

EXECUTIVE ADDRESS – AGM 2023

In the Financial Year 2023, we marked the first uninterrupted year of trade post the COVID-19 pandemic, this translated into a successful sales performance for the Group. This was initially driven especially by the first half of the financial year, and the rebalancing of consumer's behaviours after covid restrictions resulted in high personal savings and a restriction of freedom that in both aspects was later significantly released. This resulted in an initial strong post-covid rebound leading into and during Christmas 2022. During the latter half of the financial year, we saw the consumer's spending moderate, and we were confronted with fresh challenges, including unforeseen interest rate increases, and mounting costs of living. I very much see the first half of the Financial Year 2023 as a reward for surviving covid, but the second half being very much a reality check as to the challenges of an ever-turbulent nature of fashion retailing.

A positive of the year was the margin improvement in the face of persistent cost pressure. Our Production and Logistics teams worked closely with our suppliers to secure competitive pricing; this being significantly enabled by the ability to travel again to work with our supply base. The improvement of freight timings into New Zealand was a long-awaited relief. This not only bolstered our margins but also facilitated a reduction in stock levels throughout our business.

We have seen the cost of doing business increase and this will likely continue; with greater landlord driven pressures and legislated wage increases. We will continue our usual strategies with a greater investment in people and technology to drive efficiencies and productivity to offset wage increases, and after a quietish 2023 for our store portfolios we will implement a strategy to position ourselves in a manner that gives us the greatest flexibility, diversity, and strength to handle a heated leasing environment. This focus should give us the best chance in sustaining profitability in the current financial year.

While the second half was more challenging than the first, it was good to see sales growth on both sides of the Tasman. Our single aim at Glassons is to maintain our position as the leading women's fashion brand in both Australia and New Zealand. As stated earlier we are committed to expanding our physical store footprint in Australia and making strategic investments in digital in both markets. Hallensteins have adjusted their product offerings well to tackle a less suited and tailored world. This new flexibility in their product range allows them to cater to the broader customer base in New Zealand but also provides them with variety to select from for Australia as we continue to look for opportunities there.

RETAIL

Following the easing of COVID-19 restrictions, we observed a significant return of customers to our stores. Consumers still very much want a physical retail experience, that is supported by E-Commerce. Over the last financial year, we have opened a new Glassons Store in Australia as well

as refurbishing 8 stores. In Glassons New Zealand two stores were refurbished with another 2 already completed in the first few months of the new season. Hallensteins Brothers had 3 refurbished stores over the last financial year with 2 recently completed in Australia and New Zealand. Our stores are our biggest asset in a competitive retail world that is both physical and digital. To maintain this edge, we must continue to invest in them through the refurbishment and expansion of those current sites we still see potential in, the rationalisation of stores that detract from the brand experience and our business models, the investment in technology that enables a better customer experience and retail team working environment, and importantly the investment in our teams through better communication and training.

DIGITAL

Despite a decline in E-Commerce sales during the last financial year, they remained significantly higher, up over 71% compared to pre-pandemic levels. E-Commerce sales play an incredibly crucial role in our business, constituting 18.3% of total Group sales. Our substantial investment in our digital platforms is vital as consumer expectations for superior online experiences grow, as the rising tide of Covid and the closure of physical stores for every Australasian retailer lifted all boats across the retail sphere.

The ensuing rush for E-Commerce talent during Covid and the resulting lack thereof, has driven us to focus on our internal E-Commerce talent development under the stewardship of a management team with some world-class E-Commerce experience and international perspectives. This will enable us to bring the strong internal cultural values that both brands possess to the digital battleground and recreate what bring us such success in the physical environment to E-Commerce, rather than trying to adapt to the more traditional generic online offering. We have started to see the fruits of these labours in the last few months.

The Glassons App now has over 1.55 million downloads, with new functionality being added regularly enhancing users experience and allowing our customers to seamlessly switch between online and physical purchasing.

Hallensteins Brothers focus on customer engagement has increased their following across their social channels in New Zealand and Australia. This, in line with the investment in the website has led to increased online sales particularly in Australia.

We are committed to ongoing investment and focus on digital strategies to drive further growth in our online sales and start to truly challenge the pure play online retailers in their own backyard.

PRODUCT

Our product teams have very much enjoyed the re-found freedom of international travel. This has allowed them to do what they do best when it comes to seeking out and then creating product. I believe we will see the benefits of this as the trading environment becomes a bit more challenging. Agility and uniqueness in our product offering are the one thing that can truly provide a point of difference and incentive for the customer to purchase when they may be thinking twice.

Speed to market and customer understanding are still the keys to success, and these are the focusses of our design, buying and production teams. Pleasingly the return of physical retail in such a big way, and the ability to travel once again to our supply bases will only help us to increase our ability to do this.

SUSTAINABILITY

Sustainability is very much at the forefront of our thinking and actions. From implementing strategies to mitigate clothing production's influence on the ongoing climate crisis to the critical need for fair and ethical supply chains, we understand that sustainability is not a choice but a way of doing business now. We are committed to producing garments from more sustainable materials and working towards obtaining certifications that assert these features. We continue to expand our audits throughout the supply chain, collaborating with suppliers to enhance production standards, and focusing on important issues like gender equality, worker representation, quality control, and fair wages. While there is much more work ahead, we are taking steps in the right direction. Central to our strategy is ensuring we are doing the right thing by the planet, the right thing by our customers, the right thing by our teams and those who produce our garments, and the right thing by our shareholders to ensure we build a business that is both environmentally and financially sustainable. As an organisation we have never been good at taking the short-term easy options when approaching problems, and we won't be taking it when it comes to ESG.

For more details, you can visit our regularly updated sustainability pages on our websites.

OUTLOOK

In the new financial year, we have seen that the Australasian retail sector, like the broader economy, continues to be greatly influenced by what feels like a multitude of unprecedented factors. We could sit here and talk about the global geo-political economic conditions, resulting customer sentiment, cost pressures and higher interest rates. But we are fortunate enough to have the stewardship of two brands with over 200 years of combined heritage and we know these challenges have been faced many times over those years. So instead of dwell on them (and we will not be taking them lightly) we can instead lean into the fact they have been faced and handled before and will be faced again. But what I want you to take confidence in is that we continue to apply the tried and tested

retail principles and strategies of the past of; quick stock turn, in-depth customer understanding when it comes to trend and price, combined with a constant never-ending focus on improvement. As one of the senior management executives I still very much hold the view the current Board's passion for and commitment to these elements is a major reason for our success.

The start of Financial Year 2024 has initially seen the trading conditions from the end of 2023 continue, with Group turnover down 4.70%, but pleasingly as we have moved into the peak trade part of the year, we have seen sales improve somewhat. As of right now with three of the 4 largest trading weeks of the year ahead of us it is too difficult to predict where the season will end. One positive aspect is that we have seen good margin improvement, especially from the New Zealand based businesses which will help somewhat bridge the sales gap. We are as always continuing to focus on cost-saving measures to mitigate the tougher trading environment.

The result for 2023 when compared to the prior years is impressive, but for me and the wider management team its very much the start of the journey. We have ridden the Covid storm in a manner that brings much pride, and have also experienced the post-storm tail winds, but now we must get back to business and resume service as normal; seeking to increase market share in all regions for both brands, resume our growth trajectories, and get back to good retail basics.

In conclusion, I would like to express my gratitude to Stuart Duncan for his support of myself and the senior executives over the last few years, and for his service to the company. Stuart brought a quiet but disciplined confidence to the organization and was a pleasure to work with.

We also look forward to welcoming Chris Kinraid in the coming days, and I'm excited for him to bring his outstanding retail and financial experience to the business to bolster and support us for the future.

I'd also like to thank all the teams across the business from the most important in the warehouses and stores to the supporting head offices and C-suite team here today. What makes Hallenstein Glassons is its people, and we have the best in the business, and they are why we have been able to produce the results we have discussed today.

Thank you and have a Merry Christmas and a Happy New Year.

James Glasson
Director and Glassons Australia CEO
12th December 2023