



# EMBODIMENT OF STRENGTH

Q4 FY 2022/23  
EARNINGS RELEASE UPDATE



HELA APPAREL HOLDINGS PLC

# Q4 FY 2022/23 | GROUP FINANCIAL HIGHLIGHTS

Revenue

**Rs. 20.5 Bn**

+41% y/y



Operating Profit

**Rs. 911 Mn**

+81% y/y



Profit After Tax

**Rs. -257 Mn**

-1.5% y/y



Gross Margin

**13.5%**

- 640 bps y/y



EBIT Margin

**4.4%**

+100 bps y/y



Net Debt : Equity

**1.6 (x)**

(1.8x : Q4 FY 22)



# Q4 FY 2022/23 | HIGHLIGHTS

While **operating conditions remained relatively challenging in Q4**, with a 10% y/y decline in US Dollar revenue, this was less than the 20% drop in Q3

- **Consumer spending proved relatively resilient** in the Group's key markets, supported by declines in inflation and the strength of labour markets
- **Elevated inventory levels among major apparel brands moderated**, supported by the resilience in consumer demand
- **Exchange rate depreciation supported top line growth y/y** in LKR terms

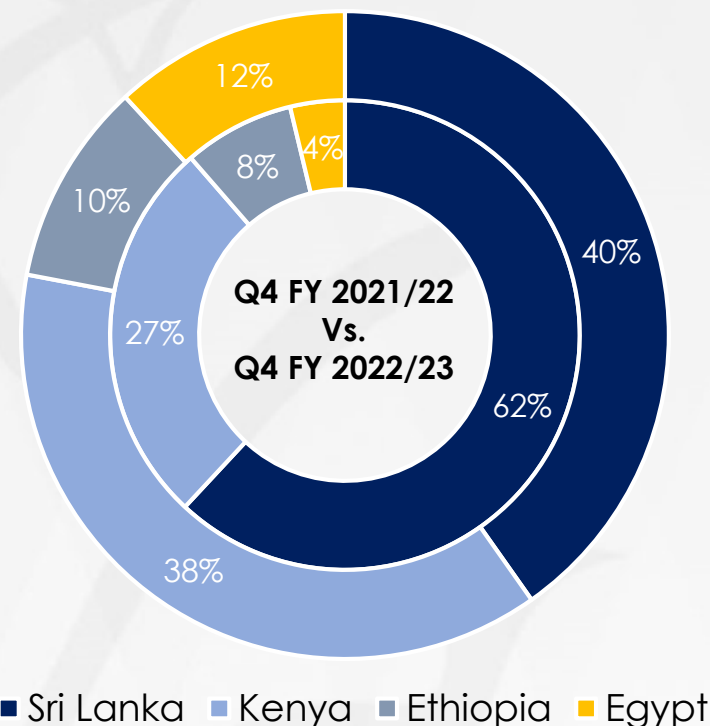
**Improvement in profit margins** supported by tentative stabilisation in demand conditions and proactive costs control measures taken by the management

- **Capacity utilisation rates improved across the Group's manufacturing facilities**, supporting improved gross profit margins compared to Q3
- **Greater optimisation of distribution and administration costs** during the quarter, supported return to operating profit quarter-on-quarter
- **Elevated finance and income tax costs**, due to higher interest rates and hike in corporate tax rates, respectively, contributing to a post-tax loss

**Balance sheet remained in a robust position**, supported by improvements in the working capital cycle during the year

- **Reduced leverage** demonstrated by drop in the Group's net debt-to-equity ratio to 1.6x as of 31 March, compared to 1.8x in the previous year

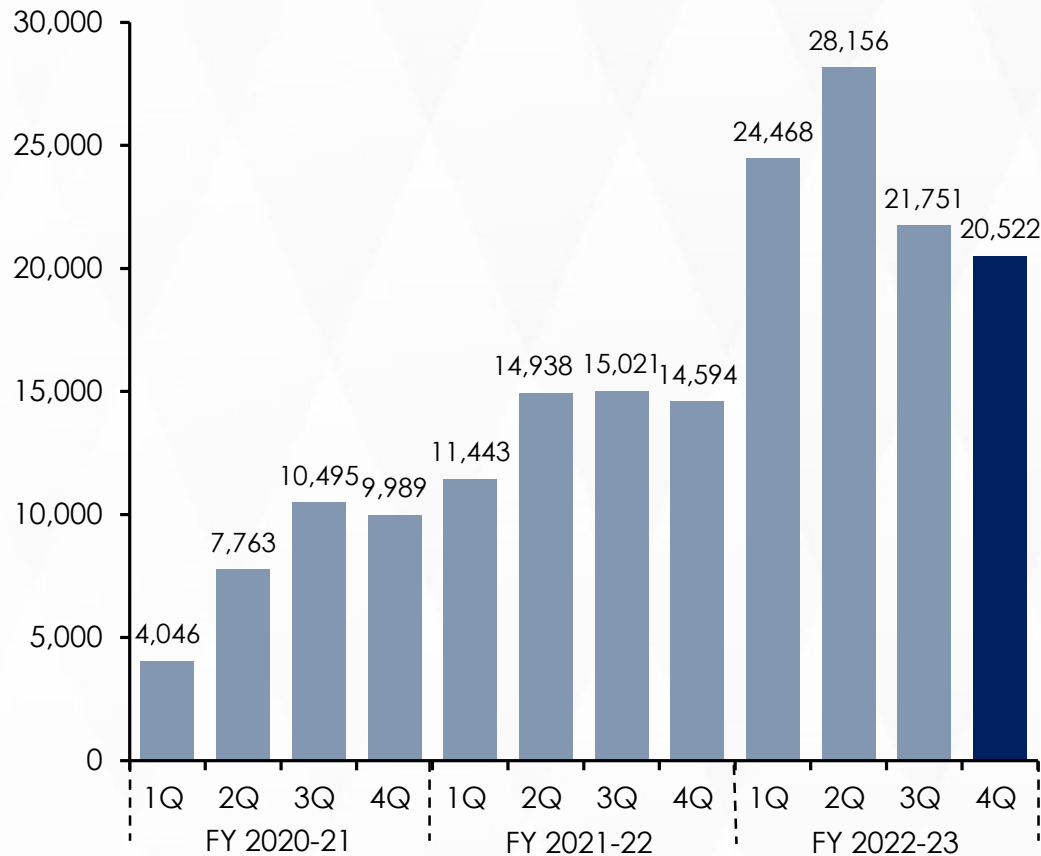
Q4 Revenue by Country of Manufacture  
(% of Group Revenue)



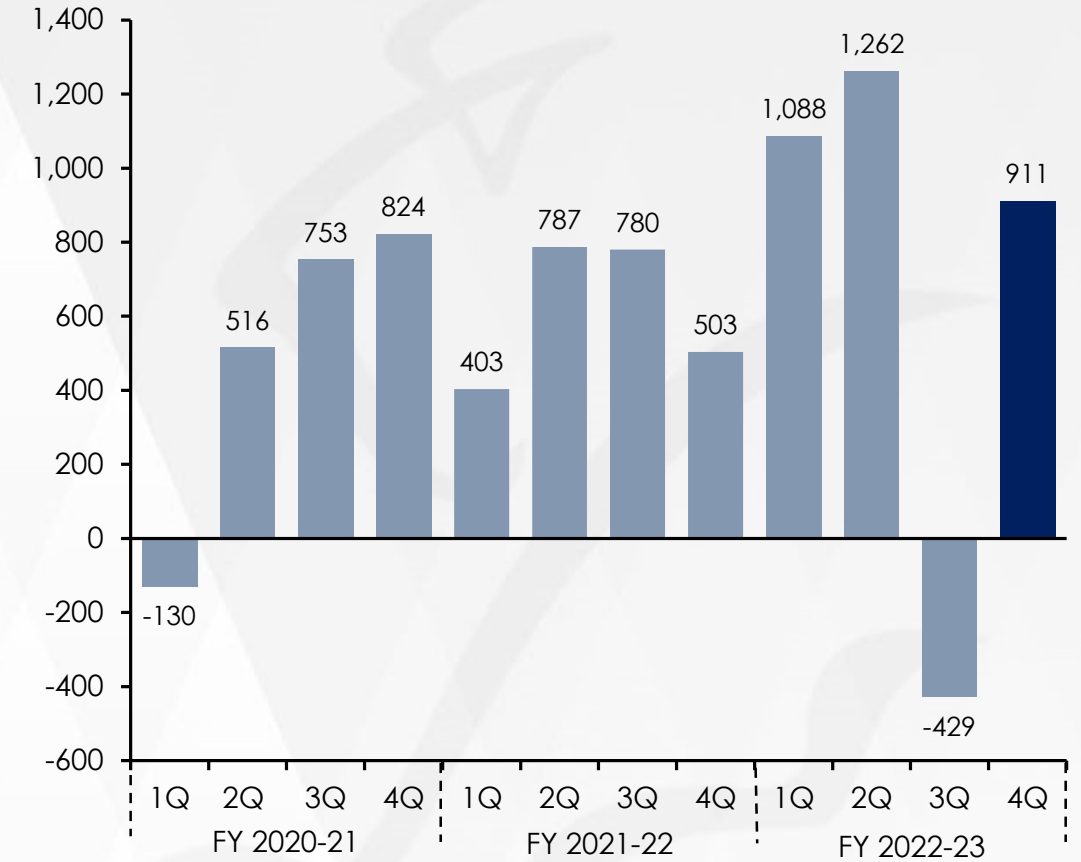
Note: The figures included in the chart above are based on management accounts and are not comparable to the segmental breakdown provided in the financial statements

# Q4 FY 2022/23 | PERFORMANCE UPDATE

Group Revenue (Rs. Mn)  
Q1 FY 21 – Q4 FY 23



Operating Profit (Rs. Mn)  
Q1 FY 21 – Q4 FY 23



Note: The LKR/USD exchange rate in Q4 FY 22/23 averaged 80% lower than in Q4 FY 21/22; and 0.2% higher than in Q3 FY 23



# Q4 FY 2022/23 | DISTRIBUTION COSTS



**Significant reduction in air freight costs during Q4** supported by focus on operational excellence and fading impact of earlier disruptions



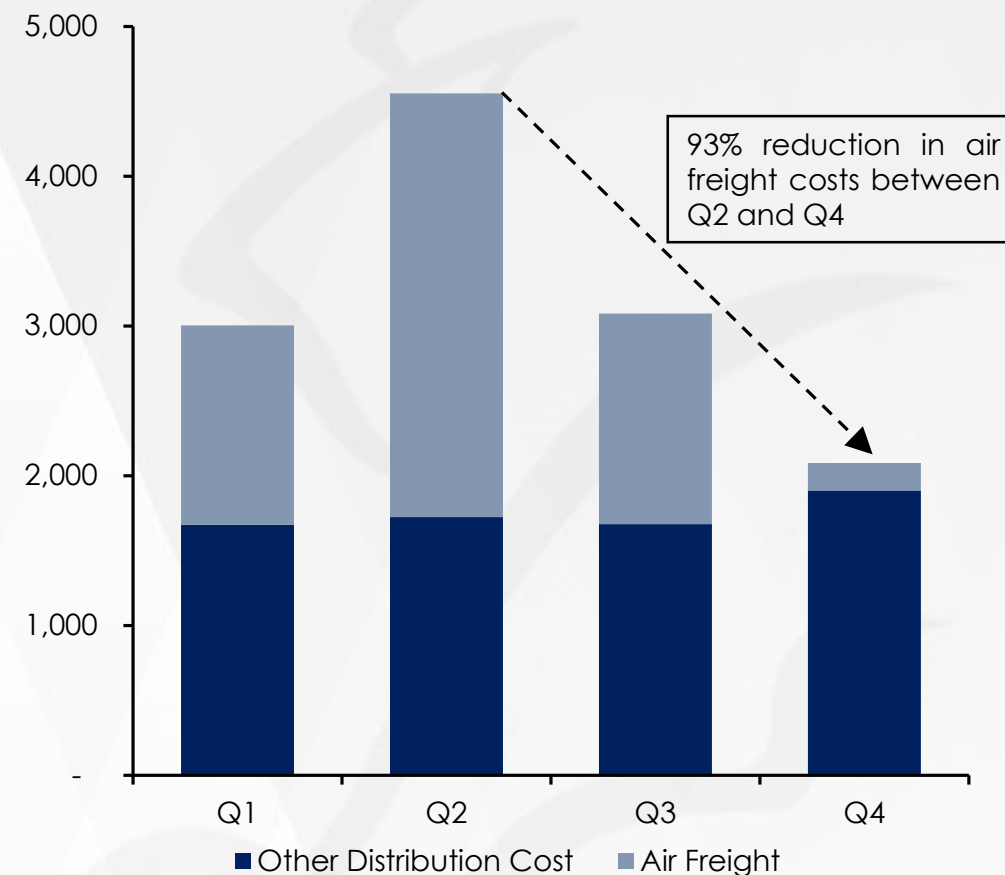
**Forecast air freight cost of US\$ 150,000 was met with a final outturn of US\$ 184,000;** a fraction of costs in earlier quarter



**Normalisation of distribution costs expected in FY 2023/24** – FY19 to FY22 average was 2.1% of revenue versus 4.7% of revenue in FY23

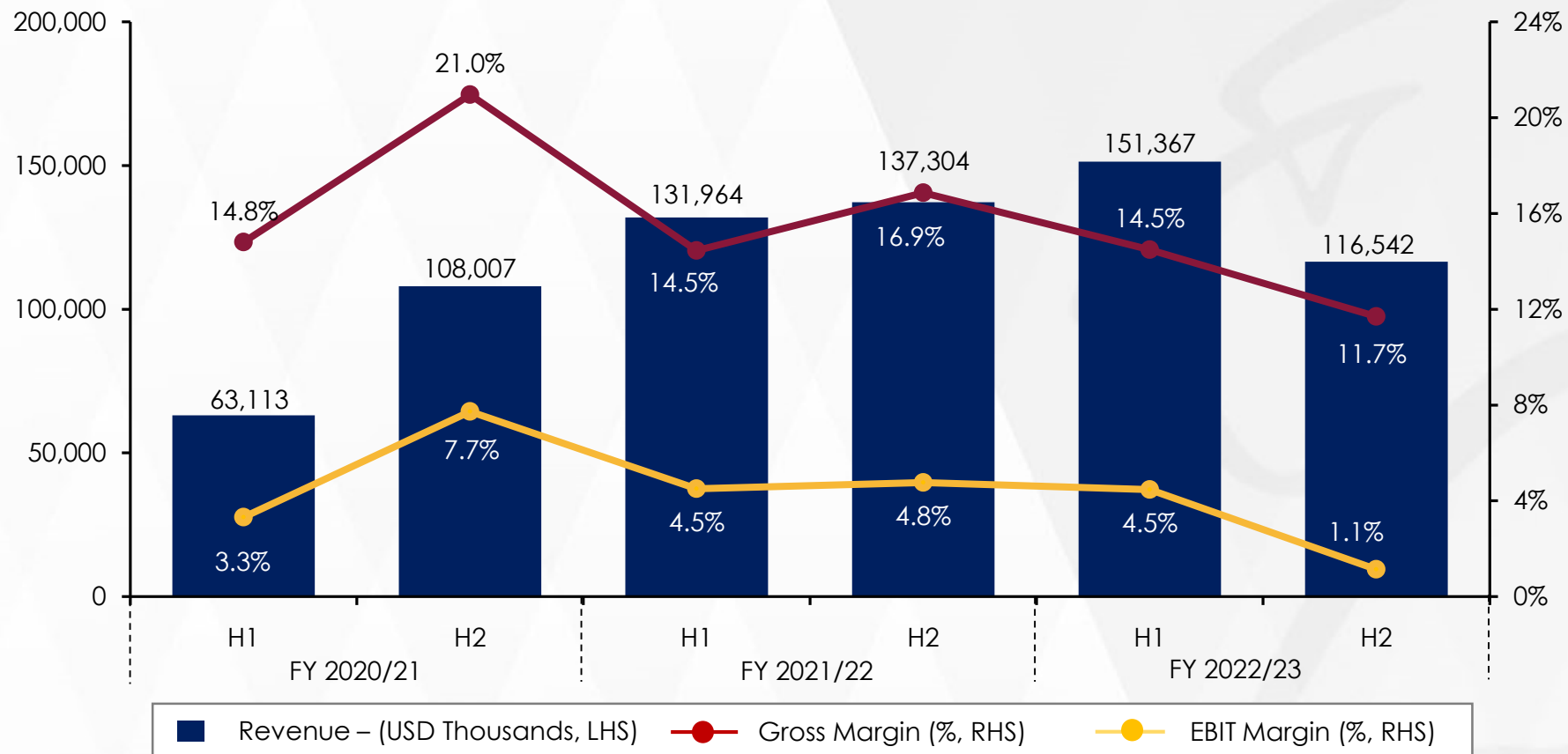
Group Distribution Costs (USD Thousand)

FY 2022/23



# FY 2022/23 | PERFORMANCE UPDATE

Group Revenue and Profitability Margins (USD Thousands)  
YTD FY 21 – YTD FY 23



Full year revenue for FY 2022/23 decreased by only 0.5% from the previous year in US Dollar Terms, but the deterioration in market conditions in H2 eroded profit margins significantly

# FY 2022/23 | NORFUND INVESTMENT



**US\$ 14 million long-term debt facility signed with Norfund in February** to support development of Hela's African operations, marking the Group's first major transaction with a Development Finance Institution (DFI)

## FOCUS AREAS



**Capital expenditure for Kenyan manufacturing facility** to support productivity, increase efficiency, and reduce machine rental costs



**Supporting Hela's strategic supply chain partnerships in Africa** to develop additional capacity in the region; thereby providing cost and lead time benefits



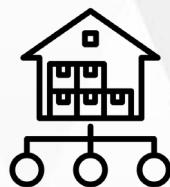
**Potential partner for a direct supply chain investment in Africa** in the medium term, as market conditions stabilise

# OUTLOOK | OVERVIEW

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**Challenging operating environment expected to continue into H1 FY 2023/24**, as inflationary pressures remain elevated



**Hela's diverse customer base expected to be an asset**, covering a range of products and distribution channels



**Intent to remain agile as operating conditions evolve** to ensure a return to profitability

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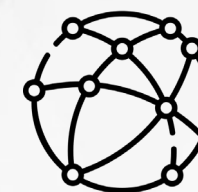
## KEY EXTERNAL RISK FACTORS



**Current resilience of consumer spending is not sustained** and demand takes a further downward leg



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



**Potential shocks to global economy**; e.g. US government default; financial stability concerns



# OUTLOOK | FY2023/24 STRATEGIC FOCUS AREAS



ON A PLATFORM OF CREATING SOCIAL CAPITAL

# SOCIAL CAPITAL | COMMUNITY EMPOWERMENT



HELA  
DIRILIYA

Hela Diriliya members have been chosen to produce five styles that will be displayed at Urban Island

Five Diriliya member's stories have also been [published by the IFC-ILO platform, Better Works](#), demonstrating the impact of the initiative



HELA  
DIRIDARUWO

451 children of the employees of the Hela Group have been provided with monthly scholarships to support their education under the Hela Diridaruwo initiative

This program is jointly funded by Tesco and Hela



P.A.C.E  
PROGRAM

1,081 team members across Hela's manufacturing facilities in Sri Lanka became P.A.C.E graduates in FY 2021/22 and were recently recognized at Hela's Social Capital Graduation Ceremony

# SOCIAL CAPITAL | ENVIRONMENTAL STEWARDSHIP



Hela received the ISO 14064-1:2018 certification for GHG (Green House Gas) management and reporting from the Sustainable Future Group (SFG) for the second consecutive year.

This is a testament to the commitment made to align with the Science-Based Target initiatives (SBTI) in order reduce GHG emissions and support the global aim of reaching net zero by 2050.

# SAFE HARBOR STATEMENT

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THANK YOU