



# Investor Presentation

**2014 Year Results Road Show**

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# Agenda

## **FY14 Key Points**

Financial Results

Future

Company Overview

# FY14 Key Points

- Record annual revenue
- Profit up by 46.5% on prior year
  - Major projects underpinned result
- Day-to-day trading remains challenging
- \$1 special dividend paid in June
- 31c final dividend on increased number of shares
- Divestment of Indax announced



# Introduction to Korvest



- Korvest (ASX:KOV) is headquartered in South Australia and provides cable and pipe supports, access systems for large mobile equipment, hydraulic tools and wrenches, and galvanising services
- Listed in September 1970
- Korvest has sales offices warehouses in Adelaide, Melbourne, Brisbane, and Perth, with distributors in Darwin, Townsville, Hobart and New Zealand
- Manufacturing fabrication and galvanising in Adelaide
- Power Step and Titan Technologies in Brisbane
- Overseas supply chain provides make vs buy flexibility
- Korvest business sell to a wide variety of industry sectors

# Agenda

FY14 Key Points

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# Divisional Overview



## Industrial Products



## Production Services



**korvest galvanisers**

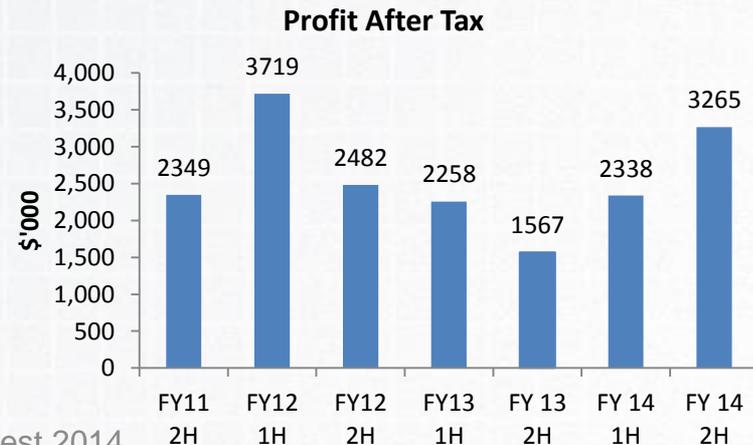
|   |       |       |
|---|-------|-------|
| <b>Headcount</b>                        | 169   | 43    |
| <b>Revenue Contribution<sup>1</sup></b> | 91.1% | 8.9%  |
| <b>EBIT Contribution<sup>1</sup></b>    | 76.0% | 24.0% |

(1) Based on FY2014 reported revenue and EBIT

# Headline Numbers

|                           | June 2014 | June 2013 | % Change |
|---------------------------|-----------|-----------|----------|
| <b>Sales</b>              | \$73.76m  | \$61.72m  | 19.5%    |
| <b>EBIT</b>               | \$7.66m   | \$5.34m   | 43.4%    |
| <b>Operating cashflow</b> | \$4.23m   | \$7.52m   | (43.8%)  |
| <b>Earnings per share</b> | 64.1c     | 44.0c     | 45.7%    |
| <b>Dividend per share</b> | 157.0c    | 46.0c     | 241.3%   |

- Revenue and EBIT boosted by improved project work
- Major projects impacted cashflows
- June special dividend and improved second half earnings drove substantial dividend improvement



# Trading Update

## Industrial Products



|               | June 2014 | June 2013 | % Change |
|---------------|-----------|-----------|----------|
| <b>Sales</b>  | \$67.2m   | \$55.5m   | 21.1%    |
| <b>EBIT</b>   | \$6.61m   | \$3.81m   | 73.5%    |
| <b>EBIT %</b> | 9.8%      | 6.9%      |          |

### **EzyStrut** Trading Update – EzyStrut

- All states grew compared to prior year
- Strong oil and gas project work on East and West coasts drove strong growth in WA and Qld
- Day-to-day trading remains challenging
- Manufacturing facility expanding into facility previously occupied by Indax

# Trading Update Industrial Products



|               | June 2014 | June 2013 | % Change |
|---------------|-----------|-----------|----------|
| <b>Sales</b>  | \$67.2m   | \$55.5m   | 21.1%    |
| <b>EBIT</b>   | \$6.61m   | \$3.81m   | 73.5%    |
| <b>EBIT %</b> | 9.8%      | 6.9%      |          |



**INDAX**

## Trading Update – Indax

- Announced intention to divest business
- Impairment - Fixed assets by \$263k, inventory by \$415k

# Trading Update

## Industrial Products



|               | June 2014 | June 2013 | % Change |
|---------------|-----------|-----------|----------|
| <b>Sales</b>  | \$67.2m   | \$55.5m   | 21.1%    |
| <b>EBIT</b>   | \$6.61m   | \$3.81m   | 73.5%    |
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### Trading Update – Power Step & Titan

- Disappointing results due to global slowdown in demand for mining equipment
- New units and spare parts below expectations
- Invested in hire equipment fleets closer to major customer bases
- New product development for Power Step

# Trading Update

## Production Services



|               | June 2014 | June 2013 | % Change |
|---------------|-----------|-----------|----------|
| <b>Sales</b>  | \$6.56m   | \$6.21m   | 5.6%     |
| <b>EBIT</b>   | \$2.09m   | \$1.69m   | 23.7%    |
| <b>EBIT %</b> | 31.9%     | 27.3%     |          |



### Trading Update – Korvest Galvanisers

- Excellent overall result after strong 1H
- Main plant internal and external volumes increased
- Spin plant volumes flat
- Success of SA fabricators underpinned strong 1H

# Balance Sheet

| <b>ASSETS</b>               | <b>\$m</b> | <b>June 2014</b> | <b>June 2013</b> | <b>June 2012</b> |
|-----------------------------|------------|------------------|------------------|------------------|
| Cash                        |            | 0.5              | 2.4              | 5.2              |
| Receivables                 |            | 17.7             | 12.5             | 14.8             |
| Inventories                 |            | 11.3             | 9.5              | 8.6              |
| Assets Held for Sale        |            | 1.5              | -                | -                |
| Property, Plant & Equipment |            | 15.9             | 17.5             | 17.4             |
| Goodwill & Intangibles      |            | 1.8              | 2.1              | -                |
| <b>Total Assets</b>         |            | <b>48.8</b>      | <b>44.0</b>      | <b>46.0</b>      |
| <hr/>                       |            |                  |                  |                  |
| <b>LIABILITIES</b>          |            |                  |                  |                  |
| Payables                    |            | (8.2)            | (5.2)            | (5.1)            |
| Other Liabilities           |            | (4.0)            | (3.5)            | (4.6)            |
| <b>Total Liabilities</b>    |            | <b>(12.2)</b>    | <b>(8.7)</b>     | <b>(9.7)</b>     |
| <hr/>                       |            |                  |                  |                  |
| <b>NET ASSETS</b>           |            | <b>36.6</b>      | <b>35.3</b>      | <b>36.3</b>      |

# Dividends

|                        | FY 2014 | FY 2013 | FY 2012 | FY 2011 | FY 2010 |
|------------------------|---------|---------|---------|---------|---------|
| <b>Interim</b>         | 26c     | 26c     | 18c     | 11c     | 17c     |
| <b>Special Interim</b> | 100c    | -       | 5c      | -       | -       |
| <b>Final Dividend</b>  | 31c     | 20c     | 30c     | 15c     | 15c     |
| <b>Total Dividend</b>  | 157c    | 46c     | 53c     | 26c     | 32c     |
| <b>Franking</b>        | 100%    | 100%    | 100%    | 100%    | 100%    |

- \$1 underwritten special dividend paid in June
- 1.6 million shares issued with DRP and associated underwriting
- DRP suspended for final dividend
- Final dividend equivalent of 36c allowing for impact of new shares issued
- Final dividend dates
  - **Record Date**           **22 August 2014**
  - **Payment Date**       **5 September 2014**

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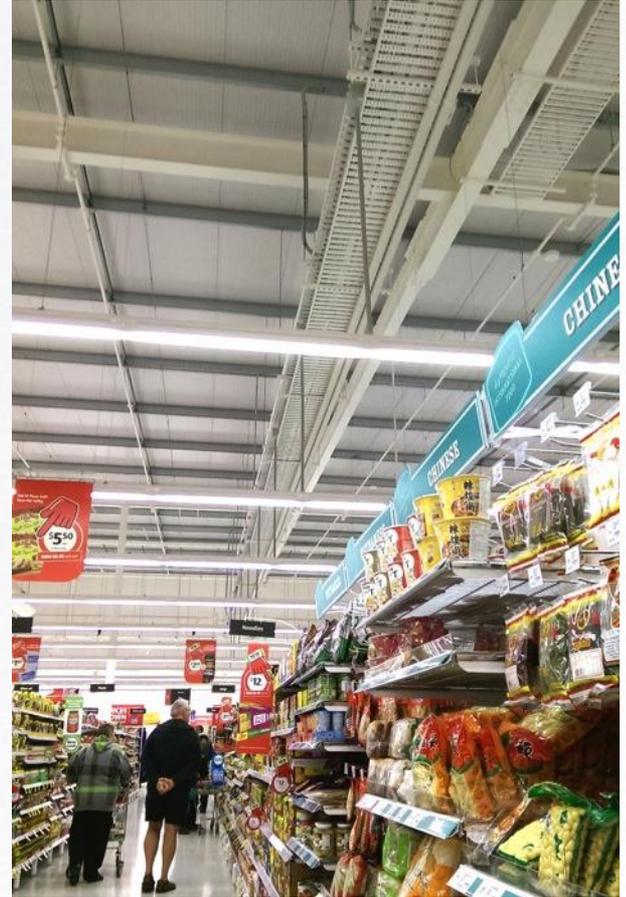
Financial Results

**Future**

Company Overview

# Future

- Board renewal
  - Peter Stancliffe retires in September
  - Graeme Billings chairman elect
  - Replacement director being sought
- Continued acquisition search
  - Dedicated internal resource
- EzyStrut expands to Indax facility
- Product innovation
- ERP to go-live in 1H
- Day to day trading remains challenging
- Trading update at AGM



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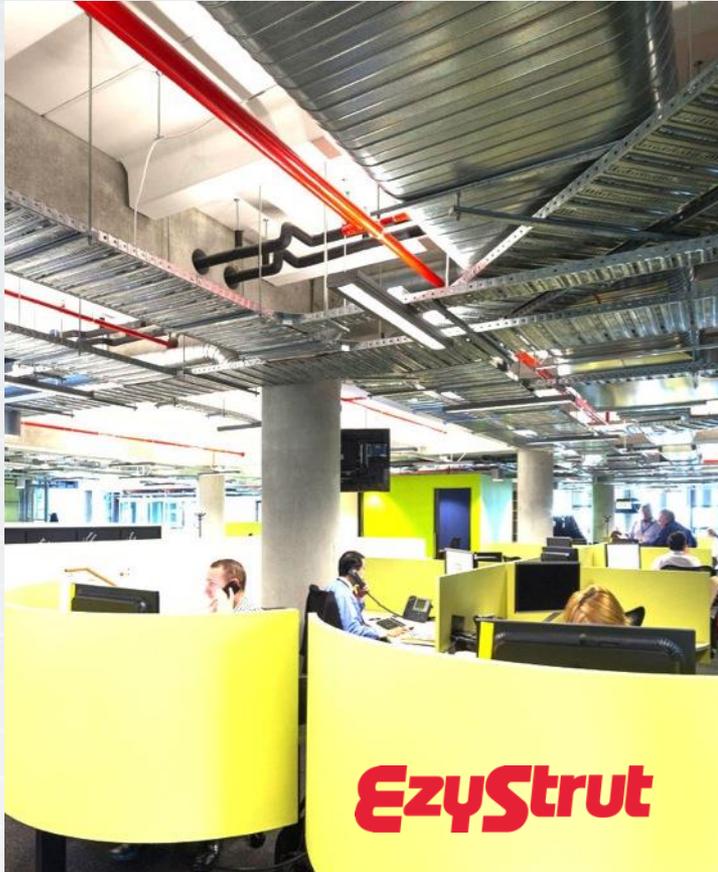
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# Industrial Products



- Cable and pipe supports
- Market leader in cable supports
- Manufacturing facility in Kilburn, SA
- Overseas supply chain
- Sells to EPCMs, Wholesalers, and direct to project contractors and trade
- Local manufacture allows quick response time and ability to manufacture specials – a differentiator to overseas competition
- National sales and warehouse network
- Vertical integration with Korvest Galvanisers

# Industrial Products



- Hydraulic/Electric Safety Access Systems for mobile vehicles
  - Design
  - Manufacture
- Safety Lighting
- Filter Crushers
  
- Queensland Based
  
- Sales Representatives/agents in:
  - QLD, WA, NSW
  - Chile, Brazil, South Africa
  
- Apx. 60% export in recent years

# Industrial Products



- Hydraulic tools and wrenches
  - Sale
  - Hire
  - Repair
- Markets
  - Large scale construction
  - Power stations
  - Industrial sites
  - Mines
  - Wind towers

# Production Services



- Longest galvanising kettle in Australia (14m)
- South Australia's only centrifuge plant (national market)
- Predominantly structural work for SA projects or fabrications
- In-house work for EzyStrut



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