



CAVALIER
CORPORATION

**FY19 RESULTS
PRESENTATION**

For the 12 months to 30 June 2019

FY19 OPERATING ENVIRONMENT

- Hard flooring continues to grow at the expense of soft flooring.
- Sales of lower margin synthetic carpets are down across the industry.
- Demand for top end, high quality, high margin carpets has increased, albeit at small volumes.
- Challenging trading and economic conditions in Australia. Softening seen in NZ market towards end of 2H19.
- Wool prices have continued to be impacted by decreased Chinese demand for coarser carpet wool, adversely affecting sales and margins for Cavalier's wool buying business, Elco Direct.



FY19 KEY EVENTS

- Increased focus on wool carpets vs synthetic fibres.
- Significant investment into customer relationship activity including rollout of Cavalier's successful World of Difference instore displays which provide a unique retail experience.
- Focus on innovative new product development with introduction of new rug offer and a number of new products finalised for launch.
- Introduced more customer focussed organisational structure in Australia, with positive impact now being seen.
- \$13.5m sale of Cavalier's 27.5% in its wool scouring business (Cavalier Wool Holdings, 'CWH') and the associated property in September 2018. Entered into long-term scouring arrangement with CWH.
- Commenced strategic review to identify opportunities for the company, leverage Cavalier's strengths and unlock new value for shareholders.
- Post-period end: Announced transformational shift in business model to a design-led wool focused company and strategic collaboration with The New Zealand Merino Company (NZM).



In January 2019, Cavalier exhibited for the first time at Domotex in Germany, with very positive feedback

FY19 RESULTS SNAPSHOT

| \$millions | FY19 | FY18 | |
|------------------------|----------|---------|---|
| REVENUE | \$135.2 | \$148.1 | Results in line with May 2019 guidance. Reflects 3-month contribution from CWS compared to 12-months in prior year. Impacted by challenging market conditions in Australia throughout the year and softening in NZ in 2H19. |
| EBITDA (normalised) | \$7.1 | \$10.0 | Stronger performance in 1H19 and lower costs, offset by reduced carpet sales and wool buying margins. |
| NPAT/NLAT (normalised) | \$1.9 | \$4.0 | Company continues to trade profitably, with lower profit due to reduced revenue. |
| NPAT/NLAT | \$(16.8) | \$4.1 | Includes \$11.9m non-cash loss on sale of interest in CWH and property held by CWSA, as well as non-cash after tax impairments of goodwill and fixed assets of \$6.8m. |
| NET DEBT | \$17.8 | \$29.4 | Good reduction in debt with proceeds from sale of CWS used to offset debt. |

See Glossary slide for explanation of EBITDA and normalised EBITDA and normalised NPAT/NLAT

FIVE YEAR PERFORMANCE

Completion Of Organisational Review

Sale Of Loss-making Carpet Tile Operation

Completion Of Restructuring: More Costly And Time Consuming Than Expected And Impacted Results

Turnaround Year With More Efficient Structure

Strengthen Focus On High Quality, Higher Margin Wool Carpets

Sale Of Australian Property

Consolidation Of Manufacturing Operations And Reorganised The Business

Notable Drop In Wool Price

New Strategic Focus On High End Carpets

Sale Of Wool Scouring Business And Restructure Of Australian Operations

Repositioned Cavalier Bremworth Brand

Recovery From Impact Of Restructuring

Tightening Market Conditions



FY15

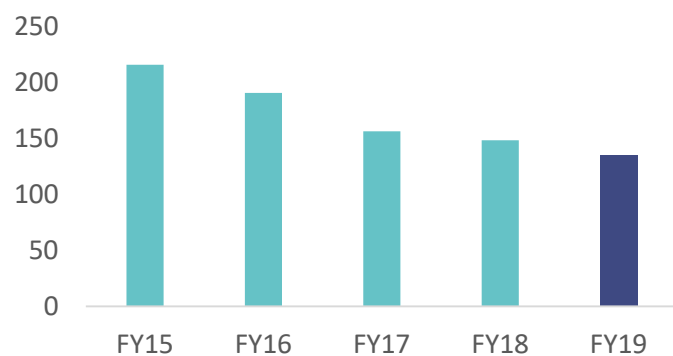
FY16

FY17

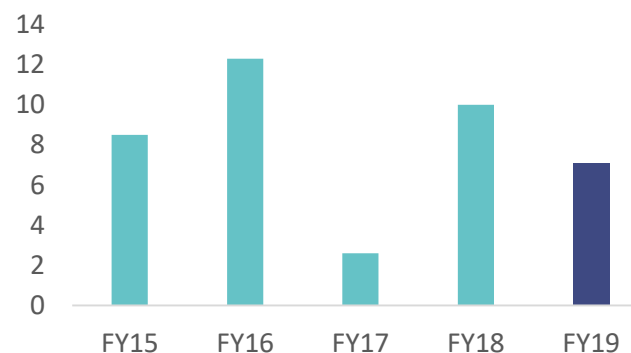
FY18

FY19

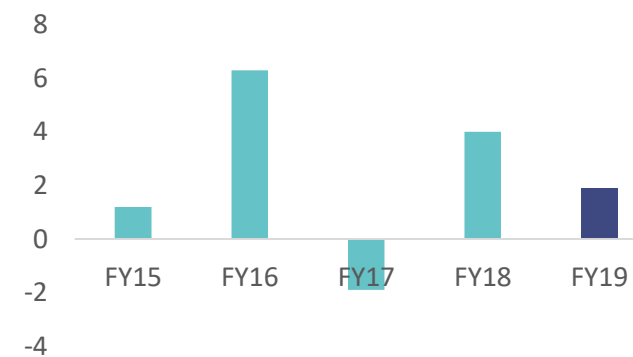
Revenue (\$m)



Normalised EBITDA (\$m)

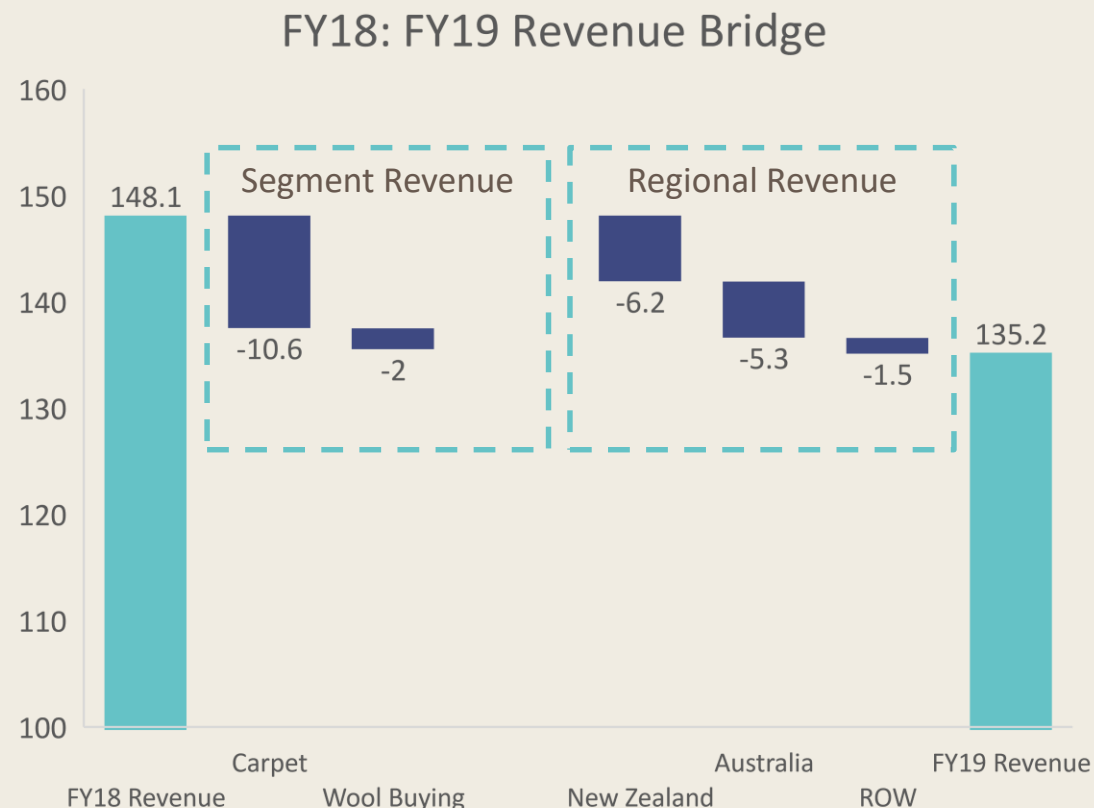


Normalised NPAT/NLAT (\$m)



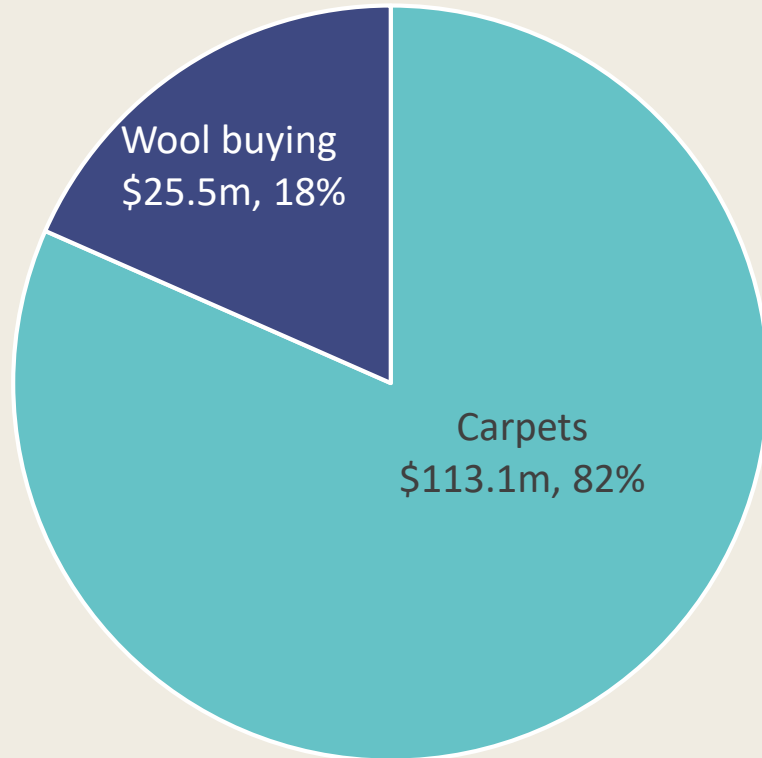
REVENUE

- Revenue \$135.2m, down 9% on prior year.
- Continuing to hold market share in both NZ and Australia.
- Revenue reflects:
 - Continuing soft market in Australia and softening in NZ seen towards end of 2H19
 - Sales of low margin synthetic carpets declining, impacting volumes and margins particularly in NZ
 - High-end wool carpets sales are increasing, albeit volumes are small
 - Wool prices continue to be impacted by decreased Chinese demand for coarser carpet wool, affecting Elco Direct wool buying business.

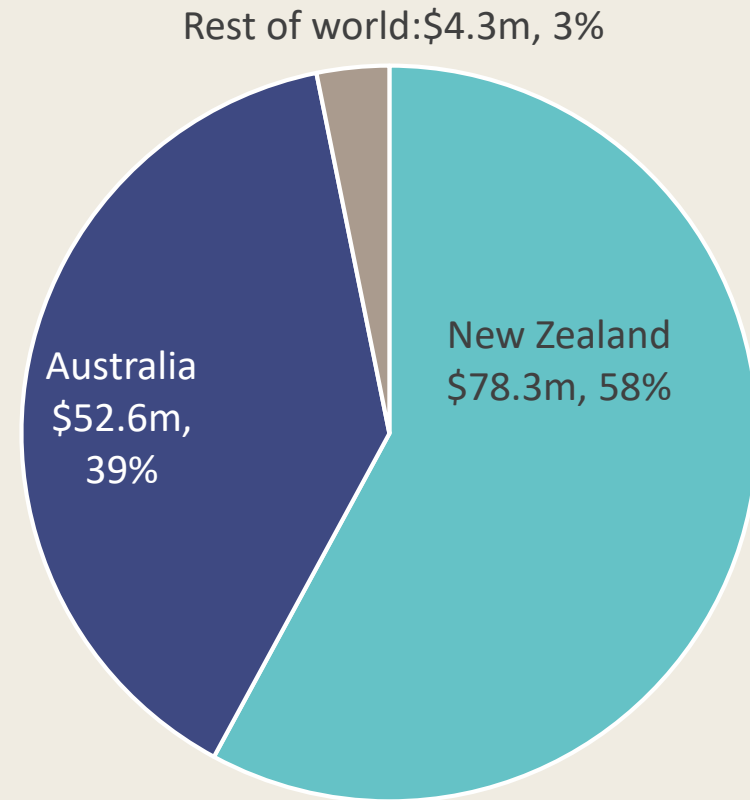


REVENUE BREAKDOWN

FY19 Sales by Segment



FY19 Sales by Region



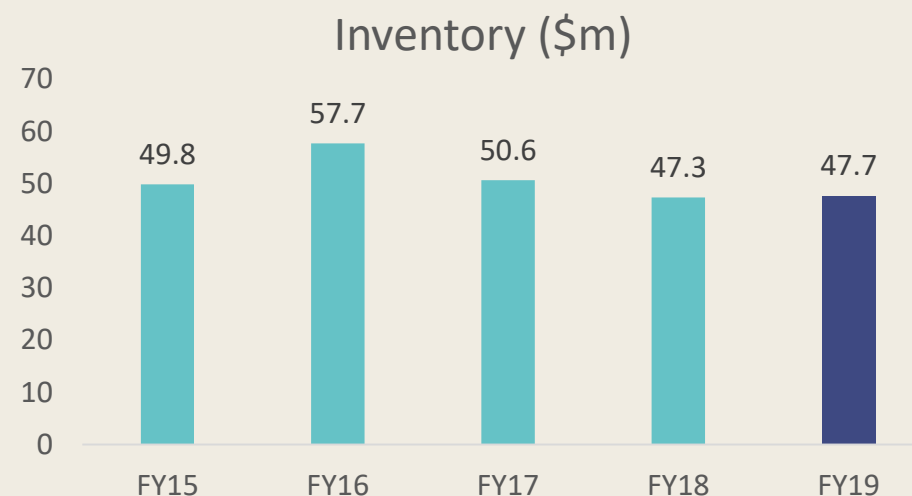
BALANCE SHEET AND WORKING CAPITAL

BALANCE SHEET:

- Reduction in assets to \$99.3m due to:
 - Sale of wool scouring business in September 2018
 - Non-cash impairments and write-downs:
 - Fixed assets of \$6.1m
 - Goodwill of \$2.4m
 - These are non-cash and do not impact the underlying profitability of the company.
- Recent valuations on land and buildings in excess of \$30m.

WORKING CAPITAL:

- Continued focus on disciplined working capital management – particularly inventory reduction in FY20.

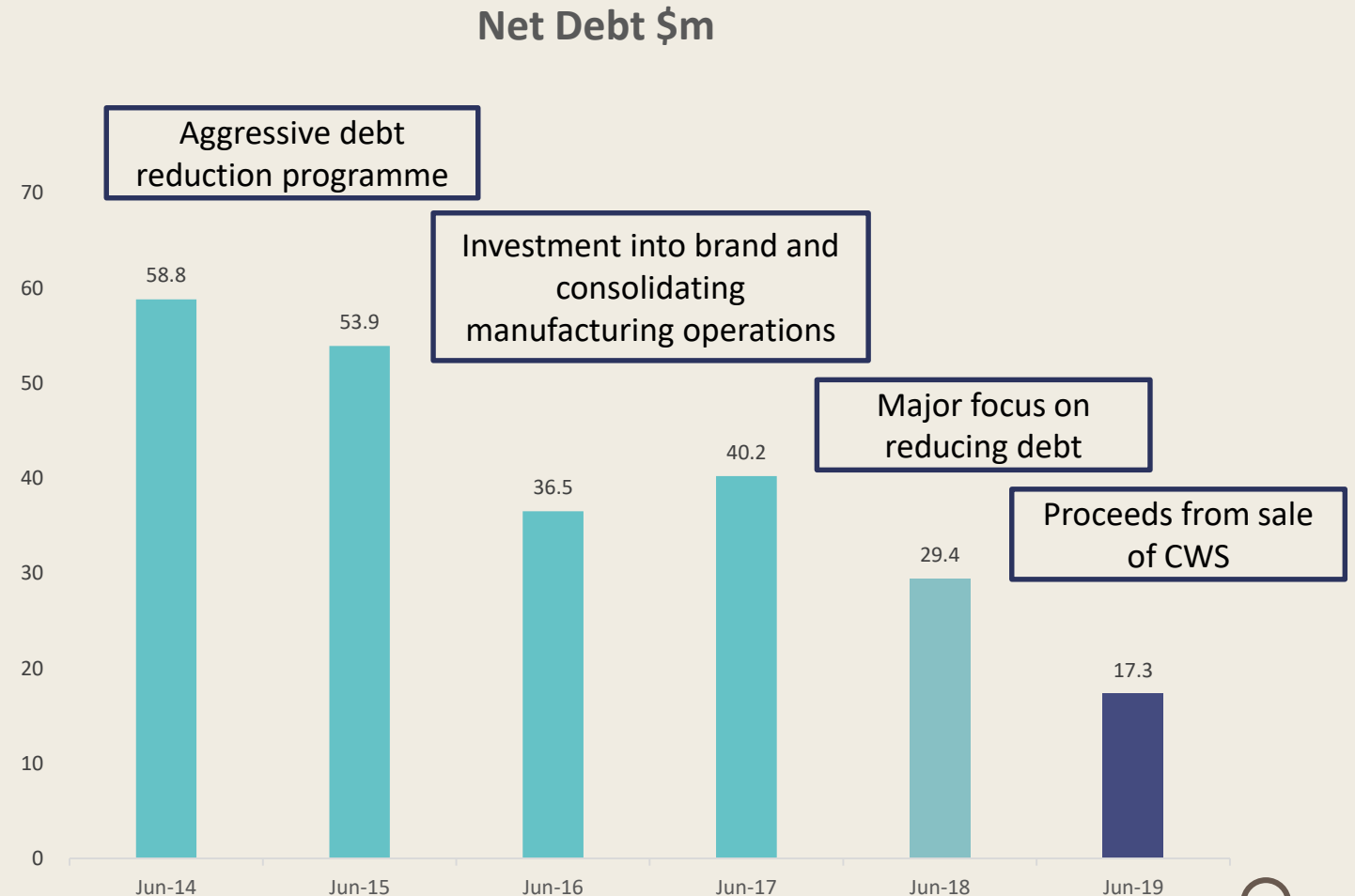


Inventory includes raw materials and consumables, work in progress and finished goods

CAPITAL MANAGEMENT

Debt position continues to improve

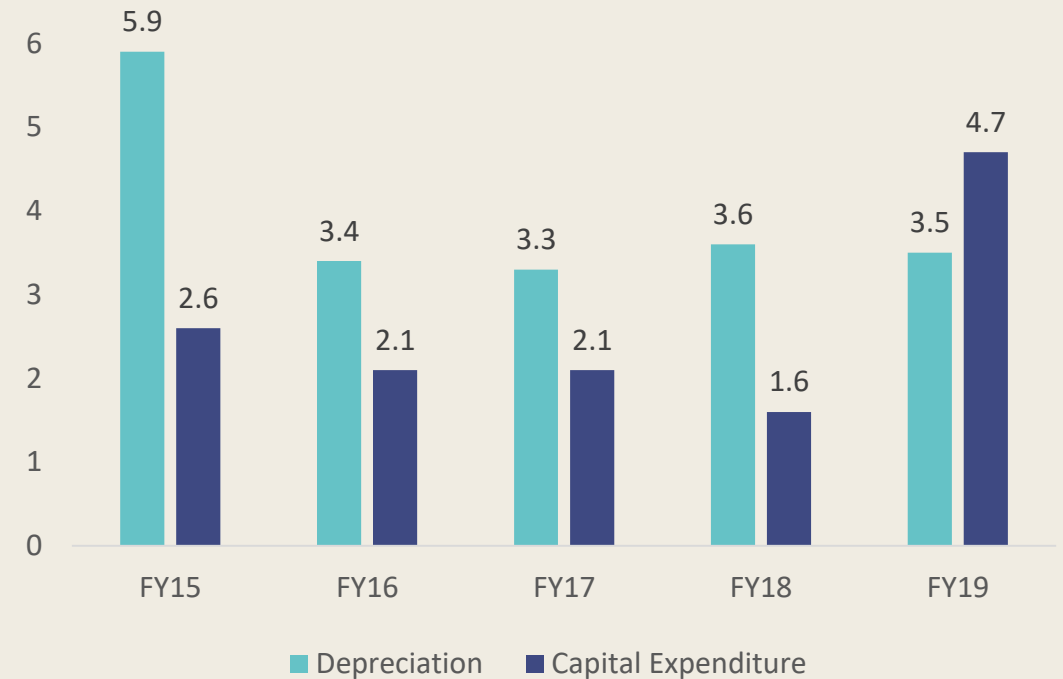
- Net proceeds of \$11.8m from sale of CWH wool scouring business used to pay down debt.
- 240% reduction in debt since FY14.
- Renegotiated bank terms and tenure in FY19. Company has support of banking partner.
- Committed to re-introduction of dividends as part of long term financial strategy.



CAPITAL EXPENDITURE

- Total capital expenditure of \$4.7m, ahead of depreciation of \$3.5m.
- Investment primarily into growth initiatives:
 - Retail displays
 - Plant and equipment
 - IT and technology.
- FY20 capex expected to be in line with depreciation and amortisation.

Capital Expenditure and Depreciation \$m



OUTLOOK FOR FY20

- Well positioned to capture the demand from consumers seeking a more natural, more sustainable, healthier alternative without compromising quality or style.
- Market conditions remain challenging.
- Transformational shift into a wool focused, design-led business.
- Collaboration with NZM, leveraging its extensive sales and marketing expertise, to connect consumers with Cavalier's wool product.
- Shift expected to necessitate organisational change as the business moves towards a stronger wool manufacturing and marketing focus.
- Continuing to explore opportunities to expand market presence and range.
- Board is confident in the financial sustainability of the company and excited about the potential of the new business model and strategy.





OUR FUTURE



OUR FUTURE IS WITH WOOL

Sustainable and 100% renewable

Healthier alternative

Optimal carpet performance

Design innovation and craftsmanship

Increasing consumer demand for natural and sustainable products



WOOL FOCUSED, DESIGN-LED BUSINESS

Transformational shift underway

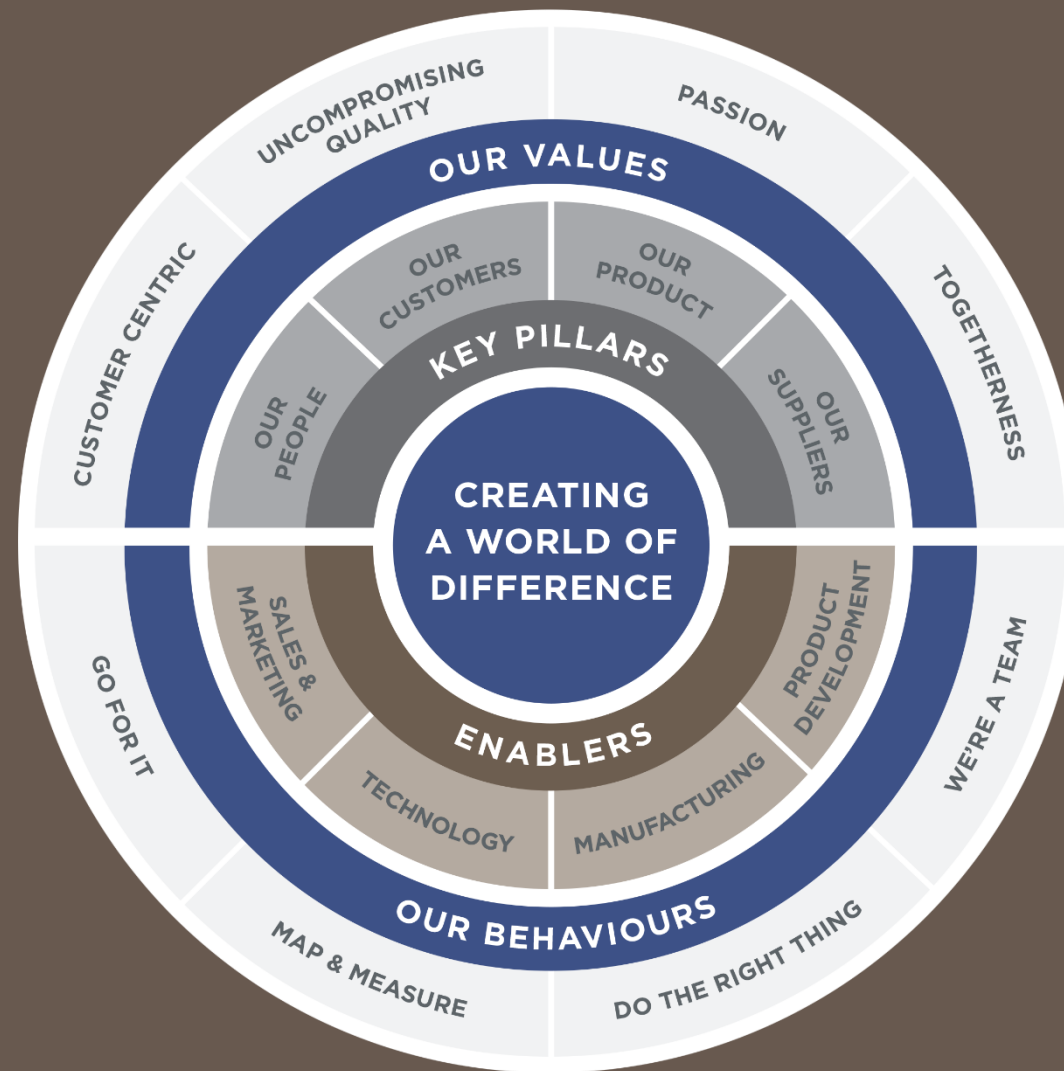
Building on Cavalier's 50-year heritage and expertise
in the wool flooring market

Reputation for quality, brand strength and new
product innovation

Collaboration with The New Zealand Merino
Company

CREATING A WORLD OF DIFFERENCE

We are focussed on creating “A World of Difference” in everything we do. This means we don’t just sell carpets and rugs; our efforts have been borne from the desire to make a genuine difference, for our shareholders, our customers, our people, our suppliers, our communities and our environment. Not only through what we do, but how we do it.





Contact: Paul Alston
Chief Executive Officer

t: 09 277 1135

e: palston@cavbrem.co.nz

Experienced Board and Leadership Team



A W (Alan) Clarke
Chairman



T H G (George) Adams
Deputy Chair



D V (Dianne) Williams



G C W (Grant) Biel



J M (John) Rae

Leadership Team



CEO: Paul Alston

CFO: Victor Tan

GM Marketing and International
Operations: Rochelle Flint

GM Manufacturing: Craig Wallis

Disclaimer

This presentation has been prepared by Cavalier Corporation Limited (“CAV”). The information in this presentation is of a general nature only. It is not a complete description of CAV.

This presentation is not a recommendation or offer of financial products for subscription, purchase or sale, or an invitation or solicitation for such offers.

This presentation is not intended as investment, financial or other advice and must not be relied on by any prospective investor. It does not take into account any particular prospective investor’s objectives, financial situation, circumstances or needs, and does not purport to contain all the information that a prospective investor may require. Any person who is considering an investment in CAV securities should obtain independent professional advice prior to making an investment decision, and should make any investment decision having regard to that person’s own objectives, financial situation, circumstances and needs.

Past performance information contained in this presentation should not be relied upon (and is not) an indication of future performance. This presentation may also contain forward looking statements with respect to the financial condition, results of operations and business, and business strategy of CAV. Information about the future, by its nature, involves inherent risks and uncertainties. Accordingly, nothing in this presentation is a promise or representation as to the future or a promise or representation that a transaction or outcome referred to in this presentation will proceed or occur on the basis described in this presentation. Statements or assumptions in this presentation as to future matters may prove to be incorrect.

A number of financial measures are used in this presentation and should not be considered in isolation from, or as a substitute for, the information provided in CAV’s financial statements available at www.cavcorp.co.nz.

CAV and its related companies and their respective directors, employees and representatives make no representation or warranty of any nature (including as to accuracy or completeness) in respect of this presentation and will have no liability (including for negligence) for any errors in or omissions from, or for any loss (whether foreseeable or not) arising in connection with the use of or reliance on, information in this presentation.