

CAVALIER CORPORATION

ANNUAL MEETING

23 December 2020

CAVALIER BOARD



Chairman, George Adams



Director, Dianne Williams



Director, Grant Biel



Director, John Rae



Director, Paul Izzard



Director, Alan Clarke



CHAIR'S PRESENTATION George Adams

STRATEGY DEVELOPMENT: KEY EVENTS

- FY19: Strategic review to identify opportunities to leverage Cavalier's strengths and unlock new value for shareholders
- FY20: Began journey towards becoming a more sustainable business with shift to being a design-led wool focused company, in response to evolving consumer trends
- 2H20: Completion of strategic review
- 1H21: Unveiling of new strategy to become a sustainable, interior solutions business. Launched new Bremworth brand.
- 1H21: Reviewed capital options to fund transformation strategy. Announced sale and leaseback of Auckland property

OUR GROWTH STRATEGY

GROW THE WOOL FLOORING MARKET

GROW OUR SHARE OF THE MARKET

EXPAND OUR PRESENCE

INNOVATION AND FUTURE THINKING



FUNDING CAVALIER'S TRANSFORMATION

- Auckland Property Sale: Sale and leaseback of Cavalier's Auckland Property for \$25.5 million (net proceeds of \$25.3 million).
- Additional capital options to be considered, if further funding is required.



OUR FINANCIAL JOURNEY

FY21 to FY23: Investment into resetting the business, commencing the new strategy and navigating the economic recovery post-COVID.

FY23: Return to profitable growth.

FY25: Full benefits of transformation strategy being realised, with increasing value and profitability.

FY21 OUTLOOK

- Short term outlook for the economy remains uncertain.
- Economists predicting a global uplift in second half of 2021, as vaccines are rolled out.
- 1H21 benefit from faster than anticipated sell down of synthetics.
- 2H21 sales revenue expected to reduce as exit from synthetics is completed. Investment into marketing and people, reset of manufacturing and sales base.



A STRONG FOUNDATION FOR THE FUTURE

- Carefully considered strategy that takes advantage of Cavalier's strengths and consumer trend
- Zero debt
- Funding from the sale and leaseback of the property (if approved by shareholders)
- A team with significant expertise, industry knowledge and skills.



CEO'S PRESENTATION Paul Alston

WE ARE BREMWORTH

- Building on our heritage as a leading designer and manufacturer of premium wool carpets and rugs
- Evolving to deliver desirable, safe, sustainable and high performing natural interior solutions
- Purpose led business, incorporating eco-conscious practices in all we do
- Design led thinking, to deliver long lasting and desirable solutions



FY20 YEAR IN REVIEW

To 30 June 2020

- KEY OUTCOME: Announced transformation strategy to become a sustainable, interior solutions business.
- Challenging operating environment – softening trading condition in 1H20, further exacerbated by COVID-19
- Organisational restructure in Australia. Post period end, commenced re-set of the New Zealand operations.
- Launched new products and Lifestyle range to offer consumers with further choice
- Expanded retail distribution network, particularly in Australia

COVID-19 RESPONSE

- Material impact from lockdown in NZ and restrictions in Australia
- April revenue dropped to almost zero, with some online sales
- Strong recovery since emerging from lockdown, however, with some impact from further COVID restrictions in Victoria, Australia
- Shipping and port delays currently impacting supply chain.

RECOVERY BEING DRIVEN BY:

- Pent up demand after lockdown
- People spending on renovations and new homes in lieu of other discretionary spend
- Retailers stocking up on synthetic carpets ahead of Cavalier's transition away from these fibres
- Increasing sales of wool and higher value products.

FY20 FINANCIAL SNAPSHOT

- Revenue down 13% on pcp as a result of COVID-19
- Normalised EBIT of \$2.3m
- Non-trading, non-cash adjustments of \$(11.2)m, primarily related to strategic change and reset
- Strong operating cashflows of \$6.8m, mainly due to exit from synthetics
- Net loss after tax of \$(21.5)m
- Normalised NLAT of \$(3.5)m
- Debt reduced to \$14.5m as at 30 June 2020; all debt repaid as at end-November 2020

A reconciliation of GAAP-compliant to non-GAAP measures is available on page 188 of Cavalier Corporations FY20 Annual Report

WE'RE ON A MISSION

- To deliver a range of home experiences built with people, the planet and growth in mind.
- We believe the changes we make today will prepare us for tomorrow.



OUR VISION

Our vision is to become a global leader in designing and creating desirable, safe, sustainable and high performing natural interior solutions.

WHAT DEFINES US

We believe that by embracing nature we can make a genuine difference to the wellbeing of people and the planet and deliver the design and performance attributes customers care about.

OUR FOCUS IS ON

- Reducing our impact on the environment
- Transitioning out of synthetics
- Building on our heritage
- Executing our strategic growth initiatives



OUR PROGRESS TO DATE

GROW THE WOOL FLOORING MARKET

Increasing awareness of the NZ strong wool story

GROW OUR SHARE OF THE MARKET

Rollout of the Lifestyle collection and other uniquely designed products, to provide more choice for consumers and a range of value offers

EXPAND OUR PRESENCE

Additional stores in Australia, increased network in New Zealand. Investigating opportunities in China and USA

INNOVATION AND FUTURE THINKING

Investigating opportunities for adjacent interior solutions products

THE RIGHT PLATFORM FOR THE FUTURE

- New organisational structure in response to exit from synthetics
- Downsizing of Auckland manufacturing
- Increasing capacity at Napier and Whanganui
- Investment into R&D, focused on sustainability
- Funding of our transformation – property sale, with other capital funding options to be considered



OUR SUSTAINABLE FUTURE

- We are on a journey towards becoming a more sustainable company
- We are exiting synthetics, a reduction of 2.5m kg of synthetic fibre consumption per annum
- Our wool carpets are made with 87% natural materials - we will invest in scientific research to identify solutions to make our products 100% sustainable
- We are actively removing single use plastics from the business
- We will seek new ways to reduce, recycle, and remove plastic from our products, our business and our daily lives



1H21 TRADING UPDATE

- Continued strong performance in NZ.
- Softer performance in Australia, further impacted by shipping and port delays. Better mix of higher margin carpets being sold.
- Some impact from Auckland and Victoria COVID restrictions
- Faster than anticipated sell down of synthetics
- Net debt fully repaid as at end November 2020.

1H21 GUIDANCE

For the six months ending 31 December 2020

Normalised EBITDA is expected to be between \$4.0m and \$5.0m.

Normalised EBITDA is post IFRS 16 and excludes the one-off gains from the sale of the Auckland property and redundancies

This compares to a normalised EBITDA of \$3.0m for the prior comparative period.

2H21 PRIORITIES AND OUTLOOK

PRIORITIES

- Launch new marketing campaign
- Leverage consumer insights to tailor marketing for different consumer groups
- Continue to rollout Lifestyle ranges
- Continue to expand retailer network, particularly in Australia
- Maintain focus on innovation.



2H21 OUTLOOK

- Outlook for the economy remains uncertain, however, some indications of positive economic activity
- Expect NZ woollen carpet sales volume to be well up on pcp; Australia expected to improve when supply chain disruptions reduce.
- Total sales will be lower than pcp due to exit from synthetics, and while new initiatives are implemented



BUSINESS OF THE MEETING

Shareholder Discussion

RESOLUTIONS

Resolution 1 – Re-election of Dianne Williams: That Dianne Williams, who retires and who is eligible for re-election, be re-elected as a director of the Company.

Resolution 2 – Election of Paul Izzard: That Paul Izzard, who was appointed as a director by the Board on 20 November 2020 and who is eligible for election, be elected as a director of the Company.

Resolution 3 – Auditor’s remuneration: That the directors be authorised to fix the fees and expenses of the auditor.

Resolution 4 – Approval of sale and leaseback of Auckland property: That the sale and leaseback of the Auckland Property, details of which are set out in Explanatory Note 4, so as to enable the Company to execute its transformation to the all-wool and natural materials business model, while also providing it with additional liquidity and funding, be approved.

PROXIES AND POSTAL VOTES

	FOR	AGAINST	PROXY DISCRETION
Re-election of Dianne Williams	22,861,824 91.34%	790,706 3.16%	1,377,649 5.50%
Election of Paul Izzard	23,638,960 94.19%	81,706 0.33%	1,377,649 5.49%
Auditors' remuneration	23,592,092 94.42%	26,552 0.11%	1,368,416 5.48%
Sale and leaseback of Auckland Property	22,845,672 91.22%	829,298 3.31%	1,368,510 5.46%

The Company has received 149 proxy and postal votes representing approx. 36.5% of total shares, with more than 90% of those in favour of each of the four resolutions.

CLOSE OF THE MEETING

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