



ABN 20 007 698 106

**Company announcements platform
Australian Securities Exchange**

**Korvest Ltd Annual Result
Year ended 30 June 2020**

REVIEW AND RESULTS OF OPERATIONS

The revenue from trading activities for the year ended 30 June 2020 (FY20) was \$63.088m, up 3.7% on the previous year. During the year the Group qualified for the Government JobKeeper subsidy and \$1.059m of income from this subsidy is included in the FY20 result. The Group recorded a profit after tax of \$4.027m compared to \$2.885m in the previous year.

Increased levels of major project work in FY20 contributed to the improved result. Activity levels and margins grew across all business units in the Group in FY20.

COVID-19

COVID-19 impacted the global economy during the second half of the year. A Management Steering Committee was quickly established and met frequently to implement a number of changes within the business. The majority of these changes were to minimise the impact of an outbreak, should one occur, at any Korvest site. Changes implemented included strategies such as social distancing and hygiene practices, temperature checking, shift and workgroup segregations, working from home and high levels of communication.

The Steering Committee successfully implemented a number of strategies to minimise any impact upon our supply chain. These included movement of orders between alternative suppliers and an inventory build of fast moving stock items and raw materials held by our key steel supplier. Korvest was able to keep operating both the manufacturing and distribution parts of its business with minimal disruption.

The Board held an additional three Board Meetings during the second half, predominantly to monitor the Steering Committee's response to the pandemic. The financial health of Korvest was supported by our strong balance sheet.

Work in relation to major projects continued largely unaffected albeit these projects were at the bid stage, rather than the supply stage during this time. Day-to-day work continued at similar levels to what was experienced in the months prior to the COVID-19 restrictions.

For personal use only

The absence of major project work during this period meant that Korvest qualified in May 2020 for the Government JobKeeper scheme as the prior year comparative period included significant project work. The current year results include \$1.059m of JobKeeper income.

Industrial Products

In the Industrial Products segment, the EzyStrut cable and pipe support business supplies products for major infrastructure developments and also supplies products to electrical wholesalers and contractors for small industrial developments.

The EzyStrut trading year was a tale of two halves. The first half was highlighted by the supply of two major infrastructure projects in NSW. Both of those projects were completed during the first half. Unfortunately, in August 2019 one of the major project customers entered administration. As there will be no distribution to unsecured creditors the amount of the debt has been written off. The second half did not contain any significant project work and was instead underpinned by smaller project sales and continued support from the national wholesaler market.

The Power Step and Titan Technologies businesses had modest revenue growth during FY20 however profitability improved significantly as a result of improved margins. The margin improvement was primarily driven by cost savings gained from improved sourcing. The combination of improved margin and lower overhead structure meant that the businesses produced their best result under Korvest's ownership.

Production

In the Production segment, the Galvanising business volumes grew as a result of more project work being undertaken in the local South Australian market. The cost of zinc fell during FY20 providing some welcome relief from increases over recent years. Energy costs are a significant cost of the galvanising business and these reduced during FY20. Electricity costs were down on the prior year due to the combination of reduced rates from January 2020 and the impact of the prior year investment in energy efficiency measures including solar panels and LED lighting. In contrast gas costs increased during the year due to price rises however a new supply contract has been signed effective from January 2021 with a 25% reduction in usage rates.

DIVIDEND

The directors announced a fully franked final dividend of 13.0 cents per share (2019: 13.0 cents per share) following an interim dividend of 15.0 cents per share at the half year (2019: 9.0 cents per share). The Dividend Reinvestment Plan (DRP) will remain suspended for the final dividend. The dividend will be paid on 4 September 2020 with a record date of 21 August 2020.

OUTLOOK

Korvest's businesses service a number of major markets including infrastructure, commercial, utilities, mining, food processing, oil & gas, power stations, health and industrial segments.

Activity levels in the infrastructure sector have been the impetus for Korvest's improved sales revenue over the past three years. The pipeline of available work in this sector is strong with numerous significant road and rail tunnel projects expected to be constructed in the coming years. Korvest has secured a major infrastructure project with supply commencing in July 2020 and is expected to continue throughout FY21 and into FY22.

Korvest has invested significantly in manufacturing capability and capacity improvements during the year and intends to continue to invest in this area over the coming years to ensure that it is able to capitalise on the significant number of opportunities expected to arise in its markets.

An update on trading conditions will be provided at the Company's Annual General Meeting.



G BILLINGS
CHAIRMAN

24 July 2020

For further information contact:

Chris Hartwig (Managing Director) 08 8360 4500

This ASX announcement was approved and authorised for release by the Board.