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Metro Performance Glass Limited
Annual Shareholders' Meeting, 24 August 2018

Chair's address

Good morning. I would like to begin by reflecting on events since the last ASM. The first point I would make is that the Board listened to you. We recognised the need for changes and there have indeed been changes:

1) Changes to the board

- We have reduced the number of directors by one, two directors have stepped down, one new director has joined us, we have a new chair and we have reorganised the board committees.

2) Changes to management

- Nigel Rigby resigned as CEO and yesterday we announced his replacement which I'll cover off in more detail later. Our Australian CEO has also recently stepped down.
- We have also been recruiting. Since October last year, we have on boarded a significant amount of new management talent and capability. Within our plants we have filled 7 level 2 and 21 level 3 positions across New Zealand and Australia. We are now fully manned in terms of factory leaders and supervisors.
- The Senior Leadership team has stepped up and has led the organisation very ably and I would like to publically acknowledge and thank them all for their efforts.

3) Changes to the way we communicate

- You'll have seen increased levels of disclosure as well as much earlier indications of how we see the coming financial year unfolding.

4) Changes to our focus as a business

- It is on this last point I would like to elaborate on by covering our four key strategic initiatives, and then close with a brief update on how the 2019 financial year has begun.

At Metroglass' our purpose is to be a customer-dedicated organisation that delivers market-differentiated glass products and glazing services.

While rapidly growing construction activity in recent years supported expansion and diversification, we did not execute well. We have recognised the need to alter our focus and style. Metroglass is now focused on optimising and enhancing our internal capability to execute on the opportunities ahead.

There are four objectives that we're focused on for the next 24 months and beyond.

Firstly, we're looking to re-establish a reputation for consistent and market-leading customer service. Secondly, we need to build an organisation that really values its people as we look to improve execution across the business. Thirdly, the company's scale position needs to be used to good effect, both in our processing plants and our distribution system and in our branch operations. Our scale across the group gives us significant buying opportunities for raw glass and associated consumable components and we're already leveraging that. Finally, we're driving for a lower unit cost position than we currently have which we see as essential for the long-term sustainability of our business.

I'll now look at each objective in more detail. Firstly, delivering leading market-leading service for our customers. Pleasingly progress on this objective is already apparent as can be seen on the chart showing recent improvements at the Highbrook processing plant. We are recognising and adapting to the fact that we've got different customer groups that appreciate and value, service in different ways.

Getting material into your factory so you can assemble windows, getting glass onto your site so you can install it on time, or getting a retrofit unit into your house as a residential customer when promised, your perception of service and delivery and full on time is different.

While the Highbrook delivery-in-full-on-time performance shown on the presentation slides is just an example metric and an example plant, this service improvement trend has been apparent across our plants in recent months.

Developing our organisation capabilities is also a key determinant of the Company's future success. We need to build our bench strength in key roles and then retain and value our people. So they stay with us and help us improve execution across the business.

Programs are now in place to improve recruitment, induction, how we recognise performance, and look at different ways to reward people. We're aim to markedly increase staff retention, so that we can build the deep expertise and capabilities that we need in production, distribution, sales, and marketing. We're also working on improving various support systems to help us to work smarter.

By way of an example here, despite a competitive local labour market, the turnover of plant staff at our largest plant Highbrook has fallen by almost 10% over the last three months which has been very pleasing.

The third strategic objective focusses on utilising Metroglass Group's scale, and its position across a wide range of channels and markets. This breadth of our product range, participating in multiple channels to market and holding a strong market share gives us significant manufacturing, procurement and distribution advantages.

A diversified operating model provides our customer with a one-stop shop and provides the group with certain buffers in a market downturn.

The fourth objective is that the scale and quality assets the Company has today are used effectively to drive for a lower cost position than we currently have.

Continuing to incorporate automation into our manufacturing processes is a key lever for us to ensure we remain competitive as a domestic manufacturer. By way of example, comparing our current factory labour costs as a proportion of revenue in our New Zealand and Australian businesses currently shows a material gap. The significant difference in levels of processing automation is one of the key drivers of this gap and we believe we can bring the Australian labour efficiency much closer to the New Zealand levels over time.

As we progress through the 2019 and 2020 financial years:

- We will have an absolute dedication to excellent service for our customers. This doesn't however mean that we will be all things to all people. We're focussed on customers who really value our offering, be that in terms of our quality, the breadth of products and services we provide, our distribution capabilities, or the depth of our technical knowledge.
- We'll continue to deeply embed a best practice production culture that will deliver sustained and consistent performance. The Group has excellent production facilities in place now, so the gains we're targeting will come from supporting, training and engaging our people, and driving continual incremental improvements in our processes.

While John will cover our financial performance shortly, the final point I would like to note is that while market activity levels look likely to be sustained for some years yet, we will take a conservative view on this, and through disciplined capital management we will steadily reduce the Groups debt levels. This will help to ensure that we are in good financial shape should any downturn in activity occur.

I'll now provide an overview of early trading for the 2019 financial year to date as well as the current views on financial outlook.

In New Zealand we are pleased with the clear improvements made in increasing 'people' capabilities and in delivering sustained improvements in service levels. Despite variable market conditions, financial performance in New Zealand is on-target and ahead of the same period last year.

Unfortunately based on year to date trading, Australia is not in the same position. Our recent capital investment program, related equipment commissioning and the opening of the new Tasmanian plant highlighted gaps in organisational capability.

Having said that, a refreshed Australian senior leadership team is now in place, including an Acting AGG CEO and new General Managers in New South Wales and Victoria.

We continue to have strong belief in what this business can achieve over time. Service levels are now improving and we're focussed on building the required capabilities to achieve better returns, however as we've observed in New Zealand this will take time.

From a Group perspective, year to date sales are in line with last year, but EBIT is behind as a direct result of the Australian results.

Turning to the outlook for the full 2019 financial year, our current expectations are that Group EBIT will be at the lower end of previously provided target range of $30 - $33 million, with some risk around our Australian results as I've noted.

We will provide a further update on progress alongside the Company's half year results in November.

We were pleased to announce yesterday the appointment of Simon Mander as Metroglass' new CEO, who will join the company in January 2019.

This appointment followed an extensive international search undertaken by the board following former CEO Nigel Rigby's resignation in December 2017 and departure in March 2018.

Simon is an experienced and inclusive people leader. During his career he has specialised in performance improvement, strategy development and execution. He has worked internationally in a number of industries and has recent experience in the New Zealand and Australian building products and manufacturing sectors.

Simon will join Metroglass from Tru-Test Corporation Ltd, a world leading New Zealand based ag-tech company where he is currently the CEO. Prior roles have been with well-known companies such as Fletcher Building, DS Smith, Carter Holt Harvey, Partners in Performance, Lion Nathan and McKinsey. He was also a director of NZX listed Wellington Drive Technologies for 9 years.

Simon has a trade background in aircraft engineering and holds a Bachelor of Engineering (Mech) from Auckland University. He also represented New Zealand in yachting on a number of occasions including in the International 470 class at the 1988 Olympic Games.

The Board is pleased to have attracted such a high-calibre candidate. We believe Simon will be a great addition to the existing senior leadership team, which has very ably led the business forward in the intervening period.

Thank you.

Chief Financial Officer's address

Good morning everyone. I'd like to start by covering off the 2018 full year result highlights. These results incorporate a full 12 months of Australian Glass Group trading, whereas 2017 included only seven months following the acquisition. Group revenue grew to $268 million this year, up 10% on the prior year. This growth was driven by Australia, with New Zealand revenue being flat year on year. Our reported Group earnings before interest and tax declined by 15% and reported net profit after tax declined by 16%. The net profit result was impacted by significant cost items relating to the departure of the CEO.

Pleasingly, we delivered strong operating cash flows of $33.6 million and we were able to maintain flat debt year on year. This was despite a capital program in excess of $20 million that has set us up well for the future. The company declared a final dividend for the year of 3.8 cents per share which was paid on 24 July, which brought the total dividend for the year to 7.4 cents per share. That's within our dividend policy but slightly below what was paid in the prior year, reflecting our focus on debt management.

The Group conducted a significant capital upgrade programme in the final three to four months of the financial year. This was complicated in as far as it involved all of our seven processing sites in New Zealand and Australia, and many of the changes were interconnected. We were pleased with the delivery of the program in New Zealand, which was implemented on time and in budget. Inevitably the start-up has an impact on production and service levels but we quickly moved through the installation phase into business as usual and we're happy with all the gear that we bought and how it's running.

In Australia and more particularly Sydney our program did not go as well and this was exacerbated by delays in the arrival of some critical items and that pushed us beyond the Christmas shutdown period. As a result of the delays we lost revenue and incurred additional labour. The establishment of the new greenfield Tasmanian plant went well and will enable us to provide better service to existing Tasmanian customers and to free up capacity in Victoria.

Overall, the capital program has provided the Group with significant capability enhancements, simplified our plants and given us better geographic alignment of equipment to where we see the market opportunities.

Looking at the split of Group revenue, the New Zealand residential segment was down 2% on the prior year driven primarily by a decline in Canterbury sales, but offset by growth in the North Island. Regional South Island also remained a strong market for us.

Commercial revenue declined to $48.2 million but our profitability improved as we focused on projects that were better suited to us. Our forward book of commercial glazing work remained relatively steady at $28.3 million.

Retrofit enjoyed another pleasing year of growth, with revenue up 25% to $21.5 million, and a particularly strong second half despite the warmer weather over that period. We increased our advertising across television and social media and we were more active in regional home shows, resulting in higher leads received. We also had a higher conversion rate that contributed to the stronger revenue performance.

Australian Glass Group revenue rose to $55.4 million, reflecting a full 12-month contribution in the financial year. Underlying performance in Victoria was strong with continued growth in sales of double glazed units as we increased production from our Victorian plant and sold them into a strong market. New South Wales revenue performance was disappointing in the year, having been impacted by plant reliability issues prior to the capital program but also delays in the completion of the capital program.

New Zealand segmental EBIT before significant items included some improvement in underlying profit, but this was offset by issues including factory labour inefficiency and South Island pricing challenges early in the year. The result stabilised in the second half in which EBIT was flat year on year.

Some of the noted costs are non-recurring, including portions of the $1.2 million of consultancy costs and $0.8m of higher electricity costs.

AGG achieved EBIT before significant items of $3.2 million, in line with the prior year. The additional five months of reported EBIT were offset by lower revenue and profitability on our New South Wales business which was impacted as noted earlier by plant reliability and issues with the capital program.

AGG's profit was also impacted by transitioning to a float glass import model, which included establishing warehouses in Sydney and in Melbourne which will deliver lower costs over the medium term but impacted this year's financial results.

I'd now like to provide a brief operational update and discuss progress against our four key strategic initiatives.

Our first objective is to ensure we are delivering market leading service to our customers. In New Zealand our deliveries in full and on time in the first quarter of FY19 have been the highest Metroglass has delivered since the fourth quarter of FY17. Particularly pleasing in this regard is our performance in Christchurch and an improvement in our consistency. As part of our back to basics approach we have a pro-active program managing volumes across our sites and this is working well.

In addition to a focus on timely deliveries we are working hard on reducing reworks and improving our delivery experience, and continue to see opportunities to improve.

In Australia, service levels have been gradually improving and our current focus is on sustaining these. This has taken longer than we anticipated, but we believe we are now well placed and our delivery and quality performance continue to improve.

Our second objective is to develop our organisational capabilities. A cornerstone of this is reducing our employee turnover and absenteeism and we have launched a variety of programs in this regard. The leadership team is heavily invested in this process and we are pleased with early progress. As Peter mentioned Highbrook has improved dramatically, and we are beginning the process of rolling out the initiatives employed there across the rest of the Group.

From a key personnel perspective we are pleased to have appointed new General Managers in each of the South Island, New South Wales and Victoria and have an experienced interim CEO in place for AGG. We also have new leadership in place across each of the four NZ factories and have a full complement of production managers and supervisors in place across all of our production sites.

Turning to our scale position, our share of total flat glass imports into New Zealand remains over 55%, but as we flagged this has reduced in recent months as we have worked to lower inventory levels. We are also now fully operational in Tasmania and confident of the opportunity this market presents to us. Additionally we continue to work on maintaining the best range and will be rolling out both new and improved products through the year.

Fourthly, leveraging our scale and assets to deliver lowest total delivered cost is a critical success factor for the business. In New Zealand we face some headwinds with pressure on wage rates in a competitive market and increasing fuel costs while Australia will incur higher electricity costs. That said our goal is to offset any cost increase whilst building our service and quality performance.

Before I finish, on behalf of the leadership team I would like to extend our appreciation and gratitude to all of the staff at Metro and AGG. We are very fortunate to have a team of talented and experienced people who work hard every day on behalf of all of our stakeholders and we thank them for their commitment and dedication.

Thank you.