

31 March 2023

HALLENSTEIN GLASSON HOLDINGS LIMITED

UNAUDITED RESULTS FOR 6 MONTHS ENDED 1 FEBRUARY 2023

The Company advises that Group sales for the six months to 1 February 2023 were \$223.29 million, an increase of 30.9% over the corresponding period last year (\$170.63 million). Net profit after tax was \$20.83 million (unaudited), an increase of 74.8% over the corresponding period last year (\$11.91 million). The result is in line with the guidance announced to the NZX on 17 February 2023.

Gross margin on sales was 56.5% compared with 57.9% in the prior corresponding period. Margin was pressured during the season by the USD exchange rate and higher than normal freight costs. Freight costs have been coming down in the new season but are still not at pre-covid levels. During the financial period the business continued to focus on cost controls given the rapidly increasing inflation both locally and globally, reducing operating costs where possible. Inventory levels have increased in order to alleviate disruption from freight delays but continued to be well managed to preserve liquidity.

The current financial reporting period has not been materially impacted by COVID-19. Comparatively, trade in the first half of the 2022 financial year was significantly disrupted by the COVID-19 pandemic, with 5,432 lost trading days across the Group.

Segment Results

Glassons

Sales in Australia were \$102.89 million for the six-month period, which were up 43.1% against the prior corresponding period. During the season a new store was opened in Macarthur Square, Sydney, while the Pacific Fair store in Queensland has been extended and refurbished. Further refurbishments are underway, and there are currently a number of sites being reviewed for potential openings in Australia to further expand the business. Glassons Australia made a significant contribution to the overall Group profit results.

Sales in New Zealand were \$60.62 million, which were up +13.4% against the same period last year. The lockdowns in New Zealand in the prior year significantly impacted the results of the in-store performance. There is continued focus on technology and the effectiveness of being omni channel with an increase in investment to support the digital strategy. During the season the Botany store in Auckland was refurbished, and further refurbishments are planned in the next six months.

Glassons continues to lead the way as a fashion brand and has been able to respond with agility to customer demand while remaining relevant in the markets it trades within. Glassons is looking to continue the expansion of the physical store presence in Australia where reasonable and invest in digital in both markets.

Hallenstein Brothers

Sales were \$59.79 million for the six-month period (including Australia), with sales improving +32.0% against the same period last year. As noted above, the New Zealand lockdowns had a significant impact on the store performance for the brand in the prior year. During the season, the Invercargill store was relocated to the new Invercargill Central mall and was fitted with a new concept design.

Hallenstein Brothers has successfully increased the casual product offering which has helped to offset the decline in demand for tailored product. This has included moving to a more smart-casual product range in fitting with current trends. Investment in the website continues to be a focus and we consider there to be future opportunities for growth in Australia.

E-Commerce

Digital sales have decreased to 18.1% of total Group sales for the six-month period, down from 32.8% in the same period last year. There has been 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. There is a continued focus on digital marketing across the Group to drive engagement across all channels and ensure that customers enjoy a true omni channel experience. The Glassons App continues to be very successful with more than 1,000,000 downloads, while significant work has been undertaken on the Hallensteins web shop to improve the look and the customer experience.

Dividend

The Directors have declared an interim dividend of 24 cents per share (partially imputed) (last year 18 cents per share) to be paid on 19 April 2023. The balance sheet continues to be strong and inventories well controlled.

Future Outlook

The trading environment for the first eight weeks of the winter season has been challenging with the cost of living and inflationary pressures impacting on consumers discretionary spend. Group sales for the first eight weeks of the winter season are +13.9% ahead of the same period last year.

Whilst this is a pleasing start, significant challenges are expected to continue for the remainder of the season given the current economic environment in New Zealand, Australia and globally. Given the current circumstances we do expect the Australian trading environment to remain stronger than that of New Zealand. Cost efficiencies are being made where possible. We remain focused on our strategic direction and will continue to deliver great and affordable fashion product to our customers underpinned by our sustainability ethos.

We will maintain our focus of operating excellence while continuing to invest in people, digital and physical stores. This will result in improved customer engagement and a great customer experience.

Stuart Duncan
Group CEO