

MARKET RELEASE

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CAVALIER
CORPORATION

Cavalier Reports Improved Half Year Result

New Zealand carpet manufacturer Cavalier Corporation Limited (NZX: CAV) has today reported an improved half year result, with a lift in profit as expected following the consolidation programme undertaken in the previous year.

Profitability improved markedly during the first half period, reflecting better margins, reduced costs and a more efficient manufacturing operation.

For the six months ended 31 December 2017, Earnings Before Interest Tax and Depreciation (EBITD) was \$4.4 million (HY17: \$2.0m loss) with a Net Profit After Tax (NPAT) of \$1.0 million (HY17: NIL).

Normalised NPAT for HY18 was \$1.15 million after adding back a \$0.15 million non-cash charge for restructuring costs. This compares to the previous first half year normalised NLAT of \$(1.9) million which excluded net abnormal gains of \$1.9 million, including a \$3.8 million non-cash valuation gain made on Cavalier's interest in the Cavalier Wool Holdings (CWH) scouring joint venture investment.

Revenue for the period was \$75.3 million (HY17: \$84.3m) reflecting reduced carpet sales in the first half due to market conditions and supply challenges that arose from the manufacturing rationalisation, and a materially lower wool price which impacted the revenues of Cavalier's wool buying business, Elco Direct.

Residual manufacturing costs continued into the first six months of FY18 but will not repeat in the second half of the current financial year.

Cavalier Corporation CEO Paul Alston said the company's improved performance reflects the significantly reduced cost base. The result was also partially assisted by more favourable external macro-economic factors.

"We are now seeing early benefits from the activity undertaken in the last year. In FY17 we undertook extensive manufacturing plant closures and relocations. However, this cost us more than we had planned with the expected gains taking longer to be realised."

"While we still have some way to go to reach optimum manufacturing performance, particularly in Napier, we are making good progress with effective cost controls in place and increased manufacturing throughput at our felting plant in Wanganui and tufting plant in Auckland."

"The significantly lower wool price we saw last year is now starting to flow through to our raw material costs and the result is improved manufacturing margins. Along with strong cash flow management, this has allowed us to reduce our bank debt position by \$7 million to \$33 million. We have also reduced our yarn and carpet stock holding by almost \$5 million."

"We are now working on initiatives with our retail partners to regain their confidence in our ability to supply them with the carpet they specify, on time and with the same recognised and awarded Cavalier Bremworth manufacturing excellence. Pleasingly, we are seeing good demand and a sustained lift in our high end, high margin Cavalier Bremworth woollen products – something we want to continue to build on."

“We’ve spent the last eighteen months making tough decisions to right size and reset the company’s manufacturing base. We are listening carefully to our retail partners and customers and we now have a clear path forward as a quality focussed carpet manufacturer. With this, we see a return to sustainable and profitable growth, and while there is still a great deal to do, we expect to see ongoing improvements into the second half.”

Board Succession

As the Company moves forward into the next stage of implementing its transformation strategy, the directors are pleased to announce that Alan Clarke will become Chairman of the Board on 1 April 2018. Sarah Haydon, Chairman since 2015, and a director since 2012, will take over the role of Chairman of the Audit Committee on that date.

ENDS

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