



EMBODIMENT OF STRENGTH

Q1 FY 2023/24
EARNINGS RELEASE UPDATE



HELA APPAREL HOLDINGS PLC

Q1 FY 2023/24 | GROUP FINANCIAL HIGHLIGHTS

Revenue

Rs. 17.0 Bn

-30.6% y/y



Operating Profit

Rs. -1.2 Bn

-212% y/y



Profit After Tax

Rs. -1.9 Bn

-652% y/y



Gross Margin

6.1%

- 820 bps y/y



EBIT Margin

-7.2%

-1,160 bps y/y



Net Debt : Equity

2.1 (x)

(2.0x : Q1 FY 23)



Q1 FY 2023/24 | HIGHLIGHTS

Operating environment remained particularly challenging in Q1, with a 26.4% y/y decline in US Dollar revenue, compared to a 9.6% y/y drop in Q4

- **Consumer spending remained under significant pressure** in the Group's key markets, due to elevated inflation and interest rates
- **Uncertainty on the timing of a potential recovery** is leading to cautious procurement decisions across the industry due to inventory concerns
- **Exchange rate appreciation accentuated revenue drop** in LKR terms

Significant reduction in profit margins as a result of decline in sales

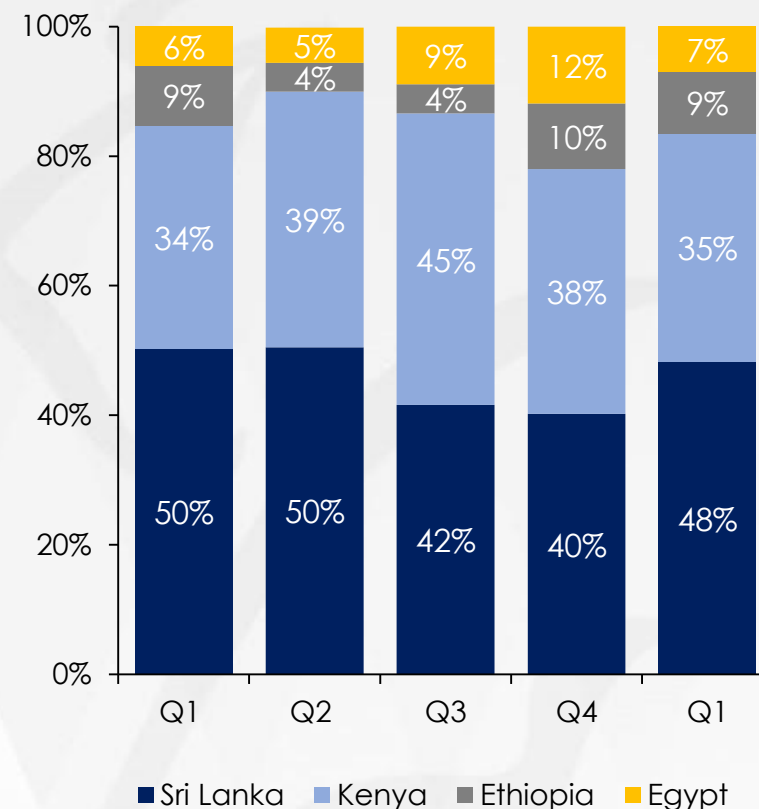
- **Capacity utilisation rates decreased across the Group's manufacturing facilities**, hitting gross profit margins
- **Administration costs rose**, partly as a result of SAP implementation costs, offsetting a significant reduction in distribution costs
- **Elevated finance costs** due to high US Dollar interest rates, contributed to the significant post-tax loss during the quarter

Balance sheet remained stable, though long-term borrowing rose on account of new financing agreements with major impact investors

- **Moderate increase in leverage** illustrated by rise in the Group's net debt-to-equity ratio to 2.1x as of 30 June, compared to 2.0x in the previous year

Revenue by Country of Manufacture

Q1 FY 23 – Q1 FY24 (% of Group Revenue)

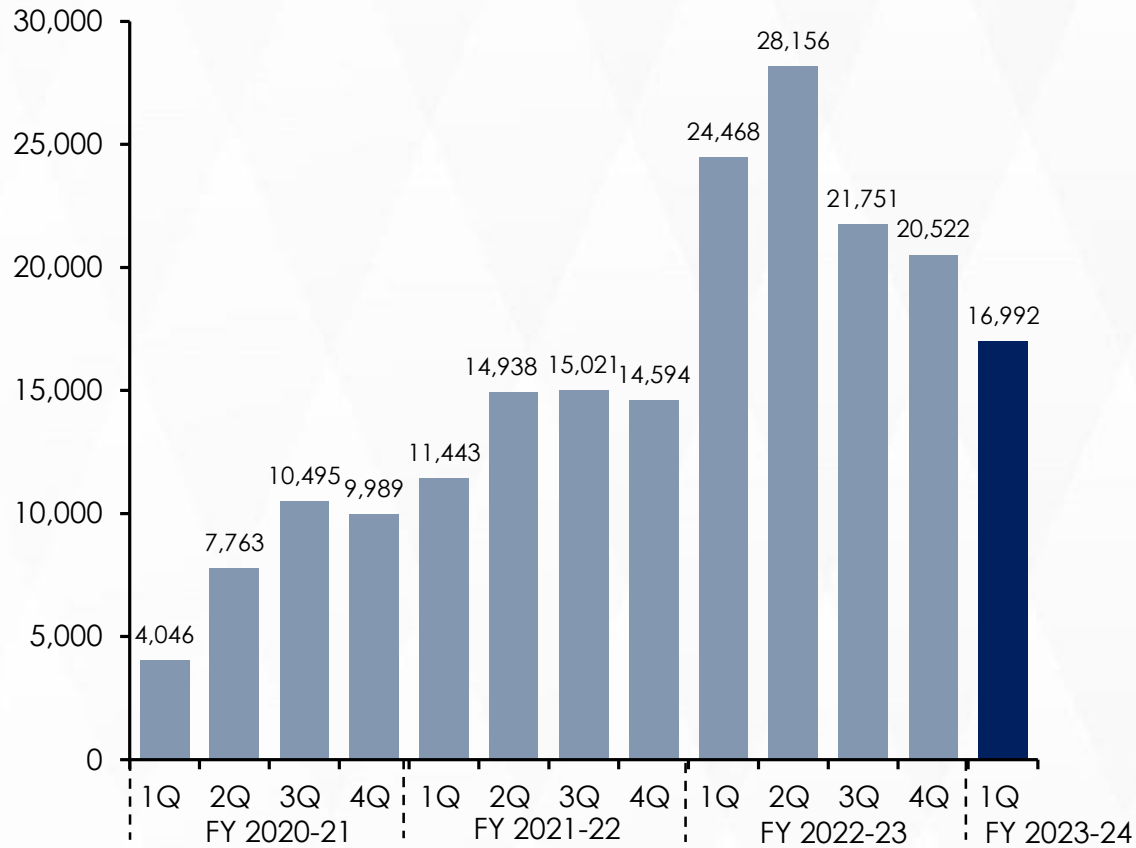


Note: The figures included in the chart above are based on management accounts and are not comparable to the segmental breakdown provided in the financial statements

Q1 FY 2023/24 | PERFORMANCE UPDATE

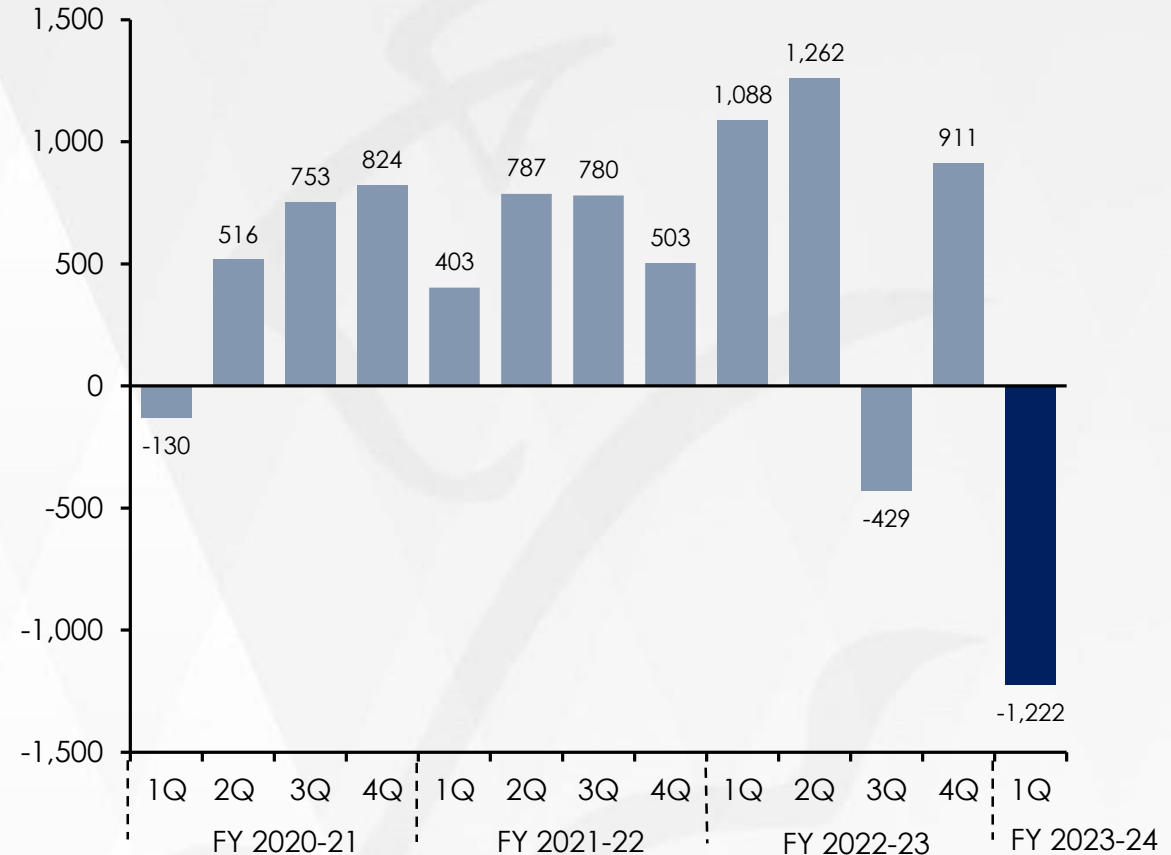
Group Revenue (Rs. Mn)

Q1 FY 21 – Q1 FY 24



Operating Profit (Rs. Mn)

Q1 FY 21 – Q1 FY 24



Note: The LKR/USD exchange rate in Q1 FY 23/24 averaged 5.7% higher than in Q1 FY 22/23; and 13.1% higher than in Q4 FY 22/23



Q1 FY 2023/24 | CAPACITY UPDATE



Approximately 15% quarter-on-quarter decrease in standard hour output in Q1 (-30% y/y), partly due to seasonal drop in April

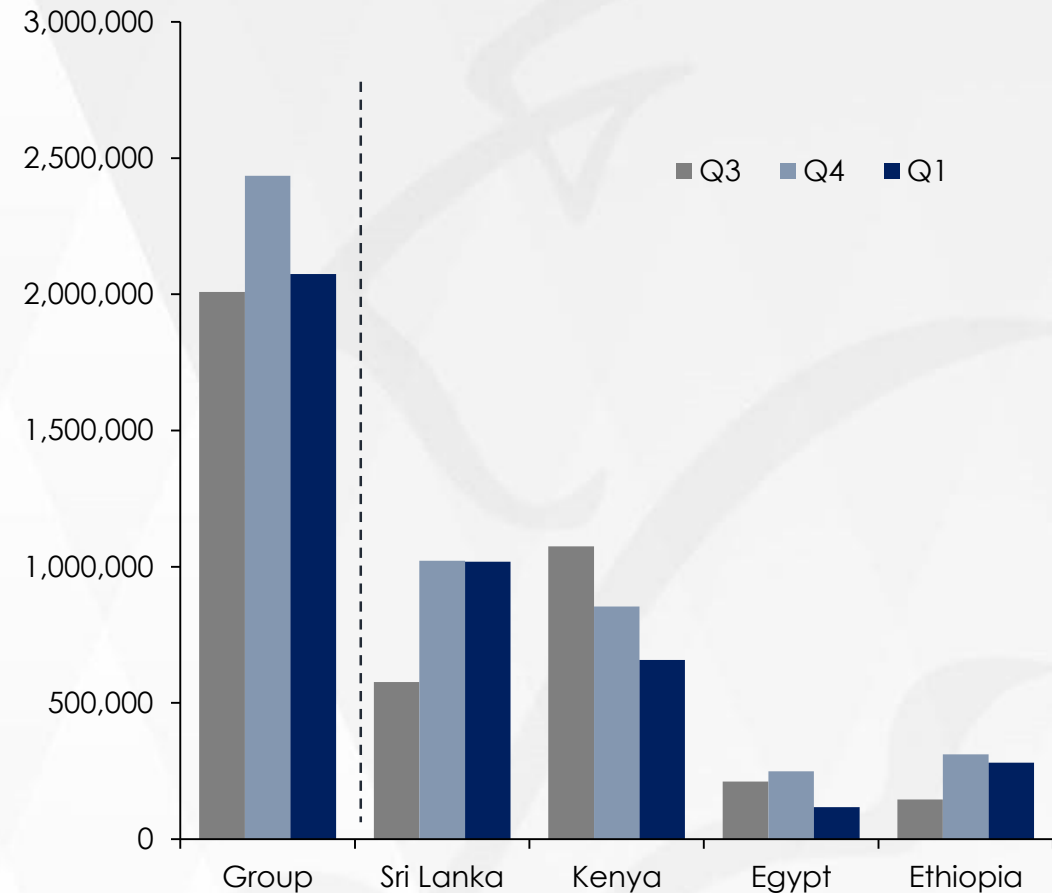


Capacity utilisation rates declined during the quarter (from ~80% to ~70%) as a result of larger than expected reduction in demand



Sri Lanka showed relative resilience, reflecting skew in manufacturing mix towards European supermarkets that have proved more resilient than US brands exposed to wholesale channels

Sold Standard Hours by Country of Manufacture
Q3 FY 23 – Q1 FY 24

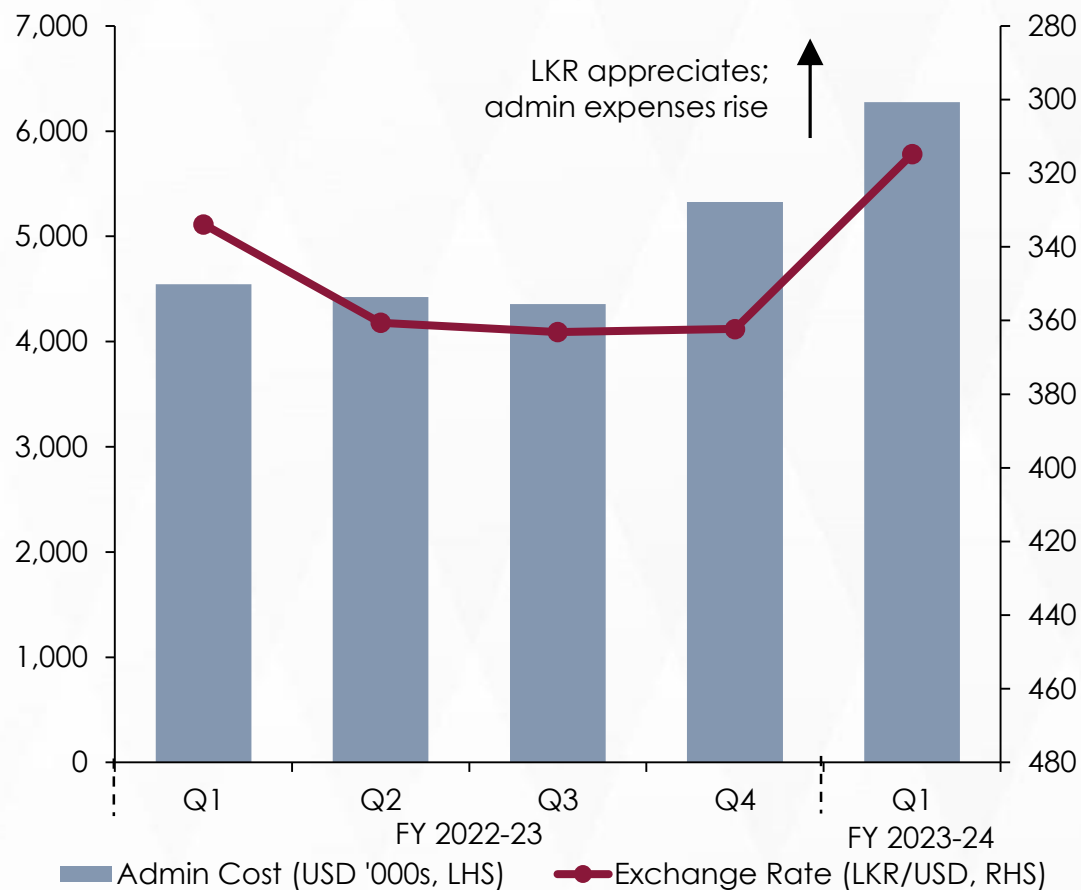


Note: Standard hours is a measure of capacity, which is calculated by multiplying clocked hours (i.e. the total numbers of hours clocked by the company's employees) by the efficiency rate of production.

Q1 FY 2023/24 | DISTRIBUTION & ADMIN EXPENSES

Group Administrative Expenses (USD Thousand)

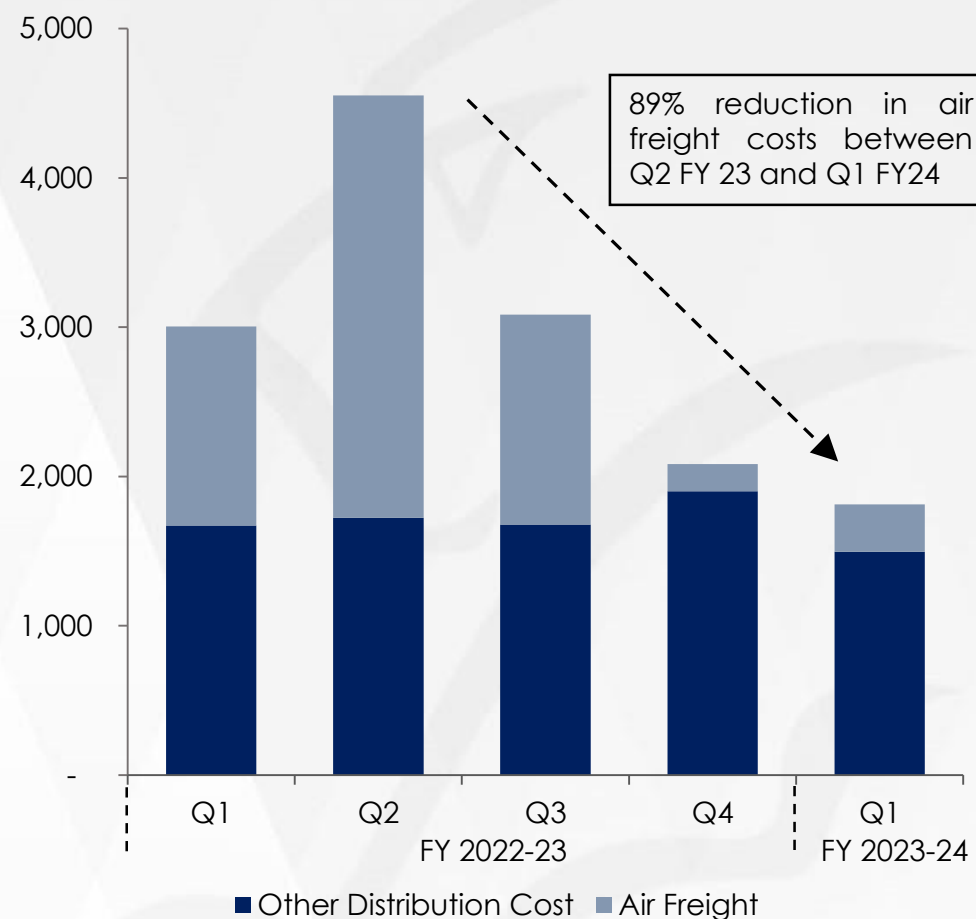
Q1 FY 23 – Q1 FY 24



Increase in admin expenses (in USD terms) partly driven by appreciation in LKR during the quarter

Group Distribution Expenses (USD Thousand)

Q1 FY 23 – Q1 FY 24



Normalisation of distribution costs continued in Q1



Q1 FY 2022/23 | ADDITIONAL FUNDING FACILITIES



Landmark financing agreements with major impact investors will support Hela's strategic investment initiatives in Africa and will be drawn down only as required. These transactions also demonstrate the confidence of these respected stakeholders in the business

NORFUND



Up to US\$ 14 million long-term debt facility to support East African operations



Earmarked to support Hela's strategic supply chain partnerships in Africa, as well capex requirement in East Africa

AAVISHKAAR CAPITAL – ESG FIRST FUND



Up to US\$5 million long-term debt facility to support Egypt operations



Supporting the capex needs in Egypt to bring operation to full scale and boost productivity

OUTLOOK | OVERVIEW



Challenging operating environment expected to continue, even as inflation in the US and Europe eases



Timing of a meaningful recovery continues to be uncertain, indications from brands do yet imply a strong pickup

180°

Hela is launching a comprehensive group-wide strategy to respond to uncertain external conditions and support a return to profitability

KEY EXTERNAL RISK FACTORS



Recession in key markets remains possible; potential to cause continued weakness in consumer demand



Further increases in global interest rates, as well as economic policy shifts in key operating countries



Major climate events impact operating environment; both on demand trends and supply chain

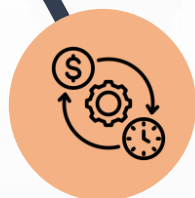
OUTLOOK | PROJECT 180°

PROJECT 180°



(i) COST & CAPACITY RATIONALISATION

- Recruitment freeze at team-member level; selective replacement at executive-level
- All departments working on mandated cost reductions based on conservative demand forecasts
- Further measures on cost and capacity under discussion



(ii) OPERATIONAL EXCELLENCE

- Target for air freight and other unbudgeted operational costs at 0.15% of revenue
- Process improvement support by new SAP S/4HANA supported Digital core



(iii) INCOMPARABLE PRODUCT & SERVICES

- Focus on proactively responding to our customers needs remains a critical focus
- Aggressive approach to winning demand in a challenging market environment



(ii) STRATEGIC INVESTMENTS

- Continuing to pursue strategic investments across the apparel value chain
- Ensuring long-term positioning of the business in a rapidly evolving global environment

OUTLOOK | INCOMPARABLE SERVICE



Tesco Empowerment Award is a great example of how we are delivering incomparable service to our customer in order to win additional business



Concept to delivery in 7 weeks (compared to industry-standard lead time of 14+ weeks) enabled Tesco to take advantage of in-season trend



Demonstrates the importance of Hela's strategic customer engagement approach, driving constant innovation in service offering



SOCIAL CAPITAL | COMMUNITY EMPOWERMENT



HELA
DIRILIYA

- Successfully introduced the **Diriliya programme in Ethiopia**
- Selective **Diriliya products are now available on the Daraz platform in Sri Lanka**
- Diriliya members from Sri Lanka **participated in the Cargills Pola** in Delakanda and Athurugiriya



HELA
DIRIDARUWO

- Applications were called for the **second batch of Diridaruwo scholarship recipients**
- Over 10 Diridaruwo members were provided **internal internship and employment opportunities**
- English classes commenced for the 2nd batch of 30 scholars from the Undergraduate category



P.A.C.E
PROGRAM

- **Training of Trainer program conducted in Ethiopia** for 12 employees from Hela Indochine Apparel and Sumbiri Intimate Apparel

SOCIAL CAPITAL | COMMUNITY EMPOWERMENT



GEAR

- **Graduation of GEAR (Gender Equality And Returns) trainees** from 03 manufacturing facilities in Sri Lanka organized by Betterwork (IFC-ILO Partnerships).
- **The goal of GEAR is to advance the careers of female team members**, while generating additional returns to the company. 61% of GEAR trainees were promoted



STOP

- **STOP** prevention of sexual harassment programme **launched in Ethiopia**
- Training sessions ongoing

BSR | HERproject

BSR HER

- MOU signed with BSR to **launch the HER project**
- Program launch planned from July 2023 onwards to educate women on functional financial literacy

SOCIAL CAPITAL | ENVIRONMENTAL STEWARDSHIP



Obtained an average of 90% Higg FEM score across all Sri Lankan manufacturing facilities

Obtained the Global Recycled Standard (GRS), Organic Content Standards (OCE) and Regenagri sustainability certifications for Mawathagama, Narammala, Ethiopia Palapathwala and Kenya manufacturing facilities, and Head Office

Obtained the Global Organic Textile Standard (GOTS) certification for Mawathagama, Narammala, Ethiopia manufacturing facilities and Head Office



Successfully completed the carbon footprint measures for Scope 1, 2 & 3 emissions of the Hela Group for the third consecutive year

SAFE HARBOR STATEMENT

The material in this presentation has been prepared by Hela Apparel Holdings PLC (“Hela”) and provides information about Hela’s activities as at the date of this presentation. This information is given in summary form and does not purport to be complete. Information in this presentation, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Hela’s businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Hela does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Hela’s control. Past performance is not a reliable indication of future performance. Unless otherwise specified all information is for the period ended 30 June 2023.

Contact Investor Relations

Email: investors@helaclimbing.com

Website: <http://www.helaclimbing.com>

Hela Apparel Holdings PLC
35, Balapokuna Road,
Colombo 6, Sri Lanka



THANK YOU