



EMBODIMENT OF
STRENGTH

Q2 FY 2022/23
EARNINGS RELEASE UPDATE



HELA APPAREL HOLDINGS PLC

Q2 FY 2022/23 | GROUP FINANCIAL HIGHLIGHTS

Revenue

Rs. 28.2 Bn

+89%



Operating Profit

Rs. 1.3 Bn

+54%



Profit After Tax

Rs. 496.5 Mn

+14%



Gross Margin

14.6%

+20 bps



EBIT Margin

4.5%

-100 bps



Net Debt : Equity

1.6 (x)

(3.9x : Q2 FY 22)



Q2 FY 2022/23 | HIGHLIGHTS

Resilient revenue growth, despite a challenging demand environment in the Group's key markets

- **Softening consumer demand** conditions in Europe & the US, as a result of high inflation and tighter monetary policy
- Positive contribution from continued **ramp up of Egyptian operations and strengthening of new customer relationships**
- **Significant exchange rate depreciation** boosted LKR figures

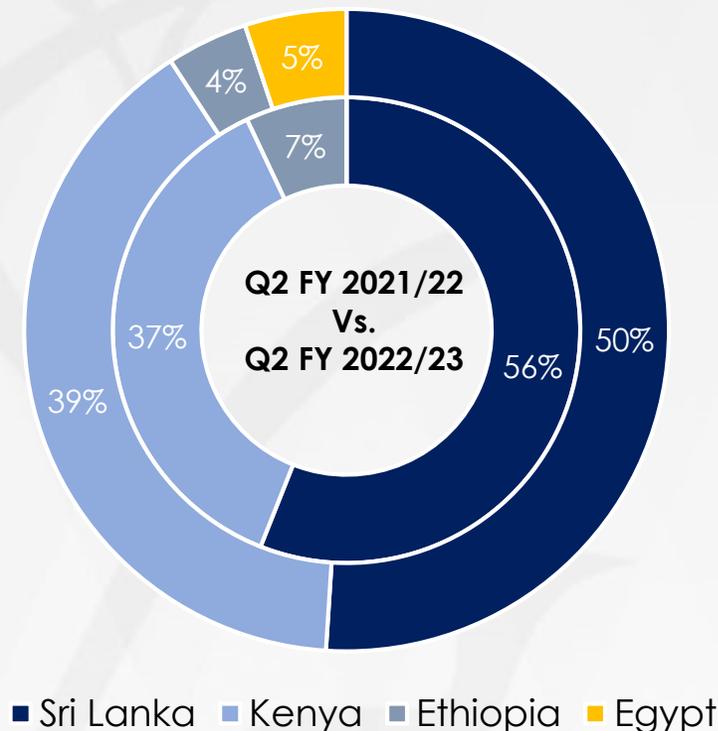
Limited improvement in profit margins, as cost base remained high

- **Significant increase in distribution costs**, partly offset by rise in other income and gains driven by one-off factors
- **Positive impact of depreciation on local overheads** and reduced pandemic-related costs limited increase in administration costs

Improved balance sheet position, places Group in a more resilient position to navigate the evolving global environment in the coming quarters

- **Reduced Group leverage**, reflected in a drop in the net debt-to-equity ratio to 1.6x as of 30 September, compared to 3.9x in the previous year
- **Improvements in the working capital cycle**, supported by reduced inventory and receivable days

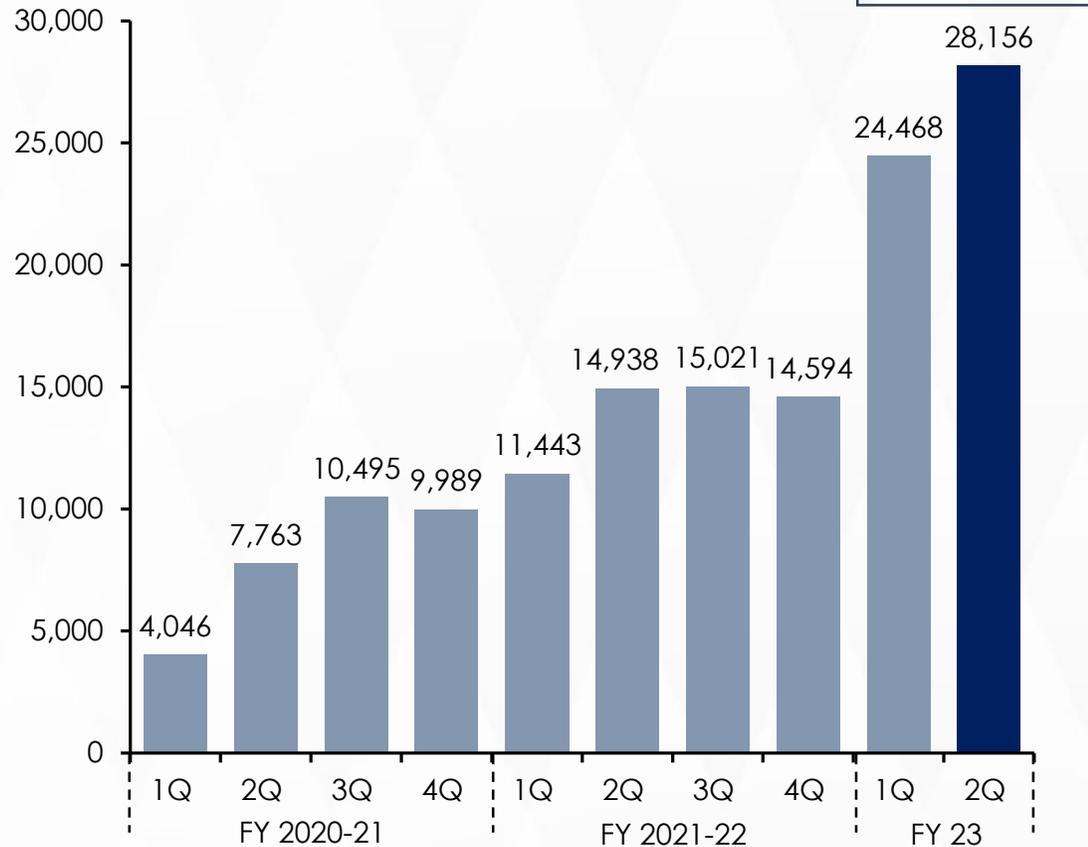
Q2 Revenue by Country of Manufacture
(% of Group Revenue)



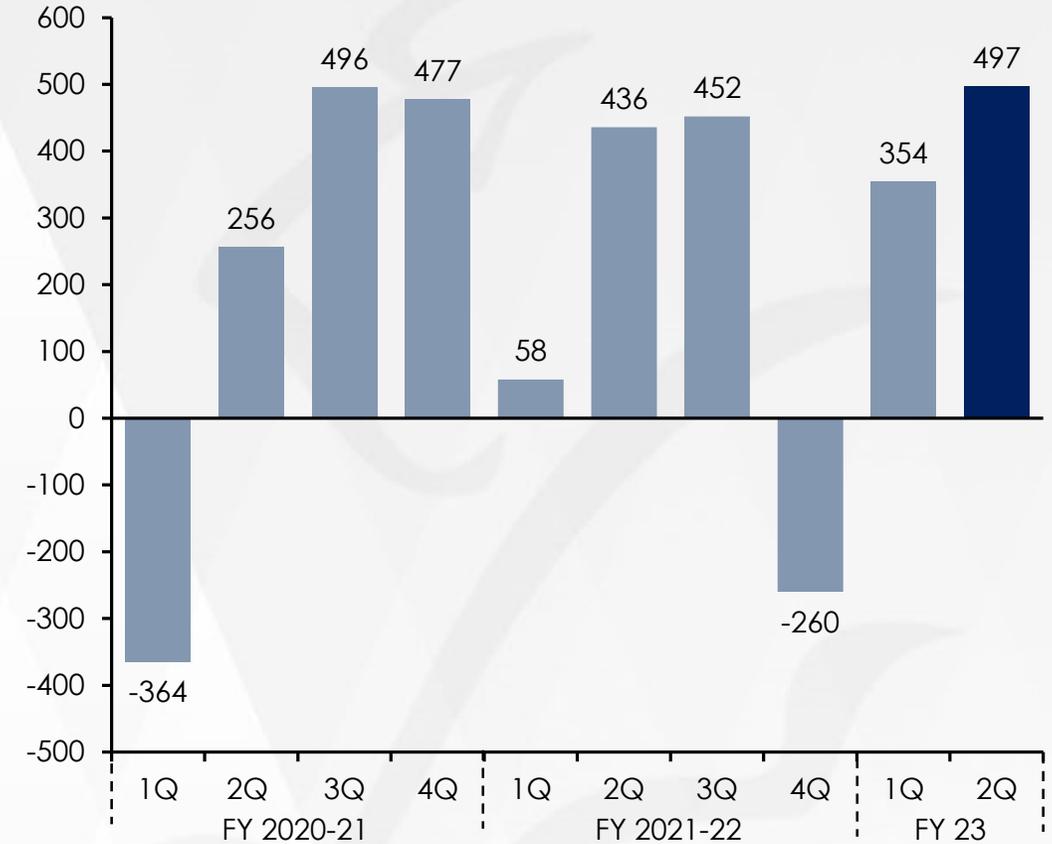
Note: The figures included in the chart above are based on management accounts and are not comparable to the segmental breakdown provided in the financial statements

Q2 FY 2022/23 | PERFORMANCE UPDATE

Group Revenue (Rs. Mn)
Q1 FY 21 – Q2 FY 23



Profit After Tax (Rs. Mn)
Q1 FY 21 – Q2 FY 23

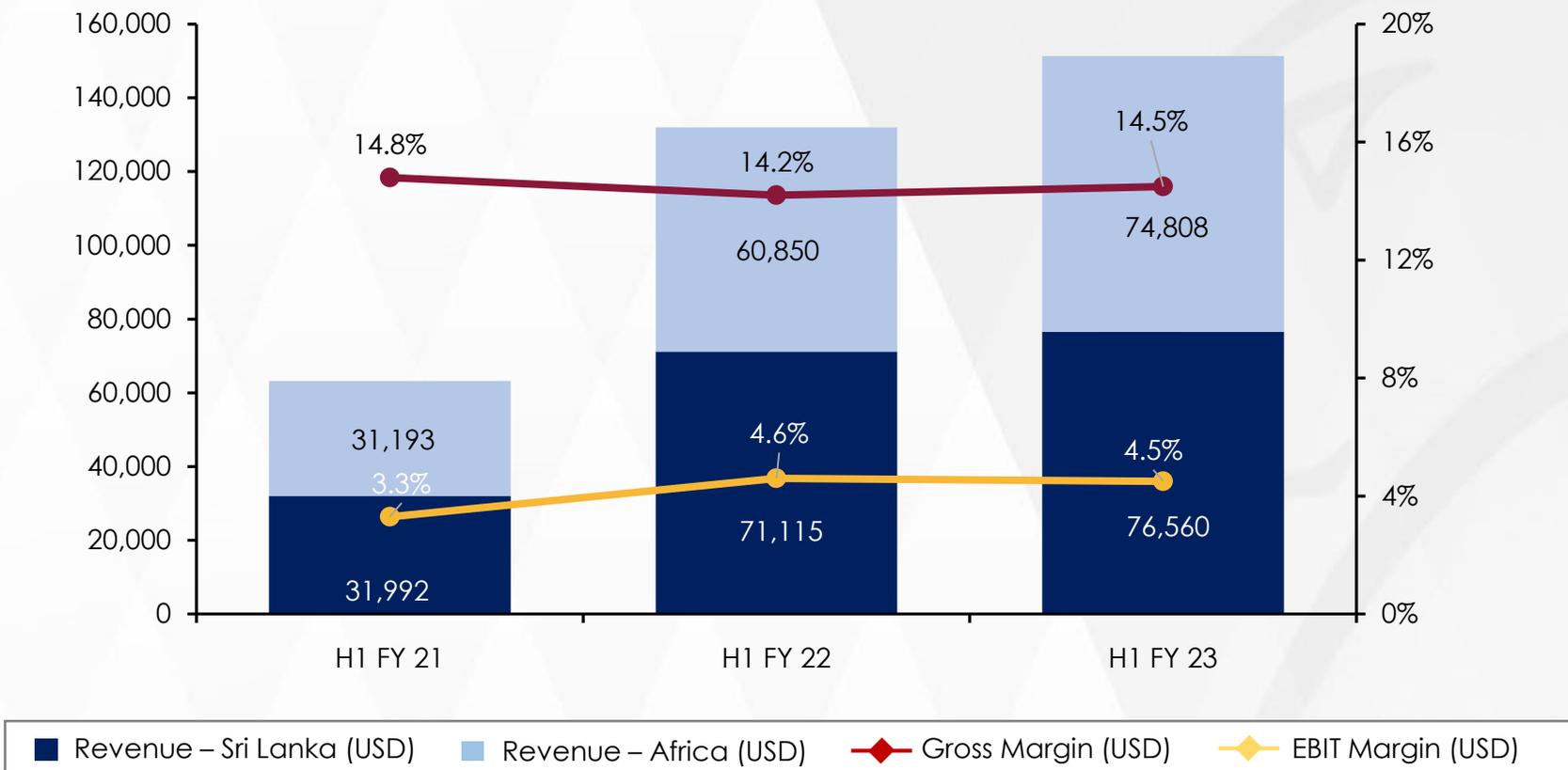


*Note: Due to the significant depreciation in the Sri Lankan Rupee during Q1 FY23, the exchange rate averaged 80% lower than in Q2 FY22 and 8% lower than Q1 FY 23

H1 FY 2022/23 | PERFORMANCE UPDATE

Group Revenue and Profitability Margins (USD Thousands)

H1 FY 21 – H1 FY 23



Steady growth in USD revenue compared to previous H1, accompanied by a limited improvement in profit margins

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



H1 FY 2022/23 | DISTRIBUTION COSTS



Performance in Q2 was constrained by significant unplanned air freight

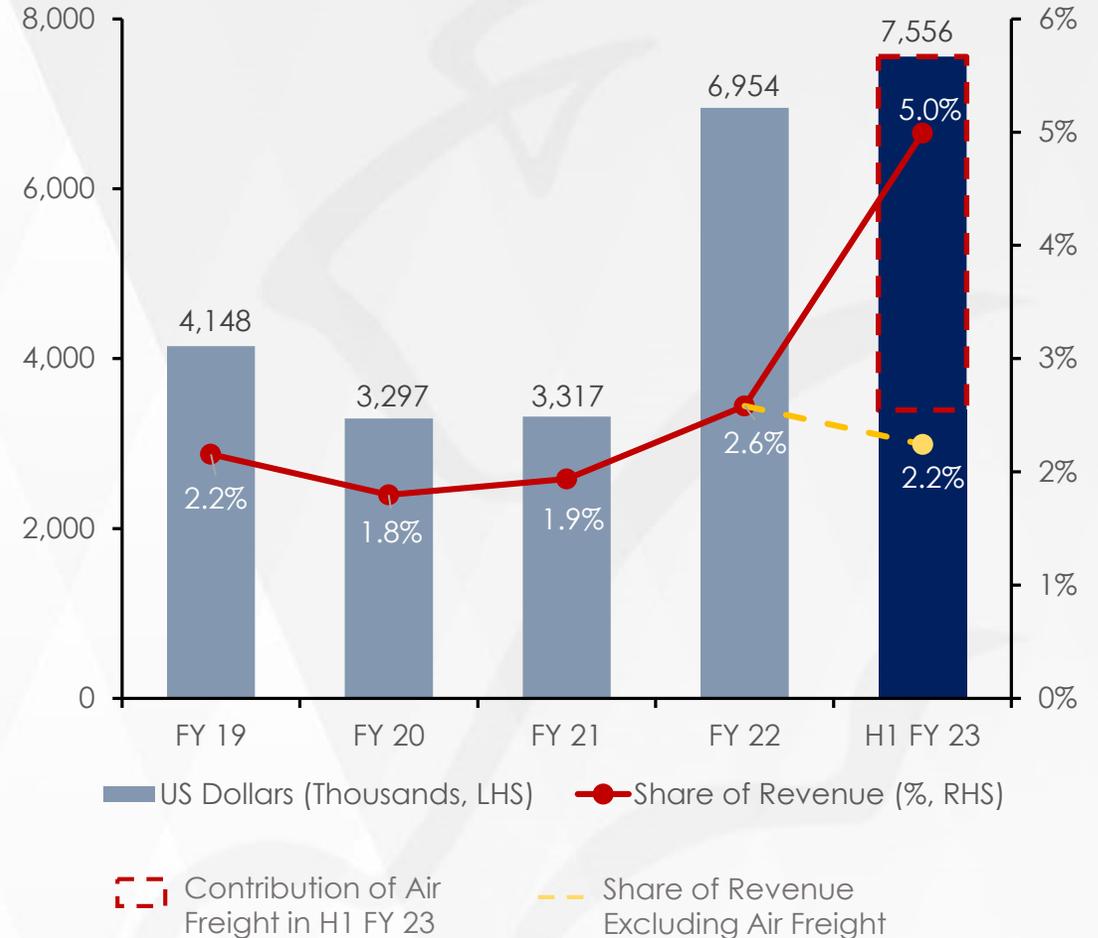


Reflects knock-on impact of labour dispute at Kenyan manufacturing facility in February and economic instability in Sri Lanka



Impact is expected to reduce in the coming quarters as operational stability is maintained

Group Distribution Costs (USD Thousand)
FY 19 – H1 FY 23



OUTLOOK | OVERVIEW



Slowdown in consumer demand underway, coupled with increased inventories across apparel sector



Revenue softening expected in H2, though **Egyptian facility and new customer relationships will be mitigating factors**



Further scope for profit margin improvement to support earnings, driven by focus on operational excellence

KEY RISK FACTORS



More prolonged economic slowdown than expected, as a result of further increases in inflation & interest rates



Policy changes in key operating countries – Sri Lanka, Kenya & Egypt have all sought the support of the IMF



Further increases in global interest rates, increasing the cost of funding

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



Agile decision making as the operating environment evolves

FOCUS ON STRENGTHENING CUSTOMER OFFERING



Maximising benefits of Egypt footprint to acquire new business & customers



Acquiring additional technical capabilities in lingerie and performance wear

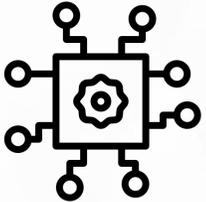


Seeking new opportunities to strengthen value proposition

OUTLOOK | SAP S/4HANA GO-LIVE



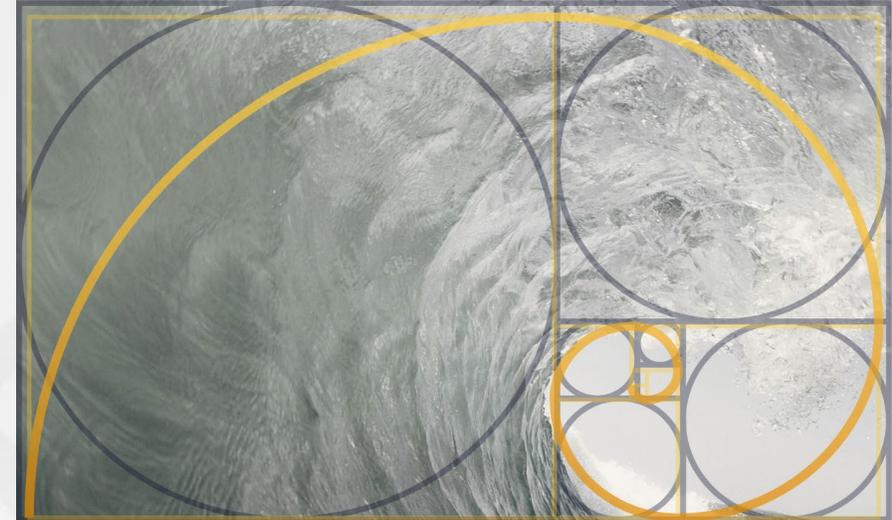
SAP S/4HANA implementation began in the Kidswear Cluster in October and will be rolled out across the Group in the coming quarters



Progress on one of the key IPO objectives, provides robust Digital Core that will seamlessly integrates and the various digital systems in use



Strengthens the Company's agility, by enabling more rapid and data-driven decision making



H20

PROCESS IMPROVEMENT
JOURNEY

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**, and has implemented the initiative across all factories in Sri Lanka

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**

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

Hela is targeting 500 participants in Sri Lanka in FY23, 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 increase 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 launched its sustainability strategy under the theme 'OnlyOneEarth'

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

Launched 'Hela Grow' – a food cultivation programme for all employees across the manufacturing facilities

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