



## THE NEW ZEALAND MERINO COMPANY LIMITED (NZMC) ANNOUNCES ANNUAL RESULT

YEAR ENDED 30 JUNE 2024

### **Key points**

- EBIT<sup>1</sup> (loss) of (\$2.63) million
- NPAT (loss) of (\$3.29) million
- Positive net operating cashflow of \$5.91m
- Bales sold 115,000, down 7.6%
- No dividend declared for year-ended 30 June 2024

The 2024 financial year presented significant challenges for the NZMC Group. Demand remained flat due to excess wool throughout the supply chain coupled with subdued consumer spend.

Early in the financial year, NZMC set in motion a strategic review of its operations in response to market signals. In launching its EpicFibre strategy, NZMC is firmly focused on building long-term resilience and growth through a return to the company's core purpose – to be the world's premier supplier of wool.

### **Business performance**

The NZMC Group has recorded a net profit after tax (NPAT) result of a \$3.29 million loss, which is within the expectation set in the most recent guidance which anticipated a loss in the range of \$3.2 to \$4.3 million.

Bank interest costs<sup>2</sup> of \$1.68 million have been incurred reflecting higher interest rates and stock being held for longer periods.

The Group's loss before interest and tax was \$2.63 million.

The total volume of wool sold decreased by 9,500 bales or 7.6% compared to last year, with a reduction of 10,700 fine wool bales given reduced global demand and a small increase of 1,200 strong wool bales coming from the further development of existing markets.

Total operating revenue was \$130.5 million, a 24% reduction from last year reflecting the challenging market. Gross profit was \$16.5 million, 18% down on the previous year.

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<sup>1</sup> EBIT is profit before income tax with net finance costs added back

<sup>2</sup> Bank interest costs exclude interest on lease liabilities

Cash from operations improved in the year, with a net cash inflow of \$5.91m (compared to a net cash outflow of \$7.68m in the prior year). The improved operating cash flow allowed the Group to repay some of its trade finance facility, reducing borrowings by \$4.5m in the year.

Year-end equity as a percentage of total assets is up four percentage points to 59%.

### ***Dividend***

In line with the current dividend policy, the Board determined that there will not be a dividend paid this year.

### ***Market outlook***

The impacts of the economic downturn continue to persist, however, there are market segments that are starting to show signs of recovery. NZMC is focused on securing opportunities where they exist and making headway in moving excess fibre through the supply chain.

We are seeing promising growth throughout Asia, with Japan and China as key highlights. The Asian markets contrast with the EU and luxury segments where consumer behaviour and price sensitivity are roadblocks to be overcome before we can expect significant price movement.

Green shoots of demand can be seen in the active outdoor, athleisure and furnishing segments and NZMC is working to increase volumes in these markets with both existing and new customers.

NZMC's EpicFibre strategy launched late in FY24 provides a clear pathway back to profitability and growth, with long-term stability as a priority.