

Group CEO's Address – AGM 2021

INTRODUCTION

Well we thought 2020 was a challenging year but 2021 has certainly been interesting. Initially I will provide a narrative around the 2021 Financial year and then outline some of our key strategic initiatives.

Financial Results

The result for the financial year 2021 was commendable, particularly in context of the ongoing impact of the COVID pandemic including the various lockdowns across both Australia and New Zealand, outlined by the Chairman, and the continued disruptions to our supply chain. Once again our teams have continued to react with agility to the changing market dynamic and have navigated the business to strengthen our brands. Other key focuses have been enhancing digital and being focused on operating excellence in both stores and online. I am confident that we are continuing to develop the key building blocks to enhance the future opportunities for the business when we can trade in a more stable environment, hopefully in the near future.

Digital remains fundamental to the ongoing success of our business, and it is pleasing to see the significant progress we have made across multiple fronts. From the ongoing enhancement of our online platforms, to increased sophistication on customer insights and delivering personalisation. A particular highlight has been the development and launch of the Glassons App. This has provided a key engagement tool with our customers and provides ease to the shopping experience. The customer uptake on the Glassons App has been very strong and we will continue to further enhance.

There have been several challenges with our supply chain due to various lockdowns in the country of origin and the ongoing impact of freight issues. Both of which have increased product lead times and in respect to freight we have seen an increase in costs, as we have airfreighted more product. However, we remain fortunate to have strong partnerships with both our suppliers and logistic companies which has allowed us to work together to minimise any negative impact on our ability to deliver timely and affordable product for our customers.

Glassons had sales growth on both sides of the Tasman, but it is important to acknowledge that the growth of Glassons Australia has been very strong. The brand in New Zealand and Australia continues to lead the way as a fashion brand, with amazing agility to respond to customer demand and continuing to remain relevant in the market. Glassons New Zealand has seen growth, particularly with digital and refurbished stores. Glassons Australia continues to expand both with physical stores and online sales and we are confident of further expansion.

Its pleasing to see Hallenstein Brothers performed well following an extensive focus on refining the brand. The increase in casual product, and introduction of smart casual have both assisted to offset

the challenges in the Tailored category, with less people working from the office and less events. The website has been redesigned and there is more customer engagement through social media.

RETAIL

The physical retail experiences are important to both brands; the ability to offer personalised service with great store fit outs remain fundamental to providing exceptional customer experience. There has also been investment in technology to improve the customer journey and streamline the transactional processes.

During the year we continued to invest in the customer experience with refits in Glassons NZ in Nelson, and in Sylvia Park and Onehunga in Auckland. Glassons Australia has seen 2 new stores in Broadway and Chatswood, Sydney and our store in Chermside, Brisbane has been refurbished. A new store has opened in the new Financial Year in Marion, South Australia and initial trading is well above plan. The Hallensteins Brother's stores in Taupo and Napier were refreshed. This demonstrates the continued commitment to having good stores in the right places to enhance the overall omnichannel experience.

Due to the various lockdowns the Head Office Team has been restricted on being able to get out to stores but as of now all borders are open and the Teams have been out visiting stores.

There has also been investment in training of the Store Teams, with enhanced service training and introduction of digital based communication tools to improve Team engagement.

DIGITAL

Digital sales continue to grow exponentially with the Groups online sales growing 31% on the previous year, now accounting for 24% of total sales. This has continued to grow this financial year particularly around the lockdowns. The launch of the Glassons App has been a huge success with over 450,000 downloads. This has allowed more interaction with our customers and an easy way to communicate direct to their device.

An exciting development during the year was the launch of the Glassons USA website, we are very pleased with the initial foray into this market. We continue to refine our marketing and product offer whilst having ongoing engagement with our USA based customers. Social media and our engagement with key influences has also been integral to our positioning in this market. Whilst we are continuing to learn and adapt to the market, we remain confident of the opportunity that this presents for the Glassons brand.

The Hallenstein Brothers Website has been refined this year with improved functionality and enhanced imagery. There has recently been further investment in the Hallenstein Brothers digital team with focus on social and customer engagement as well as continuing to remain committed to enhancing the level of online sales.

Overall we are confident that online sales will continue to grow with the continued focus on digital and technology advancements.

PRODUCT

Both Hallensteins Brothers and Glassons design, buying and production teams have been exceptional in adapting with no international travel. The respective design teams have been impressive at identifying new trends and driving product innovation to lead in market. Similarly, the production teams have significantly adapted ways of working, to operate virtually to maintain a seamless approach to product development. From February next year we expect our Teams to start traveling internationally again, allowing visits to our suppliers, and buying trips to key locations.

There remains an overarching focus on sustainability, with a significant increase for both brands on using more sustainable fabrics including organic, recycled, and traceable. This is underpinned by an alignment with a number of certification programmes to provide transparency and authenticity to our approach.

SUPPLY CHAIN

We have been working closely with our suppliers over the last year to ensure the best outcomes for both parties during these challenging times. This has allowed us to manage our stock levels and our cash flow effectively. The strong relationship we have with our suppliers, which have been forged over several years have allowed us to work together on the ongoing challenges.

Our Fulfilment Centres, which we have recently invested in, have worked well for us in managing the increased demand for digital sales. Additional space has been acquired in Sydney due to the higher demand for the Glassons brand in the Australian market which has allowed us to maintain service levels.

SUSTAINABILITY

This will be the second year we have published our Made with Care Sustainability Report and I am very proud of the steps forward the Team have made. We have learned a lot along the way, made some mistakes but I believe we are making positive inroads on our sustainability journey. In the 2021 Baptist / Tearfund Ethical fashion Guide we achieved an A grade rating, up from a B+ grade 2 years ago, so it is great to see all the teams hard work being recognised externally. Fundamental to our strategy is to maintain our integrity and be transparent, which is ingrained in all we do. There is more detailed information available on our plan on our websites which is regularly updated.

OUTLOOK

We are aware that there will continue to be disruption ahead, but the commitment and agility of our Team at Hallenstein Glasson's enables us to be equipped to face challenges and respond proactively. The start to the new season has been disruptive, with lockdowns in Australia for Victoria and New

South Wales since the start of the Financial Year and Lockdown in New Zealand, particularly Auckland's extended lockdown. This has had an adverse impact on the first 3 months profitability but now that all stores have re-opened its promising to see the stores trading again.

There are several pillars to our strategic direction, the unwavering focus on delivering great and affordable fashion product to our customers underpinned by our sustainability ethos. The continued drive and enhancement of our digital execution to enhance customer experience. Our ongoing investment in physical stores to provide great service and a streamlined omni channel experience. This strategic direction with an overarching drive to deliver on operating excellence and continued investment in our people provides a pathway to further enhance growth opportunities.

Specifically, in the medium term there is potential for growth in online sales in Australasia and the USA. As well as opportunities for further Glassons stores in the Australian market. Freight is improving with costs coming down and less disruption and borders opening up allows our teams to travel again allowing better interaction with suppliers and overseas buying trips.

Finally, I would like to acknowledge the amazing commitment and loyalty of our team members. They continue to go the extra mile for the business and their resilience has been commendable which has us in great shape for the future.

Stuart Duncan

Group Chief Executive Officer

21st December 2021