HALLENSTEIN GLASSON HOLDINGS LIMITED

GROUP CEO ADDRESS – AGM 2024

Financial Year 2024: A Record Year for the Group

The 2024 Financial Year has been a milestone for the Group, with sales surpassing $435 million for the first time. Our team's relentless efforts have driven significant growth, even in one of the most challenging retail environments in recent history. We are proud to have achieved such a strong performance against these headwinds.

Despite an unfavourable foreign exchange rate, we expanded our gross margin by 210 basis points. This success was made possible through close collaboration with existing suppliers and the introduction of new partners, allowing us to diversify our supplier base and enhance capabilities. Our teams have been laser focused on improving supplier lead times and buying closer to the market, resulting in reduced clearance activity and discounting. Consequently, we have achieved an overall inventory reduction, despite our sales growth. The ongoing challenge remains to balance speed to market with the increasing costs associated with logistics.

Operating costs remain a key focus, particularly given the significant impacts of minimum wage increases, persistent domestic freight pressures, and rising international freight costs due to geopolitical tensions. We continue to invest in labour to support sales growth and strengthen the Group's capabilities, all while maintaining a keen focus on operating leverage.

The first half of the year saw improvement following a challenging first quarter, where consumers faced high interest rates and inflationary pressures. We saw a significant uptick in trade from Black Friday onwards in both Australia and New Zealand as consumers were looking for value, especially in the New Zealand market.

Our second half trade was very pleasing, particularly out of Australia, where Glassons delivered record-breaking sales and underlying profit in the second half. It is a real credit to James and the Glassons Australia team to drive such a result, against the overall trend in the market. This performance was driven by our ability to capitalise on key events, and our agility in responding to consumer fashion trends. It was also encouraging to see positive signals from Hallensteins with our stores located in Queensland.

Glassons continues to solidify its position as a leading women's fashion brand in both Australia and New Zealand, with a strong track record of launching on-trend fashion edits and understanding high-demand product categories. We continue to invest in Brand activations and collaborations to support our growing market position in Australia and expand our store network, with a disciplined focus on stores which enhance our brand position and deliver strong returns for the Group.

Hallensteins has seen exceptional success with its *Leisure Club* range and other casualwear categories, while still catering to its core customer base and essential product lines. Strategic brand partnerships, such as with the New Zealand Warriors, have bolstered brand awareness.

Both brands remain well-positioned to meet customer needs, offering quality clothing at accessible price points. This strategy is particularly valuable in the current economic climate and positions us well to capitalise on any recovery in consumer spending as the outlook improves.

RETAIL

We remain committed to maintaining a fleet of stores that reflect the quality of our brands while delivering compelling customer experiences and retail excellence. In line with this, we continue to invest in new store openings and refurbishments across Australia and New Zealand and refine our store concepts to elevate store experiences.

Over the past financial year, we opened two new Glassons stores in Australia and refurbished three existing locations. In New Zealand, we relocated two Glassons stores and refurbished another, with one new store already completed in the first few months of the new season.

For Hallensteins, we refurbished two stores over the last year. In Australia, we completed one store relocation, while in New Zealand, we achieved both a store relocation and the opening of two new stores within the first few months of the new financial year. This includes the introduction of an exciting new store concept, which has been very well received by our customers and charts the course for future stores.

Retail Stores remain the most important representation of our Brands, and we are continuously refining our store concepts to stay aligned with the latest retail and design trends, ensuring our stores remain innovative and inviting for our customers.

DIGITAL

Digital sales have remained strong, accounting for 18.2% of total Group sales, while also growing in total dollar terms. As consumer expectations for superior online experiences continue to rise, our investment in digital platforms remains essential.

The Glassons app has now surpassed 1.9 million downloads, with new functionalities regularly introduced to enhance user experience. These updates make it easier for customers to seamlessly switch between online and in-store purchases, strengthening our omnichannel approach.

For Hallensteins, a strong focus on customer engagement has significantly boosted their social media following in both New Zealand and Australia. Combined with continued investment in their website, this has led to increased online sales, particularly in the Australian market.

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We have strengthened our digital teams with a mixture of external and internal talent, enabling a step-change in our digital offering. I am excited with their progress to date and the opportunities which lie ahead.

New investment has been made in AI to improve our operational capability and responsiveness and is progressively being introduced throughout the Group. We are also well into our program of utilising the latest RFID technology to improve our inventory management and further support our unified commerce strategy for the Group, as we look to further enhance our customer interactions and offer a seamless experience between our physical and digital offerings. This is a differentiating factor to global online players.

SUSTAINABILITY

With brands that have thrived for over 100 years, our commitment to sustainability is not just a goal but a core principle. It forms the foundation of building a long-term, sustainable business that creates value for both shareholders and other stakeholders alike. We have strengthened our targets for an ethical and transparent supply chain, and recently have published our targets around Scope 1 and 2 carbon emissions, as part of our legislated climate related disclosures.

We continue to work closely with our suppliers to enhance standards and quality while increasing visibility and auditing efforts deeper into the supply chain, with a particular focus on Tier 2 suppliers. These two priorities are closely interconnected and mutually beneficial. We have updated our targets to maintain 100% audit coverage for Tier 1 suppliers and increasing transparency and audits of our Tier 2 suppliers.

The materials we source and the ways we manufacture them are also at the core of our sustainability strategy. As part of our journey toward a circular product cycle and minimal waste, it was important to align our product with internationally recognised certifications of our commitment, therefore we have introduced clear targets for 50% of certified sustainable materials by 2027.

Sustainability is a long and enduring commitment, where significant challenges remain to be resolved. We will continue to update you on our progress with transparency and integrity. For more detailed information, our latest sustainability report and climate disclosures can be found on our corporate website.

OUTLOOK

Looking ahead, we anticipate that the retail sector will continue to face challenges, driven by restrictive interest rates and geopolitical tensions, which are expected to add pressure on freight and supply chains.

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Despite these obstacles, we have had a positive start to the financial year and are well positioned to adapt to market conditions. For the first 18 weeks of the 2025 financial year Group turnover is up +10.1%, although cycling a weaker FY 2024 comparison. This trading period includes the recent Black Friday promotional event. Encouragingly, despite a broader market trend of deeper and more prolonged discounting compared to last year, our gross margin percentage has remained stable. With the crucial four weeks of Christmas trading still ahead, this result shouldn't be taken as indicative of the full season.

With the current foreign exchange headwinds and ongoing cost pressures on freight, we continue to monitor and adapt our model as necessary. Our ongoing digital and data investment will support our drive for improved efficiency and productivity, especially out of our retail network as we maintain our focus on operating costs.

Our investment in new stores continues, opening 3 new stores in New Zealand and two relocations for Hallensteins and Glassons Australia. Our strategic growth opportunities remain in Australia across our brands, and we will continue our approach of disciplined store openings into 2025 that meet our return on capital requirements with locations which best represent our Brands.

For FY2024 we posted record profits and dividends for shareholders, despite the most challenging retail environment in decades. I have been inspired by the dedication, commitment, and resilience of all our teams, and thank them for their hard work which has delivered this result. I would like to also thank the Board for their ongoing and relevant support during the year.

In my first year with the Group, I've been incredibly impressed by the retail expertise and deep market understanding of our executive and operational teams. By maintaining a straightforward approach and a responsive culture to customer needs, the Group is well positioned to navigate the complexities of the current environment and achieve our growth objectives.

Chris Kinraid
Group CEO
10th December 2024

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