



Cyclone Insurance Payouts Help Lift Bremworth's FY23 Profit by 393%

Wool carpet and rug manufacturer Bremworth (NZX: BRW) has reported a 393% lift in unaudited net profit after tax as insurance payouts following Cyclone Gabrielle help boost the company's full-year results.

Bremworth's net profit after tax (NPAT) rose 393% from \$2.2m to \$11.0m in the year ending 30 June 2023 (FY23), while normalised NPAT was down from a profit of \$1.7m in FY22 to a loss of \$2.4 million in FY23.

Against the backdrop of the disrupted supply chain following Cyclone Gabrielle, a constrained construction sector and a retail and economic slowdown, the company's annual revenue was down 6% to \$89.6m. Revenue from its wool buying division was down 5% and, carpet sales fell 3% to \$70.2m, however, revenue from their higher-margin direct-to-consumer rug business was up 45% over FY22.

Greg Smith, Bremworth CEO, says it was pleasing to see revenue remain relatively stable, despite the disruption caused by the cyclone on their yarn-making operation.

He says while Bremworth's Napier facility remains offline following the impact of the cyclone in February, to date, the company has received \$35.5m of progress payments from its insurers - helping to lift the company's profit by \$8.8m over the previous year and increase cash on hand by 164% to \$39.3m. Cyclone related expenses incurred by the firm totalled \$14.5m while write offs of cyclone-damaged assets totalled \$7.6m.

Smith says the company has \$271.3m in material damage and business interruption insurance cover for the Napier operation and is anticipating significant further payouts. An independent assessment has placed the estimated cost of remediation of buildings and plant and equipment at between \$112.7m and \$162.0m. Claims under the business interruption policy are expected to occur in FY24 and into FY25.

"As anticipated, the impact of the cyclone has featured noticeably in this year's results.

Bremworth

“While this has undoubtedly been the most challenging event in the company's long history, we will come through it a more resilient and adaptable organisation.

“If there is a silver lining in this, the cash reserves Bremworth is accumulating due to the insurance payments provide us with considerable options for growth and further investments. These options are currently being evaluated as part of an externally facilitated, strategic review.

“The hybrid manufacturing model that is progressing in the wake of the cyclone will lower our fixed cost base significantly and has meant we are well positioned to grow exports into offshore markets that we previously didn't have the capacity for.

“The alignment of this opportunity and requisite resources needed to expand our domestic and global share can only be positive for New Zealand's wool producers and Bremworth,” he says.

Smith says a recent offer of voluntary redundancy employed at the Napier factory has been taken up by most staff.

“While the future of our operations in Napier is undetermined, it was essential for us to provide our Napier team with an opportunity to move forward in their careers and lives.

“Almost all staff have found new employment in the Hawke's Bay region. We are also offering to reinstate them if the decision is made to reopen our local operations,” he says.

Smith also announced that long serving executive, Victor Tan, has advised that he is retiring from his role as CFO but will continue to serve as Company Secretary. “Victor has assured Bremworth that he will be able to continue to serve as CFO until a replacement can be found. Victor has been an incredible servant to Bremworth, and I look forward to his ongoing contribution in his role as Company Secretary.” he says.

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