



MARKET RELEASE

25 February 2022

Bremworth 1H22 Results Unaudited results for the six months to 31 December 2021

- Results in line with management expectations, despite COVID-19 and supply chain disruptions
- Strong progress on FY22 strategic priorities
- Growing consumer demand for Bremworth's wool carpet and rugs; uplift in wool carpet sales and margins
- Strong result from Elco Direct wool buying business
- Over 50% of 1H22 capex invested into manufacturing plant improvements to enable higher output

\$millions (unaudited)	1H22	1H21
Total revenue	48.7	60.3
Wool carpet revenue	37.2	35.4
Gross margin %	31.2%	29.9%
EBITDA	2.5	5.7
EBITDA (Normalised) ¹	2.5	4.3
NPAT	1.0	3.8
NPAT (Normalised) ¹	0.9	1.8
Net cash	18.5	26.3

New Zealand wool carpet and rug business, Bremworth Limited (NZX: BRW), has reported growing demand for its premium, New Zealand made wool carpet and rugs as it continues to progress its purpose led, wool and natural fibres strategy.

Bremworth's reported net profit after tax of \$1.0m was in line with the company's expectations, despite COVID-19 disruptions (particularly in the first quarter of the financial year) and supply chain congestion. A strong recovery was seen later in the second quarter, with positive demand trends expected to continue into 2H22.

CEO Greg Smith, who was appointed in July 2021, commented: "Our long term all wool strategy is on track and the company is making excellent progress across its FY22 priorities. Despite the challenging conditions and supply chain headwinds, our team has delivered a solid result.

¹Prior year 1H21 Normalised EBITDA and Normalised NPAT excluded non-trading adjustments of \$1.4m, comprising a net gain on sale and leaseback of property of \$2.5m and restructuring costs of \$(1.1)m. A reconciliation and further commentary are set out at pages 23 to 25 of the half year report.

Bremworth

“Consumer sentiment is changing, and we have an enormous market opportunity to shift consumers from synthetic/plastic carpets to beautiful, natural, New Zealand made wool carpets. There is strong demand in both New Zealand and Australia, and we are investing in our business to expand our capacity. FY22 is the year we have started to rebuild the new Bremworth, a business for the future, and while there is much still to do, we are confident in our strategy and excited about our plans.”

Financial Results

The 1H22 result reflects Bremworth’s transition to the new all wool strategy and a focus on higher margin, quality carpets. Wool carpet sales increased 5% to \$37.2m despite the COVID-19 restrictions in Australia and New Zealand, including the five-week lockdown in Auckland which impacted Bremworth’s manufacturing capacity. While difficult to accurately assess, there is no doubt that 1H22 sales would have been stronger without the impact of COVID-19 on both manufacturing and retailers, particularly in Q1.

Pleasingly, gross margin increased to 31%, driven by improved sales prices and product mix across all markets, as well as operational efficiencies and disciplined cost and price management. A material reduction in distribution and administration expenses supported a \$1.3m decrease in operating expenses compared to 1H21.

Elco Direct, Bremworth’s wool buying business, delivered a stronger year on year result with a \$2.7m revenue increase and an uplift in average selling price, as it benefitted from growing demand for quality strong wool.

Group revenue for the six months was \$48.7m, with EBITDA of \$2.5m. Bremworth’s cash balance remains strong, with cash of \$18.5m as at 31 December 2021.

On a comparative basis, the prior comparative half year (1H21) normalised NPAT result included a one-off benefit from the exit from the synthetic carpet market, with \$16.0m in sales of synthetic carpets as the company sold down its inventory. Wage subsidies brought forward from FY20, and a release of inventory provisions also benefitted the prior comparative period.

Improvements in working capital disciplines are now embedded and Bremworth has a healthy inventory position, with 80% of stock aged less than six months.

The company is investing for the future, with more than half of 1H22 capex spent on plant improvements to enable higher output in response to anticipated future demand.

Strategic progress

Strategic initiatives undertaken in the last 12 months are now starting to bear fruit:

Bremworth

- Brand awareness and positive brand associations have increased, driving strong demand and increasing sales of Bremworth's premium wool carpet and rugs, which now comprise 76% of its total revenue
- Operational efficiency in Bremworth's yarn plants continues to be a focus as the company scales up manufacturing and recruits more people to increase capacity
- Focus on digital is starting to bear fruit, with strong double-digit growth in direct-to-consumer online rug sales and continued expansion of audience reach through online and social media channels
- New products, distribution channels and partnerships are a key focus to create and build important revenue pipelines
- Sustainability is a key pillar in the transformation journey with some big projects due to kick off in Q4 which further support the Bremworth purpose, to find a more sustainable way.

Outlook

Positive market and economic trends are expected to support continued demand and sales growth of Bremworth's wool carpets and rugs, with a robust pipeline for new consents for residential building and renovations, and consumers switching to more natural products that create less waste and environmental impact.

Disruption from Omicron is expected to escalate in Q3 and then diminish towards end of 2H22, and no future lockdowns are anticipated. Bremworth has undertaken extensive planning to ensure business continuity and keep its workforce safe during this time. Inflationary pressure is also expected to rise across the board. A priority focus will be to rebuild sales in Australia as supply chain constraints ease.

The focus will remain on strategic priorities, with the upcoming launch of a new marketing campaign expected to further stoke consumer demand, and a ramp up planned for Bremworth's digital strategy following the recent appointment of international digital brand agency, Red Antler. A number of partnerships supporting Bremworth's innovation and sustainability goals are expected to be announced in the coming months.

The Board is confident in Bremworth's strategic progress and, subject to the impact of Omicron, positive revenue growth and margin trends are expected to be maintained in 2H22 and into FY23.

ENDS

For further information please contact:

Greg Smith
Chief Executive Officer
gregsmith@bremworth.co.nz
+64 21 711 622

Jackie Ellis
Media and Investor Relations
Jackie@ellisandco.co.nz
+64 27 246 2505