

MARKET RELEASE

17 September 2020

Cavalier Special Meeting and Trading Update

New Zealand wool and carpet company, Cavalier Corporation Limited (NZX: CAV) is holding a special meeting of shareholders today at 10 am, for shareholders to consider and vote on the sale and leaseback of Cavalier's Auckland property. The proceeds will provide the financial resources to undertake Cavalier's strategic transformation to the all-wool and natural materials business model; additional liquidity and funding during the current uncertain and difficult operating environment; and a sound financial footing to better capitalise on the expected eventual recovery in the carpet market.

A copy of the meeting presentation and the Chair and CEO's speeches will be provided to NZX and will also be available on the company's website before the special meeting.

Cavalier has also today provided a trading update for the FY21 financial year, which commenced on 1 July 2020.

Since emerging from COVID-19 lockdown in New Zealand and the restrictions in Australia in May, sales volumes have been stronger than expected. Partly, this has been led by pent up demand and consumers spending money on their homes in lieu of other discretionary spends (for example, overseas travel); as well as sales of synthetic carpets, as retailers have been stocking up ahead of Cavalier's transition away from these fibres.

New Zealand, in particular, has been performing better than anticipated in the new financial year from 1 July. For the financial year to date, Cavalier's total carpet volumes in New Zealand, including the sell down of synthetics, are up over 7% on the same period last year. Sales revenue is up over 10% due to a better mix of product sold.

During the same period, wool volumes alone are up 7.5% on last year and sales revenue is up 21% - again highlighting the higher price points associated with wool carpets.

In Australia, while volumes are down about 13%, the associated sales revenue is only down by 6%. In part, this softer performance is a result of the renewed COVID restrictions in Victoria and NSW, where nearly 60% of Cavalier's active retailers are based; as well as the need to rebuild woollen carpet stocks in Australia following the shutdown of manufacturing in New Zealand.

Over 80% of Cavalier's sales in Australia are wool. Trading has started strongly in September and the company is expecting a lift in this market as COVID restrictions are relaxed.

Net debt has also decreased significantly, from \$17.7m in December to only \$7.2m at the end of August. This is a major decrease and highlights the stronger than expected trading and faster than expected sell down of remaining synthetic stocks.

The outlook for the economy remains uncertain but all indications are that there will be a downturn in the near term as a result of COVID-19. The company believes the work being done to reposition Cavalier will allow it to navigate this environment and build on the consumer trends being seen in the marketplace to deliver value for shareholders.

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