

Brenworth

**INVESTOR
UPDATE**

1H24

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Our vision is to become a
global leader in designing and
creating desirable, sustainable,
safe and high-performing
natural interiors

1H24 operating environment

Challenging macro-economic conditions

- Soft consumer spending due to macro-economic conditions. i.e High inflation and high interest rates
- Brands across most categories discounting to stimulate sales
- Increased building costs combined with increased interest rates has cooled new build market

Performance drivers

- Napier plant offline due to severe damage post Cyclone Gabrielle
- Severe capacity constraints, with supply unable to meet demand
- Priority focus on implementing new hybrid supply chain model; now in its final stages

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Supply chain update

- Napier was a key part of Bremworth's operations and supply chain, providing 75% of total yarn to the Auckland carpet plant and 100% of dyed fibre to the Whanganui yarn plant
- Made unique yarns that are hard to recreate which meant it's been challenging to find alternative spinners
- We've built a new international hybrid supply chain which has the capability to deliver quality and capacity to deliver growth
- This includes investment in our Whanganui plant to increase its production volumes and we're taking a staged approach in relation to the reinstatement of the Napier plant
- Our new hybrid supply chain will protect the business against future supply chain disruption and minimise ongoing yarn supply constraints

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Insurance update

- Priority is to continue to work with our insurers concerning reinstatement at Napier under our material damage and business interruption policies
- Progress payments to date total \$45.5m
- Stage 1 of the rebuild, involving reopening of our dyehouse is complete
- The staged approach to reinstatement will provide security of supply & complement our international supply chain
- Loss of sales, margin losses and ongoing fixed costs incurred during the indemnity period will form the basis of our business interruption insurance

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Board-led strategic review

Objectives

- What decisions must be taken to ensure a sustainable, profitable business model?
- Once insurance is settled, what are the investment choices that should be considered?

Opportunities

- Several opportunities across our core markets for management to execute in FY25
- Opportunities are expected to drive volume and margin growth , while reducing costs to enhance profitability
- Benefits are expected to be realised from FY25 onwards

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Right size, right people

- Implementing a new go to market strategy for Australia which reduced our fixed cost to service this market and aims to deliver better outcomes
- Exited external warehouse lease and consolidated warehousing into Auckland tufting site to reduce costs and improve efficiencies
- Appointed new talent in key leadership positions - CFO & COO
- Trained over 63 leaders through our Te Ara Rangatira training and development programme designed to achieve high performance
- Voluntary redundancy for Napier team is complete

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NEW RETAIL STORE

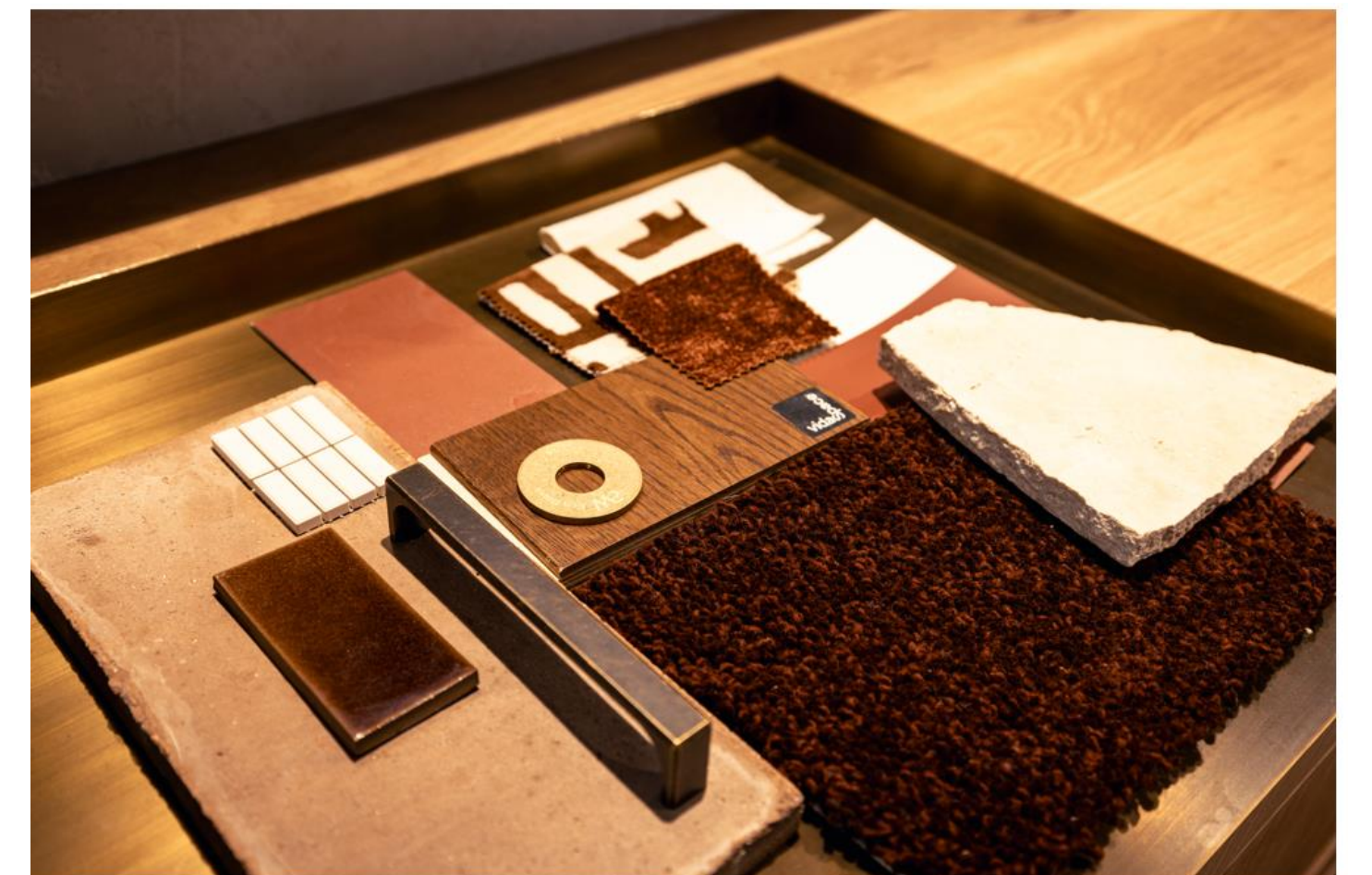
Parnell, Auckland

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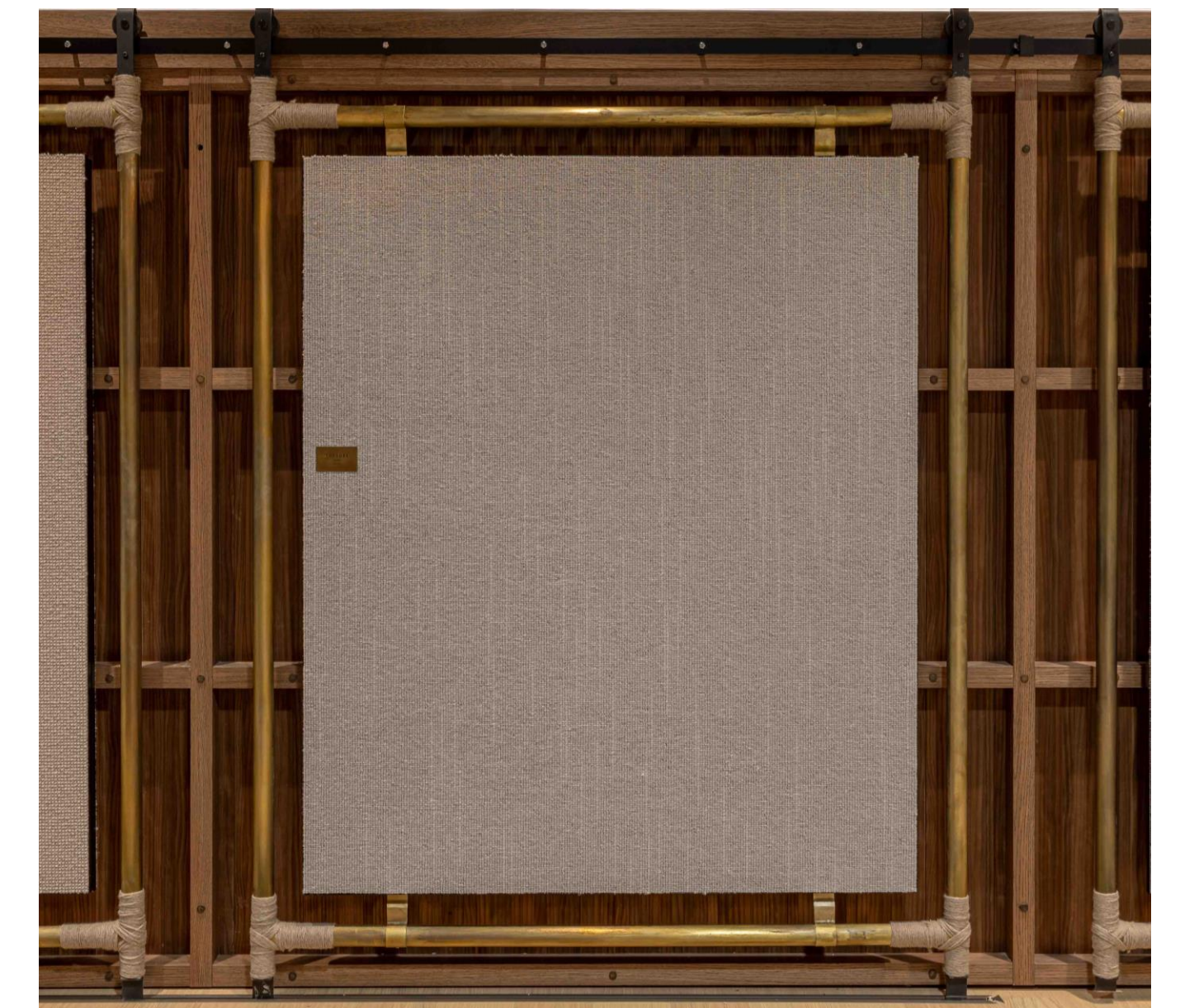
Bremworth experience store

- Opened in November 2023 at Residium (formerly known as The Home Ideas Centre)
- Trial Omnichannel Strategy to grow the rug business
- Immersive space to get inspired and be creative, plus learn and interact with the Bremworth brand
- Secured exclusivity in soft flooring category in this key strategic location
- Centre has 80 lifestyle brands and attracts over 50,000 visitors annually
- Will also support the sale of carpet – connecting customers with selected retail partners

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**FINANCIAL
HIGHLIGHTS**

1H24 Financial Snapshot

\$ millions	1H24	1H23
Revenue	39.0	47.2
Net Loss Before Tax – GAAP	-1.6	-0.6
Net Loss Before Tax – Normalised *	-2.2	-0.6
Cash and bank	30.8	10.4

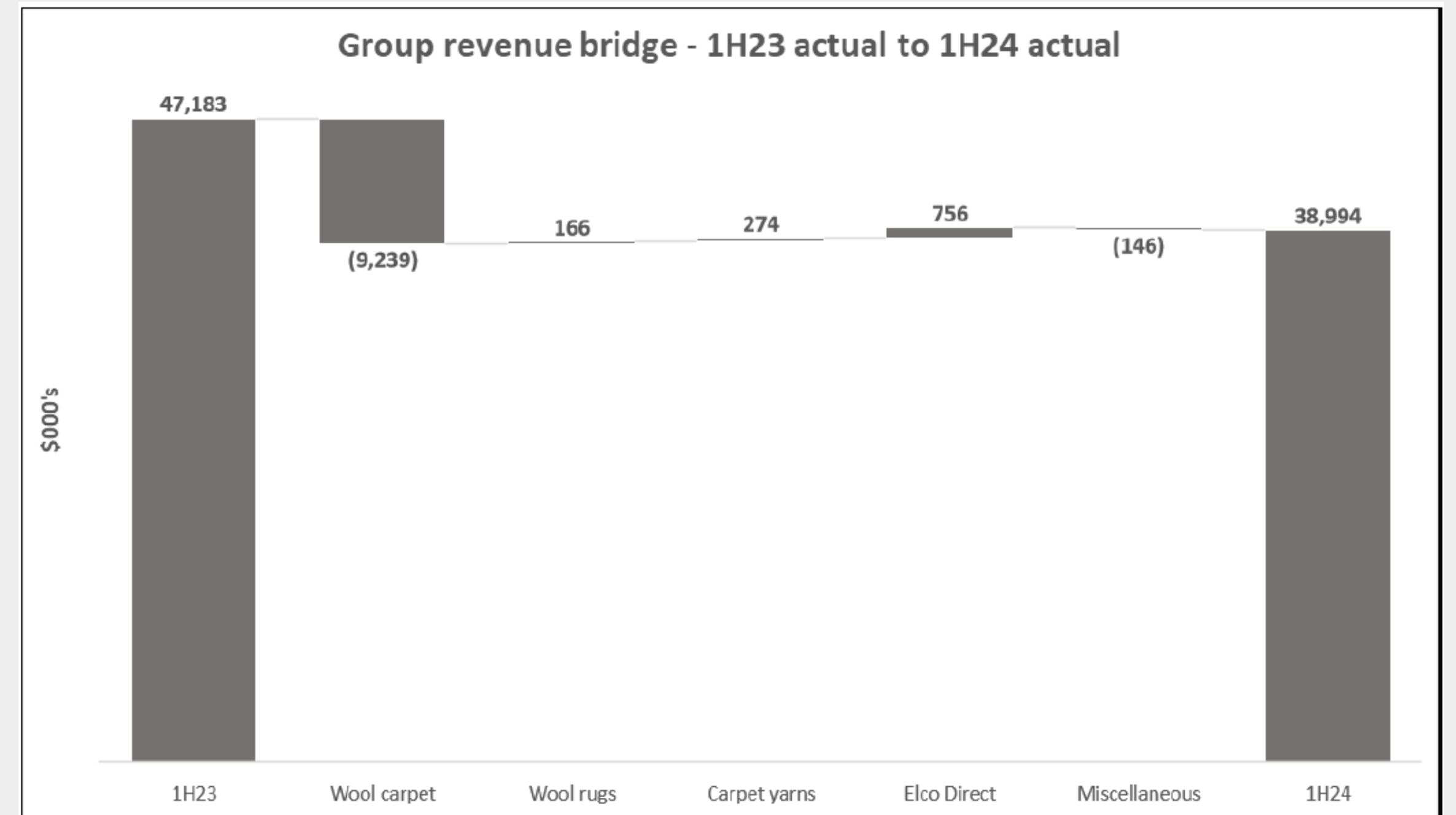
* Normalised is a non-GAAP measure that provides what the Directors believe to be a more meaningful view of the underlying financial performance of the Group. A reconciliation between GAAP and normalised earnings together with further commentary on the disclosure of non-GAAP financial information are set out at pages 27 to 29 of the half year report.

- 1H24 revenue down \$8.2M, with all of that coming from the carpet business
- Pre tax results down from -\$0.6M to -\$1.6M, attributable largely to reduced volume from carpet business helped by reduced expenses and increased interest income
- Insurance proceeds, net of insurance-related spends and restructuring costs, accounted for the \$0.6M difference between GAAP and normalised results
- Significant uplift in cash position on a year ago

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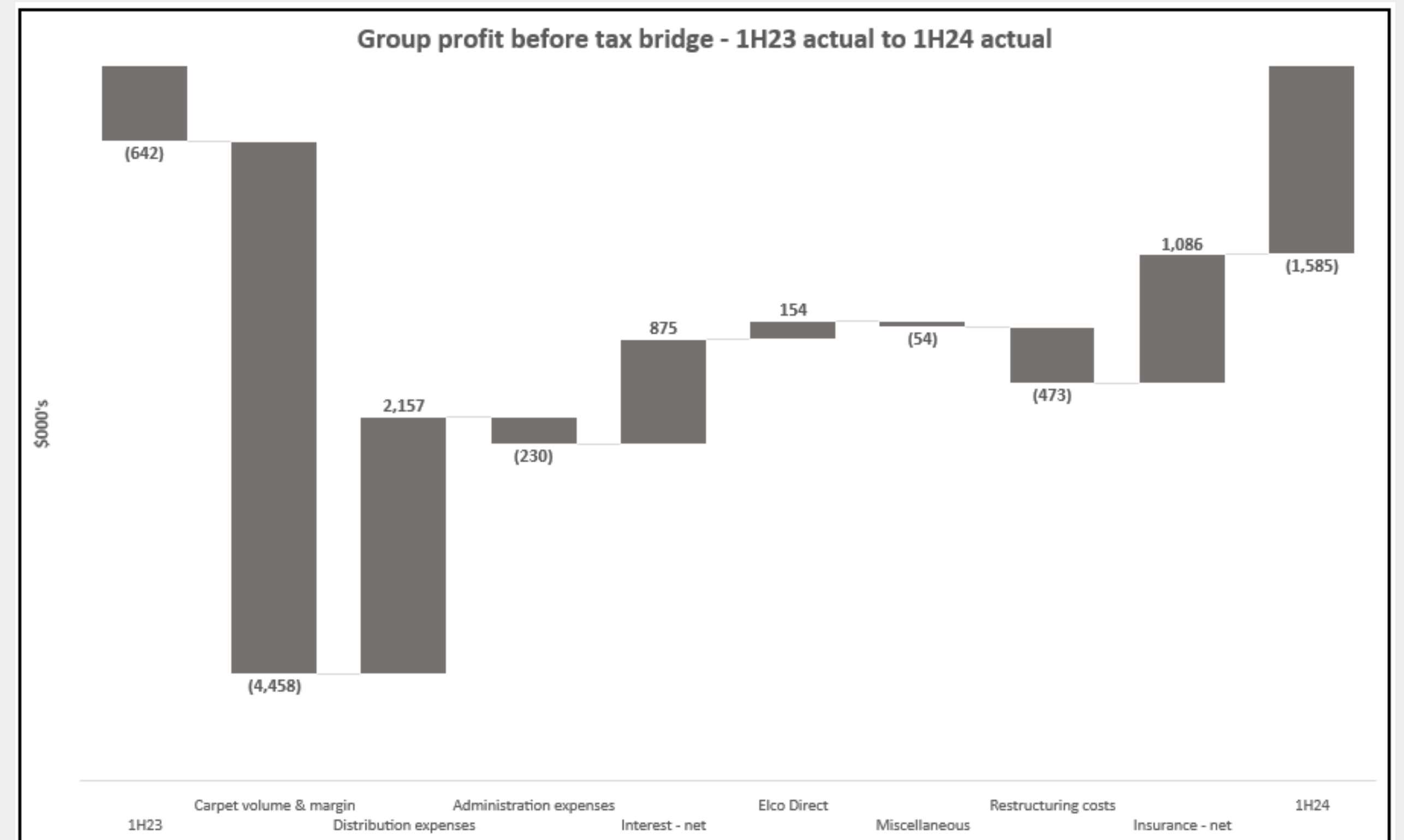
Revenue

- Carpet revenue down \$9.2M/24%, with business unable to meet demand while establishing new yarn supply chain following Cyclone Gabrielle
- Rug revenue was up \$0.2M/30% albeit from a small base
- Elco Direct wool revenue also up - by \$0.8M – on the back of increased volume and improved selling prices, with Elco anticipated to further grow revenue in 2H24
- The new hybrid supply model will allow Bremworth to mitigate ongoing yarn supply constraints and enable us to rebuild volume and inventory to meet demand



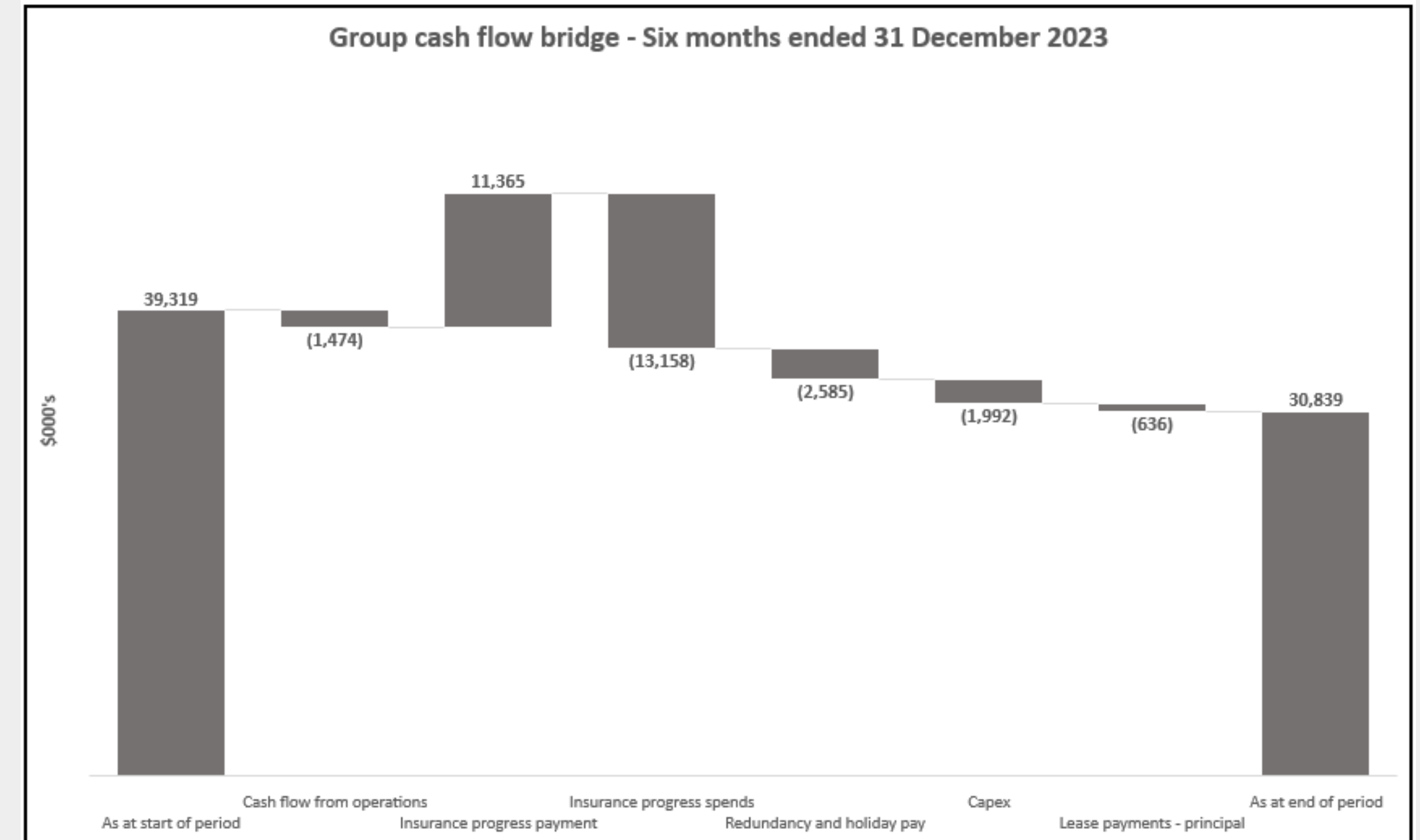
Financial performance

- NLBT impacted by inability to meet carpet demand
- Strong focus on administration costs and distribution costs, with distribution costs down \$2.2M
- Administration costs would have been approximately \$1.0M less after excluding litigation costs and costs relating to Board-led strategic review



Cash position bolstered by insurance receipts

- Cash and bank of \$30.8M as at 31 Dec 2023 - significantly up on \$10.4M a year ago due to insurance progress payments received
- Reduction in cash and bank since 30 Jun 2023 of \$8.5M, with \$4.4M related to insurance and the cyclone, \$2.0M to capex and rest to operations
- Strong financial position to support post-cyclone return to improved financial performance



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A photograph of a person sitting on a brown, textured rug in a sunlit room. The person is wearing a pink long-sleeved shirt and a grey skirt. Their feet are bare. In the background, another person's feet are visible, wearing a brown patterned skirt and bare feet. The room has a concrete floor and a wooden staircase railing. The text "NEAR TERM FOCUS" is overlaid in white, bold, sans-serif font.

**NEAR TERM
FOCUS**

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Immediate priorities

Finalise insurance and future of Napier Plant

Completion of strategy review and execution of early opportunities

Build stock levels to meet demand and grow revenue

Release new products to market

Embed new go-to-market model for Australia



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DISCUSSION



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