

MARKET RELEASE

23 December 2020

Cavalier Trading Update and HY21 Guidance

Cavalier Corporation Limited (NZX: CAV) has provided a trading update and half year earnings guidance (for the six months to 31 December 2020) (HY21) ahead of its Annual Meeting today, reflecting stronger than expected sales volumes in the financial year to date and the company's transformation to an all-wool and natural fibre interior-solutions business.

Despite the further COVID-19 restrictions in Victoria and in Auckland during HY21, underlying demand for carpet has been encouraging and stronger than anticipated when New Zealand first emerged from COVID-19 lockdown in April 2020.

For the five months to the end of November 2020:

- Total New Zealand woollen carpet sales volumes were up 10% on last year and associated sales revenue was up 24%.
- In Australia, while woollen carpet sales volumes were down about 10%, the associated sales revenue was only down 2.0%. The volume reduction in Australia is due in part to the stock shortages caused by shipping delays and port strikes, as well as recent COVID-19 restrictions in Victoria affecting retail trading. Initiatives in Australia have resulted in an expanded retailer network which is expected to help drive a lift in sales once supply starts moving again.

Cavalier expects to report a normalised EBITDA (post IFRS 16 *Leases* and excluding the one-off gains from the sale of the Auckland property and redundancies) for HY21, of between \$4.0m and \$5.0m. This compares to a normalised EBITDA of \$3.0m for the prior comparative period.

The stronger than expected trading so far in HY21 and the faster-than-expected sell down of non-wool stocks have enabled the company to fully repay bank debt as at 30 November 2020.

While the outlook for the economy in 2021 remains uncertain, there are some indications of positive economic activity and the company expects New Zealand woollen carpet sales volumes for FY21 to be well up on prior year, with Australia also expected to improve when current disruptions to supply chain improve.

However, total sales volumes (including non-wool carpets) for FY21 will be less than last year because of the exit from non-wool, and while new initiatives to build woollen carpet sales are implemented.

Bremworth

Cavalier's priorities for the second half of FY21 are to finalise and launch a new marketing campaign, leveraging consumer insights to:

- tailor marketing for different consumer groups;
- continue to rollout the Bremworth Lifestyle ranges;
- expand the retailer network, primarily in Australia; and
- maintain the focus on innovation and the launch of new beautifully designed carpets.

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