

Brenworth

A photograph of a modern interior. In the background, a fireplace with a fire burning. Two people are sitting on the floor, one on the left and one in the center. In the foreground, there is a stack of four light-colored, cylindrical cushions. The room has a light-colored carpet and a dark rug. The overall atmosphere is warm and cozy.

FY22 RESULTS PRESENTATION

For the twelve months to 30 June 2022

29 August 2022

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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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FY22 highlights

Built a sustainable business model

- Ahead of transformation plan with 44% increase in normalised EBITDA
- Continued brand evolution positioning and strength
- Shifted focus to premium residential consumer
- Significant improvement in gross margin
- Sustainability journey gaining momentum culminating in PINZ Award
- Growing demand for rugs
- Investment in yarn plant capacity
- Digital technology roll out
- Improved manufacturing processing while reducing waste
- Elco Direct revenue up 20% despite COVID-19 disruptions

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FY20 – FY21



Transformation Investment

- Strong capital base to fund transformation
- Relaunch of Bremworth brand and marketing
- Right-sized organisation
- Set forth on our sustainability journey
- Exited synthetics
- Redefined as a premium design and natural fibre company

FY22 – FY23



Re-Build Investment

- Appointment of new CEO
- Clear, purpose led strategy
- Capitalise on consumer and macro trends
- Build the brand
- Optimise the retailer network
- Measure and drive sustainability goals
- Return to profitable growth in FY23

FY24 – ONWARDS



Future Focused Profitable Growth

- Full benefits of transformation strategy
- Partnerships and product adjacencies
- Return to dividends

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OUR GROWTH STRATEGY

GROW THE WOOL FLOORING MARKET.

GROW OUR SHARE OF THE MARKET.

EXPAND OUR PRESENCE.

DESIGN-LED INNOVATION.

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**OPERATING
ENVIRONMENT**

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Operating environment

- COVID-19 impacted manufacturing capacity throughout the year and supply chain leading to logistical delays into Australia, although this has eased in recent months
- Inflationary pressure mostly felt in labour, material and freight/shipping costs
- Early 2H22 general economic slowdown
- Residential builds are taking longer due to key material shortages such as Gib
- Global wool prices remain historically low

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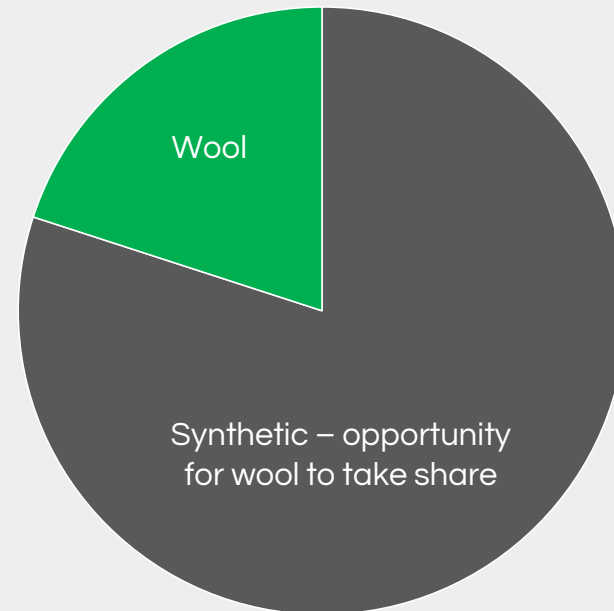
***THE OPPORTUNITY
FOR BREMWORTH***

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**AT BREMWORTH,
WE HAVE AN ENORMOUS
OPPORTUNITY TO REBUILD
WOOL'S SHARE OF THE
FLOORING MARKET AND
GROW OUR BUSINESS**

NZ market share estimate by fibre



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**FY22 PRIORITIES &
PROGRESS**

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PRIORITIES & PROGRESS
FOR FY22

**1. CREATE DEMAND
FOR BREMWORTH
BRANDED PRODUCT**

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Bremworth has the strongest brand salience and preference in the carpet category vs key competitors

- Bremworth has the highest unprompted brand awareness* in NZ when compared to all competitor carpet manufacturers
- Bremworth is the most preferred brand when compared to key competitors*
- Preference for Bremworth carpet in NZ has increased from 27% in 2020 to 35% in 2022*
- We've been awarded the most trusted carpet brand for the 9th year in a row**
- We're seeing others pay for the Bremworth brand as "keyword" in their Google AdWords

*TRA Consumer Insights Research

**Readers Digest Most Trusted Brand

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PRIORITIES & PROGRESS
FOR FY22

**2. OPERATIONAL
EFFICIENCY &
COMMERCIAL
EXCELLENCE**

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2. Operational efficiency and commercial excellence

- Improved gross profit margin from 28.1% to 31.1%
- Capex investment to increase manufacturing capacity
- Reduced SKU's by 30% to simplify product offer
- Improved delivery times and strong inventory profile to support sales growth in FY23
- Exited high volume, low margin commercial business in Australia
- Improved quality of inventory
- Introduced new Te Ara Rangatira training and development programme
- Introduced flexible working

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PRIORITIES & PROGRESS
FOR FY22

**3. SUPERCHARGE
OUR DIGITAL
STRATEGY**

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3. Super charge our digital strategy

- Growing demand for our online rugs
- 60% growth in website traffic vs FY21
- Double digit growth in social media following
- Consumer insights informing product development
- Virtual manufacturing model being implemented to support sustainable manufacturing direction and decisions. This modelling enables us to utilise technology to reduce water and energy use while reducing waste and improving yields and overall efficiency.

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PRIORITIES & PROGRESS
FOR FY22

**4. PRIORITISE
INNOVATION,
SUSTAINABILITY
& PARTNERSHIPS**

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4. Prioritise innovation, sustainability and partnerships

- Won the Primary Industries New Zealand's Innovation and Collaboration Project Award in recognition of our science-based and research-led sustainability programme
- Embarked on \$2.9m decarbonisation initiatives to reduce manufacturing carbon emissions by up to 30%, while also continuing with \$4.9m research-based sustainability programme
- Reduced total manufacturing carbon emissions by 5% vs FY21
- Developed a fully compostable rug that can be safely returned to the earth
- Implementing Industry 4.0 principles and technology to improve capability, efficiency and capacity

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FINANCIALS

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FY22 financial snapshot *

\$ millions	FY22	FY21
Revenue	95.5	111.6
Gross margin	29.7	31.4
Gross margin %	31.1%	28.1%
EBITDA	4.9	4.7
Non-trading adjustments **	-	(1.3)
Normalised EBITDA	4.9	3.4
Net Profit After Tax (NPAT)	2.2	1.7
Normalised NPAT	1.7	0.4
Cash and bank	14.9	22.5

- Financial and strategic progress ahead of transformation plan
- EBITDA of \$4.9m with 44% increase in normalised EBITDA
- NPAT up 29% to \$2.2 million, with 325% increase in normalised NPAT
- FY22 focus on structural improvements driving operational efficiencies and benefits
- Strong growth from Elco Direct wool buying business with increase in average sell price and revenue
- Robust balance sheet providing a strong platform to continue executing the strategy

* Information extracted or derived from audited financial statements

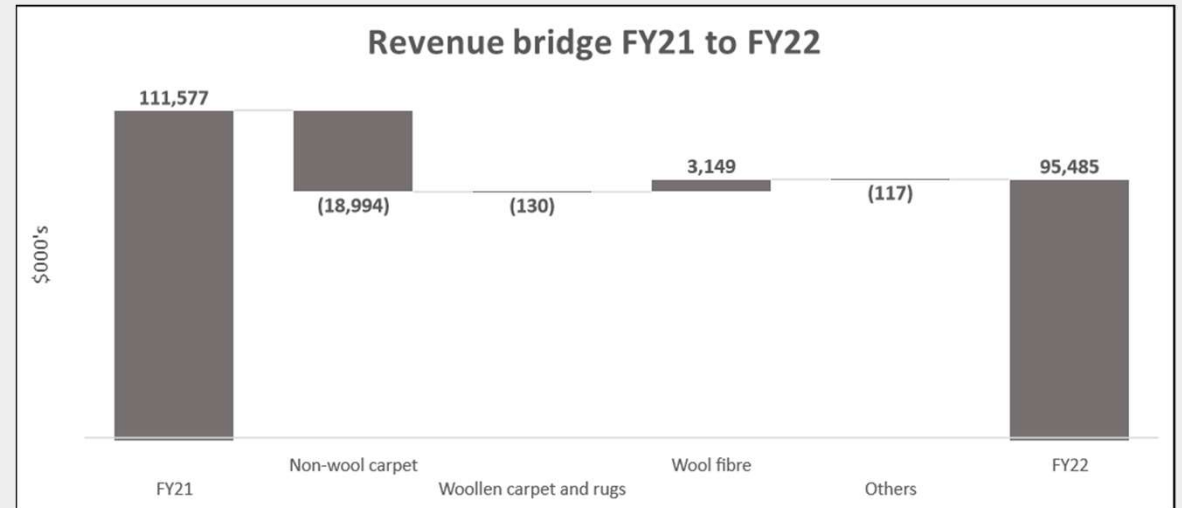
** FY21 non-trading adjustments of \$1.3m comprise net gain on sale and leaseback of property of \$2.6m and restructuring costs of \$(1.3)m.

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Revenue reflects strategic transformation

Total FY22 revenue of \$95.5m

- Non-wool carpet revenue accounted for \$19.0m of reduction in revenue
- Woollen carpet and rugs revenue unchanged on FY21 despite COVID-19 disruptions
- \$3.1m increase in revenue at Elco Direct wool acquisition operation, with uplift in average selling price as demand for quality strong wool grows
- Revenue expected to increase from FY23 as transformation gathers momentum and sales of higher margin, higher value woollen carpets increase



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Uplift in gross profit

Uplift in gross margin to 31.1%, up from 28.1% in FY21

- Benefit of improved sales mix and operational efficiencies
- Strong increases in woollen carpet margin across all markets due to growing demand for higher end, higher margin, differentiated products
- Disciplined cost and price management
- Operating costs reduced by \$3.0m versus FY21



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Earnings and profit up as Bremworth continues to make progress with its all-wool strategy *

\$ millions	FY22	FY21
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Non-trading adjustments **	-	(1.3)
Normalised EBITDA	4.9	3.4
Net Profit After Tax (NPAT)	2.2	1.7
Normalised NPAT	1.7	0.4

- EBITDA in line with FY21 despite FY21 inclusive of a one-off benefit from the sell down of synthetic carpets as well as wage subsidies brought forward from FY20, and a release of inventory provisions
- Normalised EBITDA up 44%, with better margins from woollen carpet sales, cost-out programme and uplift in Elco Direct performance more than offset margin foregone from exit of low margin synthetic/plastic carpet
- NPAT up 29% to \$2.2 million
- Normalised NPAT up 325%

* Information extracted or derived from audited financial statements

** FY21 non-trading adjustments of \$1.3m comprise net gain on sale and leaseback of property of \$2.6m and restructuring costs of \$(1.3)m.

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Financial position

Cash position remains strong and in line with expectations

- Cash and bank of \$14.9m as at 30 June 2022
- Tight control over working capital continues
- Healthy inventory position with almost 80% of stock aged less than six months
- Almost 55% of capex invested in plant improvements to enable higher output and drive manufacturing efficiency
- Ongoing focus on investment for the future, with no dividend declared
- Strong financial platform with financial resources to undertake strategic transformation



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**WE REMAIN COMMITTED TO
OUR GROWTH STRATEGY**

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**STRONGLY
POSITIONED
FOR THE FUTURE**

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Outlook

- Style conscious and educated consumers resulting in more people choosing wool over synthetic
- Expect strong revenue growth across Australasia
- Accelerate D2C rug programme
- Construction demand and related demand for flooring are continuing to grow
- Well positioned to capitalise on supply constraints from imported products
- Expect consumers and investors to support brands with a focus on sustainability

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Strongly positioned to execute our strategy

- Clear growth strategy
- Passionate and expert people
- Ongoing investment in high performance culture
- Capacity for manufacturing growth
- Significant funding to execute the strategy
- Strong Board providing strategic and governance oversight



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