Best&Less Group

ASX Announcement
25 January 2023

Trading update

Leading value apparel specialty retailer Best & Less Group Holdings Limited (**BLG** or the **Company**) (ASX:BST) today provides a trading update for the 26 weeks ended 1 January 2023 (**H1 FY23**) on an unaudited basis.

BLG delivered total revenue of $324.8 million in H1 FY23, +13.0% ahead of the prior corresponding period (PCP). Like-for-like (LFL) sales[1] were down -4.9% on the PCP, with store LFL sales down -0.9% and online sales down -29.8%.

BLG continued to gain positive trading momentum through the Black Friday and Christmas trading period, with December LFL sales up +5.0%, and core non-discretionary product lines across the important baby category performing particularly well. However, this momentum was insufficient to fully offset the impact of the delayed start to summer weather and supply chain delays.

With consumer demand and foot traffic being weaker than anticipated in H1, the Company took action to reduce inventory risk and strengthen price perception, which impacted gross margin percentage. Notwithstanding this, the average sale price (ASP) for the half was up +9.5% higher than the PCP.

As a result, BLG's inventory remains well positioned, having successfully sold through the bulk of winter stock and with summer stock continuing to trade well in Q3. Total stock on hand at the end of the half was +8.9% higher than PCP in dollar terms at $104 million, however with 5% fewer units due to changing product mix and the impact of cost increases. Aged stock remains low at 2.2% of total inventory at the period end.

The combination of a lower gross profit margin percentage and softer than expected sales in the first half resulted in an unaudited preliminary pro forma net profit after tax (NPAT) of $13.7 million (H1 FY22: $20.1 million).

For the first three weeks of January, LFL sales were up +13.7%, with store sales up +18.6% and online sales down -23.1%, noting that trading in the PCP was impacted by the Omicron outbreak.

[1] 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.

In H2, BLG will open six new stores, including one in the Macquarie Centre in Sydney. The Company is also implementing cost management initiatives to realign its expense base for the current trading conditions.

Acknowledging it is early in the second half of FY23 and assuming no material deterioration in economic conditions that impact sales, BLG expects to deliver a second half pro forma NPAT of between $18.0 million and $20.0 million. This compares to H2 FY22 reported pro forma NPAT of $21.4 million, which included a $1.6 million NPAT contribution from the 27th trading week in that half.

BLG Executive Chair, Jason Murray, said: "While we are cautious on the near-term macroeconomic outlook, our vertical model and the deep retail sector experience of our team gives us the ability to respond and adapt rapidly. We will continue to invest in our 'good, better, best' pricing strategy, while focusing on effectively managing all controllables, including inventory and costs. Alongside this, we will continue to invest to deliver our growth strategy, with six new stores scheduled to open in the second half."

The Company has a robust balance sheet and continues to invest in opening new stores, store refurbishments and upgrading its core systems. The Board remains committed to the Company's dividend policy of paying 60-80% of statutory NPAT.

The Company will announce its H1 FY23 results on Tuesday 21 February, with a webcast being held for investors and analysts. Details of the webcast will be announced on the ASX in the coming weeks.

Pro forma preliminary unaudited financial summary

	H1 FY23	H1 FY22	Var
Revenue ($m)	324.8	287.5	+13.0%
Gross profit margin (%)	47.1%	50.8%	-370bps
EBITDA ($m)[2]	22.1	30.8	-28.2%
NPAT ($m)[2]	13.7	20.1	-31.8%

ENDS

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

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[2] Pro forma EBITDA and NPAT is on a pre AASB16 basis and excludes the impact of share-based payments expense for H1 FY23 and H1 FY22.

About Best & Less Group:
Best & Less Group (BLG) is a leading value apparel specialty retailer with an omnichannel sales network comprising 245 physical stores and an 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