METRO PERFORMANCE GLASS

Full year result
31 March 2022

Key messages

- The Metroglass Group has managed frequent Covid-19 disruptions and other external pressures well, limiting supply volatility to our customers
- Solid revenue in New Zealand was aided by resilient activity before and after the lockdown, however higher input costs and supply chain disruptions materially impacted profitability
- AGG’s transformation into a specialist double-glazing business gained momentum in FY22, despite the Covid-19 induced headwinds, and achieved a further improved EBIT result
- Increases to Metroglass’ net debt in FY22 driven by targeted investments in capability, capacity and quality ahead of building insulation requirement changes and an increase in safety stock levels to better manage supply volatility for customers

Our Environmental, Social and Governance

This year we have continued to build on our approach and reporting of ESG, including;

- Good progress improving safety and wellbeing, with Metroglass TRIFR trending lower
- Continue to invest in our apprenticeship scheme with 8 apprentices qualified in FY22 and 79 currently enrolled
- Proud to have launched the groups first Environmental Sustainability policy
- Initiated workstreams focussed on climate change and related disclosures, understanding our carbon emissions footprint and making efforts to reduce our key resource consumption over the long term
- Continuing to provide training and guidance to hiring managers focussed at eliminating unconscious bias from our recruitment processes and systems

Financial highlights

GROUP[1]

Revenue

$236.1m

(FY21: $232.3m)

+2%

EBIT

$5.9m

(FY21: $17.2m)

-66%

NPAT

$(0.5)m

(FY21: $7.2m)

-$7.6m

Net debt

$52.3m

(FY21: $48.0m)

+4.3m

Leverage ratio

3.7x

(FY21: 1.7x)

nm

NEW ZEALAND[1]

Revenue

$178.0, -1%

(FY21: $179.8m)

EBIT

$7.4m, -61%

(FY21: $18.7m)

AUSTRALIA

Revenue

$58.1m, +11%

(FY21: $52.5m)

EBIT

$(0.3)m, +57%

(FY21: $(0.7)m

[1] *Unaudited financial results. Unless otherwise stated, results are shown in NZ$m and before significant items.*

Solid revenue was aided by resilient activity before and after the lockdown, however higher input costs and supply chain disruptions materially impacted profitability

Revenue
$178.0m (1%) ▼

EBIT[1]
$7.4m (61%) ▼

- Metroglass' focus on strong and clear communications, safety stock levels, and operational stability, provided certainty to the market and tempered volatility for our customers.
- A mix of external pressures from lockdowns, employee availability, supply chain disruptions and rapid cost inflation significantly impacted our ability to operate efficiently.
- All of our segments were impacted by disruptions to varying degrees, including delays to projects and the availability of other building products in the construction supply chain.
  - Despite the residential segment revenue falling 2% as a result of a reduced operating period, our efforts to balance the portfolio made solid progress as we maintained a stable market share and leadership position.
  - Commercial glazing revenue declined 9%, primarily as lockdowns and supply chain disruptions delayed and extended projects.
  - Retrofit revenue grew 16% benefiting from homeowners seeking to upgrade their homes.
- Improvements to our customer service model has resulted in record levels of customer satisfaction, achieving 8.1/10[1]
- Strengthened Metroglass' strategic positioning with investments in capacity, capability and quality ahead of upcoming building insulation standard changes coming into affect in November 2022.

[1] Survey question: "On a scale of 1 to 10, how likely are you to recommend Metroglass to a friend or colleague"

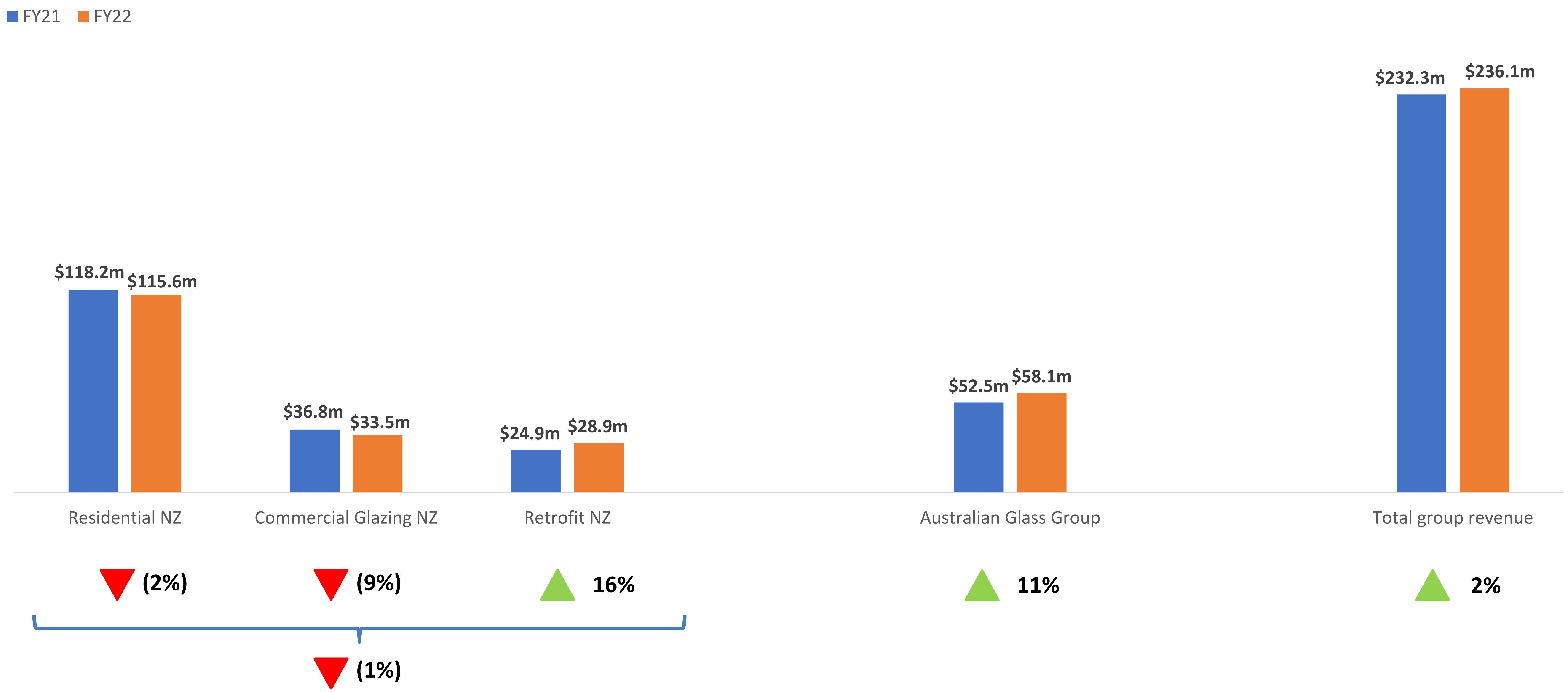
AGG's transformation into a specialist double-glazing business gained momentum in FY22, despite the Covid-19 induced headwinds, and achieved a further improved EBIT result

Revenue
NZ$58.1m +11% ▲

EBIT
$(0.3)m vs. $(0.7)m LY ▲

- Australian Glass Group (AGG) generated a strong 11% increase in revenue despite the disruptive environment, as they managed evolving state-by-state operating conditions well.
- Gross profit margin improved to 28.4%, (FY21: 23.7%), supported by successful pricing strategies to recover increasing input costs and solid operating disciplines.
- A further 14% growth in double-glazing revenue.
- AGG enters the next phase of its turnaround strategy and is well positioned for growth alongside the increasing adoption of double glazing and changes to the National Construction Code (NCC) expected in FY23 that will further accelerate uptake.

FY22: Metroglass Group revenue (NZ$)



Note: The allocation of sales between residential and commercial applications is difficult as Metroglass doesn't always know the end use of a piece of glass. The categorisation methodology is consistent across periods, however Commercial Glazing revenue will include some level of residential glazing sales and services.

FY22: Financial results summary

Group results NZ$m[1]	FY22	FY21[2]	% change
Group			
Revenue	236.1	232.3	2%
EBITDA before significant items	**24.6**	37.5	(34)%
Depreciation & amortisation	18.7	20.3	(8)%
EBIT before significant items	**5.9**	17.2	(66)%
Profit for the year before significant items	**(0.5)**	7.2	(106)%
Significant items	0	(1.0)	
Profit for the period	**(0.5)**	8.1	(106)%
Basic EPS (cents)	(0.2)	4.4	

Segment results NZ$m[1,3]	FY22	FY21[2]	% change
New Zealand			
Revenue	178.0	179.8	(1)%
Gross profit	77.1	86.4	(11)%
Segmental EBIT	7.4	18.7	(61)%
Australia			
Revenue	58.1	52.5	11%
Gross profit	16.5	12.5	32%
Segmental EBIT	(0.3)	(0.7)	57%

[1] The definitions for all non-GAAP measures of financial performance, and additional detail on significant items are provided on slide 15 of this release.
[2] FY21 financial statements were restated to reflect the impact of a change in accounting policy and prior period adjustments. Further details are set out in the unaudited financial statements.

FY22: EBIT bridge (NZ$m)

Note: EBIT is before before significant items.
[1] FY21 financial statements were restated to reflect the impact of a change in accounting policy and prior period adjustments. Further details are set out in the unaudited financial statements..

FY21: Group summary cash flow & balance sheet

Key cash flow items (NZ$m)	FY22	FY21[4]
EBIT before significant items	5.9	17.2
Operating cash flows	13.3	28.8
Capital expenditure	10.5	6.0
Dividends paid	-	-

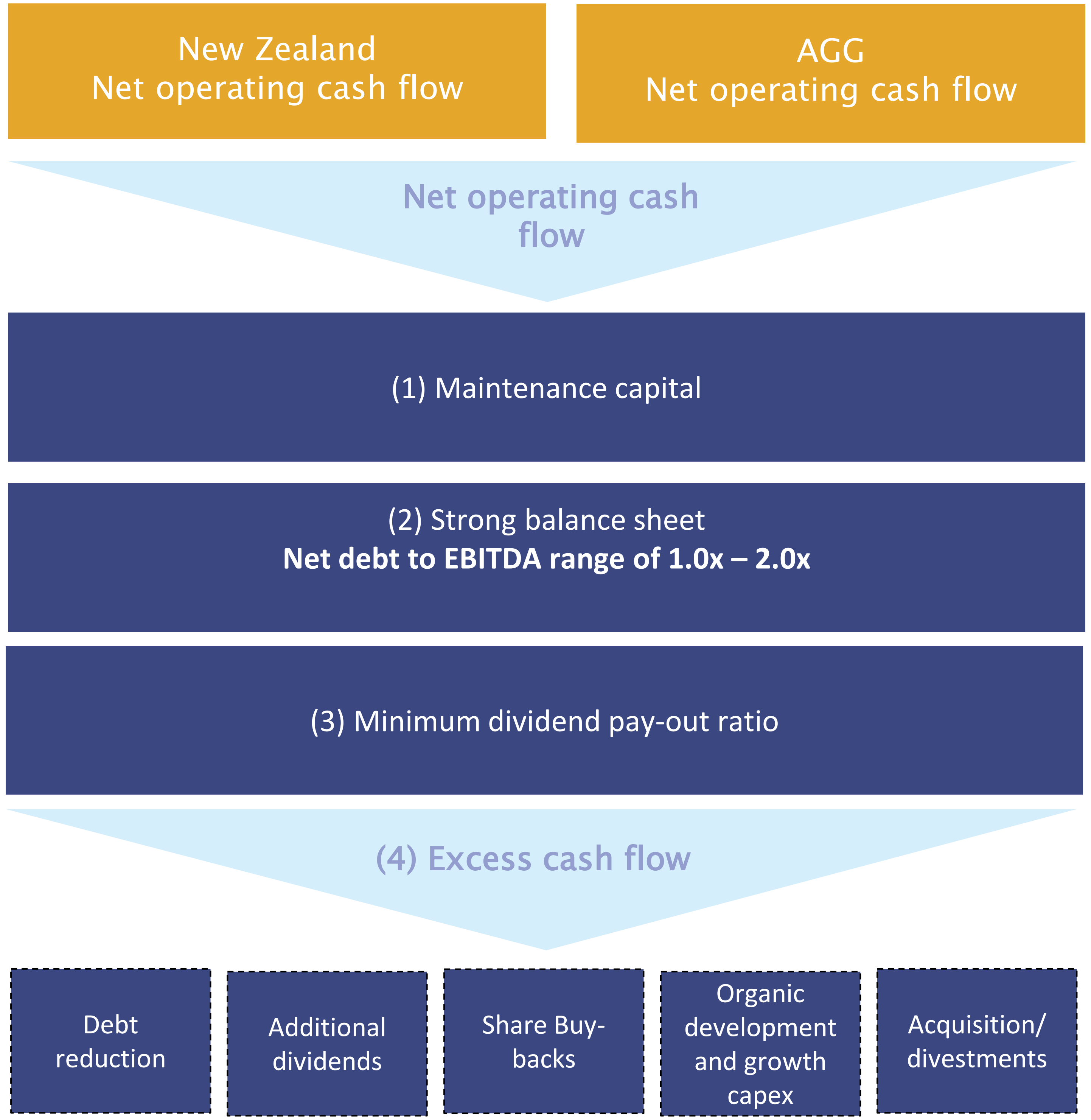
Key balance sheet items (NZ$m)	FY22	FY21
Net working capital[1]	31.7	28.5
Property plant & equipment	54.7	52.5
Right of use assets	70.5	50.6
Total assets	272.1	239.2
Lease liabilities	81.3	60.6
Net debt	52.3	48.0
Total shareholders equity	85.5	85.4

- Net operating cash flows were significantly below last year primarily as a result of the rapid increases in material costs that are partially offset by price increases, and the lower NZ Government wage subsidy in FY22
- In FY22 working capital increases are inline with our efforts to increase our safety stock levels amid international supply chain disruptions and reflect the higher prices for these inventory
- Capital expenditure was increased to $10.5m in FY22 with targeted investments that deliver increased capability, capacity and quality
- Increases to right of use assets reflect the extension of existing lease agreements
- Net debt increased by $4.3m year on year to $52.3m as at 31 March 2022
  - Group gearing[2] increased to 38% from 36%
  - Group net debt to EBITDA ratio[3] increased from 1.7x to 3.7x, without adjusting EBITDA for the impacts of the COVID-19 shutdown period in NZ

[1] Net working capital: trade & other receivables + inventory - trade & other payables.
[2] Gearing: net debt / (net debt + equity).
[3] Calculated on a pre-IFRS-16 (leases) basis and includes other minor adjustments.
[4] FY21 financial statements were restated to reflect the impact of a change in accounting policy and prior period adjustments. Further details are set out in the unaudited financial statements.

Our capital allocation methodology shared with the market last year continues to guide our structured thinking

- The priority order for the use of capital going forward will be:
  1. Capital expenditure to maintain operational capability, improve efficiency and create increased production capacity within the existing manufacturing footprint (circa. $8m p.a.)
  2. Maintaining group leverage within a target range of 1.0x to 2.0x net debt to EBITDA
  3. Re-establishment of a conservative and sustainable divided
  4. Applying any excess cash flows across the best of several competing alternatives. At present, the Board sees merit in pursuing further reduction in net debt towards an underlying net debt to EBITDA ratio of 1.0x



A healthy pipeline and strategic positioning sets up Metroglass for the future

- New Zealand residential building consents have reached record levels in the last 12 months. Capacity constraints in the industry mean that we expect building activity to remain at current levels for the balance of the year
- Strong approvals activity in Australia and a similar capacity constrained industry have created a healthy and elongated the pipeline of work
- The pandemic continues to drive an uncertain outlook in the short to medium term. Our focus will be on gross margin improvement, with the inflationary pressures in our supply chain and the constraints on labour not expected to improve in the near term
- Our strategic programme continues to unlock the potential of the business, with investments in capability, quality, and a strong focus on improving our offering to customers. This creates value opportunities for the business alongside building insulation regulation changes expected to be introduced in our markets during FY23

We remain focussed on our strategy and near-term goals

Building resilience and defending Metroglass' leadership position in New Zealand

Grow profitability in Australia, benefiting from increasing demand for double-glazing

Ensure our balance sheet is robust to cope with future risks and opportunities

Thank you

Opportunity for questions

Appendix: Non-GAAP financial information

- Group results are reported under NZ IFRS. This presentation includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS, being:
  - EBITDA: Earnings before interest, tax, depreciation and amortisation
  - Segmental EBIT: Earnings before interest and tax (EBIT) for either the New Zealand or Australia segment of the Group
- We believe that these non-GAAP financial measures provide useful information to readers to assist in the understanding of our financial performance, financial position or returns, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZIFRS
- Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies

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