

Metroglass provides 1H23 results

Summary of the unaudited results for the six months ended 30 September 2022 (1H23)¹

\$m	New Zealand		Australia		Group	
	1H23	1H22	1H23	1H22	1H23	1H22
Revenue	100.0	87.9	38.2	29.0	138.1	116.9
Segmental EBIT ²	3.6	4.2	2.6	(0.7)		
EBIT ²					5.6	3.1
NPAT ³					0.6	0.4

- New Zealand revenue improved 14% year on year supported by an increased number of trading days and price increases
- Australian Glass Group (AGG) delivered revenue growth of 32% boosted by significant price increases and a strong market despite disruptions
- Group EBIT before significant items up 78% to \$5.6 million, supported by no Covid-19 lockdown in NZ and an improvement in performance by AGG
- Statutory net profit after tax of \$0.6 million up from \$0.4 million in the prior comparable period
- Cost-out programme initiatives expected to achieve annualised savings, in the New Zealand business, in the range of \$8.0 million to \$9.0 million with benefits accruing from the second half of FY23

Metro Performance Glass (Metroglass) today reports its financial results for the 6 months to 30 September 2022 (1H23), achieving a significant profitability improvement in Australia. Uninterrupted operations and a series of price increases in New Zealand have begun to recover margins from the second quarter.

Group Revenue for the six months to 30 September 2022 of \$138.1 million was 18% higher than the prior comparable period, with New Zealand up 14% and Australia up 32%. EBIT before significant items rose 78% to \$5.6 million. Statutory NPAT was flat at \$0.6 million (\$0.4 million in 1H23).

Net debt increased from \$52.3 million at 31 March 2022 to \$59.1 million at 30 September 2022, reflecting the higher value of inventory and trade receivables, a greater stock quantity on hand to cover the ongoing lack of reliability in the supply-chain and the working capital requirements of a growing business in AGG. Metroglass concluded an extension of its current syndicated banking facilities out to the end of October 2024 (previously October 2023)

New Zealand

Revenue in New Zealand rose 14% to \$100.0 million, reversing impacts of the Covid-19 lockdown in the first half FY22. Pleasingly, price increases introduced in late FY22 and early FY23 have begun to offset the increases in input costs and recover margins from the second quarter. EBIT declined from \$4.2 million to \$3.6 million.

In the residential segment revenue of \$65.3 million, was 14% above the prior comparable period, in a competitive market where construction delays and supply chain disruption have contributed to some softness. In the commercial segment, site delays have lessened and enabling more projects to be completed in the period as revenue increased 14% to \$19.0 million. Retrofit continued its momentum with revenue increasing 11% to \$15.7 million.

Note: all non-Generally Accepted Accounting Principles (GAAP) financial measures are defined to a GAAP measure on slide 14 of the 1H23 results presentation, available here: <https://www.metroglass.co.nz/investor-centre/investor-presentations/>.

¹ All prior period comparisons are to the six months ending 30 September 2021 (1H22) unless otherwise stated.

² Earnings before interest, and tax.

³ Net profit after tax

Progress on Metroglass' organisational review

In light of year on year declines in volume and an expectation that further declines are likely later in the new calendar year, Metroglass has undertaken an organisational review and implemented a series of initiatives across the group to ensure capacity and resources are appropriate to service demand as the cycle changes.

Following recent investments in processing capability and furnace capacity at our Auckland and Christchurch plants the business is now in a position to rationalise its production footprint and will cease manufacturing operations in the Bay of Plenty by the end of December 2022. Metroglass will continue to have sales representation, Commercial and Residential glazing resources and Retrofit presence in the important Bay of Plenty market.

The overall cost-out programme, including the Bay of Plenty site rationalisation, is expected to achieve annualised savings, in the New Zealand business, in the range of \$8.0 million to \$9.0 million with benefits accruing from the second half of FY23.

“The New Zealand business has endured a challenging period as supply chain and Covid-19 restrictions placed significant pressures on the business. Many forecasters are indicating a turn in the cycle, prompting the business to review its organisational structure and manufacturing footprint to ensure that it is appropriately configured. Our decision to consolidate our manufacturing footprint allows us to optimise our network model with our larger and highly efficient processing plants supplying the North Island.

Regrettably, these changes impact on a number of our people and we are committed to supporting our impacted teams through this period.” said Mr Mander.

Australian Glass Group (AGG)

Market conditions in Australia have remained positive and elevated. Australian Glass Group (AGG) has continued its performance momentum into FY23 despite ongoing supply chain disruptions and labour availability challenges.

Revenue and profitability improved significantly in the first 6 months, buoyed by continued improvements in the base business, a lower level of covid-19 impacts, and the significant price increases introduced to the market.

AGG delivered an 32% increase in revenue to \$38.2 million. AGG's EBIT of \$2.6 million, is an improvement of \$3.3 million on the prior year.

“AGG's reputation in the southeast Australian market continues to strengthen, and in a highly fragmented market is generating solid demand ahead of the upcoming changes to the National Construction Code in 2023. As operational performance continues to improve and disruptions to supply and resource availability abate, AGG is well positioned.” Said Mr Mander.

Capital Management

The Group's net debt position increased to \$59.1 million, from \$52.3 million over the six-month period since 31 March 2022, primarily as a result of working capital requirements.

Working capital grew by 25%, or \$7.9 million, since 31 March 2022. These increases were driven by a higher value of inventory and trade receivables, a greater stock quantity on hand to cover the ongoing lack of reliability in the supply-chain and the working capital requirements of a growing business in AGG.

Metroglass' net debt to EBITDA ratio was 3.8x at 30 September 2022, consistent with the ratio at the full year. During the period, Metroglass concluded an additional year extension on its current syndicated banking facilities out to the end of October 2024.

Market conditions and outlook

The number of residential consents in New Zealand has been running at elevated levels and well-above the industry capacity, supporting a stable pipeline of work in the near term. However, we now expect that economic headwinds are likely to moderate the number of dwellings constructed in the second half of calendar year 2023. Updates to the H1 building code, applicable to consents from November 2022, will support an increase in demand for higher performing Low E glass technology.

In Australia any slow-down in construction activity that occurs is likely to be offset by increases in the penetration of double-glazing, which is AGG's core business, and accelerated by upcoming changes to the National Construction Code in 2023.

Notwithstanding the signalled declines in economic conditions, we believe there is opportunity for the Group to continue its performance improvement through cost reductions and the structural changes underway.

/Ends

Half year results webcast and conference call details

Metro Performance Glass Limited will host a conference call today to review its 1H23 results. The briefing is scheduled to begin at 10am NZDT and can be joined by webcast or conference call.

You can listen to the webcast via the company's website: www.metroglass.co.nz/investor-centre or directly: https://event.webcasts.com/starthere.jsp?ei=1578152&tp_key=f0f7558e3c. Please allow extra time prior to the webcast to visit the site and download streaming media software if required. An online archive of the event will be available after 2pm on the day.

To join the conference call and have the ability to ask questions, please dial in to one of the numbers below at least 5 minutes prior to the scheduled call time and when prompted, please quote the conference code: **381511**.

New Zealand Toll Free	0800 423 972	International	+64 (0)9 9133 624
Australia Toll Free	1 800 590 693	United Kingdom Toll Free	0800 358 6374
Australia (Sydney)	+61 (0)2 7250 5438	US/Canada Toll Free	800-289-0459

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Authorised by the Metroglass Board.