

GROUP CEO ADDRESS – AGM 2022

The last financial year 2022 was certainly turbulent with trading affected by lockdowns in both New Zealand and Australia as well as several other external factors. These included various restrictions in trading due to Covid as well as continued disruption to our supply chain with lockdowns in the countries we source our product from, as well as rising costs and delays to freight. The teams across the business have once again been fantastic in navigating these disruptions, proving they are dynamic and agile in the way they work. During the government-imposed lockdowns we were able to pivot our business to rely more on digital, showing the investment we continue to make is paying off.

Once the stores were able to trade again the teams had all staff back and we were able to avoid closing any stores even with increased cases of staff absence which shows the commitment and dedication from our teams. The second half of the financial year did not have any lockdowns, but restrictions were still in place. It was pleasing to see that sales rebounded and were up +6.6% on the previous second half. Now that there is less disruption, I feel we have come out the other side with the brands stronger than ever and ready to take on the challenges that we will face in the future.

During the financial year there continued to be pressure on costs, we paid our staff during the lockdowns as well as continuing to honour our fixed costs. While we did have some support from the government wage subsidies and rent relief from the majority of landlords this only partly covered our expenses. There was also pressure from inflationary cost increases as well as an impact from the increased cost of freight. The teams did well to mitigate some of these increases with good negotiation on cost prices and tight cost controls.

While we saw challenges on both sides of the Tasman it was clear that Australia recovered quicker than New Zealand, resulting in a strong performance from Glassons Australia. While Glassons New Zealand didn't have as strong a performance during the second half of the year, there has been improvements as we have moved into the new financial year. Glassons continues to lead the way as a fashion brand and continues to respond with agility to customer demand while remaining relevant in the markets it trades within. We continue to expand the physical store presence in Australia and invest in digital in both markets.

Hallensteins Brothers has successfully increased the casual product offering to help offset the decline in demand for tailored product while there have been less events. This has included moving to a more smart-casual product range in fitting with current trends. However, it is pleasing to see that with the return of functions and events we have seen the tailored product sales start to increase again. Investment in the website continues to be a focus and we have seen growth from both New Zealand and Australia.

RETAIL

During the financial year we have continued to improve the customer experience in our physical stores by investing in stores fit outs, technology and team training. There were refits in Glassons Northwest Store, Auckland and Hallenstein Brothers Nelson. New Glassons stores were opened in Marion, South Australia, Penrith, New South Wales and Canberra, ACT with the new concept design. We have invested in a new staff app to better communicate with our teams and new hardware to streamline the transactional process. Training has been undertaken in improving our customer service and in staff wellbeing. The above is all fundamental in providing exceptional customer service.

DIGITAL

Digital is crucial to the growth of our business, and we achieved a 16% increase in online sales over the financial year. Digital sales now account for 28% of total sales. As the Chairman mentioned, the new season will be hard to compare due to the lockdowns last year, but I am confident with our significant investment in the digital platforms and marketing, we will be well placed to continue that growth.

The Glassons App success continues with downloads now over 1 million. More enhancements have been made to improve the functionality including allowing customers to leave reviews of their physical shopping experience and enabling us to communicate directly with their device.

Hallenstein Brothers website has received further investment enhancing the functionality and improving the imagery. This has led to better engagement with customers on social channels and improved online sales particularly in Australia.

We will continue to invest and focus on digital to allow us to grow the online sales and ensure we are market leaders in this area.

PRODUCT

With international borders once again opening up, both Hallensteins Brothers and Glassons design, buying and production teams have been able to travel internationally. This has helped to understand new trends in international markets and get closer to our suppliers. More travel is planned to improve our relationships with our suppliers and help with the speed to market of our product. Creating relevant desirable product is still fundamental to the business and we drive product innovation to lead the market.

SUSTAINABILITY

We are now in the third year of producing our Made with Care Sustainability Report and we continue to make progress on our sustainability journey. We have increased our use of more sustainable fabric across our brands which include organic, recycled, and traceable materials. To ensure transparency and authenticity we have aligned with a number of certification programmes. There is still much work to do but I am proud of the steps we have taken on our journey which has been backed positively by the 2022 Tearfund Ethical Fashion Report. Fundamental to our strategy is to maintain our integrity and be transparent, which is ingrained in all we do. To find more details you can visit our sustainability pages on our websites which are regularly updated.

OUTLOOK

In the new financial year there is a positivity around less disruption from Covid related issues, but due to the extended lock downs last year it is difficult to compare our performance. We have seen trading improve in both New Zealand and Australia, with sales up 41% on Last year after the first 19 weeks, but much will depend on the key trading days ahead. Our Team have shown their resilience during the last financial year, and this has put us in a good position moving forward.

There are challenges ahead from continued freight disruption, FX pressures and the inflationary increases to our costs, although the cost of freight is reducing, and we have seen an improvement in FX rates recently. We are focused to maintain our strategic direction and we will continue to deliver great and affordable fashion product to our customers underpinned by our sustainability ethos. There will be continued investment in digital to improve customer engagement and improvements to physical stores to provide a great customer experience. In the new financial Year, we have relocated the Hallenstein Brothers store in Invercargill with a brand new concept and refurbished the Glassons store in Botany, Auckland. In Australia we have refurbished and made larger the Glassons Pacific Fair Store in the Gold Coast, and refurbished Eastland and Frankston stores in Melbourne, and the Birkenhead Outlet in Sydney. We also opened a new Glassons store in MacArthur in NSW with more planned for next season. This strategic direction with an overarching drive to deliver on operating excellence as well as investment in our people allows us to ensure there will be further growth opportunities.

Finally, I would like to thank the Board for their continued support and guidance and to thank the team for their loyalty and commitment shown during these disruptive times. With their help I am confident that the business is in great shape for the future.

Stuart Duncan

Group Chief Executive Officer

15th December 2022