

Brenworth

**1H22 RESULTS
PRESENTATION**

For the six months to 31 December 2021

25 FEBRUARY 2022

Brenworth

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

Bremworth

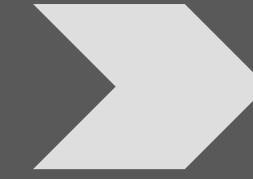
FY20 – FY21



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



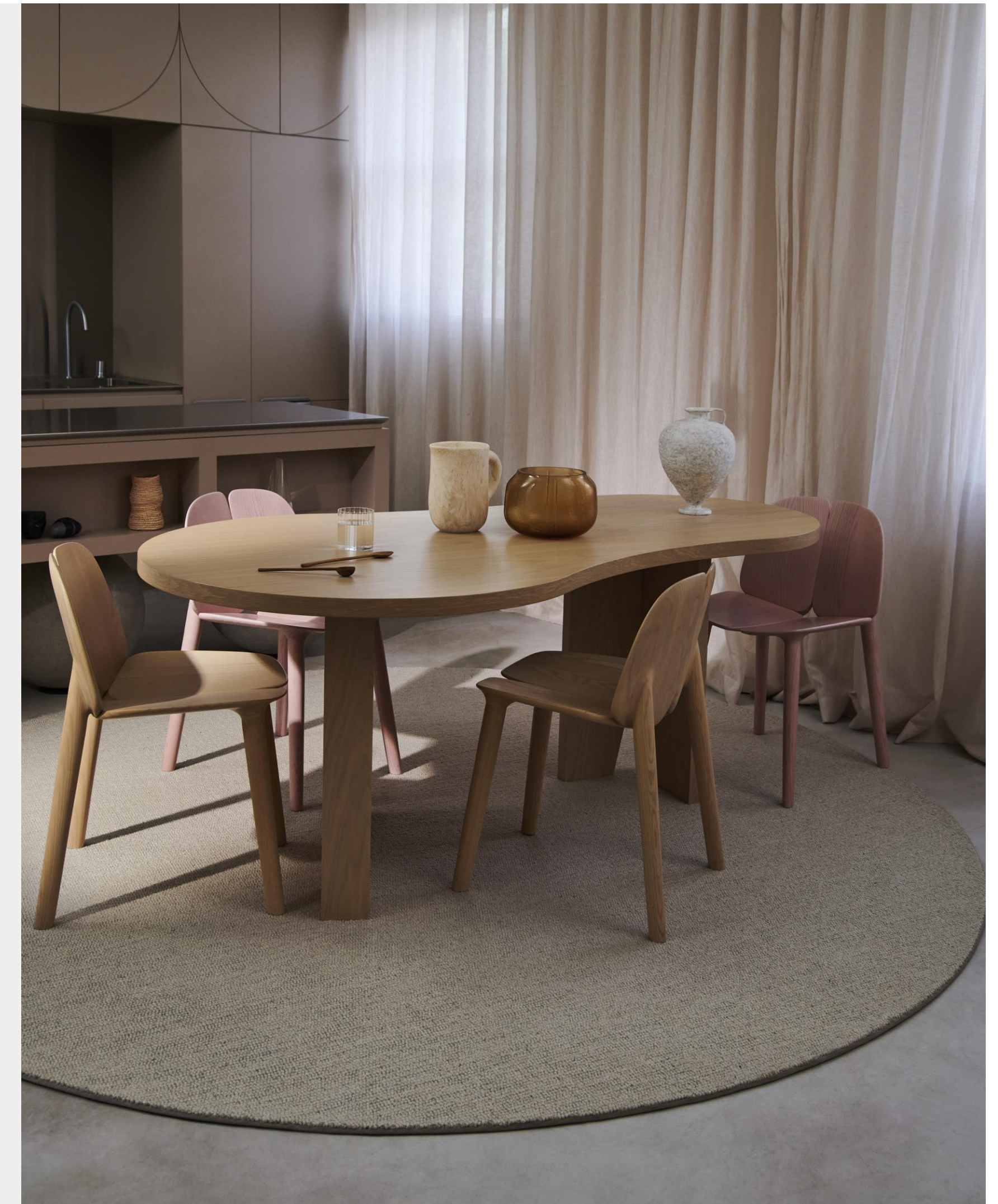
Future Focused Profitable Growth

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

Bremworth

Priorities for FY22

1. Create demand for Bremworth branded product
2. Optimise operational efficiency and commercial excellence
3. Super charge our digital strategy
4. Prioritise innovation, sustainability and partnerships



Bremworth

1 H22 strategic progress

- New leadership under Greg Smith as CEO
- Fully exited from synthetics market
- Growing consumer demand for Bremworth brand and natural products driving sales of premium, New Zealand made wool carpets and rugs
- Supply chain and COVID-19 disruptions impacting supply
- Operational efficiency continues to be a focus with benefits being realised
- Focus on digital starting to bear fruit – increased DTC online rug sales; uplift in audience reach
- New products, distribution channels and partnerships are a key focus to build new revenue pipelines
- Moving ahead with sustainability journey
- Strong cash position as execution of strategy progresses

Bremworth

All wool strategy delivering early value

- Growing demand from consumers for more natural, NZ made, high quality products in their lives
- Increase in wool carpet sales revenue – replacing sales of low value, low margin synthetic/plastic carpets
- Increase in average selling price across all markets, illustrating ‘brand heat’
- Uplift in margin from better product mix and more sales of premium wool carpet and rugs
- Improved quality of inventory
- New natural positioning highly desirable for target audiences
- Voted New Zealand’s most trusted carpet brand for eight years*

*Reader’s Digest Most Trusted Brand Awards 2014-2021

Bremworth

1H22 Financial Snapshot

| \$ millions (unaudited) | 1H22 | 1H21 |
|-----------------------------|-------|-------|
| Revenue | 48.7 | 60.3 |
| Gross margin | 15.2 | 18.0 |
| Gross margin % | 31.2% | 29.9% |
| EBITDA | 2.5 | 5.7 |
| Non-trading adjustments* | - | (1.4) |
| Normalised EBITDA | 2.5 | 4.3 |
| Net Profit/(Loss) After Tax | 1.0 | 3.8 |
| Normalised NPAT/(NLAT) | 0.9 | 1.8 |
| Net Debt/Cash | 18.5 | 26.3 |

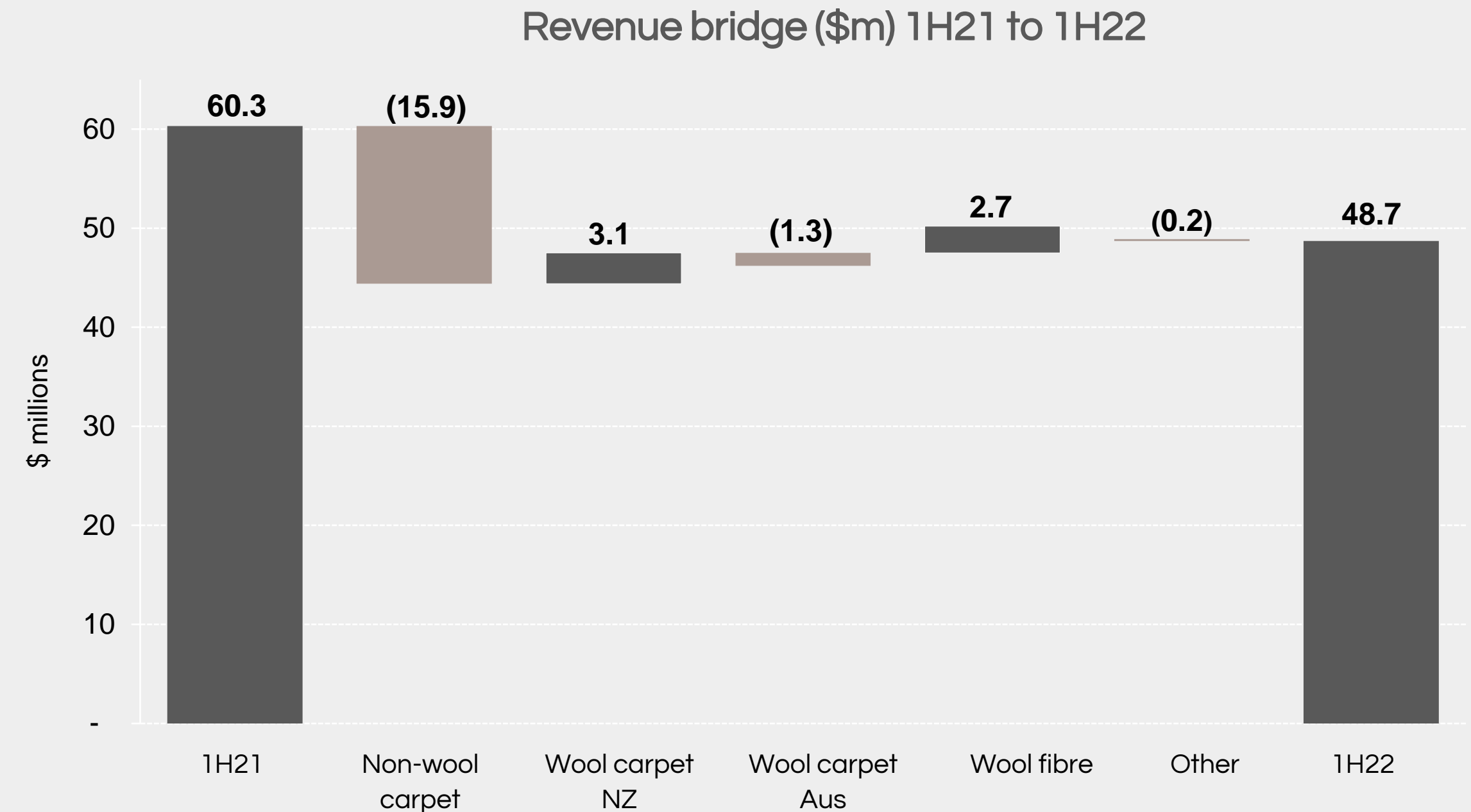
*1H21 non-trading adjustments of \$1.4m comprise net gain on sale and leaseback of property of \$2.5m and restructuring costs of \$(1.1)m.

- Results reflect pivot to all wool and exit from synthetic carpet market
- Reduction in total revenue and normalised EBITDA primarily due to exit from low margin synthetic/plastic carpet market in FY21
- Strong recovery in Q2 as COVID-19 restrictions eased
- Margin benefit from increased premium wool carpet and rug sales
- Strong result from Elco Direct (wool buying business)
- Material improvement in distribution and administration expenses
- Strong cash position, continue to invest in pivot to all wool strategy

Revenue reflects strategic transformation

Total 1H22 revenue of \$48.7m

- Strategic shift in product mix to all wool
- \$(15.9)m reduction due to the exit from low margin synthetic/plastic carpet market, with the one-off sell-down making up 26% of 1H21 sales
- \$1.8m increase in wool carpet sales despite COVID disruptions in all markets
- Expect positive demand trend to continue into 2H22
- Elco Direct: \$2.7m increase in revenue, with uplift in average selling price as demand for quality strong wool grows

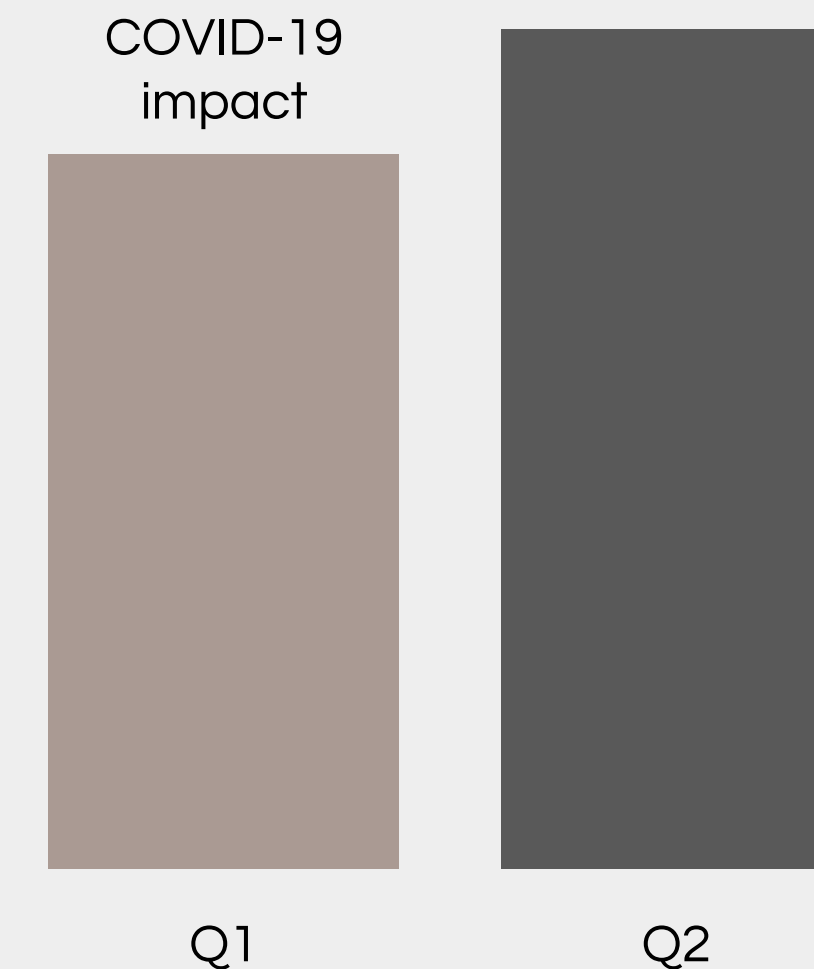


Source: Management information

Growing wool carpet sales

- 5% increase in wool carpet revenue, despite reduced volume due to COVID-19 lockdowns and restrictions in NZ and Australia, and supply chain disruption
- Impact mainly felt in Q1 and early Q2
- Strong recovery in Q2
- Wool carpet sales made up 76% of 1H22 revenue, compared to 58% in 1H21
- 1H22 sales would have been stronger without the impact of COVID-19 on both manufacturing and retailers, particularly in Q1
- Positive growth in New Zealand; COVID-19 and supply chain headwinds impacting Australian sales expected to reverse later in the second half

1H22 Wool Carpet Sales Volume
(Lineal Metres)



Uplift in Margin

Uplift in gross margin to 31%, up from 29% in 1H21

- Benefit of improved sales mix and operational efficiencies
- Strong wool carpet margin increases across all markets due to growing demand for higher end, higher margin, differentiated products
- Disciplined cost and price management
- Operating costs reduced by \$1.3m vs 1H21



Bremworth

Earnings and profit in line with management expectations as Bremworth invests in all wool strategy

| \$ millions (unaudited) | 1H22 | 1H21 |
|--------------------------|------|-------|
| EBITDA | 2.5 | 5.7 |
| Non-trading adjustments* | - | (1.4) |
| Normalised EBITDA | 2.5 | 4.3 |
| Net Profit After Tax | 1.0 | 3.8 |
| Normalised NPAT | 0.9 | 1.8 |

- Reduction in EBITDA and normalised EBITDA primarily as a result of exit from low margin synthetic/plastic carpet market
- Disciplined cost and price management; inflationary pressure being seen from Q2 and expected to continue
- Operating costs reduced by \$1.3m vs 1H21
- Strong uplift in profit for Elco Direct, from loss in 1H21
- Profit of \$1.1m in line with expectations, with stronger wool carpet sales

*1H21 non-trading adjustments of \$1.4m comprise net gain on sale and leaseback of property of \$2.5m and restructuring costs of \$(1.1)m.

Financial Position

Cash position remains strong and in line with expectations

- Cash \$18.3m as at 31 December 2021
- Cash balance remains strong
- Improvements in working capital disciplines now embedded
- Healthy inventory position with more than 80% of stock aged less than 6 months
- Over 50% of YTD capex invested in plant improvements to enable higher output in response to anticipated future demand
- Prudent capital management remains a priority; no interim dividend declared
- Strong financial platform with financial resources to undertake strategic transformation.



Brenworth



**STRONGLY
POSITIONED**

TO EXECUTE OUR STRATEGY

Bremworth

On track with pivot to all wool strategy

- FY22 is the year we start to rebuild the business for the future
- Clear growth strategy
- On track with strategy despite COVID-19 disruptions
- Enormous runway to take market share from synthetics sector
- Increasing capacity for manufacturing growth
- Expert team
- Financial resources in place to support strategic initiatives

Bremworth

Mix of positive market trends alongside COVID-19 disruption and economic headwinds in 2H22

- Positive consumer and economic trends supporting demand and sales growth
 - robust pipeline for new consents for residential building and renovation
 - consumers switching to more natural products in their lives that create less waste and environmental impact.
- Disruption from Omicron expected to ease towards end of 2H22
- Expect more inflationary pressure – wage and salary inflation, freight, raw material cost inputs

Growth outlook for 2H22

- Continued focus on execution of strategic priorities
- Continued marketing initiatives in Q3 will stoke further demand
- Focus on rebuilding sales in Australia as supply chain constraints ease
- Digital strategy to ramp up, with recent appointment of international digital brand agency, Red Antler
- A number of partnerships that support Bremworth's innovation and sustainability goals to be announced in the coming months
- Subject to the impact of Omicron, positive revenue growth and margin trends expected to be maintained in 2H22

Brenworth

WHAT DEFINES US

**WE BELIEVE THAT BY EMBRACING
NATURE WE CAN MAKE A GENUINE
DIFFERENCE TO THE WELLBEING
OF PEOPLE AND THE PLANET
AND DELIVER THE DESIGN AND
PERFORMANCE ATTRIBUTES
CUSTOMERS CARE ABOUT.**



Disclaimer

- This presentation has been prepared by Bremworth Limited (“BRW”). The information in this presentation is of a general nature only. It is not a complete description of BRW.
- This presentation is not a recommendation or offer of financial products for subscription, purchase or sale, or an invitation or solicitation for such offers.
- This presentation is not intended as investment, financial or other advice and must not be relied on by any prospective investor. It does not take into account any particular prospective investor’s objectives, financial situation, circumstances or needs, and does not purport to contain all the information that a prospective investor may require. Any person who is considering an investment in BRW securities should obtain independent professional advice prior to making an investment decision, and should make any investment decision having regard to that person’s own objectives, financial situation, circumstances and needs.
- Past performance information contained in this presentation should not be relied upon (and is not) an indication of future performance. This presentation may also contain forward looking statements with respect to the financial condition, results of operations and business, and business strategy of BRW. Information about the future, by its nature, involves inherent risks and uncertainties. Accordingly, nothing in this presentation is a promise or representation as to the future or a promise or representation that a transaction or outcome referred to in this presentation will proceed or occur on the basis described in this presentation. Statements or assumptions in this presentation as to future matters may prove to be incorrect.
- A number of financial measures are used in this presentation and should not be considered in isolation from, or as a substitute for, the information provided in BRW’s financial statements available at <https://bremworth.co.nz>.
- BRW and its related companies and their respective directors, employees and representatives make no representation or warranty of any nature (including as to accuracy or completeness) in respect of this presentation and will have no liability (including for negligence) for any errors in or omissions from, or for any loss (whether foreseeable or not) arising in connection with the use of or reliance on, information in this presentation.