



**BELL POTTER
EMERGING LEADERS CONFERENCE**
SEPTEMBER 2022

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AGENDA

1. Results overview
2. Strategy update
3. Trading update and outlook



FY22 RESULTS OVERVIEW

FY22 OVERVIEW

RESILIENT BUSINESS DELIVERING STRONG RETURNS THROUGH THE CYCLE

Revenue

\$622.2m

(FY21: \$663.2m)

Online sales +15.6% yoy

LFL revenue growth

-0.7%

Q4: +6.4%

Gross margin

49.1%

(FY21: 48.9%)

Gross profit: \$305.4m

Net cash

\$36.7m

(FY21: \$35.7m)

Inventory: \$95.0m

EBITDA

\$62.5m

(FY21: \$71.6m)

EBITDA margin

10.0%

(FY21: 10.8%)

NPAT

\$41.1m

(FY21: \$47.0m)

EPS: 29.2¢³

Dividend

12¢ per share

8.8% dividend yield⁴

79.8% payout ratio⁵

OPERATING HIGHLIGHTS

DISCIPLINED EXECUTION DELIVERS STRONG MARGIN PERFORMANCE

- Core non-discretionary lines drive significantly improved performance in H2
- Strong sales momentum in Q4 with LFL sales up +6.4%
- Adapted effectively to changing consumer behaviour due to COVID
- Managed operational disruption from elevated absenteeism as a result of COVID
- More than 2,500 new team members onboarded
- Impact of inflation and supply chain disruption well managed
- Product Lifecycle Management (PLM) system implemented
- Cybersecurity audit and systems upgrade
- POS replacement project underway, with discovery, scoping and solution design completed
- Australian Cotton sourcing and tracing established, with volume committed for FY23



OPERATING ENVIRONMENT

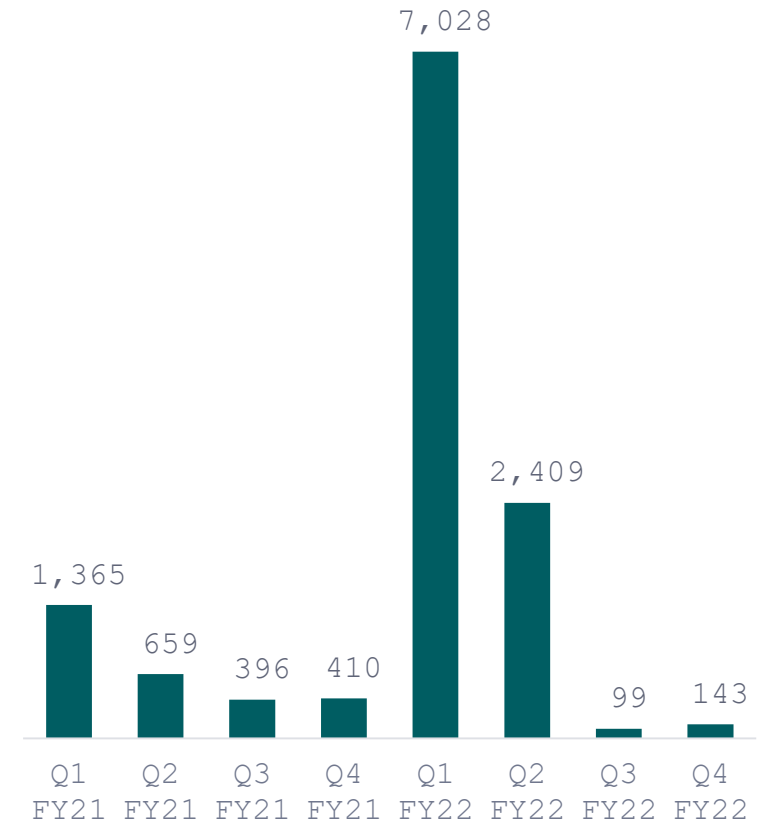
SUPPORTING OUR CUSTOMERS, PEOPLE AND COMMUNITIES

- 9,679 (10.8%) total trading days lost in FY22 result in over \$50 million of lost sales vs. plan
- Mount Druitt, Toormina, Gympie and Lismore stores closed for extended periods due to storms and flooding
- Foot traffic and consumer behaviour impacted post-lockdowns
- New store openings delayed due to availability of trades and materials

OUR RESPONSE

- Reopened 44 NSW stores during lockdown for essential products
- Introduced diverse store fulfilment options to mitigate sales impact
- Adjusted orders and moved inventory with agility
- Reduced CODB to offset impact of lower sales and support strong EBITDA outcome
- Supply chain, shipping and labour costs well managed
- Paid COVID-19 leave and vaccination leave to support team members

Lost trading days by quarter



MANAGING OUR SUPPLY CHAIN

INFLATION

- COGS inflation managed through selective price increases enabled by 'good, better, best' pricing strategy and cost mitigation negotiations with suppliers
- ASP continues to grow, up 3.2% in FY22

SHIPPING COSTS

- 75%¹ of orders executed on contract rates significantly lower than spot rates
- Increased lead times to protect against shipping disruption

INVENTORY

- Inventory \$95.0 million at end FY22 includes \$19.1 million new stock on water to ensure stock availability ahead of key summer selling period
- Clear-as-you-go approach maintains aged inventory at recent low levels (1.7%² of total inventory, FY21: 1.8%³)
- Disciplined promotional activity to clear seasonal stock

1. % of containers shipped to Australia.
2. As at 22 August 2022.

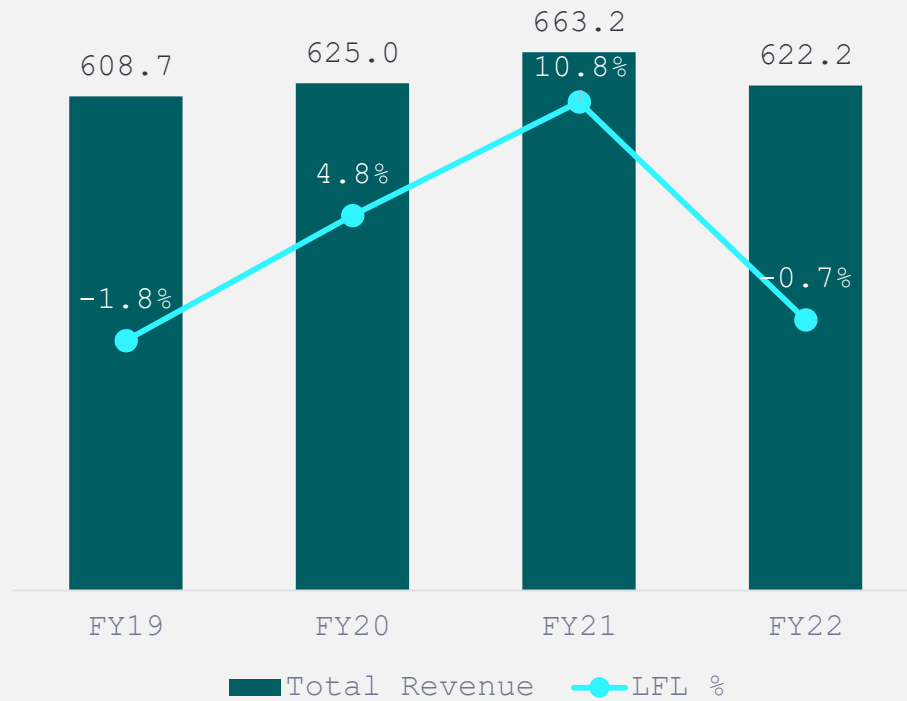
3. As at 22 August 2021.



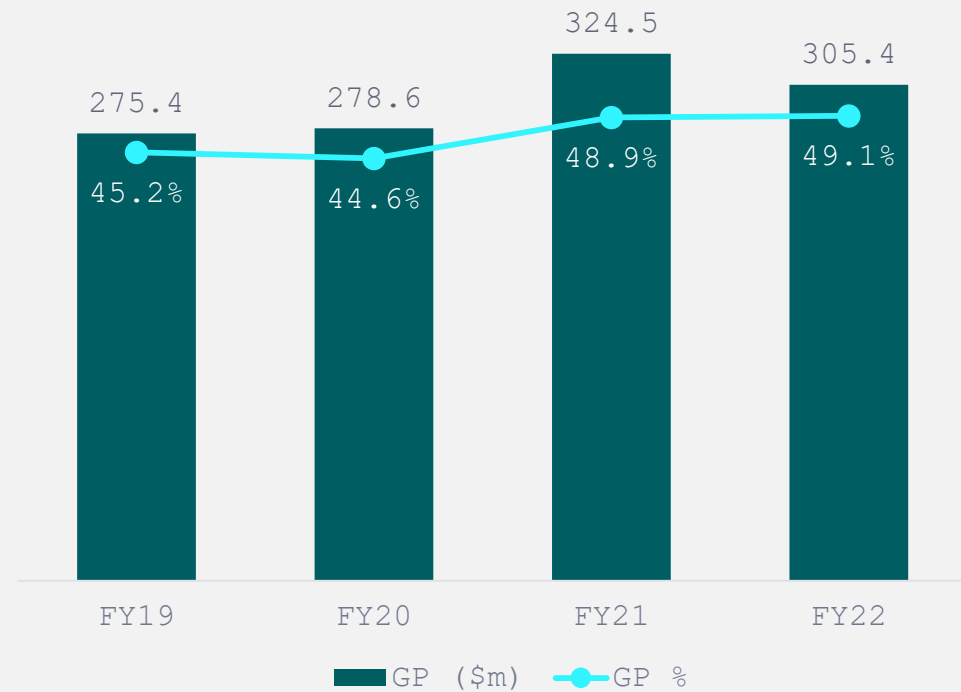
GROSS MARGIN

VERTICAL RETAIL MODEL DELIVERS STABLE GROSS MARGIN OF 49.1%

Sales



Gross profit





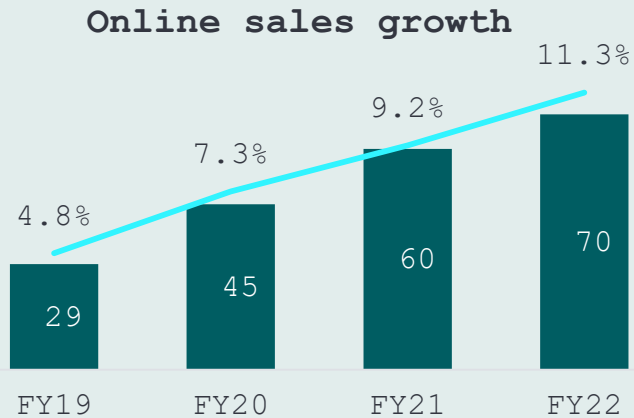
STRATEGY UPDATE

OPPORTUNITY FROM ACCELERATED MIGRATION TO VALUE

Privileged relationship with mum	BLG favourably positioned
<p>The diagram illustrates a funnel of market segments. At the top is 'Baby', which is highlighted as representing approximately 50% of sales. Below it are 'Kids', 'Women', 'Men', and 'Impulse' in descending order. A large downward-pointing arrow is positioned at the bottom of the funnel.</p>	Baby is the entry point
	Better quality than DDS, better value than
	Differentiated market positioning
	#1 retailer in Australia for low price and #2 for value for money ¹
	90% of items sold under \$20
	Low ASP of \$8.33

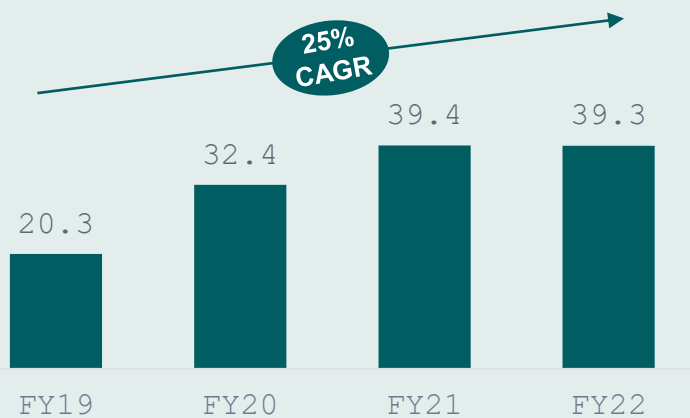
OMNICHANNEL PROGRESS

Investment delivering results



■ Online sales (\$m)
 — Online as % of total sales

Website sessions



■ Sessions (m)

- Adapted effectively to changing consumer preference for online shopping during COVID
- Over 45% of online orders fulfilled through stores
- Mobile accounted for 73% of online sales
- Online category hubs delivered higher engagement and conversion
- Effective digital marketing
- 1.88 million loyalty members¹, +10% on FY21
- Friends Club NPS up 8pts to +37, drove higher engagement and shopping frequency²

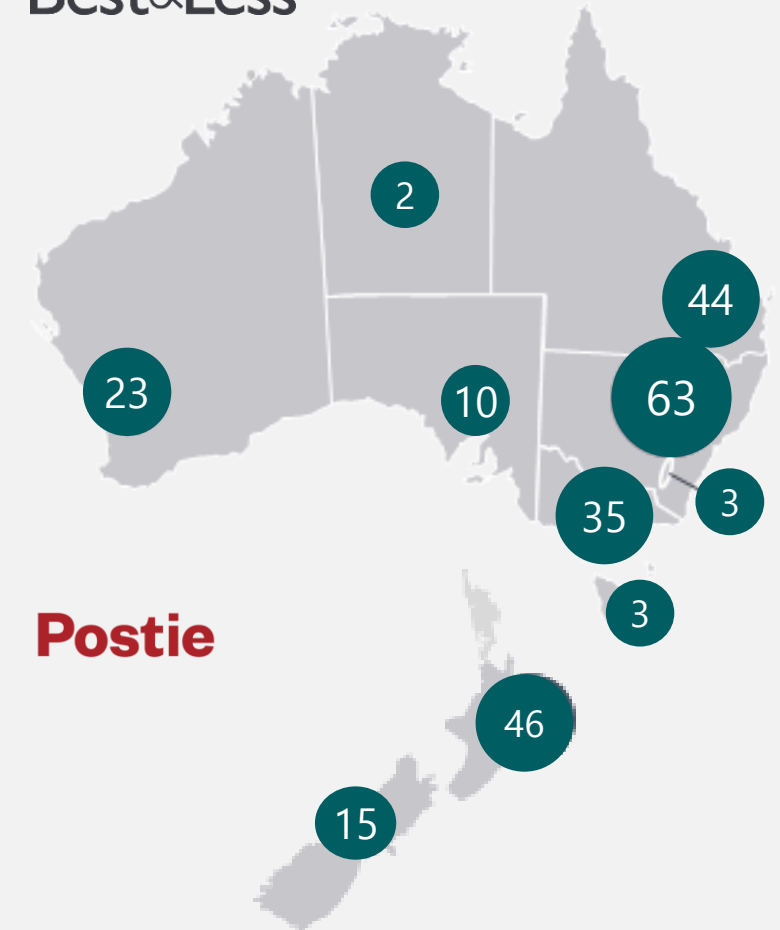
Coming up in FY23

- Relaunching consumer website
- Using AI to deliver personalised customer experience
- Launching mobile app 2.0
- Online sales % expected to moderate as customers return to stores

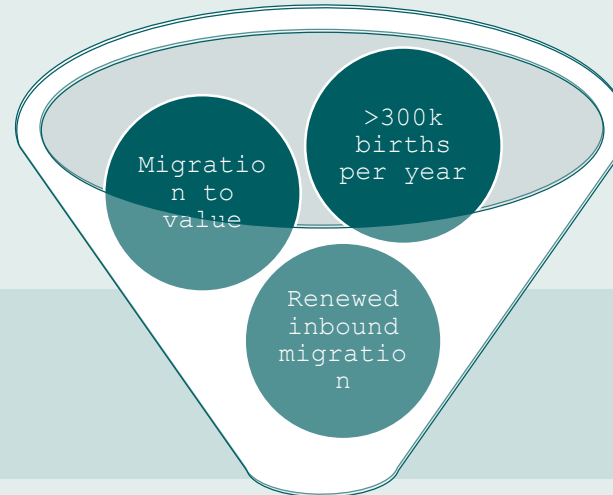
STORE NETWORK EXPANSION

- Six new stores opened in FY22
- Four store relocations, including two to larger sites
- Nine stores closed, including five planned closures
- Agreements to open 11 new stores in FY23, with three additional relocations to larger sites
- Remain willing to discontinue leases where there is no compelling commercial rationale
- Store profile to remain equally weighted between metro and regional

Best&Less



STRATEGIC PRIORITIES



Value market growth drivers

Market share initiatives

Increase share in baby

Increase share in kids

Increase share in womenswear

Above market online sales growth

Targeted store network expansion

Strategic enablers

Enhance data capability and CRM to improve customer experience and drive loyalty

Further our commitment to operating sustainably

Proactively manage gross margin, CODB and working capital

Outcomes

Increased sales, stable GM%, CODB leverage

Sustainable growth in EBITDA, EBIT and NPAT

Increase cash flow and dividends



TRADING UPDATE & OUTLOOK

FY23 TRADING UPDATE & OUTLOOK



- Through eight weeks of trading in FY23 total sales +38.0%¹ with LFL sales +1.4% (store sales +7.5%, online sales -29.1%)
- Foot traffic remains below pre-COVID levels but is recovering
- Customer conversion rates elevated and average selling prices increasing, driving sales growth and mitigating input cost price increases

Outlook

- Inflationary environment expected to accelerate migration to value
- Non-discretionary offer and unique value proposition to continue to drive sales
- Disciplined execution of growth strategy, including expanding store footprint
- Focus on maintaining gross profit margin and managing costs and inventory
- Continue to upgrade our systems and data capability
- Given ongoing economic uncertainty, BLG is not providing sales or earnings guidance at this time



Q&A
