

Managing Directors' address to Shareholders on 11 December 2019
Results for the full year to 1 August 2019.

OVERVIEW

It is a pleasure to be here today. Once again it has been a very strong performance for the Group for the Financial Year ended 01 August 2019. The results follow the continued growth in Glassons Australia and strong performance of the Glassons brand in the New Zealand market. Whilst Hallensteins had a more challenging year, the brand remains strong and we are confident of the repositioning that we are progressing.

In an increasingly competitive market, we remain focussed as a business on four key areas;

- Building the depth of talent and agility of our teams
- Keeping the customer at the forefront of our decision making
- Driving buying strategies and ensuring speed to market
- Ability to be fluid across channels with how we connect with our customers

OUR PEOPLE

I am a firm believer that the strength and capability of our people is what underpins the success of our business. The entrepreneurial spirit which empowers our people to ensure the customer is at the forefront of our brand and service delivery.

As a business we are fortunate with the depth of talent in both Glassons and Hallensteins. We remain committed to continuing development and providing career pathways. Pleasingly in the past year we have seen across all businesses numerous internal promotions, as we recognise the talent within our existing teams.

As a Company we continue to support key team members in attending international conferences and courses. As the world of retail continues to evolve rapidly we are cognisant of the importance of keeping a global lens on the trends and innovations that are coming to market.

RETAIL

Warren has highlighted the investment made in new stores and refurbishments through the 2019 financial year.

As a Group and within each brand we value the importance of a compelling retail experience and we continue to improve, innovate and evolve our stores.

Technology has been a key enabler to improve store efficiency, we continue to drive the use of IPods across our retail teams. Currently there are also a number of trials in selected stores to enhance efficiency in the returns process as well as the use of mobile Point of Sale.

We are cognisant of the importance of providing a seamless experience for our customers across both the physical and online platforms, and this is at the forefront of the technology innovations we are

developing within the business.

The service ethos is also imperative for both brands in retail. Recently Glassons launched the EMPOWER service programme for our retail teams. And equally with Hallensteins, we know the service component is a key differentiator as a brand and the team remain focused on keeping this at the forefront in store.

SUPPLY CHAIN

For both brands the agility of our supply chain is critical to our ability to respond quickly to fashion trends and customer demand.

Our production and buying teams work closely with suppliers, and the teams visit supplier factories on a regular basis to manage quality and delivery performance.

We remain mindful of the impact of the changing manufacturing landscape. Diversification across suppliers remains highly relevant to manage risk and provide performance parameters to meet speed to market programmes. We are pleased with the progress we are making in pursuing further diversification.

We recently completed a brand new Glassons Fulfilment Centre here in Christchurch. A fantastic facility, it positions us well to manage the growth, particularly from our online channel, in the New Zealand market.

Earlier in the year we also completed an extension of the Hallensteins Fulfilment Centre in Auckland. This allows for improved efficiency in the distribution of product.

We are also now in the final stages of a new Glassons Fulfilment Centre in Sydney, which we will transition to in February. This facility is important to support the growth that we are achieving in the Australian market.

DIGITAL

We continue to keep Digital at the forefront of both businesses and we are pleased with online now accounting for 15.2% of total sales. We have been particularly pleased with the growth of online for Glassons, which has been driven by the compelling digital interface with our customers.

As a business we will continue to invest in Digital for both brands across:

- People
- Technology
- Social and Digital Marketing, and
- Customer Relationship Management

SUSTAINABILITY

We continue as a business on the journey of sustainability. We understand the importance of our responsibility to the environment, our customers and team.

We maintained our B+ rating on the Ethical Fashion Report, and this was based on more stringent criteria than previous years. We are however conscious of the vigilance and progression required to further our commitment to sustainability.

We are working hard to improve engagement across our teams to identify our sustainability objectives. Focus groups with our customers have also helped to identify our priorities which include reducing packaging and the impact of waste right across our supply chain, in our stores and Head Office. In addition, we are looking at how we can better communicate our goals and achievements to our customers.

HALLENSTEINS

With 43 stores across the country, Hallenstein Brothers as a brand is well known in New Zealand. In an ever increasing competitive retail landscape we are continuing to refine the brand position for Hallenstein Brothers. We are conscious that in recent years, at times we have been too promotionally focused and we believe we need to stay more closely aligned to our values of offering quality and value. As a brand we know we resonate when we show case imagery and experiences that guys relate too, whilst also heroing great product.

An area of focus in the business over the past six months has been improving our speed to market. Establishing procedures and working with key suppliers has enabled us to be more responsive to product reactions. Whilst still in its early stages, progressing our sophistication in this area will be very beneficial to the business.

From a digital perspective, we are driving more content to have relevancy across social and digital media channels. This content is also relevant to support our brand visibility on our web site and in-store screens. We will continue to invest in this area as we strengthen the positioning of the brand.

As Warren has highlighted, during the financial year we opened a new Hallenstein Brothers store in Frankton, and refurbishments occurred in Botany, Bayfair and TeRapa. Recently we also completed refurbishment of our Hornby Outlet store.

The Australian stores for Hallenstein Brothers have performed well, and we are pleased with the increase in retail sales at a store level. In addition to the three retail stores in Brisbane, we also added an Outlet store in Harbour Town (Gold Coast) at the end of the financial year. This is an important step in ensuring the market is self-contained in managing clearance product.

So whilst the sales profile in New Zealand has been relatively flat, we believe we are strengthening many of the core foundations of the business to enhance performance in the New Zealand market and to support the growth opportunity in Australia. We respect that we are on a brand journey to strengthen the long term performance of Hallenstein Brothers.

OUTLOOK

Firstly, I would like to take the opportunity to thank all of our staff for their commitment to the business. Also to note is our Executive leadership team, and respective Heads of Digital and Buying who all make an outstanding contribution. It is not only the talent within the business that impresses me, but the dedication and commitment to go the extra mile that is evident throughout the business.

As we move forward we will remain focused on:

- Delivering fashionable product to cater for our respective customer segments, acknowledging the importance of innovation and speed to market.
- The ongoing investment in digital to support the brand profile across all channels
- Strengthening the positioning of the Hallensteins brand

From a growth perspective we are confident of the potential of the Glassons brand in Australia, and we are particularly pleased with the online growth we are experiencing for the brand in both markets. We will also continue to build upon the Hallenstein Brothers profile in the Australian market.

As we are amongst the key trading period of the year, we are always cautious about projections for the full season. There is no doubt that the market remains challenging with the constant juggle in managing the impact on margins through an unfavourable exchange rate and the pressure of costs. Whilst we have seen the positive results from the Black Friday promotional period, we are mindful of the impact this will have on December trade.

We also acknowledge the repositioning required for the Hallenstein Brothers brand, and the financial impact that this may have.

We however remain focused on what we can control, and that is to deliver great product to our customers across channels in an engaging and inspiring manner.

Mary Devine
Group Managing Director
11 December 2019