



12 March 2024

### **Half Year Result and Earnings Guidance**

The New Zealand Merino Company Limited (NZMC) advises Earnings before Interest and Tax (EBIT) of \$3.4 million, and a Net Profit After Tax (NPAT) of \$1.8 million for the six months ended 31 December 2023. This is in line with budget expectations.

Trading conditions have however deteriorated further in recent months with the global slowdown in consumer demand meaning retailers are holding high inventories of finished products. This, together with aggressive brand partner growth targets that are not now coming to life due to the macroeconomic environment, is directly impacting brand partner demand for wool resulting in lower bale volumes and deferrals on deliveries planned for the second half of the financial year and on into the 2025 financial year. NZMC is working with these brands on a number of solutions including pushing out deliveries into future years, selling off excess volumes and adjusting future contract volumes.

Key brands are however reporting reasonable sell-through of product in-line with pre-Covid levels which bodes well for when the current over-supply of inventory in the supply chain is worked through.

This will have a significant negative impact on earnings this financial year, with this exacerbated by the fact that due to the seasonality of the NZMC business the majority of earnings are generated in the first six months of the financial year.

Our expectation now is for full year EBIT to be in the range of \$1.0 to \$1.6 million. Previous expectations were for EBIT to be in the range of \$4.5 to \$5.1 million.

At a NPAT level we now expect to record a loss in the range of \$0.4 to \$0.9 million for the year ending 30 June 2024.

ENDS

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