

CHAIRMANS ADDRESS TO SHAREHOLDERS ON 15 DECEMBER 2022

RESULTS FOR FULL YEAR ENDED 1 AUGUST 2022

The Group sales for the 12 months to 1 August 2022 were \$351.21 million which were +0.1% up on the prior year (\$350.76 million).

The audited net profit after tax for the 12 months was \$25.61 million, a decrease of -23.2% on the prior corresponding period (\$33.32 million).

Overall, to achieve sales on par with the prior year was pleasing given the numerous challenges faced in the year as a result of the Covid -19 disruptions both in Australia and New Zealand. During the first six months of the year sales were adversely impacted by the numerous lockdowns in both New Zealand and Australia, with stores closed and 5,432 trading days lost, resulting in a sales decrease of -6.2% on the prior year period. This decrease would have been worse if it was not for the strong web sales, whilst stores were closed.

Sales for the six-months ended 1 August 2022 were up 6.6% on the same period last year as all stores remained open throughout the season. During this period the business was faced with a difficult trading environment with the Covid -19 surges impacting on staffing and customers shopping habits, particularly in the New Zealand market.

The Gross Margin held steady during the year at 57.6% compared to 57.4% in the prior year. The exchange rate was improved in the first half of the year but declined considerably in the second half, which is still the case today. There was a focus placed on negotiating better prices with suppliers which helped to hold margin, but this was off-set by increased freight costs and shipping delays resulting from the ongoing global impact of COVID-19. During the financial period significant effort was made to reduce operating costs, and inventory levels were well managed to preserve liquidity. The higher inventory balance at year end was due to goods in transit at the balance date in order to ensure certainty of product availability during the peak trade period. The longer shipping times and the associated disruptions resulted in some stock lines having to be ordered and sent with longer lead times than was the norm previously.

Glassons Australia – which has 36 stores now in Australia.

Glassons Australia turned in a very strong result, which was a real credit to the Australian team, led by James Glasson.

Sales in Australia were \$156.94 million which was an increase of +17.43% on the corresponding period. Net profit after tax was \$19.11 million, an increase of +16.4% on the prior corresponding period (\$16.42 million).

During the financial year, a new store was opened in Marion, Adelaide in September 2021. This is our first store in South Australia and has been very successful since its opening. New stores were also

opened in Penrith, New South Wales in March, and in Canberra, in April. The Burwood, Sydney store was closed in March. The Glassons business continues to look for opportunities for new stores in Australia with a number of sites currently under review, to support planned Australian growth. Some further new Glasson store openings and store refurbishments have taken place since year end. Additional office and studio space for “filming” our product for the web was taken adjacent to the current Fulfilment Centre in Sydney, to ensure adequate space was in place to support the future growth of the Australian business.

Glassons New Zealand – (which currently has 36 stores throughout New Zealand)

The New Zealand market with all the closures, and disruptions has proved to be much tougher than Australia in the financial year under review.

Sales in New Zealand for the year were \$104.37 million, a decrease of -12.96% on the prior year. Net profit after tax was \$4.08 million, a decrease of -64.7% on the prior corresponding period (\$11.55 million).

Over the last year the North West store in Auckland was refurbished in July, and the Invercargill store was relocated to the new Invercargill Central mall, right in the center of the city, in June.

With the ongoing large increases in online sales as a result of the Covid -19 lockdowns, there has been significant investment in digital with the Glassons app undergoing continuous enhancements, and this has been well supported by our online customers.

Glassons, both in Australia and New Zealand, continues to maintain a strong brand position in the markets it operates in, supported by the focus on the latest trends with sustainability in mind. Digital is at the forefront of customer service and engagement, both online and instore.

Hallenstein Brothers – (which has 42 stores throughout New Zealand and 4 stores in Queensland, Australia).

Hallensteins was also adversely affected by the store lockdowns in the financial year.

Sales for the 12 month period were \$89.91 million (including Australia), a decrease of -7.50% on the prior period. Net profit after tax was \$2.09 million, a decrease of -56.6% on the prior corresponding period (\$4.82 million).

During the year the Nelson store was refurbished in May, and new fixtures to better display the menswear product were rolled out to key New Zealand stores. Post the financial year end the Invercargill store was relocated to the new Invercargill Central mall displaying a new concept for the brand.

As mentioned, sales were significantly impacted by the Covid -19 lockdowns particularly in the first half of the year, which in turn affected a number of demand driving events for menswear, such as weddings and festivals that were cancelled or postponed. Since coming out of lockdown Hallensteins has continued to see strong growth in casual categories and the team has maintained their focus on the current trends and must have products. Growth in the Australian operations in the second half of the year has also been

pleasing, and it is great to see the improvements made to the Hallensteins website and our social media channels creating improved engagement with our customers in both New Zealand and Australia.

E-Commerce – All chains.

Online sales grew over the period by 16.1% against the prior year and as already mentioned with significant growth experienced during periods of store closures. Online sales for the last financial year represented 28% of total sales, up from 24% in the prior year. Growth in online sales is expected to be more difficult in the coming year as we compare against prior periods that included substantial lockdowns, as we now have all our stores back open. Most customers still prefer to come into our stores where they can see and touch the product prior to purchase rather than purchasing online.

Investment continues in digital to ensure we are ahead of the market in our functionality and technology as well as our web fulfillment in Distribution Centers. There is also focus on digital marketing and customer experience to continue to improve our online sales experience for our customers.

Dividend

As regards our final dividend, the Directors have declared a final dividend of 24 cents per share (not imputed) (24 cents per share partially imputed last year) to be paid on 16th December 2022. Together with the interim dividend of 18 cents per share that was paid on 14th April 2022, the full year dividend is 42 cents per share. This dividend payment is able to be maintained in a year of trading disruption as the Company's balance sheet continues to be strong, and inventories well controlled.

Future Outlook

Looking forward to the new financial year, the first 19 weeks of trading has seen Group sales improve by +41.13% on the prior year. Last year however there were multiple store closures for much of the first three months period across Australia and New Zealand due to lockdowns, so the percentage increase is not directly comparable. The Group is looking forward to a year of comparably minimal Covid -19 interruptions and refocusing on its key strategies of quality on-trend product, speed to market, customer service and investment in digital. However, there remains margin pressure caused by the USD exchange rate and the higher than normal freight costs. There have also been increases in operating costs due to inflationary pressure right across our business in both countries. However, the Group is focused strongly on ensuring our performance for the key peak trading weeks ahead, as we now head into Christmas, and Boxing Day sale periods.

In closing I would like to thank the Hallenstein Glassons Board, our Executive Teams and all our staff, for their commitment and continued efforts. It was a tremendous performance by everyone in what has been a very challenging and difficult environment in both New Zealand and Australia.

Warren Bell

Chairman

15th December 2022