

29 September 2023

HALLENSTEIN GLASSON HOLDINGS LIMITED

RESULTS FOR FULL YEAR ENDED 1 AUGUST 2023

The Company advises that Group sales for the 12 months to 1 August 2023 were \$409.71 million which were +16.7% up on the prior year (\$351.21 million).

The audited net profit after tax for the 12 months was \$31.98 million, an increase of +24.9% on the prior corresponding period (\$25.61 million).

All brands' sales performance were well ahead of the prior corresponding period. This can be in part attributed to the adverse impact in the prior year of the numerous lockdowns in both New Zealand and Australia, with stores closed and 5,432 trading days lost in the first half of the 2022 financial year. However, sales continued to trade above the prior year, although at a lesser amount, throughout the second half, which was pleasing given the economic environment and the cost-of-living crisis experienced during this time.

Gross margin held steady during the year at 57.3% compared to 57.6% in the prior year. The exchange rate remained challenging throughout the year, notably down on the prior corresponding period. Despite this, gross margin was able to be maintained due to the focus placed on negotiating better prices with suppliers, an improvement in freight costs throughout the year as availability improved and costs gradually returning to pre-COVID levels.

During the financial year there was a continued focus on reducing operating costs wherever possible given the high inflationary environment locally and globally. Inventory levels were managed well to preserve liquidity and ended the year lower than the prior corresponding period. This gives the Group the flexibility needed to adjust to the trading environment as it continues to evolve.

The balance sheet remains in a strong position with improved working capital compared to the prior corresponding period and a healthy cash reserve.

During the financial year the Group implemented intercompany charges to reflect brand value provided by New Zealand for the benefit of Australia, procurement services provided by New Zealand to Australia, and management services provided by one related entity to another. These charges have impacted the profit before income tax of the segments reported and are therefore not directly comparable to the prior corresponding period segment results. These charges have been implemented based on professional advice and are consistent with comparable industry benchmarks.

Glassons

Australia

Sales in Australia were \$191.23 million which was an increase of +21.8% on the prior corresponding period. Net profit after tax was \$17.11 million, a decrease of -10.5% on the prior corresponding period (\$19.11 million). As noted above, the current year profit has been impacted by intercompany charges implemented during the year.

During the year, a new store was opened in Macarthur Square, Sydney. Several stores were extended and refurbished during the year including the Pacific Fair, Carindale, and Indooroopilly stores in Queensland; the Chapel Street, Melbourne Central, Frankston and Eastlands stores in Victoria; and the Birkenhead store in New South Wales. Further refurbishments and new store openings are planned in the next six months, including a second store in Adelaide in Rundle Mall due to open in December 2023. Additional office and warehouse space was taken adjacent to the current Fulfilment Centre in Sydney to ensure adequate space was in place to support the expected future growth of the Australian operations.

New Zealand

Sales in New Zealand for the year were \$112.45 million, an increase of +7.7% on the prior corresponding period. Net profit after tax was \$10.89 million, an increase of +167.1% on the prior corresponding period (\$4.08 million). As noted above, the current year profit has been impacted by intercompany charges implemented during the year.

Over the last year, the Botany store in Auckland and the Napier store were refurbished, and the Albany store was relocated to a new location in the mall just after year end in September 2023. The Christchurch CBD store is in the process of being relocated and moved to a pop-up location in July where it continues to trade until the new store is ready in November 2023.

Online sales continue to be a significant contribution to sales, although this has reduced compared to the COVID lockdown period. Digital investment is sustained to ensure that growth continues. The Glassons App now has over 1.5 million downloads, and more functions are being added regularly to enhance the user experience.

Glassons maintains an ability to stay at the forefront of trends due to the brands deep understanding of their customer base, a commitment to staying agile and responsive and a willingness to adapt. This is supported by our commitment to quality, balanced with affordability and our focus on sustainability to ensure that Glassons is in a good shape heading into the new financial year.

Hallenstein Brothers

Sales for the 12-month period were \$106.03 million (including Australia), an increase of +17.9% on the prior corresponding period. Net profit after tax was \$3.89 million, an increase of +85.7% on the prior corresponding period (\$2.09 million).

During the year, the Invercargill store was relocated to the new Invercargill Central mall and was fitted with a new concept design. The Palmerston North store was also refurbished with the new concept design. In July 2023 the Christchurch CBD was relocated to a new location in the city center. Also in July, the Newmarket store in Auckland was closed. Further refurbishments are planned in the next six months. In Australia, the Garden City store was moved into a temporary site in July and will open in a new location in November 2023.

While sales in formal tailored products have continued to decline, Hallenstein Brothers have successfully adapted their range to offer a diverse range of quality, on trend and affordable products. Online sales are still a key contributor to growth and the team have a commitment to customer satisfaction that helps the brand appeal to their customers and their continued growth, on both sides of the Tasman, in a competitive market.

E-Commerce

Online sales declined over the period by -23.5% against the prior corresponding period. This decline marks the impact of the COVID disruptions experienced at the beginning of the 2022 financial year, but also is in part due to a strong drive from customers to get back into the physical stores post COVID, which has seen the demand for online shopping reduce compared to recent comparative periods. Online sales now represent 18.29% of total sales for the full financial year, down from 27.88% in the prior corresponding period.

While declining compared to the periods impacted by COVID, online sales are 71.4% higher than the 2019 financial year (the last comparative with no COVID impact). In 2019 online sales represented 15.20% of total sales. There is a continued focus on digital development and marketing across the Group to drive engagement across all channels and ensure that customers enjoy a true omni channel experience.

Dividend

The Directors have declared a final dividend of 24 cents per share (partially imputed at 75%) (24 cents per share not imputed last year) to be paid on 15th December 2023. Together with the interim dividend of 24 cents per share that was paid on 19th April 2023, the full year dividend is 48 cents per share. The dividend payment is able to be maintained as the Company's balance sheet continues to remain strong, and inventory levels well controlled. The intercompany charges implemented during the year has resulted in greater profitability in New Zealand and therefore improved imputation credits available for our New Zealand shareholders.

Future Outlook

The first eight weeks of the new financial year have seen Group sales decline by -5.86% on the prior corresponding period. The current economic conditions and cost-of-living pressures are impacting on the consumers spending habits across both countries and brands. This was coupled with an unseasonably warm winter which made clearing winter products more challenging. We have been encouraged by the reaction to the new season products as it has been released in recent weeks.

It has been pleasing to see gross margin tracking ahead of the prior year, despite the continued strengthening of the USD exchange rate. This reflects the strong relationships we have with our suppliers and the lower freight costs compared to the prior year. We continue to look for operational and cost efficiencies, while remaining agile with our product offerings to ensure we are well positioned for the upcoming peak trade period.

A further update will be provided at the Annual Meeting of Shareholders in December 2023.

Stuart Duncan

Group CEO

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