# Full year result 31 March 2023

METRO PERFORMANCE GLASS

# Key messages

- The Metroglass Group delivered a result at the upper end of February guidance
- From the start of 2023, New Zealand is improving gross margin performance and  working capital is reducing as supply chain disruption and rising input costs abate. However, the debt legacy remains
- AGG achieved a milestone year with significant improvements in profitability supported by consistent operational stability and customer satisfaction
- Implemented targeted investments in Low E processing ahead of energy efficiency changes to the building code delivering immediate benefits in capability, capacity and quality.
- Cost-out programme with annualised savings in the range of $8.0 million to $9.0 million to be realised in FY24
- Commenced the divestment process for Australian Glass Group

# Financial highlights

## GROUP[1]

**Revenue**
**$263.5m** +12%
(FY22: $236.1m)

**EBIT**
**$11.8m** +100%
(FY22: $5.9m)

**NPAT**
**$1.5m** nm
(FY22: $(0.5)m)

**Net debt**
**$60.1m** +7.8m
(FY22: $52.3m)

**Leverage ratio**
**3.3x** nm
(FY22: 3.8x)

## NEW ZEALAND[2]

**Revenue**
**$186.7, +5%**
(FY22: $178.0m)

**EBIT**
**$6.4m, -14%**
(FY22: $7.4m)

## AUSTRALIA

**Revenue**
**$76.7m, +32%**
(FY22: $58.1m)

**EBIT**
**$6.4m, +$6.7m**
(FY21: $(0.3)m)

*[1] Unless otherwise stated, results are shown in NZ$m and before significant items.*
*[2] The full segment note is available in the unaudited financial statements.*

## New Zealand has begun its recovery of gross margin and working capital reductions as supply chain disruptions and rising input costs abate. However, the debt legacy remains

**Revenue**
**$186.7m +5%** ▲

**EBIT[1]**
**$6.4m (14%)** ▼

- The residential segment grew 6% to $122.1 million
- Commercial glazing activity remained resilient as revenue rose 10% to $36.9 million, however profit margins in fixed price contracts were impacted by rising glass costs.
- Following consecutive years of growth, the Retrofit segment revenue declined 5% to $27.6 million as homeowners reassessed household spending.
- Improvements in safety leadership and performance, with the Total Recordable Injury Frequency Rate (TRIFR) reducing to 2.5 in FY23, from 5.5 in the prior year.
- Consistent customer survey result of 7.9/10[3] in November 2022
- Commissioned increased furnace capacity at the Highbrook and Christchurch pants to debottleneck capacity and increase capability for processing Low E glass
- Launched of SunX™ Grey product to the market - the latest in solar control technology
- The FY23 cost out programme implemented during the year will provide an annual run rate of $8.0 to $9.0 million of cost savings realised in FY24. The business continues to assess further cost reduction initiatives depending on future activity levels

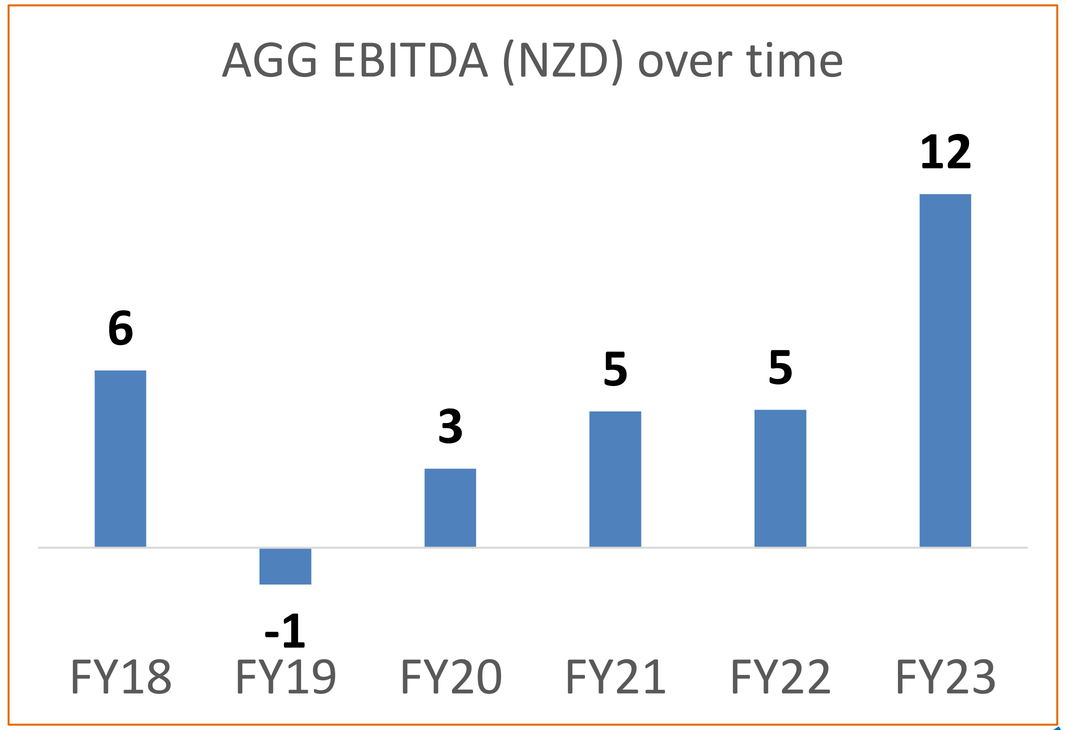
*[3] Survey question: "On a scale of 1 to 10, how likely are you to recommend Metroglass to a friend or colleague"*

# AGG achieved a milestone year with significant improvements in profitability supported by consistent operational stability and customer satisfaction

**Revenue**
**NZ$76.7m +32%**

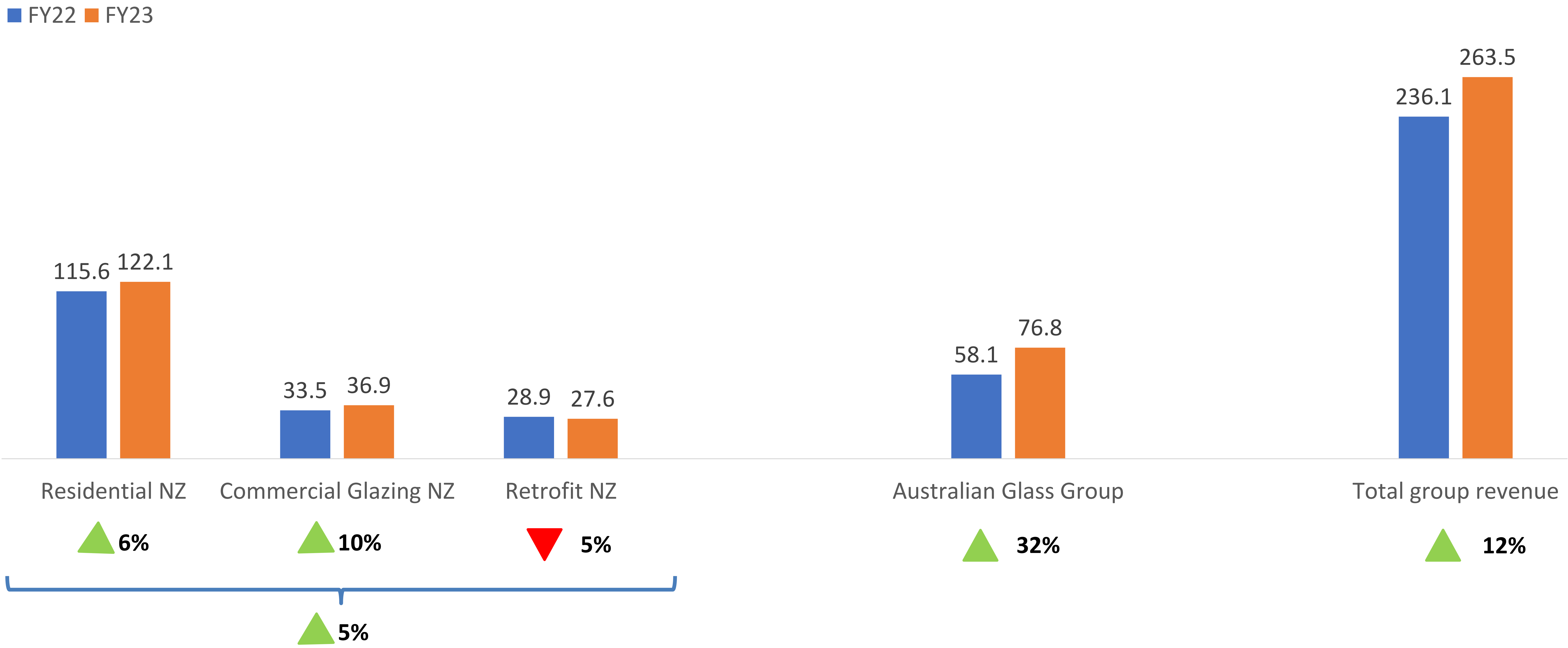
**EBIT**
**$6.4m vs. $(0.3)m LY**

- Australian Glass Group (AGG) achieved a milestone year with a significant improvement in profitability to $6.4 million
- Generated a 32% increase in revenue despite the disruptive environment and includes a further 33% growth in double-glazing revenue.
- Gross margin improved to 34.5%, (FY22: 28.4%), supported by successful pricing strategies to recover increasing input costs, value recognition of glass in the market, and solid operating disciplines
- The business has achieved several years of growth and improved performance and is well-positioned to benefit from an improving outlook for double-glazing. It is now the appropriate time to consider the options for this business
- As announced in March 2023, 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[1] respectively.




[1] Excluding Group management fee of NZD 0.5 million

# FY23: 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.*

# FY23: EBIT bridge (NZ$m)


*Note: EBIT is before before significant items.*

# FY23: Financial results summary

| Group results NZ$m[1] | FY23 | FY22 | % change |
|---|---|---|---|
| **Group** | | | |
| Revenue | 263.5 | 236.1 | 12% |
| EBITDA before significant items | **30.8** | **24.6** | 25% |
| Depreciation & amortisation | 19.0 | 18.7 | 1% |
| **EBIT before significant items** | **11.8** | **5.9** | 101% |
| | | | |
| **Profit for the year before significant items** | **1.5** | **(0.5)** | +2.0m |
| Significant items | (12.0) | 0 | n/a |
| **Loss for the period** | **(10.5)** | **(0.5)** | Nm |
| Basic EPS (cents) | (5.7) | (0.2) | Nm |

| Segment results NZ$m[1,3] | FY23 | FY22 | % change |
|---|---|---|---|
| **New Zealand** | | | |
| Revenue | 186.7 | 178.0 | 5% |
| Gross profit | 78.8 | 77.1 | 2% |
| Segmental EBIT | 6.4 | 7.4 | (14)% |
| | | | |
| **Australia** | | | |
| Revenue | 76.8 | 58.1 | 32% |
| Gross profit | 26.4 | 16.5 | 60% |
| Segmental EBIT | 6.4 | (0.3) | nm |

*[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] The full segment note is available in note 2.1 of the FY23 financial statements.*

# Impairment of intangible assets in New Zealand.

**For the year ended 31 March 2023**

**As a consequence of the significant uncertainty regarding forecast declines in construction activity, the carrying values of assets were reviewed.**

**The review was conducted and results considered using a set of multiple future scenarios.**

| Intangible assets (NZ$m) | Goodwill on acquisitions |
|---|---|
| Opening balance – 1 April 2022 | 54.2 |
| Impairment of New Zealand goodwill | (10.0) |
| Foreign exchange impact | (0.2) |
| Closing balance – 31 March 2023 | 44.0 |

- An impairment review is undertaken at least every 12 months. As a result of this year's review, the Directors have resolved to impair the carrying value of NZ goodwill by $10.0m as at 31 March 2023
- This goodwill balance arose from historical transactions before the company's IPO in 2014
- This is an accounting charge only with no change to cash flows and no impact on bank covenants
- Further information on this testing and the underlying assumptions will be provided in the audited financial statements to be released early July

# FY23: Group summary cash flow & balance sheet

| Key cash flow items (NZ$m) | FY23 | FY22 |
|---|---|---|
| EBIT before significant items | 11.9 | 5.9 |
| Operating cash flows | 5.7 | 13.3 |
| Capital expenditure | 6.2 | 10.5 |
| Dividends paid | - | - |

| Key balance sheet items (NZ$m) | FY23 | FY22 |
|---|---|---|
| Net working capital[1] | 42.7 | 32.6 |
| Property plant & equipment | 50.7 | 54.7 |
| Right of use assets | 65.3 | 70.5 |
| Total assets | 254.6 | 273.0 |
| Lease liabilities | 77.9 | 81.3 |
| Net debt | 60.1 | 52.3 |
| Total shareholders equity | 75.5 | 85.5 |

- Net operating cash flows were below last year primarily driven by a higher value of inventory and trade receivables, a greater stock quantity on hand to cover the ongoing lack of reliability in the supply-chain and the working capital requirements of a growing business in AGG.
- In FY23 working capital increases are inline with our efforts to increase our safety stock levels amid international supply chain disruptions and reflect the cost for this inventory
- Capital expenditure was $6.2m in FY23, with $5.0 invested in the first half with that focussed on delivering increased capability, capacity and quality
- Net debt increased by $7.8m year on year to $60.1m as at 31 March 2023
  - Group gearing[2] increased to 44% from 38%
  - Group net debt to EBITDA ratio[3] decreased from 3.8x to 3.3x, driven by an improved EBITDA

*[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.*

# The longer-term outlook is uncertain, but Metro has plans in place to respond

- The 12-month rolling number of residential consents issued in New Zealand has declined from its peak.
- Activity levels in the beginning of FY24 have remained within expectations and customers continue to indicate a stable pipeline of work in the near term
- The economic outlook presents significant uncertainty for the number of consents issued and the dwellings ultimately constructed in FY24.
- Economic headwinds from inflation, lower house prices and other external pressures are likely to accelerate the decline in building activity through the second half of FY24.
- Metroglass continues to monitor a range of scenarios and have appropriate plans to continue to improve the profitability of the NZ business.




[1]Excluding Group management fee of NZD 0.5 million

# Improving group performance to be sustained through NZ gross profit uplift and cost reductions

- As international freight costs and disruption moderate through the next 6 months and combined with the increasing demand for Low E products driven by new H1 building code, the level of financial performance in the first half of FY24 is expected to better than the prior comparable period.

- The cost out programme and restructure of the New Zealand business announced in November 2022 will deliver operational and financial benefits through FY24.

- An improvement in the financial performance of the New Zealand business in the first half of FY24, an unwinding of working capital and a continued contribution from AGG, will allow for a meaningful reduction in net debt in the first half of FY24. Net Debt is expected to be below $55.0 million at the half year.

- As announced in March 2023, 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[1] respectively.

- Notwithstanding the signalled declines in economic conditions, Metroglass is well positioned to continue improving its performance through a combination of gross profit improvements, cost saving initiatives and building code changes that will support sales of higher value products




[1]Excluding Group management fee of NZD 0.5 million

Thank you

# Opportunity for questions

# Appendix: Reconciliation of non-GAAP to GAAP profit measures

| Full year to 31 March 2023 | FY23 ($M) | FY22 ($M) |
|---|---|---|
| **Profit for the period before significant items** | **1.5** | **(0.5)** |
| Less: Impairment of intangible assets | (10.0) | - |
| Less: NZ restructuring, and Australian divestment | (2.0) | - |
| **Profit for the period (GAAP)** | **(10.5)** | **(0.5)** |
| Add: taxation expense | (0.0) | 0.0 |
| Add: net finance expense | 10.4 | 6.3 |
| Earnings before interest and tax (EBIT) (GAAP) | **(0.2)** | **5.9** |
| Add: depreciation & amortisation | 19.0 | 18.7 |
| EBITDA | **18.8** | **24.6** |
| EBIT (GAAP) | (0.2) | 5.9 |
| Add: Impairment of intangible assets | 10.0 | - |
| Add: NZ restructuring, and Australian divestment | 2.0 | - |
| **EBIT before significant items** | **11.8** | **5.9** |
| EBITDA | 18.8 | 24.6 |
| Add: Impairment of intangible assets | 10.0 | - |
| Add: NZ restructuring, and Australian divestment | 2.0 | - |
| **EBITDA before significant items** | **30.8** | **24.6** |

**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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