

CAVALIER
CORPORATION



HY19 Interim Results
For the six months to 31 December 2018

HY19 KEY EVENTS

- \$13.3m from sale of Cavalier's 27.5% in its wool scouring business (Cavalier Wool Holdings, CWH) and the associated property.
- Entered into long-term scouring arrangement with CWH.
- Retirement of Director, Sarah Haydon, at the 2018 Annual Meeting.
- Embarked on inaugural shareholder roadshow to six regional centres across New Zealand.
- Post-period end: Exhibited at Domotex global flooring show in Germany for the first time with very encouraging feedback from participants.



HY19 OPERATING ENVIRONMENT

- Soft market conditions, particularly in Australia where consumer confidence has dropped.
- Sales of lower margin synthetic carpets are down across the industry.
- Global resurgence in demand and sales of higher margin wool carpets.
- Wool prices being driven down due to decreased Chinese demand for coarser carpet wool – benefitting Cavalier’s carpet business but impacting on sales and margins for Cavalier’s wool buying business.



HY19 RESULTS SNAPSHOT

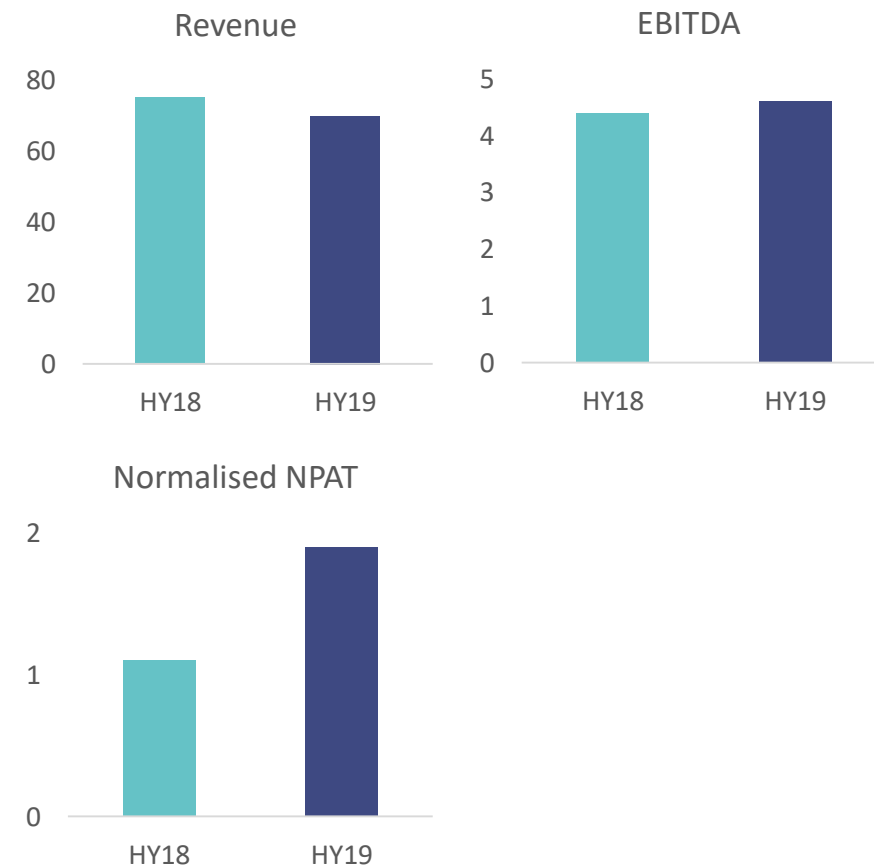
Half year result at the top end of guidance as Cavalier benefits from a more efficient organisational structure and a strategic focus on high quality, higher margin wool carpets.

- Revenue impacted by softer market conditions, particularly of lower margin synthetic carpets.
- Sales of higher margin wool carpets have grown year on year, as Cavalier increases its focus on the high end of the market.
- EBITDA up 5% on HY18 with higher carpet earnings offset by reduced earnings from the wool buying business.
- 68% increase in Normalised NPAT* to \$1.9m.
- Net debt reduced to \$17.3m (down 48% year on year).
- Operating expenses decreased with further gains being targeted following the 2017 restructure.
- Gross margin improved to 26% (HY18: 23%).

*Normalised NPAT is a non-GAAP measure and excludes the \$12.0m non-cash write down on the sale of the 27.5% in Cavalier Wool Holdings at the end of September 2018.

HALF YEAR COMPARATIVE

	HY19	HY18	
Revenue	70.0	75.3	X
EBITDA	4.6	4.4	✓
NPAT/NLAT	(10.0)	1.0	-
Normalised NPAT	1.9	1.1	✓
Net Debt	17.3	33.3	✓

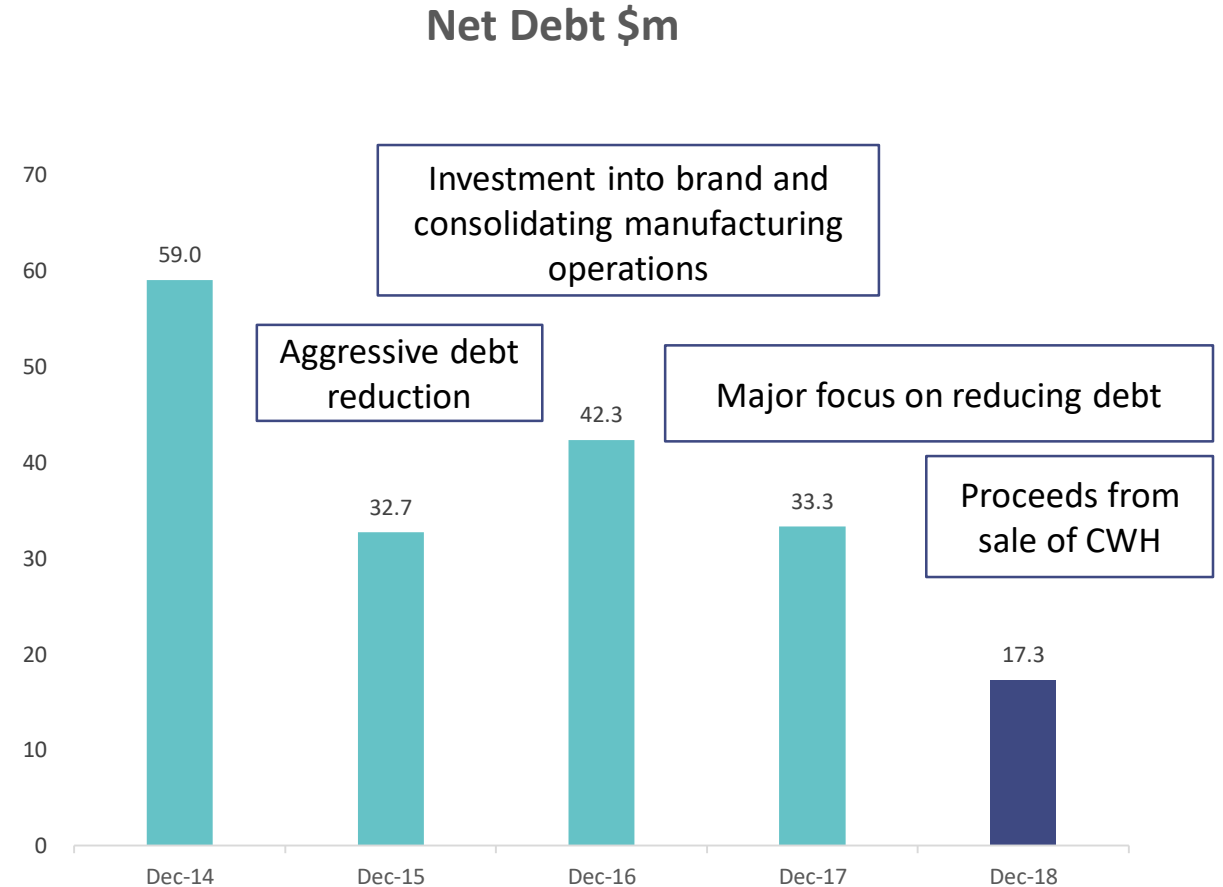


Normalised NPAT is a non-GAAP measure and excludes the \$12.0m non-cash write down on the sale of the 27.5% in Cavalier Wool Holdings at the end of September 2018.

CAPITAL MANAGEMENT

Significantly reduced debt position

- Ongoing focus on debt reduction has yielded good results.
- Proceeds of \$11.8m from sale of CWH wool scouring business used to pay down debt.
- Strong financial platform with capacity to invest in growth strategy.
- Committed to re-introduction of dividends as part of long term financial strategy.

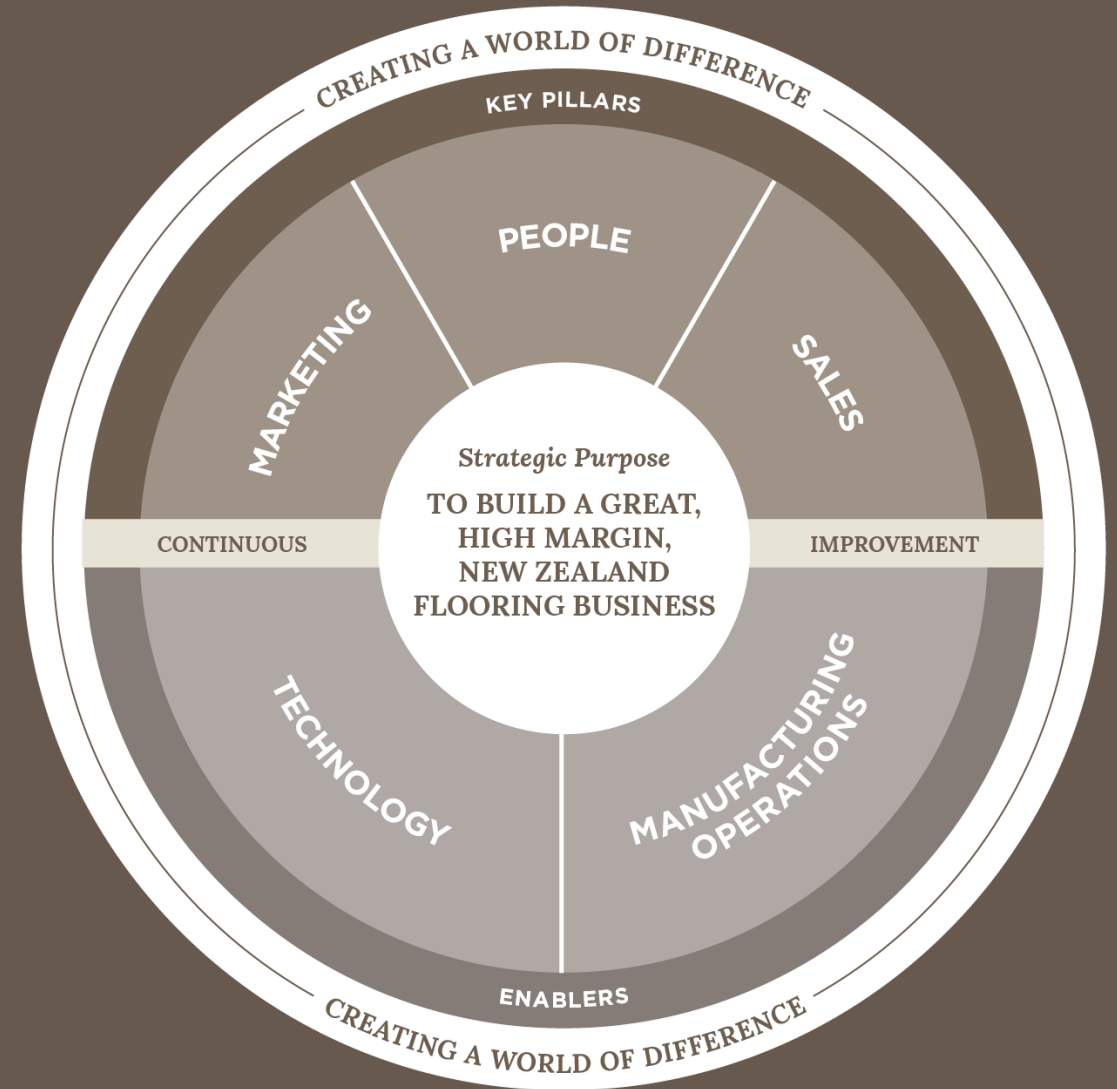


STRATEGIC FOCUS

A proud and successful manufacturer of high quality carpets.

Moving from being a manufacturer towards customer-led marketing focus – delivering carpets that our customers want.

Focus on delivering long term sustainable growth, improving margins and quality earnings.



OUR COMPANY

Operations are based in New Zealand and Australia with exports around the world



CAVALIER
BREMWORTH



NORMAN ELLISON
CARPETS



ELCODIRECT
WOOL BUYERS

Auckland

- Head office
- Tufting factory
- Sales office

Cambridge

- Wool store

Taumaruni/Raetihi/Taihape

- Wool stores

Wanganui

- Felting plant
- Wool store

Napier

- Spinning factory

Wellington

- Sales office

Christchurch

- Sales office

Brisbane

- Sales office

Sydney

- AU head office
- Administration
- Sales office

Melbourne

- Sales office

Adelaide

- Sales office

Perth

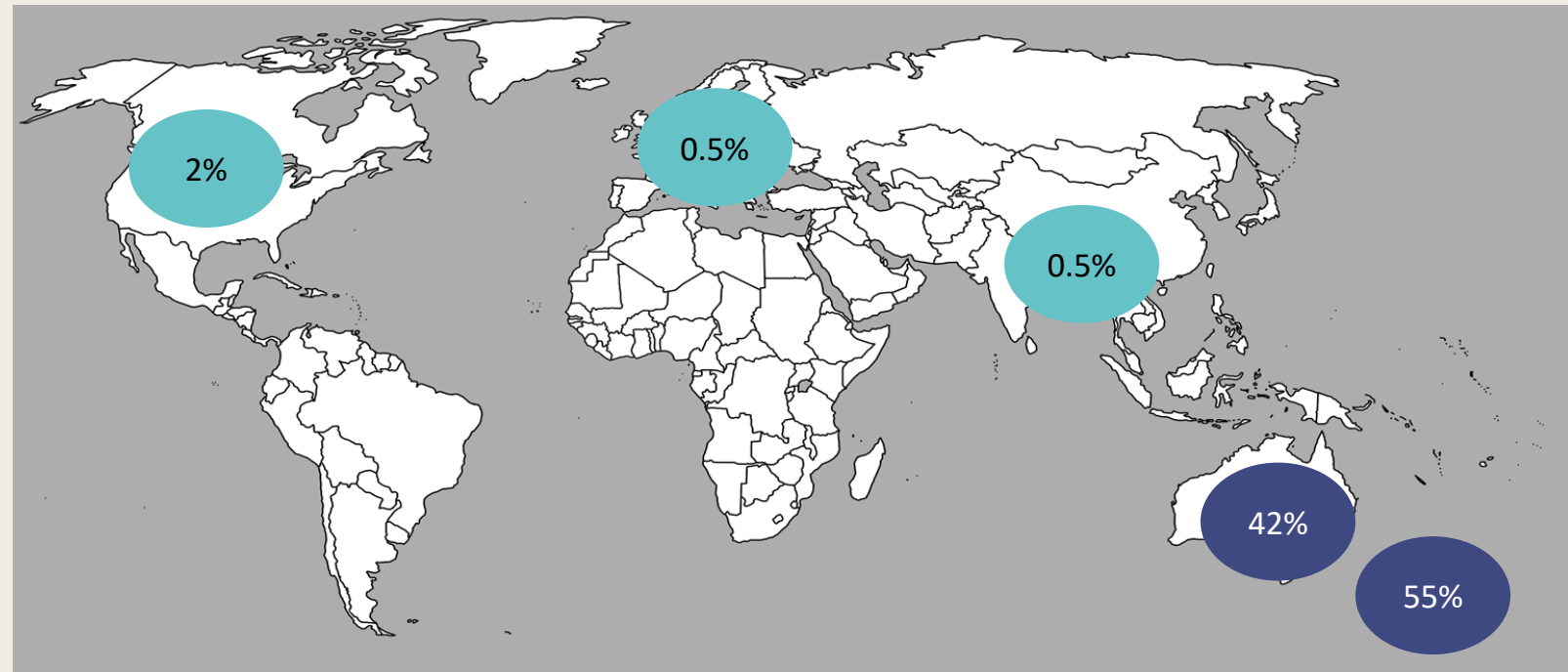
- Sales office



OPPORTUNITY IN THE GLOBAL WOOL MARKET

- Wool carpets are our heritage.
- Majority of current sales into Australia and New Zealand.
- Growth opportunities in other world markets with wool carpets – particularly North America and the UK.
- US wool carpet market estimated at USD\$513m.
- UK wool carpet market estimated at USD\$498m.

Percentage of sales



OUTLOOK FOR 2H19

- In good shape and well placed to take advantage of global resurgence in demand for high end woollen flooring.
- Market conditions on both sides of the Tasman are becoming increasingly difficult and the next few months will be challenging.
- No contribution from investment earnings in CWH which contributed \$1.0m to NPAT in the FY18 second half.
- Will continue to invest in core business operations including new IT system, customer relationships, an expanding global presence and innovative new product development.
- Exploring investment opportunities to grow market presence and build on Cavalier Bremworth World of Difference positioning.
- Progressing new opportunities in international markets.
- FY19 guidance will be provided once trading patterns results are established.



THE FUTURE

- Build on leadership position in wool.
- Increased focus on high-end, higher margin products.
- Growth opportunities in woollen products outside of New Zealand.
- Increased R&D and marketing spend – innovation and product development.
- Opportunities for growth in Australia and Rest of World markets.
- Invest in and promote the environmental benefits of our woollen products.
- Increased investment in our people.





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Experienced Board and Leadership Team



A W (Alan) Clarke



T H G (George) Adams



D V (Dianne) Williams



G C W (Grant) Biel



J M (John) Rae

Leadership Team



CEO: Paul Alston

CFO: Victor Tan

GM Australia: Michael Richardson

National Sales Manager NZ:

Dean Chandler

GM Product Development/ Marketing:

Rochelle Flint

GM Manufacturing: Craig Wallis

Glossary and Reconciliation

EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA excludes profit/losses generated by the wool scouring business, in which Cavalier had a 27.5% shareholding. The results for this business were equity accounted on a separate line in the financial statements and therefore not included in the consolidated EBITDA.
Normalised NPAT	NPAT/NLAT excluding abnormal items and non-trading adjustments. A reconciliation of NPAT/NLAT to Normalised NPAT is below.
NPAT/NLAT	Net Profit After Tax /Net Loss After Tax

\$000's	HY19	HY18
NPAT/NLAT	(10,033)	1,008
Restructuring costs	-	140
Loss on sale of interest in wool scouring business and associated property	11,964	-
Normalised NPAT	1,931	1,148

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