

CAVALIER
CORPORATION



Annual Shareholders' Meeting

30 October 2018

Board of Directors



A W (Alan) Clarke



S E F (Sarah) Haydon
Retiring at today's meeting



T H G (George) Adams



G C W (Grant) Biel



J M (John) Rae



D V (Dianne) Williams

Leadership Team



CEO: Paul Alston

CFO: Victor Tan

GM Australia: Michael Richardson

National Sales Manager NZ:

Dean Chandler

GM Product Development/ Marketing:

Rochelle Flint

GM Manufacturing: Craig Wallis

GM Comms/Culture: Lenska Papich

FY18 has been a turnaround year for Cavalier Corporation.

As we roll out our new strategy, to be a marketer of high end carpet solutions, we are confident we are on track to long-term sustainable growth, with improving margins and quality earnings.

The Board, management and staff are excited and optimistic about our future, particularly the company's renewed focus on wool, and the opportunity this presents locally and globally.



Sale of Cavalier Wool Holdings

- Sale of 27.5% interest in Cavalier Wool Holdings Limited for \$13.5m in cash
- The sale included the property held by 50% owned CWS Assets Limited which had been leased to CWH
- Proceeds have been offset against borrowings
- Non-cash write-down of \$11.8m

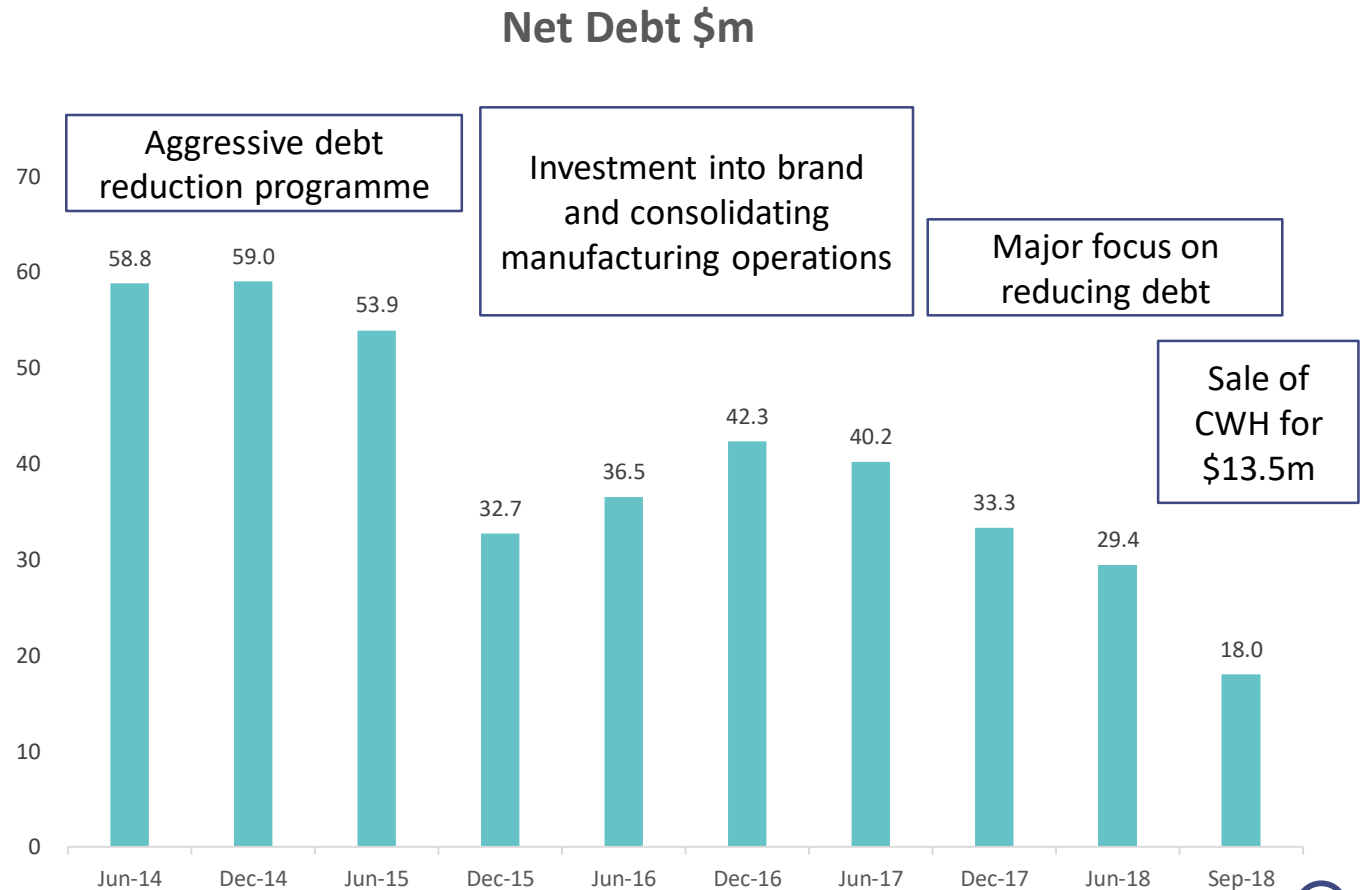
Sale in best interests of the company:

- In line with new strategy to be a marketer of high end carpet solutions - not just a manufacturer
- Secured a long term scouring and access agreement
- CWH investment did not yield a cash dividend to Cavalier
- Significant future capex identified

Stronger Financial Platform

Debt position continues to improve

- Major focus on debt reduction over the past twelve months.
- Making good progress and further reductions expected in the short term.
- Further reduction in borrowings post-sale of CWH wool scouring business.
- Committed to re-introduction of dividends as part of long term financial strategy.



An Exciting Future

New strategy with a focus on being a marketer of high quality, environmentally responsible carpet solutions, with a wool bias.

Based on Cavalier's proven and differentiated positioning as an innovator of high quality floor solutions.

Supported by a passionate and experienced team with in depth market knowledge.





Paul Alston
CEO

Our Company

Operations are based in New Zealand and Australia with exports around the world



CAVALIER
BREMWORTH



NORMAN ELLISON
CARPETS



ELCODIRECT
WOOL BUYERS

Auckland

- Head office
- Tufting factory
- Sales office

Cambridge

- Wool store

Taumarunui/Raetihi/Taihape

- Wool stores

Wanganui

- Felting plant
- Wool store

Napier

- Spinning factory

Wellington

- Sales office

Christchurch

- Sales office

Brisbane

- Sales office

Sydney

- AU head office
- Administration
- Sales office

Melbourne

- Sales office

Adelaide

- Sales office

Perth

- Sales office



Resetting Our Business

Restructuring undertaken in the past few years in response to market challenges and changes within the industry:

- Rationalisation and optimisation of warehousing, distribution and manufacturing facilities
- Sale of property and loss making assets
- New product development
- Cost reductions

The significant manufacturing costs associated with the restructuring are now behind us.



Year in Review

REVENUE

\$148.1_m

Reduction in net debt

\$10.8_m

Normalised earnings

\$4.0_m NPAT

\$10.0_m EBITDA

**A NEW
STRATEGIC
FOCUS**

Balance Sheet

**STRONGER
FINANCIAL
POSITION.**

**Improved
Margins**

A New Strategic Focus

SHIFT IN FOCUS FROM BEING A MANUFACTURER TO A MARKETING-LED BUSINESS

Remain a proud and successful manufacturer of high quality carpets.

Move towards customer-led marketing focus – delivering carpets that our customers want.

Focus on delivering long term sustainable growth, improving margins and quality earnings.



Marketing

We will promote our New Zealand wool story and quality proposition. We will continue to lead in product innovation.

“Leadership in product development is not new for Cavalier, in fact it is what has set us apart for many years.”

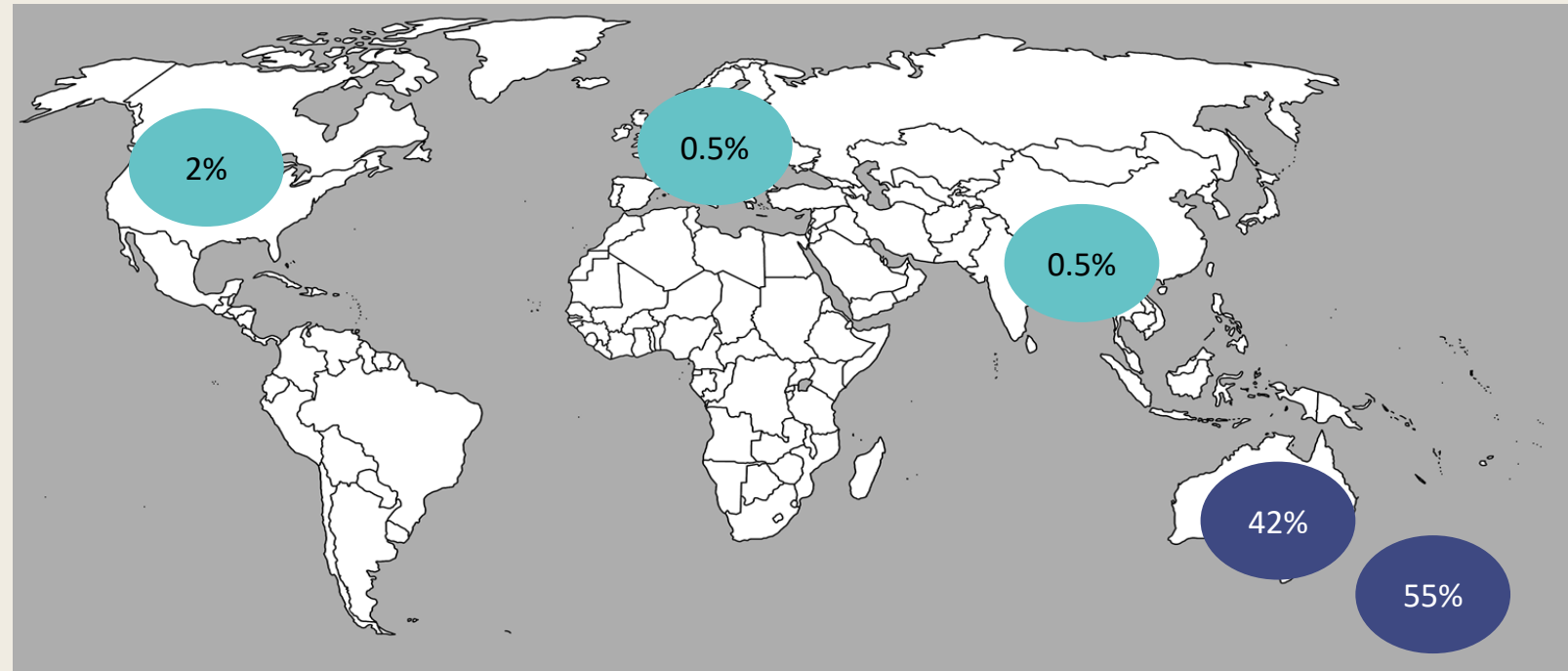
INITIATIVES:

- Activity tailored towards high end, high margin proposition
- Increase investment into marketing
- Grow capability in product innovation and leadership
- Investment into research and development
- Creation of ranges that command a premium
- Focus on wool and the highly valued Cavalier Bremworth brand.

Opportunity In The Global Wool Market

- Wool carpets are our heritage.
- Majority of current sales into Australia and New Zealand.
- Growth opportunities in other world markets with wool carpets – particularly North America and the UK.
- US wool carpet market estimated at USD\$513m.
- UK wool carpet market estimated at USD\$498m.

Percentage of sales



Domotex Germany

January 2019

The largest and most important flooring trade show globally



Sales

We will develop wool and higher margin sales opportunities

“It is our intention to become the dominant force in the New Zealand market, grow market share in Australia and expand in other international Markets.”

INITIATIVES

- Focus on higher margin sales opportunities and wool
- Careful consideration of new market options and investment channels
- Enhanced retail initiatives and promotions to align with high margin programme
- Launch of wool training module for retailers
- Develop higher end, niche market opportunities with interior designers and architects
- Continue to promote innovative products, such as rugs



Retailer: Wool training kit

People

We will create a great place to work, from the inside out.

“Cavalier is a business as much about its people as is about its products. The two are intimately linked.”

INITIATIVES

- Increased investment in people, culture and communications programmes
- Focus on attracting key talent, and growing and retaining existing people
- Company-wide engagement survey
- Continue to celebrate diversity and promote inclusion

Outlook for FY19

Another year of improving financial performance and growth

- Favourable wool prices.
- Balance sheet continues to strengthen – further debt reduction expected.
- NZD/AUD more favourable.
- Demand for wool continues to grow – positive effect on wool trading volumes.
- Continued cost management.
- Efficiency improving in manufacturing operations and further gains to be realised.
- Investment into new IT system, customer relationships, expanding global presence and innovation.
- Continue to assess new business and market opportunities in line with strategy.



The Future

- Build on leadership position in wool.
- Increased focus on high-end, higher margin products.
- Growth opportunities in woollen products outside of New Zealand.
- Increased R&D and marketing spend – innovation and product development.
- Opportunities for growth in Australia and Rest of World markets.
- Invest in and promote the environmental benefits of our woollen products.
- Increased investment in our people





Shareholder Discussion



Resolutions

Resolutions

Resolution 1: That the directors are authorised to fix the fees and expenses of the auditor, KPMG.

Resolution 2: That Grant Biel, who retires by rotation at the Annual Meeting and is eligible for re-election, be re-elected as a director of the Company.

Resolution 3: That Alan Clarke, who retires at the Annual Meeting and is eligible for election, be elected as a director of the Company.

Resolution 4: That George Adams, who retires at the Annual Meeting and is eligible for election, be elected as a director of the Company.

Resolution 5: That the total directors' fee pool be increased by \$100,000 per annum from \$350,000 per annum to \$450,000 per annum (exclusive of GST), being the aggregate payable to all directors of the Company for their services as directors of the Company, with such sum to be divided among the directors as the Board may from time to time determine.





Other Business
Close of the Meeting

Glossary and Reconciliation

EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation. EBITDA excludes profit/losses generated by the wool scouring business, in which Cavalier has a 27.5% shareholding. The results for this business are equity accounted on a separate line in the annual accounts and therefore not included in the consolidated EBITDA.
Normalised EBITDA	EBITDA excluding abnormal items and non-trading adjustments. A reconciliation of EBITDA to normalised EBITDA is below.
NPAT	Net Profit After Tax

\$000's	FY18	FY17
EBITDA	10,324	(2,232)
Restructuring costs	(189)	6,309
Reversal of impairment of fixed assets	(137)	(1,505)
Normalised EBITDA	9,998	2,572

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