Korvest Ltd

December 2021
Half Year

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*Artwork inspired by
Kia Ora Investments
Interim Report dated
December 1970*

Celebrating 50 Years Korvest Ltd since 1970
Proudly manufacturing in Australia


korvest galvanisers
EzyStrut
Cable & Pipe Supports

Agenda

- FY22 Key Points
- Financial Results
- Outlook
- Company Overview

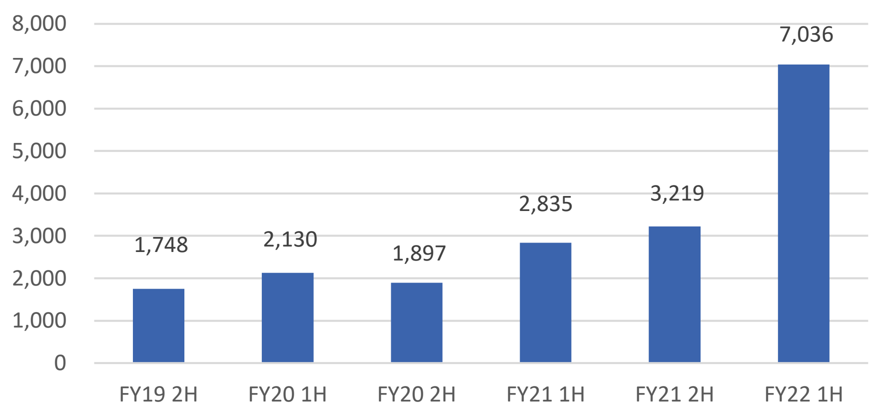
Introduction to Korvest

- 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
- Overseas supply chain provides make vs buy flexibility
- Sell to a wide variety of industry sectors

Headline Numbers

	Dec 21 (1H)	June 21 (2H)	Dec 20 (1H)	Dec 21 vs Dec 20
Sales	$51.6m	$37.2m	$32.6m	58.3%
EBIT	$9.74m	$4.72m	$4.16m	134.1%
NPAT	$7.04m	$3.22m	$2.84m	147.9%
Operating cash flow	($1.38m)	$3.77m	$2.74m	
EPS	61.5c	28.4c	25.1c	145.0%
Dividend per share	25c	20c	15c	

Profit After Tax



- Exceptional 1H
- Significant large project work
- Sale of PSA/TT
- Operating cash flow impacted by working capital demands
- JobKeeper 1H FY21 $1.86m before tax

COVID-19

- Major impacts have been supply side, not demand
- Minimal disruption to key markets serviced by Korvest businesses
- Increased shipping costs and lead times for imported items
- Inventory management an ongoing challenge
- Impact on commodity input prices and availability
  - Carbon steel prices continue to rise, supply is tight
  - Stainless steel pricing still very high, ongoing supply shortages
  - Zinc increased again, at very high levels
- Despite approx. 90% of workforce double vaccinated, we are seeing significant workforce disruption in January 2022 with increasing COVID cases and isolation of close contacts

Industrial Products

	Dec 21 (1H)	June 21 (2H)	Dec 20 (1H)	Dec 21 vs Dec 20
Sales	$47.77m	$33.79m	$29.47m	62.1%
EBIT	$8.60m	$4.40m	$2.41m	256.8%
EBIT %	18.0%	13.0%	8.2%	

EzyStrut

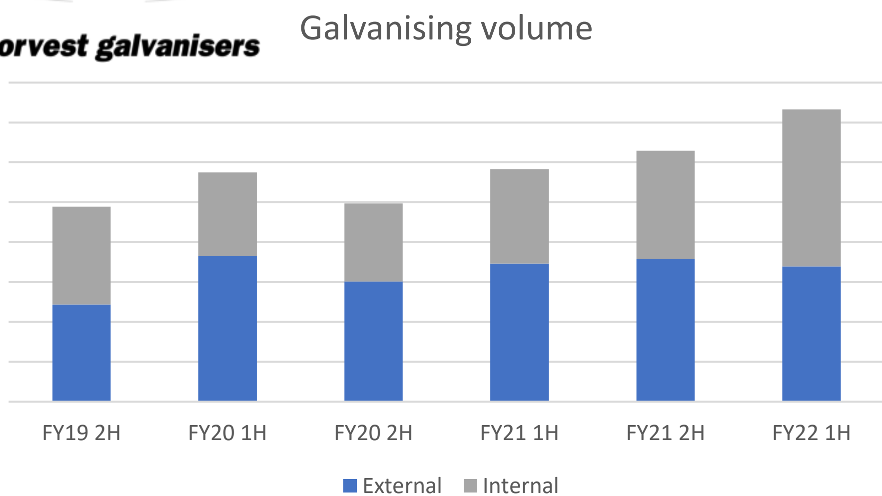
Trading Update

- Unprecedented levels of large project work
- 4 large projects supplied
- Day-to-day activity remained strong
- Improved revenue vs PCP in all states
- Price increases August & December due to rising input costs
- Infrastructure pipeline remains strong

Production Services

	Dec 21 (1H)	June 21 (2H)	Dec 20 (1H)	Dec 21 vs Dec 20
Sales	$3.81m	$3.39m	$3.15m	21.0%
EBIT	$0.89m	$0.57m	$0.29m	206.9%
EBIT %	23.4%	16.8%	9.2%	

korvest galvanisers



Trading Update

- Overall plant volumes high
- Record internal volume due to EzyStrut performance
- Sell prices increased in response to increasing zinc prices
- Eastern states galvanising lead times growing
- Zinc cost rose 23% in 1H

Strategic initiatives

Automation

- Robotic Tray Stacking close to completion on 2nd line
- Some production output from the Robotic Ladder Weld Cell, some commissioning issues remain with turn-key supplier
- IXL strut line operational
- Further automation projects underway

Operational & cost optimisation

- Fibre laser and additional guillotine still yet to arrive, scheduled for installation in H2

Balance Sheet

ASSETS $m	Dec 2021	June 2021	Dec 2020	
Cash & Investments	2.9	7.0	6.4	Working capital demands impacted Dec 21 cash
Receivables	17.5	14.2	10.3	Increase due to strong Nov/Dec 2021 sales
Inventories	17.7	12.4	11.4	Increase due to increased cost of steel and higher stock holdings to mitigate supply chain risk
Property, Plant & Equipment	16.8	16.6	16.4	
Right-of-use Asset	5.6	6.1	4.2	
Other	0.5	0.2	0.5	
Total Assets	**61.0**	**56.5**	**49.2**	
LIABILITIES				
Payables	(8.1)	(8.5)	(5.5)	
Lease Liabilities	(5.8)	(6.2)	(4.3)	
Other Liabilities	(6.2)	(5.9)	(5.2)	Higher tax payable at Dec 2021 due to improved profitability
Total Liabilities	**(20.1)**	**(20.6)**	**(15.0)**	
NET ASSETS	**40.9**	**35.9**	**34.2**	

Dividends

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Interim	25c	15c	15c	9c	5c
Final Dividend	N/A	20c	13c	13c	7c
Total Dividend	N/A	35c	28c	22c	12c
Franking	100%	100%	100%	100%	100%

DRP suspended for interim dividend

Key Dates
Record Date: 18 February 2022
Payment Date: 4 March 2022

Outlook

- 2H begins with strong order book
- Major infrastructure projects will continue to be supplied throughout 2H FY22 albeit at lower than 1H levels
  - One project expected to wind down during 2H
  - 3 projects remain active at varying supply phases
- Day-to-day and small project markets expected to remain at 1H levels in 2H
- Working capital requirements will remain high with ongoing project activity
- Workforce impact of COVID-19 cases and close contacts has been felt in January
- Full impact of high commodity prices such as steel and zinc
- 2H likely to be more comparable with 2H FY21 than 1H FY22

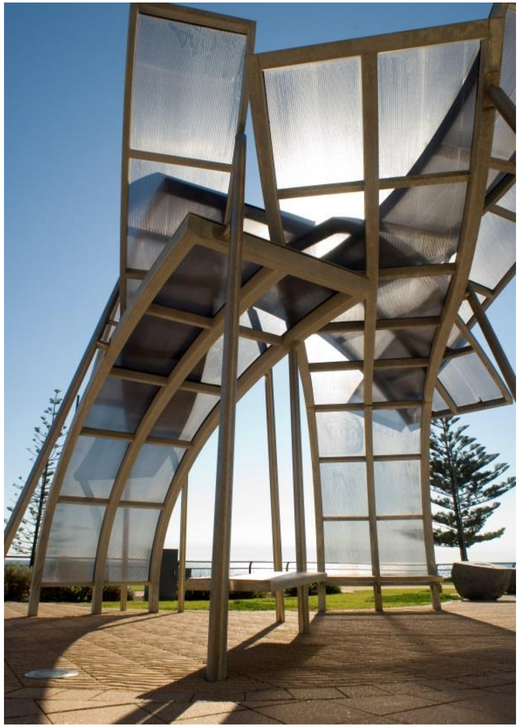
Company Overview

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
- 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

Production Services



korvest galvanisers

- 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

Australia's leading range of cable & pipe supports.
www.ezystrut.com.au

Quick turnaround galvanising of the largest, smallest, and most complex construction members.
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