CAVALIER CORPORATION

MARKET RELEASE
20 November 2020

FY20 Annual Report

Cavalier Corporation Limited (NZX: CAV) has today released its FY20 Annual Report, including the audited financial statements for the year ended 30 June 2020. There is no change to the headline unaudited preliminary results released to the market on 28 September 2020.

As reported at the time, for the 12 months ended 30 June 2020:

- The key outcome for the year was the announcement of Cavalier's new transformational strategy to become a sustainable, interior solutions business.
- The FY20 results reflect the re-setting of the organisation as Cavalier commences its pivot, as well as the softening trading conditions noted in 1H20, which were further exacerbated by the COVID-19 pandemic in 2H20.
- Revenue was $118.0m for the 12 months and Cavalier reported a NLAT of $(21.5)m, with a normalised NLAT[1] of $(3.5)m excluding non-trading adjustments.
- Normalised EBITDA[1] was $2.3m, excluding non-trading pre-tax adjustments of $(11.2)m, primarily related to the strategic change and company re-set.
- Net debt reduced to $14.5m as at end of June and has further reduced since year-end to $1.4m as at end-October 2020, putting the Company in a strong position from which to continue to execute its transformation.

FY21 sales volumes to date have been stronger than anticipated with increasing sales of wool carpets.

The Board has previously noted that the Group's future cash flows are based on forecasts that are sensitive to changes in carpet volumes and margins. The ability of the Group to meet its obligations, and future going concern, are subject to material uncertainty if these forecasts are not met. However, the sale of the Auckland property, which is expected to settle no later than the end of January 2021, combined with the stronger than anticipated trading in the year to date and the significant reduction in debt to $1.4m as at the end of October 2020, provides the Board with confidence in Cavalier's financial sustainability and the Board considers the Group to be a going concern and able to meet its contractual obligations.

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For further information please contact:

Paul Alston Chief Executive Officer palston@bremworth.co.nz +64 21 918 033 +64 9 277 1135	Jackie Ellis Media and Investor Relations Jackie@ellisandco.co.nz +64 27 246 2505

[1] Normalised EBITDA and Normalised NLAT are non-GAAP measures. Normalised EBITDA excludes non-trading adjustments of $11.2m which comprise restructuring costs of $1.2m and asset write downs of $10.0m, primarily associated with the re-set of the Cavalier business as it commences its new strategy, and as a result of a conservative valuation of assets more closely aligning market capitalisation and net asset value. Normalised NLAT excludes the above as well as derecognition of deferred tax assets. A reconciliation of GAAP to non-GAAP measures is provided on page 115 in Cavalier's FY20 Annual Report accompanying this market release.