

Brennworth



**1H25 RESULTS
PRESENTATION**

For the six months to December 2024

February 2025

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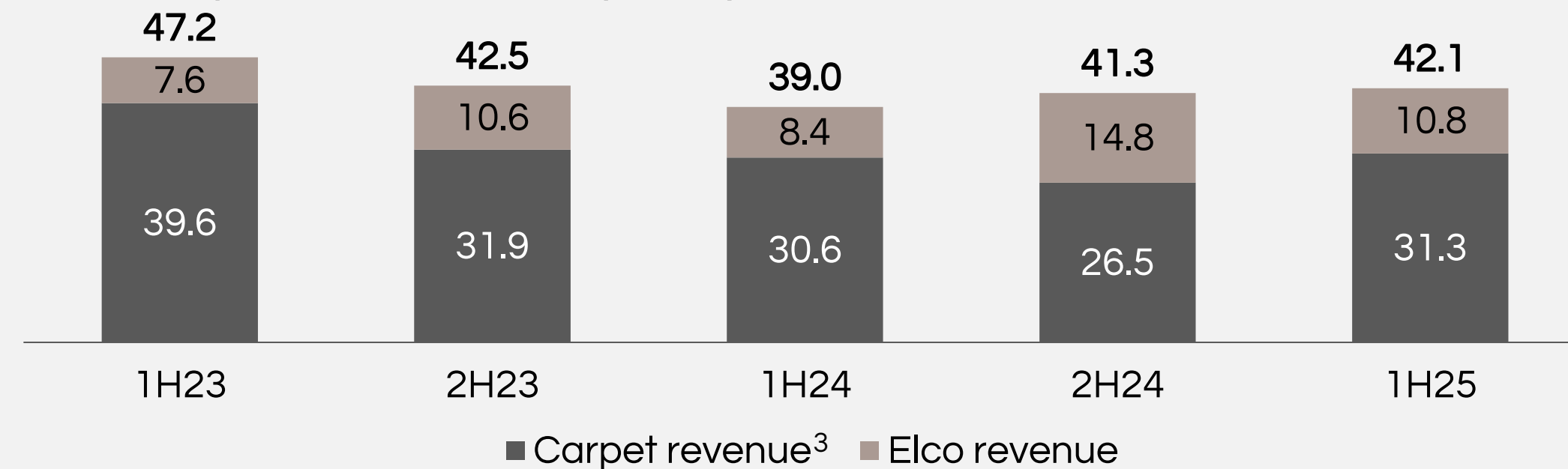
Overview of Bremworth's 1H25 result and outlook

- Insurance claims resolved (\$42m final cash settlement) and ongoing improvements in our hybrid supply chain
 - Supplementing our capabilities at Whanganui, working with four yarn suppliers that can produce yarn at scale
 - Investment in the Napier dyehouse completed
- Significant investment in woollen spun yarn inventory throughout 2H24 and 1H25
 - Finished stock now sits at pre-Cyclone Gabrielle levels
 - Retail partners know Bremworth can meet orders without delay
- Revenue growth in 1H25 (despite challenging market conditions) and this has continued, with an encouraging start to Q3:
 - Active customers growing across all geographies driving sales in carpet & rugs
 - Elco has had a record month to start the calendar year
- Large cash outflow during 1H25 – mainly due to investment in growth
- Management will further reduce cost base to reflect the size of the business, whilst still enabling growth in FY26 and beyond
- Executing on strategies to drive volume growth (and margin recovery) – new collections, growth in white label, new contract manufacturing opportunities, re-enter commercial, and new markets

Financial summary – key metrics

FINANCIAL SUMMARY (NZ\$M)	1H24	2H24	1H25
Revenue	39.0	41.3	42.1
Gross Margin %	27.3%	21.4%	21.3%
Carpet Gross Margin ^{3,4}	32.8%	32.0%	31.0%
EBITDA (normalised)*	(1.7)	(3.5)	(4.4)
EBIT (normalised)*	(2.6)	(4.5)	(5.5)
Profit/(Loss) after tax (GAAP)	(1.7) ²	6.3 ²	(8.1)
Cash and bank ¹	30.8 ²	31.6 ²	7.5
Inventories	21.1	29.3	35.6

Revenue performance (incl. pre-Cyclone Gabrielle)



- Revenue up ~8% in 1H25 vs \$39m in 1H24
 - Regaining market share in Australia (post-Cyclone)
 - Stable NZ carpet business, despite economic conditions
 - Strong Elco performance
- Overall gross margin % in line with 2H24. Margin compression vs. 1H24 related to:
 - Product mix shift to lower margin products, including Elco revenue
 - Increase in inventory provisioning
 - Excluding inventory provisioning, carpet margins are broadly stable
- EBITDA reduction vs 1H24 also impacted by increased distribution costs that support new product offerings in Australia

Notes: (*) Normalised is a non-GAAP measure that the Directors believe to be a more meaningful view of the underlying financial performance. (1) Cash and bank includes cash and cash equivalents, short term deposits. (2) Insurance proceeds received 1H24: \$10.0m, 2H24: \$16.5m. (3) Carpet includes Rugs & Other. (4) Excludes inventory provision

Strategic updates

FINAL INSURANCE SETTLEMENT

- Final settlement in relation to Cyclone Gabrielle insurance claims achieved
- Received final cash proceeds after balance date (\$42m)
- Excess cash available for distribution

TARGETING CASHFLOW POSITIVE IN FY26

- Volume growth in existing + new channels
- Improvement in gross margin and reduced investment in NWC
- Reduce Bremworth's cost base (targeting \$5m annualised opex savings)



RETURN TO DIVIDENDS

- Amount of excess cash to be returned subject to:
 - a) outcome of Strategic Review
 - b) confidence on return to positive operating cash flows
- Bremworth has received external tax advice confirming imputation credit (\$7.6¹m) and available subscribed capital (\$29.3m) balances
- Ongoing dividends will be subject to returning to profitability (expected in FY26)

STRATEGIC REVIEW

- Purpose of the Strategic Review is to identify the highest value owner for Bremworth
- Engaging with interested parties on a preliminary basis
- Strategic Review may take several months to complete
- No guarantee of any particular outcome

Notes: (1) Corresponds with net imputed dividends of \$18.5m (excluding RWT)

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Reinstatement of our new dyeing facilities in Napier is complete, optimising our local, vertically integrated footprint

PAPATOETOE – tufting

- 100% of our carpets are tufted at Papatoetoe
- Tufting carpets involves unique skills & specialist machinery
- Significant capacity to grow volumes tufted without incremental investment



NAPIER – dyeing and finishing

- \$2.2m invested in 1H25 to reinstate dyeing and finishing capabilities – no further reinstatement of machinery is planned at this stage
- We will begin contract dyeing to further utilise capacity and grow revenue in Q3
- Woollen spun yarn is produced at Whanganui and via external partners

WHANGANUI – yarn spinning

- High quality felted and woollen spun yarn
- Felted yarn requires unique skills and specialist machinery

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The quality of externally supplied woollen spun yarn is improving and we are investing in growth

- Four external yarn suppliers provided the majority of woollen spun yarn used in 1H25
 - All fibre used in manufacturing our carpet is NZ wool
 - The quality of external yarn has been improving, with 'seconds' rates continuing to decline
- Working with external and large yarn suppliers materially increases the volume of woollen spun yarn available to manufacture carpet at Papatoetoe (historically limited by the woollen spun yarn produced at Napier and Whanganui)
- Access to large quantities of yarn also provides flexibility for us to sell new ranges and produce large runs at short notices – so far, we've manufactured four new ranges with externally produced yarn
- With growing confidence in the quality and availability of woollen spun yarn, our strategic priority is to drive volume growth in AU, NZ and new markets with existing and new customers

Key benefits

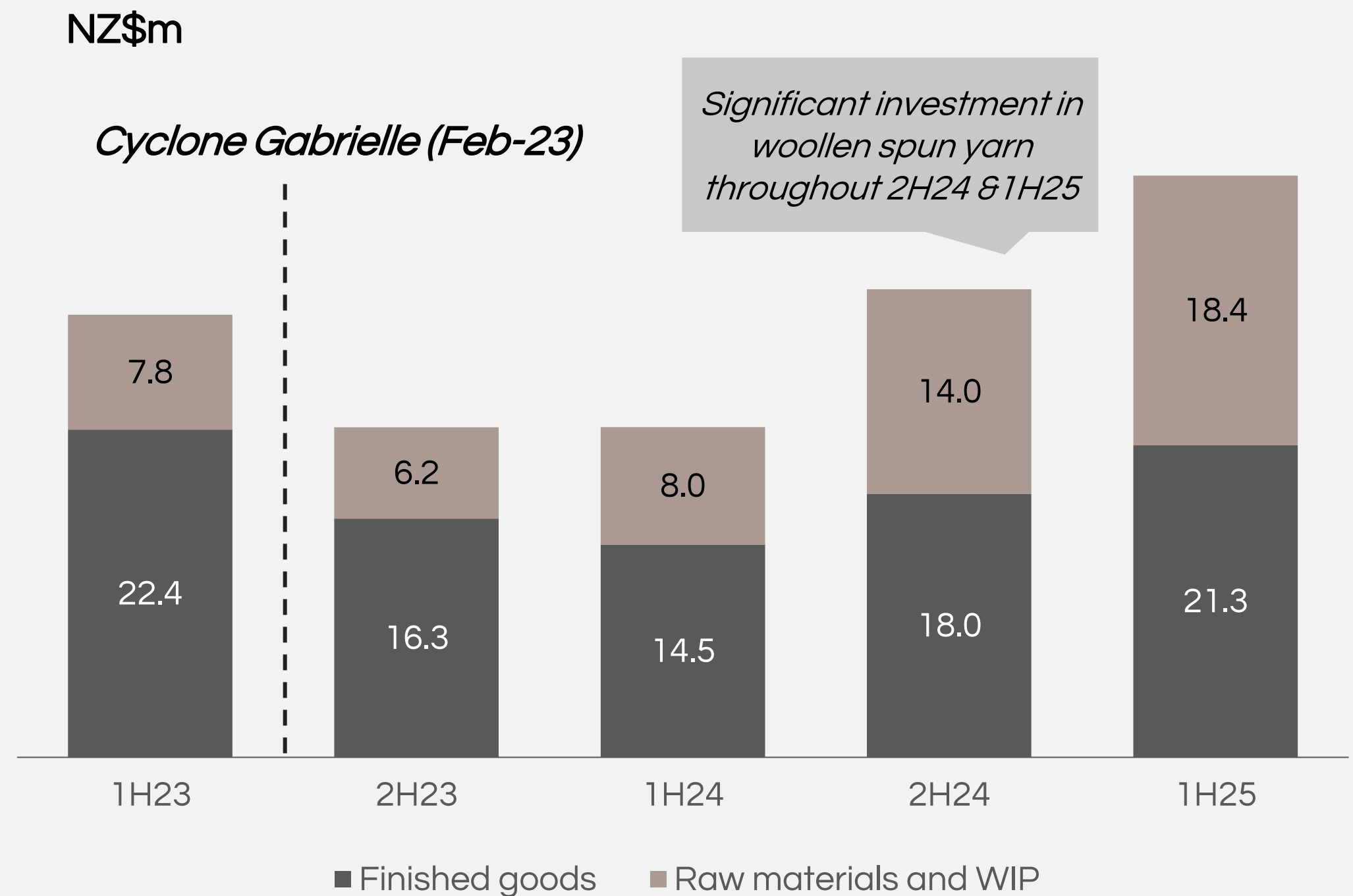
- ✓ Increased scale
- ✓ Access to global expertise, supporting product innovation
- ✓ Improved production flexibility
- ✓ Variable cost base scaled in line with volume

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Recent investment in yarn inventory underwrites confidence in future growth

- With confidence in our hybrid supply chain, we made significant investment into woollen spun yarn inventory throughout 2H24 and 1H25
- Raw materials balance (primarily woollen spun yarn) now at \$18.4m (vs \$8.0m in 1H24)
- This investment in raw materials and the ability to convert quickly into finished product ensures flexibility and speed to market, further enabling our strategy to increase volumes
- Current inventory levels support sales demand and future growth ambitions

Inventory breakdown: Raw Materials & Finished Goods¹



Notes: (1) Represents gross inventory. Raw materials include stock in transit and WIP. Finished goods include Elco

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Confidence to deliver on future growth from both existing sales channels and other strategic initiatives

Existing sales channels

CORE CARPET SALES

- Growth in existing product offering, high confidence off the back of Q3 revenue performance so far
- New colours for the Bremworth Collection (enabled by recent investment in Napier dyehouse)
- New value collection set to launch in late FY25
- Continuing to explore distribution agreement in the US

WHITE LABEL

- Leverage recently increased store penetration with AU's largest soft flooring retailers
- Continuing to explore opportunities with a global flooring business, initially small volumes

COMMERCIAL

- Re-entering commercial, previously ~20% of volumes
- High volume orders from multi-site customers (developers, schools, aged care, etc)
- Hybrid supply chain enables us to fulfil large, one-off orders, previously restricted by limited capacity
- Four new commercial-only ranges launching in late FY25

CONTRACT MANUFACTURING

- Exploring new opportunities for a) making carpets for our customers b) contract dyeing
- Early stage discussions progressing

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FINANCIAL UPDATE

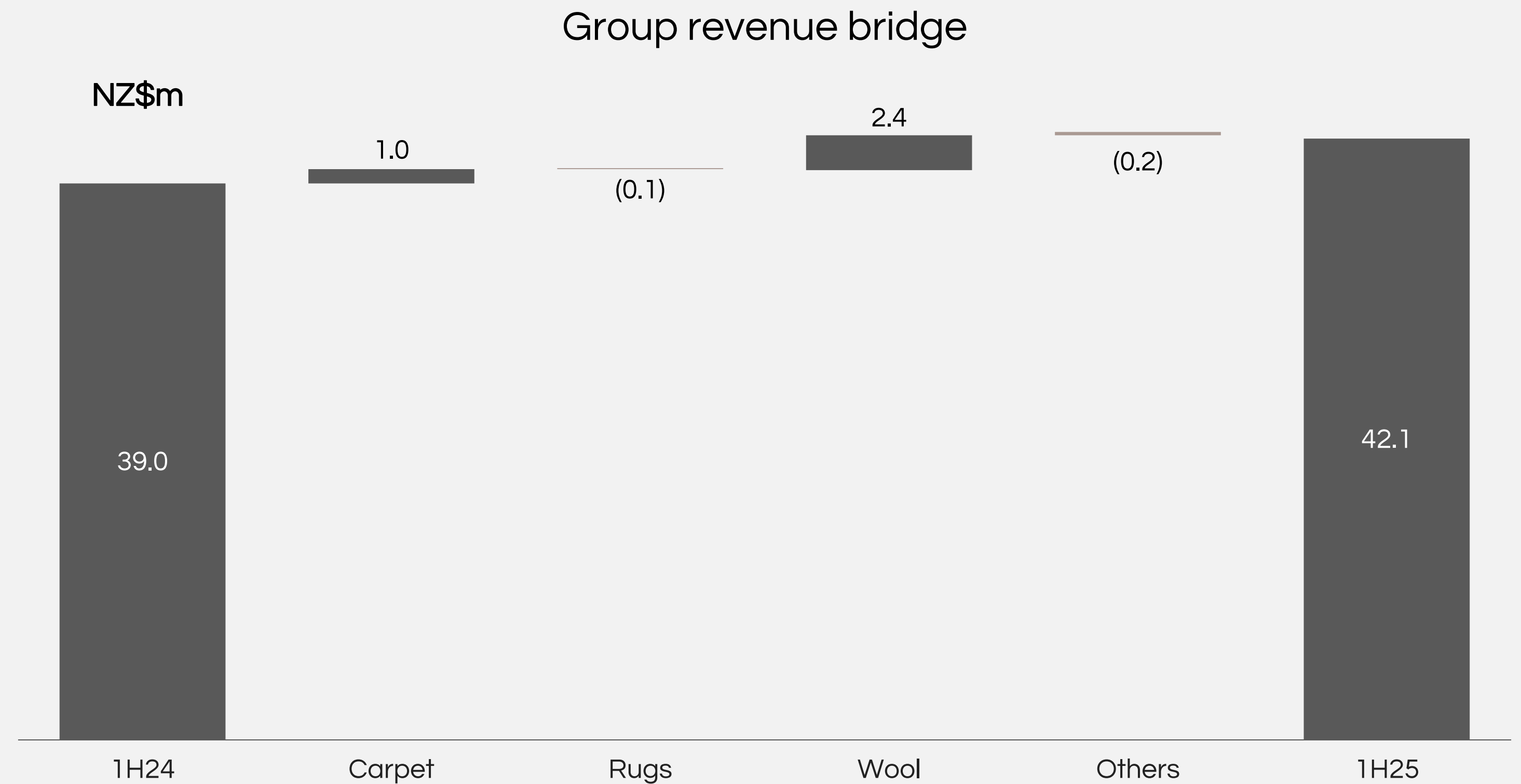


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Revenue growth of 8% vs 1H24 reflects strong Elco performance and the initial recovery in Bremworth's wholesale carpet channel in Australia

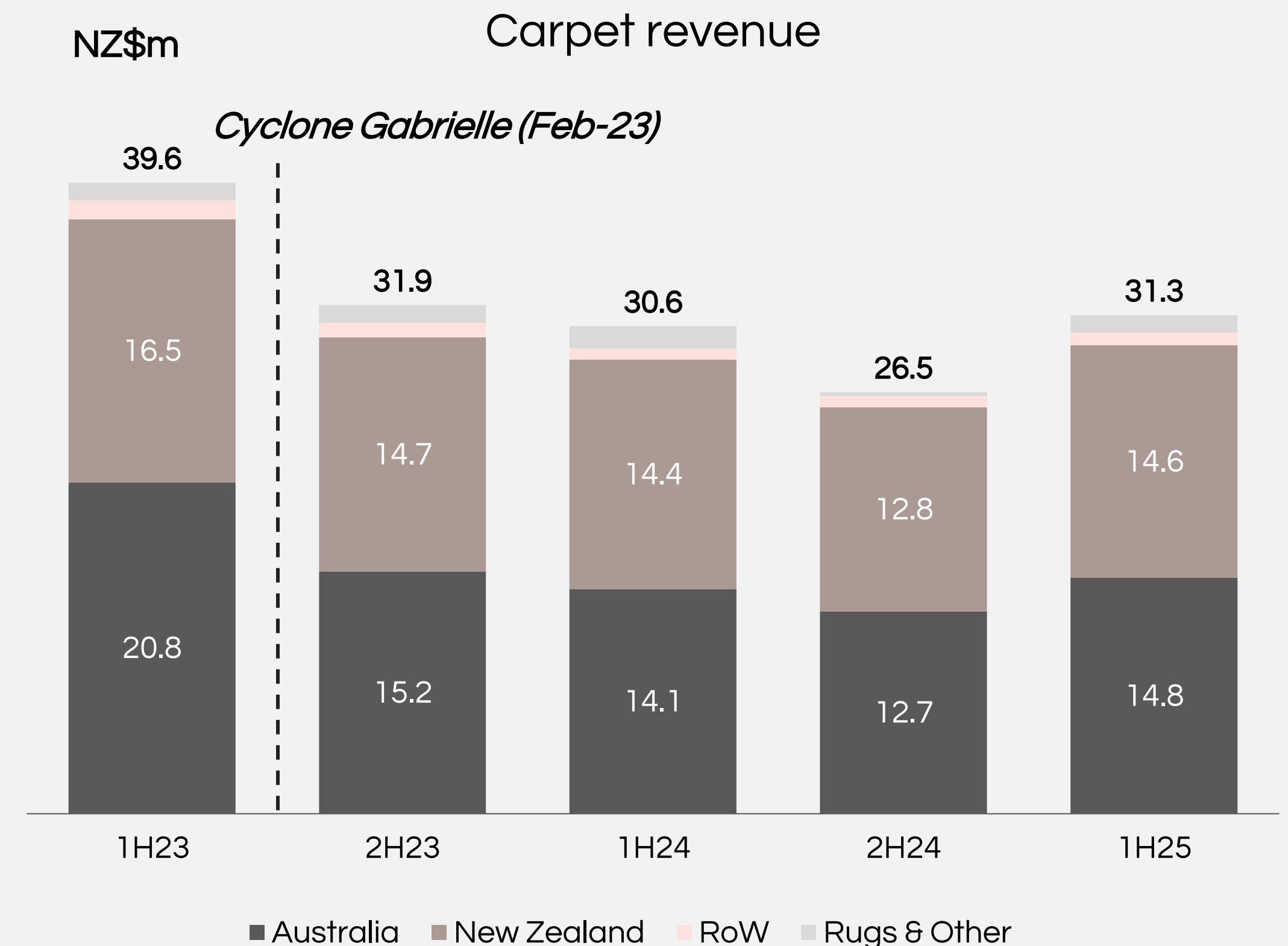
- Small increase in carpet sales across both New Zealand and Australia
- Growth in wool revenue (Elco) driven by higher wool prices
- Rug and other revenue remained relatively stable



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Carpet revenue growth in Australia (albeit from depressed levels) with stable performance in NZ. Confidence in brand to deliver improvement again in 2H25

- Total carpet revenue has remained relatively stable since 2H23 (post the impact of Cyclone Gabrielle)
- Recovering lost market share in Australia with sales up ~17% on 2H24 as retailers begin to regain confidence in Bremworth's service levels (that followed the disruption to production from the Cyclone)
- NZ carpet sales up ~14% on 2H24 and holding steady on 1H25, despite significant downward pressure from the building market, with successful release of four new products since Q124
- RoW sales remained stable
- Revenue growth has continued with an encouraging sales performance to start Q3

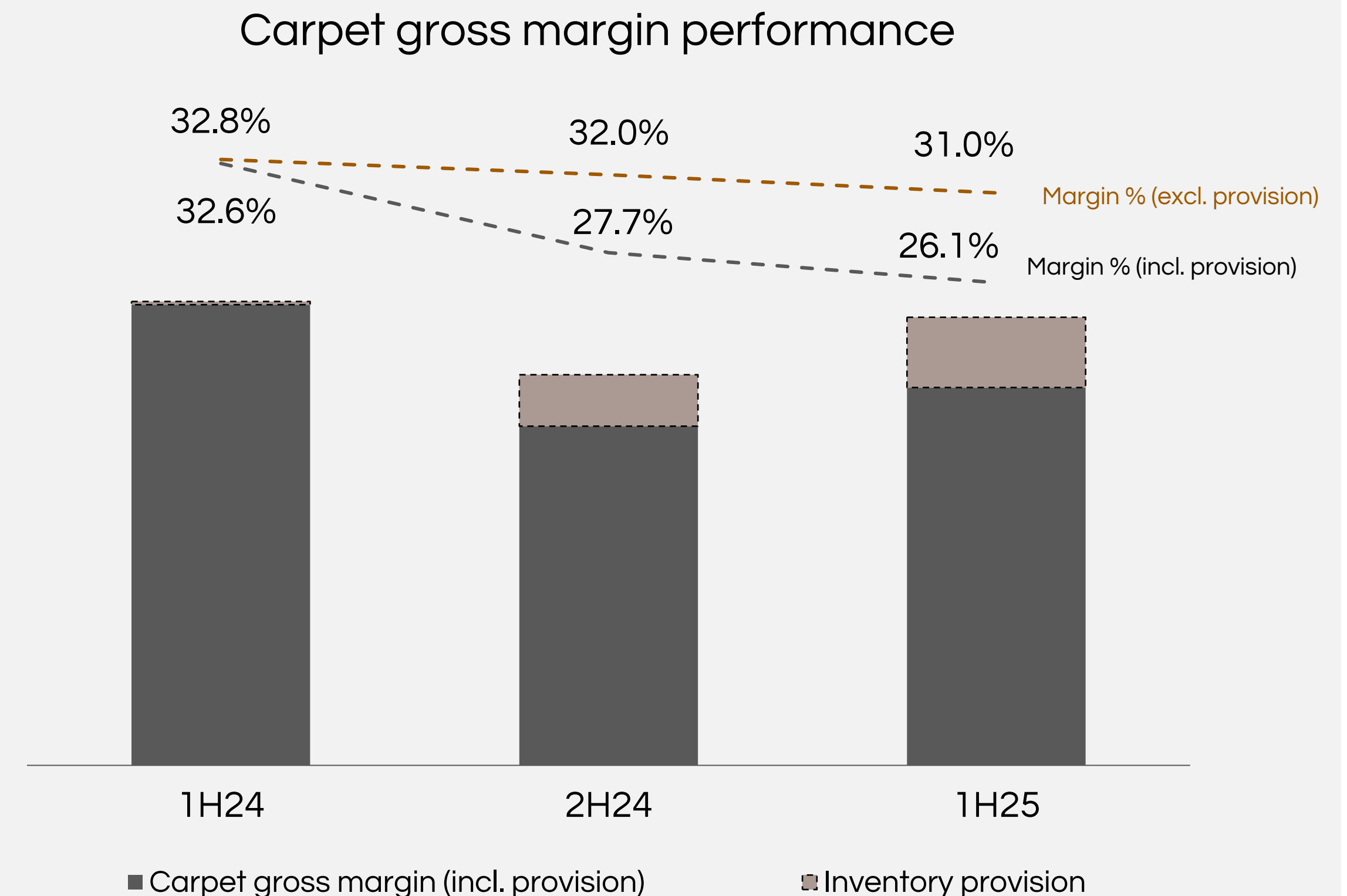


Notes: Carpet includes Rugs and Other

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Carpet gross margin impacted by the increase in inventory provisioning, excluding this provisioning, margin is broadly stable

- Carpet gross margin (excl. provisions) down from 32.8% in 1H24 to 31.0% in 1H25
- Carpet inventory provisioning increased to 10.7% of inventory (vs 7.0% in 1H24), adversely impacting margins
- Small effect from product mix shift to lower margin products. We are focused on re-balancing mix through advances in product development
- As volumes increase gross margin to increase with recovery of fixed production costs and improved plant efficiency
- Cost reduction programme will also support a lift in margins in FY26

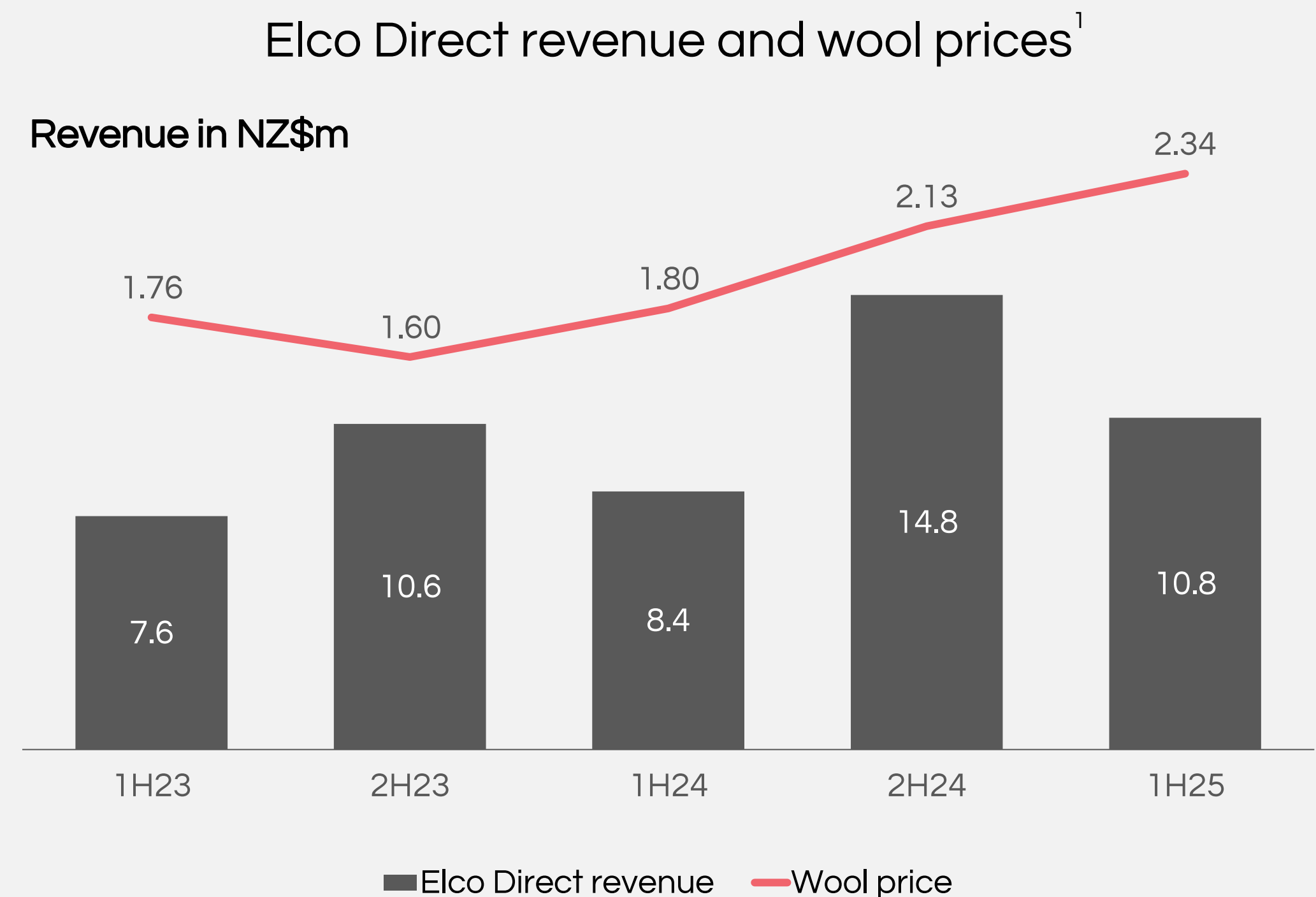


Notes: Carpet includes Rugs and Other

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Elco Direct continues to perform well, including providing Bremworth with access to high-quality New Zealand strong wool

- Elco Direct sales up 29% on 1H24, driven by higher wool prices
- EBITDA up \$0.2m on 1H24, largely driven by increased revenue
- Despite being a wholly owned subsidiary, Elco operates on a purely stand alone financial basis
- The Elco business remains a key strategic asset providing Bremworth with access to quality wool and volumes as the wool industry contracts



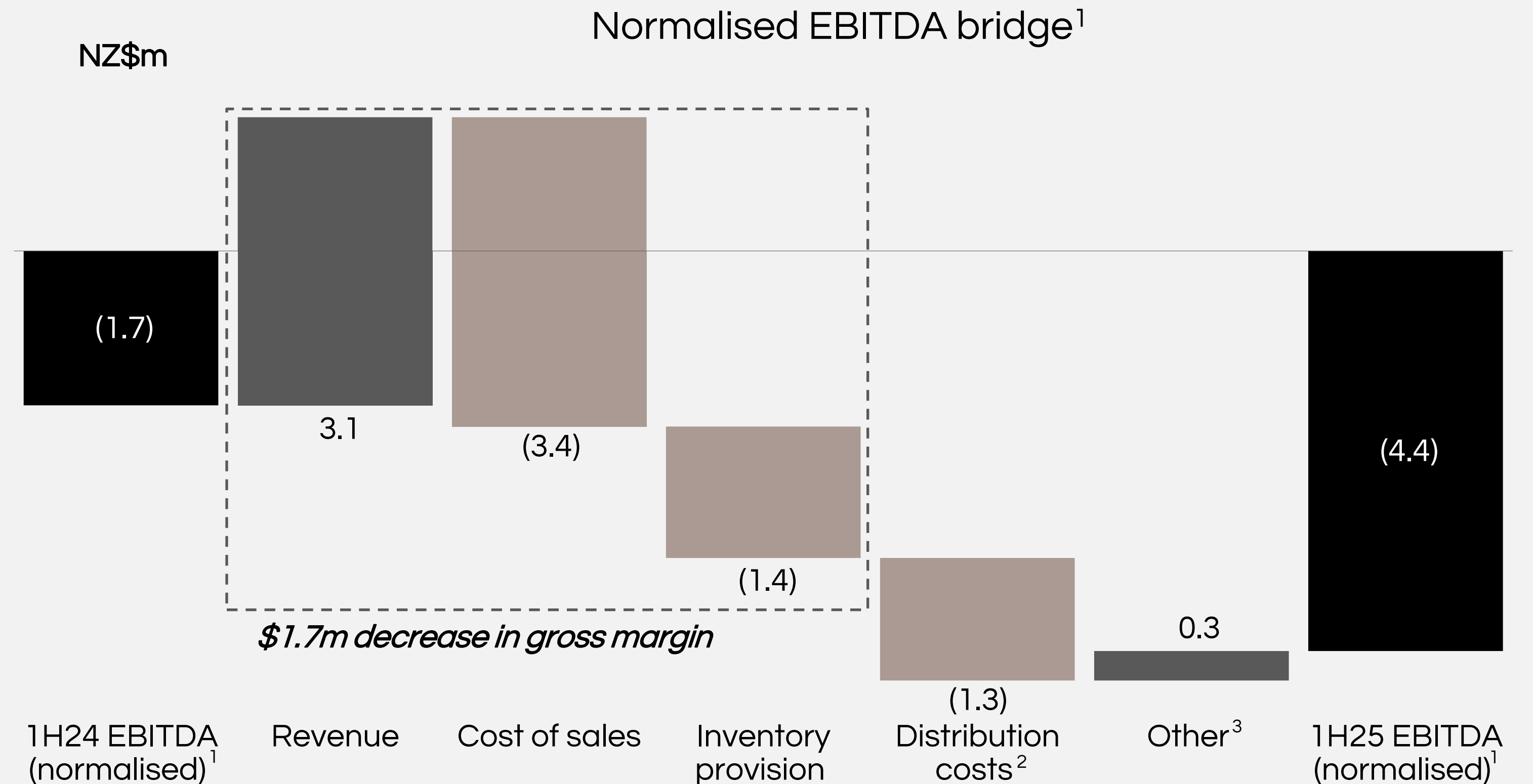
Source: Management information

Notes: (1) Wool price represents the average revenue earned by Elco over the relevant period in \$/kg

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Reduction in normalised EBITDA largely driven by margin pressure and increase in distribution costs

- Revenue growth primarily from a significantly lower margin Elco, with a corresponding increase in cost of sales
- Gross margin also affected by slightly lower pricing to stimulate activation and higher production costs, but main impact was the \$1.4m inventory provision
- Increase in distribution costs to support new product offerings in Australia (includes \$0.6m for samples and \$0.2m for additional storage)

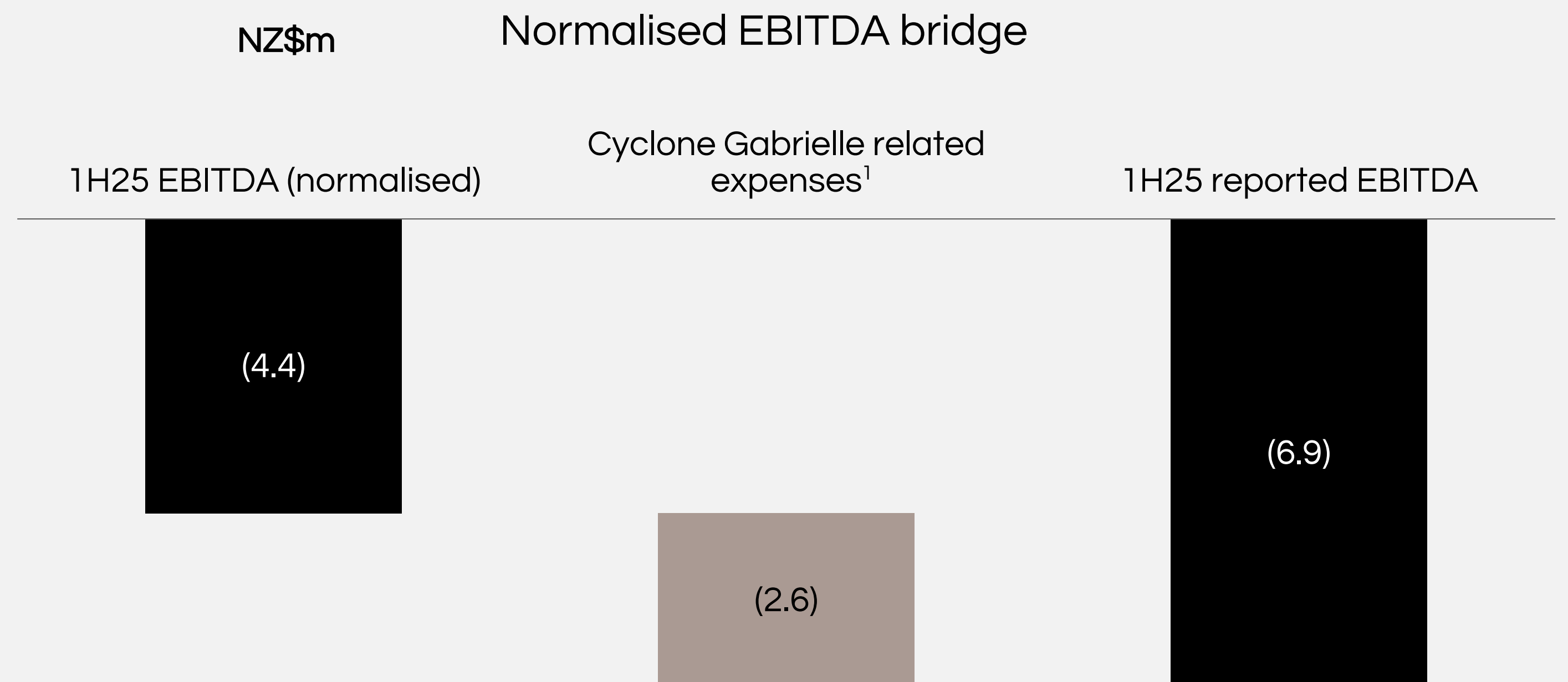


Notes: (1) Normalisations based on reported 1H25 financials. (2) Distribution includes distribution expenses, storage costs and sampling. (3) Other includes depreciation (related to cost of sales), administration expenses and other income.

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Normalisations are for Cyclone Gabrielle related expenses which are expected to be covered by insurance proceeds

- We note that there are certain other costs that are not expected to continue, for example:
 - Increased inventory provisioning related to increased yarn supply
 - Spend on costs in preparation for future volume / growth (e.g. new product samples in AU)

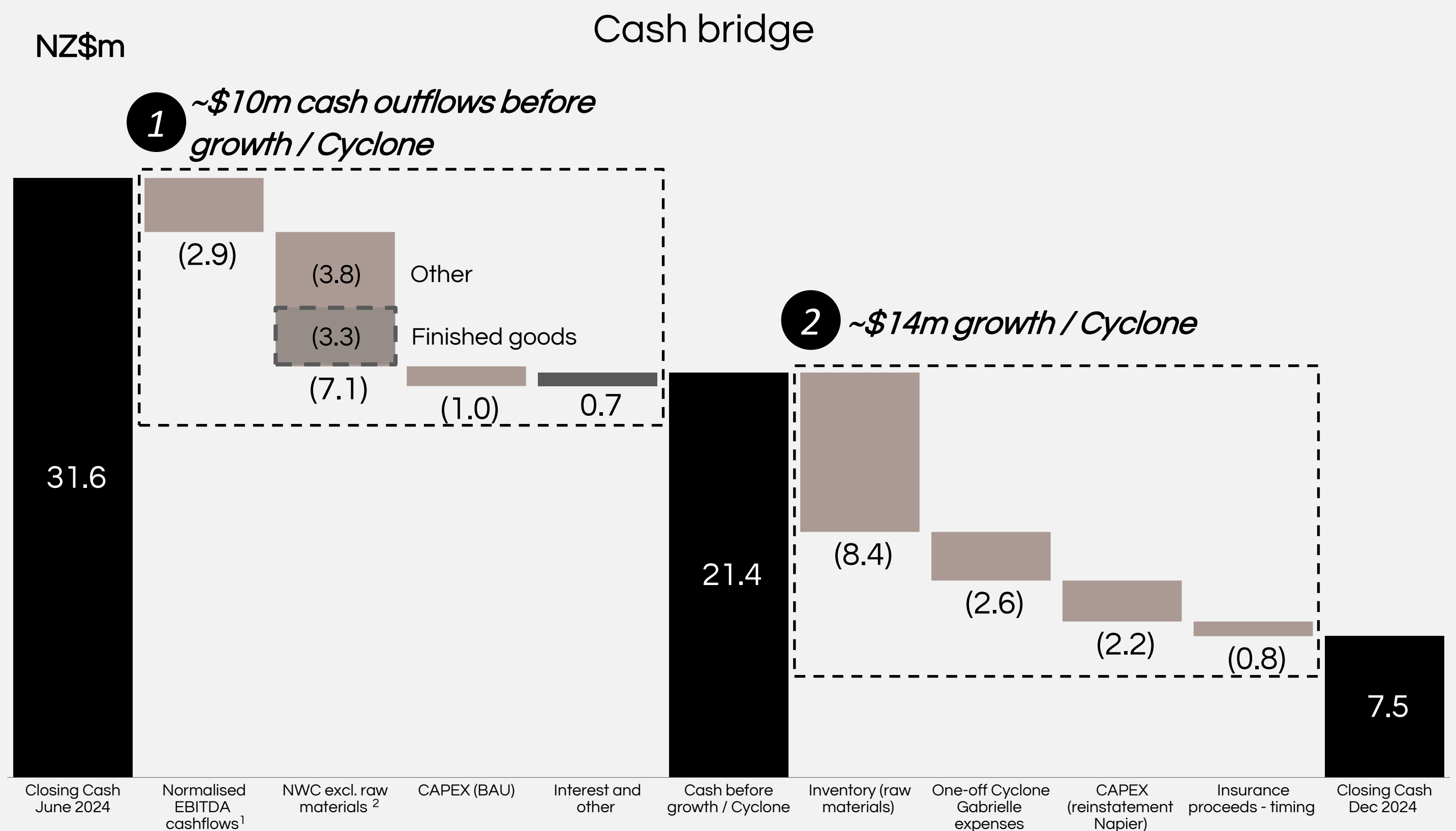


Notes: (1) Normalisations based on reported 1H25 financials. Note these buckets show the items normalised and the normalisation adjustment. Net impact is therefore nil.

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Cash has been applied to future growth investment (including inventory), NWC and Cyclone Gabrielle related costs

- 1 ~\$10m of cash outflows before growth / Cyclone related costs, includes an increase of \$3.3m in finished goods
 - Majority of remainder relates to changes in NWC, including \$1.8m prepayment of annual insurance premiums
- 2 ~\$14m of growth / Cyclone related costs
 - Investment in raw materials (primarily yarn) of \$8.4m – now at sufficient levels for future growth
 - Reinstatement of dyeing and yarn finishing at Napier; no new significant investment into Napier (incl. reinstatement) expected in 2H25
 - Further Cyclone Gabrielle related costs



Source: Management information

Notes: (1) Normalised EBITDA cashflows excludes the movement in the inventory provision which has been added back to inventory. (2) Net working capital (NWC), in this instance, refers to trade debtors and payables, prepayments, lease payments and finished goods inventory

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Targeting cashflow positive and return to profit in FY26

a Sales volume growth

- New high volume products and ranges
- Expansion into the US
- Contract manufacturing (incl. dyeing)
- New Bremworth Collection colours supporting volume growth for high-value products

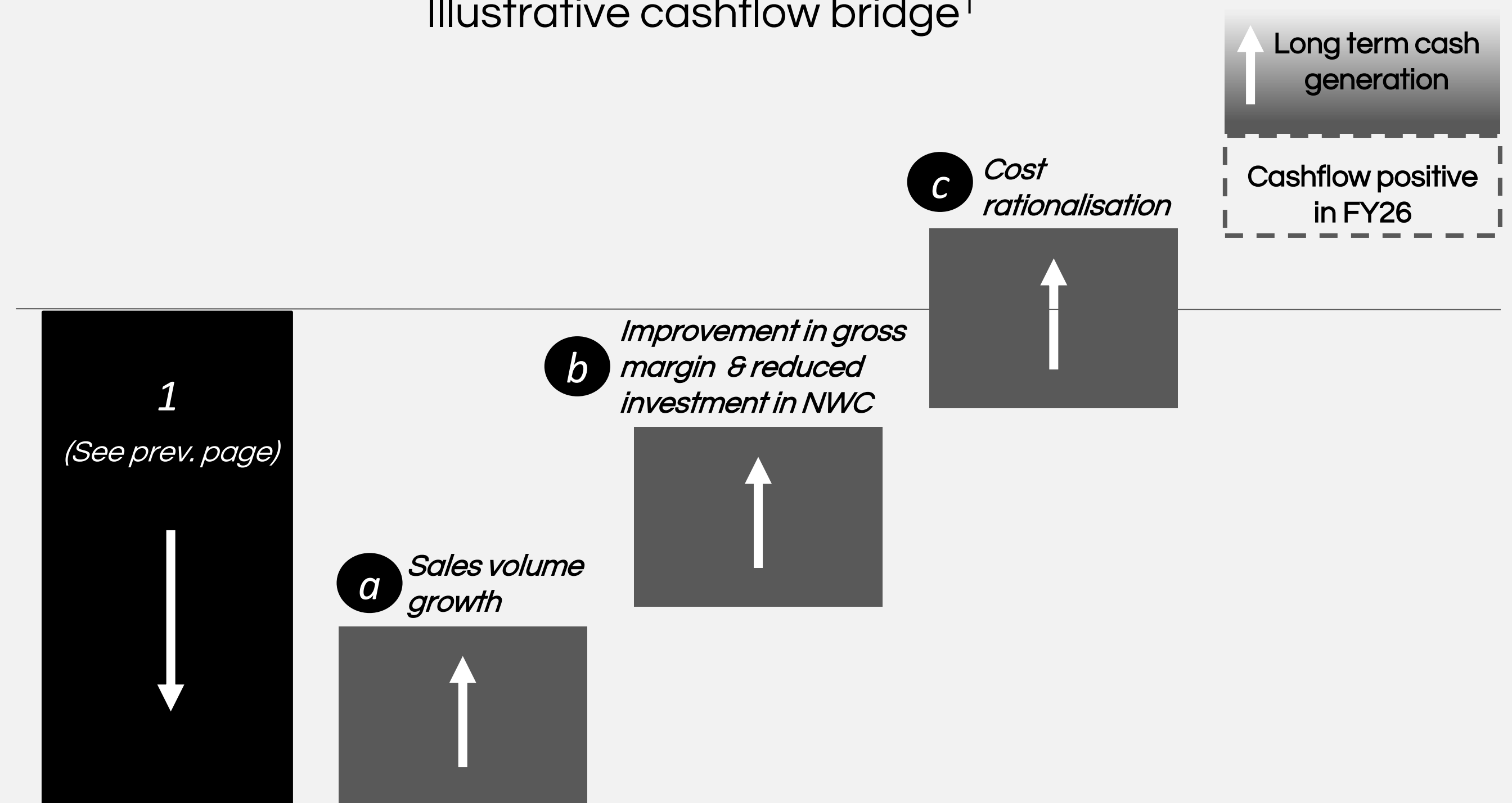
b Improvement in gross margin and reduced investment in NWC

- Increased utilisation improving production cost recovery and plant efficiency
- Mix shift towards high-end products

c Cost rationalisation

- Targeting \$5m annualised cost savings

Illustrative cashflow bridge¹



Source: Management information

Notes: (1) This information is directional only

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***OUR VISION IS TO BECOME A GLOBAL LEADER IN DESIGNING AND
CREATING DESIRABLE, SUSTAINABLE, SAFE AND HIGH-
PERFORMING NATURAL INTERIORS***

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