Metro Performance Glass Limited
Annual Shareholders' Meeting, 6 August 2021

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.

I'd like to start by acknowledging that FY21 was a very challenging year for Metroglass and every other business in NZ and Australia. The Metro Group has displayed real resilience in the face of the significant pressures and uncertainties caused by the COVID-19 pandemic.

If you recall, we began the financial year under COVID-19 Alert level 4 which saw our operations in New Zealand completely closed until the transition to Alert Level 3 on the 28th of April 2020. Our Australian operations were also affected by restrictions, while these were less severe than in New Zealand, they were in place for considerably longer and continue to have impacts on us.

The whole team responded quickly to the various lockdown announcements, focussing on the safety and wellbeing of our people and our customers, preserving cash, and ensuring sufficient balance sheet liquidity.

While in New Zealand today we are fortunate to be operating in relative normality, the quickly developing situation in Australia highlights that we must remain alert to the risk of a sudden Alert Level change.

As a consequence of the pandemic, there has also been widespread disruption to the international shipping network which has impacted all importers into New Zealand including Metroglass. Since late 2020, We have been working hard to increase our safety stocks and to best utilise our national processing and distribution footprint to limit the impacts to our customers. While the scale of these disruptions has provided additional short-term challenges and financial impacts, we believe we have managed them well. They have brought associated increasing costs and where appropriate we have introduced price increases in both New Zealand and Australia as a result.

Demand for glass remains strong in both countries but the competitive challenge of satisfying our customers is complicated by ongoing responses to the pandemic and supply chain disruptions. At this stage, we expect this environment to continue through the financial year.

Reflecting on the FY21 financial results, while group profitability declined year on year, we believe that the group's performance was solid given the circumstances we faced. This was achieved through the resilience of our people, staying connected to our customers and remaining focused on our commitment to service and quality.

The New Zealand market remains competitive, with the commissioning of an additional competitor capacity in the north island early last year contributing to the total national glass processing capacity continuing to sit above current demand. Our customers have a choice in who they partner with and we want to ensure that choosing Metroglass is an easy decision to make.

Our strategy to defend our market leadership position, while recalibrating our sales mix in the new competitive landscape has delivered encouraging results, in what we consider as a transitional year.

Strong growth in our “B2C” channel, Retrofit, and other segments has helped to offset the competition for share in the residential window segment. We do expect this market dynamic to continue.

To be successful in this environment, we must focus on providing a compelling and differentiated value proposition. We must maintain strong relationships across our customer base and ensure that we are consistently providing a broad range of high-quality products, delivered, and installed to specification across the country every day. Simon will share more of our customer feedback.

Demand for glass is currently strong, residential consenting activity grew through FY21 and reached historically high levels this year. We believe that this backdrop will support the overall levels of actual residential construction activity to remain at the current strong level through 2021 and 2022.

To Australia. As a focused double-glazing provider, in a fragmented and competitive market, Australian Glass Group has continued to strengthen its value proposition and delivered a significantly improved result this year. After achieving a positive EBIT result in the first half, AGGs operations were negatively impacted late in the financial year by further COVID-19 restrictions in Victoria and also a severe weather event in New South Wales. This resulted in us closing the year with a modest loss.

The growing use of double glazing in south-east Australia, supported by upcoming National Construction Code changes, continues to underpin our revenue growth and future strategy. In FY21, AGG grew its double-glazing sales by 9% and this momentum has continued into the new financial year.

We believe that the business is on a solid footing with a positive long-term outlook. While COVID-19 risks continue to be evident, we’re excited about the growth opportunities that lie ahead for us in Australia.

Strong operating cashflows, focused capital expenditure and prudent cost management allowed us to further strengthen the balance sheet, with net debt reducing by $18.9 million, year on year, to $48.0 million as at the end of March.

In October 2020 the group refinanced its banking facilities, extending the term from August 2021 out to October 2023. The total facility was reduced from $120m to $85m, including a $10m standby facility which was never drawn upon and will end in October 2021. Reducing our debt over the past 24-36 months has allowed us to set a new, lower, balance between minimising funding costs and maintaining appropriate financing flexibility.

The board remains focussed on ensuring that the company is a successful glass processor that delivers value to its stakeholders.

While the current challenges in our market places and the pandemic response must dominate our attention for the present, we are now in a position to seriously consider the future. What should come next for Metroglass? How do we take best advantage of growth opportunities in Australia? How will the overcapacity issues in New Zealand be resolved and how do we ensure that our company comes through this period with a market leadership position and sustained financial performance

In service of this, our key near-term goals are:

- To maintain our leadership position and refine our sales mix to take advantage of opportunities in an increasingly competitive New Zealand market
- To grow and improve the profitability of our Australian business and benefit from increasing demand for double glazing
- Ensure our balance sheet remains strong and sufficient to cope with future risks and opportunities

We have constantly communicated our goal of reducing our leverage ratio of net debt to EBITDA, to 1.5 times. Despite the disruptions from COVID-19, our success in debt reduction means that we are expecting to be below this target in FY22.

It is the board's intention to resume dividend payments, and to declare a dividend alongside the company's FY22 half year results in November 2021. In accordance with our published policy, we expect to pay a fully imputed dividend each financial year of between 50% and 70% of net profit after tax, and before significant items.

Earlier this year the board provided an update on its approach to capital management, with the adoption of a more balanced approach as the leverage target is reached.

More capital will be available to improve the efficiency and effectiveness of the business. We will make targeted unit capacity increases within our existing factory footprint. The timing of capital expenditure will most likely be dictated by our ability to source and install equipment without disruption to production. As well as funding the dividend we will continue to reduce debt over the coming years towards the bottom end of our leverage target range of 1x – 2x net debt to ebitda.

To conclude and summarise, the threat of COVID-19 and its complications, will be with us for some time and we are likely to see ongoing disruption both locally and globally. We continue to monitor events and plan to enable us to respond effectively. It is the board's current view that positive market conditions will continue for some time in both countries and Metroglass will seek to maintain its position in New Zealand and grow its business in Australia.

I would like to take the opportunity at this point, on behalf of the board, to thank our Metroglass employees, customers, suppliers and shareholders for their continued commitment and support through an 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 today in Auckland both in person and online.

Throughout the FY21 year our operations in both countries were regularly impacted by fluctuating COVID-19 restrictions and international supply chain disruptions. Supply chain disruptions are continuing and as I'm sure you are aware COVID-19 is still impacting Sydney and Melbourne with ongoing restrictions.

I'm immensely proud of our teams who continue to be resilient and adaptable to manage these disruptions which have impacted momentum in both New Zealand and Australia. Importantly, under all circumstances, we have maintained a strong connection and service level to our customers.

Today, all six of our glass processing plants across our network in NZ and Australia are open and operational, with our Sydney plant operating on a restricted basis under a strict set of safety protocols. We are continuing to support our customers in NSW, supplementing supply from our Melbourne plant.

As Peter noted, we fully closed our New Zealand based operations from late March to the end of April 2020.

Pleasingly, from June 2020 onwards, activity in our Retrofit and commercial glazing segments was strong. Our Retrofit business grew 16% this year despite the lockdown, with significant increases in enquiry levels and record growth of our forward book. This helped to partially offset the Alert Level 4 lockdown and heightened competition in the residential segment.

The Australian business turnaround progressed well with stable operational performance and significantly improved EBIT. The business delivered a revenue growth of 1% year on year, despite the impacts of COVID-19 and has offset the exiting of the non-DGU market in New South Wales. AGG achieved positive results for the first three quarters of the financial year. However, Victoria's snap lockdown in February and significant flooding in New South Wales in March, negatively impacted momentum in the second half. Though out of our control, our Australian team and I were disappointed by how the year ended given the progress the business has made.

As a group, we remain firmly focussed on our customers and our people, making good progress with both. I am particularly proud of progress made on our multi-year Safety and Wellbeing strategy, making steady progress through the year implementing standards for controlling hazards effectively and improving early intervention practices. Our apprentice scheme is another highlight, where we now have more than 80 apprentices enrolled, with 15 qualifying in FY21.

Over the last year Metroglass has received recognition and a number of awards, and I'd like to share some of them with you today.

- As part of the skills Highway Champion Awards 2020, Metroglass was nominated and achieved a 'highly commended' for our Brighter Minds programme that aims to support emerging leaders to develop knowledge and skills while working towards a New Zealand Certificate in Business (introduction to team leadership). During the year we had 55 employees graduate from the programme.
- We received the Best Financial Innovation Project award at the 2021 CFO awards for the implementation of our ERP system which went live in November 2020.
- In the recent Windows and Glass Association of New Zealand awards, we won the Sustainability award for The Turanga Library in Christchurch, which featured our high-performance Low E double glazing structurally glazed by the Metroglass Christchurch team
- and additionally, Metroglass' products were used by the winning entries in all three of residential project categories

I'll now provide you with a brief summary of the group's financial performance in the 2021 financial year:

- The group achieved a solid set of results for the year, despite operating in increasingly competitive market and facing regular externally driven disruptions which impacted on our ability to build sustained momentum.
- New Zealand revenue of $179.8 million was down 11% versus the prior year given the COVID-19 shutdown period, with an EBIT before significant items, of $19.4 million down 27%.
- Australian Glass Group's revenue grew by 1% to $52.5 million with strong performance from all states in rebuilding the revenue to offset the exit of non-double-glazing product sales in New South Wales.
- At an EBIT level, AGG were on track to achieve a modest profit for the year after a positive EBIT result for the first half. However, the COVID-19 lockdown in Victoria and flooding in New South Wales had negative impacts late in the year. As a result, AGG delivered an EBIT loss of $700 thousand in FY21 which while disappointing, was a significant improvement from a loss of $(3.6) million for the prior year.

- Group EBIT of $17.9 million includes the New Zealand and Australian segmental results as well as Group costs of $0.3m. This result was at the top end of our guidance of $16.5 - $18m, which we had provided in February.
- We continued to strengthen our balance sheet, with net debt declining by $18.9 million year on year to $48.0 million. This was supported by strong operating cash generation, the sale and lease back of two thirds of our vehicle fleet, and a reduction in capital expenditure.

In May 2021 we conducted the fifth of our 6-monthly customer surveys. These surveys provide us with vital feedback on our offering and our relationship with our customers. And importantly, on how we can improve.

Overall, our ratings in New Zealand and Australia were largely consistent with previous surveys. It has been great to see the New Zealand business achieve its highest results in the last two surveys. Pleasingly, our Australian results also remained strong despite prolonged operating challenges due to Covid-19 throughout the year.

To the right of the slide, you will see the word chart which reflects the types of feedback we received in New Zealand. The size of the word reflects the frequency of use in customers responses - green positively and red negatively. Basically, the larger the word the more it was used. In our most recent survey, for every negative comment, there were multiple positive comments.

Our customers are complimentary of our people, relationship, customer service, account management and project management. However, inconsistencies in service performance predominantly around lead times in some regions were also raised. We were aware of these issues as we experienced some equipment reliability challenges around the time of the survey.

As with each of these surveys, we continue to work with our customers to address specific issues and general service levels, and to develop ways to improve and generate value for our customers.

I would now like to update you on the first four months of trading in the 2022 financial year – being April to July 2021.

While Group revenue is significantly ahead of last year, any comparisons to Q1 FY21 has little relevance given the Alert-Level 4 shutdown period in NZ

The continued strength in residential consents in New Zealand and approvals in Australia are supporting a robust and stable level of construction activity.

In New Zealand, Metroglass' market share in the residential window manufacturer segment has now stabilised following the entry and subsequent growth of a new competitor over the course of FY21. We expect the annualised impact to increase progressively through FY22.

Despite the changing industry dynamics, Metroglass remains the clear NZ market leader and has started this year well. We are continuing to reposition our sales mix where we see opportunities, winning new customers and further strength in the Retrofit segment.

Sales in Australia in the April to July 2021 period are ahead of last year, buoyed by strong market activity across each of our key regions. However, from the middle of July, AGG has been operating under escalating COVID-19 restrictions in New South Wales in particular. As I have mentioned, Victoria and Tasmania are fully operational, while our Sydney plant is operating on a restricted basis and is under a strict set of safety protocols.

As we talked about, YTD revenue is higher in New Zealand given the COVID-19 shutdown early in FY21. However, these revenue gains have been offset to an extent by significant and widespread international shipping disruptions that have led to increased raw material and shipping costs.

The non-recurring nature of last year's Government wage subsidy also has an impact.

Where appropriate, we have introduced price increases in both NZ and Australia which will partially offset these increased costs. We have remained focused on limiting the supply impact on our customers, and as part of this we have been working hard to increase our safety stocks and to best utilise our national processing and distribution footprint.

We believe that AGG is now on a solid footing and demonstrating sustained operational and financial performance. To support this next stage of AGG's growth, second shifts are being progressively introduced in both the New South Wales and Tasmania factories. While this process creates some inefficiencies and increased labour costs in the short term as the new staff are recruited and trained, ultimately this will enable AGG to grow with the market, which will be benefiting from the changes to the National Construction Code anticipated in 2022 and 2023.

The tight labour market is adding to supply and capacity pressures in both the NZ and Australian industries. Recruitment is becoming a real challenge, while wage inflation is being managed.

Our outlook for FY22 is largely unchanged from our update in May.

We believe activity levels across both NZ and Australia will likely be sustained at current levels for the rest of the 2021 calendar year and well into 2022.

The continued strength in residential building consents provides a positive signal of a strong pipeline of activity, though in NZ industry capacity constraints will continue to dampen any rapid growth in the near term.

The residential segment in NZ will continue to be competitive and dynamic, but we expect the customer churn being seen across the market to settle over the remainder of FY22.

In Australia, we are confident that AGG has embedded the improvements achieved in FY21. The level of residential approvals in Australia improved significantly through FY21 which will provide some support through the 2022 financial year.

The group remains alert to COVID-19 risks and the significant disruptions in international shipping. Both are likely to continue for the foreseeable future.

The group intends to invest more capital expenditure in FY22 v FY21 aimed at efficiency and unit capacity and we continue to take a prudent approach to managing operating costs.

We'll update shareholders further on the group's financial performance through our interim results announcement in November.

Finally, our focus remains firmly on building a resilient organisation that provides excellent operational performance, maintains strong customer connections, and invests in and supports its people. I would like to reiterate our key goals which are to:

- Defend our leadership position and refine our sales mix to take advantage of opportunities in an increasingly competitive New Zealand market
- Grow and improve the profitability of our Australian business and benefit from increasing demand for double glazing
- Ensure our balance sheet remains strong and sufficient to cope with future risks and opportunities

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.

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