NZX, ASX and Media Release 26 May 2016

Metro Performance Glass benefits from strong construction markets

Highlights – Financial results for the year to 31 March 2016:

- Revenue of $188.0 million and net profit after tax of $20.5 million, within November 2015 guidance[1]
- Benefited from continued growth in residential and commercial construction markets, however growth was constrained by external industry supply and execution delays
- Increased market share in the residential double glazing market by an estimated 3%
- Commercial forward order book grew 70% to $27.0 million
- Retrofit double glazing revenue grew 39% to $14.1 million
- Declared a fully-imputed final dividend of 4.0 cents per share, taking total dividends to 7.6 cents per share for the year. This compares with 3.6 cents per share for the prior 8 month period

Metro Performance Glass (NZX.MPG, ASX.MPP, Metro Glass) today reported strong earnings growth for the year to 31 March 2016, with the company having benefited from operational improvements and continued growth in housing and commercial construction markets.

Annual revenue grew by approximately 10%, when compared to the prior 12 months on a pro-forma basis, to $188.0 million. This growth was achieved despite external industry constraints, including certain supply shortages and ongoing execution delays in the commercial construction market with work won largely yet to commence. Net profit after tax was $20.5 million. The prior financial year's reported revenue of $115.0 million and net profit after tax of $9.6 million are not directly comparable as they covered only eight months of trading[2].

Gross profit margins improved during the year as the company realised efficiency benefits in its four glass processing plants. However glazing costs increased reflecting the company's strategic decision to build its glazing capability in advance of executing its commercial forward order book. EBITDA[3] and EBIT for the period were $37.5 million and $30.1 million respectively.

Gearing[4] has improved to 22.7% as at 31 March 2016 from 24.9% in the prior year, leaving the company in a strong position with adequate financial flexibility to fund future growth opportunities.

Chairman Sir John Goulter said: "Metro Glass has completed its first full financial year as a publicly listed company having delivered a strong result, while continuing to invest to ensure it is well positioned to benefit from the significant market opportunities it sees emerging."

Metro Glass' business model is driven by customised product, short lead times and a broad product range that requires a flexible approach to manufacturing. Using this model, the company increased its market share in the residential double glazing market by an estimated 3% and grew its commercial order book by 70% to $27.0 million at 31 March 2016. Additionally, its Retrofit double glazing business has continued its rapid development, offering strong prospects for long-term, counter-cyclical growth.

"Reflecting directors' confidence in the future, the board has declared a fully imputed final dividend of 4.0 cents per share, taking total dividends for the year to 7.6 cents per share." Sir John said.

The record date for dividend entitlements is 8 July 2016 and the payment date is 25 July 2016.

[1] On 23 November 2015 Metro Glass said it was maintaining its guidance for revenue and net profit after tax for the year to 31 March 2016 in the vicinity of $190 million and in the range of $20 - $22 million respectively.
[2] The Company began trading only after acquiring Metroglass Holdings Limited at the time of NZX / ASX listing in July 2014.
[3] EBITDA and EBIT are non-GAAP measures of financial performance. Additional detail is provided on page 3 of this release.
[4] Gearing: net interest bearing debt / (net interest bearing debt + equity).

Market overview

Chief Executive Nigel Rigby said: “Metro Performance Glass is performing well and benefiting from favourable market conditions. Construction activity and building consents have recovered to levels last seen prior to the global financial crisis as the sector benefits from record net migration, low interest rates and a historical residential under-build. The company sees no sign of this momentum slowing in the immediate future.”

New Zealand residential consents grew 11% in the year to 31 March 2016, reaching some 27,800. Consent growth was led by the upper North Island with twelve month consent growth in Northland, Waikato and the Bay of Plenty regions each exceeding 30% year-on-year.

“Commercial construction markets are lumpy, but we continue to see a significant pipeline of projects both consented and yet to gain consent, particularly in Auckland and Christchurch,” Mr Rigby said.

Operational update

Metro Glass made good progress on its operational priorities for the year. The company increased both its revenue and its market share of residential double glazed windows.

The company targeted a greater share of the growing commercial construction market and its positive progress can be seen in the 70% growth in its forward order book of commercial projects. In anticipation of this growth, it has invested significantly in glazing capabilities and resources ahead of the execution curve. This was one of the key drivers in staff numbers which increased from 750 to 800 during the year.

Metro Glass also sought to drive its Retrofit double glazing business, which offers to underpin the company’s longer-term earnings. These efforts were rewarded with a 39% increase in revenue and the company expects to maintain this strong momentum into the future. Investments have included online sales tools that assist with quoting retrofitted doubled glazed units, as well as a significant brand advertising campaign.

Metro Glass continues to target both a service and cost leadership position through manufacturing excellence. It is pleased with the progress it has made, with its four processing plants in Auckland, Christchurch, Wellington and Tauranga each processing record volumes of glass. The company also achieved improved labour productivity across its manufacturing sites, with the new Auckland plant in particular beginning to deliver tangible cost savings. That said, the company still sees further opportunities to drive continued plant optimisation.

Mr Rigby said: “Customer service levels, as measured by the proportion of orders Metro Glass delivered in full and on time (DIFOT), were variable and below our high in-house standards[5]. This performance reflected the pressures imposed by record glass volumes and the growing demand for high-specification glass which is more complex to process. It also reflected external market constraints including disruptions to the supply of certain materials.”

The construction and commissioning of the Auckland factory brought to a close the company’s recent capacity expansion programme. During the year the company invested $11.4 million, with major investments in new capabilities including market-leading edge-working, digital printing and lamination capabilities for the Auckland processing plant and the continued upgrade and expansion of the company’s vehicle service fleet. The company continued to develop its distribution channels and customer service capability through the year. These efforts included three small bolt-on acquisitions[6].

Additionally, the company also made important investments in improving health and safety, through new equipment, systems and processes which delivered strong results.

Chairman Sir John Goulter said: “Metro Glass will continue to be successful from focussing on customer demands and delivering market-leading products, while striving to deliver all of this at New Zealand’s lowest cost.

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[5] With all plants now running in a ‘business-as-usual’ state, Metro Glass has ceased reporting actual DIFOT data externally.
[6] Acquired certain assets of Mainland Glass (Christchurch), Ultra Glass (Wellington) and Mint Glass (multiple regions).

"The company is fortunate to have a team that both understands and is committed to this vision. The board and senior management thank them for their efforts. The company is enjoying favourable market conditions and is well positioned for the future."

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APPENDIX 1: GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) TO NON-GAAP RECONCILIATION

Metro Performance Glass' results are reported under New Zealand International Financial Reporting Standards (NZ IFRS). This release includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS. The non-GAAP financial measures used in this release include:

- **EBITDA:** calculated by adding (or deducting) finance expense / (income), taxation expense, depreciation, and amortisation, to net profit after tax.
- **EBIT:** calculated by adding (or deducting) finance expense / (income), and taxation expense to net profit after tax.

Metro Glass believes that these non-GAAP financial measures provide useful information to readers to assist in the understanding of the company's 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.

Financial Year to 31 March; $M	**2016 (12 months)**	**2015[2,3] (8 months)**
Net profit after tax (or Profit for the period)[1]	20.5	9.6
Add: taxation expense[1]	6.5	5.4
Add: net finance expense[1]	3.2	2.1
EBIT[1]	30.1	17.1
Add: depreciation & amortisation[1]	7.4	3.8
EBITDA	37.5	20.8

Notes:
1. Extracted from audited financial statements.
2. Full year comparative figures cannot be provided because the Company began trading only at the time it acquired Metroglass Holdings Limited at the time of NZX / ASX listing in July 2014.
3. The profit and loss figures for the 2015 year in the above table reflects as reported numbers, and has not been adjusted for the impact of abnormal IPO and restructuring expenses totalling $6.5m. These adjustments are detailed in the FY15 Investor Presentation released in May 2015.