



**Company announcements platform  
Australian Securities Exchange**

**Korvest Ltd Annual Result  
Year ended 30 June 2016**

**REVIEW AND RESULTS OF OPERATIONS**

The revenue from trading activities for the year under review was \$55.0m, down 12.8% on the previous year. Profit after tax was \$0.95m compared to \$1.45m in the previous year.

The FY16 result was adversely impacted in the first half by costs associated with a significant acquisition opportunity which ultimately did not proceed. The after tax financial impact of these costs was \$475k.

In addition, as trading conditions softened during the year, the Company restructured its labour force with the restructuring costs having an after tax impact of \$488k during the year.

The Group is comprised of the Industrial Products Group which includes the EzyStrut, Power Step and Titan Technologies businesses and the Production Group which includes the Korvest Galvanisers business.

***Industrial Products***

In the Industrial Products group the EzyStrut cable and pipe support business supplies products to contractors for major infrastructure developments and also supplies products for small industrial developments. During FY16 the oil & gas sector remained the dominant source of revenue for EzyStrut due to the ongoing supply for large LNG projects. Day-to-day activity has remained relatively unchanged throughout the year albeit these levels are well below those of a few years ago. Small to mid-size project activity declined during the year resulting in all domestic regions reporting reduced revenue compared to the prior year. Internationally, sales to the New Zealand market showed pleasing improvement. During the second half of FY16 the development in the SE Asian market has seen the establishment of a Singapore subsidiary and employment of a local representative.

Power Step designs and assembles access systems for large mobile equipment. Titan Technologies supplies specialised tools in the form of torque wrenches, hydraulic pumps and related accessories. Both businesses rely principally on the mining industry and as a consequence the performance of both businesses during the year was again disappointing. Power Step has been working on diversifying into a new product range not associated with mining equipment. Late in the year a customer order was received for a prototype safety access system associated with the rail transport industry that will be made and delivered in early FY17. Should the trials of the prototype prove successful then a new significant market will be established. During the year a comprehensive review of the inventory of both businesses was

undertaken. Difficult trading conditions over the past few years has resulted in many items being considered slow moving and as a result a provision of \$645k has been raised against these items.

### **Production**

In the Production group the Galvanising business volumes remained at the low level experienced in the second half of FY15 for the duration of FY16. This has resulted in annual plant volumes lower than any year over the past decade. External tonnes reduced as demand in the South Australian market declined despite the business having maintained our market share within the state. Internal demand also reduced with less activity in the EzyStrut business having a flow on impact on the Galvanising business. The management structure of the Galvanising business was changed in the second half and the benefits of this change will be realised in FY17.

### **DIVIDEND**

The directors announced a fully franked dividend of 10.0 cents per share compared to 12.0 cents per share last year and 10.0 cents at the half year. The Dividend Reinvestment Plan (DRP) will be suspended for the final dividend. The dividend will be paid on 9 September 2016 with a record date of 26 August 2016.

### **OUTLOOK**

The main focus of the next financial year will be to improve domestic market share through customer service and innovation. Internationally the aim will be to build on the good growth experienced in the New Zealand market. We now have our local Singaporean subsidiary in place with local representation together with product that is DNV certified making it suitable for off-shore oil & gas projects (Singapore is the regional centre for projects of this nature) together with shipbuilding. Our product standards also put us in a good position for the region's many on-shore infrastructure projects. The next phase of the regional strategy will be to expand into the Hong Kong market to build on the work already tendered in that market.

Innovation by way of new product development will be a focus area to broaden the markets serviced by Korvest's existing businesses. Process improvement will continue to be pursued to ensure that manufacturing processes are optimised resulting in lead time improvements to assist customer service and cost savings to ensure continued cost competitiveness.

An update on trading conditions will be provided at the Company's Annual General Meeting.



**G BILLINGS**  
**CHAIRMAN**

28 July 2016

For further information contact:

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