

ASX Announcement

26 July 2021

BEST & LESS GROUP COMPLETES SUCCESSFUL IPO, EXCEEDS FY21 PROSPECTUS FORECASTS

Highlights:

- **Best & Less Group lists on the ASX today under the ASX code 'BST' following a \$60 million IPO that experienced significant excess demand**
- **Disciplined execution of Best & Less Group's growth strategy delivered a strong FY21 trading performance, exceeding FY21 Prospectus forecasts on all key metrics¹ including revenue, gross profit, EBITDA² and NPAT**
- **Despite on-going disruption from COVID-19, Best & Less Group recorded strong like-for-like sales growth in FY21 and expects to achieve its CY21 and H1 FY22 Prospectus pro forma EBITDA and NPAT forecasts³**

Leading value apparel specialty retailer Best & Less Group Holdings Limited (BLG or the Company) lists on the ASX today, following a successful initial public offering (IPO) of its shares which raised \$60 million at \$2.16 per share.

BLG's market capitalisation at the offer price is \$271 million and shares will be quoted under the ASX code 'BST'. The IPO had significant excess demand and was well supported by institutional and retail investors. The IPO follows a strategic \$40 million equity investment from BB Retail Capital (BBRC), a private investment firm founded and chaired by experienced retail entrepreneur Brett Blundy. Mr Blundy will shortly join the BLG board as BBRC's nominee.

BLG, which comprises much-loved retail brands Best & Less in Australia and Postie in New Zealand, is a leading value speciality retailer with a focus on baby and kids' apparel. The Company operates an omnichannel sales network and a vertical retail model, with 86% of sales generated from BLG's proprietary brands which are designed in-house, sourced directly from manufacturers, distributed via its supply chain, and sold exclusively across its network of 246 physical stores and its fast-growing online channel.

BLG delivered a strong trading performance in FY21, driven by disciplined execution of its growth strategy which includes continued growth in the babywear, kidswear and womenswear categories, increased average basket size, customer conversion rates and online penetration, and continued focus on cost control. This was

¹ Based on unaudited management accounts

² Pro forma EBITDA on a pre-AASB 16 basis

³ Please refer to the Prospectus for full details of the forecast including relevant assumptions

achieved despite on-going COVID-19 related shutdowns impacting parts of the Australian and New Zealand store network.

For the 52 weeks to 27 June 2021, BLG delivered total unaudited revenue of \$663.2 million, exceeding the Prospectus forecast for the period of \$657.7 million by \$5.5 million (+0.8%). Total revenue growth versus the prior corresponding period (pcp) was +6.1%, with like-for-like (LFL) revenue growth⁴ for FY21 of +10.8%, exceeding the Prospectus forecast of +8.9%.

Based on provisional management accounts and subject to finalisation of year-end adjustments and external audit review, the board of BLG expects FY21 pro forma EBITDA⁵ to exceed the pcp by over 100% and to outperform the Prospectus forecast of \$60.7 million by approximately 15%.

Supported by the strong trading result, BLG finished FY21 with a robust pro forma net cash position of approximately \$26.7 million, ahead of the Prospectus pro forma forecast of \$22.7 million.

Since the end of FY21, nearly every region of Australia has been affected by COVID-19 related disruptions, with lockdowns and government-mandated retail closures being enforced in most Australian states. Consequently, traffic to BLG's physical stores has been significantly impacted and approximately 10% of BLG's potential store trading days have been lost to date due to government mandated store closures. BLG continues to operate its online store for Best & Less and click and collect sales at selected stores in affected areas, while all Postie stores in New Zealand have continued trading. Throughout this period, BLG remains well connected to its ~1.5 million active loyalty program members across Australia and New Zealand.

Despite this challenging start to H1 FY22, BLG expects to achieve its Prospectus pro forma EBITDA and NPAT forecasts⁶ for CY21 of \$62.4 million and \$41.3 million respectively, and H1 FY22 of \$40.2 million and \$26.9 million respectively.

This expectation is underpinned by a number of factors⁷:

- The strong trading and profit performance already delivered in H1 CY21;
- A better-than-expected start to H1 FY22 for Postie;

⁴ Like-for-like (LFL) revenue growth is calculated as a percentage change between the total aggregated revenue generated from stores (including online) in a relevant period, compared to the total aggregated revenue from the same set of stores in the relevant previous corresponding period. A store is included in BLG's LFL revenue growth calculation after it has been trading for a minimum period of 12 months. Each period in which stores were temporarily closed due to COVID-19 for a period in excess of three days has been excluded from the LFL calculation. The periods in which stores were closed for a prolonged period due to refurbishments are also excluded from the LFL calculations.

⁵ Pro forma EBITDA on a pre-AASB 16 basis

⁶ Pro forma EBITDA and NPAT on a pre-AASB 16 basis

⁷ Please refer to the Prospectus for full details of the forecast including relevant assumptions

- Support for BLG's gross margin from the Company's AUD:USD currency hedge book;
- Cost saving measures implemented in response to the current COVID-19 situation, and the identification of further cost savings throughout the remainder of H1 FY22; and
- An expectation that the most significant COVID -19 related disruptions will occur during Q1 FY 22 and that consumer demand will rebound once restrictions are lifted, as has happened previously.

BLG Chief Executive Officer, Rodney Orrock, said: "Today marks another milestone in the history of Best & Less Group, which has served generations of families across Australia and New Zealand. By focusing on mum and her family and by continually delivering what we call 'twice the quality at half the price', we have developed a very loyal following. We will maintain our customer-first philosophy as we embark on the next phase of our growth journey as a listed company.

"I would like to thank our existing investors for their continued support and welcome our new shareholders who supported our IPO. Also, a very special thank you to our team members, whose commitment to excellence in serving our customers is critical for us to be able to execute our exciting growth strategy. I was especially proud to see such a large number of our team take up shares in the employee offer to become fellow owners of the business."

Commenting on BLG's FY21 trading performance and CY21 outlook, Mr Orrock said: "Best & Less Group delivered a very strong trading performance in FY21, despite on-going COVID-19 related disruption in Australia and New Zealand. This result is a pleasing validation of our strategy and demonstrates the power of our value proposition, our focus on the baby and kids apparel segments, our broad omnichannel sales network and our integrated vertical retail model."

Macquarie Capital (Australia) Limited and Bell Potter Securities Limited acted as Joint Lead Managers and Joint Underwriters, Ashurst acted as Australian Legal Advisor and PwC as Investigating Accountant and Tax Advisor in relation to the IPO.

BLG will announce its audited full year results for FY21 on Thursday 26 August 2021.

ENDS

This announcement was authorised for release by the Board of Directors of Best & Less Group Holdings Limited.

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About Best & Less Group:

Best & Less Group (BLG) is a leading value apparel specialty retailer with an omnichannel sales network comprising 246 physical stores and a fast-growing online platform. BLG's aim is to be the number one choice for mums and families buying baby and kids' value apparel in Australia and New Zealand through its two trusted brands: Best & Less (in Australia) and Postie (in New Zealand).

For more information, visit BLG's investor website at www.bestandlessgroup.com.au