

Metroglass announces solid FY21 results in year significantly affected by COVID-19

Summary of the audited results for the twelve months ended 31 March 2021 (FY21)¹

| \$m | New Zealand | | Australia | | Group | |
|-----------------------------|-------------|-------|-----------|-------|-------|-------|
| | FY21 | FY20 | FY21 | FY20 | FY21 | FY20 |
| Revenue | 179.8 | 203.0 | 52.5 | 51.9 | 232.3 | 254.9 |
| Segmental EBIT ² | 19.4 | 26.4 | (0.7) | (3.6) | | |
| EBIT ² | | | | | 17.9 | 21.8 |
| NPAT ³ | | | | | 7.9 | 9.9 |

- The Group delivered solid FY21 results with resilient performance in the competitive NZ market and significantly improved performance in Australia overshadowed by the significant impacts of COVID-19
- NZ revenue declined 2% year on year in the 10 months from June 2020 to March 2021 (following the Alert Level 4 shutdown and ramp up period)
- EBIT before significant items down 18% to \$17.9m
- Statutory net profit after tax of \$8.5m up from \$(78.9m) in FY20
- Strengthened balance sheet with strong operating cash flows driving a 28% reduction in net debt
- Intention to resume dividend payments alongside the FY22 interim results

Metro Performance Glass (Metroglass) today reports financial results for the 12 months to 31 March 2021 (FY21).

CEO Simon Mander said: “The strength in our FY21 results reflect the resilience of our people to keep the business moving in disruptive operating conditions. In New Zealand we started the financial year in an Alert Level 4 lockdown, but recovered well, achieving good volumes in our Retrofit, and commercial glazing segments. Pleasingly, activity in those segments and a focus on cost control helped to offset the impacts of the Level 4 COVID lock down in New Zealand and increased competitor capacity in the residential window manufacturer segment.

“In Australia, the business continued its positive trajectory with stable operating performance, positive customer feedback and growth in double glazing sales. The business delivered an improved financial performance, however external shocks impacted momentum late in the financial year with the COVID-19 lockdown in Victoria and severe flooding in NSW.”

Group Revenue for the year to 31 March 2021 of \$232.3m was 9% below last year, with New Zealand down 11% and Australia up 1%. EBIT before significant items fell 18% to \$17.9m. Statutory NPAT improved from \$(78.9m) in FY20 to \$8.5m in FY21.

Net debt was reduced by \$18.9m this year to \$48.0m on 31 March 2021, through strong operating cash generation, focussed capital expenditure and the sale and lease back of the majority of the New Zealand vehicle fleet.

Note: all non-Generally Accepted Accounting Principles (GAAP) financial measures are defined and reconciled to a GAAP measure in the 2021 Annual Report, available here: <https://www.metroglass.co.nz/investor-centre/annual-interim-reports/>.

¹ All prior period comparisons are to the full year ended 31 March 2020 (FY20) unless otherwise stated.

² Earnings before interest, tax, and significant items (FY21: \$1.0m gain on sale of vehicles, FY20: \$86.5m impairment of NZ goodwill, \$4.6m of NSW restructure costs and \$0.9m of positive tax adjustments relating to prior periods).

³ NPAT before significant items (FY21: \$1.0m gain on sale of vehicles, FY20: \$86.5m impairment of NZ goodwill, \$3.2m of NSW restructure costs and \$0.9m of positive tax adjustments relating to prior periods).

“Our operating environment has evolved in FY21 with the risk stemming from COVID-19 ever present. As dynamics of the competitive environment continue to play out, our focus remains on providing a differentiated and market leading customer experience. Pleasingly, our customer survey results continue to indicate we are heading in the right direction, with our highest result to date in New Zealand.”

New Zealand

The business’ operations were regularly impacted by fluctuating COVID-19 restrictions and international supply chain disruptions this year, which impacted on momentum across the industry.

Revenue in New Zealand declined 11% to \$179.8m in FY21, principally driven by the Alert Level 4 COVID-19 lockdown and ramp up period in April and May 2020. For the 10 months from June 2020 onwards, New Zealand revenue declined 2%, mainly as a result of a slower industry restart in January 2021.

Residential segment revenue fell 17% in FY21, with approximately 55% of this fall attributable to the April and May 2020 period, alongside other impacts from increased competition and the slower restart in January. Revenue in our Retrofit business grew 16% this year despite the lockdown. Commercial glazing revenue declined 8%, however the business delivered EBIT growth through improved operational efficiency. Overall EBIT in New Zealand fell 27% to \$19.4m with savings in factory and glazing costs only partially offsetting lower revenue.

“With the unprecedented operational disruptions and competitive landscape changes faced in FY21 now largely behind us, the business is firmly focused on the future. Metroglass has a market leading product and service offering and deep customer relationships that will continue to remain at the centre of our value proposition.” said Mr Mander.

Australian Glass Group (AGG)

AGG navigated a challenging year, delivering a significant improvement in financial performance despite repeated and prolonged COVID-19 related restrictions and disruptions. AGG’s revenue increased by 1% to \$52.5m in FY21 with strong performance from all states in rebuilding the revenue forgone through the exit from non-double-glazing product sales in NSW. This success was supported by a 9% increase in double glazing sales in FY21.

The business had been on track to deliver a breakeven EBIT result for the year; however, two external factors negatively impacted the business in the final quarter. The first was the highly disruptive COVID-19 snap lockdown imposed in Victoria in early to mid-February and the second was the severe flooding in NSW in March. AGG delivered an EBIT loss of \$(0.7m) in FY21 which while disappointing, was a significant improvement on the EBIT loss of \$(3.6m) in FY20.

AGG is a leading supplier of high-performance double-glazing in the south east of Australia, utilising Australia’s best range of high-performance soft coat low emissivity (LowE) performance glass. The business has maintained a similar level of revenue over the last three years but significantly improved its EBIT results, despite the restructuring of AGG’s NSW operations and adapting to the impacts of COVID-19.

Cash flow and balance sheet

Metroglass further strengthened its financial position this year, reducing net debt by \$18.9m to \$48.0m. Despite the disruptions from COVID-19, the success of Metroglass’ debt reduction means that the group is expecting to be below its communicated target of a net debt to EBITDA ratio⁴ of 1.5x in the first half of FY22.

The combination of a stronger balance sheet, increased confidence in the sustainability of the groups market position and future financial performance has enabled the board to reassess its capital management priorities.

It is the board’s current intention to resume dividend payments alongside the company’s FY22 interim results. The company expects to pay fully imputed dividends of between 50% and 70% of net profit after tax before significant items. As is usual when declaring a dividend, the Board will consider a range of factors including group financial performance, one-off or non-recurring events, prevailing and anticipated business and economic conditions.

⁴ The net debt to EBITDA ratio is calculated on a pre-IFRS 16 basis, excluding significant items as per bank covenant definitions.

Market conditions and outlook

Residential dwelling consents in New Zealand have remained elevated, despite the pandemic, supporting a healthy pipeline of work. However, capacity constraints across the wider construction industry may limit growth in the near term. In south east Australia, the level of residential approvals has significantly improved through FY21 compared with the year prior which will provide some support through the 2021 calendar year.

Mr Mander said: “We are increasingly confident that activity across both New Zealand and Australia will be at least sustained at current levels for the rest of the 2021 calendar year. However, we remain alert to COVID-19 risks and the significant disruptions in international shipping, both of which are likely to continue until the end of 2021.

“The residential segment in New Zealand will continue to be competitive and dynamic through FY22, and we will continue to take a prudent approach to managing our costs. Capital expenditure will be focused on essential areas, but we will also invest for growth where appropriate. In the coming year, we will work hard to support the success of our customers by providing excellent service and maintaining our market-leading position in New Zealand and growing position in Australia.”

The company will provide shareholders with an update on early FY21 trading performance at its Annual Shareholders’ Meeting on the 6th of August 2021.

/Ends

Full year results webcast and conference call details

Metro Performance Glass Limited will host a conference call today to review its FY21 results. The briefing is scheduled to begin at 10am NZDT and can be joined by webcast or conference call.

You can listen to the webcast via the company’s website: www.metroglass.co.nz/investor-centre or directly: https://globalmeet.webcasts.com/starthere.jsp?ei=1449884&tp_key=2a81d0cca0. Please allow extra time prior to the webcast to visit the site and download streaming media software if required. An online archive of the event will be available after 2pm on the day.

To join the conference call and have the ability to ask questions, please dial in to one of the numbers below at least 5 minutes prior to the scheduled call time and when prompted, please quote the conference code: **226581**.

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Authorised by the Metroglass Board.