



EMBODIMENT OF
STRENGTH

Q1 FY 2022/23
EARNINGS RELEASE UPDATE



HELA APPAREL HOLDINGS PLC

Q1 FY 2022/23 | GROUP FINANCIAL HIGHLIGHTS

Revenue

Rs. 24.5 Bn

+114%



Operating Profit

Rs. 1.1 Bn

+170%



Profit After Tax

Rs. 353.6 Mn

+510%



Gross Margin

14.4%

+52 bps



EBIT Margin

4.4%

+93 bps



Net Debt : Equity

2.0 (x)

(4.0x : Q1 FY 22)



Q1 FY 2022/23 | HIGHLIGHTS

Positive momentum in revenue growth established over the past year continued into Q1 FY 2022/23

- **Resilient consumer demand** conditions in Europe & the US
- Positive contribution from **ramp up of Egypt operations**
- **Significant exchange rate depreciation** also boosted LKR figures

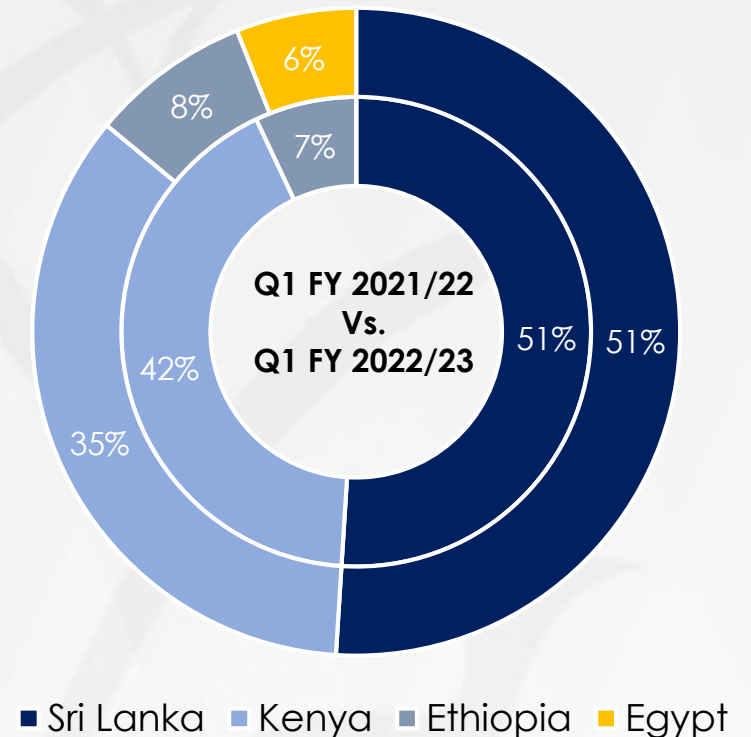
Despite a volatile operating environment, **profitability also improved**

- **Reflects margin-improvement strategy** – this will be the management's key focus for the current financial year
- **Positive impact of depreciation on local overheads** and reduced pandemic-related costs compared to Q1 of FY 2021/22

These factors helped to absorb the **continuation of external cost pressures and global supply chain disruptions**

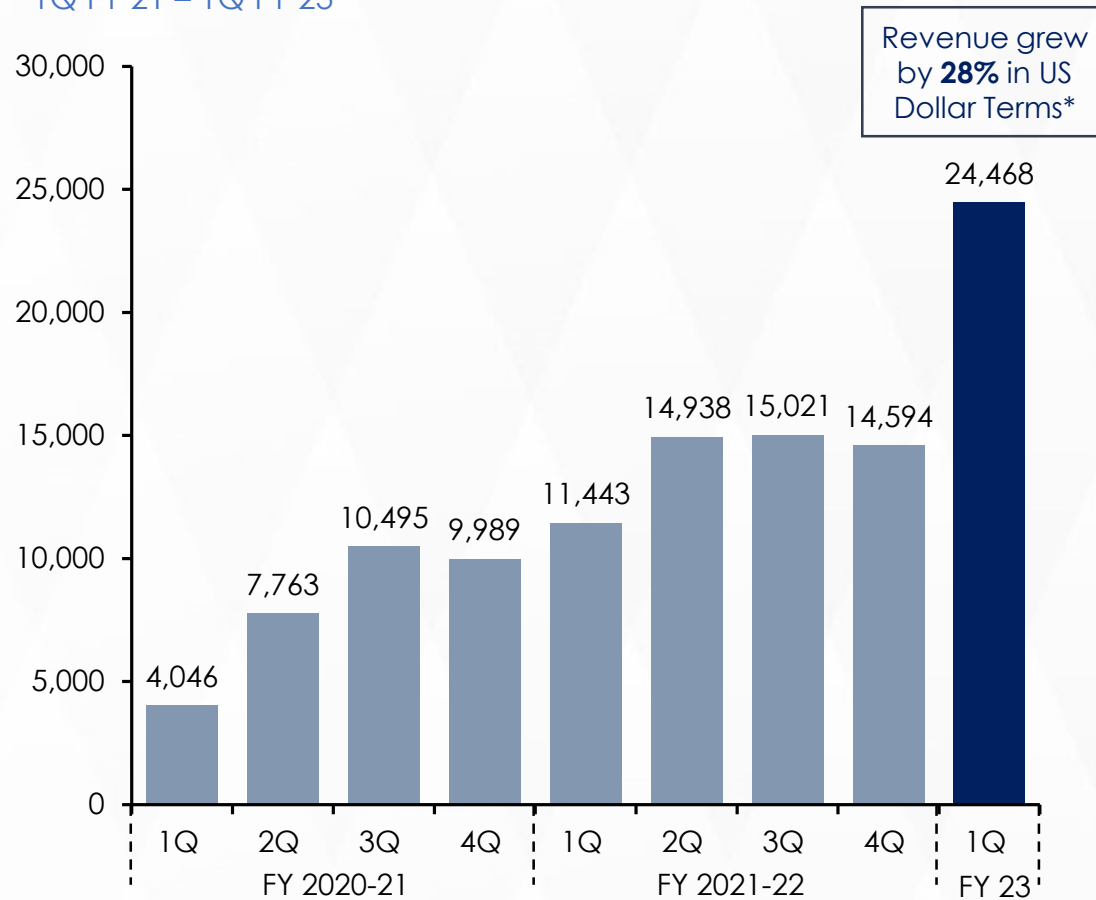
- **Cotton price and freight rates remained close to record highs** for the majority of the quarter; Global supply chain disruptions continued
- **Deterioration in economic conditions in Sri Lanka** also contributed to a particularly volatile quarter

Q1 Revenue by Country of Manufacture
(% of Group Revenue)

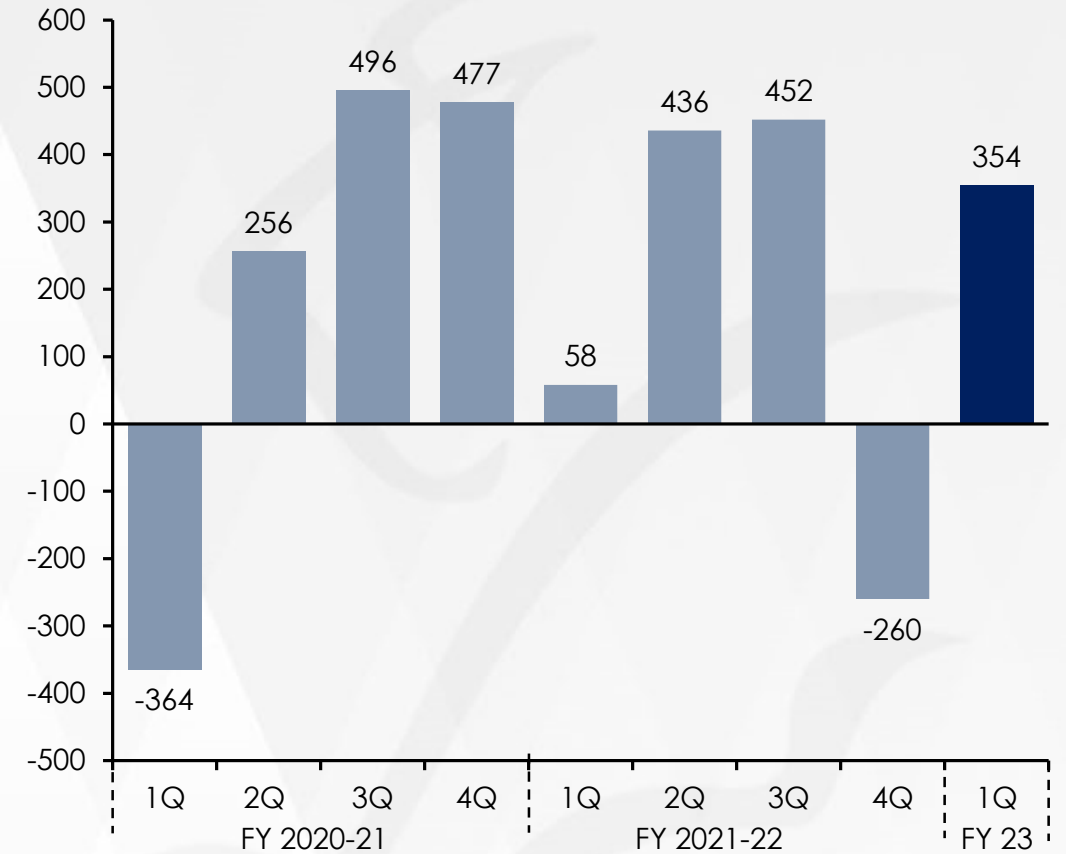


Q1 FY 2022/23 | PERFORMANCE UPDATE

Group Revenue (Rs. Mn)
1Q FY 21 – 1Q FY 23



Profit After Tax (Rs. Mn)
1Q FY 21 – 1Q FY 23

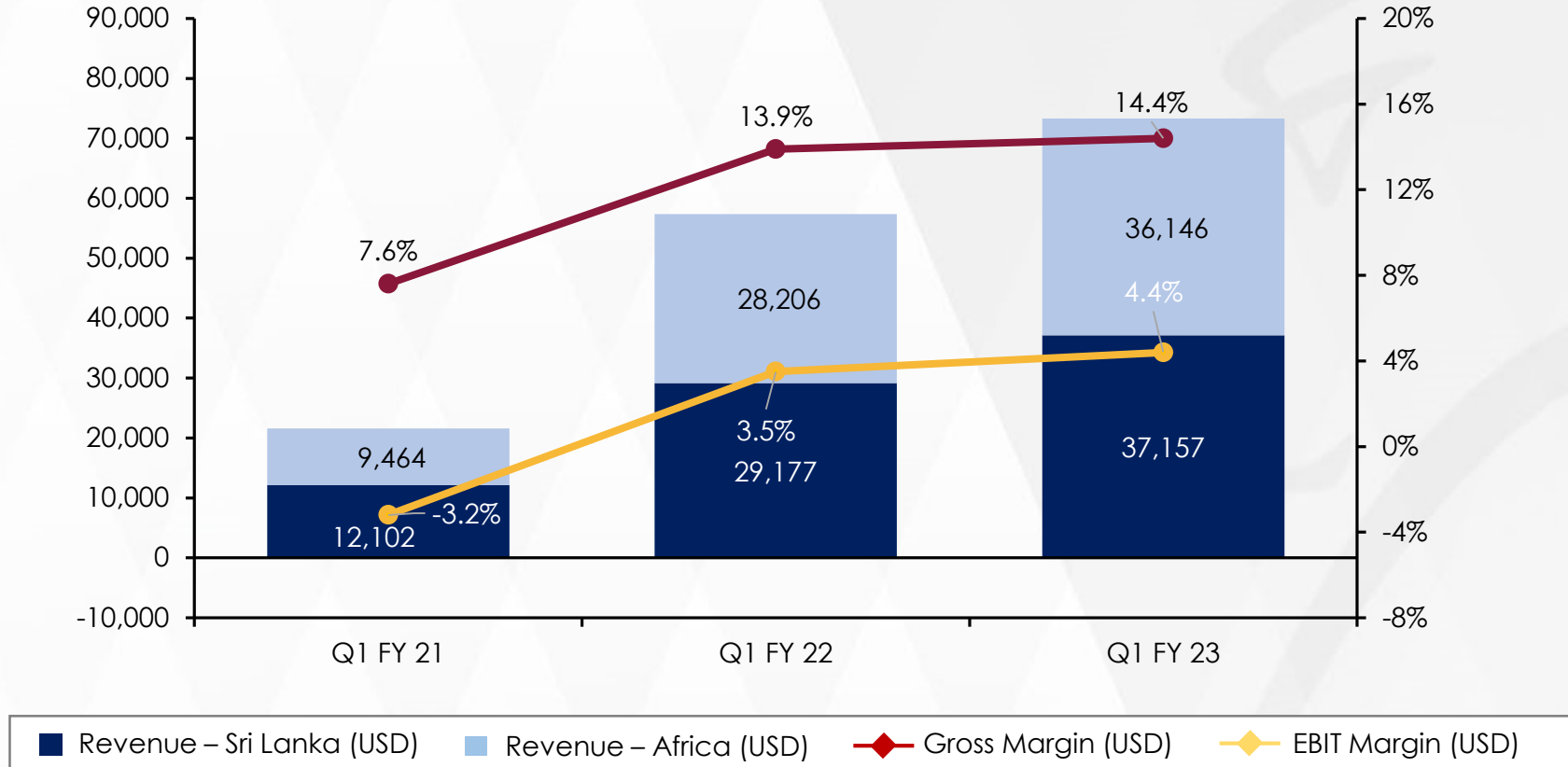


*Note: Due to the significant depreciation in the Sri Lankan Rupee during Q1 FY23, the exchange rate averaged 68% lower than in Q1 FY22 and 51% lower than Q4 FY 22

Q1 FY 2022/23 | PERFORMANCE UPDATE

Group Revenue and Profitability Margins (USD Thousands)

Q1 FY 21 – Q1 FY 23



Steady growth in USD revenue & profit compared to previous first quarters, but external pressure on profit margins persisted during the first quarter

Q1 FY 2022/23 | UPDATE ON IPO PROCEEDS

OBJECTIVE	AMOUNT ALLOCATED AT IPO (RS.)	AMOUNT UTILISED AS OF 30 JUNE (RS.)	REMARKS
Fabric Mill Investment	1.0 billion	-	<i>Fully utilised as at 30-June-2022</i>
Implementation of New ERP	0.6 billion	0.1 billion	
Investment in Subsidiaries	2.4 billion	3.9 billion	
<i>Of which: Retirement of Debt</i>	<i>2.0 billion</i>	<i>3.9 billion</i>	
<i>Productivity-Enhancing CAPEX</i>	<i>0.4 billion</i>	-	
Total	4.0 billion	4.0 billion	



Strategic deployment of IPO proceeds to support retirement of debt has strengthened the Group's balance sheet; creating additional space for diversification of borrowing



The Company remains committed to the IPO objectives, which will be funded by free cash flow and additional borrowing where needed

Q1 FY 2022/23 | UPDATE ON IPO OBJECTIVES

STRENGTHENED BALANCE SHEET



Net debt-to-equity ratio has improved significantly following IPO to 2.0x as of 30 June 2022



Supporting additional borrowing from multinational financiers

IMPLEMENTATION OF SAP S/4HANA



Creation of bespoke system solution progressing on schedule for implementation



Set to go live in first operational cluster by September: Group-wide by early FY 2023/24

BUILDING VERTICALITY



Continuing to seek options for attractive vertical investments, including outside Sri Lanka



Exploring collaborations with fabric producers to gain experience

OUTLOOK | OVERVIEW



Softening of exceptional consumer demand conditions being reflected in order book for second half of the year



Revenue to remain resilient; **contribution from Egypt and new customers set to grow**



Renewed focus on **profit margin improvement;** driven by operational excellence

KEY RISK FACTORS



More significant demand slowdown in Europe and the US due to additional spikes in prices



Rising interest rates & tightening global financial conditions



Rising inflation & macroeconomic pressures across all operating countries

OUTLOOK | GLOBAL DEMAND



Surge in inflation to 40-year high is leading to a softening of consumer demand compared to the exceptional levels during the past 12 months

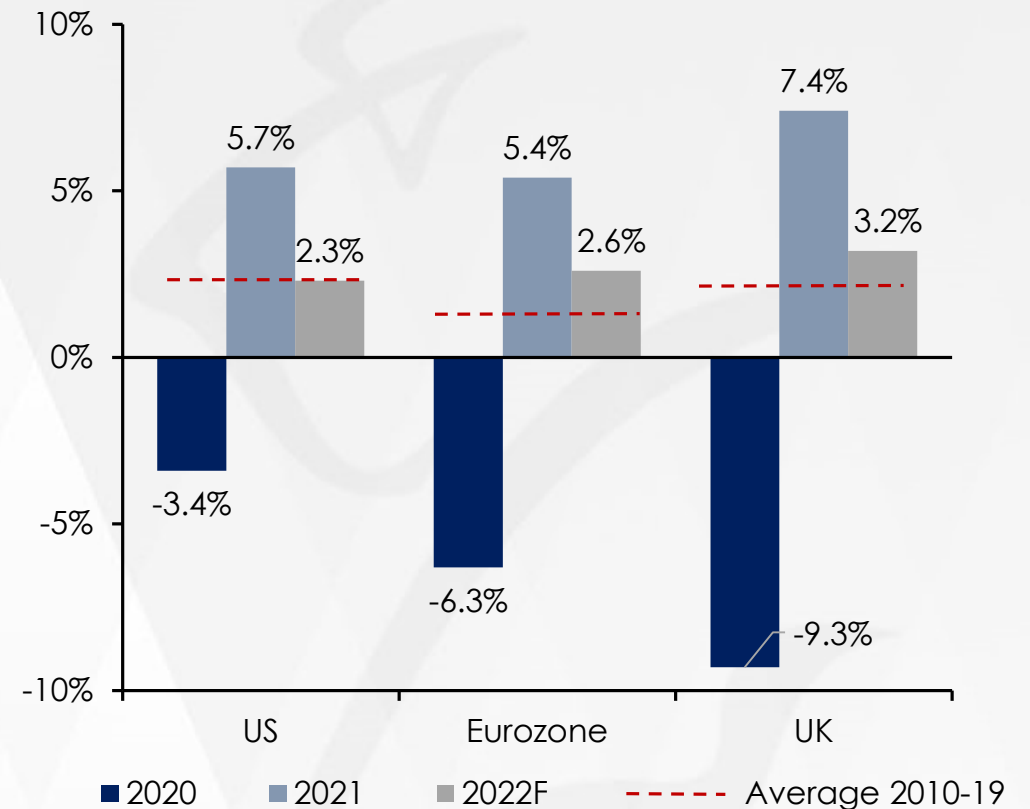


End of the pandemic is also driving changes in spending patterns: shift in discretionary spending towards services and away from goods



Slowdown in economic growth also partly reflects of post-pandemic boom, supported by extraordinary government stimulus policies

Real GDP Growth
2020 - 2022



Source: IMF World Economic Outlook, July 2022 Update

OUTLOOK | NAVIGATING THROUGH THE HEADWINDS

BUILDING ON NEW CUSTOMER RELATIONSHIPS



Global brands where Hela has significant potential for increased penetration



Fast-growing and innovative new brands that Hela can grow with over time

OUTLOOK | NAVIGATING THROUGH THE HEADWINDS

MARGIN IMPROVEMENT STRATEGY



Focus on operational excellence and reduction of waste



Reduction in global commodity prices and freight charges to be capitalized on



Roll-out of SAP system solution in H2 FY 23 will enable additional operational efficiencies

FOCUS ON IMPROVING CUSTOMER OFFERING



Maximising benefits of Egypt footprint to acquire new business & customers



Acquiring additional technical capabilities in lingerie and performance wear



Seeking new opportunities to strengthen value proposition

SOCIAL CAPITAL | COMMUNITY EMPOWERMENT

P.A.C.E PROGRAMME



Globally recognized empowerment programme for apparel workers offering training in professional and life skills

Hela is the **first manufacturer to implement P.A.C.E in Ethiopia & Egypt**

Hela has set an ambitious target of 5,000 P.A.C.E graduates across the organisation by 2024

HELA DIRILIYA



An economic empowerment initiative **designed to inspire entrepreneurship among Hela employees**

140 employees enrolled in Sri Lanka benefiting from training & market opportunities

Hela is targeting 500 participants in Sri Lanka in FY 23, before rolling out the programme to Africa

HELA DIRIDARUWO



Scholarship scheme to support the educational attainments of employee's children up to undergraduate level

Co-Founded by Hela and Tesco, the project is managed by Berendina Development Services

Over 450 children are already benefiting from the initiative

SOCIAL CAPITAL | ENVIRONMENTAL STEWARDSHIP

CLIMATE ACTION

Energy reduction target of **1 kWh/Standard Hour** by 2025

Reduce **per person water consumption to 25 liters per day** by 2025

Align with Science-Based Target initiatives (SBTi) to **reduce GHG emissions and support the global aim to reach net zero** by 2050.

WASTE MANAGEMENT

Reduce the use of single-use plastic items and increasing recycling and composting.

Reuse thread cones and polybags to reduce the volume of waste generated in daily operations

Lifecycle Assessment to measure environmental impact of products

REGENERATE NATURE

Hela **distributed over 10,000 plants** in an effort to inspire local communities and Hela employees in replanting

Empower employees to engage in **home gardening**



Hela took a major leap in its emission monitoring programme, by successfully completing an ISO 14064-1:2018 based Green House Gas verification study

SAFE HARBOR STATEMENT

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THANK YOU