

Managing Directors Address – AGM 2020

INTRODUCTION

Thank you and a pleasure to be here today. Well 2020 has proved to be quite the year, as we have had to navigate challenging conditions. Today I will outline from a Group perspective the financial year and provide a summary of our strategic initiatives.

Firstly, I would like to acknowledge the support from all of our stakeholders. Our key partners and shareholders has been pivotal in allowing us to navigate the challenges of the past 9 months.

We are also grateful for the resilience and commitment shown by our people, who continually demonstrated agility and commitment to the business. We are very fortunate in the depth of talent throughout our businesses, and the dedication shown.

THE FINANCIAL RESULT

Overall, considering the challenges of the market that we have all endured, the 2020 financial year was a commendable result. The ability of the team to adjust to the demands of the COVID environment was exceptional. We were well advanced on technology, having set up all team members, and trialing remote working protocols and team structures, it allowed us to refine prior to the formal lockdown being put in place. Being prepared well in advance, not only from a technology perspective but operationally was important. We learnt and refined many times over before the actual lockdowns were enacted.

CHALLENGES OF THE YEAR

From the initial lockdown in China and impact on supply chain, to the various geographical lockdowns in New Zealand and Australia, impacting both physical retail and limitations on product offer online, the Company responded with agility and speed to maintain customer connectivity and optimise sales.

The initial impact of COVID for the business was felt back in February, where we started to see significant issues with our supply base in China. Our production teams responded, quickly juggling production and accelerating our diversification strategy.

During the initial lockdown in NZ, we quickly gained approval to sell winter essentials online. This was instrumental in keeping momentum in the business. In AU we were able to continue to sell online throughout. Online distribution was fundamental to maintain momentum in the business.

Whilst we juggled various operational challenges, we kept at the forefront the importance of active and relevant engagement with our customers. Innovative social media campaigns provided connectivity to our customers. The GLASSONS 'Keeping Connected' Instagram series and for

Hallenstein Brothers the ‘Live in the Lounge’ were both unique ways of staying connected and relevant to our customer base.

Our Design and Buying teams have also adjusted to the new norm of design and product creation. Previously our teams travelled extensively internationally; in response we have strengthened our design and buying talent in leading our fashion direction.

SUPPLY CHAIN

Both Hallensteins Brothers and Glassons have long standing supply arrangements. We are grateful for the support shown by many of our suppliers through the lockdowns, which allowed us to effectively manage our stock levels. There remains various external factors that continue to impact on supplier strategy and we have at the forefront the importance of maintaining a balance of suppliers in various geographic jurisdictions.

We have also been working with our suppliers partnering on our sustainability journey as we increase transparency in our supply chain. We are pleased about the release of our first full Sustainability Report – Made with Care. As a Group we are committed to act more sustainably to make a positive impact on people and the environment. We acknowledge we are very much on a journey, and the Made with Care report puts voice to our responsibility to bring affordable fashion to our customers ethically and sustainably.

As Warren highlighted the investment in two new Fulfilment Centre’s: Glassons New Zealand (Christchurch) and Glassons Australia (Sydney) have provided pivotal infrastructure to support the omni-channel growth of the business. In addition, our logistics partners have also provided ongoing support with the challenges of international freight.

DIGITAL

The strength of our digital execution proved pivotal as we entered lockdowns. The enhanced focus not only with online retailing, but the brands ability to stay connected with our customers through online channels was impressive.

A priority in the business remains our focus on digital and technology advancement. Whether it is the release of the Glassons APP, advancement on website functionality, or improving efficiency in store, we embrace technology to optimise customer experience and ensure operational efficiency.

Warren has highlighted the growth in the financial year with online, and we remain confident of this continuing.

The areas which have been a focus for both Digital teams include:

- Customer Relationship Management – the implementation of a new CRM system which is allowing greater sophistication on customer segments and understanding their communication profiles.

- Web-site functionality – both Brands have embarked on further enhancement on the functionality and aesthetics of the respective websites.
- Creative Content – the ability of the in-house teams to develop creative content to support the Brands has been pivotal in context of travel restrictions. The increasing demand for relevant and creative content across digital formats is driving innovative solutions.

There are numerous projects underway for both Digital teams.

RETAIL

We are making good progress on landlord negotiations from the impact of COVID-19. Moving forward we will continue to maintain a watching brief on the retail landscape and what will evolve. We are mindful that across retail precincts there will be variability on the future outlook, but also believe it may be an opportune time for select investment in key retail locations in Australia.

HALLENSTEIN BROTHERS

As highlighted last year, we are in the process of repositioning the Hallenstein Brothers brand, and so I will provide more specific commentary on status. There has been a focus on fashionability and improving fabric quality for the Hallenstein Brothers brand– particularly across our core casual categories. There is also a sustainability strategy underpinning product development, where we have seen the introduction of organic and recycled fabrications. In improving product quality, we have been able to hold key price points to re-enforce the strong value proposition of the brand. This is resonating well with customers and we are particularly pleased in the growth of the casual categories.

As can be appreciated the Tailored category was significantly impacted during the year, with uncertainty over events, particularly school balls and weddings. However, the responsiveness of the rebound is stronger than we anticipated. Many school balls continued, albeit on a later timeframe, and we are also currently experiencing increased demand for wedding attire.

Over the past 12 months, there has also been additional resource and expertise in our Creative Content team. Delivering inspirational creative content that is reinforcing our brand position across multiple channels. The Hallenstein Brothers website has also been updated – with enhanced imagery and improved functionality.

Within Hallenstein Brothers we also pride ourselves on the physical execution in store. With a talented and committed retail team, the physical store environment has continued to improve to provide an engaging and welcoming experience for our customers.

One of the challenges of the year has been our Australian team working remotely. With four stores in Queensland, they have been working remotely since March. The leadership team is strong, and

we have continued to adjust to the continued lockdown restrictions in the market, we however, very much look forward to being able to visit the team and stores in person.

TRADING OUTLOOK

Finally, in summary the trading outlook.

We are pleased with trading year to date. However, in a market with constant challenges we remain forever cautious on the trading outlook. One of the most significant issues currently is managing the constraints with inwards freight. To adjust we have had to revert some product deliveries to airfreight. Whilst this is the right decision for our business and customers, there will be some impact on gross margin.

We will keep at the forefront of our strategic direction the importance of digital, with continued investment in technology and expertise. It is important that we maintain the online trajectory and imbed an omni-channel experience for our customers.

The launch of our Sustainability Report was pivotal for us as a Company, and we remain conscious of the continued work required across the business to deliver to our Sustainability aspirations.

We are particularly pleased with the growth for Glassons in Australia, and this remains a key growth opportunity for the business.

We know that there will be challenges ahead, but the commitment of our people and ability to adapt will allow us to be responsive to the market.

On a personal note, I would like to thank all stakeholders and our wonderful team for once again for their support of the business throughout the year.

Mary Devine

Group Managing Director