

CAVALIER
CORPORATION



Investor Presentation

23 February 2018



AGENDA

Our Company
Resetting Our Business
Half Year Results
Our Future

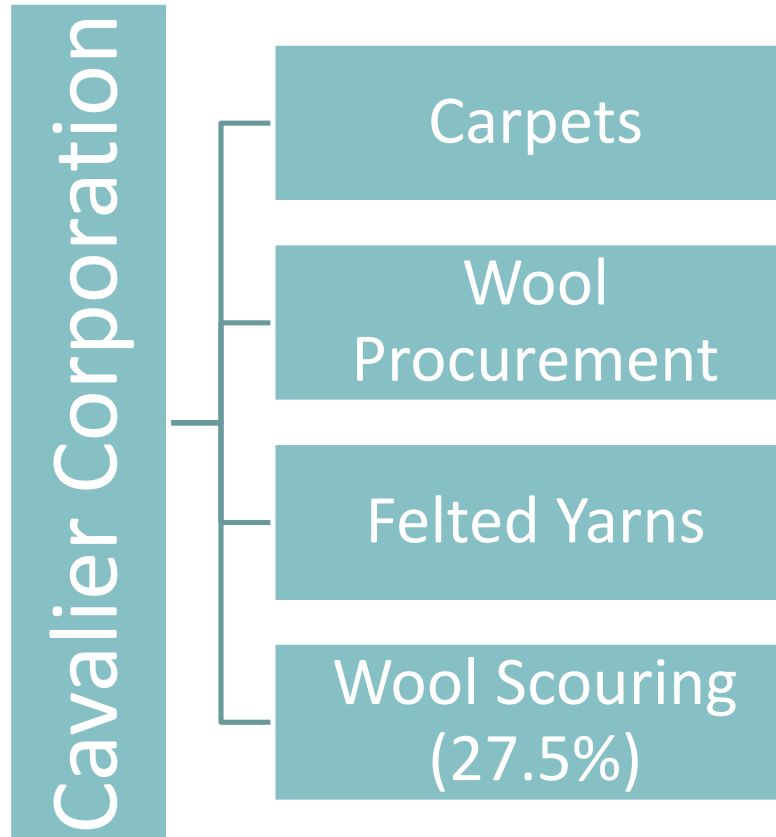
SPEAKERS

Paul Alston, CEO
Alan Clarke, Deputy Chair

OUR COMPANY

Cavalier Corporation is a vertically integrated group of companies which operate across the entire spectrum of the soft flooring market.

We buy and scour wool, produce yarn, and design and make broadloom carpet.



OUR OPERATIONS

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

Auckland

- Head office
- Tufting factory
- Sales office

Cambridge

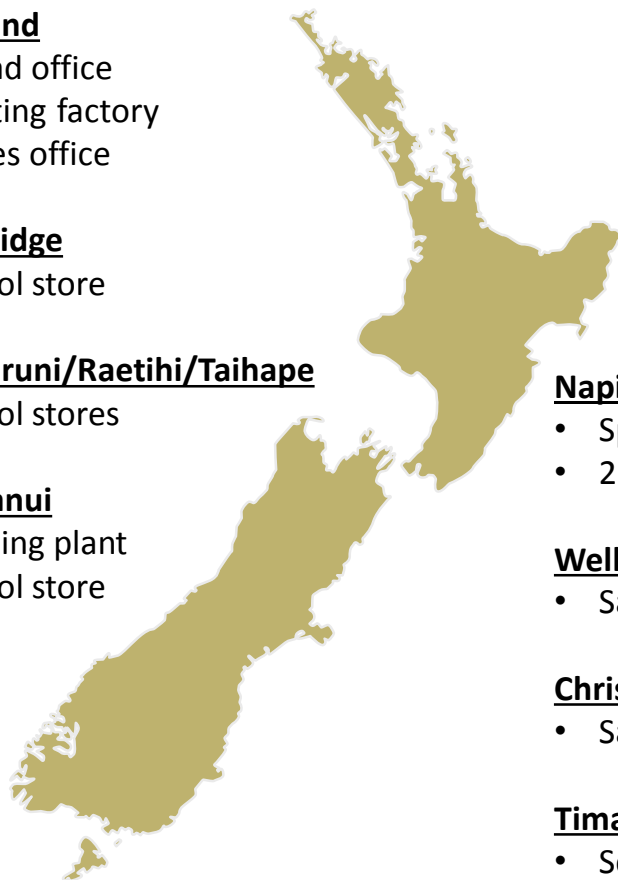
- Wool store

Taumaruni/Raetihi/Taihape

- Wool stores

Wanganui

- Felting plant
- Wool store



Napier

- Spinning factory
- 2 wool scouring sites

Wellington

- Sales office

Christchurch

- Sales office

Timaru

- Scouring site



Brisbane

- Sales office

Sydney

- AU head office
- Administration
- Sales office

Melbourne

- Sales office

Adelaide

- Sales office

Perth

- Sales office

OUR STRENGTHS



- Cavalier Bremworth is the most recognised and trusted carpet brand in the New Zealand market (winner of the Reader's Digest most trusted brand award four years running - since its inauguration)
- Very highly regarded brand in the Australian market, particularly with the retail trade
- Cavalier Bremworth has a strong heritage and a great story - from its establishment and transformation into a company that is renowned for quality and innovation
- A fully integrated company from sourcing of wool at farm gate to yarn production and the manufacture of carpet
- Ownership of a wool acquisition business, and a meaningful shareholder in New Zealand's only wool scourer
- Strong supplier relationships built up from decades of dealing with key stakeholders in the industry
- Felted yarn technology that is difficult to replicate and demands premium pricing



REFRESHED BOARD AND EXPERIENCED LEADERSHIP

From 1 April 2018

ALAN CLARKE
INDEPENDENT CHAIR



SARAH HAYDON
INDEPENDENT DIRECTOR



DIANNE MCATEER
INDEPENDENT DIRECTOR



JOHN RAE
INDEPENDENT DIRECTOR



GRANT BEIL
NON-INDEPENDENT
DIRECTOR



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 Wallace

GM Comms/Culture: Lenska Papich

GM Rest of World: Cathy Howitt

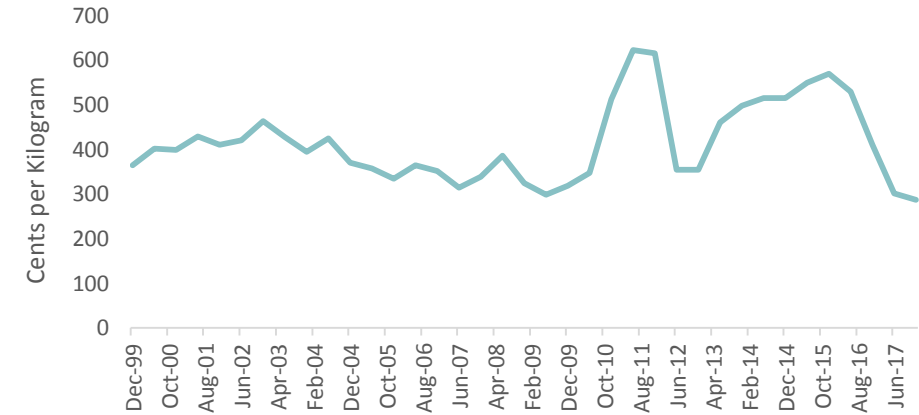


RESETTING OUR BUSINESS

CHANGING MARKET

- Wool price increase from 2011 (circa \$5m - \$8m impact)
- Strengthening NZD against AUD from 2012 – 80c to mid 90c's (circa \$5m - \$8m impact)
- Significant move from wool to synthetics. Cavalier's infrastructure geared towards wool
- Consolidation of retailers into groups (pressure on margins) – power shift to retailers
- Flood of imported product (synthetics) helped by a strong NZD:USD
- Increasing competition from low cost imported tiles
- Unprecedented drop in wool demand from 2016 – wool business (scour and wool acquisition businesses suffered)

Wool Price c/kg



NZD:AUD



RESETTING OUR BUSINESS

- Restructuring in response to market challenges and changes within the industry:
 - Reduction in warehousing and distribution centres in NZ from two to one
 - Consolidating carpet tufting operations from two to one
 - Consolidating carpet yarn spinning operations from four to two
 - A 29% reduction in broadloom carpet employees
 - Closing two distribution centres in Australia and outsourcing these functions.
- Introduction of synthetic carpets sold under the Cavalier Bremworth Brand to meet market trends
- Exit out of the loss making Australian tile manufacturing business
- Restructure of New Zealand administrative functions
- Launching new and innovative carpets with exclusive yarns
- Development and expansion of felted yarn capability
- Selling surplus property in Australia to reduce debt

The significant manufacturing costs associated with the restructuring have been accounted for in previous years.





HY18 INTERIM RESULTS

For the six months ended 31 December
2017

HALF YEAR RESULT SNAPSHOT

	HY18	HY17	YOY % Change	
REVENUE	\$75.3m	\$84.3m	-11%	Decrease due to reduced wool price impacting wool sales, supply issues and a softer market for carpet
EBITD	\$4.4m	-\$2.0m	+320%	Improved operating profit reflecting better margins and reduced costs. 2017 includes large restructuring costs
NPAT	\$1.0m	NIL	-	Improved NPAT as benefits start to flow from initiatives to re-set the business and favourable macro-economic factors
OPERATING CASH FLOWS	\$7.5m	-\$4.8m	+256%	Improved cash flow reflecting increased profits, careful cash management and reduced working capital
NET DEBT	\$33.3m	\$40.2m	-17%	Reduced debt from improved cash flow and lower inventory
INVENTORY	\$45.9m	\$50.6m	-9%	Lower inventory due to efficient inventory management and decrease in wool prices

KEY METRICS

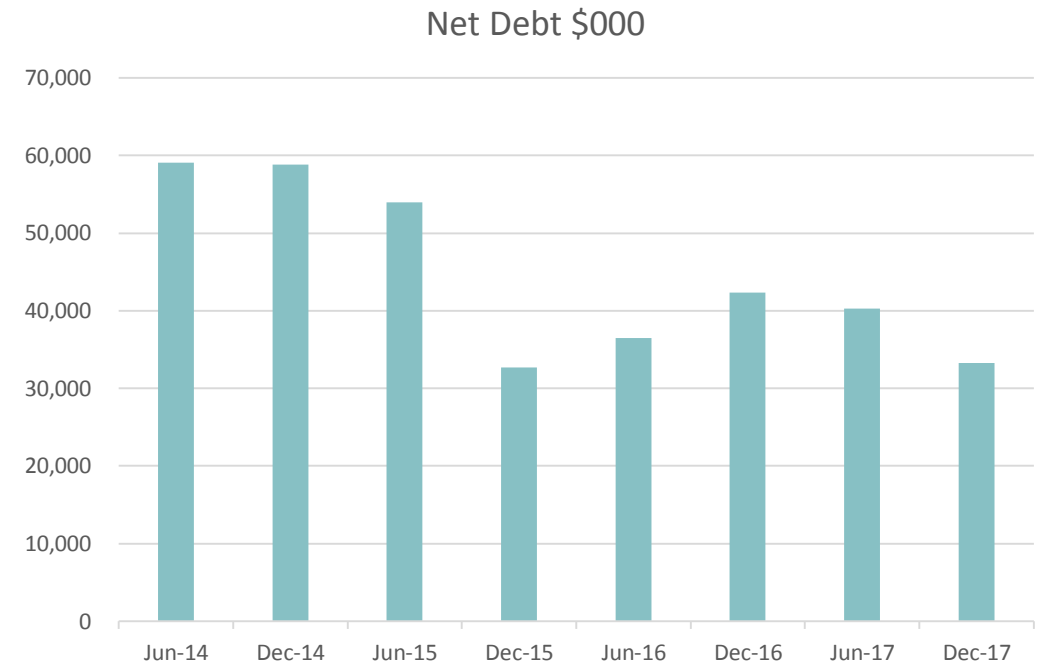
Improvement on most key ratios HY17: HY18. Further improvements expected for 2H18

	HY18	HY17
Return on equity	1.7%	-2.7%
Basic earnings/share	1.7c	-2.7c
Market Cap as at 31 Dec	\$28.2m	\$53.6m
Debt/Equity	33:67	38:62
Tangible assets/share	\$0.97	\$0.98

CAPITAL MANAGEMENT

Debt position improving following year of investment

- Debt progressively dropped up until 2016, following an aggressive debt reduction programme
- This enabled the business to invest in the future by reinvigorating the Cavalier Bremworth brand and consolidating manufacturing operations - debt climbed as a result
- Now the consolidation is complete, focus is on reducing debt again
- Making good progress and further reductions expected in the short term.



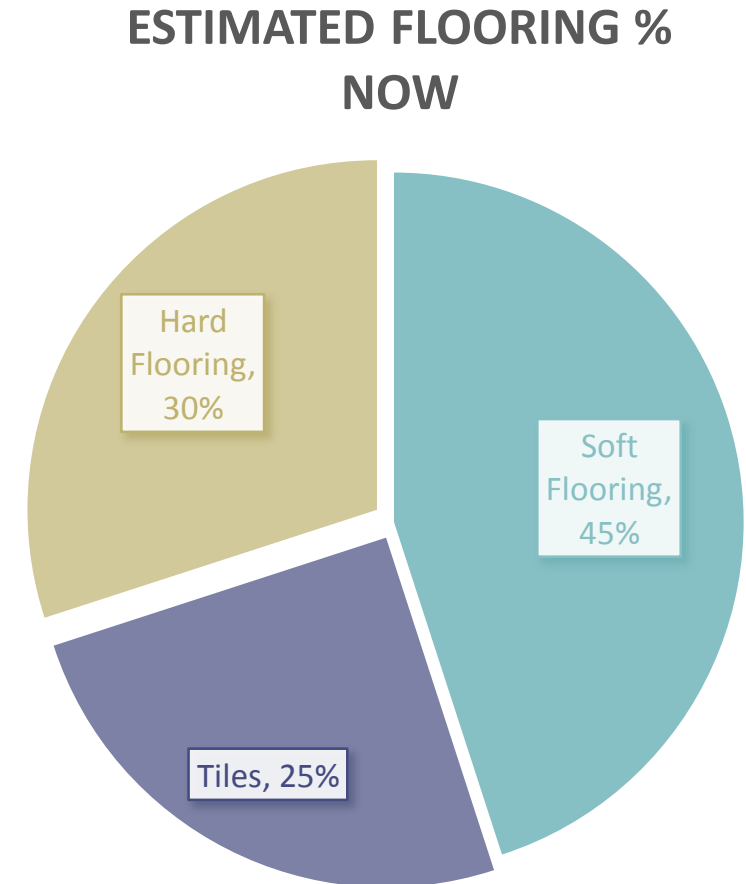
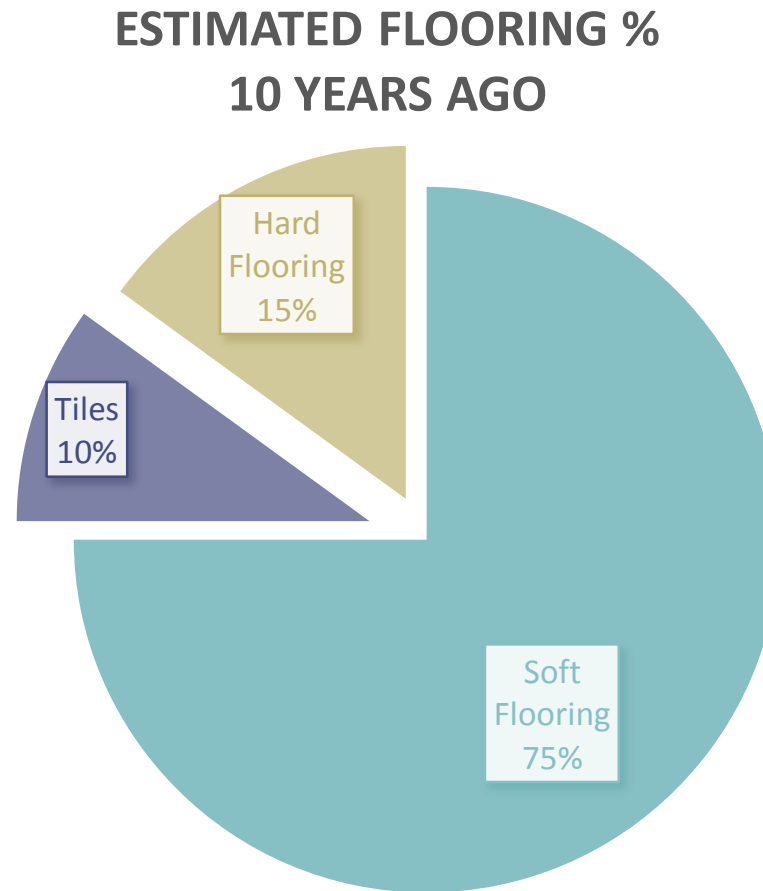


LOOKING TO OUR FUTURE

CURRENT MARKET TRENDS

Movement away from soft flooring

- Soft Flooring (carpets) has declined at the expense of hard flooring and tiles
- Opportunities for diversification



OPPORTUNITY IN THE WOOL MARKET

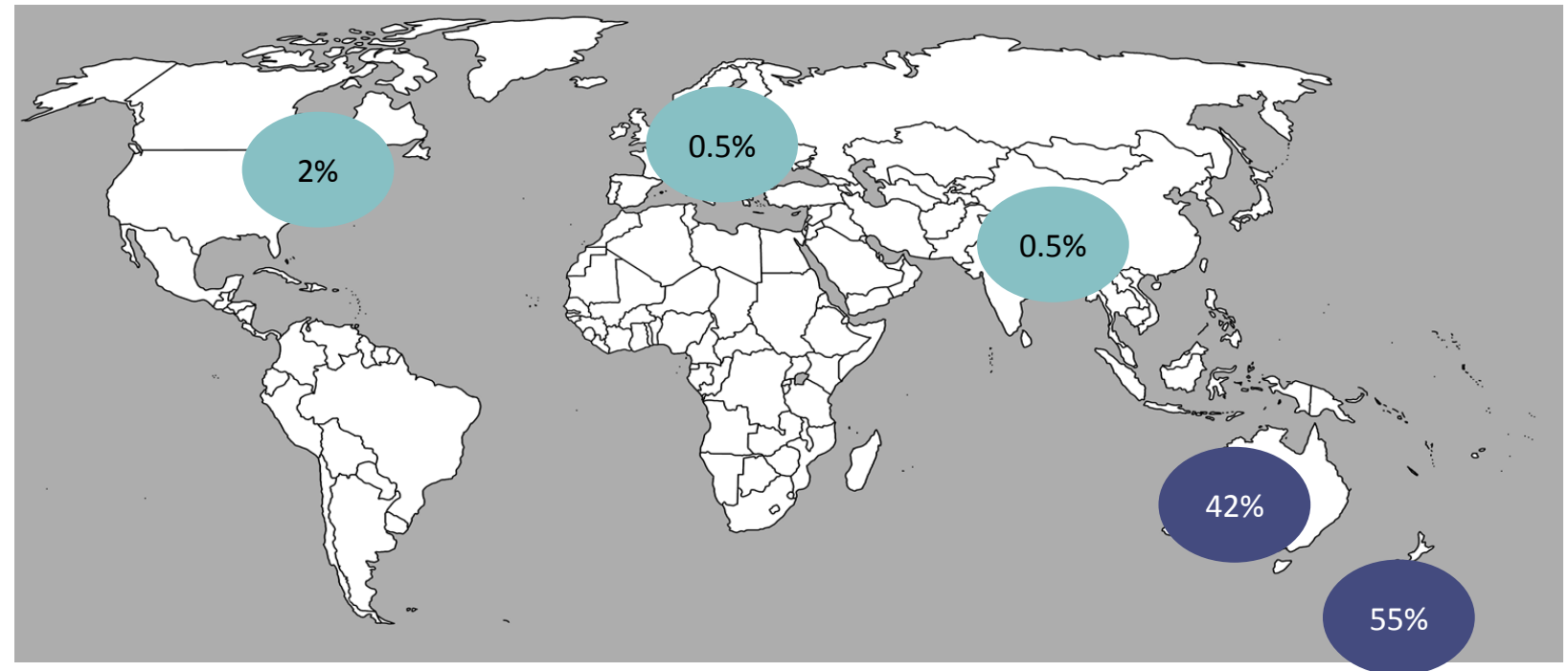
- Wool products are our heritage
- Market share leader in New Zealand
- Opportunities for growth in wool products where we do not have a meaningful presence.

	Wool rich % of total carpet market	Estimated wool market size blm (000)
New Zealand	12% - 15%	400
Australia	13% - 16%	2,500
USA	1% - 2%	3,000
Europe	1% - 2%	1,800
UK	25% - 30%	3,500
Asia	1% - 2%	?

OPPORTUNITY IN THE GLOBAL MARKET

- Majority of current sales into Australia and New Zealand
- Growth opportunities in other world markets – particularly North America, Europe and Asia.
- Currently have insignificant sales in these locations

Percentage of sales



OUTLOOK FOR 2H18 AND BEYOND

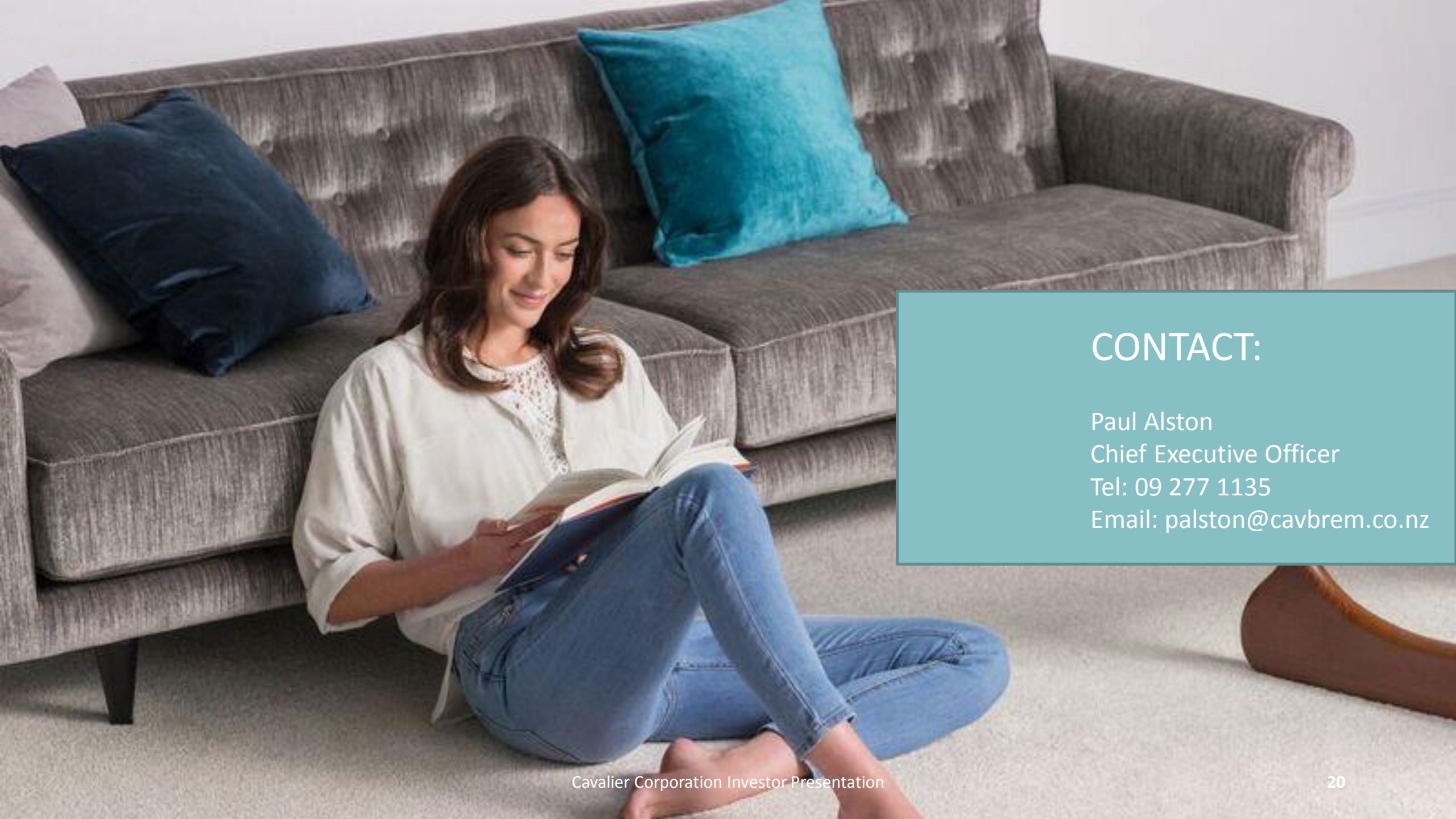
Profitability expected to improve in the short term due to:

- Wool price more favourable with increased margins as a result. Full benefit will be realised in 2019 year
- NZD/AUD more favourable. Coming off high 90's (every 1c movement results in \$500k - \$600k impact)
- Demand for wool improved – wool starting to flow through wool scour and wool trading volumes improved
- High NZD/USD still assisting imported raw materials
- Manufacturing consolidation complete (no more factories to merge) and producing the required volume
- Efficiency improving in manufacturing operations and further gains to be realised
- Continued close cost controls

THE FUTURE

- Increased focus on high-end, higher margin products
- Growth opportunities in woollen products outside of New Zealand
- Increased R&D and marketing spend - Innovation is key
- Opportunities for growth in Australia (we are a small player) with various initiatives.
- Growth in rest of world markets (outside of Australasia) in woollen products.
- Focussed diversification / investment where appropriate
- Consumer touch points (World of Difference) investment.





CONTACT:

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Chief Executive Officer
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CORPORATE INFORMATION

CAVALIER CORPORATION LIMITED	NZX: CAV
Number of shares on issue	68,679,098
New Zealand holdings	67,418,358
Offshore holdings	1,260,740
Market Cap as at 22 February 2018	\$34,339,549

Top Shareholders (over 500,000 shares)

Rank	Name	Units	% of
1.	MARAMA TRADING LIMITED	9,610,718	13.99
2.	RURAL AVIATION (1963) LIMITED	8,567,642	12.47
3.	ACCIDENT COMPENSATION CORPORATION - NZCSD <ACCI40>	3,592,046	5.23
4.	BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD <BPSS40>	2,605,483	3.79
5.	FNZ CUSTODIANS LIMITED	1,738,252	2.53
6.	FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	1,037,032	1.51
7.	J & D SANDS LIMITED	1,000,000	1.46
8.	MASFEN SECURITIES LIMITED	787,500	1.15
9.	JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT - NZCSD <CHAM24>	770,008	1.12
10.	PERCY KEITH MCFADZEAN	715,000	1.04
11.	IAN DAVID MCILRAITH	650,000	0.95
12.	GRAHAM JAMES MUNRO + ZITA LILLIAN MUNRO	570,000	0.83
13.	MICHAEL LOOKMAN + 187 BRIDGE TRUSTEES 53 LIMITED <LOOKMAN FAMILY A/C>	500,000	0.73

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