H1 FY23 RESULTS PRESENTATION

21 FEBRUARY 2023

Best&Less Group

AGENDA

1. H1 FY23 results overview
2. H1 FY23 financial summary
3. Strategy update
4. Outlook
5. Appendix

H1 FY23 RESULTS OVERVIEW

JASON MURRAY, EXECUTIVE CHAIR

H1 FY23 OVERVIEW

MOMENTUM ARRIVING LATE WAS INSUFFICIENT TO OFFSET DELAYED START TO SUMMER WEATHER AND SUPPLY CHAIN DELAYS

Revenue
$324.8m
(H1 FY22: $287.5m)
Sales growth: +13.0%

LFL revenue growth
-4.9%
December: +5.0%

Gross margin
47.1%
(H1 FY22: 50.8%)
Gross profit: $153.0m

Inventory on hand
$104.4m
(H1 FY22: $95.9m)
Net cash: $14.7m

EBITDA[1]
$22.1m
(H1 FY22: $30.8m)

EBITDA margin[1]
6.8%
(H1 FY22: 10.7%)

NPAT[1]
$13.7m
(H1 FY22: $20.1m)
EPS: 9.0¢[3]

Interim dividend
8.0¢ per share
9.6% dividend yield[4]

1. Pro forma financials for the 26 weeks ended 1 January 2023 (H1 FY22: 26 weeks). Pro forma financials exclude the impact of AASB 16 and share based payments. See page 20 for Statutory to pro forma reconciliation.
2. All comparisons relate to the prior corresponding period (pcp) unless otherwise stated.
3. Statutory earnings per share.
4. Based on the 20 February 2023 closing share price of $1.675.

H1 FY23 FINANCIAL SUMMARY

ANDREW MOORE, CHIEF FINANCIAL OFFICER

FINANCIAL SUMMARY

FINANCIAL PERFORMANCE	H1 FY23	H1 FY22	Var (%)
Pro forma financial summary			
Revenue ($m)	**324.8**	287.5	+13.0%
Gross profit ($m)	**153.0**	146.0	+4.8%
Gross margin (%)	**47.1%**	50.8%	-370 bps
Total CODB ($m)	**130.9**	115.2	+13.6%
EBITDA ($m)	**22.1**	30.8	-28.2%
EBITDA margin (%)	**6.8%**	10.7%	-390 bps
NPAT ($m)	**13.7**	20.1	-31.8%
Key financial metrics			
Number of stores	**245**	245	-
Online sales growth (%)	**-29.8%**	+24.0%	
LFL revenue growth (%)	**-4.9%**	+0.1%	

Highlights[1]

- Total revenue +13%, with core non-discretionary baby category performing particularly well
- LFL sales -4.9%
  - LFL store sales -0.9%
  - Online sales -29.8%
  - December LFL sales +5%
- Gross margin % impacted by:
  - Promotional activity to reduce inventory risk
  - Targeted price reductions in key volume lines
  - ASP +9.5% vs. PCP, reflecting 'good, better, best' pricing hierarchy
- CODB +13.6%
  - Lower cost base in PCP due to store closures
  - Invested in growth in Q1 FY23, cost base adjusted in Q2 following lower-than-expected sales
- Four stores opened in H1 with one closure (242 stores at end June 2022)

[1] All comparisons H1 FY23 vs. H1 FY22 unless otherwise stated.

[2] Average selling price.

BALANCE SHEET

$m	1 January 2023	3 July 2022
Assets		
Cash and cash equivalents	18.7	36.7
Inventories	108.8	95.0
Property, plant and equipment	20.6	15.2
Right-of-use assets	189.4	198.0
Intangibles	11.3	11.3
Other assets	18.7	20.5
Total assets	**367.5**	**376.7**
Liabilities		
Trade and other payables	63.0	62.0
Borrowings	4.0	-
Lease liabilities	207.1	213.2
Provisions	6.8	7.3
Income tax payable	5.5	6.6
Employee benefits	14.8	14.9
Total liabilities	**301.2**	**304.0**
Net assets	**66.3**	**72.7**
Net cash/(debt)	**14.7**	**36.7**

Highlights[1]

- $14.7m net cash
- Inventory on hand of $104.4m, +8.9% but -5% in units due to:
  - Changing inventory mix
  - Cost price increases
  - Investment in non-apparel lines
- Aged inventory remains low at 2.2%
- Property, plant and equipment increased by $5.4m following investment in new and refurbished stores and POS system

1. All comparisons 1 January 2023 vs. 3 July 2022 unless otherwise stated.

INVENTORY WELL POSITIONED

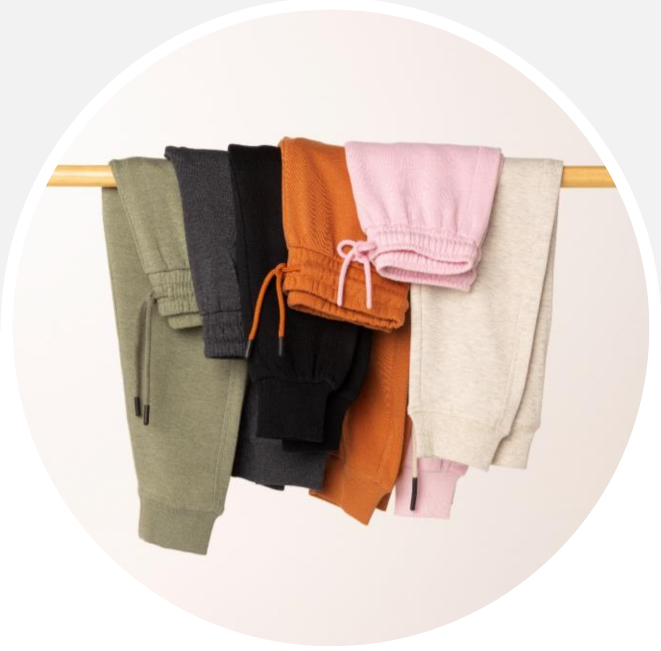
HIGH QUALITY INVENTORY EXPECTED TO SELL THROUGH WITH TARGETED SUMMER INVENTORY PROMOTIONAL ACTIVITY

Summer

- Carried over ~$6m of late arriving inventory to H2, which is selling as expected
- Nearly all inventory is current season

Winter

- Successful clearance in H1 led to very low level of winter inventory at end of half
- Early Chinese New Year managed well, with strong inflow of new season winter inventory



Year-round

- ~50% of total inventory
- Low risk non-discretionary products
- High in-stock position a key driver of repeat purchase

CASH FLOW

$m	H1 FY23	H1 FY22
EBITDA	22.1	30.8
Non-cash items	-	0.1
Changes in working capital		
Inventory	(13.8)	(15.1)
Receivables and prepayments	(2.3)	(1.2)
Trade and other payables	0.3	1.8
Operating cash flow	**6.3**	**16.4**
Capital expenditure (net of landlord contributions)	(5.4)	(1.3)
Free cash flow	**0.9**	**15.1**

Highlights

- H1 cash flow impacted by lower EBITDA and higher inventory
  - EBITDA -$8.5m vs. PCP
  - Inventory +$13.8m, with H2 trading and purchase plans adjusted accordingly
- Operating cash flow of $6.3m was -$10.1m lower than PCP, reflecting lower EBITDA and higher inventory
- Capital expenditure of $5.4m (net of landlord contributions)
  - New stores and refurbishments $3.9m
  - New Point of Sale (POS) system $0.5m
- Free cash flow $0.9m
- Interim dividend of 8.0¢ per share fully franked

[1] All comparisons H1 FY23 vs. H1 FY22 unless otherwise stated.

KEY PERFORMANCE DRIVERS

SECOND HALF WELL POSITIONED FOR IMPROVED PERFORMANCE OVER FIRST HALF

	H1 FY23	H2 FY23
Revenue	↑ Lockdown-affected stores open in H1 ↓ Normalisation of online sales ↓ Late start to summer ↓ Supply chain disruption	↓ Economic headwinds ↓ Online sales below PCP ↑ Return of supply chain stability ↑ Six new store openings ↑ Migration to value
Gross margin %	↓ Promotional activity to reduce inventory ↓ Targeted price reductions in volume lines ↓ High inbound freight costs ↓ Lower AUD:USD	↓ Continued targeted price reductions in volume lines and promotional activity to reduce summer inventory ↑ Lower inbound freight costs ↑ Favourable FX hedge book through September 2023
CODB	↓ Lockdown-affected stores incurred less costs while closed in PCP ↓ Inflation – cost and wage increases ↓ High marketing spend relative to demand	↓ Absence of rental abatements ↓ Inflation remains high ↑ Cost base adjusted for full half ↑ Marketing investment better aligned to consumer demand

STRATEGY UPDATE

JASON MURRAY, EXECUTIVE CHAIR

STRATEGIC PHASES

LAYING THE FOUNDATIONS FOR LONG-TERM GROWTH

TRANSFORM
Pre IPO – FY21

- Leveraged the vertical model to deliver speciality value proposition
- Emphasised baby & kids and the halo effect
- Invested in online and loyalty
- Increased gross profit margin
- Separated from Greenlit Brands

BUILD
FY21 – FY23

- Manage external shocks
- Embed the strategy and new ways of working
- Set up for the next era of growth

GROW
FY24 – FY26

- Deliver organic sales and profit growth
- Develop new growth opportunities

BUILD PHASE HIGHLIGHTS

1 Move to 'One company, two brands' structure

- All functions now integrated into group structure
- Merchandising restructure already underway

2 Initiate multi-year store opening programme

- Four new stores opened in H1 (one closed)
- Six stores to open in H2
- Two sites already secured for FY24

3 Accelerate investment in online and transition to omnichannel

- New mobile app and website design on track for FY23 deployment
- Enhanced e-fulfillment trials successful and being rolled out

4 Navigate ongoing supply chain disruptions

- Chinese New Year stock arrived on time
- Stock flowing smoothly through Sydney port and to WA
- Inbound freight rates have fallen dramatically

5 Refresh and develop the talent pool

- New Chief Digital and Marketing Officer and Group Head of Strategy and Insights, reporting to CEO
- External search for new CEO progressing well

6 Roll out key systems to underpin sourcing

- Product Lifecycle Management (PLM) system integration continues
- New customer data platform being implemented
- POS rollout to be completed in CY23

7 Progress our ESG commitments

- Executive responsible for ESG appointed
- FY26 sustainability roadmap in development

8 Maintain gross margin in higher inflation, lower dollar environment

- Q3 ASP 10.2% above PCP after targeted investment to reduce inventory risk and strengthen price perception
- Merchandising strategy reset

GROW PHASE (FY24–FY26)

INCREASE SHARE IN BABY

Acquire and extend

- Expose the offer to more families
- Increase non-apparel opportunities
- Partner for growth

INCREASE SHARE IN KIDS

Invest and personalise

- Enhance the offer
- Allocate more space
- Expand collaborations
- Leverage CRM and grow customer lifetime value

INCREASE SHARE IN WOMENSWEAR

Simplify and optimise

- Streamline options
- Expand good, better, best
- Collaborate across brands

DELIVER ABOVE MARKET ONLINE SALES GROWTH

Improve and integrate

- Upgrade the customer experience
- Improve fulfillment processes and cost
- Integrate with new data capability

ENHANCE THE STORE NETWORK

Expand and enhance

- Open approx. 10 stores per year
- Improve and personalise the in-store experience
- Increase store segmentation

Transform the supply chain to diversify sourcing, reduce landed cost, reduce logistics costs, reduce inventory holding and improve allocations by store

RECENT GROW PHASE HIGHLIGHTS

INCREASE SHARE IN BABY

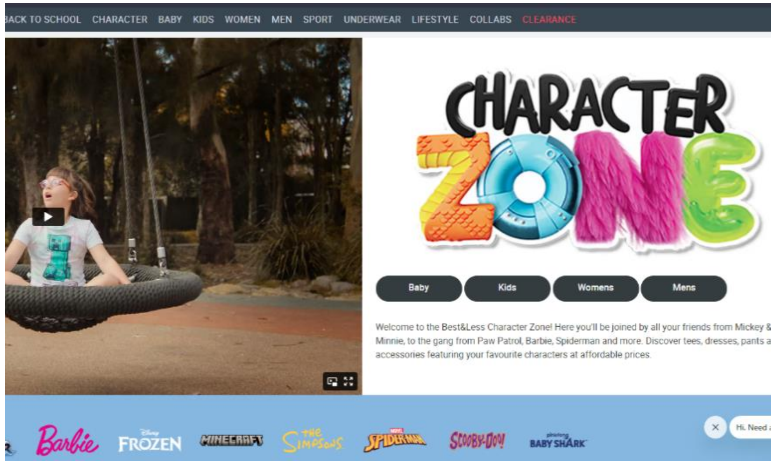
- Extensive range of non-apparel lines launched
- ‘Baby by Erin’ collaboration with Erin Molan
- Increased exposure to underserved customer segments

INCREASE SHARE IN KIDS

- Introduction of kids character zone
- Collaboration with Australian designer Ellie Whittaker
- Dress up capsule collection launched

ENHANCE THE STORE NETWORK

- Four new stores in H1 (one closure), six in H2 and two already secured for FY24
- Continued investment in upgrading existing store fleet
- Refreshed store format trial continues



OUTLOOK

JASON MURRAY, EXECUTIVE CHAIR

OUTLOOK

POSITIVE LFL SALES TO DATE IN H2, NO CHANGE TO FY23 GUIDANCE

- Through seven weeks of trading in H2 and noting the recent impact of extreme weather in NZ and Omicron outbreak in the PCP
  - Total sales +3.8%
  - LFL sales +3.9% (LFL store sales +7.0%, online sales -23.3%)
- Consumer shopping behaviour continues to normalise towards pre-COVID levels, with in-store traffic increasing while conversion and units per transaction continue to moderate in line with historical norms
- ASP growth trending in line with H1
- With the benefit of returning supply chain stability, inventory is well positioned and BLG is optimistic about the upcoming key Easter and Mother's Day periods
- No change to guidance provided on 25 January 2023 – Assuming no material deterioration in economic conditions, BLG expects to deliver a pro forma NPAT of $18-20m in H2 (PCP: $21.4m incl. $1.6m from 27th trading week)

Q&A

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APPENDIX

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STATUTORY TO PRO FORMA RECONCILIATION

$m	H1 FY23 Statutory	Reallocate depreciation expense [1]	H1 FY23 Statutory after reallocation of depreciation expense	Impact of application of AASB 16 [2]	H1 FY23 (pre AASB 16)	Other pro-forma adjustments [3]	H1 FY23 Pro forma P&L
Revenue							
Sales revenue	324.8		324.8		324.8		324.8
Cost of goods sold	(173.8)	2.0	(171.8)	0.0	(171.8)	0.0	(171.8)
Gross profit	151.0	2.0	153.0	0.0	153.0	0.0	153.0
Other income	0.1		0.1		0.1		0.1
Expenses							
Selling expenses	(104.1)	23.6	(80.5)	(27.1)	(107.6)	0.0	(107.6)
Administration expenses	(24.7)	1.2	(23.5)	(0.6)	(24.1)	0.7	(23.4)
Other operating expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	22.3	26.8	49.1	(27.7)	21.4	0.7	22.1
Depreciation expense	0.0	(26.8)	(26.8)	25.0	(1.8)	0.0	(1.8)
Net finance costs	(5.9)	0.0	(5.9)	5.1	(0.8)	0.0	(0.8)
Profit before tax	16.4	0.0	16.4	2.4	18.8	0.7	19.5
Income tax expense	(5.1)	0.0	(5.1)	(0.7)	(5.8)	0.0	(5.8)
NPAT	11.3	0.0	11.3	1.7	13.0	0.7	13.7

Notes

1. Total depreciation and amortisation expense of $26.8m is classified by function on the face of the BLG income statement. We have reallocated depreciation and amortisation expense to its own line to derive the 'Statutory EBITDA' of $49.1m (as per Note 3 of the H1 FY23 BLG consolidated financial statements).
2. This adjustment reflects the reversal of the impact of AASB 16 and its related impact on income tax expense in order to present the pro forma financial information in accordance with AASB 117.
3. This adjustment reflects the reversal of the share-based payments expense relating to performance rights on issue. The 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

TWO ICONIC BRANDS, ONE DIFFERENTIATED VALUE PROPOSITION

1 "Twice the quality at half the price"

100

day quality guarantee

2 First choice for baby value apparel

~50%

of group sales from baby and kids' categories

3 Extensive and easy to shop format

245

stores across Australia and New Zealand[1]

4 Omnichannel convenience

8.2%

of sales online

5 Connected to mum

~2.0m

loyalty club members

6 Vertical retail model

~85%

sales from own labels

7 Trusted brands

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. As at 1 January 2023.

COMMITTED TO SUSTAINABILITY

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

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

COMMUNITY
- Supported Australian charities through Good360
- Supported Givit Flood Appeal
- Supported Next Steps

ANIMAL WELFARE
- No fur or leather used in our garments

ETHICAL SOURCING
- Modern Slavery Statement
- 141 audits[1] of active factories
- Workers Grievance Hotline
- PLM integration
- Sedex membership

SUSTAINABILITY
- Executive responsible for ESG appointed
- Materiality assessment for ESG framework
- All packaging re-usable, recyclable or compostable by 2025
- Integrating UN SDGs[2]
- GOTS[3] certified organic cotton range
- Carbon audit complete
- Silver membership of NSW Sustainability Advantage program
- Australian Cotton sourcing and volume commitment for FY23

1. Two-year rolling period.
2. United Nations Sustainable Development Goals.
3. Global Organic Textile Standard.

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