

28 March 2024

HALLENSTEIN GLASSON HOLDINGS LIMITED

UNAUDITED RESULTS FOR 6 MONTHS ENDED 1 FEBRUARY 2024

The Company advises that unaudited total Group sales for the six months to 1 February 2024 were \$223.0 million, compared to \$223.3 million in the prior corresponding period. Group unaudited net profit after tax (NPAT) was \$21.1 million, an increase of 1.5% over the corresponding period last year (\$20.8 million). The result is in line with the guidance announced to the NZX on 22 February 2024.

Gross margin on sales was 58.9% compared with 56.5% in the prior corresponding period. The improved profitability at the margin level has been driven by ongoing sourcing benefits with our long-standing supplier relationships, and the development of new relationships to diversify our supplier base. Net freight costs reduced throughout the period leading to a reduced landed cost of product. Inventory management has been improved, with lower clearance levels year on year reducing overall discounting. These factors have assisted us in improving margin while continuing to manage a strong US Dollar exchange rate throughout the half.

During the six months to 1 February 2024 there was a continued focus on operating cost efficiency given the high inflationary environment. Inventory levels were tightly controlled and ended the period lower than both the prior corresponding period and the prior year end. This gives the Group the flexibility to adjust to the trading environment and trends as the market evolves.

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

Consistent with the 1 August 2023 financial statements, the below segment results include a change in methodology for intercompany charges to reflect brand value provided by New Zealand for the benefit of Australia, internal procurement and management services. While not affecting Group profit before income tax, these charges have impacted profit of the segments reported and are therefore not directly comparable to the prior corresponding period segment results.

Segment Results

Glassons

Sales in Australia were \$107.1 million for the six-month period, which were up +4.1% against the prior corresponding period. Despite difficult market trading conditions, we experienced growth throughout the half, particularly in the key Black Friday and Christmas trading periods. Net profit after tax was \$10.9 million.

During the season a new store was opened in Knox, Victoria. Post reporting period, a second store in Adelaide has been opened in Rundle Mall in March. Further store refurbishments are planned for the second half of the financial year as we continue to assess potential new sites throughout Australia which meet our commercial requirements.

Sales in New Zealand were \$57.1 million, which were down -5.8% against the same period last year, reflective of a tougher trading environment compared to Australia. Net profit after tax was \$5.7 million. Following a challenging first quarter, it was pleasing to see a strong Christmas trading period, with a return to sales growth in physical stores in the second quarter.

During the season the Albany store was relocated to an improved location driving improved performance, and our Christchurch CBD store was relocated and opened in November 2023. The Blenheim store was closed at the end of October 2023.

Despite the challenging economic environment, particularly in New Zealand, Glassons continues to refine and adapt to changing market conditions, bringing relevant and desirable product at speed to market. Australia remains a focus growth market, as we continue to increase our brand awareness and penetration.

Hallenstein Brothers

Sales were \$58.8 million for the six-month period (including Australia), with sales declining -1.7% against the same period last year, however at a significantly improved gross margin at 58.8%, +440bps. Net profit after tax was \$4.5 million, an increase of +24.6% on the prior corresponding period (\$3.6 million). During the season, our new store concept design was rolled out in the Manukau store and delivered strong growth. Our Garden City store in Queensland, Australia moved to a new location and opened in November 2023, and a new pop-up store in Robina, Gold Coast was opened in the lead up to Christmas.

E-Commerce

Digital sales have decreased slightly to 17.3% of total Group sales for the six-month period, down from 18.1% in the same period last year. Customers have continued to return to the physical in-store experience which has seen the demand for online shopping normalise compared to the prior period, although well above pre-pandemic levels. There is a continued focus on digital marketing across the Group to drive engagement across all channels and ensure that customers enjoy a true omnichannel experience. The Glassons App continues to be very successful, while significant work has been undertaken on both the Hallensteins and Glassons web shops to improve the look and the customer experience.

Dividend

The Directors have declared an interim dividend of 24 cents per share (partially imputed at 45%) (last year 24 cents per share partially imputed at 45%) to be paid on 18 April 2024. The dividend payment is able to be maintained due to the strong balance sheet and inventory position.

Future Outlook

Overall trading for the beginning of the winter season has been positive, with Group sales for the first seven weeks +8.3% ahead of the same period last year. We have benefitted from a number of events, festivals and major international acts performing in New Zealand and Australia, supporting

demand for our product ranges across both Glassons and Hallensteins. Full year to date sales are now 1.4% ahead of the same time last year.

Whilst this is a pleasing start to the winter season, we are conscious of the significant challenges that are expected to continue for the remainder of the financial year 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 will maintain our focus on delivering fashionable, on-trend, high quality products to our customers, and progressing on our sustainability program. In addition, ongoing investment in our people, digital experiences and physical stores will position us well to adapt to the market changes ahead.

Chris Kinraid
Group CEO