




EMBODIMENT OF STRENGTH


Q3 FY 2022/23
EARNINGS RELEASE UPDATE




HELA APPAREL HOLDINGS PLC


Q3 FY 2022/23 | GROUP FINANCIAL HIGHLIGHTS


Revenue
Rs. 21.8 Bn
+45% 

Operating Profit
Rs.-429 Mn
-155% 

Profit After Tax
Rs. -1.7 Bn
-473% 

Gross Margin
10.0%
370 bps 

EBIT Margin
-2.0%
720 bps 

Net Debt : Equity
1.8 (x)
(3.8x : Q3 FY 22) 

Q3 FY 2022/23 | HIGHLIGHTS

Exceptionally challenging operating environment underpinned an almost 20% year-on-year decline in US Dollar revenues

- **Marked downturn in consumer demand** conditions in Europe and North America, as a result of high inflation and tighter monetary policy
- **Elevated inventory levels among major apparel brands** as they recovered from previous disruption to global supply chains
- **Exchange rate depreciation supported top line growth** in LKR terms

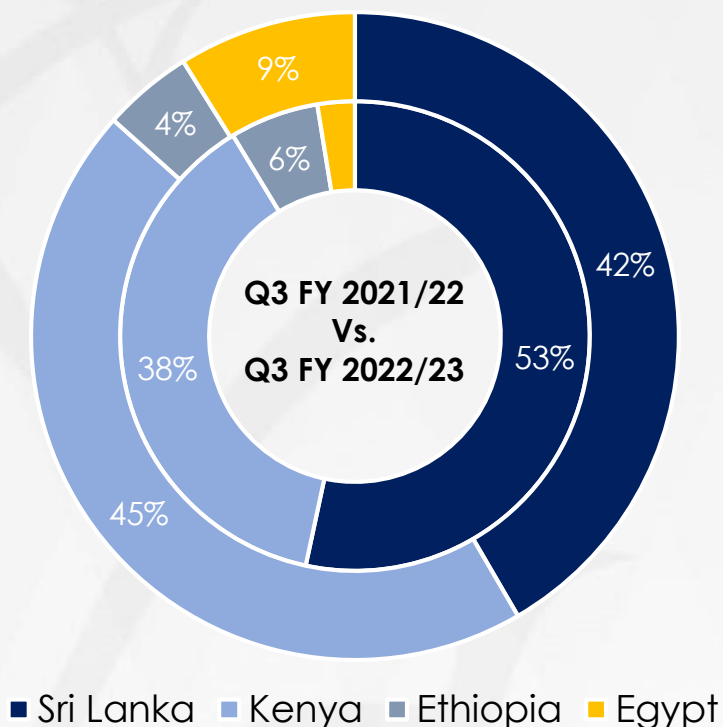
Drop in sales contributed to a significant contraction in profit margins, despite proactive cost reduction measures

- **Capacity utilisation rates decreased across most manufacturing facilities** and aged inventory provision rose due to order postponements
- **Distribution costs also remained elevated during the quarter**, though they were lower on a quarter-on-quarter basis
- **Significant increase in finance and income tax costs**, due to higher interest rates and hike in corporate tax rates, respectively.

Balance sheet position remained robust, indicating the Group is well positioned to navigate the volatile global environment in the coming quarters

- **Reduced leverage** demonstrated by drop in the Group's net debt-to-equity ratio to 1.8x as of December 31, compared to 3.8x in the previous year

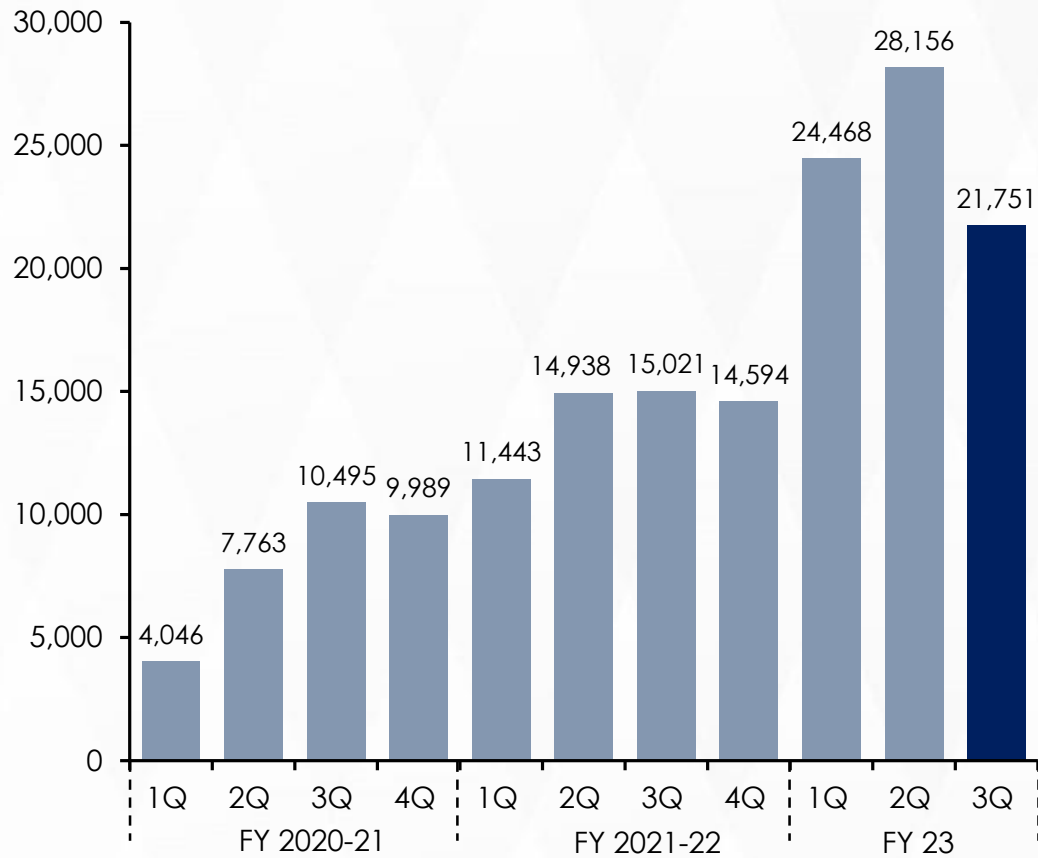
Q3 Revenue by Country of Manufacture
(% of Group Revenue)



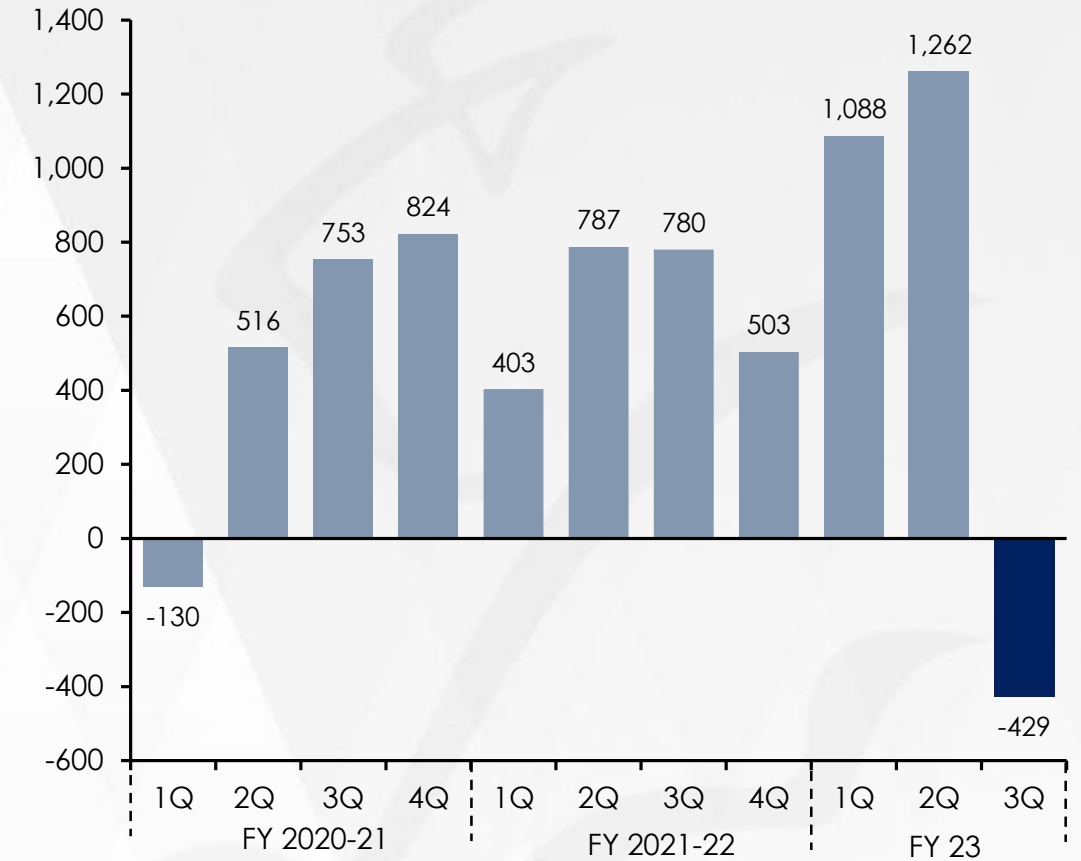
Note: The figures included in the chart above are based on management accounts and are not comparable to the segmental breakdown provided in the financial statements

Q3 FY 2022/23 | PERFORMANCE UPDATE

Group Revenue (Rs. Mn)
Q1 FY 21 – Q3 FY 23



Operating Profit (Rs. Mn)
Q1 FY 21 – Q3 FY 23



Note: Due to the significant depreciation in the Sri Lankan Rupee, the LKR/USD exchange rate in Q3 FY 23 averaged 80% lower than in Q3 FY22 and 8% lower than Q1 FY 23

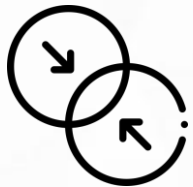
Q3 FY 2022/23 | CAPACITY UPDATE



Approximately 11% quarter-on-quarter reduction in produced standard hours in Q3, concentrated in Sri Lanka and Kenya due to drop in demand

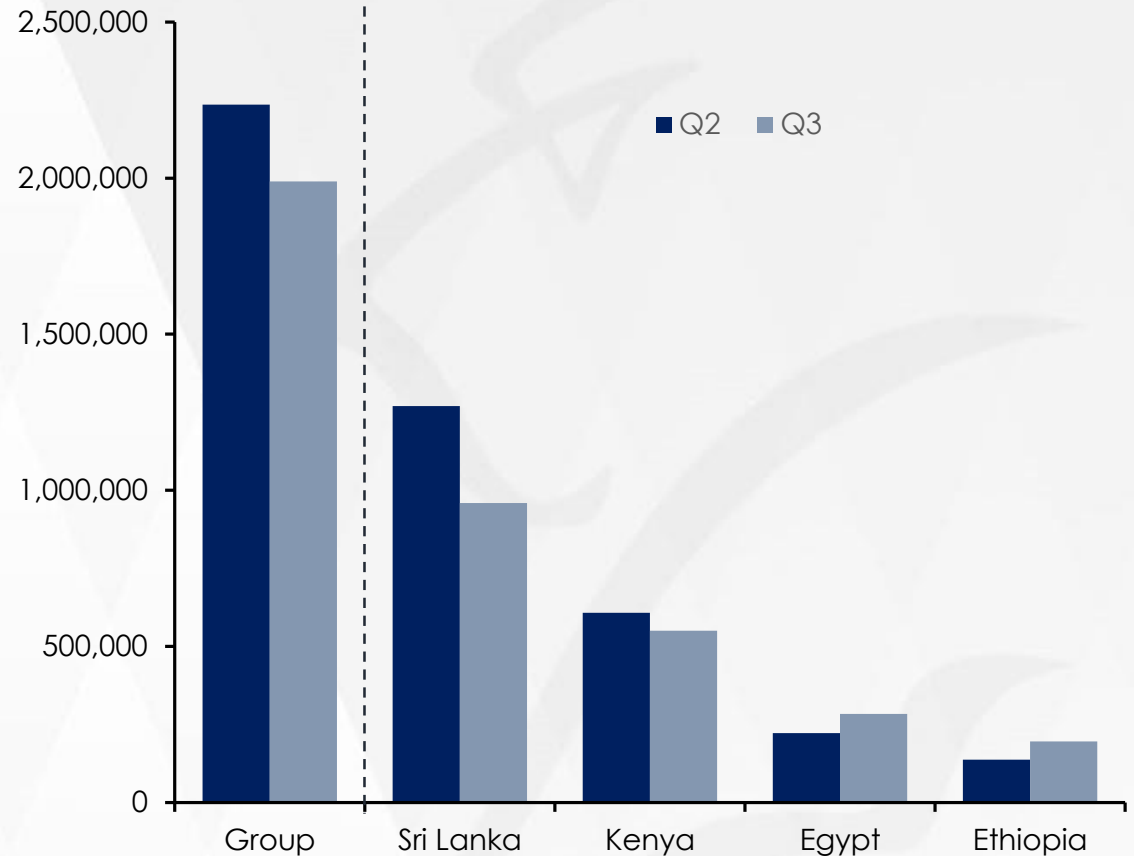


Increased hours in Egypt reflects continued demand for nearshoring, while in Ethiopia the increase was due to a recovery from an earlier drop



Decision taken to amalgamate two manufacturing facilities in Sri Lanka in December (reducing total number to six) in order to reduce overhead costs and streamline capacity

Produced Standard Hours by Country of Manufacture
Q2 FY 23 – Q3 FY 23

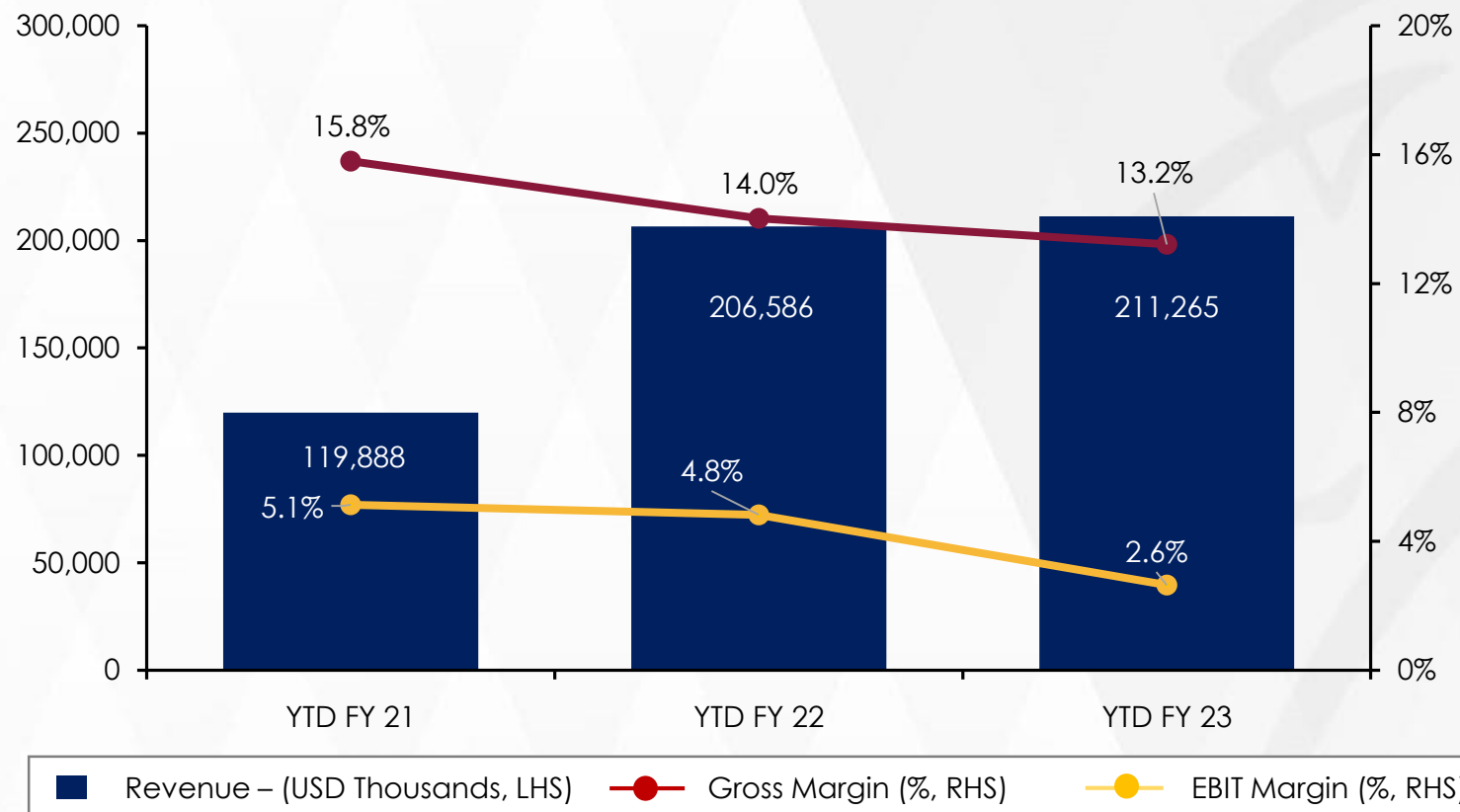


Note: Standard hours is a measure of capacity, which is calculated by multiplying clocked hours (i.e. the total numbers of hours clocked by the company's employees) by the efficiency rate of production.

YTD FY 2022/23 | PERFORMANCE UPDATE

Group Revenue and Profitability Margins (USD Thousands)

YTD FY 21 – YTD FY 23



Muted 2.3% growth in US Dollar revenue year-to-date; third quarter performance has also proved significant drag on profitability.

OUTLOOK | OVERVIEW



Tentative signs of stabilisation in economic outlook for key markets, though trajectory remains uncertain



Hela is well placed to take advantage of a future recovery; continued interest in Egypt is particularly encouraging



Intent to remain agile as operating conditions evolve to drive a return to profitability in the short-term

KEY RISK FACTORS



Current positive economic signs are not sustained, consumer demand takes a further downward leg



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



Potential for increased financial strain among customers and shifts in business strategy to adapt to new environment

OUTLOOK | NAVIGATING THROUGH THE HEADWINDS

DRIVING RETURN TO PROFITABILITY



Positive impact of cost reduction measure taken during Q3, as well as reversals of aged inventory provisions, expected to support bottom line



Continued focus on operational excellence and SAP implementation expected to bear fruit in the coming quarters



Further costs and capacity management measure remain available if operating conditions deteriorate

FOCUS ON CONSOLIDATING VALUE PROPOSITION



Maximizing benefits of unique country footprint and continued interest in Egypt



Proactive approach to winning additional business by leveraging strategic customer relationships, focusing on a range of distribution channels



Seeking new opportunities to strengthen value proposition to strengthen positioning

SOCIAL CAPITAL | COMMUNITY EMPOWERMENT

HELA DIRILIYA



A program designed to develop a generation of entrepreneurs

500+ entrepreneurs and potential entrepreneurs benefiting from training, market opportunities and many other business development services and collaborations

Hela is targeting the fostering of 750 entrepreneurs by 2024 and the launch of the program in Africa.

HELA DIRIDARUWO



Scholarship scheme continued to support the educational ambitions of employees' children up to undergraduate level

Soft launch of Diridaruwo conducted at each business unit in Sri Lanka

Focus on ensuring access to English & IT knowledge

"Praveshaya" goal orientation and setting programme conducted for all Diridaruwo scholars

GEAR (EQUALITY AND RETURNS)



A project by Better Work (ILO & IFC), aimed at increasing the numbers of females in management positions, especially the number of female supervisors

It consists of technical skills training, soft skills trainings, as well as OBTs, for the team members and supervisors.

Hela launched the project at three manufacturing facilities in Sri Lanka with a total of 45 trainees.

P.A.C.E. PROGRAMME



Globally recognized empowerment programme for apparel workers offering training in professional and life skills across all manufacturing facilities including Sri Lanka, Egypt and Ethiopia

Conducted the first bi-lingual P.A.C.E. training programme at Hela Ukuwela

More than 900 P.A.C.E graduates at Hela Ethiopia

2nd batch commenced in Hela Egypt

SOCIAL CAPITAL | ENVIRONMENTAL STEWARDSHIP

CLIMATE ACTION

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

Seeking to reduce **per employee water consumption to 25 liters per day** by 2025

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

WASTE MANAGEMENT

Seeking to **reduce the use of single-use plastic items**, and increase recycling and composting

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

Lifecycle Assessment to measure environmental impact of products

REGENERATE NATURE

Hela became a corporate member of the Field Ornithology Group of Sri Lanka (FOGSL)

Hela became a patron member of Biodiversity Sri Lanka (BSL)

Launched “Hela Nature Club” to support the creation of a sustainable culture within Hela

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