

# CAVALIER CORPORATION

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## 16/17 Earnings Guidance

The Board of Cavalier Corporation advises that the normalised profit after tax for the 16/17 year is forecast to be in the \$3 to \$5 million range, compared with \$6.3 million for 15/16.

Key initiatives underway include a significant marketing programme and the consolidation of wool spinning, two vital elements of our long term strategy. We are pleased to report we are on track with both initiatives which are set to significantly improve profits in the future.

The first half of 16/17 includes major investment for the launch of our new lifestyle brand positioning, 'Cavalier Bremworth – a World of Difference'. Our customers have been delighted by the innovative new products, retail displays and advertising which form the foundation of our sales growth strategy for the future.

Aligning yarn spinning capacity with demand releases considerable upside in future years. However, consolidating three manufacturing operations is a massive undertaking, with temporary operating inefficiencies and disruptions arising during the transition to the new model and as a result, the company is incurring additional one-off costs. We expect to complete this phase before the end of 2016.

Carpet sales are ahead of last year. The high NZD:AUD exchange rate remains a concern to Cavalier as a significant exporter to Australia especially if it remains at close to its all-time high. The steps we are taking to improve productivity will lessen the impact over time.

The Directors look forward to sharing the Company's performance, and the Board's progress towards its objective of returning the Company to an acceptable level of profitability, at the November annual meeting of shareholders.



Paul Alston  
Chief Executive Officer  
For and on behalf of the Board of Directors  
2 November 2016

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