

Shareholder Newsletter

ISSUE 1 | JUNE 2019

Welcome to our first Shareholder newsletter

Paul Alston, Chief Executive Officer

We have over 3,000 shareholders and often receive requests for more information about what we do and our progress. This Newsletter is designed to share some of our stories with you and keep you informed. We welcome feedback and suggestions on what you would like to see included in future editions. While this first edition is available in print format, all future editions will be digital only. We encourage you to receive Cavalier's shareholder communications by email – details are on the back of this newsletter.

Focused on Wool

We believe that designing and creating beautiful New Zealand wool carpets is the future for our company... and the customer benefits are numerous. Quite apart from the fact that it feels nicer to walk on, wool is 100% natural, keeps you warmer in the winter and cooler in the summer and it's naturally stain, soil and fire resistant. Health is one of the many benefits of wool that people often don't think of when

considering carpet options. Wool helps suck up moisture in a home, naturally deters the growth of mould and dust mites, and traps allergens and pollutants from the air which can cause asthma and other respiratory conditions.

New Zealand was built on the back of the sheep farming industry but flock numbers are falling and low wool prices are proving a disincentive for many farmers. Cavalier plays an important role in the supply chain and we are working closely with industry groups to identify ways to map out a stronger future for our wool industry. We believe that if our wool carpet sales grow, then everyone will benefit, from the farmer who supplies the wool through to our shareholders who invest in our company.

Wool carpets are our focus and we are putting our money where our mouth is. We are putting more resource into new product development, creating innovative carpet styles, colours and textures for our customers. We are investing in display stands which suitably promote our beautiful carpets and are proving very successful in retail stores. We are looking at opportunities to build our product range, our distribution networks and our global presence, with some very real prospects being investigated. And we are taking our New Zealand wool story to the world, working closely with our distributors to have our beautiful carpets included in their collections. Recent visits to other markets have been positive with a number of existing customers showing interest in a wider range of our carpets.

However, we have not forgotten that there is still customer demand for quality synthetic carpets. Providing consumers with choice is important and we will shortly be launching a new quality synthetic loop carpet, something we know our customers have been asking for.

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Alan Clarke
Chairman

Paul Alston
Chief Executive Officer

As we noted at the beginning of the year and highlighted again recently, trading conditions are tough, particularly in Australia; we have also seen slowing demand in the New Zealand market in recent months. Economic reports note that New Zealand manufacturers are struggling in Australia's current environment and softer carpet sales are being seen by many distributors, particularly of lower quality synthetic carpets. Hard flooring continues to grow at the expense of soft flooring and Cavalier is countering this with the introduction of our rug offer in the last year.

Pleasingly, demand for our top end wool and felted carpets continues to grow; while volumes are small, these high quality, higher margin carpets provide a significant contribution to group profits.

Cost management and efficient operation become ever more important in challenging times. We are investing in those areas which will deliver value for our business – new product development, customer relationship activity, sales and marketing support and a new IT system. Our new customer-focussed structure in Australia also provides further efficiencies and allows for a more flexible and agile approach to better meet the specific needs of this important market.

While the short term market conditions are challenging, we remain positive about the potential for Cavalier over the longer term. I hope you enjoy reading the stories in this newsletter and look forward to providing our next update in August when we release our FY19 results.

A word from the Chair

Alan Clarke, Chair

There is a great deal happening at Cavalier as we continue to strengthen our focus on high quality woollen carpets, made with the wool from New Zealand sheep and with the expertise of our New Zealand design and production teams.

Tough trading conditions have continued but we are working hard to capitalise on Cavalier's reputation for quality wool carpets and rugs and have identified some exciting future opportunities for our company, which we hope to update you on in the coming months.

Having the right team in place to oversee and execute our strategy is important and we were pleased that director, George Adams, has accepted the role of Deputy Chair. He is passionate about health and safety and chairs our Health & Safety Committee. We have also established a new customer-focussed organisational structure in Australia and appointed Rochelle Flint to the new role of GM Marketing and International Operations.

We are working hard to ensure a prosperous future for Cavalier. On behalf of the Board, thank you to all our shareholders for your support and to everyone in the Cavalier family for your passion and the energy you bring to your role every day.

Appearing in unexpectedly, fashionable places

Part of our World of Difference strategy is to align with quality fashion associations and partnerships to give our brand style credentials and inspirational visual metaphors. Which leads us to Melbourne Fashion Festival and iD Dunedin – two high profile fashion events we participated in recently.

Architects and interior designers are valuable specifiers and purchasers and we are looking to build awareness of Cavalier's offer with this incredibly important group. At the Virgin Australia Melbourne Fashion Festival, we invited a group of interior designers to a "World of Difference" experience at the Grand Showcase Runway which featured Australia's well known and globally recognised designer, Carla Zampatti. This was a wonderful way to network and promote our carpets, in a design-led environment.

Meanwhile in New Zealand, we sponsored iD Dunedin Fashion Week's wool category for the second year. The award recognises the designer who has made the most innovative use of the wonderful natural fibre, wool.

It's this shared belief in the virtues of wool as a naturally renewable fibre, that prompted us to support the longstanding event and inspire the next generation of emerging designers to choose nature's finest fibre for designing the most innovative collections.

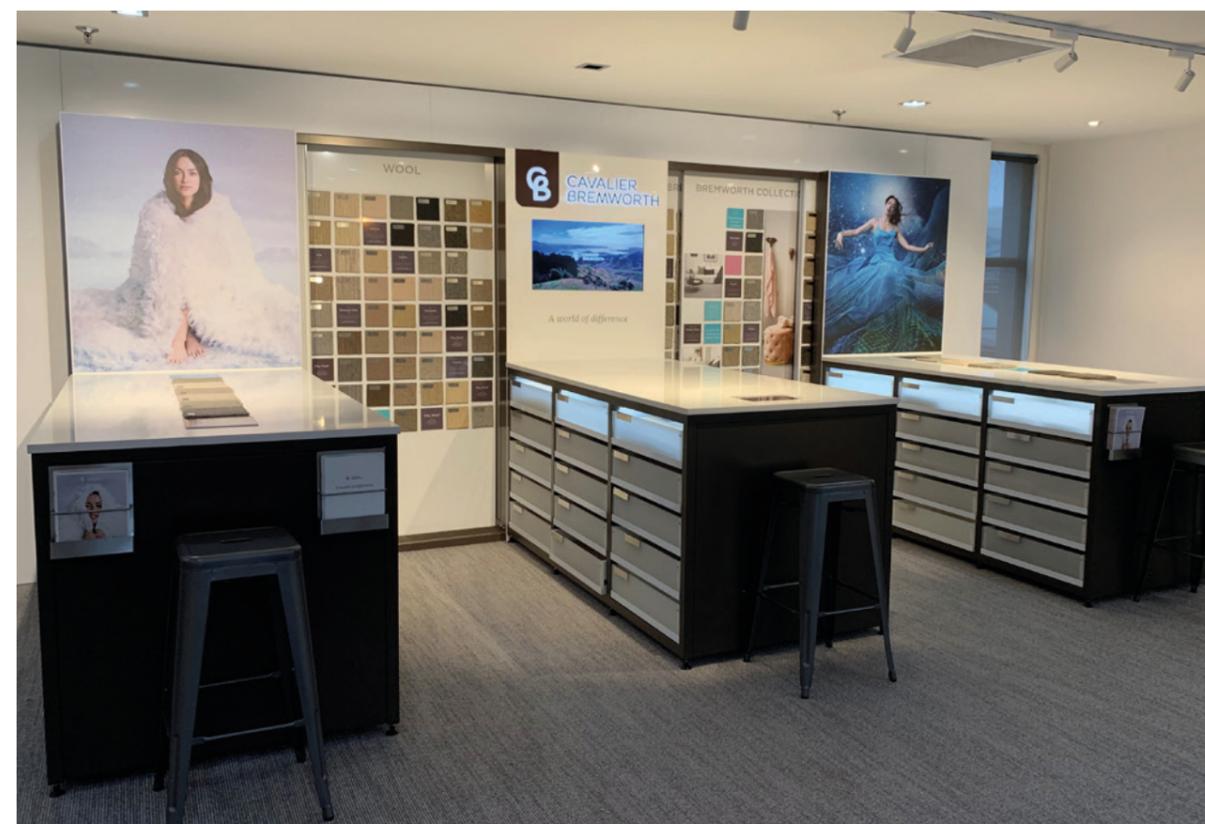
This year's Cavalier Bremworth Wool Award winner, Dayun Lee from South Korea, featured a finely tailored wool collection with a strong 1940s military-inspired aesthetic.



Dayun Lee's finely tailored wool collection was the winner of iD Dunedin Fashion Week's wool category

“Wool’s structure makes it strong, soft and versatile. Our people are passionate about crafting it into beautiful and unique carpet and rugs, just like Dayun has fine-tuned her tailoring ability with wool to present her collection at Dunedin iD.”

Rochelle Flint, Cavalier's GM Marketing and International Operations.



Adding 'za-zoom' in-store across Australasia

Cavalier provides multiple ways for potential customers to view our carpets, from our website and social media through to free samples sent to their home. However, our research shows that most customers will make their final flooring decision in-store, where they are able to compare numerous different brands and products.

Cavalier has networks of valuable retailers throughout both New Zealand and Australia. To ensure our high-quality carpets are displayed as they deserve, in the best way possible, we continue to invest heavily in our World of Difference in-store experience displays.

We now have numerous 'mini' World of Difference stands nationwide in New Zealand and an increasing brand presence with our larger World of Difference displays in a growing number of premium retail outlets. The rollout is continuing in Australia as well, as we continue to support our distribution networks on both sides of the Tasman.



Woolen yarn carpet



Felted wool carpet

LEARNING ABOUT OUR BUSINESS

Woolen yarn vs felted wool carpets

Demand for felted carpets is increasing and Cavalier is a global leader in this area. But what is felted carpet and how does it differ from standard wool carpet?

Cavalier sources all its wool from New Zealand sheep and dyes, spins and felts the yarn into beautiful carpets and rugs in its New Zealand factories.

Woolen yarn is a tried and tested material for producing carpet that performs in any installation. It can be used in either loop or cut pile carpet styles and can be more economically produced, with a wider range of processing equipment available.

Felting is all about locking the woollen fibres together - yarn is produced, assembled, twisted and felted, often in ground-breaking fashion. The result is a strong, chunkier textured carpet with intricate designs, that exhibits the highest levels of performance while still retaining its natural softness and appeal. Cavalier is a global leader in felted yarn technology and continues to lead the way in creating exclusive felted yarns with a unique look and feel.



Redefining the flooring experience with Cavalier Bremworth rugs

Hard flooring has become a design choice for many homes so it was only logical for Cavalier to design its woollen carpets into beautiful rugs. Rugs not only provide warmth and comfort in your home, they are also great at reducing noise and of course can create a real style statement.

There is a colour and style for everyone, from Cavalier's beautiful wool ranges to its plushiest synthetics.

The beauty with Cavalier Bremworth rugs is that you can choose any of our carpets to be made into a rug of any shape, it's up to you! Plus, we will soon be launching more binding options allowing you more customisation to suit your home and style.



New Zealand's Most Trusted Carpet Brand

For the sixth year in a row, Cavalier Bremworth received top honors in the Reader's Digest Most Trusted Brands awards.

What customers said about Cavalier Bremworth in the Readers Digest consumer survey:

“Hard wearing carpet, especially the 100% wool.”

“I automatically associate it with a reputable brand that has been around for a while.”

“Premium brand, good product.”



Mystery Creek Fieldays

Fieldays is the Southern Hemisphere's largest agricultural event with 1,059 exhibitors displaying their wares in 2019. Held in the Waikato over four days, more than 130,000 visitors attend the event, keen to check out everything from tractors to irrigation systems... and even new carpet for the home. This year, Cavalier showcased its beautiful carpets and rugs at its stand in the Town & Country marquee, with special deals on offer.



Reducing our footprint

Consumers have never been so environmentally conscious and we are seeing growing awareness of the damage that micro-plastics and synthetic products are having on our environment.

People are starting to make positive steps towards real change and we believe the evolution in favour of natural, renewable, biodegradable fibres and more responsible synthetic products will be imminent across all industries.

After the rush towards synthetic carpets in the last 10 to 15 years, people are now realising the benefits that wool offers and we are seeing consumers turning back to beautiful woollen carpet for colour, innovative style, performance and its natural benefits.

Sustainability is important to Cavalier, as is consumer choice, and as well as our wool carpets, we also work with innovative synthetic fibre producers to create our sustainable synthetic fibre carpets and rugs.

An example of this is the use of Aquafil's Econyl synthetic fibre in our Siren carpet. The Econyl fibre is made from 100% recycled synthetics including fishing nets recovered from oceans around the world, fabric scraps from mills and carpet fibre designated for landfill. We are currently the only carpet manufacturer using the technology in Australasia, which is also widely used by fashion clothing brands.

Late last year, Aquafil opened a 'take back' carpet recycling plant in America. Particular carpets can be recycled, with Aquafil reusing the fibre component and the rest of the carpet going into other things such as roading in the local American market. In the US alone, 13 million tonnes of textile waste ends up in landfills, and carpeting accounts for 2% of all landfill material.

We have been watching Aquafil's initiative closely and are investigating how we can also be involved in introducing better alternatives in New Zealand for large scale wool and synthetic end of life carpet recycling.



Siren carpet

Go digital

Future Shareholder Newsletters will be digital only and we encourage you to sign up for email communications with Computershare or alternatively, subscribe to the Cavalier's ENews service. It's simple to sign up.



Receive all your shareholder communications by email

Email enquiry@computershare.co.nz, provide your CSN/shareholder number and confirm you want to receive Cavalier communications by email.

Alternatively, you can log in to www.investorcentre.com/nz and update your details. For first time users, you will need your CSN/shareholder number and FIN to access the Investor Centre and register your account.

Going forward, you will access this service with your own User ID and password. While there, you can also update other details including change of address, banking instructions and IRD number.

Stay up to date with ENews

You can also register to receive news and updates from Cavalier as we release them to the market. Please note, this is a separate service to receiving shareholder communications by email. To sign up, go to www.cavcorp.co.nz and click on ENews in the top right hand corner.

Upcoming key dates

30 June

End of FY19 financial year

By end-August

FY19 results announcement

By end-September

FY19 Annual Report available

29 October

Annual Meeting of shareholders

Stay in touch

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