

**MARKET RELEASE**

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**Cavalier Corporation FY19 Half Year Guidance: New strategy delivering benefits in softer market**

New Zealand carpet company, Cavalier Corporation Limited (NZX: CAV), is seeing the early benefits of its new strategy and focus on high quality, higher margin wool carpets, as it faces softer market conditions in Australia and New Zealand.

The company has today provided guidance for the six months to 31 December 2018.

Normalised net profit after tax is expected to be between \$1.6m and \$2.0m, an uplift on the prior equivalent period (HY18: \$1.1m), driven in part by the benefits of a more efficient organisational structure.

Revenue is expected to be 7% down on the prior year as softer market conditions impact on sales, particularly of lower margin synthetic carpets. Pleasingly however, sales of higher margin wool carpets have grown year on year, as Cavalier increases its focus on the high end of the market.

Including the non-cash write down of around \$11.8m on the sale of the 27.5% in Cavalier Wool Holdings at the end of September 2018, the company expects to report a net loss after tax of between \$9.8m and \$10.2m.

Excluding the non-cash write down, Cavalier is expecting normalised EBITDA of between \$4.2m to \$4.7m, compared with the prior year of \$4.4m. Within this, EBITDA for carpets is expected to be up offset by reduced EBITDA for the wool buying business.

The better underlying result for carpets is despite the softer market conditions in New Zealand and Australia.

Cavalier's carpet business has benefited from lower wool prices which are being driven down due to decreased Chinese demand for coarser carpet wool. Conversely however, and while a much smaller part of Cavalier's business, this is impacting on sales and margins for Cavalier's wool buying business, Elco Direct.

Cavalier is continuing to invest in essential manufacturing capital and expanding its direct and indirect marketing investment. Efficiency improvements in manufacturing are being targeted with further gains still to be realised, and consistent margins should continue into the second half of 2019.

Cavalier CEO, Paul Alston, said: “The benefits of the 2017 restructuring are now clear. We have a renewed focus on high quality, high margin woollen flooring products, a more efficient manufacturing base and a strong financial platform. While market conditions on both sides of the Tasman are challenging with reduced consumer confidence, we are well placed with our lower cost base to take advantage of a market lift.

“We will continue to invest in our core business operations, particularly into a new IT system, customer relationships, an expanding global presence, innovative new product development and multi-media marketing, as well as exploring investment opportunities to grow our market presence.

“We are building on the success of our Cavalier Bremworth World of Difference positioning, and have a number of exciting initiatives underway to build our market share in our home markets of Australia and New Zealand, as well as new opportunities offshore.”

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