

Metro Performance Glass 1H 2016 results in line with guidance

Strong construction activity underpins sales and earnings; industry constraints continue to weigh on momentum particularly in commercial markets.

Summary of results for the six months ended 30 September 2015 (1H16)

\$m	Actual 1H16	Guidance (provided at the ASM on 26 August 2015)	Prospectus forecast ¹ (provided July 2014)	Actual variance to Prospectus forecast %
Sales revenue	94.9	94.1	94.1	+0.8%
EBITDA ²	19.2		22.3	(14.0%)
EBIT ²	15.9		18.4	(13.6%)
NPAT ²	11.0	10.0 – 11.0	12.1	(9.6%)

Note: Financial results for the six months ended 30 September 2015 are not subject to a formal audit, but have been reviewed by the Company's auditors, PricewaterhouseCoopers.

Highlights:

- Sales of \$94.9 million, +8.4% compared to 1H15 and +0.8% above the company's guidance provided in August;
- Net profit after tax (NPAT) of \$11.0 million in line with guidance, but below the Prospectus forecast as the company invests for growth;
- New Auckland plant is ramping up towards expected volume levels, alongside continued improvement in customer service performance measures such as DIFOT²;
- Strong commercial forward order book of \$18.6 million, up from \$15.8 million as at 31 March 2015;
- The Retrofit double glazing business is growing strongly, with sales + 25.7% compared to last year
- Major plant-related capital investment programme complete, strategic focus now turns to top line sales and plant optimisation;
- Financial position remains strong with gearing² at 26.0% providing considerable financing headroom;
- Guidance for FY16 sales and NPAT remains in the order of \$190 million and \$20 – \$22 million respectively; and
- Declared fully imputed interim dividend of 3.6 cents per share with a payment date of 22 January 2016.

New Zealand's largest value-added glass processor Metro Performance Glass (NZX.MPG; ASX.MPP) today announced its half-year results for the 2016 financial year in line with guidance given in August as strong construction markets continue to underpin its performance.

Sales for the six months to 30 September 2015 rose to \$94.9 million, ahead of guidance of \$94.1 million. Net profit for the same period was \$11.0 million, also at the top end of guidance of \$10 - \$11 million. The company is unable to provide

¹ The Prospectus forecast figures ('Prospective Financial Information', or 'PFI') were provided by the Company in the IPO Prospectus released in July 2014.

² Definitions: EBIT: earnings before interest and taxes (equivalent to operating profit); EBITDA: earnings before interest, taxes, depreciation and amortisation. EBITDA is a non-GAAP financial measure of financial performance and is reconciled to GAAP measures on page 4 of this release; NPAT: net profit after tax (equivalent to profit for the period); DIFOT: delivery in full on time; Gearing: net debt / (net debt + equity).

full comparative figures for the six months ended 30 September 2014 as Metro Performance Glass only began trading at the time it acquired Metroglass Holdings via its initial public offering in July 2014.

The company exceeded its prospectus sales forecast for the half year despite lower than anticipated market growth that reflected industry-wide capacity constraints. However, as foreshadowed in August, earnings have not kept pace with sales growth, or our Prospectus forecast, due to the company's decision to invest for the future. Specifically, the company decided to maintain a higher operational cost base in order to:

- Support the company's strategic focus on achieving strong revenue and market share growth through unrivalled customer service;
- Ensure the company is well placed to execute on its largest-ever forward book of signed commercial orders, as well as preparing for the significant growth opportunities expected over the next 3 – 5 years; and
- Continue to develop the infrastructure needed to support the company's growing Retrofit double glazing business.

Chairman Sir John Goulter said: "Metro Performance Glass has delivered a creditable first half result. With the Auckland and Christchurch plants now fully operational, the company has completed its major capital investment programme and is well advanced in its journey to become a globally-competitive, technically-advanced and integrated glass processor."

"Metro Performance Glass has a strong balance sheet with low gearing. The Board sees significant processing, product and distribution opportunities within our existing markets, but will be continuing to monitor any potential acquisition opportunities that will generate increased shareholder value."

The Metro Performance Glass Board has today declared a fully-imputed interim dividend of 3.6 cents per share, equating to 58% of NPATA³ for the period. The pay-out is consistent with the company's dividend policy of paying between 55% and 75% of NPATA. The dividend is to be paid on 22 January 2016 to all shareholders on the register as at 8 January 2016.

Chief Executive Officer Nigel Rigby said: "Construction markets are benefitting from record net migration, low interest rates and rising momentum in building activity, particularly in Auckland and the non-residential rebuild in Canterbury. Metro Performance Glass is well placed to benefit from these trends.

"The company continues to see growth opportunities. As such, we are focusing on improving our operating capabilities. This includes enhancing the company's glazing capabilities and resources in line with a growing commercial pipeline and developing the infrastructure behind its rapidly growing Retrofit double glazing business.

"It also includes investing in the equipment that keeps Metro Performance Glass' product offering at the forefront of the industry. While the company has added some short term temporary costs, this strategy will undoubtedly help it to achieve its long term goals," Mr Rigby said.

Markets:

Construction activity and building consents have returned to pre global financial crisis levels. There is a very strong correlation between lagged residential building consents and Metro Performance Glass' revenue. This historical correlation has fluctuated slightly throughout the 2015 calendar year due to the construction industry's difficulty commencing consented projects.

Residential building consent issuance grew 12% in the September quarter (vs. the June quarter), with consents for the twelve months to September exceeding 26,000. Commercial construction activity is also on an upward trajectory, with August and September 2015 consent issuances at all-time high levels.

³ NPATA: net profit after tax before the amortisation of acquisition related intangibles and its associated tax effect.

Operations:

The company's new Auckland plant, which consolidated five sites on a single site at Highbrook in South Auckland, is performing well with production ramping up towards expected levels.

As a strongly customer focussed business, the primary key performance indicator for Metro Performance Glass is the proportion of customer orders 'delivered in full on time' (DIFOT). The average DIFOT for the first half was 83% (covering the four primary processing plants). While this is below the company's current target of 90%, performance is trending upwards with September DIFOT of 89%.

The company has won a number of high quality commercial glass projects, with a pipeline of accepted forward work increasing to \$18.5 million as at 30 September 2015 (up from \$15.8 million at 31 March 2015). While commercial market activity is growing, the conversion of accepted forward orders into revenue remains difficult to predict, with many projects experiencing delays that are outside of our control.

The Retrofit double glazing business is growing strongly, with first half sales up +25.7% compared to the same period last year. The company ran a highly successful television advertising campaign in April and May 2015, highlighting the benefits of retrofitting double glazed windows into existing houses. This resulted in significant interest in the company's product offering. The retrofit market represents a significant opportunity for the company, with a potential market of 1.1 million homes.

In October 2015, Metro Performance Glass acquired certain processing assets of a former glass processor in Wellington. These assets and the leased premises will strengthen the company's lower North Island processing capabilities and customer service.

Outlook:

Metro Performance Glass is well positioned for the balance of the 2016 financial year. The company's priorities are:

- Driving top line growth through the company's product and supply chain strategy and by ensuring customers' expectations are exceeded and Metro Glass remains the company of choice;
- Delivering manufacturing excellence to achieve the desired service and cost leadership position;
- Capturing an increasing share of the growing commercial construction market; and
- Driving the Retrofit double glazing replacement business.

Chairman Sir John Goulter said: "Metro Performance Glass has significant growth opportunities ahead, and as such is continuing to focus on operating capability improvements that will help the company achieve its long term goals. The company is looking forward to the remainder of the financial year with confidence and maintains its guidance for sales and NPAT for the year to 31 March 2016 in the order of \$190 million and \$20 – \$22 million respectively.

"We see the key risk to our near term outlook being that if current industry delays in initiating and completing commercial projects do not improve, then revenues would be deferred and NPAT would be at the lower end of the guidance range." Sir John said.

For further information contact:

Nigel Rigby

Executive Director, Chief Executive Officer
+64 (0) 27 703 4184

John Fraser-Mackenzie

Chief Financial Officer
+64 (0) 27 551 6751

Reconciliation of GAAP to non-GAAP profit measures:

\$m	1H16 actual
NPAT	11.0
Add back: taxation expense	3.4
Add back: net finance expense	1.6
EBIT	15.9
Add back: depreciation & amortisation	3.2
EBITDA	19.2

Note: Metro Performance Glass' financial results are prepared under New Zealand IFRS. The company has used non-GAAP profit measures in this document, of 'earnings before interest and taxes' and 'earnings before interest, taxes and depreciation' when discussing financial performance. The Directors believe that these non-GAAP financial measures provide useful information to readers to assist in the understanding of our financial performance, financial position or returns, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZIFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies. The figures above may not add exactly to the total due to rounding.

About Metro Performance Glass

Metro Performance Glass (NZX.MPG; ASX.MPP) is New Zealand's largest and most innovative glass processor, distributor and glazier. With more than 750 staff, a fleet of over 280 service vehicles and 16 sites located throughout the country, we supply and service the architectural, building and residential markets with industry leading glass products.

Whether it be high performance Low E double glazing units for new builds or the retrofit market, bathroom shower screens, kitchen splashback or pool and deck balustrades, Metro Performance Glass have been at the forefront of providing performance glass products and industry leading customer service, what we like to call Performance without Compromise. Learn more at: www.metroglass.co.nz