Best&Less Group

FY21 RESULTS PRESENTATION

26 August 2021

AGENDA

1. FY21 results overview
2. Introducing Best & Less Group
3. FY21 financial summary
4. Growth strategy
5. Trading update and outlook

FY21 RESULTS OVERVIEW

Rodney Orrock
Chief Executive Officer

RECORD PROFIT IN A MILESTONE YEAR

- Strong FY21 performance driven by disciplined execution of growth strategy
- Exceeded Prospectus forecasts on all key metrics
- Performance of core non-discretionary categories reinforce defensive characteristics
- Key strategic initiatives progressed in difficult trading environment
- Listed on the ASX in July
- Strong balance sheet and net cash position, well positioned for the bounce back

FY21 OVERVIEW

Revenue
$663.2m
Up 6.1%
(FY20: $625.0m)

LFL revenue growth
10.8%

Gross margin
48.9%
Up 430bps
(FY20: 44.6%)

EBITDA
$71.6m
Up 165.2%
(18.0% ahead of Prospectus forecast)

EBITDA margin
10.8%
Up 650bps
(FY20: 4.3%)

NPAT
$47.0m
Up 191.9%
(18.1% ahead of Prospectus forecast)

Pro forma financials for the 52 weeks ended 27 June 2021. See pages 28 and 29 for Statutory reconciliations.
All comparisons relate to the prior corresponding period (pcp) unless otherwise stated.

OPERATIONAL HIGHLIGHTS

- Core product portfolio performed well in challenging conditions
- Volume drives value and operating leverage
- Progressed omnichannel strategy
- Optimisation of store network largely complete
- Relaunched Friends Club and enhanced member data and capability
- Workforce management solution implemented
- Implementing Product Lifecycle Management (PLM) system

INTRODUCING BEST & LESS GROUP

Rodney Orrock
Chief Executive Officer

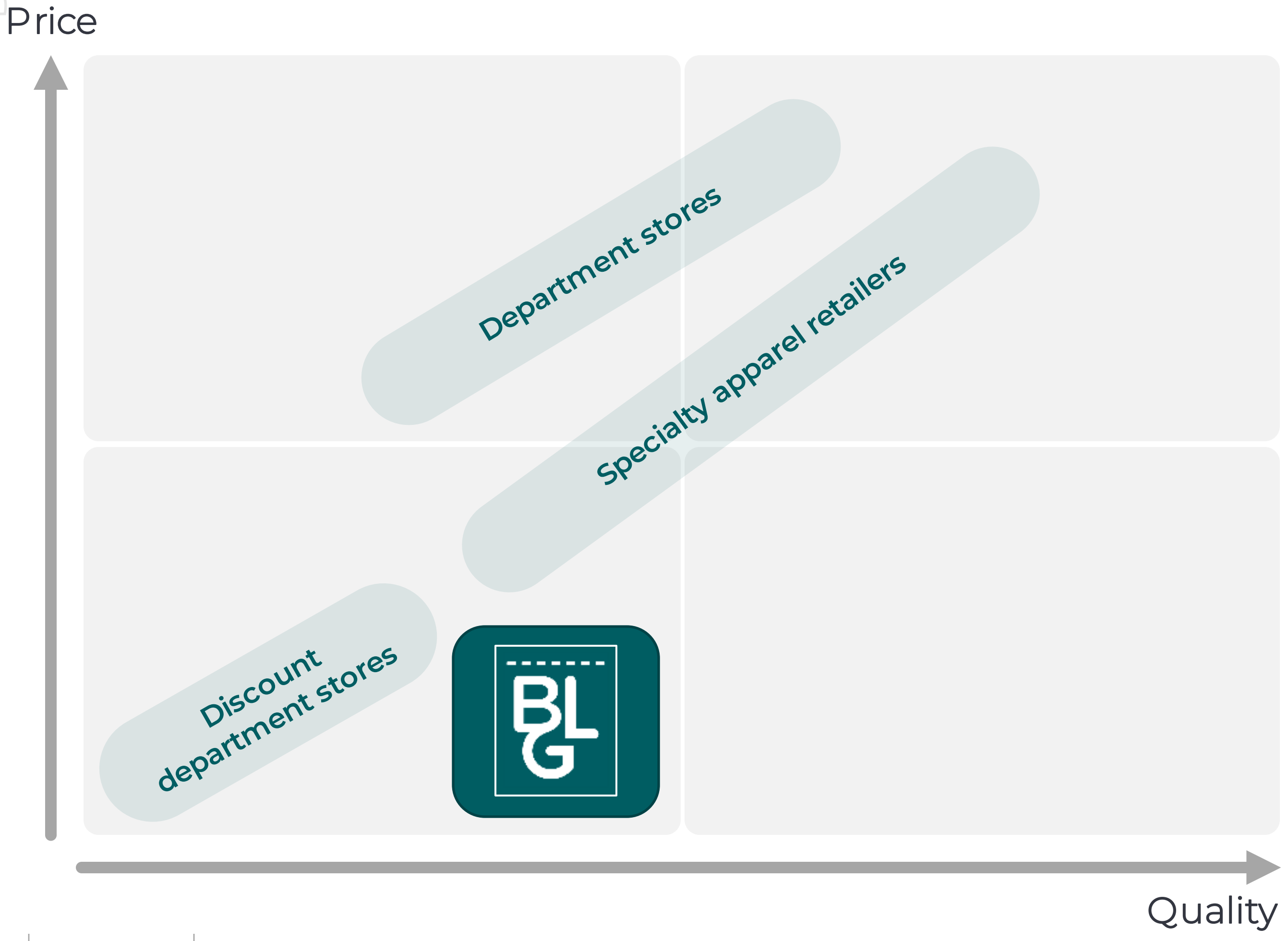
TWO ICONIC BRANDS, ONE DIFFERENTIATED VALUE PROPOSITION

1	2	3	4	5	6	7
"Twice the quality at half the price"	**First choice for baby value apparel**	**Extensive and easy to shop format**	**Omnichannel convenience**	**Connected to mum**	**Vertical retail model**	**Trusted brands**
100 day quality guarantee	**~50%** of group sales from baby and kids' categories	**245** profitable stores across Australia and New Zealand	**9.2%** of sales online, growing at 33%[1]	**~1.7m** loyalty club members	**86%** sales from own labels	Best&Less Postie Two much-loved brands with "good, better, best" pricing

Combining the two brands provides scale benefits and operational synergies for BLG

1. FY21 vs. FY20

SPECIALTY VALUE FOCUS UNLOCKS SIGNIFICANT MARKET OPPORTUNITY



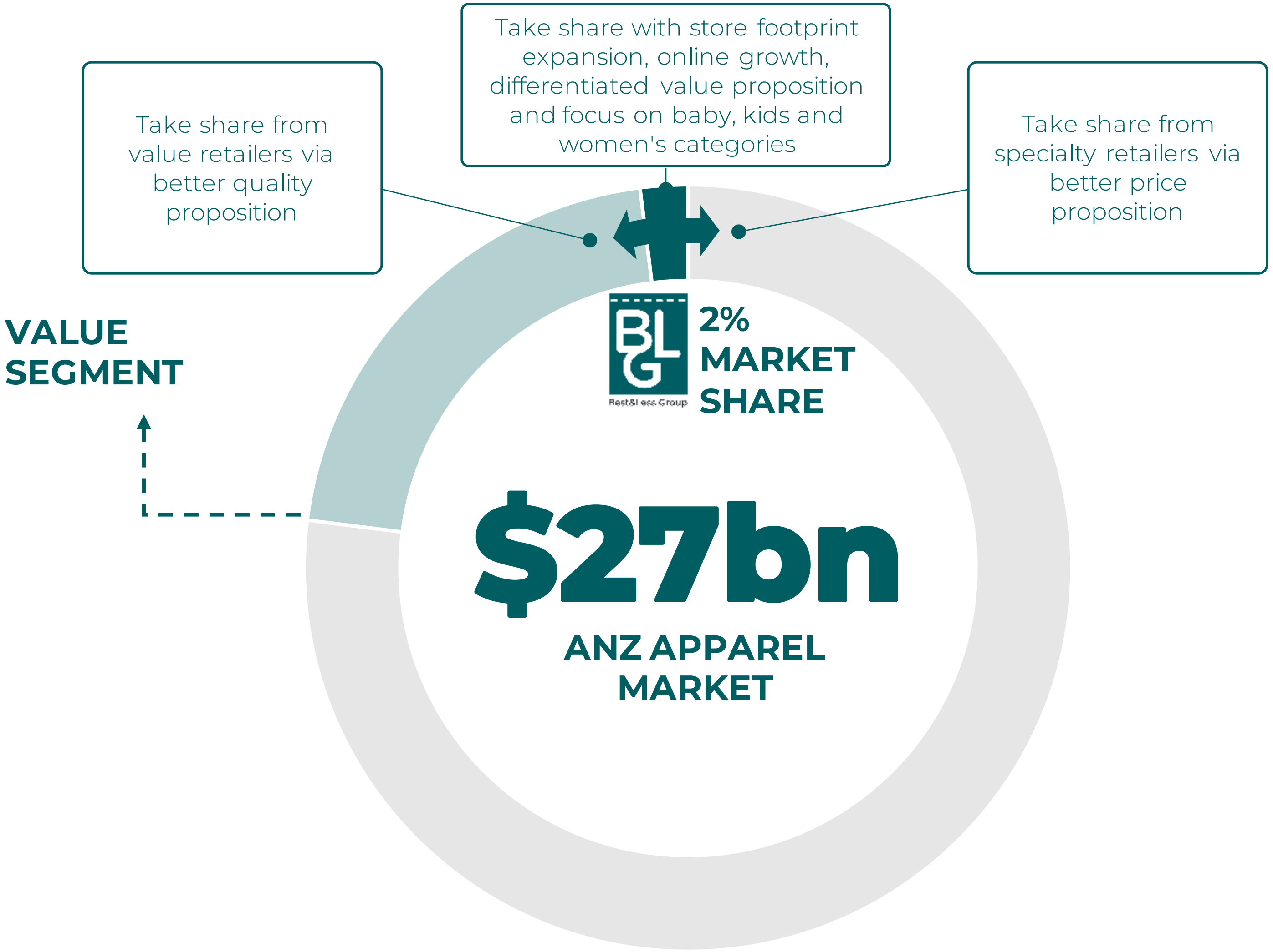
Market opportunity

- ✓ Migration to value
- ✓ Structural growth drivers
- ✓ Highly fragmented

BLG characteristics

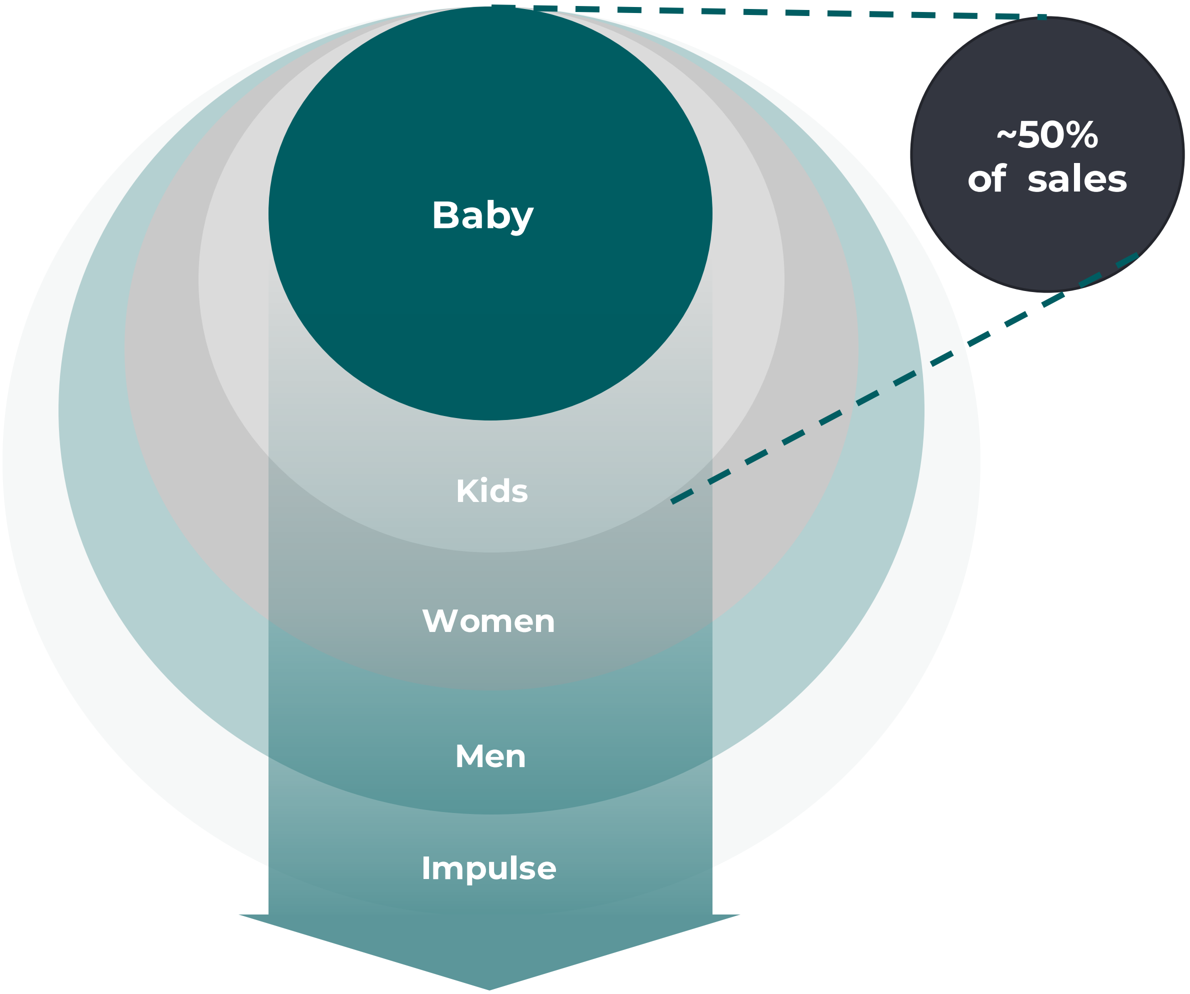
- ✓ Baby is the entry point
- ✓ Unique specialty value focus
- ✓ Better quality than DDS, better value than specialty
- ✓ Differentiated market positioning

WELL POSITIONED TO INCREASE MARKET SHARE



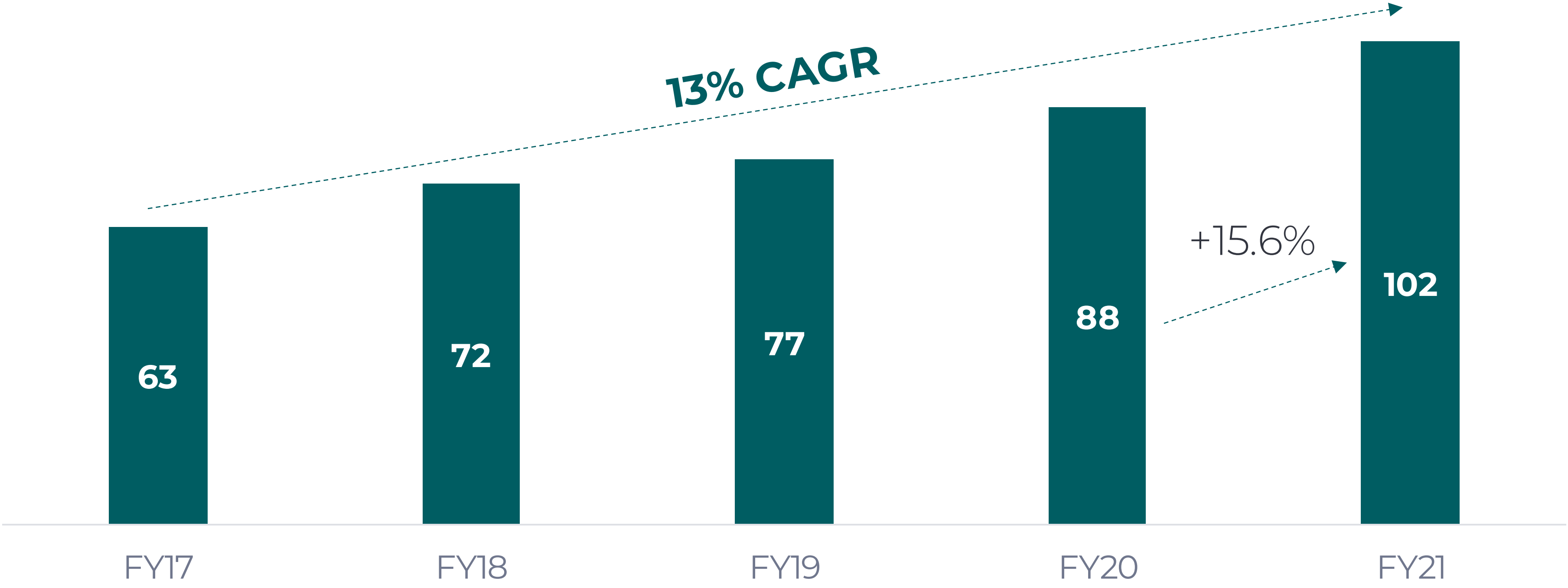
Source: Frost & Sullivan

THE HALO EFFECT – IT STARTS WITH BABY



1. Establishes long-term relationship based on credibility and trust
2. As babies and kids grow, we grow with them – extending customer lifetime value
3. Opens adjacent opportunities and leverages traffic to grow basket size
4. Closely aligned with BLG's value apparel focus
5. Highly defensive as a consumer staple, not a discretionary purchase
6. High barriers to entry/competition

BABY THE KEY GROWTH DRIVER



BLG BABY CATEGORY SALES ($m)

VALUES-LED APPROACH TO ESG

QUALITY AND SAFETY
- 100-day guarantee
- Quality Assurance team
- Reputable safety record

ETHICAL SOURCING
- Modern Slavery Statement
- 217 supplier audits
- Workers Grievance Hotline
- PLM implementation

LIVING WAGES
- Living Wage Statement
- Gap analysis conducted
- Next step open costings to identify labour component

SUSTAINABILITY
- All packaging re-usable, recyclable or compostable by 2025
- Integrating UN SDGs[1]
- GOTS[2] certified organic cotton range
- Carbon audit complete

COMMUNITY
- Supported 173 different charities through Good360
- Partnered with Drought Angels

ANIMAL WELFARE
- No fur used in our garments

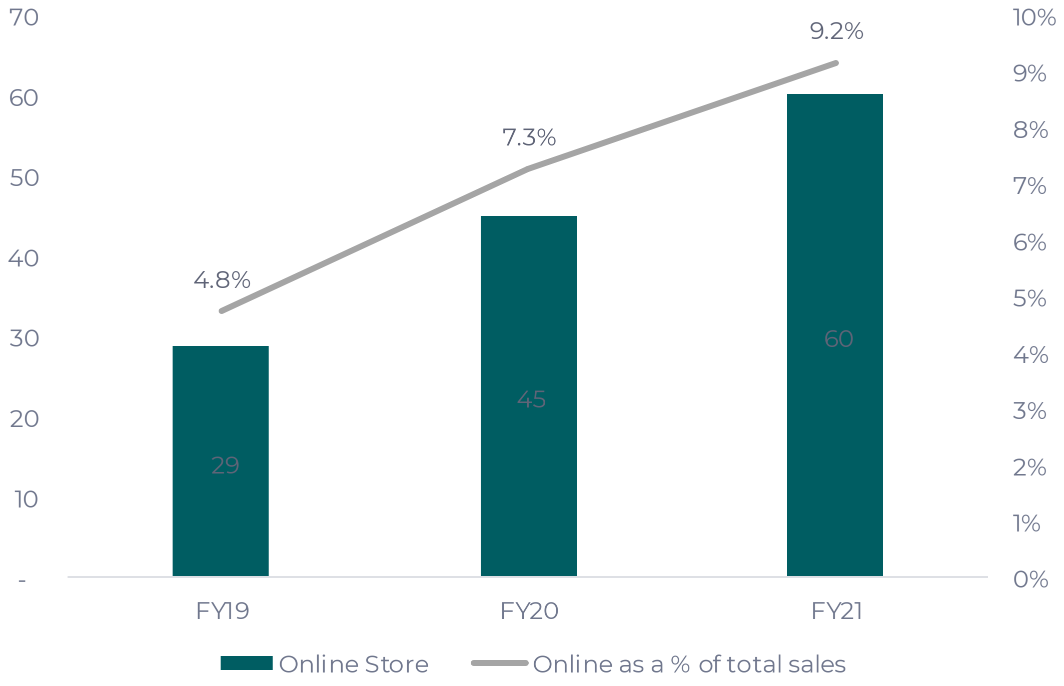
[1] United Nations Sustainable Development Goals

2 Global Organic Textile Standard

FY21 FINANCIAL SUMMARY

Andrew Moore
Chief Financial Officer

FINANCIAL PROFILE



FY21 FINANCIAL SUMMARY

PRO FORMA FINANCIAL INFORMATION	FY21	FY20	Var (%)	FY21F	Var (%)
Financial Summary					
Revenue ($m)	663.2	625.0	+6.1%	657.7	+0.8%
Gross profit ($m)	324.5	278.6	+16.5%	313.6	+3.5%
Gross margin (%)	*48.9%*	*44.6%*	*+430bps*	*47.7%*	*+120bps*
Total CODB ($m)	252.9	251.6	+0.5%	252.9	-
EBITDA ($m)	71.6	27.0	+165.2%	60.7	+18.0%
EBITDA margin (%)	*10.8%*	*4.3%*	*+650bps*	*9.2%*	*+160bps*
NPAT ($m)	47.0	16.1	+191.9%	39.8	+18.1%
Key Financial Metrics					
Number of stores	245	250	(5)	245	-
Revenue growth (%)	6.1%	2.7%		5.2%	+0.9%
LFL revenue growth (%)	10.8%	4.8%		8.9%	+1.9%

Highlights[1]

- Total revenue growth +6.1% driven by strong growth in core categories
  - Baby +15.6%
  - ASP[2] +9.5%
- LFL revenue growth of +10.8%
- Gross profit increase +16.5%
- GM expansion by 430bps to 48.9% driven by:
  - 'Good, better, best' product and pricing mix
  - Vertical retail model
  - Agile inventory management
  - Lower cost of goods through hedging strategy
- CODB increase minimal at +0.5%
- Pro forma EBITDA +165.2% on pcp and 18% ahead of Prospectus forecast
- NPAT +191.9% on pcp and +18.1% on Prospectus forecast

[1] All comparisons FY21 vs. FY20 unless otherwise stated

[2] Average selling price

STRONG CASH FLOW

$'millions	FY21	FY21F[1]
EBITDA	71.6	60.7
Non-cash items	(0.4)	(0.3)
Changes in working capital		
Inventory	*(8.2)*	*(8.1)*
Receivables and prepayments	1.6	4.9
Trade and other payables	(4.7)	(4.9)
Operating cash flow	**59.8**	**52.4**
Capital expenditure (net of landlord contributions)	(4.1)	(4.0)
Free cash flow	**55.7**	**48.4**

Highlights

- Highly cash generative business
- Pro forma (pre-AASB 16) free cashflow of $55.7m, +$7.3m on FY21F
- Capital expenditure (net of landlord contributions) of $4.1m
- Operating Cash conversion of 83.5%
- Free Cash Flow conversion of 77.8%
- Net cash of $35.7m at end FY21
- Supports dividend policy of 60-80% of Statutory NPAT

[1] FY21F as per Prospectus dated 25 June 2021

ROBUST BALANCE SHEET

$'millions	27 June 2021
Assets	
Cash and cash equivalents	35.7
Inventories	80.5
Property, plant and equipment	9.8
Right-of-use assets	186.6
Intangibles	11.8
Other assets	18.5
Total assets	**342.9**
Liabilities	
Trade and other payables	72.2
Borrowings	-
Lease liabilities	197.7
Provisions	7.3
Income tax payable	8.1
Employee benefits	14.5
Total liabilities	**299.8**
Net assets	**43.1**
Net cash/(debt)	**35.7**

Highlights[1]

- Improved working capital position and inventory turns consistent with strategy and prospectus
- Inventory balance down 27% on FY19 (pre-COVID-19), in line with Prospectus forecast
- Stock turnover improved by 1x on pcp to 4.1x
- Aged inventory only 1.6% of total inventory at end FY21 (FY20: 7.4%)
- Robust net cash position of $35.7m at end FY21
- Undrawn working capital facilities with CBA ($50m) and BNZ ($NZ5.5m), provides flexibility and headroom to fund growth strategy
- Dividend policy: 60-80% of Statutory NPAT

[1] All comparisons FY21 vs. FY20 unless otherwise stated

GROWTH STRATEGY

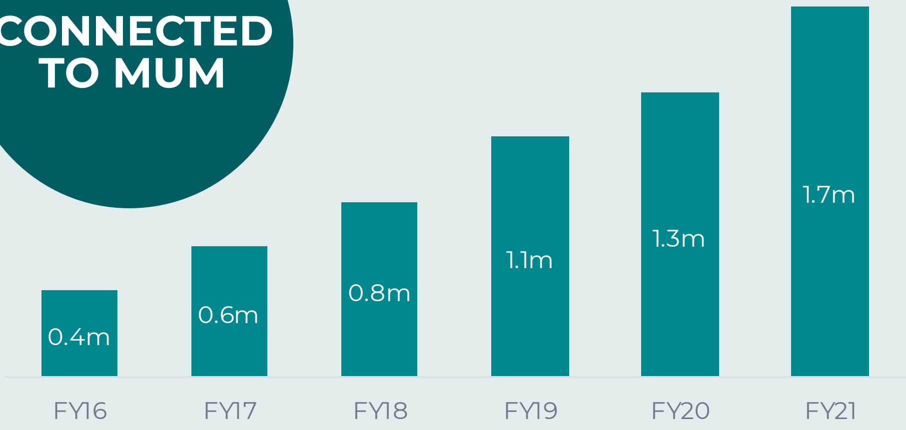
Rodney Orrock
Chief Executive Officer

DELIVERY AGAINST OUR GROWTH STRATEGY

Increase share in baby	• Introduced online Baby Land hub for improved customer engagement • Introduced silicone feeding lines to extend category presence • Increased size range in reaction to customer research of core volume lines
Increase share in kids	• Introduced new sizes for girls and boys based on customer research • Increased availability of volume lines to lift service proposition • Conducted market research on wardrobe composition
Increase share in womenswear	• Increased sales due to improved denim offer • Increased size availability in underwear categories • Increased ASP through improved mix
Above market online sales growth	• Continued improvement to Click & Collect and store fulfilment • Improved conversion and transaction volumes • Delivered mobile platform
Increasing gross margin % to sales	• Implementing Product Lifecycle Management (PLM) system • Continued enhancement of mix and ASP growth • Ongoing management of current inventory ageing profile
Targeted store network expansion	• Optimisation of store network largely complete • 4 net new stores committed for FY22 to date • Continued focus on expansion in under serviced catchments
CODB cost reduction initiatives	• Implemented Tanda workforce management system • 60 lease renewals to be negotiated in FY22 • Everyday Low Cost ("EDLC") culture

ONLINE INVESTMENT DELIVERS RESULTS

CONNECTED TO MUM



BLG loyalty members[1]

- Online sales up 33.5% on FY20 and 109.2% on FY19 (pre-COVID)
- Customer conversion now 3.26% (FY20: 2.33%) due to improved customer experience and fulfilment capability
- ‘Click and collect’ and ‘ship from store’ driving increased transaction volume
- Introduction of 'Baby Land' online hub has increased session duration by 162% and conversion by 80%
- Best & Less mobile app launched in July – increased session duration by over 20% and mobile conversion by 17%
- 'Click and collect' being trialed in NZ after successful Australian rollout

[1]Active contactable members who have opted-in to receive regular Best & Less email offers. Historical active customer data assumes the current total member to active member ratio between Best and Less and Postie businesses is similar, given Postie active member data is not available.

TRADING UPDATE & OUTLOOK

Rodney Orrock
Chief Executive Officer

FY22 TRADING UPDATE

- Health and safety of our team and customers remains paramount
- 19.9% store trading days lost due to government mandated closures
- Foot traffic adversely impacted in other areas
- BLG continues to operate online stores and 'click and collect' in some stores
- From 25 August, 44 NSW stores re-opened to provide essential products
- Through 8 weeks of trading in FY22:
    - Total sales down 25.7% on FY21
    - LFL sales down 11.7% on FY21 and flat on FY20
    - Gross margin percentage ahead of expectations
    - Closely managing inventory, costs and cash flow
- Resilience of core non-discretionary categories reinforces defensive qualities of BLG offer

OUTLOOK

- Controlling the things we can control
- Expect bounce back once lockdowns are lifted
- CY21 Prospectus forecasts for EBITDA and NPAT confirmed; H1 FY22 forecasts dependent on intensity and duration of lockdown and the strength of consumer demand once restrictions ease
- BLG remains well positioned to capture long-term opportunity in specialty value apparel market
- Core non-discretionary categories to remain a key growth driver
- Will provide further update on trading at AGM on 23 November

Q&A

APPENDIX

PERFORMANCE AGAINST PROSPECTUS FORECASTS

	FY21	FY20	Var	FY21F	Var
Operating metrics					
Number of open stores at period end	245	250	-5.0	245	Nil
Revenue growth (%)	6.1%	2.7%	+3.4%	5.2%	+0.9%
LFL revenue growth (%)	10.8%	4.8%	+6.0%	8.9%	+1.9%
Online revenue growth (%)	33.5%	56.8%	-23.3%	40.9%	-7.4%
Online revenue % of total sales	9.2%	7.3%	+190bps	9.8%	-60bps
Average revenue per store ($000)	2,704	2,427	+11.4%	2,650	+2.0%
ATV ($)	29.0	26.0	+$3.0	29.4	-$0.4
Product volumes (m)	90.2	93.3	-3.1	89.6	+0.6
Financial metrics					
Gross profit margin	48.9%	44.6%	+430 bps	47.7%	+120bps
Occupancy cost % of revenue	12.4%	13.2%	-80 bps	12.3%	+10bps
CODB % of revenue	38.1%	40.3%	-220 bps	38.5%	-40bps
EBITDA margin (%)	10.8%	4.3%	+650 bps	9.2%	+160bps
Operating cash flow conversion (%)	83.5%	318.0%	-2,345 bps	86.3%	-280bps
Free cash flow conversion (%)	77.8%	303.5%	-2,257bps	79.7%	-190bps
Net capital expenditure % of revenue	0.6%	0.6%	Nil	0.6%	Nil

Notes

- Revenue growth +6.1% pcp and +0.9% on FY21F
- LFL revenue growth 10.8% pcp
- Online revenue growth +33.5% pcp, now representing 9.2% sales
- Online revenue growth from FY19 (Pre COVID-19) to FY21 was +109.2%
- Average revenue per store +11.4% pcp
- Gross profit margin of 48.9% +430bps pcp and +120 bps on FY21F
- CODB well controlled:
  - Occupancy cost 12.4% of sales –80bps pcp
  - CODB represents 38.1% of sales -220 bps pcp
- EBITDA margin 10.8%
- Strong cash conversion

[1] FY21F as per Prospectus dated 25 June 2021

PRO FORMA EBITDA RECONCILIATION

$ million	Note	
Statutory Profit after income tax expense		81.2
Net finance costs		15.8
Depreciation, amortisation and impairment		46.4
Income tax expense		13.0
Statutory EBITDA		156.4
Pro forma adjustments		
Pre-acquisition trading results	1	22.3
Acquisition accounting	2	(43.6)
Disposal of head office	3	(15.4)
Legacy MEP costs	4	2.2
JobKeeper	5	(14.1)
Reversal of AASB 16	6	(45.1)
IPO costs	7	8.2
Incremental public company costs	8	(1.6)
Pro-forma results for other BLGH entities	9	1.5
Other non-recurring items	10	0.8
Pro forma EBITDA for the period 29 June 2020 to 27 June 2021		71.6

Notes

1. The statutory results comprise the Company and its subsidiaries from the date of acquisition being 20 August 2020. The pro forma adjustment recognises the pre-acquisition results of its subsidiaries (excluding the impact of AASB 16) for the period 29 June 2020 to 20 August 2020.
2. Relates to the reversal of certain acquisition accounting entries that arose when the Company acquired Best & Less Group Pty Ltd ('BLGPL') in August 2020. At the time of the acquisition, BLGPL's fair value of net identifiable assets was $64.8 million. The acquisition accounting entries included an uplift in the value of inventory (based on an external valuation) of $9.6 million and discount on acquisition of $53.2 million. These amounts have been removed as they do not relate to the trading of the business.
3. The head office in Leichhardt was sold in July 2020 resulting in a $15.5 million non-recurring gain which has been reversed, net of a $0.1m pro forma rental adjustment.
4. Reflects the historic accounting expense in relation to the legacy BLGPL Management Equity Plan ('MEP').
5. The JobKeeper adjustment reflects the removal of the non-recurring benefit to earnings of the JobKeeper payment received from the Australian Government. The adjustment reflects the amount of subsidy received by Best & Less Pty Ltd that was paid to eligible employees as subsidised amounts earned and payable to these eligible employees in relation to hours worked in the period. This amount therefore reduced the cost of doing business that would otherwise have been incurred by the Group.
6. This adjustment reflects the reversal of the impact of AASB 16 in order to present the pro forma financial Information in accordance with AASB 117. AASB 16 'Leases' requires most operating leases to be recognised on balance sheet. Previously under AASB 117, operating lease expenses were recognised through profit and loss.
7. IPO costs reflect costs in relation to the IPO, including legal and accounting due diligence fees, tax and structuring advice, associated consultancy and advisory services relating to the IPO.
8. Public company costs reflect the Company's estimate of the additional annual costs associated with being a publicly listed entity. These costs include incremental Directors' fees, listing fees, share registry costs, Directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual reports costs, long term incentive plan costs and other public company costs.
9. This is a pro forma adjustment to align the historic BLGPL cost base to reflect the Group's post acquisition cost structure.
10. The adjustment relates to non-recurring professional fees.

PRO FORMA NPAT RECONCILIATION

$ million	Note	
Statutory NPAT		**81.2**
EBITDA pro forma adjustments per previous slide		(84.8)
Pre-acquisition trading results	1	(2.7)
Reversal of AASB 16	2	51.9
Impact of new working capital facilities	3	7.9
Acquisition accounting	4	0.4
Net tax adjustment	5	(6.9)
Pro forma NPAT		**47.0**

Notes

1. The statutory results comprise the Company and its subsidiaries from the date of acquisition being 20 August 2020. The pro forma adjustment recognises the pre-acquisition results of its subsidiaries (excluding the impact of AASB 16) for the period 29 June 2020 to 20 August 2020. The NPAT pro forma adjustment includes the results below EBITDA for the same period.
2. Relates to the reversal of certain acquisition accounting entries that arose when the Company acquired Best & Less Group Pty Ltd ('BLGPL') in August 2020. At the time of the acquisition, BLGPL's fair value of net identifiable assets was $64.8 million. The acquisition accounting entries included an uplift in the value of inventory (based on an external valuation) of $9.6 million and discount on acquisition of $53.2 million. These amounts have been removed as they do not relate to the trading of the business. The adjustment at the NPAT level relates to the lower depreciation charge emerging from the fair value exercise undertaken in relation to fixed assets at the time of acquisition. This adjustment aligns the historic depreciation charge to the current basis statutory depreciation.
3. This adjustment reflects the reversal of the impact of AASB 16 in order to present the pro forma financial Information in accordance with AASB 117. The pro forma adjustment at the NPAT level reflects the reversal of the AASB 16 impacts for depreciation and interest.
4. Reflects the removal of interest expense in relation to superseded bank debt facilities. A pro forma interest charge relating to the new bank debt facilities arranged in Australia and New Zealand has been applied.
5. Net tax adjustment reflects the cumulative income tax effect of the pro forma adjustments. The pro forma income tax expense reflects the application of a 30% Australian corporate tax rate on Australian taxable profits and a 28% New Zealand corporate tax rate on New Zealand taxable profits.

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