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PARTNERSHIPS

Q1 FY 2024/25 Earnings Release Update

21 August 2024

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GROUP HIGHLIGHTS

Q1 FY 2024/25 | GROUP FINANCIAL HIGHLIGHTS

Revenue	Operating Profit	Profit After Tax
Rs. 19.6 Bn	Rs. -1.6 Bn	Rs. -2.5 Bn
+15.1% y/y	*-28.6% y/y*	*-25.8% y/y*

Gross Margin	EBIT Margin	Net-Debt-to Equity Ratio
12.1%	-8.0%	3.2
+600 bps y/y	*-80 bps y/y*	*+1.1 y/y*

Note: The LKR/USD exchange rate in Q1 FY 24/25 averaged 4.7% lower than in Q1 FY 23/24; and 6.2% lower than in Q4 FY 23/24

Q1 FY 2024/25 | **GROUP HIGHLIGHTS**

Revenue growth of 15.1 y/y% in Q1 was driven by the contribution of BLD; which added LKR 4.7 Bn to the Group's topline (24% of the total)

- PLMD revenue declined by 12.8% y/y, partly due to the 4.7% appreciation of the USD/LKR exchange rate during this period
- BLD revenue fell by 17.5% q/q, reflecting a seasonal downturn in Q1 (which is historically its weakest quarter as its falls between major fashion seasons in Europe)

Profitability was impacted by the seasonal weakness of the BLD, with signs of improvement in the PLMD's profitability performance

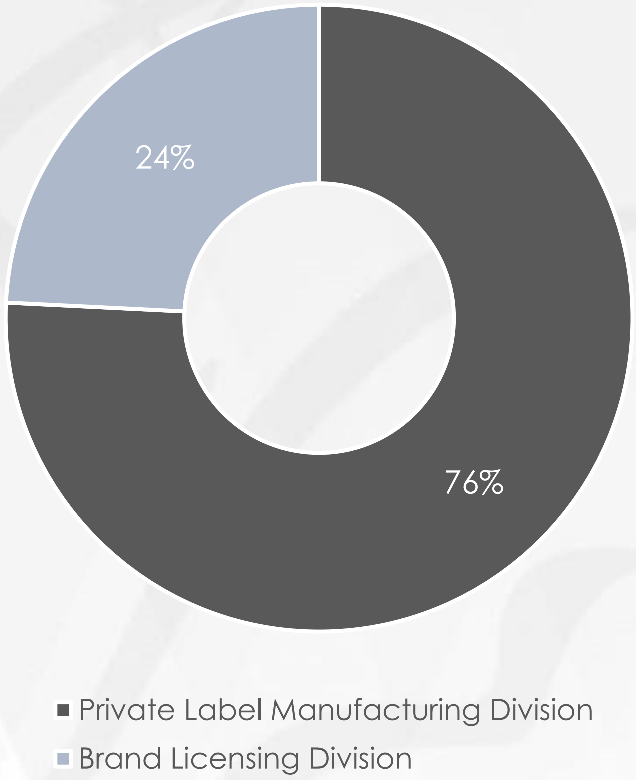
- BLD recorded an operating loss of LKR 592 Mn, which was in line with expectations and due to the seasonal drop in orders in Q1
- Underlying signs were positive with a 600bp y/y rise in the Group's gross margin, and a significant reduction in the PLMD's operating loss

Balance sheet remained robust during Q1

- Group closed Q1 with a Net-Debt-to-Equity ratio of 3.2 and cash balance of LKR 7.6 Bn

Group Revenue by Division

Q1 FY25 (% of Total)



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BRAND LICENSING DIVISION (BLD)

BLD | **Q1 FY 2024/25 HIGHLIGHTS**

BRAND LICENSING DIVISION – PERFORMANCE OVERVIEW

(LKR Mn)	Q1 2024/25
REVENUE	4,735
EBITDA	**(451)**
EBITDA MARGIN (%)	*(9.5%)*

HIGHLIGHTS OF THE QUARTER

- **Revenue of LKR 4.7 Bn (compared to LKR 5.7 Bn in Q4) reflected an expected seasonal drop in BLD demand**. Indeed, revenue was slightly above internal forecasts for the period
- **Q1 has historically always been the BLD's weakest reporting period as it falls between key fashion seasons in Europe**. Prior to the acquisition, a similar operating loss was recorded during the same period of FY 2023/24
- **Focus Brands restructuring strategy is moving ahead as planned**, set to support an improved financial performance over the coming quarters:
    - Consolidation of UK warehouses into single location completed
    - Key new management hires now in place
    - Realigned and reenergized brand portfolio

BLD | **KEY DEVELOPMENTS**

CLOSURE OF ONE UK DISTRIBUTION CENTRE COMPLETED

- **St Albans warehouse property returned on 24th July as planned**, with no additional costs incurred
- Distribution operations now consolidated into single modern UK warehouse, supported by partner warehouse in the EU

REEBOK OUTERWEAR LICENSE FOR UK & EUROPE

- Reebok outerwear license for UK and Europe has been formally announced by joint press release with Authentic Brands Group
- **First products are set to hit stores in Spring 2025**, with a positive response from retailers so far

INTRODUCTION OF AVX TO LICESEND BRAND PORTFOLIO

- **Urban lifestyle brand evolving form the existing Avirex brand**; aligns strongly with wider BLD brand portfolio
- Products launching in early-2025 with significant marketing activations planned

PRIVATE LABEL MANUFACTURING DIVISION (PLMD)

PLMD | Q1 FY 2024/25 HIGHLIGHTS

PRIVATE LABEL MANUFACTURING DIVISION – PERFORMANCE OVERVIEW

(LKR Mn)	**Q1 2024/25**	Q1 2023/24	Y/Y Variance
REVENUE	**14,822**	16,992	-12.8%
EBTIDA	**(571)**	(1,129)	+49.4%
EBITDA MARGIN (%)	***(3.9%)***	*(6.6%)*	+270 bp

HIGHLIGHTS OF THE QUARTER

- **PLMD revenue of LKR 14.8 Bn during Q1 reflected a 12.8% y/y decline, partly due to the LKR appreciation**. Q1 also tends to be a weaker quarter for PLMD due to the higher prevalence of holidays across all operating countries
- **Nonetheless, the underlying trend remains towards improving demand** – USD revenue fell by only 2.0% q/q and was still 13.0% above its low in Q3 23/24
- **Profit margins also improved markedly, despite the drop in revenue,** as PLMDs capacity base is now well aligned with demand levels:
  - PLMD's gross margin improved by 390bp to 10.0% - the highest level since FY2022/23, reflecting strong capacity utilization (~95%)
  - EBITDA margin improved by 270bp to -3.9% as administrative and distribution expenses were tightly controlled

PLMD | **KEY DEVELOPMENTS**

FURTHER CUSTOMER ONBOARDING WINS

- **La Senza, the established global lingerie brand**, successfully onboarded as an additional high-value customers
- First production of sleepwear shipped in July 2024

MANUFACTURING CAPACITY OPTIMISATION

- **Transition of all manufacturing facilities in Sri Lanka to 6-day work week** (from 5 days) commenced from July 2024
- Optimization of overheads, while flexibly boosting capacity to meet growing demand

FIRST PETER WERTH ORDER FOR TESCO COMPLETED

- **Manufacturing of first Peter Werth order for Tesco completed** and set for shipping in August
- Represents the realization of a key synergy between BLD and PLMD, delivering additional demand

GROUP OUTLOOK

GROUP OUTLOOK | **OVERVIEW**

OPERATING ENVIRONMENT

Consumer demand conditions showing continued resilience; though downside risks remain

Major central banks beginning easing cycles, supporting consumer demand and reducing the cost of financing

Red Sea shipping disruption continuing unabated; weighing on margin improvement potential

BRAND LICENSING DIVISION

Improvement in performance expected as BLD moves into prime selling period

Current trading suggests stable performance vs. previous year (pre-acquisition)

PRIVATE LABEL MANUFACTURING DIVISION

Current order book indicates significant pickup in demand

Supportive of marked improvement in profitability, based on realigned cost base

GROUP OUTLOOK | **DEMAND VISIBILITY**

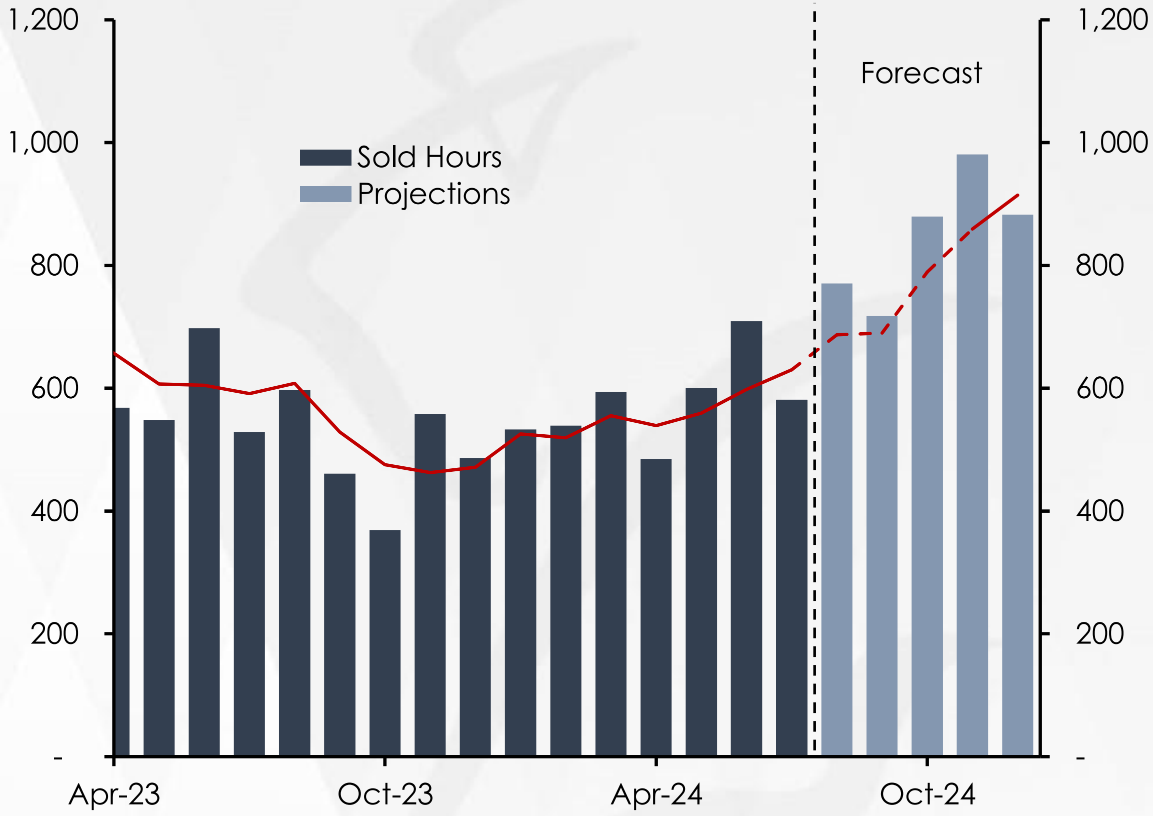
Current PLMD orderbook suggest approx. 15% q/q increase in loading in Q2 FY24/25 – timing of revenue recognition may differ

Over 90% of the Q2 order book is confirmed and early indications (based on customer projections) suggest further demand upside in Q3

BLD budgeted order book for the full year is currently 70%+ confirmed; and is overall tracking in line with expectations

PLMD Loading

Q1 FY 24 – Q3 FY 25 (Sold Standard Hours, Thousands)



Note: Projected loading is based on a combination of confirmed customer orders and loading forecasts provided by major customers. As such, projected loading is subject to change based on updated information provided by customers and manufacturing performance.

GROUP OUTLOOK | **MARGIN IMPROVEMENT**

MARGIN IMPROVEMENT DRIVERS

BLD SET TO CONTRIBUTE POSITIVELY TO BOTTOM LINE FOR THE REMAINDER OF THE FINANCIAL YEAR

- **Q2 onwards represent the BLD's prime selling period;** expected to contribute positively to bottom line
- Focus Brands' current trading is in line with the previous year (pre-acquisition), which delivered a profitable full year result (excluding one-off transaction costs related to the acquisition

PLMD ALSO POISED FOR SIGNIFICANT IMPROVEMENT IN PROFITABILITY

- **PLMD gross margin set to improve further** – supported by improvement in capacity utilization and shift to higher-margin customers (reflecting new brands added over the past 18 months)
- **Admin and distribution costs are also being tightly controlled** to ensure the expected improvement in top line and gross margins feeds through to operating profit

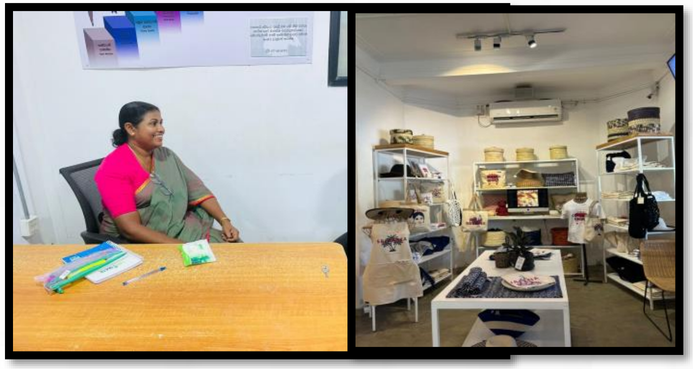
CAPITAL AUGMENTATION STRATEGY

PHASED CAPITAL AUGMENTATION STRATEGY UNDERWAY TO STRENGTHEN BALANCE SHEET

- **Initial phase to raise LKR 1.6 Bn in additional equity via a Rights Issue is set to be completed over the coming weeks** – proceeds will be used to settle existing borrowings, bolstering the Group's balance sheet
- Top 3 shareholders, holding over 75% of the total share capital, have already confirmed their participation

SOCIAL CAPITAL UPDATE

SOCIAL CAPITAL | **COMMUNITY EMPOWERMENT**



HELA DIRILIYA

- Diriliya is **950+ entrepreneurs** and potential entrepreneurs strong
- **One-on-One Business Consultation Sessions** for selected Diriliya members in Naula
- A Diriliya member received a **bulk order of over 800,000 LKR from Urban Island,** included products: Aprons, T-shirts, Tote bags, and Tea towels

HELA DIRIDARUWO

- Created 35+ internal and external **employment opportunities for Diridaruwo scholars**
- **One-on-One Career Guidance Consultation Sessions** with Diridaruwo scholars, organized by Berendina
- Hela was honored with the **Tesco Award for Communities** at Tesco Indian Sub-Continent Supplier (ISC) conference in Bangalore

P.A.C.E. PROGRAM & RISE PROGRAM

- Commenced distribution of **PACE program completion certificates for PACE Graduates.**
- Internal trainer nominations & shortlisting process conducted for the **RISE – Train the Trainer Program.**

SOCIAL CAPITAL| **ENVIRONMENTAL STEWARDSHIP**

ISO 14064-1 : 2018 Certification for GHG Monitoring – Completed for fourth time

- GHG Quantification & Reporting – In progress for all 03 scopes
- Expanded the emission calculation of the scope 03 categories to purchased goods, capital goods, and fuel related upstream activities

Science Based Targets for GHG reductions have been submitted to the Science Based Targets Initiative (SBTi) for validation

- Aligns with global target to maintain increase in global temperatures below 1.5 degrees
- Hela has committed to reducing its Scope 01 emissions by 42% and Scope 3 emissions by 25%, by 2030

Hela's sustainability, social capital and product Innovation teams presented initiatives under the category of CSR & Responsible Production at the **1st International Symposium on Green Industry Initiatives for Sustainable Industrial Development**, organised by the Industrial Development Board

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Contact Investor Relations

Email: investors@helaclothing.com

Website: http://www.helaclothing.com

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

hela

THANK YOU