

# CAVALIER CORPORATION

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**7 February 2017**

## **FY17 earnings guidance update**

The Board of Directors of Cavalier Corporation advises that the normalised profit after tax for the 16/17 year is now forecast to be close to break-even, below the \$3.0 to \$5.0 million normalised profit after tax guidance given to the market in November last year.

The reduction in forecast reflects difficult trading conditions in Australia and an increasingly depressed wool market.

Market conditions in Australia appear to be weakening, with very soft trading in December and January resulting in a revision of Australian sales volumes for the next six months. Weaker Australian economic conditions have also pushed up the NZD/AUD cross rate, another factor adversely impacting on the forecast revision. However, the Company's belief in Australia as a key market, where opportunities for growth are significant, remains unchanged.

While the recent significant drop in the wool price is good for Cavalier in the longer term, the depressed wool market impacts volumes through the newly-merged scouring operation and the profitability of our wool buying business in the short term. The duration of China's reduced demand for wool is uncertain.

This year, Cavalier has invested heavily in consolidating its manufacturing operations and reinvigorating its brand. We have introduced new products late in the last calendar year and began updating and modernising our in-store presence and consumer-facing marketing material. These investments will deliver improved results in the 17/18 year. The significantly reduced wool price and higher NZD/USD exchange rate on the cost of carpet manufacturing will also benefit the results. Improved returns from the merged scouring operation are also expected to flow into the 17/18 year as synergies are progressively realised from the consolidation of operations.

In summary, the 16/17 year is a year of investment, consolidation and restructuring. We are confident that the benefits of the work done this year and changes in the macro environment will flow through into improved results in future years.



Paul Alston  
Chief Executive Officer  
For and on behalf of the Board of Directors

For more information regarding this announcement, please contact Paul Alston on 021 918 033 or 09 277 1135.