

MARKET RELEASE

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NEW BRAND IDENTITY FOR CARPET BUSINESS AND OPERATIONAL UPDATE

- New Bremworth brand identity leads Cavalier’s transformational strategy towards sustainable, interior solutions business.
- Exit from synthetic carpet market well-advanced.
- Q1 results up on previous year.
- Sales revenues for first quarter of FY21 have continued to be stronger than anticipated when the Company first came out of COVID-19 Level 4 lockdown in April.
- Further reduction in net debt to \$1.4m as at end of October 2020, putting the Company in a strong position from which to execute the transformation.
- Sale and leaseback of the Auckland property, with the net proceeds to be invested in supporting the new strategy, remains underway.

New brand identity

Cavalier Corporation Limited (NZX: CAV) announces that its Cavalier Bremworth carpet operation is to return to its original name Bremworth while moving forward and embracing modern, progressive values into its business

At the centre of the new brand is the focus on natural fibre design and innovation to make home interiors, and our planet, healthier and more sustainable.

CEO, Paul Alston, said: “The renewed commitment to Bremworth is an outward sign of the transformation that’s been happening within the Company. We will springboard off the quality of the heritage Bremworth brand while looking to the future, taking with us the values set by our founders more than six decades ago that have made us New Zealand’s most trusted carpet brand.”

Exit from synthetic carpet market well-advanced

A key pillar of the Company’s long-term vision to be a global leader in designing and creating desirable, high performing, safe and sustainable interior products is its recommitment to focus on 100 percent pure New Zealand wool.

In July 2020, the Company announced it was exiting the synthetic carpet market – a move that will reduce its use of imported synthetic fibre annually by 2.5 million kilograms.

“Since we announced in July that we were exiting the synthetic carpet market and returning to wool, we’ve been blown away by the positive feedback from retailers, customers and the rural sector. We’ve received fantastic support from the wider industry, with developers, designers and architects just as excited as we are about the direction the Company is heading in,” said Paul Alston.

Chair of Cavalier, George Adams, said: “We’ve taken the first steps towards a natural, more sustainable future. Being authentic is important to us and our transformation runs much deeper than simply exiting synthetic carpet production. It’s about becoming transformative thinkers, being united in our beliefs, introducing disruptive innovation, creating new product categories and incorporating sustainability throughout our design and manufacturing process.”

“We’re now a purpose-led business. We’re embracing nature to protect and make a genuine difference to the wellbeing of people and the planet.”

Operational update

Q1 results are up on the previous year from better-than-anticipated demand and increased margin.

While the outlook for the economy, including further impacts from COVID-19, continues to be uncertain, trading for the first quarter of FY21 has been stronger than anticipated, with sales revenues up 3% on the previous year.

New Zealand sales revenues are up approximately 10% and Australian sales revenues are down approximately 5% on the previous year as a result of the Australian operation having largely withdrawn from the synthetic carpet market.

Woollen carpet revenues have been encouraging, with New Zealand up 23% on a relatively low base and Australia in line with the previous year, despite ongoing COVID-19 restrictions in the state of Victoria and disruptions from port strikes. Australian sales are expected to lift as COVID-19 restrictions are eased and product delayed by port disruptions starts to flow normally.

As previously advised, total sales revenue for FY21 is expected to reduce as Cavalier exits the synthetic carpet business, and as a consequence of COVID-19.

From FY23 onwards, growing revenues are expected as new sales replace and eclipse the previous synthetic carpet sales and as the economy recovers from COVID-19, with the full benefits of the transformation expected from FY25 onwards.

Net debt has continued to decrease significantly - from \$14.5m as at the end of June to \$1.4m as at the end of October – reflecting the cash being released from the sell down of synthetic carpet stocks and stronger-than-expected trading. This puts the Company in a strong position from which to execute its transformation.

The sale and leaseback of the Auckland property, which shareholders approved in mid-September, is still being finalised, with the net proceeds to be invested in supporting the new strategy.

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