

ASX Announcement
28 February 2025

Merino & Co. Limited

1H25 Result

Merino & Co. Limited (ASX: MNC) (“Merino & Co” or “the Company” or “the Group”), a vertically integrated omni channel merino products manufacturer & promoter, is pleased to provide this report on activities for the half-year ended 31 December 2024 (1H25).

Highlights

- **Successful IPO and ASX debut in October, raising \$6.35 million to expand production.**
- **New manufacturing, storage and distribution premise secured in Wangara, Western Australia.**
- **Manufacturing capacity tripled, with purchase of new automated Merino wool manufacturing machines**
- **Legacy inventory cleared to align with new market positioning**

Operational review

During the half-year ended 31 December 2024, the Company successfully completed its Initial Public Offering (IPO) on the Australian Securities Exchange (ASX), raising a total of \$6.35 million before costs.

Strategic allocation of IPO proceeds

The capital raised has been strategically deployed to scale up manufacturing capabilities, reinforcing the Company’s commitment to operational excellence and future market expansion.

Notably, more than twenty (20) additional state-of-the-art machines were acquired to enhance production efficiency and output capacity at the Group’s Western Australian manufacturing facility.

Expansion into new, scalable facilities

In November 2024, the Group secured a long-term lease agreement for a new manufacturing, storage and distribution facility in Wangara, Western Australia.

This facility is nearly twice the size of the Group’s previous location, significantly expanding its capacity to support increased production and streamlined logistics.

Importantly the location is strategically positioned near some of Perth's key infrastructure hubs, offering direct access to Perth's largest port, enhancing importing efficiency for raw materials and exporting capabilities for wool products.

Brand transformation and inventory realignment

As part of our transition to a listed entity, the Company has initiated a new brand transformation strategy. To ensure complete alignment with our new market positioning, the Company made the strategic decision to clear legacy inventory at heavily discounted prices.

To support upcoming marketing campaigns and distribution expansion, the Company has placed substantial raw material and inventory orders in preparation for the northern hemisphere winter season, targeting the American, Europe, Japan and Chinese markets. These orders, scheduled to arrive in Q4 FY2025, will ensure the business is well-positioned to capitalize on growing demand, broaden market reach, and enhance consumer engagement in the coming financial periods.

Financial performance

The Company reported revenue of \$2.38 million for the half-year, in line with the corresponding period. However, the Chinese market has grown by 33% year-on-year, driven by an expanded distribution network. Recognising the significant potential for high-premium wool products in China, the Company is committed to further investment and market development in this region.

To ensure that the Company is well placed to capitalise on the increased demand, broadened market reach and enhanced consumer engagement in the near future, the Company made the strategic decision to clear legacy inventory at heavily discounted prices and invest heavily in orders of new material to make new inventory.

While this initiative has ultimately contributed to its gross profit margin declining to 5% during the half-year, the Company undertook this deliberate step to strengthen its brand positioning and align its product offerings with premium distribution channels. This investment is expected to enhance long-term profitability and reinforce the Company's presence in key markets.

Operating expenses have increased primarily due to listing-related costs and additional marketing investments to drive brand awareness both locally and internationally. The Company expects fixed overheads to remain stable as production capacity expands, with a strategic focus on brand transformation in the next half-year.

Forward looking statement

The company is set for strong growth following its successful IPO, with strategic investments in manufacturing, brand transformation, and international expansion. The company will triple its production capacity with new automated machinery and relocated to a larger facility in Wangara, WA, enhancing supply chain efficiency.

With a focus on premium distribution channels, the company is targeting high-growth and high-margin markets. Merino & Co. is expanding its distribution in China, Japan, U.S. and EU, supported by substantial inventory preparation for the northern hemisphere winter in the coming quarters. Despite short-term margin impacts, the company remains committed to long-term profitability and shareholder value.

-ENDS-

This announcement was authorised for release by the Board of Merino & Co. Limited.

About Merino & Co.

Merino & Co. is a vertically integrated Company, involving the manufacture, marketing and sale of merino wool products. The Company has over 600 points of sale spanning across Australia, selling wool clothing and accessories from its own showrooms as well as at duty free shops, airports, boutique shops, tourism sites, and generally via wholesalers and agents. The Company has also been exporting and selling direct to international markets, including China, Japan and North America, where high-quality wool products are in higher demand owing to colder climates.

The Company is a strong advocate of the benefits of wool as a natural fibre and is a strong supporter of the proliferation of more sustainable, renewable and biodegradable products made from environmentally friendly and raw natural materials such as wool, alpaca and possum.

For further information, please contact:

Alan Thomas

T. 08 6165 4000

E. alant@armada.com.au