Metro Performance Glass
5 Lady Fisher Place
East Tamaki
Auckland 2013

Market Release
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Metroglass trading update, FY24 Guidance

Metro Performance Glass today provides an update on trading and provides guidance on its anticipated results for the FY24 year which are due to be released in May 2024.

CEO Simon Mander said “Activity in the residential sector softened through the second half of 2023, impacting demand for glass. The beginning of the calendar year was particularly weak as the sector restarted slower than expected after the Christmas holiday period. Reduced supply chain costs were supportive. Uptake of high value LowE glass continues to increase, reaching circa 50% of the double-glazing sales mix for the financial year to date, and this quarter increased to 60%. In late February 2024 we ceased processing glass at our Wellington factory and closed a regional branch in Auckland. During the year we reduced headcount in New Zealand by 10%.”

Australian Glass Group (AGG) continues to deliver satisfactory financial and operational performance at a time of residential sector softness partially offset by the penetration of double glazing in new residential buildings. The capital programme is on track which will expand capacity and improve plant reliability.

AGG sale process

As we have previously communicated, the board has been pursuing the divestment of AGG to reduce debt. The sale process continues to advance but has extended longer than anticipated. The company expects to provide a further update prior to the annual results in May 2024.

Q4 Market Outlook

Economic forecasts suggest a restrained 2024 with stubbornly high inflation and interest rates placing downward pressure on the sector, offset by underlying housing demand from immigration.

Metroglass expects demand for glass to be flat for at least the next 12 months in New Zealand. The business has resized to meet expected demand whilst ensuring customer service and quality is not compromised.

In Australia, demand for AGG’s products and services remains solid supported by national construction code changes increasing double-glazing usage in residential buildings. AGG’s niche positioning providing some protection from wider sector softening.

Financial Update

Consistent with our November release, market volatility has continued. Whilst we typically experience a loss in January, the result was significantly worse than we had anticipated primarily driven by lower sales in New Zealand. In Australia, trading was also subdued most notably in Tasmania. February trading improved but did not catch-up January trading and was ultimately behind what we previously anticipated at our half year release, for both NZ and AGG, albeit to a greater degree in NZ.

For the financial year ending 31 March 2024 Metroglass expects to achieve Group EBIT before significant items in the range of $7.0 million to $8.0 million vs. $11.8 million in FY23. Net debt is expected to be circa $55 million vs. $60.1 million in FY23.

Due to the combined trading performing in January and February 2024, Metroglass revises previously provided management forecasts for AGG. AGG is expected to achieved revenue, EBITDA and EBIT of approximately AUD $74.0 million, AUD $11.0 million, AUD $6.0 million[1] respectively.

[1] Excluding Group management fee of NZD 0.5 million

Metroglass' existing bank facilities mature in October 2024. The Company and its banking syndicate are about to commence working on the conditions for and terms of a potential renewal. The banking syndicate has been supportive, and is anticipated to remain supportive, while the Company enacts the plans required to reduce debt and increase profitability. This support includes a relaxation of financial covenants for all test dates up to and including 30 September 2024.

Board Response & Changes

The very tough trading conditions and uncertain short-term outlook (particularly in NZ) requires the company to do everything it can to improve profitability, as quickly as possible. The NZ business needs an exceptionally clear focus and immediate step-change in performance.

The company has implemented cost reduction programs in NZ, which has unfortunately impacted many staff. However, this performance improvement must be accelerated and expanded in scope.

Although there may be future impact on our team, that is not the core focus. Our people continue to be the company's single most important strength, so our focus will be more on creating the environment and conditions for staff to perform at their best.

This process starts with the board, who agreed today to reduce its numbers from 6 to 4. Peter Griffiths and Jenn Bestwick have retired from the board. The board will suspend sub-committee fees for the remaining Directors until the business performance improves markedly. This will immediately save cost.

The remaining four Directors, three of whom joined the Board within the last 4-months, have agreed to increase (greatly in some cases) their time and energy commitment to help management develop and enact plans to improve NZ performance at pace, as well as provide additional input in respect of the company's debt reduction plans.

Outgoing chair Peter Griffiths said "I am sad to retire from the board without having completed the turnaround we embarked upon. Given the challenges the company faces, it is appropriate that I do my part to help the company save costs".

Shawn Beck has been appointed Chairperson. Whilst new to the board, he is not new to performance improvement situations in tough conditions, debt reduction strategies and execution and has significant experience in public and private companies with intense governance requirements.

Shawn comments "Today we as a board have committed to build a new pathway quickly. We are rolling our sleeves up and as a board we will do what it takes to help management improve performance. The business has a great team, led by Simon, and we will engage with them directly, with speed and clear purpose".

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Authorised for release by the Metro Performance Glass Board