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Metro Performance Glass Limited
Annual Shareholders' Meeting, 21 August 2020

Chair's address

Good morning ladies and gentlemen. My name is Peter Griffiths, I am the Chair of Metro Performance Glass Limited and will be chairing today's meeting.

I'd like to start by commenting on some of the impacts and uncertainties caused by the COVID-19 pandemic in New Zealand and Australia, and its influence on Metroglass' operations.

The emergence of COVID-19 has presented global health and economic challenges to everyone, everywhere. It is uncertain how long this challenge will be with us or just what particular events and impacts will occur in our Australian and New Zealand markets. As we have seen in both Australia and more recently in New Zealand, the situation can change very quickly.

At our February board meeting, the virus was already on our radar. If you recall it was making itself felt in China at the time and our principal concern initially was around ensuring the security of our international supply chain. Our glass is supplied from a range of suppliers in a range of countries and we were able to ensure that we continued to receive and unload product throughout the shutdown period. The virus of course moved quickly and by late March, just before the end of the 2020 financial year, New Zealand went into level 4 lockdown and stage 3 restrictions were instituted in various Australian states.

Metroglass' team in both countries worked to respond promptly to the rapidly evolving situation. During New Zealand's alert level 4, manufacturing was closed down quickly and safely. Operations in Australia continued largely unaffected, though a set of COVID-19 safety protocols were in place. Those who could work from home did so, and our remote working IT systems performed well.

During this period, we applied for and received the first round NZ Government wage subsidy and significantly wound back all capital and discretionary expenditure. We engaged with our bankers to confirm the availability of funding under our existing facilities and agreed temporary covenant testing relief in case these could have been required. We also communicated regularly with the market as the situation evolved.

In line with our company values, we supported our people through the lockdown. This included reassuring them early on that salaries and wages would continue to be paid. We also maintained frequent conversations with our customers, and when we were able to return to manufacturing operations we did so very quickly, efficiently, and safely.

As with every other enterprise, our view of the future has become much more uncertain, so we have spent time developing a range of differing scenarios that have provided us with a useful frame of reference when making decisions or assessing evolving information from inside and outside the business.

Recent events in Auckland and Melbourne have reinforced to us that the threat from the pandemic is very real and shows just how quickly circumstances can change. Today we are in alert level 3 in the Auckland region and alert level 2 in the rest of New Zealand. We're also facing stage 4 restrictions in Metropolitan Melbourne, stage 3 restrictions in regional Victoria and ongoing restrictions in New South Wales and Tasmania.

Despite these ongoing challenges, all seven of Metroglass' manufacturing plants are open and operating, and we have a strong forward book of orders across the Group, and across our residential, commercial and retrofit segments.

Simon will update you further on our performance year to date shortly.

The board would like to record its thanks to our teams in New Zealand and Australia who continue to work hard to ensure the on-going stability and success of this business through this challenging time.

One of the duties of a Chair is to consider the composition of the board, the mix of skills, capabilities, diversity and tenure of directors. Over the past 2 years we have refreshed of the board with four new directors. As at today, only two of our directors, being Russell and myself, have more than four years' service. We also have several new senior leaders including Simon Mander, our CEO who you met for the first-time last year and Brent Mealings, our CFO who is with us for his first annual meeting today.

Since our last Annual Meeting, I would like to acknowledge the retirement of two directors, being Gordon Buswell in December 2019 and Bill Roest in June 2020. I would like to thank both for their service, and in particular note Bill's willingness to stay on as the COVID-19 crisis developed and assist with challenges of preparing annual accounts during the lockdown period. These retirements have been followed with the appointment of two highly capable new directors in Graham Stuart and Mark Eglinton, who are both seeking election at this meeting.

Today I consider that our board has an excellent mix of skill and experience, is highly engaged and committed to Metroglass' success. Since January, we have held some 25 board and committee meetings and at the height of the lockdown were meeting on a weekly basis. In my view, we have built a very qualified and committed team who are all determined to move the company forward.

Despite the immediate challenges posed by the COVID-19 pandemic, the board’s longer-term focus is on ensuring that the company is a successful glass processor that delivers value to its stakeholders. In service of this, our key near-term goals are:

- To defend our leadership position in New Zealand
- To grow our Australian business, returning it to profitability, and
- To ensure our balance sheet is strong and sufficient to cope with future uncertainty.

We are continuing to make progress on all of these goals.

I’ll now reflect briefly on our financial performance in the 2020 financial year.

In **New Zealand**, sales in the residential and retrofit segments were in line with the prior year, though sales in the commercial glazing segment declined as we intentionally reduced our involvement in large vertical construction projects. While this resulted in lower revenue, it also controlled our risk exposure to challenging projects and ensured that we focused on our core customers and played to our strengths.

As would be expected competition has increased, however we are successfully and aggressively operating in this environment every day. We are focussed on maintaining strong relationships across our broad customer base and ensuring that are consistently providing provide a broad range of high-quality products, delivered and installed to specification across the country.

In **Australia,** Australian Glass Group, is continuing to grow and improve. We can now clearly see the anticipated market response to the new commercial building regulations, which are driving increased specification and demand for double glazing products. Similar code changes are scheduled to follow for residential buildings in the next couple of years.

AGG is now achieving strong and consistent operational performance which is being recognised in the market and is flowing through to improved financial results. The business delivered revenue in FY20 growth despite the cyclical declines in Australian new housing construction.

AGG has produced a positive EBIT year to date in FY21 and we believe that the business is on a strong footing with a positive long-term outlook.

Strong operating cashflows, focused capital expenditure and prudent cost management allowed us to further strengthen the balance sheet, with net debt reducing by $16.5 million to $66.9 million as at the end of March. Over the past 24 months, we’ve now reduced net debt by 29%.

Our on-going focus on balance sheet improvement has stood us in good stead for weathering the initial impacts of COVID-19. We saw improvements in debtor management, lower inventory levels and operating cost reductions during the last year, which have also flowed into the current period contributing to stronger cashflows.

During the shutdown we were able to operate on our own operating cashflows and did not need to increase our debt levels. Actually, we have been able to continue to pay down debt post the year end.

We have had a long-standing goal of reducing our leverage ratio, being net debt to EBITDA, to 1.5 times, before considering dividend resumption. On a pre-COVID-19 basis we were well on the way to achieving that target in the 2021 financial year.

If we look through the impact of COVID-19 as principally felt in the month of April, we were at our 1.5x target at the end of July 2020. However, given ongoing uncertainty and our anticipation of a softening of market activity later this financial year, and next, the board believes that the prudent approach is to retain our focus on debt reduction for the current 2021 financial year.

I will hand over to Simon shortly but would like to close with a few points about our share price.

While there are many things that influence the market price of any stock, I believe four elements have contributed to Metro's current share price, and I'd like to explain the steps the company have taken to address them:

(1) Firstly, New Zealand has experienced a sustained period of strong housing consents that has resulted in increased demand for construction materials, attracted investment in glass processing capacity by existing suppliers, including Metroglass, and new participants. This additional capacity has now been built and commissioned and domestic capacity in aggregate has for some time exceeded market demand. We will vigorously compete as we aim to remain New Zealand's largest and most efficient provider.

Metroglass has been operating for over 30 years we have the advantages that scale, and experience brings, including an extensive supply network, diversified manufacturing locations, a range of supply alternatives and cost efficiency opportunities. The company has developed deep relationships with its customer base. The added capacity has been in place for a while and we're competing hard every day. We're pleased with the resilience our business is showing and recent revenue performance demonstrates this well.

(2) Secondly, there has been increasing speculation of an approaching cyclical economic downturn, which has recently been exacerbated by the pandemic. Cycles are a reality of our industry and our scenario planning takes account of these possible eventualities and we are confident that we will be able successfully respond. I'd also add that we have been pleased to see several recently announced Government initiatives which may help to limit the extent of activity declines.

(3) Thirdly, the performance of our Australian business has also had a negative impact on group earnings. A key part of the rationale for entering this market was the ability to leverage Metro's NZ capabilities in double glazing when the penetration of these products increased in South eastern Australia. We're now

seeing these changes show through and have also invested in our people and equipment to ensure our ability to consistently make larger quantities of high-quality products. These changes were harder to put in place than expected and we incurred losses. While we reported a reduced loss from AGG in FY20, the turnaround and positive trajectory is now evident. We achieved revenue growth in a challenging market and delivered an EBITDA positive result in the second half of the year. The foundational changes are now starting to pay off and we're optimistic about the growth potential the business has in the coming years.

(4) Finally, a fourth factor that has impacted Metro's share price has been the suspension of dividends. For some time now the board has elected to focus on debt reduction to ensure that Metroglass maintains a strong financial position, and has the agility to respond to surprises like the one we are experiencing with COVID-19 right now. We continue to consider this to be a prudent measure and will reduce debt further during this current year. With that said, we also appreciate the value that shareholders, and particularly retail holders, place on these distributions and we will continue to assess the appropriate timing for resuming these payments in a sustainable fashion.

Speaking with you today, the uncertainty surrounding each of the four factors I've noted has reduced significantly in our view. We will continue to communicate with existing and prospective investors on the company's positive trajectory – as evidenced for example in our trading update today.

Thank you for your attention this morning, I will now ask Simon to follow with his presentation, after which we will open the meeting for questions.

Chief Executive Officers address

Good morning everyone and thank you all for joining us today.

Firstly, I would like to provide some further detail on the COVID-19 related issues we have faced over the past six months and are continuing to adapt to. The operational restrictions Metroglass has faced in New Zealand have been significantly more onerous than those AGG has faced in Australia, where we have been able to operate relatively normally throughout this calendar year.

As Peter noted, we essentially fully closed our New Zealand based operations from late March to the end of April. It can be very difficult to scale down production quickly, but our staff worked hard to ensure it was conducted safely and smoothly. Alternative working arrangements were put in place where possible. However, this was not possible for the majority of our glass processing and glazing staff.

We committed early on to paying 100% of our staff's contracted wages and salaries for the five-week period of Alert Level 4 as we attempted to alleviate stress and anxiety for them at that time. We believe this was the right move and we have continued to receive positive feedback from our people on our communication and general handing of this period.

We were very focused during the April Alert Level 4 period on supporting our customers as much as possible. This included emergency glazing work for essential service-related projects, supporting customers to develop their own COVID-19 safety protocols and in ensuring they were aware of all relevant support packages available to them from the Government agencies and the bank sector.

We have controlled our costs across the group very closely this year, with discretionary costs and capital expenditure down materially. The Company received $6.5m from the first round of the New Zealand Government's wage subsidies. We also agreed short term rent relief with all our New Zealand landlords.

During a highly uncertain period, and for the sake of prudence, we sought relief on financial covenants with our banks and drew down additional cash balances at year end. As part of this conversation on covenant relief, we shared our latest plans with the banks which included a reduced capex profile and no dividend payments in the current financial year. These restrictions were determined by us and were not imposed by the banks.

We re-opened immediately at Alert Level 3 and ramped back up to normal operating levels quickly. Though the wider industry did face some restart and productivity issues as it sought to manage demand expectations and covid-19 safety related restrictions. I will talk more on our year to date trading results shortly.

All seven of our glass processing plants are currently open and operational, including those in Auckland and Melbourne which are operating under a stricter set of safety protocols including physical distancing, wearing of masks and increased hygiene requirements. Metroglass and AGG each have geographically distributed processing facilities with the ability to shift volume between them, this provides us with advantages and the ability to mitigate some level of risk.

I would like to offer my gratitude and admiration to all our staff in coming together to support one another and our customers throughout this difficult time.

I'll now provide you with a summary of the group's financial performance in the 2020 financial year:

a) Group revenue in FY20 was $255 million, down 5% vs. last year, with earnings before interest, tax and significant items of $23.2 million down 8%
b) EBIT pre-IFRS-16 was $21.2m which was inside the guidance range we provided in November of $21 to $24 million, despite the impact of COVID-19 late in the financial year
c) We strengthened the balance sheet and achieved our net debt reduction guidance, reducing net debt by $16.5 million to $66.9 million at year end
d) In New Zealand, we delivered a revenue of $203.0 million, down 7%, and an EBIT of $28.2 million down 9%. The declines predominantly related to the 24% decline in commercial glazing revenue, which

resulted from our decision to reduce our exposure to large-scale commercial projects and focus on small to medium projects

e) Pleasingly, AGG achieved revenue growth of 3% in NZ dollar terms, or 5% in Australian dollar terms, and reduced its EBIT loss by $1.2 million to loss of $3.6 million. While still not at an acceptable level, we are encouraged by the significant changes made during the year, and delivery of an EBITDA positive result for the second half.

f) In line with our strategy to develop our people capabilities, we had outlined an aspiration in March 2019 to double our apprentice in-take. I'm pleased to say that we achieved that goal and have grown our apprentice pool from 30 in March 2019 to more than 80 today.

g) In 2020 we also introduced a multi-year safety and wellbeing strategy designed to ensure we're continuing to drive a heightened focus on safety and wellbeing within the company.

h) My final point on the FY20 results is that at the time we were finalising our accounts, it was clear that COVID-19 would have a significant impact on the potential outlook for future construction activity and therefore on group performance. In our Annual Report we provided shareholders with a significant level of detail on our expectations for the future and the assumptions and methodology we used to determine our range of potential scenarios. In this context, we recognised an $86.5 million impairment to New Zealand goodwill this year. This was a non-cash charge and had no impact on the company's banking covenants.

In June this year we conducted the third of our 6-monthly customer surveys. This had been planned for April but was postponed given Alert Level 4 in New Zealand. The results of this particular survey are fairly unique as they reflect the views of our customers during the post shutdown ramp up period and are the first set of formal feedback that we've received post the emergence of COVID-19.

These surveys with our customers provide us with vital feedback on our offering and our relationship, and importantly on how we can improve.

In absolute terms, our ratings in New Zealand and Australia were largely consistent with our November 2019 survey, though the real value comes through in the written feedback that comes along with the rating. Our customers were very complimentary of our people, pleased with the improvements made in our communications, and our ability to be responsive to their needs. However, inconsistencies in service performance predominantly with lead times during the post shutdown ramp up period did create some challenges, which was driven by several factors across the wider domestic supply chain.

We continue to work with our customers to address specific issues and general service levels, and to develop ways of minimising the productivity impacts resulting from COVID-19 restrictions across the wider sector.

I would now like to update you on the first four months of trading in the 2021 Financial year – being April, May, June, and July. All the numbers we are presenting are on an unaudited basis.

Starting with an update on revenue, as shown in the presentation, revenue in New Zealand in April declined 95% from the same month last year as a result of the Alert Level 4 period. However, the industry quickly returned to work in May and our sales ramped back up to fairly normal levels from mid-May onwards. Given the circumstances we have been pleased to see June and July revenue results in line with the same months last year.

Australian Glass Group has continued to build on the positive trajectory the business achieved through FY20, despite the restrictions caused by the pandemic and the general deterioration in the housing market over the past year. AGG's revenue year to date is running in line with last year, with sales growth offsetting the impacts of the rationalisation and refocus of our New South Wales business in late calendar year 2019.

With regard to the New South Wales changes, I'd like to acknowledge the Australian management team for a well planned and executed reorganisation process. The New South Wales operations currently only represent circa. 15% of AGG's revenue but are well positioned and fully equipped to grow alongside the increasing penetration of double glazing in the state.

On a year to date basis, Group profitability has been supported by improved Australian results, with AGG delivering a positive EBIT result YTD. This is a strong turnaround from the loss incurred in the same four-month period last year.

In New Zealand for the months of May, June and July, Metroglass has achieved a similar Gross profit margin % versus the same three-month period last year which demonstrates continued resilience in a competitive market.

Given the current climate, we are continuing to closely manage our cost base with discretionary costs and capital expenditure down materially versus the same period last year. We also received a total of $6.5m as part of the first round NZ Government wage subsidy, of which $6.1m relates to the current 2021 financial year. The wage subsidy partially offset the impact of the NZ Alert Level 4 closure in April.

We're also very pleased to have been able to continue our progress in reducing net debt. As at the 31st of July 2020, Group net debt was $54.7m, $12.2m lower than 31 March 2020 and $24.1m lower than 31 July 2019. This has been achieved through strong operating cashflows, focused capital expenditure and prudent cost management.

As the recent move to Alert Level 3 in Auckland and to Stage 4 restrictions in Melbourne have demonstrated we are operating in a highly uncertain environment and the outlook for building activity is very difficult to predict. COVID-19 related impacts will continue to affect the Group for at least the remainder of the 2021 financial year.

In the short term, building activity in New Zealand is supported by the ability to execute on a healthy pipeline of existing orders and projects. That said, we remain cautious on how quickly this could change.

Trading results in June and July were pleasing and key economic data has been stronger than anticipated in recent months, however we continue to expect building activity to soften in the second half of the financial year. In Australia, we are confident that the improvements achieved in AGG's EBIT year to date will be sustained through FY21.

However, we remain cognisant of the threat COVID-19 presents across the group, and the potential for increased restrictions or shutdowns that would adversely impact the short- and medium-term outlook.

We will continue to monitor the situation across the group closely and refine our plans accordingly.

We're not providing formal guidance today but will update shareholders alongside our interim results announcement in November.

Finally, I would like to reiterate our key goals which remain unchanged. We will defend our strong position in the competitive New Zealand market, grow our Australian business and continue to improve its profitability, and reduce debt to provide us with increased optionality for the future.

Our focus must be on building a resilient organisation that provides excellent operational performance, maintains strong customer connections, and invests in and supports its people.

Before I hand back to Peter, I would like to take the opportunity to thank all our shareholders, customers, suppliers, staff and the Board for their support over the past 18 months, and in particular over the last six months.

Thank you.

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