



CAVALIER
CORPORATION

ANNUAL
SHAREHOLDERS'
MEETING

27 November 2019

Experienced Board and Leadership Team



Alan Clarke
Chairman



George Adams
Deputy Chair



Dianne Williams



Grant Biel



John Rae

Leadership Team



CEO: Paul Alston

CFO: Victor Tan

GM Marketing and International Operations:
Rochelle Flint

GM New Zealand: Dean Chandler

GM Elco Direct: Shane Eades

GM Health & Safety: Kirstine Hulse

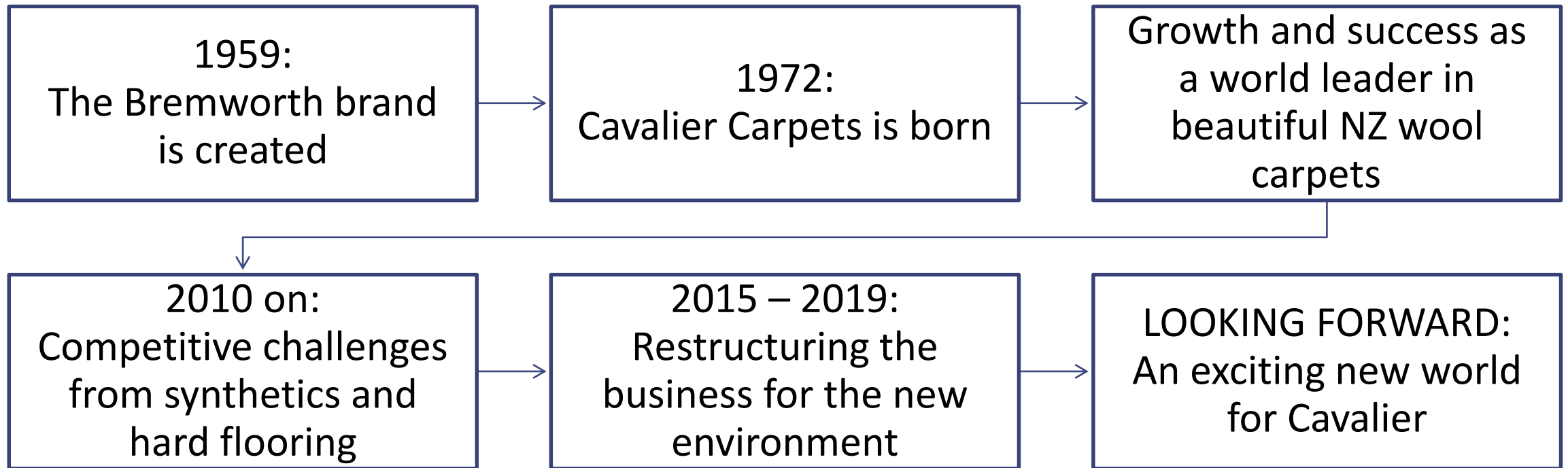
Transformation Project Manager: Karen Urwin

Alan Clarke

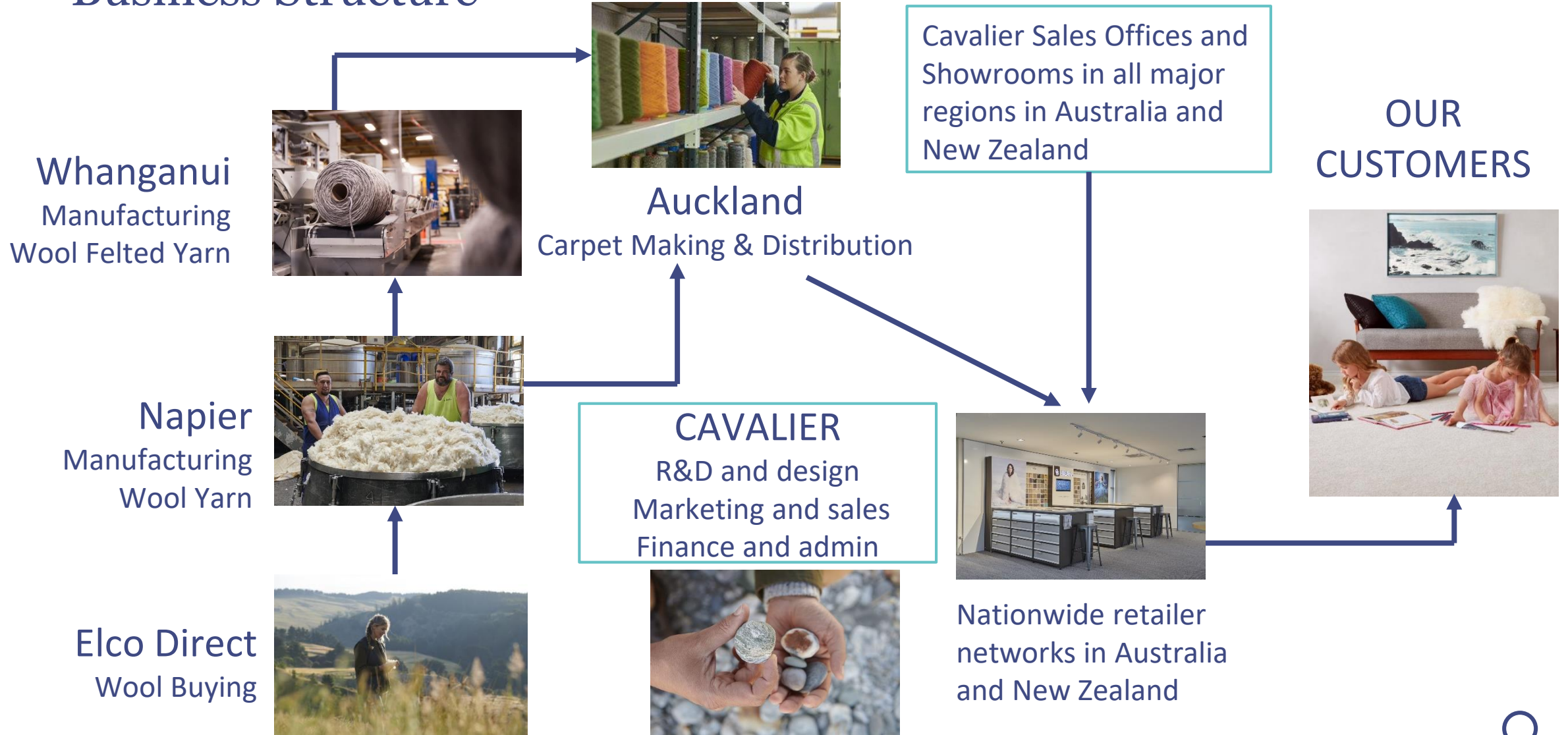
Chairman



+Years. Craft, beauty and friendships. 



Business Structure





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 make, but how we make it.

It's A New World: Market Trends

- Hard flooring continues to grow at the expense of soft flooring.
- Synthetic carpets presently the first choice for many consumers.
- Pressure on lower margin synthetic carpets. Only the largest manufacturers will be able to compete in this sector.
- Wool carpets have decreased in relevance for many consumers. However, demand for top end, high quality, high margin, textured woollen carpets is increasing.
- Increasing import competition, particularly from Asia. Consolidation of industry with many smaller manufacturers exiting.
- Ongoing consolidation of the retail client base and growth of large retail chains changing buying patterns.

The Rise of Conscious Consumerism

- Consumers considering the social, ecological, environmental and other impacts of products when purchasing.
- More awareness of the impact of plastics in the environment and on health.
- Growing demand for eco-friendly, sustainable products.



THE OLDER THE LEATHER,
THE BETTER THE STORIES

Barkers/Max Clothing: Building on a heritage brand and transitioning to sustainable fashion

“It’s a project which is now nearly two years old, and one which has consumed much of that time with questions which are a kind of business philosophy. It’s been as hard and draining as anything I’ve ever done, but the breakthroughs are profound.”

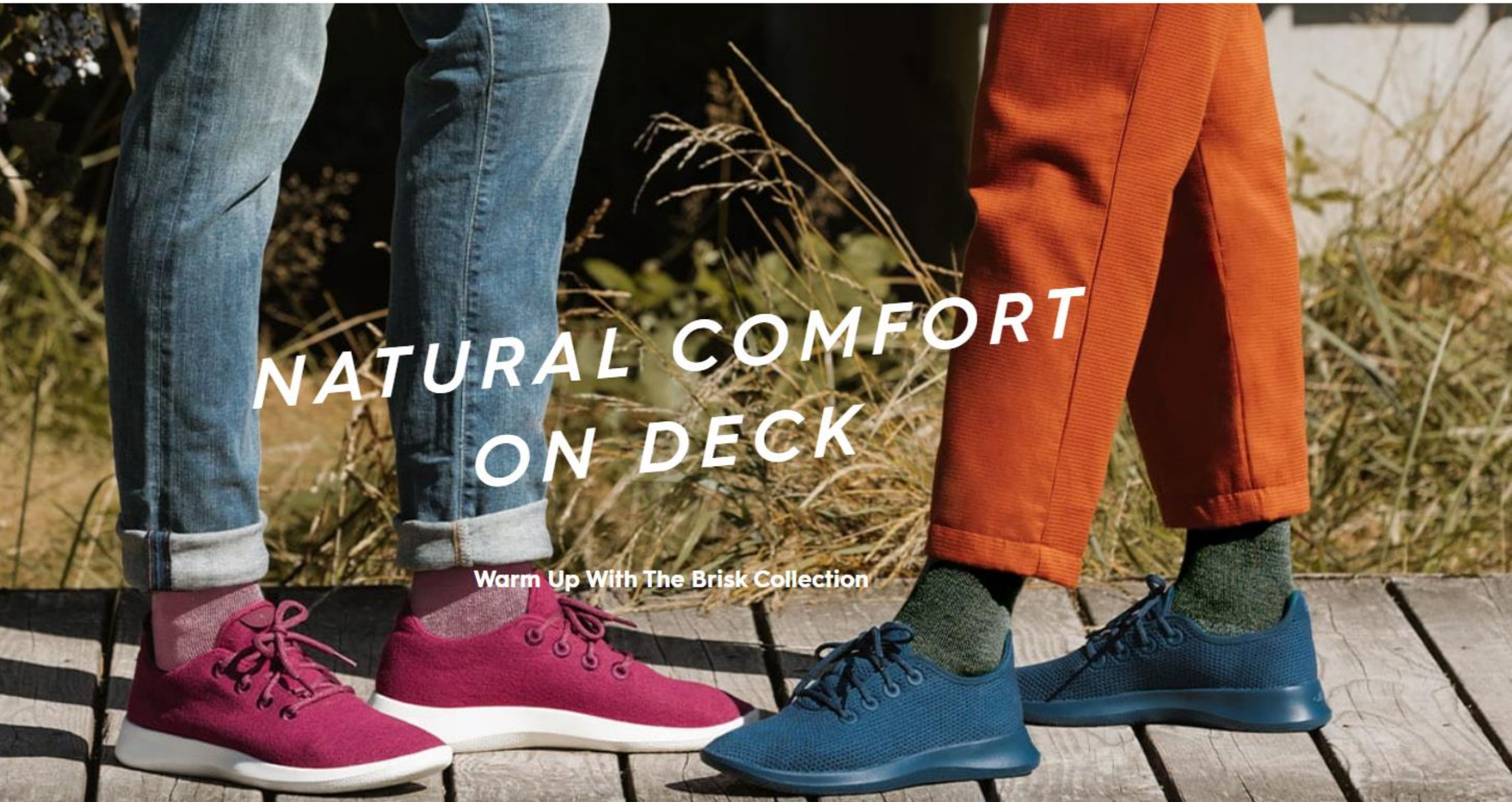
Jamie Whiting, Group MD, Barkers/Max



Lanaco:
Natural Clean Air Technology
Using NZ Wool

NATURAL COMFORT ON DECK

Warm Up With The Brisk Collection



The Journey Begins

We are transforming to a wool focused, design-led business

- Transformational shift underway
- Building on Cavalier's 50-year heritage and expertise in the wool flooring market
- Leveraging our reputation for quality, brand strength and new product innovation
- Collaboration with The New Zealand Merino Company



Paul Alston

Chief Executive Officer

Our Company And Strengths

Cavalier Corporation is a leader in the soft flooring market in Australasia

- Cavalier Bremworth is the most recognised and trusted carpet brand in New Zealand market and very highly regarded in Australia.
- We design and manufacture a range of beautiful broadloom carpets, made from New Zealand wool.
- We are renowned for quality and innovation.
- We have felted yarn technology that is difficult to replicate and commands premium pricing.
- We have diversity and flexibility and can switch between small production runs to create niche and bespoke carpets.



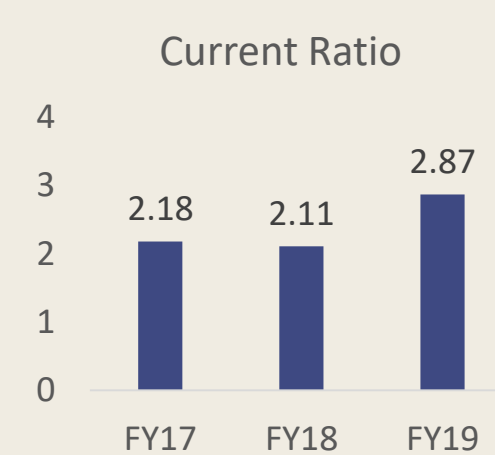
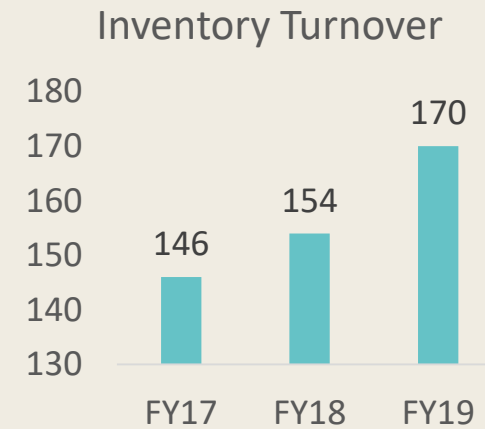
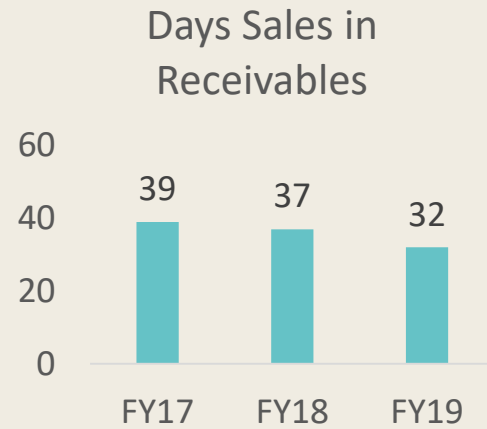
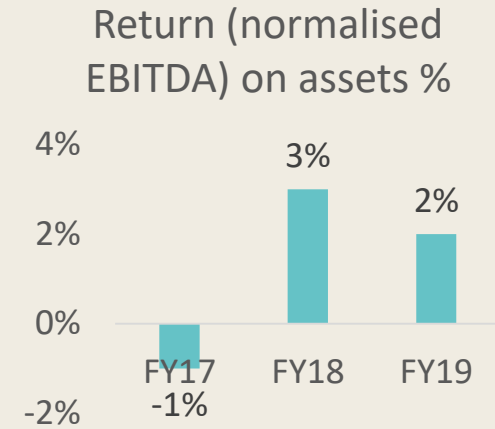
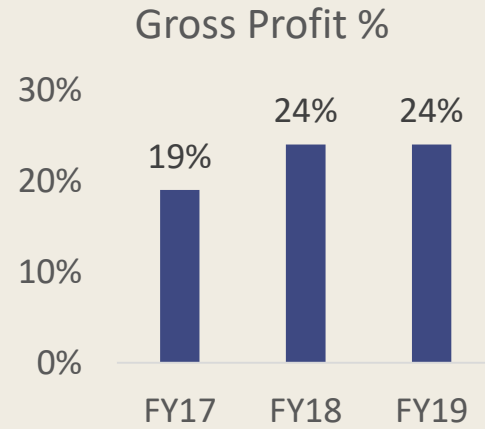
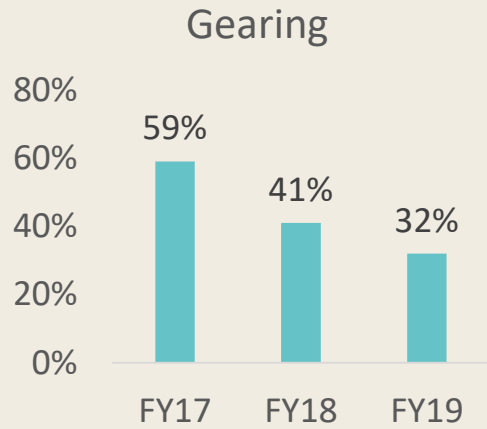
FY19 Key Events

- 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 received from 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).

FY19 Results Snapshot

\$millions	FY19	FY18	
REVENUE	\$135.2	\$148.1	Results in line with May 2019 guidance. Reflects only 3-month contribution from CWH compared to 12-months in prior year. Revenue impacted by challenging market conditions in Australia throughout the year and softening in NZ in 2H19.
EBITDA	\$(1.4)	\$10.3	EBITDA includes \$8.5m of restructuring costs and goodwill impairment which the Board considers to be abnormal costs.
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.
EBITDA (normalised)	\$7.1	\$10.0	Stronger normalised EBITDA performance in 1H19 and lower costs, offset by reduced carpet sales and wool buying margins.
NPAT/NLAT (normalised)	\$1.9	\$4.0	Lower FY19 profit due to reduced revenue.
NET DEBT	\$17.8	\$29.4	Significant reduction in debt with proceeds from sale of CWH used to offset debt.

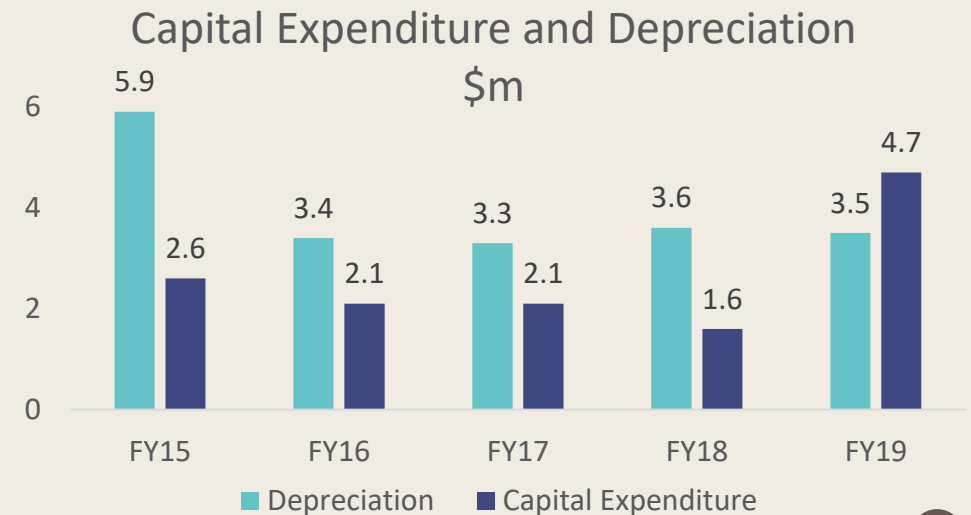
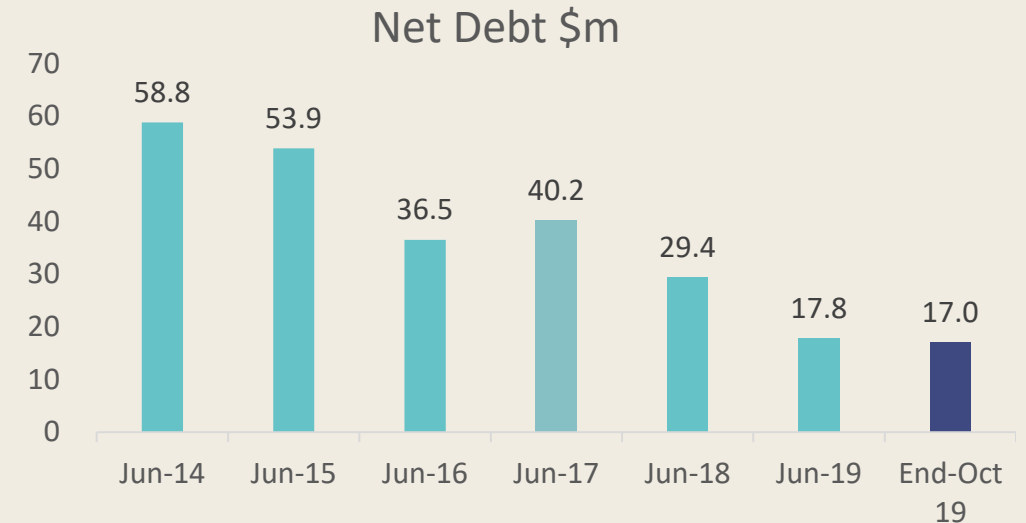
FY19 Performance



Capital Management

Debt position continues to improve

- 71% reduction in debt since FY14.
- Renegotiated bank terms and tenure in FY19. Company has support of banking partner.
- Tight control over capex.
- Inventory reduced by \$21.2 m since FY14.



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. Continuing to explore opportunities to expand market presence and range.
- Transformational shift into a wool focused, design-led business. Expected to necessitate organisational change as the business moves towards a stronger wool manufacturing and marketing focus.
- Collaboration with NZM, leveraging its extensive sales and marketing expertise, to connect consumers with Cavalier's wool product.
- Investment into business transformation and associated costs will be realised in FY20.
- Board is confident in the financial sustainability of the company and excited about the potential of the new business model and strategy.

1H20 Guidance (for the six months to 31 December 2019)

- **MARKET CONDITIONS:** Continuation of challenging trading conditions. Slowdown in carpet sales, particularly lower end synthetic carpet. Demand for Cavalier's premium wool carpets continues to grow and whilst these are a small part of total sales, they provide a significant contribution to group profits.
- **FINANCIAL RESULTS:** Cavalier total sales volumes down approximately 10%. EBITDA will include an approximate \$1m benefit from adoption of IFRS 16 and transformation costs of approximately \$0.8m.

\$millions	1H20	1H19
Revenue	61 - 64	70.0
EBITDA	1.2 – 1.9	4.6
Net Loss After Tax (NLAT)	(1.1) – (1.6)	(10.0)

Our Aspirations

To be recognised as:

- A world leader in beautiful wool carpets, made from New Zealand wool
- A pioneer in design and craftsmanship
- Delivering uncompromising quality
- Exceeding our customers' expectations
- Committed to operational and manufacturing excellence
- A culture that harnesses the pride, passion and expertise of our people
- Providing benefit to the New Zealand primary sector
- Protecting our environment for future generations

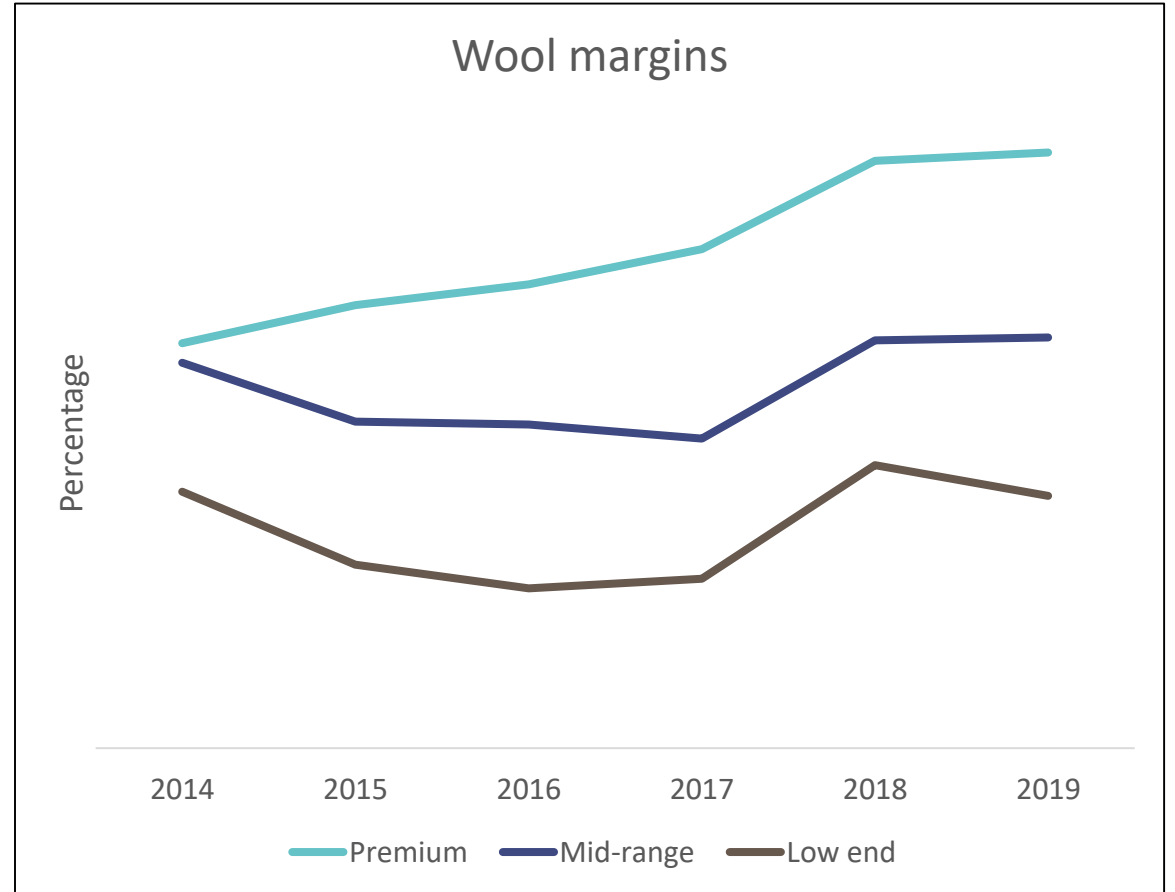
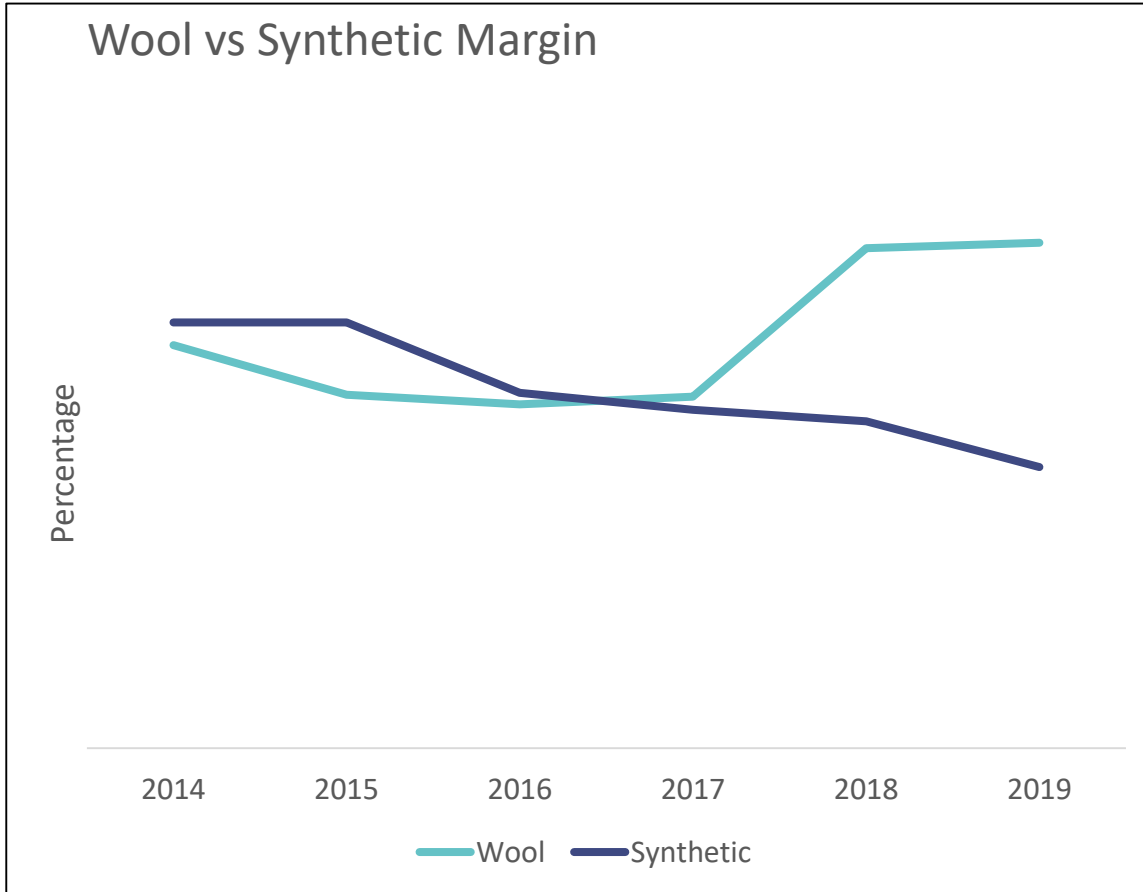
Wool is the Natural Choice

- ✓ Sustainable and 100% renewable
- ✓ Optimal carpet performance
- ✓ Design innovation and craftsmanship
- ✓ Healthier alternative
- ✓ Less odorous
- ✓ Warm in winter, cool in summer
- ✓ Fire resistant
- ✓ Naturally stain resistant
- ✓ Takes moisture out of the air
- ✓ Noise insulator

WHY WOULD YOU CONSIDER ANY
OTHER FIBRE?

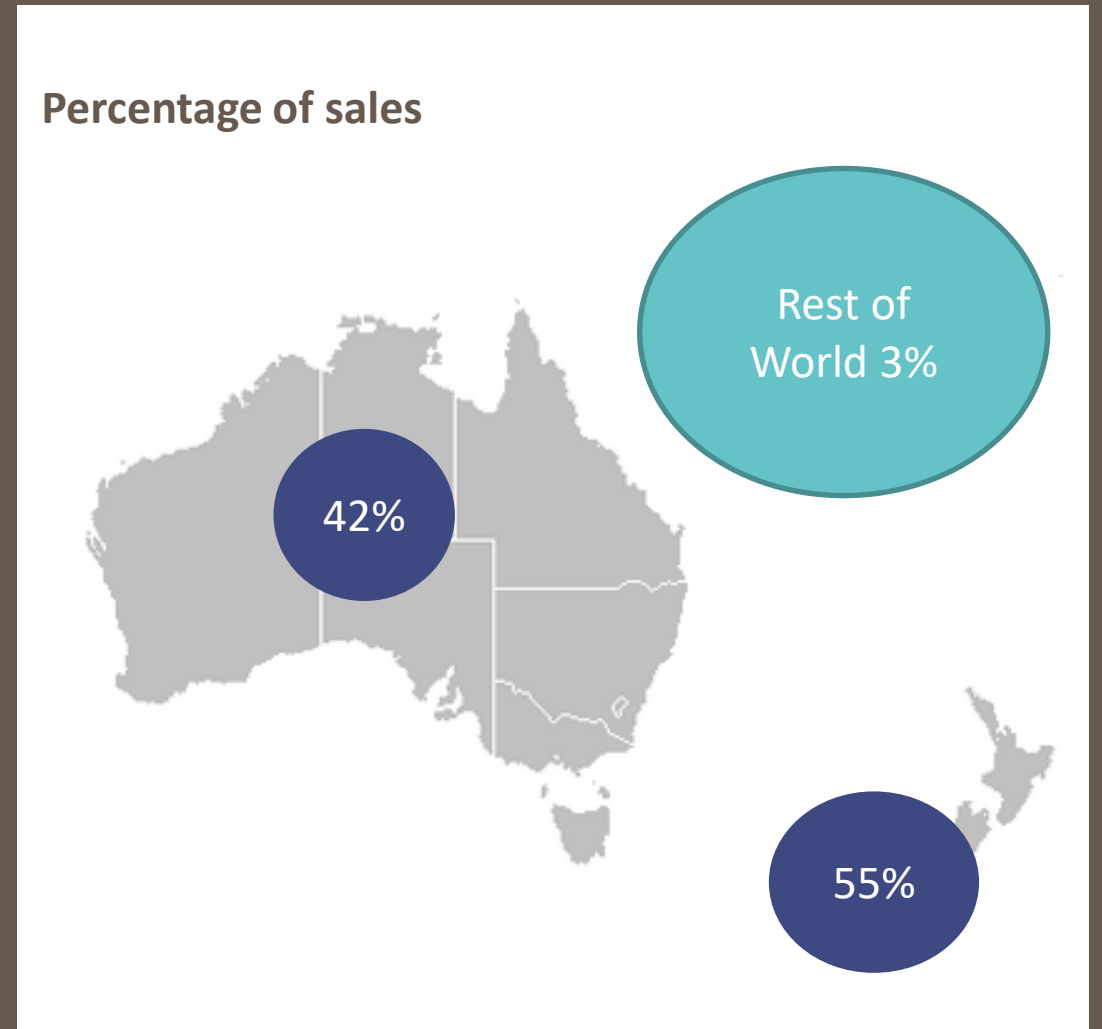


The Value Story



Opportunity In The Global Flooring Market

- Global flooring market estimated at US\$380B. Expected to grow to US\$450B by 2025.
- Approx. 40% - 50% of floor surface is carpet.
- Majority of current sales into Australia and New Zealand. Floor coverings market estimated at approx. \$960M.
- Growth opportunities in other world markets with wool carpets – particularly North America, Canada and Asia.



Partnership with The NZ Merino Company

- Cavalier is a leader in the production of beautiful wool carpets.
- While we make great carpet, our story telling needs to improve.
- Collaboration with The New Zealand Merino Company – Helping us tell our story to the world.
- NZM have had success in assisting other iconic NZ brands (Icebreaker & Allbirds) tell their story.
- Long term contracted wool supply is achievable through NZM to protect against price volatility





NEW ZEALAND
merino™



Shareholder Discussion

Resolutions

Resolution 1: Re-election of John Rae as a Director

Resolution 2: Record the reappointment of KPMG as auditors of the Company and authorise the directors to fix the auditors' remuneration

Resolution 3: To approve the amendment of the Company's Constitution

A woman in a blue and yellow sleeveless top is holding a roll of light-colored fabric in a factory setting. The background is filled with many more rolls of fabric, some on machines. The scene is brightly lit.

Other Business Close of the Meeting

Non-GAAP Measures

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is a non-GAAP measure and excludes net finance expenses, non-controlling interests, tax, depreciation and amortisation costs.

Normalised EBITDA and Net Profit/Loss After Tax (NPAT/NLAT): Cavalier reports on normalised metrics for EBITDA and NPAT/NLAT. These are non-GAAP measures and are not audited. Normalised results exclude items that are not expected to occur on a regular basis, either by virtue of quantum or nature, such as gains/losses arising on the sale of businesses, restructuring costs and asset impairments and, in the case of NPAT/NLAT, their tax effect where applicable.

The Directors believe that the non-GAAP financial information provides useful information to investors regarding the performance of the Group, a more meaningful insight into the underlying financial performance of the Group and a better understanding of how the Group is tracking after taking into account items of an abnormal nature, including items that are unlikely to recur or are otherwise unusual in nature.

A reconciliation of GAAP-compliant to non-GAAP compliant measures of profit and loss after tax can be viewed on page 79 of the Cavalier Corporation 2019 Annual Report, which is available on the company website at www.cavcorp.co.nz.

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