

*Metro Performance Glass Limited  
Annual Shareholders' Meeting, 1 August 2023*

### **Chair's address**

Good morning ladies and gentlemen. My name is Peter Griffiths, I am the Chair of Metro Performance Glass Limited and will be chairing today's meeting.

The financial year 2023 was another challenging year for Metroglass. The hangover from Covid remained with us.

International supply chains continued to be disrupted and raw material freight costs remained high. We increased the levels of stock to ensure service to customers, as a result working capital increased, leading to higher debt.

We introduced a series of initiatives through the year to free up cash, improve price and reduce cost.

Consequently, gross profit improved in latter months of FY23 as prices increases were embedded and high costs for international freight eased.

The business' cost out programme resulted in annualised savings of \$8.0 to \$9.0 million. On going cost reductions as demand softens will continue.

Through the second half of FY23 the New Zealand construction market started to soften, and this has continued through into the current year. The m2 of glass processed in first quarter of FY24 is 24% lower than the first quarter of FY23.

It is clear that we in a period of reduced activity. The board and management team continue to consider a range of scenarios and have further initiatives to reduce costs should demand soften further.

As in previous years our capital programme remained focussed on increasing capacity and capability for processing higher performing LowE glass in New Zealand and increasing double-glazing processing capacity in AGG. This programme has enabled the company to service changing product demand from the new building code changes in each country.

AGG achieved a year with significant improvements in profitability supported by high levels of operational stability and customer satisfaction.

It remains the board's intention once debt is significantly reduced to resume dividends inline with the Metroglass capital management framework.

The board remains focussed on achieving the best value for all shareholders and ensuring that the company is a successful and enduring glass processor and is open minded to all options.

As we have consistently communicated, we continue to be focused on reducing the Groups debt leverage to below 1.5 times net debt to EBITDA. We had previously good progress, however the impact of the pandemic has negatively affected earnings and margins. A period of softer market activity creates a further challenge.

It is the boards' view that cash flows from operations alone particularly in a downturn cannot reduce debt rapidly enough and other alternatives need to be considered.

In February, we announced the start of an asset sale process for our AGG operation.

A range of offers were received, and several parties entered due diligence which is expected to conclude shortly. The board will carefully consider final offers, and if thought the best option in achieving the goal of significantly reducing debt, will bring the offer to shareholders for consideration at an extraordinary meeting.

To conclude, I would like to take the opportunity, on behalf of the board, to thank our Metroglass employees for their determination and resilience during this period and our, customers, suppliers and shareholders for their continued commitment and support through another incredibly challenging year.

Thank you, I will now ask Simon to follow with his presentation, after which we will open the meeting for questions.

### **Chief Executive Officers address**

Thanks Peter.

Good morning everyone and thank you all for joining us both here in Auckland and online.

My name is Simon Mander, and I am the CEO of Metro Performance Glass.

I'd like to start by recognising our people right across the Metroglass Group, their resilience has ensured that we have continued to deliver our market leading products and services to our customers.

Our teams have managed the ongoing supply chain disruption well and as shipping became more reliable and predictable, it has allowed us to begin reducing safety stock levels and in turn, working capital. We have also seen marked improvements in gross margin as price increases embed, our sales mix shifts to higher value Low E, and freight costs ease.

During the year, all of our segments were impacted by disruptions to supply chains and corresponding project delays that impacted our efficiency. In spite of this, all segments remained resilient and performed well. Metroglass remains the leading glass processor and installer in New Zealand.

Australian Glass Group delivered on their turnaround plan, with stable operational performance and delivered a significantly improved EBIT result.

AGG is well positioned for continued growth alongside the increasing adoption of double glazing as changes to National Construction Code further accelerate its uptake.

I am also proud of the progress we have made in our environmental, social and governance commitments:

Our safety performance continues to improve, and this remains a key focus for the leadership team. The Total Recordable Injury Rate (TRIFR) more than halved to 2.5 in FY23 from 5.5 in the prior year.

This year we sought to understand our carbon emissions profile and have recently achieved external assurance from Toitu Envirocare for our FY22 base year. This is a good starting point for the company to develop our longer-term carbon reduction programme.

I'll now provide you with a brief summary of the group's financial performance in the financial year ended 31st March 2023:

Group EBIT of \$11.8 million was an increase of 100% on the prior comparable period, driven by a full trading period without a lockdown and significant price increases in both New Zealand and Australia.

Net debt increased to \$60.1m, driven primarily by higher volume of inventory which was also at higher unit cost. Our leverage ratio reduced to 3.2x on 31 March 2023, from 3.8x on 31 March 2022.

AGG had a much improved result after a number of very difficult years. Revenue lifted 32% primarily through improved pricing and stable operations and we delivered an EBIT result of \$6.4m.

I'll now touch on how we are traveling year to date:

For Q1 Group revenue is similar to the prior year despite the amount of glass processed in m2 being materially lower than the same period last year.

Revenue in NZ is 9% lower but improved pricing and mix is helping offset the volume reductions from a softer New Zealand market.

Gross Profit Percentage has improved 7% on prior comparable period in NZ

AGG continues its momentum seen through FY23 into Q1 FY24, with glass processed, revenue, gross profit and EBIT all above the same period last year.

Net debt has reduced from \$60m at 31 March 2023, to approximately \$55m at 30 June 2023, primarily driven by reductions to working capital. Our CAPEX is currently at same level as this time last year and we expect our full year capex to be similar to last year at approximately \$7m

I'd like now to take a moment to outline the supportive regulatory changes occurring in New Zealand.

In New Zealand, MBIE introduced changes to the minimum thermal performance requirements for compliance with the building code H1 Energy Efficiency. This is the first major change to the code since the introduction of Double Glazing in 2007/08.

New Zealand has moved from 3 climate zones to 6, reflecting the differing local climates across the country, with each zone being set new thermal performance requirements for insulation – glass being one of them.

The new building code requirements see an increase in thermal efficiency across all zones, in three phases:

From November 2022: All zones to move to an R0.37 from R0.26, then from May 2023, this splits into 3 increased R value requirements, with the coldest areas requiring R0.50 and a final step in November 2023. which brings zone 1 & 2 in line with 3 & 4, at a thermal performance of R0.46

The use of standard aluminium frames in most applications will not be compliant once the full extent of changes is introduced, and almost universally these changes will require all glass to be a high-performing Low E.

We have been talking about these changes for some time and the positive impact we believe this will have on our business. In the last few months, as these new code requirements come into force our mix of Low E in residential double glazing has moved from around 24% Q1 last year to 40% in Q1 this year. Over the next 12 months we expect this to reach 90% plus. Importantly, not only are we seeing a shift from non-LowE glass to LowE glass, but customers are also seeking to move from within the LowE range, towards the high-performing LowE's.

Metroglass has a long history of supplying high performing soft coat LowE products and we believe we have a leading LowE product offering.

Glass performance, excluding mechanical/structural attributes can be summarised across three performance attributes.

The changes in H1 Energy Efficiency requirements means that thermal performance is somewhat of a product hygiene factor in that all glass suppliers must now meet this minimum thermal efficiency requirement.

For example, some of our double glazing range will no longer be appropriate like Classic or clear float double glazing. LowE Plus will also phase out and LowE Max will have limited residential application.

However, we firmly believe we will see a significant shift in attention of the other glass performance attributes by designers and specifiers.

Visual Light Transmission – how much natural light comes in,

Solar Heat Gain – how much heat from the sun comes into the house. This is of particular interest in warmer climate zones.

Earlier this year we brought to market our SunX Grey offering. As you can see from the graphic, it provides strong performance across all the attributes I've just outlined. We are excited to bring this product to market.

Metroglass is well-positioned with world-class facilities. We have been making targeted investments in anticipation of the increasing requirements for processing high performing Softcoat LowE glass.

In the year we installed a new furnace at Highbrook and upgraded and relocated a furnace to Christchurch, along with a series of other modifications to our processing lines creating immediate benefits to efficiency, quality and debottlenecking these two plants.

In Australia we commissioned a second double-glazing line in Victoria to service a growing demand in that region.

A significant amount of the glass processing equipment from Mount Maunganui is being relocated and will be utilised across the AGG business.

In May 2023 we conducted the ninth of our 6-monthly customer surveys. These surveys provide us with feedback and guide our initiatives to address specific issues and general service levels and develop ways to generate value for our customers.

Our ratings in New Zealand while they remain strong, declined in the May survey. We were encouraged by the high survey response rate which climbed to 72%. Often these surveys are reflective of the current situation when the survey is conducted. In and around May we did have some supply disruptions in our plants which impacted some of our customers. We have addressed many of those challenges already. We continue to work with our customers to understand their feedback and work with them to develop solutions to improve our service levels.

In Australia, AGG achieved their highest ever rating as customers continued to complement our people, our communication and customer service, and overall responsiveness to their needs.

Our outlook for remainder of FY24:

New Zealand

The 12-month rolling residential consents has continued to decline, and while above estimated industry capacity, uncertainty remains on the number of dwellings ultimately constructed in FY24 and beyond.

Activity levels in key markets are expected to remain stable at the softer levels for atleast the next 4 months. Economic headwinds may accelerate a further activity decline at the end of 2023 and into 2024.

Metroglass continues to refine plans to continue the improvement of NZ business' profitability.

The cost out programme will deliver operational and financial benefits through FY24.

With reduced disruption to the international supply chain combined with the increasing demand for Low E products, the level of financial performance in the first half of FY24 is expected to better than the pcp.

#### Australia

The number of detached dwelling commencements continues to decline in all states; However the increasing use of double-glazing in residential buildings is likely to partially offset the declines in overall residential construction activity.

As previously announced, For the 12 months to 31 March 2024, management forecasts are for AGG to achieve revenue, EBITDA and EBIT of approximately AUD 79.0 million, AUD 11.5 million, AUD 7.5 million<sup>1</sup> respectively.

#### Group

Net Debt is expected to be in the range of \$53.0 to \$55.0 million

Earnings before interest and tax (EBIT) is expected to be better than the prior comparable period of FY23.

Before I hand back to Peter, I would like to take the opportunity to thank all our shareholders, customers, suppliers, staff and the Board for their support over what has been a challenging year for all.

Thank you.

/Ends