

HALLENSTEIN GLASSON HOLDINGS LIMITED

RESULTS FOR FULL YEAR ENDED 1 AUGUST 2019

The Company advises that the audited net profit after tax for the 12 months to 1 August 2019 was \$29.02 million, an increase of 6.06% over the corresponding period last year (\$27.36 million).

Group sales were \$287.55 million, an increase of 3.36% over the corresponding period last year (\$278.20 million). Sales have been amended and restated for last year in line with the requirements of NZ IFRS 15 to account for freight charges paid by our online customers. This has no impact on profit.

The 2018/19 financial year has seen margin pressure across the Group, the main factors being the lower USD exchange rate and the increased promotional activity across both the New Zealand and Australian markets. The gross margin has fallen by 130 basis points from 61.3% to 60.0%. Expenses have been well controlled across the Group and this is being carried on into the new trading year.

Segment Results

Glassons New Zealand

Sales for the year were \$100.73 million, an increase of 3.91% on the prior year. Sales growth in the second half continued to build and improve on the growth in the first half of the year.

Fashion remains the key focus for Glassons, and the brand continues to bring to market the products customers want with speed and agility. Ongoing investment in digital is enhancing the customer engagement both online and in store.

During the year, refurbishments were completed in the flagship Newmarket Store (Auckland), Bayfair (Tauranga), Palmerston North and Te Rapa (Hamilton). The Hornby Outlet Store (Christchurch) has just completed an upgrade in the current financial year. To support the increase in online sales, a new Fulfilment Centre is currently under construction in Christchurch. This is due for completion in October in time for peak trade in the lead up to Christmas.

Glassons Australia

Sales for the year were \$89.50 million, an increase of 13.89% on the prior year including the new store openings. By continuing to deliver great customer service, evolving our product offer and improving our speed to market we have enhanced our strong brand position.

During the year stores in Parramatta (Sydney) and Highpoint (Melbourne) were refurbished and the footprint of the Bondi store (Sydney) was expanded. New stores opened in The Glen in Melbourne and Liverpool in Sydney. A move to a new Fulfilment Centre in Sydney is planned for early next year. This will support the planned growth in the Australian market in both online and physical store sales.

Further investment is proceeding in Australia in the current financial year, with a new store opening in Robina on the Gold Coast and a larger refurbished store is planned for Eastgardens in Sydney. A number of other stores are currently being considered.

Hallenstein Brothers

Sales for the year were \$97.33 million (including Australia), an increase of 0.26% on the prior year. The second half of the year proved much tougher for Hallenstein Brothers. This was due in part to the milder winter, as well as some challenges with the product offering. A great deal of work has been done to improve the product offer and we are already seeing an upturn in sales and positive customer feedback for the new season.

Sales growth continues in Australia with the original three stores achieving incremental year on year increases over the 12-month period. Towards the end of the year an outlet store was opened in Harbourtown on the Gold Coast to support the full price stores. Opportunities for expansion into new Australian sites are now being considered.

In New Zealand, a new store was opened in Frankton in Queenstown and refurbishments have been completed at Botany (Auckland), Bayfair (Tauranga), Te Rapa (Hamilton). For the current financial year the Hornby Outlet Store (Christchurch) has just been completed. The Fulfilment Centre in Auckland was also expanded during the year to support the growth in online sales.

Investment has continued in digital to help drive sales and improve customer engagement with website developments and an increased use of technology in store.

Properties

Prior to the end of the financial year, the investment property in Lambton Quay was sold resulting in a gain on sale of approximately \$1.1 million after costs.

E-Commerce

Online sales continue to grow significantly ahead of physical stores as a result of the Company's ongoing investment in digital and customer demand. Online sales now represent 15% of Group turnover. Investment will continue in this key strategic area to provide relevant content across mediums to enhance customer engagement.

Dividend

The Directors have declared a final dividend of 24 cents per share (fully imputed) (24 cents per share last year) to be paid on 17th December 2019. Together with the interim dividend of 20 cents per share that was paid on 18th April 2019, the full year dividend is 44 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 grow +7.23% on the prior year (including new stores). With the recovery of Hallenstein Brothers in New Zealand underway, and with the consistent growth of Glassons in both markets, the focus on the key strategies of speed to market, customer service and investment in digital will continue. However, there remains margin pressure caused by the NZD/USD exchange rate and we are cognisant of the key trading months ahead and the challenging market environment.

An update will be provided at the Annual Meeting of Shareholders in December 2019.

Mary Devine

Group Managing Director