

Brenworth

**ANNUAL
GENERAL
MEETING**

28 NOVEMBER 2022

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Agenda

- 01 Board Introduction
- 02 Chair Presentation
- 03 CEO Presentation
- 04 Shareholder Questions & Discussion
- 05 Resolutions
- 06 Refreshments

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George Adams
Chairman



John Rae
Director



Dianne Williams
Director



Paul Izzard
Director



Katherine Turner
Director



Grant Biel
Director Emeritus

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**CHAIR'S
PRESENTATION
GEORGE ADAMS**

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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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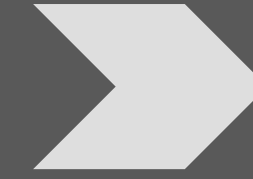
FY20 – FY21



Transformation Investment

- Strong capital base to fund transformation
- Relaunch of Bremworth brand and marketing
- Right-sized organisation
- Set forth on our sustainability journey
- Exited synthetic carpet production
- 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

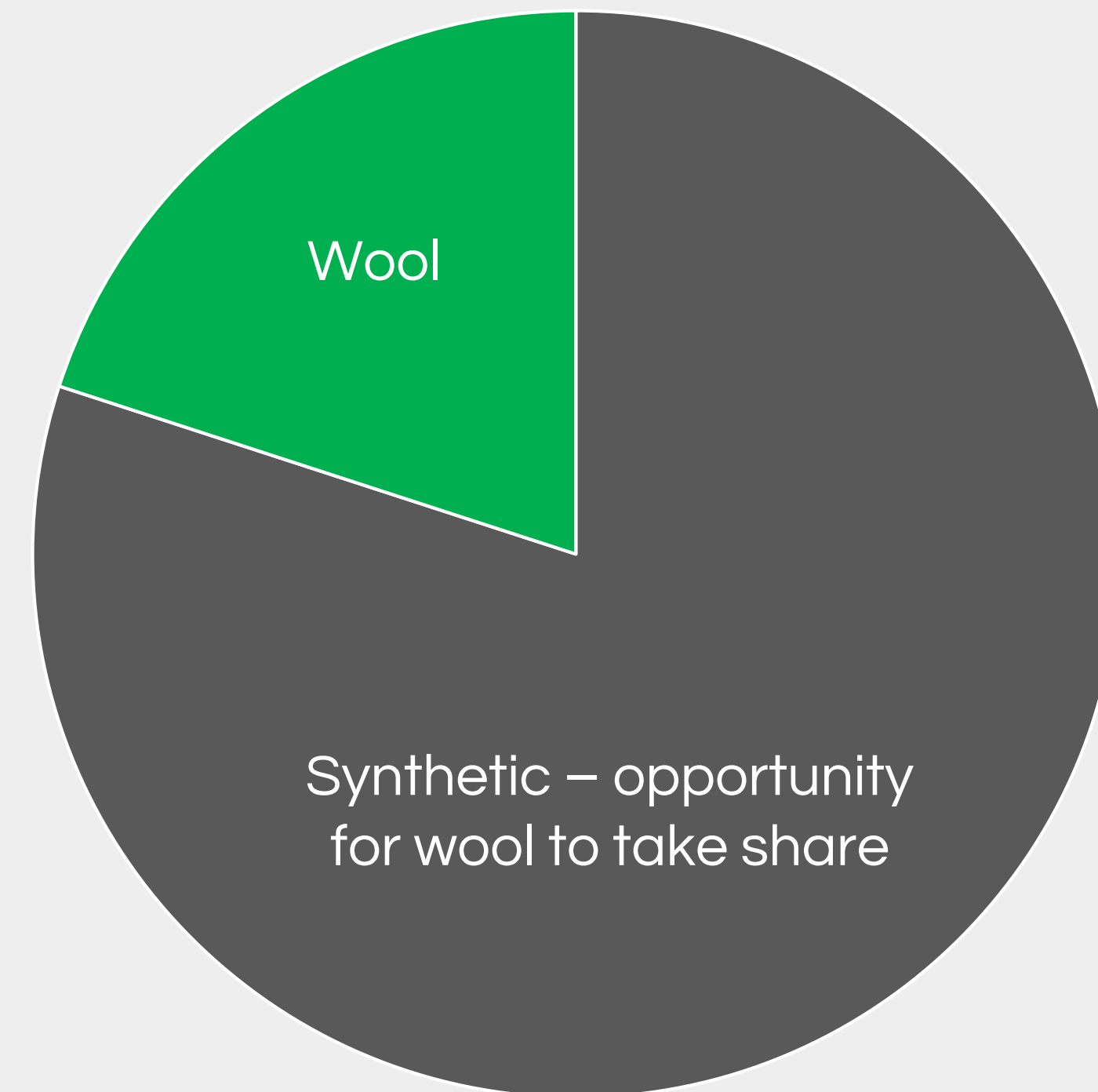
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**THE OPPORTUNITY
FOR BREMWORTH**

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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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CEO'S PRESENTATION

GREG SMITH

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**FY 22 PRIORITIES
& PROGRESS**

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PRIORITIES & PROGRESS
FOR FY22

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

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Focussed on premium residential market

- Traditionally targeted high volume commercial property developers as well as residential markets
- Unfortunately, commercial markets are price driven and these large projects created short term bottlenecks which in turn impact our ability to supply premium residential consumers
- Our priority is the premium residential market that delivers consistent volume at good margin

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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're seeing others pay for the Bremworth brand as "keyword" in their Google AdWords
- We've been awarded the most trusted carpet brand for the 9th year in a row**

*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**

3. Super charge our digital strategy

- Consumer insights informing product development
- Growing demand for our online rugs
- 60% growth in website traffic vs FY21
- Double digit growth in social media following
- 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

PRIMARY INDUSTRIES
NEW ZEALAND
AWARDS

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

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

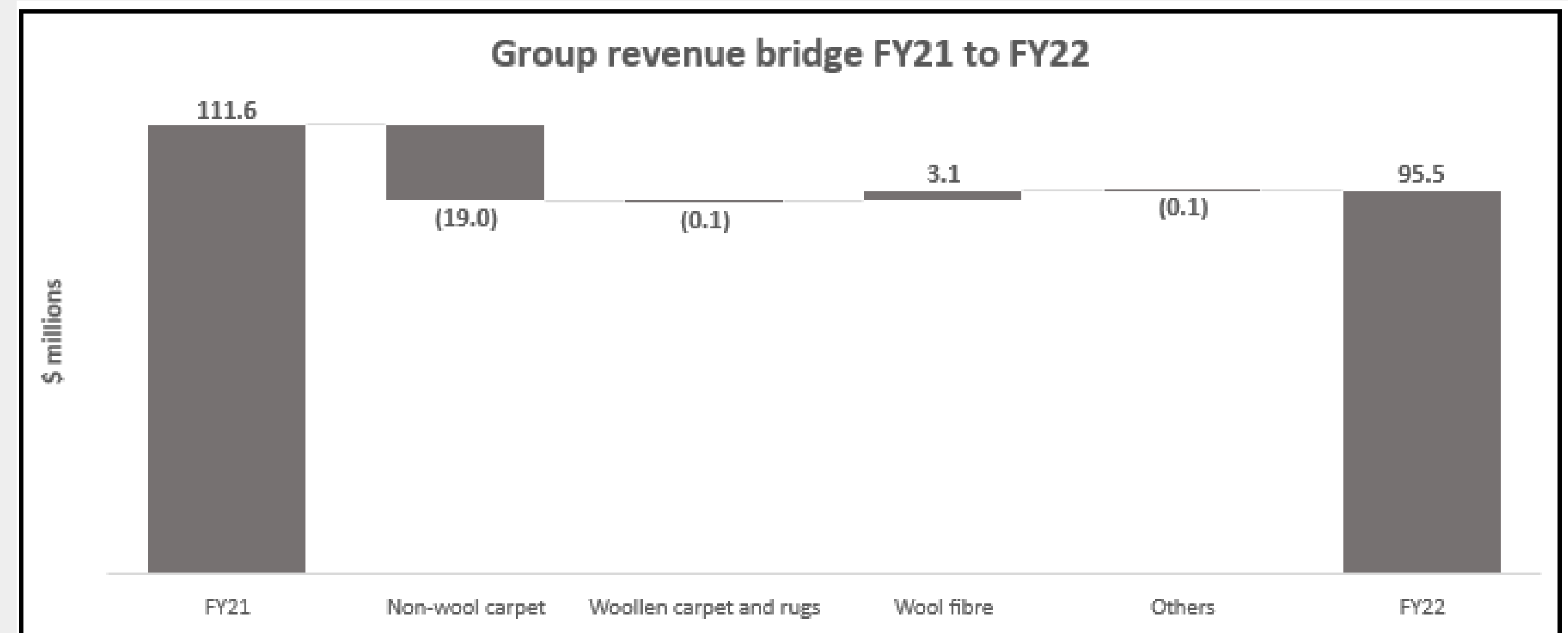
* Information extracted or derived from audited financial statements

** 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.

Revenue reflects strategic transformation

Total FY22 revenue of \$95.5m

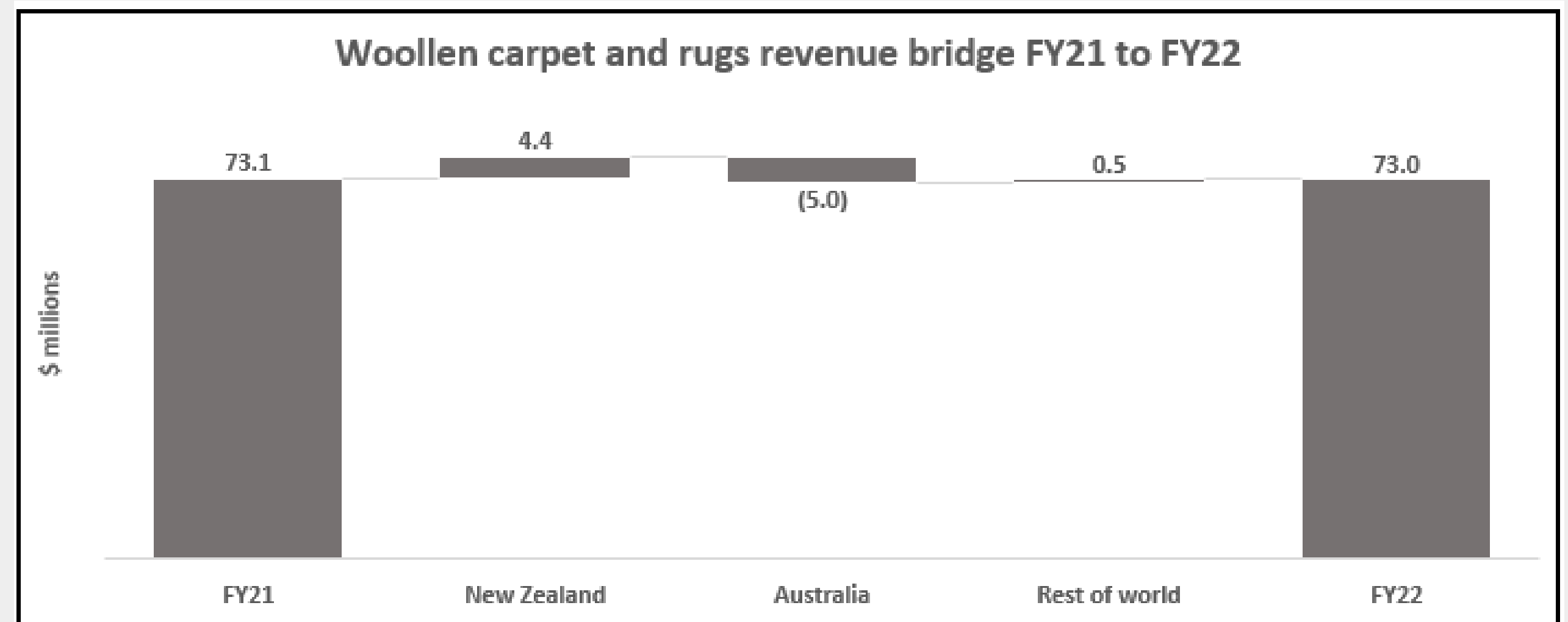
- Non-wool carpet revenue accounted for \$19.0m of reduction in revenue
- Woollen carpet and rugs revenue unchanged on FY21 despite COVID-19 disruptions
- \$3.1m increase in revenue at Elco Direct wool acquisition operation, with uplift in average selling price as demand for quality strong wool grows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



Woollen carpet and rugs revenue

Unchanged year on year at \$73m

- Within that, all-natural strategy delivered a strong \$4.4m/15% revenue growth in New Zealand and \$0.5m/25% growth in our rest of world business
- While revenue was down \$5.0m/12% in Australia, that was the result of the intentional move away from low-margin high-volume commercial business in that market to focus on premium residential consumers



Uplift in Gross Margin

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 ahead of expectations as Bremworth continues to make progress with its all-wool strategy *

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- 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%

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

GROW THE WOOL FLOORING MARKET.

GROW OUR SHARE OF THE MARKET.

EXPAND OUR PRESENCE.

DESIGN-LED INNOVATION.

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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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**SHAREHOLDER
QUESTIONS &
DISCUSSION**

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RESOLUTIONS

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Resolutions

Resolution 1 – Re-election of John Rae:

That John Rae, who retires by rotation and is eligible for re-election, be re-elected as a director of the Company.

Resolution 2 – Election of Katherine Turner:

That Katherine Turner, a Director appointed by the Board, is retiring and eligible for election, be elected as a director of the Company.

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Resolutions

Resolution 3 – Remuneration of auditors:

To record the reappointment of PwC as auditors of the company and that the directors be authorised to fix the fees and expenses of the auditor.

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Proxies and postal votes

	For	Against	Proxy discretion
Re-election of John Rae	10,205,835	19,176	1,069,822
Election of Katherine Turner	10,198,778	11,097	1,069,822
Auditors remuneration	10,201,074	10,165	1,091,822

The Company has received approximately 11.3 million proxy and postal votes representing approx. 16% of total shares, with more than 90% of those in favour of each of these three resolutions.

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OTHER BUSINESS

**CLOSE OF
MEETING**



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