory
- Momentum is rising in Auckland construction, alongside the non-residential rebuild in Canterbury

Residential dwelling consents (last 12m)



Non-residential consent value (Last 12m, \$m)



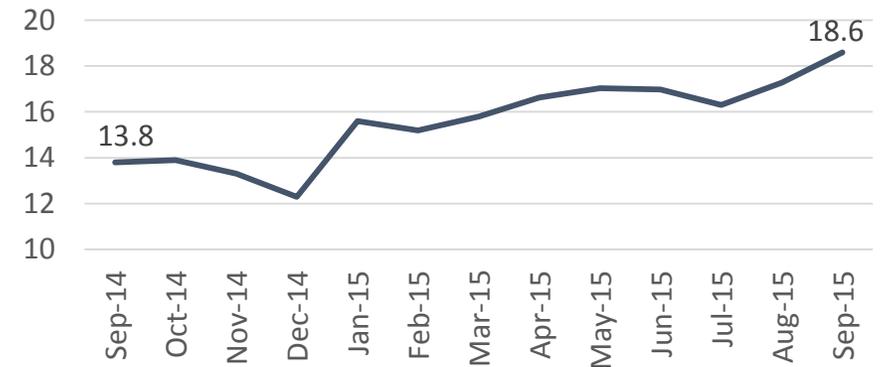
1H16: operational highlights

-  The four glass processing plants have handled increased volumes well, with significant room for future plant optimisation
-  As a strongly customer focussed business, the primary key performance indicator for Metro Performance Glass is the proportion of customer orders 'delivered in full on time' (DIFOT)
 - The average DIFOT for 1H16 was 83% (covering the four primary processing plants). This is below our target of 90%, however performance is trending upwards with September DIFOT running at 89%
-  Our national health and safety program has made great progress this year, with both the frequency and severity of injuries falling significantly
-  In October 2015, the company acquired the processing assets of a small glass processor in Wellington
 - These assets and the leased premises will strengthen the Company's Lower North Island processing capabilities and customer service

Key growth initiative: Commercial

- ▶ The commercial business continues to perform well, both in winning a high proportion of targeted projects and in subsequent execution
- ▶ Beyond the record high forward order book, we see significant growth opportunities over the next 3 – 5 years and will continue to invest in the infrastructure required to capture market share
- ▶ Conversion of forward orders into revenue remains difficult to predict, however we anticipate that a significant number of projects will transition into the execution stage in the next 6-9 months

Committed forward orders (\$m)



Te Oro Glen Innes Music & Arts Centre



Christchurch Cathedral



Birkenhead Library

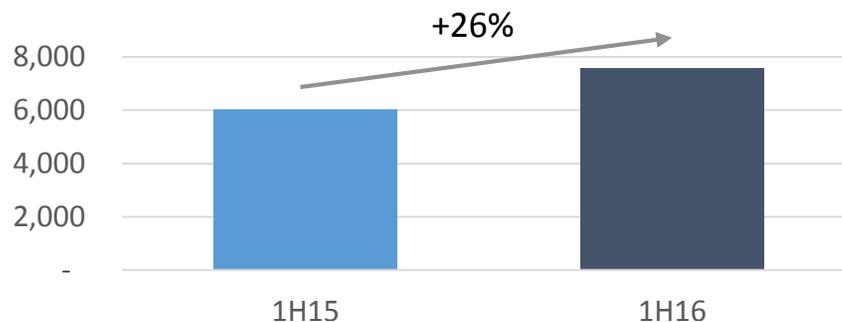


151 Cambridge St

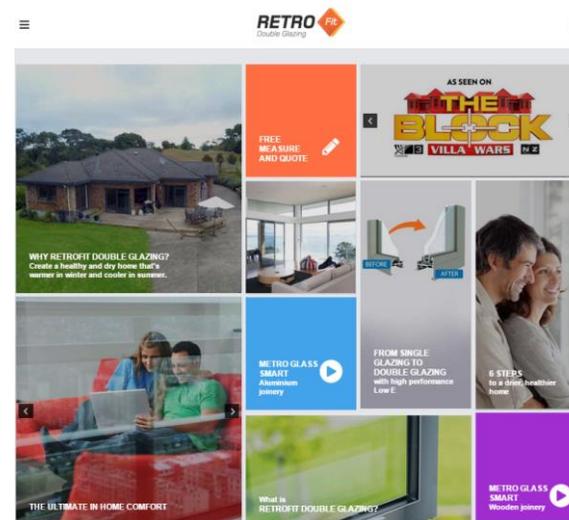
Key growth initiative: Retrofit

-  Ran a highly successful TV advertising campaign in April and May 2015. This resulted in significant inbound interest:
 - > 100% increase in leads year on year
 - > 75% increase in quotes and acceptances year on year
 - A new modern Retrofit specific website was released to support the campaign
-  A new advertising campaign is currently underway to generate interest ahead of summer
-  Significant growth opportunity with circa 1.1m existing homes in NZ without double glazing. We are aiming to double the size of this business in the next 3 – 5 years

Retrofit sales, 1H15 vs. 1H16 (\$000)



Retrofit website: retrodg.co.nz



Long term incentive scheme

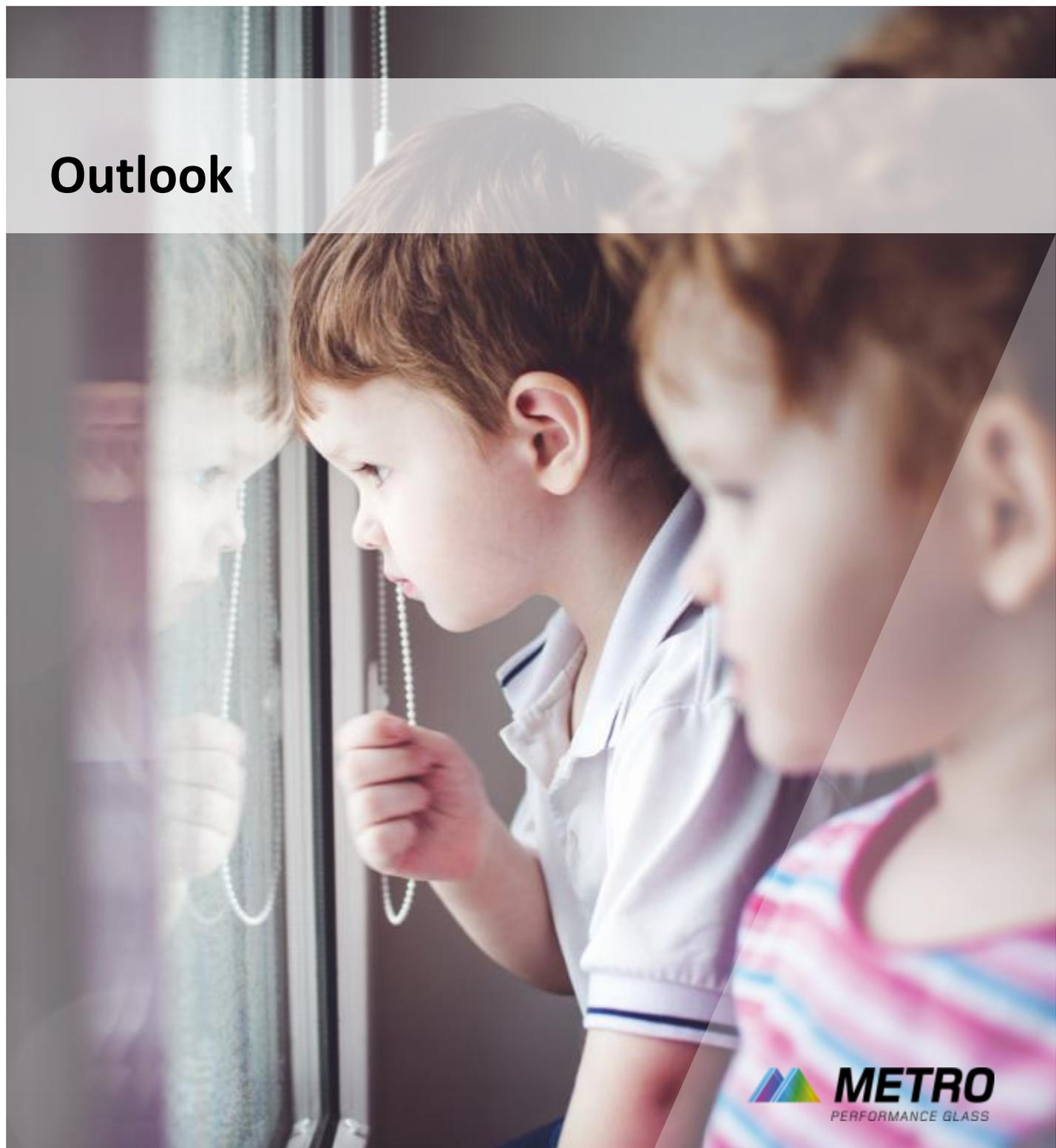
-  The Board has approved the implementation of a long term incentive scheme for senior management. This will include a mix of share options and share performance rights which align management and shareholder interests
-  Based on the terms of the scheme, shareholder approval will not be required
-  Final details will be announced following the company's Board meeting in late December

Operational priorities for the FY2016 year

- 1 Drive top line growth and glass category share, through our product and supply chain strategy ensuring customers' expectations are exceeded, and that Metro Performance Glass is the company of choice
- 2 Deliver manufacturing excellence to achieve our desired service and cost leadership position
- 3 Capture an increasing share of the growing commercial construction market
- 4 Drive the Retrofit double glazing replacement business



Outlook



FY16 outlook

-  We have significant growth opportunities ahead of us, and as such are continuing to invest in operating capability improvements. These investments include:
 - Enhancing our glazing capabilities and resources in line with a growing commercial pipeline,
 - Developing the infrastructure behind our rapidly growing Retrofit double glazing business, and
 - Investing in machinery that keeps our product offering at the forefront of the industry
-  In quarter four, we will focus on delivering improved operating efficiency as a result of the plant-related capital investment programme, while building the company's differentiated service leadership and category share performance
-  Maintain the guidance provided at the Annual Shareholders' Meeting that the company's FY16 sales will be in the order of \$190m and NPAT for the full year will be in the vicinity of \$20m – \$22m
 - Key risk to near term outlook being that if current industry delays in initiating and completing commercial projects do not improve, then revenues would be deferred and NPAT would be at the lower end of the guidance range



Appendix



Reconciliation of GAAP to non-GAAP profit measures

\$m	1H16 actual
Net profit after tax (or Profit for the period)	11.0
Add back: taxation expense	3.4
Add back: net finance expense	1.6
EBIT	15.9
Add back: depreciation & amortisation	3.2
EBITDA	19.2

Non-GAAP financial measures

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 Our results are reported under NZ IFRS. This presentation includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS

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 The non-GAAP financial measures used in this presentation include:
 - EBITDA: calculated by adding back (or deducting) finance expense / (income), taxation expense, depreciation, and amortisation, to net profit after tax
 - EBIT: calculated by adding back (or deducting) finance expense / (income), and taxation expense to net profit after tax

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 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.

Disclaimer

Please do not read this presentation in isolation

This presentation supplements our half year results announcement dated 23 November 2015 and FY16 interim report. It should be read subject to and in conjunction with the additional information in that release, and other material which we have released to the NZX & ASX.

There is no offer or investment advice in this presentation

This presentation is a summary for information purposes only, it does not purport to be complete, accurate or independently verified. Any forward looking statements are subject to known and unknown risks, uncertainties and assumptions, so may not be correct.

This presentation is not an offer of securities, or a proposal or invitation to make any such offer. It is not investment advice or a securities recommendation, and does not take into account any person's individual circumstances or objectives. Every investor should make an independent assessment of Metro Performance Glass Limited on the basis of independent expert financial advice.

All information in this presentation is current at the date of this presentation, and all currency amounts are in NZ dollars, unless otherwise stated.

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