

## **PRESS RELEASE**

### **Korvest First Half FY2021 results**

The Chairman, Mr Graeme Billings, today announced the following operating results for the 6 months ended 31<sup>st</sup> December 2020 for Korvest Ltd.

Mr Billings said that revenue from trading operations for the half-year decreased by 9.7% to \$32.6 million with less Industrial Products project work undertaken during the period compared to the prior comparative period (PCP). From July to September the Group was eligible to receive the Federal Government's JobKeeper subsidy and as a result \$1.86 million of income from this subsidy is included in the FY21 first half result

#### **COVID-19**

The Group did experience some disruptions to normal trading during the first half. The Victorian branch felt the greatest impact as a result of the significant and lengthy restrictions that were implemented in Victoria. Whilst the branch was able to continue to trade throughout the extended restrictions, there were reductions on the number of staff who could be onsite at any time. These restrictions affected building sites and therefore had a negative effect on sales of products. In November, South Australia implemented a state-wide shutdown in response to a cluster of COVID cases. This forced production at Kilburn to cease, however, fortunately it was only for a period of two days and this lost production time was able to be quickly caught up once the lockdown was lifted. There were some additional staffing costs associated with overtime to recover this lost production.

#### **Industrial Products**

The EzyStrut business was quieter during the first half compared to the PCP. In the current year, one major infrastructure project was supplied compared to two during the PCP and this was responsible for a large portion of the reduction in revenue in the Industrial Products segment. Gross margins on major project work have been under pressure due to strong competition in this segment. The general market traded slightly below the levels of the prior year, with all States other than WA recording lower revenue than the corresponding PCP.

The Power Step and Titan Technologies businesses had a small decline in revenue compared to the PCP. Margins remained at the higher levels that have been achieved for the past year which meant that the reduction in profitability was minor and in line with the reduced revenue.

## **Production**

The Galvanising business had another strong half with overall plant volumes eclipsing the PCP to be the highest since the first half of FY14. Compared to the PCP, a reduction in external customer work was more than offset by an increase in EzyStrut tonnes, due to EzyStrut product mix. After an extended period of increasing energy costs there has been some relief in the past twelve months. The total gas and electricity expense in the first half remained unchanged compared to the PCP. Electricity usage costs have been locked in at the 2020 rates until the end of 2023. New gas pricing becomes effective from 1 January 2021 and is a 22% reduction compared to the previous usage rates.

## **DIVIDEND**

The Directors announced a fully franked interim dividend of 15.0 cents per share.

The Dividend Reinvestment Plan (DRP) will not operate for the interim dividend. The dividend will be paid on 5 March 2021 and the record date is 19 February 2021.

## **OUTLOOK**

It is expected that the second half trading will be similar to the conditions experienced during the first half. The major project that has been supplied during the first half will continue to be delivered throughout the second half. The small project and day-to-day markets are expected to continue at similar levels of activity during the second half. As Korvest has not qualified for JobKeeper 2 there will be no JobKeeper income in the second half. As a result of the evolving nature of the COVID-19 pandemic, as at the date of these financial statements, the Group is not in a position to reasonably estimate the financial effects of the COVID-19 pandemic on the future performance and financial position of the Group.

The infrastructure pipeline for the next 3-5 years remains strong. Improvements continue to be made to the Kilburn factory to be able to take advantage of opportunities as they arise.

## **G BILLINGS CHAIRMAN**

22 January 2021

For further information contact:

Chris Hartwig (Managing Director)

Mobile 0402 893 821

For further or more detailed information refer to the Appendix 4D lodged with the ASX.