



# Korvest Ltd

## FY2016 Results

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# Agenda

- FY16 Key Points
- Financial Results
- Outlook
- Company Overview

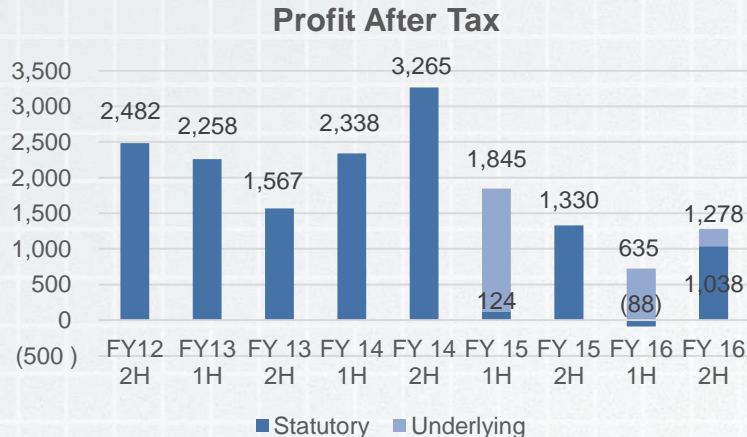
# Introduction to Korvest

- Korvest (ASX:KOV) is headquartered in South Australia and provides cable and pipe supports, access systems for large mobile equipment, hydraulic tools and wrenches, and galvanising services
- Listed in September 1970
- Korvest's businesses sell to a wide variety of industry sectors through a number of channels to market
- EzyStrut has sales offices/warehouses in Adelaide, Melbourne, Sydney, Brisbane, Perth and Singapore, with distributors in Darwin, Townsville, Hobart and New Zealand
- Manufacturing, fabrication and galvanising in Adelaide
- Power Step and Titan Technologies in Brisbane
- Overseas supply chain provides make vs buy flexibility



# Headline Numbers

	June 2016	June 2015	% Change
<b>Sales</b>	\$54.98m	\$63.03m	(12.8%)
<b>Underlying EBIT<sup>1</sup></b>	\$2.68m	\$4.44m	(39.6%)
<b>Operating cashflow</b>	\$7.43m	\$5.12m	45.1%
<b>Underlying EPS<sup>1</sup></b>	17.8c	30.3c	(41.3%)
<b>Dividend per share</b>	20c	29c	



- Day-to-day and medium sized project conditions soft
- Major LNG Projects largely finished
- Strong operating cashflows
- Restructure costs
- Acquisition related costs
- Board renewal
- Excellent safety performance

<sup>1</sup> Underlying EBIT and underlying EPS are non-IFRS measures. Details of how these measures are calculated including reconciliations to statutory numbers are set out on page 15

# Industrial Products

	June 2016	June 2015	% Change
<b>Sales</b>	\$50.70m	\$58.33m	(13.1%)
<b>Statutory EBIT</b>	\$2.99m	\$5.16m	
<b>Restructuring Costs</b>	\$0.29m	-	
<b>Underlying EBIT</b>	\$3.28m	\$5.16m	(36.4%)
<b>Underlying EBIT %</b>	6.5%	8.8%	

# Industrial Products

## Trading Update

### EzyStrut

- LNG projects largely complete during 2H
- All domestic markets contracted
- General market remained skewed to commercial
- NZ sales grew
- Singaporean Business Development resource in place



- Poor performance due to lack of mining activity
- Prototype for new rail product ordered for 1H FY17 delivery
- Provision for slow moving stock (\$645k)

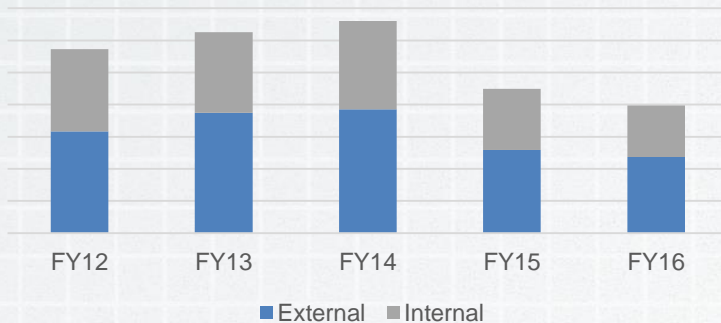


# Production Services

	June 2016	June 2015	% Change
<b>Sales</b>	\$4.28m	\$4.69m	(8.7%)
<b>Statutory EBIT</b>	(\$0.05m)	\$0.7m	
<b>Restructuring Costs</b>	\$0.27m	-	
<b>Underlying EBIT</b>	\$0.22m	\$0.7m	(68.6%)
<b>Underlying EBIT %</b>	5.1%	14.9%	



Galvanising volume



## Trading Update

- Lowest annual plant volumes for a decade
- Last three halves similar volumes
- Market share retained
- Less internal tonnes
- Benefits of restructuring to be realised in FY17
- Further rail electrification work announced in recent SA budget

# Balance Sheet



<b>ASSETS</b>	<b>\$m</b>	<b>June 2016</b>	<b>June 2015</b>	<b>June 2014</b>
Cash		5.1	(0.5)	0.5
Receivables		8.2	13.6	17.7
Inventories		11.5	13.6	11.3
Property, Plant & Equipment		14.6	15.9	15.9
Other		1.0	0.3	-
Assets held for sale		-	-	1.5
Goodwill and intangibles		-	-	1.8
<b>Total Assets</b>		<b>40.4</b>	<b>42.9</b>	<b>48.8</b>
<b>LIABILITIES</b>				
Payables		(4.2)	(6.4)	(8.2)
Other Liabilities		(3.7)	(3.6)	(4.0)
<b>Total Liabilities</b>		<b>(7.9)</b>	<b>(10.0)</b>	<b>(12.2)</b>
<b>NET ASSETS</b>		<b>32.5</b>	<b>32.9</b>	<b>36.6</b>

- Improved working capital position as major project requirements unwind



# Dividends

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
<b>Interim</b>	10c	17c	26c	26c	18c
<b>Special Interim</b>	-	-	100c	-	5c
<b>Final Dividend</b>	10c	12c	31c	20c	30c
<b>Total Dividend</b>	20c	29c	157c	46c	53c
<b>Franking</b>	100%	100%	100%	100%	100%

- DRP suspended for final dividend

## Key Dates

Record Date: 26 August 2016

Payment Date: 9 September 2016

# Outlook

- Little change expected in domestic underlying trading conditions
- Recovery tied to non-residential construction/investment cycle
- Build on good FY16 performance in NZ
- Pivotal period for SE Asia strategy with local resource in place
- New products and approvals a focus, achieved DNV accreditation that opens up new oil & gas market
- Passive approach to M&A activity
- Continue to pursue process innovations resulting in cost reductions and product enhancements

# Company Overview



# Industrial Products



- Cable and pipe supports
- Market leader in cable supports
- Manufacturing facility in Kilburn, SA
- Overseas supply chain
- Sells to EPCMs, Wholesalers, and direct to project contractors and trade
- Local manufacture allows quick response time and ability to manufacture specials – a differentiator to overseas competition
- National sales and warehouse network
- Vertical integration with Korvest Galvanisers

# Industrial Products



- Hydraulic/Electric Safety Access Systems for mobile vehicles
  - Design
  - Manufacture
- Queensland Based
- Sales Representatives/agents in:
  - QLD, WA, NSW
  - Chile, Brazil, South Africa



- Hydraulic tools and wrenches
  - Sale
  - Hire
  - Repair



# Production Services



- Longest galvanising kettle in Australia (14m)
- South Australia's only centrifuge plant (national market)
- Predominantly structural work for SA projects or fabrications
- In-house work for EzyStrut



# Calculations



Underlying EBIT and EPS are non-IFRS measures. The calculation of the underlying numbers included in this presentation is set out below.

## Underlying EBIT

\$'000	June 16	June 15
<b>Statutory EBIT</b>	1,303	2,720
<b>Adjustments</b>		
Restructuring	697	-
Acquisition related costs	679	-
Goodwill impairment	-	1,721
<b>Underlying EBIT</b>	<b>2,679</b>	<b>4,441</b>

## Underlying EPS

\$'000	June 16	June 15
<b>Statutory Profit after tax</b>	950	1,455
<b>After tax adjustments</b>		
Restructuring	488	-
Acquisition related costs	475	-
Goodwill impairment	-	1,721
<b>Underlying Profit after tax</b>	<b>1,913</b>	<b>3,176</b>
Shares (weighted average)	10,720k	10,484k
<b>Underlying EPS (cents)</b>	<b>17.8c</b>	<b>30.3c</b>



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