NZX.MPG, ASX.MPP

29 May 2023

Metroglass provides FY23 results (unaudited)

Summary of the unaudited results for the twelve months ended 31 March 2023 (FY23) [1]

$m	New Zealand		Australia		Group	
	FY23	FY22	FY23	FY22	FY23	FY22
Revenue	**186.7**	**178.0**	**76.8**	**58.1**	**263.5**	**236.1**
Segmental EBIT[2]	**6.4**	**7.4**	**6.4**	**(0.3)**		
EBIT[2]					**11.8**	**5.9**
NPAT[3]					**1.5**	**(0.5)**

- The Group delivered a result at the upper end of guidance buoyed by Australian Glass Group's improvement in profitability while supply-chain disruption, cost inflation and the early signs of a construction sector down-turn impacted the New Zealand business
- New Zealand revenue improved 5% year on year and price increases have begun to improve gross margin
- AGG achieved a milestone year with a significant improvement in profitability to $6.4 million
- Group EBIT before significant items improved 100% to $11.8 million supported by price and cost management disciplines across the business and the strong performance of AGG
- Net debt at the end of the period was $60.4m which was at the lower level of guidance
- Statutory net profit after tax of $(10.5) million down from $(0.5) million in FY22, driven by a $10.0 million impairment of intangible assets due to the softer outlook for NZ construction

Metro Performance Glass (Metroglass) reports unaudited financial results for the 12 months to 31 March 2023 (FY23).

Group Revenue for the year to 31 March 2023 of $263.5 million was 12% higher than the prior year, with New Zealand up 5% and Australia up 32%. Group EBIT[2] before significant items rose 100% to $11.8 million. As a result of an $10.0 million impairment charge on New Zealand goodwill, Statutory NPAT declined to $(10.5) million loss from $(0.5) million in FY22.

Net debt increased from $52.3 million to $60.1 million at 31 March 2023, reflecting the higher value of inventory and trade receivables, a greater stock quantity on hand to cover the lack of reliability in the supply-chain and the increased working capital requirements to support the growth in AGG. Pleasingly net debt was significantly below the $64 million guidance in February 2023 as supply chain disruptions began to ease and operational performance improved.

New Zealand

Revenue in New Zealand improved 5% to $186.7 million. Gross profit margin has progressively recovered through quarter four as supply chain disruption reduced, international freight costs began to ease and cost out initiatives were implemented. The annual run rate of $8.0 to $9.0 million of cost savings will be delivered in FY24.

In the residential segment revenue of $122.1 million was 6% above the prior year. Commercial glazing activity remained resilient as revenue rose 10% to $36.9 million, however profit margins in fixed price contracts were impacted

Note: all non-Generally Accepted Accounting Principles (GAAP) financial measures are defined to a GAAP measure on slide13 of the FY23 results presentation, available here: https://www.metroglass.co.nz/investor-centre/investor-presentations/.

[1] All prior period comparisons are to the full year ended 31 March 2022 (FY22) unless otherwise stated.
[2] Earnings before interest, tax, and significant items (FY23: Restructuring costs and impairment, FY22: none).
[3] NPAT before significant items (FY23: Restructuring costs and impairment, FY22: none)

by rising glass costs. After consecutive years of growth Retrofit revenue declined 5% to $27.6 million as homeowners reassessed household spending.

"In another disruptive year the business made good progress to address the inflationary pressures and supply chain volatility to maintain consistent service to our customers. While the challenges are expected to continue, our focus remains firmly on operational efficiency and positioning the company to meet the needs of a changing market dynamic.

This year investments in additional furnace capacity debottlenecked our manufacturing network and increased capability for processing Low E glass, improving quality while also improving our energy efficiency. In New Zealand, Metroglass launched a first for the residential market product in SunX™ Grey which is the latest in solar control technology. We are pleased at being able to provide these products and service improvements to customers and support the increased energy efficiency requirements of the new H1 building requirements." said Mr Mander.

Australian Glass Group (AGG)

In FY23 AGG has performed well even with disruptions to supply chains and labour availability. After a successful turnaround, AGG's improved profitability is underpinned by resilient service performance to customers and increases to market pricing. AGG delivered a 32% increase in revenue to $76.8 million and EBIT of $6.4 million, an improvement of $6.7 million on the prior year.

"We are really pleased with the sustained improvements in AGG's performance. The results of our initiatives to turnaround the business were delayed by the Covid-19 period; however, the team has remained focussed on serving its customers and on robust financial disciplines which is reflected in the significant improvement in profitability." said Mr Mander.

In February 2023 MPG announced its intention to explore divestment options for the Australian business.

Mr Mander said "AGG has solid fundamentals and a strong growth plan that leverages the adoption of double-glazing in the south-east of Australia in line with National Construction Code Changes. As AGG enter the next phase of its growth strategy and serving the increasing requirement for double glazing across the Australian residential market, it is now an appropriate time to consider the options for this business."

This process continues to progress and is expected to take a number of months.

The proceeds from any transaction will be directed towards the reduction of debt, Metroglass is targeting a leverage ratio of 1.0x net debt to EBITDA. This net debt level will significantly improve the resilience of the New Zealand business as it manages the dynamics of a changing cycle.

Capital Management

Metroglass has begun to reduce working capital commitments in line with the improving reliability of the international supply chain and this is expected to materially reduce its investment in working capital through the first half of FY24.

Metroglass' net debt to EBITDA ratio decreased to 3.3x at 31 March 2023 from 3.8x in the prior period, primarily as a result of the increase in EBITDA. The net debt to EBITDA ratio is expected to continue to improve through the first half of FY24 through the improving performance of the New Zealand business and the unwinding of working capital invested in inventory.

During the year, Metroglass concluded an extension of its current syndicated banking facilities out to the end of October 2024 (previously October 2023).

Market conditions and outlook

The 12-month rolling number of residential consents issued in New Zealand has declined from its peak through the first quarter of 2023. 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, although the economic outlook presents significant uncertainty for the number of consents issued and the dwellings ultimately constructed in FY24.

As a consequence of the forecasted lower construction activity, a review of the carrying values of Metroglass' assets resulted in an $10.0m impairment on New Zealand goodwill, which initially arose from acquisitions completed in 2012 (pre-IPO). This non-cash charge has no impact on the company's bank covenants and is presented as a significant item in the FY23 financial statements.

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.

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. The cost out programme and restructure of the New Zealand business announced in November 2022 will continue, delivering 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[4] respectively.

Notwithstanding the signalled declines in economic conditions, Metroglass continues to operate well, and through a combination of the price increases to recover rising input costs, cost saving initiatives and building code changes that will support sales of higher value products, Metroglass is well positioned to continue improving its performance.

The company will provide shareholders with an update on early FY24 trading performance at its Annual Shareholders' Meeting.

FY23 annual results briefing

The briefing is scheduled to begin at 10am NZST, 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://event.webcasts.com/starthere.jsp?ei=1612961&tp_key=d81884c43a. 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: **260750**.

New Zealand Toll Free	0800 423 972	International	+64 (0)9 9133 624
Australia Toll Free	1 800 590 693	United Kingdom Toll Free	0800 279 0424
Australia (Sydney)	+61 (0)2 7250 5438	US/Canada Toll Free	800-289-0459

/Ends

For further information, please contact:
Liam Hunt, Investor Relations
(+64) 0 22 010 4377, liam.hunt@metroglass.co.nz

Authorised for release by the Metro Performance Glass Board

[4] Excluding Group management fee of NZD 0.5 million