HALLENSTEIN GLASSON HOLDINGS LIMITED

30 September 2022

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RESULTS FOR FULL YEAR ENDED 1 AUGUST 2022

The Company advises that 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. 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 decrease of -6.2% on the prior year.

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 Omicron 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. 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 is due to goods in transit at the balance date in order to ensure certainty of product availability during the upcoming peak trade period.

Glassons

Australia

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 year, a new store was opened in Marion, Adelaide in September 2021. This is the 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, Australian Capital Territories in April. The Burwood, Sydney store was closed in March. The business continues to look for opportunities for new stores in Australia

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with a number of sites currently under review, to support planned growth. A store in Macarthur Square, Sydney has been opened post year end in September 2022, while the Pacific Fair store in Queensland has been extended and refurbished. Further refurbishments are planned in the next six months. Additional office and studio space was taken adjacent to the current Fulfilment Centre in Sydney to ensure adequate space was in place to support the expected future growth of the Australian operations.

New Zealand

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 in June.

With the ongoing large increases in online sales there has been significant investment in digital. The Glassons app is undergoing continuous enhancements and now has more than 850,000 downloads.

Glassons continues to maintain a strong brand position in the markets it operates in, supported by our 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

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 our Nelson store was refurbished in May and new fixtures to better display product were rolled out to key stores.

Sales were significantly impacted by the lockdowns in the first half of the year, particularly due to the number of demand driving events such as weddings and festivals that were cancelled or postponed over the summer months. 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 been pleasing, and it is great to see the improvements made to the website and our social media channels creating engagement with our customers in both New Zealand and Australia.

E-Commerce

Online sales grew over the period by 16.1% against the prior year with significant growth experienced during periods of store closures. Online sales now represent 27.88% of total sales for the full financial year, up from 24.04% 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.

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 accelerate our online sales growth.

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. The dividend payment is able to be maintained as the Company's balance sheet continues to be strong, and inventories well controlled.

Future Outlook

The first eight weeks of the new financial year have seen Group sales improve by +68.49% on the prior year. Last year there were multiple store closures for much of the 8 week 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 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. The Group is now focused on ensuring our performance for the key peak trading months ahead.

A further update will be provided at the Annual Meeting of Shareholders in December 2022.

Stuart Duncan

Group CEO

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