



**Company announcements platform
Australian Securities Exchange**

**Korvest Ltd Annual Result
Year ended 30 June 2019**

REVIEW AND RESULTS OF OPERATIONS

The revenue from trading activities for the year ended 30 June 2019 (FY19) was \$60.8m, up 6.8% on the previous year. The Group recorded a profit after tax of \$2.9m compared to \$1.4m in the previous year.

The improved FY19 result is attributable to growth in both volume and margin as a number of the markets in which Korvest operates have been buoyant throughout the year.

The Group is comprised of the Industrial Products Group which includes the EzyStrut, Power Step and Titan Technologies businesses and the Production Group which includes the Korvest Galvanisers business.

Industrial Products

In the Industrial Products group, 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.

Activity levels were strong in the markets serviced by EzyStrut in FY19. Major project activity remained high and this was supported by increased work from the smaller projects and day-to-day markets. All states experienced growth compared to the prior year. NSW had the strongest growth due to the supply of a major infrastructure project as well as an active day-to-day market. The SA market also performed well as a number of mid-range projects were supplied throughout the year. The Victorian branch moved to a larger warehouse facility in February 2019 to enable it to more efficiently service the growing customer base.

In April 2019 a competitor exited the market. The competitor operated predominantly in NSW and Victoria and as a result it is anticipated that more opportunities will become available in those states.

Power Step designs and assembles access systems for large mobile equipment. Titan Technologies supplies specialised tools in the form of torque wrenches, hydraulic pumps and related accessories. These businesses experienced subdued trading conditions compared to the prior year. The results were also adversely impacted by stock losses following a detailed review of inventory on hand. The September 2018 retirement of the long-serving General Manager prompted a restructure resulting in a lower ongoing overhead cost.

Production

In the Production group, the Galvanising business volumes were static although the mix of internal and external work changed with an increase in internal work. Galvanising revenue from external customers reduced by 2.5% with price increases mitigating the impact of a 6% volume drop. The cost of zinc and energy remain challenging for the business. The weighted average cost of zinc consumed in FY19 was 7% higher than FY18. There was some small relief with energy costs as a new, lower electricity price was effective for the second half with further price improvement contracted from January 2020 onwards. In addition the business has invested in energy efficient LED lighting and 173Kw of solar panels during the year. However, offsetting this, gas pricing increased by 16% in the second half and gas pricing remains the more significant concern in terms of energy costs going forward.

Labour efficiency improved during the year and this, along with a lower depreciation charge contributed to the improved Production result.

DIVIDEND

The directors announced a fully franked final dividend of 13.0 cents per share (2018: 7.0 cents per share) and 9.0 cents per share at the half year (2018: 5.0 cents per share). The Dividend Reinvestment Plan (DRP) will be suspended for the final dividend. The dividend will be paid on 6 September 2019 with a record date of 23 August 2019.

OUTLOOK

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

The improved results over the past two years have been driven by activity levels in the infrastructure sector. This sector remains strong, and the outlook positive, with a number of major road and rail projects being constructed over the next few years. Korvest is well positioned to capitalise on opportunities arising from this activity over the coming years as demonstrated by the company's plan to significantly invest in manufacturing capability and capacity.

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



G BILLINGS
CHAIRMAN

26 July 2019

For further information contact:

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