



Korvest Ltd

December 2020 – Half Year

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Cable and Pipe Supports



Torque and Tension Solutions



Galvanising



Safety Access Systems

Agenda

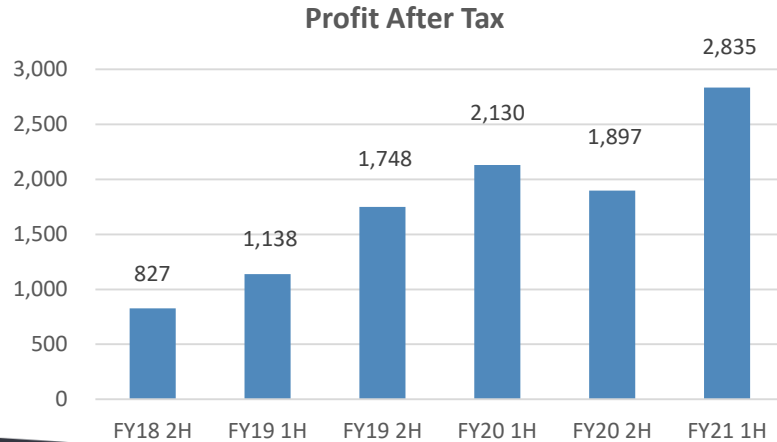
- FY21 1H Key Points
- Financial Results
- Outlook
- Company Overview

Introduction to Korvest

- Korvest (ASX:KOV) is headquartered in South Australia and provides cable and pipe supports, access systems for large mobile equipment, hydraulic tools and wrenches, and galvanising services
- Listed in September 1970
- Korvest has sales offices and warehouses in Adelaide, Melbourne, Sydney, Brisbane and Perth, with distributors in Darwin, Townsville, Hobart and New Zealand
- Manufacturing, fabrication and galvanising in Adelaide
- Power Step and Titan Technologies in Brisbane
- Overseas supply chain provides make vs buy flexibility
- Sell to a wide variety of industry sectors

Headline Numbers

| | Dec 20 (1H) | June 20 (2H) | Dec 19 (1H) | Dec 20 vs Dec 19 |
|----------------------------|-------------|--------------|-------------|---------------------|
| Sales | \$32.6m | \$27.0m | \$36.1m | (9.7%) |
| EBIT | \$4.16m | \$2.76m | \$3.08m | 35.1% |
| NPAT | \$2.84m | \$1.90m | \$2.13m | 33.3% |
| Operating cash flow | \$2.74m | \$4.24m | \$7.98m | |
| EPS | 25.1c | 16.8c | 19.0c | 32.1% |
| Dividend per share | 15c | 13c | 15c | - |



- Less project work compared to PCP
- General market down a little
- JobKeeper (\$1.86m before tax)(2H FY20 \$1.06m)

COVID-19

- \$1.86m before tax JobKeeper income in FY20
- Did not qualify for JobKeeper 2
- International shipping delays and rising costs
- VIC branch continued to operate during prolonged lockdown
- SA 3-day lockdown affected production, increased overtime
- COVID-19 preventative protocols continue to be embedded into normal operations

Industrial Products

| | Dec 20 (1H) | June 20 (2H) | Dec 19 (1H) | Dec 20 vs Dec 19 |
|---------------|-------------|--------------|-------------|---------------------|
| Sales | \$29.47m | \$24.20m | \$32.89m | (10.4%) |
| EBIT | \$2.41m | \$1.52m | \$2.97m | (18.9%) |
| EBIT % | 8.2% | 6.3% | 9.0% | |

Trading Update



- One major project supplied during 1H FY21 vs two in 1H FY20
- General market improved compared to 2H FY20 however was below 1H FY20
- Strong competition impacting project margins



- Small decrease in revenue
- Improved margin has been maintained
- Continues to operate profitably

Production Services

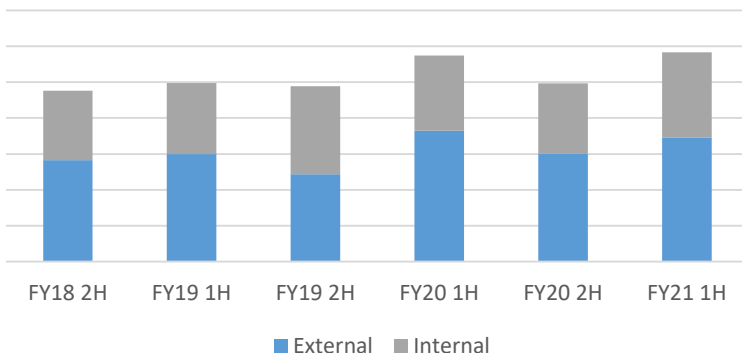
Dec 20 (1H) June 20 (2H) Dec 19 (1H) Dec 20 vs Dec 19

| | | | | |
|---------------|---------|---------|---------|---------|
| Sales | \$3.15m | \$2.77m | \$3.23m | (2.5%) |
| EBIT | \$0.29m | \$0.30m | \$0.39m | (25.6%) |
| EBIT % | 9.2% | 10.8% | 12.1% | |



korvest galvanisers

Galvanising volume



Trading Update

- Strong volume, increased project mix
- Small decline in external work more than offset by increased EzyStrut work
- Energy costs stabilised
- Zinc cost increased 10% during period
- Expenses associated with tank replacement



Korvest Ltd

Strategic and operational initiatives

Automation

- Robotic Ladder Weld Cell has arrived and currently being commissioned
- Robotic Tray Stacking Capex approved for installation during 2H

Operational

- 4 new pre-treatment tanks successfully installed in Galvanising during end-of-year shutdown
- Continued progress of ERP system enhancements in factory
- Review international sourcing arrangements

Cost optimisation

- 270kw Solar System currently being installed
- New (lower) gas rates from Jan 1, 2021
- New IT provider with cost savings

Balance Sheet

ASSETS \$m Dec 2020 Jun 2020 Dec 2019

| | | | |
|-----------------------------|-------------|-------------|-------------|
| Cash & Investments | 6.4 | 6.7 | 8.6 |
| Receivables | 10.3 | 10.1 | 10.0 |
| Inventories | 11.4 | 10.6 | 8.7 |
| Property, Plant & Equipment | 16.4 | 15.9 | 13.3 |
| Right-of-use Asset | 4.2 | 4.7 | 4.7 |
| Other | 0.5 | 0.3 | 0.4 |
| Total Assets | 49.2 | 48.3 | 45.7 |

Increased project stock holding at Dec 20

Ongoing investment in factory

LIABILITIES

| | | | |
|--------------------------|---------------|---------------|---------------|
| Payables | (5.5) | (5.9) | (4.3) |
| Lease Liabilities | (4.3) | (4.7) | (4.8) |
| Other Liabilities | (5.2) | (5.1) | (4.9) |
| Total Liabilities | (15.0) | (15.7) | (14.0) |

Timing of zinc and project related purchases

NET ASSETS **34.2** **32.6** **31.7**

Dividends

| | FY 2021 | FY 2020 | FY 2019 | FY 2018 | FY 2017 |
|-----------------------|---------|---------|---------|---------|---------|
| Interim | 15c | 15c | 9c | 5c | 10c |
| Final Dividend | | 13c | 13c | 7c | 3c |
| Total Dividend | | 28c | 22c | 12c | 13c |
| Franking | 100% | 100% | 100% | 100% | 100% |

- DRP suspended for final dividend

Key Dates

Record Date: 19 February 2021

Payment Date: 5 March 2021

Outlook

- Supply to major infrastructure project to continue throughout 2H at similar levels to 1H
- Infrastructure pipeline for the next 3-5 years remains strong
- Day-to-day and small project markets expected to remain at 1H levels throughout 2H
- Uncertainty around future impact of COVID-19
- Steel prices starting to rise significantly and predicted to continue



Company Overview

Industrial Products

EzyStrut



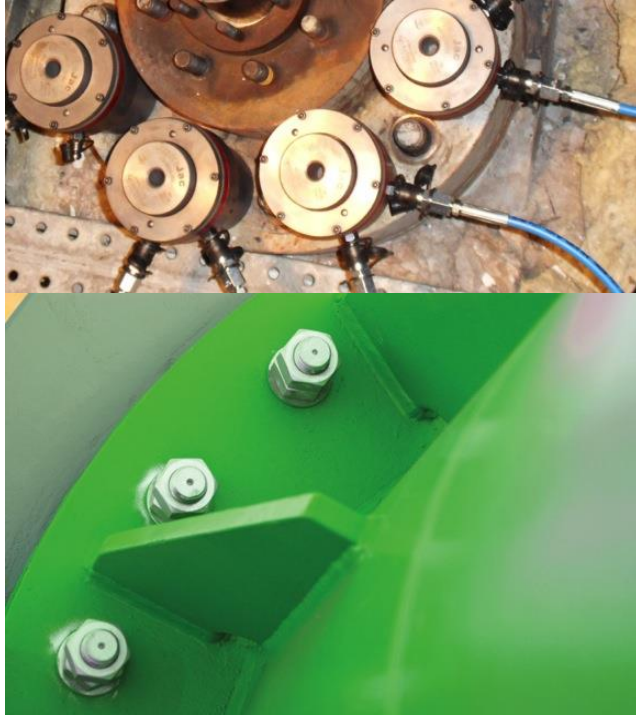
- Cable and pipe supports
- Market leader in cable supports
- Manufacturing facility in Kilburn, SA
- Overseas supply chain
- Sells to EPCMs, Wholesalers, and direct to project contractors and trade
- Local manufacture allows quick response time and ability to manufacture specials – a differentiator to overseas competition
- National sales and warehouse network
- Vertical integration with Korvest Galvanisers

Industrial Products



- Hydraulic/Electric Safety Access Systems for mobile vehicles
 - Design
 - Manufacture
- Safety Lighting
- Filter Crushers
- Queensland Based

Industrial Products



- Hydraulic tools and wrenches
 - Sale
 - Hire
 - Repair
- Markets
 - Large scale construction
 - Power stations
 - Industrial sites
 - Mines
 - Wind towers

Production Services



- Longest galvanising kettle in Australia (14m)
- South Australia's only centrifuge plant (national market)
- Predominantly structural work for SA projects or fabrications
- In-house work for EzyStrut



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