



MARKET RELEASE

30 August 2021

Bremworth Announces Preliminary FY21 Unaudited Results and Return to Profit

- Results in line with expectations as Bremworth continues to execute its all wool and natural fibres strategy
- Strong operating cashflows of \$16.2m, up from \$6.8m in prior year
- 55% year on year improvement in normalised EBITDA¹
- Return to profit with \$1.7m net profit after tax, up from \$21.5m loss in FY20
- All debt repaid and \$22.5m cash as at 30 June 2021
- Robust balance sheet providing a strong platform to execute the strategy

New Zealand wool carpet and rug business, Bremworth Limited (NZX: BRW), has reported escalating wool carpet sales, strong cashflows and a return to profit as it continues its journey to execute its all wool and natural fibres strategy.

The company has today announced its preliminary unaudited results for the 12 months ended 30 June 2021, with results in line with management expectations. Revenue was \$111.6m, with EBITDA of \$4.9m and normalised EBITDA up 55% to \$3.6m. Net profit after tax improved to \$1.7m, up from a loss of \$21.5m in the prior year.

Group revenue was down 5% on the prior year, reflecting Bremworth's exit from the synthetic carpet market, with synthetic carpet stocks selling down faster and at a higher margin than anticipated. Pleasingly, sales of wool carpets grew strongly in the second half, increasing 17% year on year. The improved sales mix was underpinned by strong consumer demand in both New Zealand and Australia, despite supply chain issues and COVID-related disruption to the export supply chain.

Revenue from the wool buying business, Elco Direct, was down 5% , but it recorded strong year on year margin growth as operating conditions improved.

Operating expenses increased as expected, with the right sizing of the business for the new strategy and commencement of brand awareness campaigns in the second half of the year. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased to \$4.9m, up from \$(8.9)m in FY20, with normalised EBITDA up 55% to \$3.6m.

Group profit for the year was \$1.7m, which included the costs associated with the right-sizing of the organisation and a \$2.6m net gain on the sale and leaseback of the Auckland property. Excluding these one-off items, normalised profit after tax was \$0.3m (FY20: normalised loss after tax of \$3.5m).

¹ Normalised EBITDA is a non-GAAP measure and is earnings before interest, tax, depreciation and amortisation and non-trading adjustments of \$1.3m which comprise net gain on sale and leaseback of property of \$2.6m and restructuring costs of \$(1.3)m.



Tight control over working capital continues. Inventory levels reduced as planned due to the sell down of synthetic carpets and are expected to increase again over time as wool carpet sales grow. All debt was repaid during the year, with cash of \$22.5m at year end providing a strong platform and the financial resources to execute the new strategy. Operating cashflow improved to \$16.2m, up 138% on the prior year.

Prudent capital management remains a priority as the Company continues to invest in resetting the business and expanding capacity to support growth. No dividend has been declared.

Strategic Progress

As previously advised, the priorities for FY21 to FY23 are to reset the business, commence the new strategy and navigate the economic recovery post-COVID.

The company has successfully achieved the near-term goals set in 2020:

- Announced 'all wool and natural fibres' strategy
- Exited the synthetic carpet market, which is essentially plastic, and in May 2021, celebrated the last ever roll of synthetic carpet to be made in the plant
- Rightsized the organisational structure
- Successful \$25.5 million sale and leaseback of the Auckland property in December 2020, providing funding for the execution of Bremworth's five-year strategic plan.

Strategic initiatives included:

- The launch of the re-energised Bremworth brand for the core carpet business
- Rollout of the Lifestyle (affordable wool) Collection, providing greater choice for consumers
- Expansion of the retailer distribution networks, predominantly in Australia
- Launch of a differentiated brand strategy in 2H21, designed to build demand for Bremworth branded product, grow the New Zealand wool carpet category and support the broader New Zealand wool industry.

Hand in hand with the commercial strategy has been the commencement of Bremworth's sustainability journey. In the last few months, the company launched a \$4.9 million sustainability-based research programme. This will focus on reducing the company's carbon footprint, using more natural solutions and finding new, innovative ways to manufacture its products that are better for people and the planet. More recently, Bremworth signed up to the New Zealand Farm Assurance Programme, which will provide consumers with a product where the wool has met traceability, authentic origin and animal welfare standards.

Chair of Bremworth, George Adams, said: "It has been an exciting year for Bremworth as we transform our business. Our decision to stop selling synthetic carpets was brave and disruptive. However, we believe it was the right thing for people, the planet and our business and we are confident that these sales will soon be replaced, and indeed surpassed, by higher margin, higher quality wool carpet sales. Already we are seeing a lift in our wool carpet sales, and we expect this momentum to continue as consumer demand grows for natural and sustainable quality products.



“We are heading into the new financial year with a strong balance sheet, funding in place to continue to execute our five-year plan, a right sized organisational footprint, and a clear strategic pathway, as well as new leadership following the appointment of Greg Smith as CEO in June 2021. We look forward to adding value for our shareholders, staff and consumers.”

Outlook

Supply chain and COVID-related disruptions including a tight labour market are expected to continue over the short term. However, consumer demand has strengthened over the pandemic period as people spend money on consumer goods and housing in lieu of travel. There is also growing awareness of, and sentiment towards, natural products, with increasing Government policy addressing sustainability and climate change.

The priorities for this year are four-fold:

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

Investment into the new strategy will continue in FY22, in particular, technology, Bremworth’s sustainability journey and marketing to raise awareness and drive sales of Bremworth’s wool carpets and rugs.

CEO Greg Smith said: “The opportunity for Bremworth is significant. Wool carpets make up only a small portion of carpet sales overall and there is an enormous opportunity for wool to rebuild share in the market as consumers look for more natural alternatives in their lives. They know that wool is a miracle fibre, naturally providing health, safety, design and comfort benefits. We are excited about our future and the opportunities to add value for our customers.”

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