



BREMWORTH 2021 ANNUAL MEETING SPEECHES

CHAIR'S PRESENTATION: GEORGE ADAMS

Board

Joining me online today are your Directors.

Dianne Williams, John Rae, Paul Izzard and Grant Biel.

Your directors bring a diversity of skills, experience and thinking to the table, and ensure core competencies are met across critical areas for our company. As you may be aware, we appointed a new director recently, however, she chose to step down after PwC, Bremworth's auditor, raised a concern about its independence in appearance, as she has an existing, personal relationship with a non-audit partner of PwC. We look forward to appointing a new director in the new year.

Also joining us today is our new CEO, Greg Smith, who joined the company in July this year, and Victor Tan, Bremworth's chief financial officer.

A number of our advisers including our auditors are also online. I'd like to thank all the professional firms who have provided valuable advice to Bremworth over the last year.

Today I am standing for re-election as a Director, and we are also farewelling Grant Biel who will be stepping down from the Board at the end of today's meeting.

Alongside co-founder, Tony Timpson, Grant created Cavalier Carpets and has helped guide its progression from a tin shed operation to the purpose-led Bremworth brand and business it is today.

Tribute to Grant Biel (video)

In 1964, a young man by the name of Grant Biel was hired by a local carpet company, Bremworth, to make sense of newly imported broadloom carpet tufting and finishing plant from the US. Grant, who was finishing his final year at the School of Engineering, was a mechanical whizz and soon things were humming.

After a few years, Grant left Bremworth to pursue his aeronautical passions overseas, but returned not long after, convincing the company to sponsor him as a New Zealand entrant in the 1969 London to Sydney Commemorative Air Race.

Grant and Tony Timpson met when they were both working for Bremworth, and in 1972, they decided to open their own carpet business. And so Cavalier Carpets was conceived. Grant was the mechanical and engineering brains while Tony was marketing, sales and accounting.

Import licenses for equipment were extremely difficult to obtain in those days, so incredibly all Cavalier's carpet making machinery was designed and built in-house. The first Cavalier workshop

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was established in the basement of Leon O'Shea's home in Howick and it was there that the prototype carpet tufter was built.

The story goes that Grant was so excited at assembling the first tufting machine that he unravelled yarn from the sleeve of his red jersey to thread the machine and tuft a very small piece of carpet, and in doing so, created a piece of our history!

With the knowledge that the equipment worked, a new factory (or 'tin shed' as they called it) was built in the middle of a big green paddock at Orb Avenue, Wiri in South Auckland...very close to where our offices are today.

The first 'Cavalier' carpet came through the purpose-built finishing line a few months later in May 1973, a 52oz shaggy cut pile that came in 9 colours ... eight more colours than Henry Ford offered when he started!

Cavalier went from strength to strength, as it learned, refined and focused on crafting and delivering high quality New Zealand wool carpets. The next fifty years would see Grant and Tony setting up new plants, establishing offices overseas, listing on the stock exchange and acquiring and investing in related businesses. One of their biggest moments was in 1988, when the pair acquired the original Bremworth business and brought it into the Cavalier fold.

Grant and Tony were a dream team, leading the way in the carpet sector, continually innovating and creating an iconic New Zealand business where the core values were founded on culture, ethics and people being just as important as profit and sales.

Now, five decades after that friendship formed, we have relaunched the Bremworth name and brand and are building our future around the deep expertise and heritage created by Grant and Tony.

Today, I am honoured to acknowledge Grant's contribution to the creation of our business and welcome him as Bremworth's first ever Director Emeritus, a position he will hold for life. This honorary appointment is in recognition of the pivotal role Grant has played in our history. Thank you, Grant.

Our vision

Our vision is to be a global leader in designing and creating desirable, sustainable, safe and high performing natural interiors ... and we are making positive progress towards achieving our goal.

Our journey

FY21 marked the beginning of a new era for Bremworth as we took the first bold steps towards executing our 'all wool and natural fibres' strategy. This was developed in response to changing consumer trends and increasing demand for natural products, as well as our belief that we could build a business that was more sustainable and better for people and the planet. Delivering improving financial performance and business growth will be the upshot of responding to consumer needs, doing the right thing and making commercially smart decisions about our business.

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We successfully concluded the sale and leaseback of our Auckland property, enabling us to invest in our strategy and the new way forward. We also right sized the business in response to our changing needs - downsizing Auckland manufacturing and increasing capacity at Napier and Whanganui.

We changed our company name and brand from Cavalier to Bremworth and launched our new “Let’s Go Good Together” marketing campaign which was designed to differentiate and reposition the company as a design-led premium home interiors company focussed on helping consumers to bring more natural materials into their homes and daily lives.

Our sustainability goal

Hand-in-hand with our commercial strategy, we have set forth on our sustainability journey. We believe that sustainability is not a choice, it’s essential to future proof any business.

As we continue on our sustainability journey, our goal is to continue to reduce our environmental impact through research, science and innovation, something Greg will touch more on shortly.

One of the major events in our transformation journey in the last year, has been the exit from the synthetic carpet market to fully pursue higher margin, high quality wool carpet sales. This was completed in May 2021 with our final production run and, for us, was a major milestone.

VIDEO: Exit from synthetics

FY21 revenue

Our financial results for the year ended 30 June 2021 were in line with our expectations as we reset our business and transitioned to our new strategy.

Revenue was \$111.6m, down 5% versus FY20 due to the conscious decision to exit synthetics. Pleasingly, wool carpet sales were up with particularly strong growth in the second half of the year. The improved sales were underpinned by strong consumer demand in both New Zealand and Australia, despite supply chain issues and Covid-related disruption to the export shipping availability.

FY21 Financial Snapshot

We had strong cashflow and reported a return to profit. EBITDA of \$4.7m and normalised EBITDA up 47% to \$3.4m. Net profit after tax improved to \$1.7m, up from a loss of \$21.5m in the prior year.

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. Prudent capital management remains a priority as we continue to invest in resetting the business and expanding capacity to support growth.

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We are fully committed to the resumption of payment of annual dividends once the company is in a financial position to do so. For now, we believe it is in the best interests of shareholders to reinvest and build a profitable business that will deliver returns to shareholders long into the future. The board will keep this matter under constant review and fully understands and agrees with shareholders' desire to see Bremworth returned to a dividend-paying investment.

The opportunity for Bremworth

A year of transformation has redefined Bremworth as a premium design-led, natural fibre company, with a clear strategic pathway and a strong balance sheet to support the execution of our five-year plan.

Market Share

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 products.

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.

Clear growth strategy

We have a clear growth strategy built on four pillars:

- to grow the wool flooring market
- to grow our share of this market
- to expand our presence; and
- to continue with the design-led innovation for which Bremworth is famous.

A strong foundation for the future

We are strongly positioned for the future with a robust 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.

Previously CEO of Icebreaker and a senior executive with Michael Hill Jeweller, Greg has extensive international business experience, running iconic New Zealand companies and helping them scale on the world stage. His proven ability to build a highly successful business and valuable brand based on a natural ethos, makes him the ideal person to lead our company forward.

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Our priorities for FY21 to FY23 are to push forward with our new strategy and navigate the economic recovery post-Covid. I will now hand over to Greg to talk more on both this and our progress in the current year so far.

CEO'S PRESENTATION: GREG SMITH

Leading Change

To our long-term shareholders, as you know Bremworth has been through a lot and as a consequence, so have you all. Thanks for sticking with us on this journey. To those new to the company, welcome! We are delighted you have joined us as we look towards a brighter future.

I'm pleased to be presenting to you today as the new CEO of Bremworth. I'm incredibly excited about the opportunities for our business and the transformational path we are on.

As a short introduction as to why I'm here...

As a father of five, I'm committed to working with brands that want to make a true difference. A lot of companies have words on a wall that promise something, particularly about their green credentials. So, when I found out that the Bremworth purpose was to find a more sustainable way, I said to myself, sounds good but what are they doing? Well for starters they ditched synthetics, or plastic carpet, which was over 50% of total carpet sales volume and over one-third of total carpet sales revenue in FY20. I thought wow! It's that type of bold action that inspires me. I'm in!

Over the next 15 minutes, I will take you through our mission and the four priorities we have identified for this year, to give you an insight into where we are putting our energy, why and the key indicators that show we are on the right path.

We're on a mission

What's impressed me since my first day at Bremworth, is the passion and belief shown by our team for what we are working towards.

Our mission is to deliver a range of home experiences built with people, the plant and growth in mind.

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 consumers truly care about.

We believe that wool is the optimal fibre for carpets and rugs.

We believe that wool is fundamentally a better option than synthetic carpets, which are made from plastic fibres. And we will defend our position on this, no matter what our competitors try to say or do. If we didn't, then who are we... just another brand greenwashing.

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Which brings me to Godfrey Hirst taking us to court next year. We will keep you updated on how this goes but here's what I will say on this. Consumers deserve to know what's in their carpet. If it's synthetic, that's plastic. Full stop. Fundamentally, we believe we are on the right side of the future as society moves towards more sustainable natural products that don't pollute the earth. While some businesses remain tied to petrochemical mining to make cheap plastic fibres, we believe the future is brightest for brands who are moving into the natural space. We will be a leader, creating long lasting, quality, natural products that we know consumers are wanting.

Priorities for FY22

As we continue our transformation journey, we have set ourselves four priorities for this year and we are making good progress on these.

Create demand for Bremworth branded product

Firstly, we are creating demand for Bremworth branded product.

Raise awareness

There is a sustained and massive global shift, led by consumers who want to use natural and sustainable products in all parts of their lives to benefit their health and wellbeing. We see this in food, skincare, clothing, energy, cars ... the list goes on. We acknowledge this and are meeting this trend in two ways.

Firstly, we are raising consumer knowledge and awareness to the differences between synthetic and wool - plastic and natural.

Secondly, we are capitalising on Bremworth's quality and desirability. We are as good as anyone in the world at making carpet. That reputation is built from our heritage and decades of expertise honing our craft using only NZ wool and made right here in NZ; and acknowledged by winning the Readers' Digest Most Trusted Carpet Brand award eight years in a row.

Consumer knowledge

Here is what we have learned - 30% of consumers don't know what synthetic carpets are made of. Not all carpets are made equal. In fact, 80 odd percent of carpets are manufactured using plastic fibres. So, we must ensure consumers understand this and understand that wool is a high performing, natural, biodegradable and renewable alternative.

If we raise awareness of the benefits and advantages of wool and natural fibres over synthetics, we attract more consumers to the Bremworth brand - thus helping to create a more beautiful, safer and healthier home environment, all while being better for the planet.

Our marketing campaigns are a major driver of demand and our current focus is on raising awareness of the outstanding qualities of wool carpet. We are primarily marketing online, which

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is more targeted and cost effective; but have also run a successful outdoor campaign in the last few months.

We are also focused on supporting our distribution partners by supplying new and exciting point of sale collateral that ensures the physical consumer experience matches the online brand promise.

How's this going?

The next two slides highlight some of the positive progress we are making.

Bremworth brand associations

It's great to see High Quality, Luxurious and Premium - all words that we want to be associated with and they are some of our highest scores, all above 80%.

It's also great to see Natural and NZ Made growing strongly in consumer awareness.

Lastly, we see Synthetics dying.

Key brand metrics

Onto key brand metrics:

Here are two other data points to give you confidence in our progress.

Bremworth is number one in unprompted brand awareness compared to key competitor carpet manufacturers.

Preference for Bremworth branded carpets has also grown strongly, once again the highest when compared to key competitors.

We are doing some really cool things with the brand and I'd like to share a video with you on a partnership we had with Te Papa this year, to create a sensory art experience. Our reputation for design innovation, shared values, inspired design and real craftsmanship led to something truly magical.

VIDEO: Te Papa Partnership

Surprising partnerships like this, expose the brand to new consumers in exciting and different ways.

Operational efficiency and commercial excellence

Our second priority for this year is operational efficiency and commercial excellence.

To improve profitability, you must improve margin and reduce costs.

We are committed to growing our gross margins over the next three years. This will be achieved by investing in product design, brand marketing and manufacturing. We are already seeing

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momentum in margin growth despite the last quarter's Covid interruptions. This highlights the importance of continued investment in the brand.

At the same time to become a truly great company, we need nothing short of excellence in manufacturing. We are laser focused on reducing manufacturing costs and will build on our already significant investments in plant, machinery and technology to lift productivity. While we have high quality operations today, continuous improvement is the key to repeatable, sustained results and high standards.

We currently have capacity to significantly grow our yarn manufacturing and carpet production, constrained only by labour challenges, particularly in the Hawkes Bay. These are being addressed and this is one of my personal priorities, with the yarn and manufacturing plant managers reporting to me.

From a commercial excellence perspective and thinking about how we present our brand in store, we will strive for consistency across the various consumer touch points. Whether it is online or in person, the experience has to be exceptional and reflective of our brand promise. We will be selective of how we distribute our products and will continue to review our network to ensure we support those retailers who truly support us, creating a win-win for Bremworth, the retailer and the consumer.

People have always been at the core of our business and Bremworth has a history of supporting equal pay and a culture of ownership. We are looking at new, more flexible ways of working that are increasingly appropriate today and are committed to growing our people through development and training. We have recently launched our first leadership programme, involving just under 20% of our workforce, and continue to encourage and support our team to gain certification under the NZQA manufacturing framework.

Supercharge our digital strategy

We have said that we are supercharging our digital strategy – but what does that mean?

We are shifting to a consumer-centric business model which will be led by our digital, direct to consumer rug business.

Direct online businesses learn fast from behaviours on their website and interactions with their consumers, on how to tailor the business to best satisfy their wants, needs and desires.

We will use insights from our digital marketing and our rug business to distil learnings about who our consumers are, what they want and how they get it.

Understanding our consumers better through this direct relationship will lead to an enhanced consumer experience and, ultimately, more satisfied Bremworth buyers.

The trend for hard flooring looks set to stay and we believe rugs are an integral part of this flooring style, adding softness, warmth, texture and design flair to people's homes. We plan to amplify the rug business significantly and expect online sales to double in this financial year.

To support all this, we will invest in our team to ensure we have expert people in place who understand the opportunities and can create a successful business platform for us. Over the

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medium to long term, we will be able to capitalise on this new revenue stream, with the potential to expand to other products and international markets.

Innovation, sustainability and partnerships

Last but not least, is our focus on innovation, sustainability and partnerships.

You've heard our business is underpinned by our belief and commitment in doing good for people and our planet.

To support our sustainability journey, we have launched a \$4.9 million sustainability-based research programme focused on:

- Reducing the company's carbon footprint;
- Using more natural solutions; and
- Finding new, innovative ways to manufacture our products so that they are better for people and the planet.

Our product development teams are always exploring new and cool ways to bring beautiful products to people's homes and sustainability is intrinsically linked into this - we are looking at things like natural dyes and how we manufacture in lower carbon environment.

We recently obtained an ECCA grant to change the gas driers in our Whanganui plant to electric, as part of a carbon reduction initiative, and are looking at doing the same at our Napier plant.

To give our consumers certainty about the integrity, traceability, biosecurity, sustainability, and animal welfare of our wool products, Bremworth recently signed up to the New Zealand Farm Assurance Programme. Before long, 100% of our wool will be sourced from NZFAP accredited sources.

New Zealand farmers already produce some of the lowest carbon wool on the planet and some of our wool growers are already approaching a carbon zero position. We're not afraid to challenge ourselves and have set ourselves a goal to bring to market a carbon zero wool rug within the next two years.

We are also looking at how we can recycle and re-use our products, with potential opportunities including carpet backing, insulation and acoustic wall panels.

Our sustainability journey is evolving and is a true long-term commitment.

FY22 performance to date

Demand continues to grow and our margins are improving. The strategy is working.

While we hope to soon be back to normal, the ongoing Covid-19 restrictions, along with the widespread supply chain and shipping issues affecting all businesses, have impacted on our business.

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Our manufacturing plants were all closed during the level 4 lockdown, with Napier and Whanganui, where we manufacture the yarn for our carpet, re-opening after two weeks in lockdown. Our Auckland operations, where we make our carpet, re-opened on September 22 after five weeks being closed. This obviously had an impact on our production.

The health of our people is our priority and we have been operating bubble shifts, where each team is separated, particularly during shift change overs. This results in up to 1.5 hours lost time each day.

Pleasingly, production has now been recovered to levels we were expecting pre the level 4 lockdown, allowing us to meet the strong and consistent demand we have witnessed throughout the lockdown.

Supply chain issues, particularly around shipping stock, has resulted in some constraints on supply in Australia as demand grows. The opportunity in Australia is large and capitalising on this is a big focus for the next year, when we expect shipping issues to start to ease.

Outlook

Zooming out and taking a wider perspective on our outlook and the environment we are operating in, we remain cautiously optimistic during these uncertain times.

As stated earlier, consumers are making more conscious buying decisions and we are seeing more people choosing wool over synthetic carpets as they become aware of the benefits that wool carpets offer.

Construction demand - – and the related demand for flooring – continues to grow across both residential renovations and new builds.

We expect the strong demand across Australia and New Zealand to continue and, despite consumers becoming more accustomed to longer wait times, we are focused on improving delivery times significantly.

Strongly positioned to execute our strategy

In summary, we have positioned ourselves well and have an enormous opportunity to take market share from synthetic producers and grow our Bremworth branded business.

We have a clear strategy in place, funding to execute this, existing capacity for manufacturing growth and expert people driving our business, we are well positioned for growth.

Our primary focus remains our core business – growing sales of our high-quality wool carpets and rugs – and margin improvement.

I am proud of the team and our progress and excited about the future for Bremworth.

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