

MARKET UPDATE FOR QUARTER ENDED 30 JUNE 2021

BauMart Holdings Limited (ASX: BMH) (“BauMart” or the “Company”) is pleased to present its quarterly cash report for the period ended 30 June 2021 and provides the following operational update for the quarter:

COVID-19 Pandemic

- Our attention remains on the overall spread of COVID-19 and its impact on Group activities, particularly on freight movement.
- We are currently monitoring the lock-down status in the Eastern States, especially New South Wales and Victoria, our key markets.
- Our key supplier, based in Malaysia, has been severely affected by government-imposed COVID-19 movement control orders, with production capacity currently at 60% and delays with order fulfilment.

Group Results and Commentary on Appendix 4C

- Net operating cashflows for the quarter was positive at \$113K with an increase of \$474K in receipts from customers on the previous quarter. The Group continued to invest cashflows into inventory build-up necessary to support sales and associated costs such as shipping, transport and warehousing costs.
- Payments to Related Parties of the Company and their associates comprised executive directors’ salaries and non-executive director fees of approx. \$60K.
- At 30 June 2021, the Group had \$750K cash at bank and \$168K in available trade finance facilities. The Group also currently holds an investment in listed securities with a market value of approximately \$4.3m.
- Group expenditure for the quarter was in line with normal day to day operations including payments for inventory, staff costs and marketing
- Encouraging annual revenue growth for FY21 to \$5.48M (FY20: \$4.27M), an increase of 28%.

Materials Handling Division

- Annual revenue for FY21 totalled \$4.92M (FY20: \$3.95M), an increase of 24%
- Despite encouraging annual revenue growth, trading margins continue to come under pressure from rising supply chain costs. Since the COVID-19 Pandemic began, supply chain costs (including shipping freight) across the world have risen by more than 500%¹.
- Delivery schedules from Malaysia encountering significant delays due to manufacturer only operating at 60% capacity resulting from its domestic government-imposed movement control orders. The COVID-19 challenges in Malaysia remains acute particularly with the Delta variant of the virus.
- Our major markets, being located on the Australian Eastern Seaboard, have been adversely affected by recent lock-down restrictions, particularly restricting the travel of our marketing team into those regions.
- In addition to rising costs, delivery lead times have become unpredictable and a challenge to manage customer expectations.

Source & Procure Division

- Annual revenue for FY21 totalled \$415K (FY20: \$115K), an increase of 262%.
- Strong sales for the year with a robust finish in Q4 FY21. Underground mining equipment project recommenced during the quarter.
- Ongoing supply of products to customers in the industrial and resources sectors with potential for more growth with a focused marketing and operational plan.
- The division remains focused on identifying value add projects in sectors where management has significant experience.
- Interests from suppliers of equipment from Asia in developing strategic ventures with our Group to enter the resource and mining sector, particularly in Australia and Africa.

Building Materials Division

- Annual revenue for FY21 totalled \$147K (FY20: \$205K), a decrease of 28%.
- Q1 FY22 off to a stronger start with \$90K in sales.
- Margins have come under pressure from rising supply chain costs with port congestion hampering ability to deliver sales during the quarter.

Other Activities

- The Group's management services contract to a Perth-based industrial parts washer business continued to provide recurrent income during the quarter. The business manufactures high technology, cost-efficient and environmentally friendly industrial parts washing equipment to Tier 1 clients in the resources and logistics industries.
- The Group is currently exploring organic partnership and/or strategic associations within its client network to expand its operations.

Strategic Business Review

During the quarter, the Group commenced a strategic business review, in conjunction with its advisors, in light of unpredictable market conditions. The broad aim of this review is to assess the Group's current activities to deliver long term growth and to maximise shareholder value.

The specific objectives of this review include:

- Conducting a critical assessment of each of its trading divisions and their respective potential to contribute meaningful operating margin;
- Developing a strategy to adapt to a post-COVID-19 economy and trading environment;
- Assessing the Group's capital adequacy for its current operations and potential new investments; and
- Reviewing external business opportunities for investment, with a particular focus on businesses complementary to the Group's current activities.

This announcement was authorised by the Board of BauMart Holdings Limited.

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References

1. <https://www.abc.net.au/news/2021-06-10/prices-consumers-shipping-ports-trade/100203086>

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About BauMart Holdings Limited

BauMart Holdings Limited (ASX: BMH) is an Australian public company listed on the Australian Securities Exchange. The origins of the Company began with securing distribution partnerships with suppliers of building materials and its investment and leasing of automated glass-processing equipment. Since its listing in June 2015, the Company has diversified its business across a broad range of divisions including, but not limited to:

- supply of industrial products, including plastic material handling unit load devices;
- supply of building products, including premium volcanic natural stones;
- sourcing, procurement and end-to-end supply chain services; and
- managed services.

Headquartered in Perth with operations in Sydney, Melbourne and Brisbane and overseas in Auckland, New Zealand, the Company has a far-reaching presence and a robust network of infrastructure that is positioned for growth.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity
BAUMART HOLDINGS LIMITED
ABN
87 602 638 531
Quarter ended ("current quarter")
30 JUNE 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,112	7,042
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(21)	(72)
(d) leased assets	-	-
(e) staff costs	(145)	(643)
(f) administration and corporate costs	(85)	(503)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	174	564
1.5 Interest and other costs of finance paid	(18)	(67)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1	362
1.8 Other (provide details if material) ¹	(1,905)	(6,304)
1.9 Net cash from / (used in) operating activities	113	379

1. Payments for inventory, lease payment obligations and other general working capital

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(13)
(d) investments	200	-
(e) intellectual property	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) ¹	8	57
2.6	Net cash from / (used in) investing activities	208	44

1. Other payment comprised of manufacturer payments for underground mining equipment project totalling (\$231K) and lease payment receivable of \$239K (refer ASX Announcement dated 4 October 2019 for details on the Company's mining equipment project).

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Loans and borrowings	132	132
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	132	132

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	304	269
4.2	Net cash from / (used in) operating activities (item 1.9 above)	113	379

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	208	44
4.4	Net cash from / (used in) financing activities (item 3.10 above)	132	132
4.5	Effect of movement in exchange rates on cash held	(7)	(74)
4.6	Cash and cash equivalents at end of period	750	750

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	750	304
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	750	304

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 ¹	60
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

1. Director's fees, salaries, and superannuation paid.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements ¹	250	132
7.3	Other (please specify) ²	50	-
7.4	Total financing facilities	300	132
7.5	Unused financing facilities available at quarter end		168
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<ul style="list-style-type: none"> 1. Trade Refinance Facility <ul style="list-style-type: none"> - Lender: NAB - Interest Rate: 4.68% - Maturity: 31 May 2022 - Secured 2. Bank Overdraft <ul style="list-style-type: none"> - Lender: NAB - Interest Rate: 8% - Secured 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	113
8.2	Cash and cash equivalents at quarter end (item 4.6)	750
8.3	Unused finance facilities available at quarter end (item 7.5)	168
8.4	Total available funding (item 8.2 + item 8.3)	1,031
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

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8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 July 2021

Authorised for release by the Board of BauMart Holdings Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.