pioneering
PARTNERSHIPS

Q4 FY 2023/24 Earnings Release Update

04 June 2024

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GROUP HIGHLIGHTS

Q4 FY 2023/24 | GROUP FINANCIAL HIGHLIGHTS

Revenue **Rs. 21.7 Bn** *+4.8% y/y*	**Operating Profit** **Rs. 4.5 Bn** *+416.8% y/y*	**Profit After Tax** **Rs. 4.5 Bn** *+275.0% y/y*
Gross Margin **7.1%** *+600 bps y/y*	**EBIT Margin** **20.6%** *+2,750bps y/y*	**Net-Debt-to Equity Ratio** **2.7** *+0.7 y/y*

Note: The LKR/USD exchange rate in Q4 FY 23/24 averaged 12.5% lower than in Q3 FY 22/23; and 3% lower than in Q3 FY 23/24

Q4 FY 2023/24 | GROUP HIGHLIGHTS

Consolidation of Focus Brands and stabilisation in market conditions supported revenue leading to a 4.8% y/y and 52.0% q/q increase in Q4

- **Result was despite the 12.5% y/y appreciation in LKR/USD exchange rate** – in US Dollar terms revenue increased by 19.7% y/y and 56.7% y/y
- **Focus Brands contributed 26% of revenue during Q4** – reflecting approximately 2 months of operations following the acquisition date (24 January 2024)
- **Existing Private Label Manufacturing Divisions also saw a stabilization in revenue** with the first material q/q increase in revenue since Q2 of FY 22/23

Profitability was also boosted by the acquisition, though this primarily reflects a one-off valuation gain on the acquisition of Focus Brands

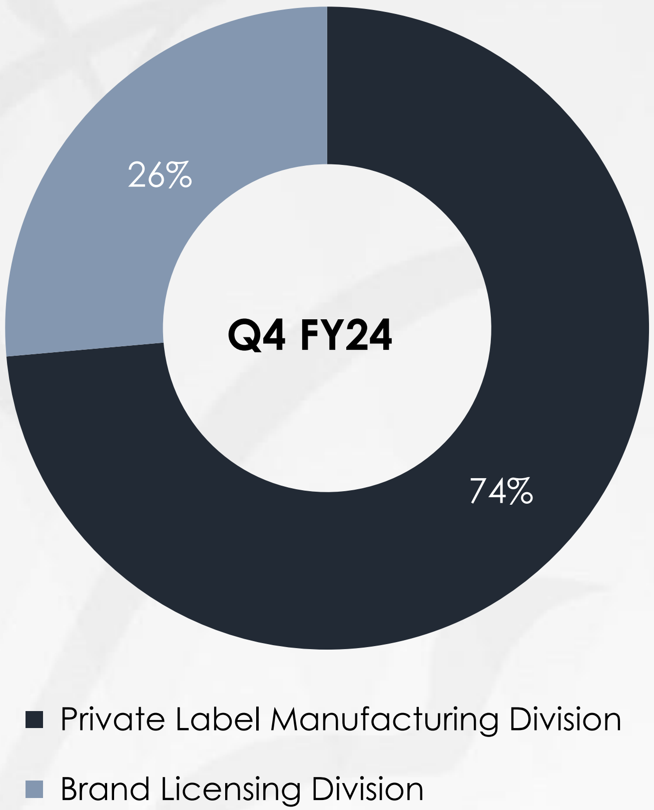
- **One off gain from acquisition recorded under other income**
- **Consolidation of Focus Brands also added significantly to the Group's cost base**, contributing significantly to distribution and administration costs
- **Underlying performance was also impacted by a number of one-off factors**, including LKR 654 Mn in transaction and restructuring costs for acquisition

Balance sheet has strengthened markedly, as result of addition of Focus Brands

- Net-Debt-to-Equity ratio declined q/q to 2.7 and Group closed the quarter with a significantly increased cash balance of LKR 8.2 Bn

Group Revenue by Division

Q4 FY24 (% of Group Revenue)



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BRAND LICENSING DIVISION (BLD)

BLD | **Q4 FY 2023/24 HIGHLIGHTS**

BRAND LICENSING DIVISION – PERFORMANCE OVERVIEW

(LKR THOUSAND)	Q4 2023/24
REVENUE	5,736,132
ADJUSTED EBITDA*	**369,107**
ADJUSTED EBITDA MARGIN (%)	6.4%

HIGHLIGHTS OF THE QUARTER

- **Acquisition of Focus Brands was successfully completed on 24th January** and business performed in line with previous trends for the remainder of Q4
- **Adjusted EBITDA margin for Q4 was 6.4%,** excluding the impact of the one-off valuation gain, as well as one-off transaction and restructuring costs
- **New management have embarked on an ambitious restructuring strategy** to drive profitable growth for the BLD, focused on 4 key pillars:

  i. Reinvigorated Brand and Marketing Strategy

  ii. Restructured Cost Base

  iii. New License and Distribution Opportunities

  iv. Leveraging Synergies with the Private Label Manufacturing Division

*Adjusted EBITDA excludes gain on bargain purchase of LKR 8,299 Mn, one-off transaction & restructuring costs related to the acquisition of LKR 654 Mn and exchange rate revaluation impact of LKR 141 Mn

BLD | **KEY DEVELOPMENTS**

PETER WERTH

fenchurch

TESCO

PARTNERSHIP WITH TESCO TO SELL PETER WERTH & FENCHURCH

- Major UK retailer Tesco will introduce Peter Werth and Fenchurch products across 100 of its UK stores later this year
- Intellectual property for both brands is owned by the BLD and was acquired via the acquisition of Focus Brands

Reebok

REEBOK OUTERWEAR LICENSE SIGNED FOR UK & EUROPE

- Exclusive long-term licensing partnership with Authentic Brands for the world-renowned sports brand, Reebok, in the UK and Europe
- Covering a range of outerwear products, including outdoor jackets, soft shells, bonded fleeces, and padded jackets

DECISION TO CLOSE ONE UK DISTRIBUTION CENTRE/OFFICE

- Decision has been taken to centralize UK distribution centres to reduce overhead costs and maximise efficiency in one location
- This will result of the closure of the St Albans location in July, and transfer of operations to the other existing UK warehouse (Biggleswade) – office function will be transferred to Manchester

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PRIVATE LABEL MANUFACTURING DIVISION (PLMD)

PLMD | **Q4 FY 2023/24 HIGHLIGHTS**

PRIVATE LABEL MANUFACTURING DIVISION – PERFORMANCE OVERVIEW

(LKR THOUSANDS)	Q3 2023/24	Q4 2023/24
REVENUE	14,293,333	15,986,473
ADJUSTED EBTIDA*	**(195,269)**	**(284,871)**
ADJUSTED EBITDA MARGIN (%)	*-1.4%*	*-1.8%*

HIGHLIGHTS OF THE QUARTER

- **Customer demand showed signs of stabilization with revenue increasing by 11.9% q/q** – this is the first material q/q increase in sales since Q2 FY 2022/23
- **Adjusted EBTIDA margin declined by 40bps to -1.8% in Q4** – this excludes the impact of major one-offs and exchange rate revaluation impacts
- **Reduction in margins reflects two major factors during the quarter**, taking into account the ongoing mitigation strategies:
  - i. Appreciation of the Sri Lankan Rupee and Kenyan Shilling versus US Dollar has increased local-currency denominated operational costs
  - ii. Disruption to shipping in the Red Sea have increased cost base and intensified margin pressure from customers

*Q4 Adjusted EBITDA excludes a one-off inventory adjustment of LKR 1.4 Bn, one-off provision for the planned closure of Safeguard Workwear EPZ of LKR 120 Mn, and exchange rate revaluation impact of LKR 508 Mn. Q3 Adjusted EBITDA exclude an exchange rate revaluation gain of LKR 36 Mn

PLMD | **Q4 FY 2023/24 CAPACITY UPDATE**

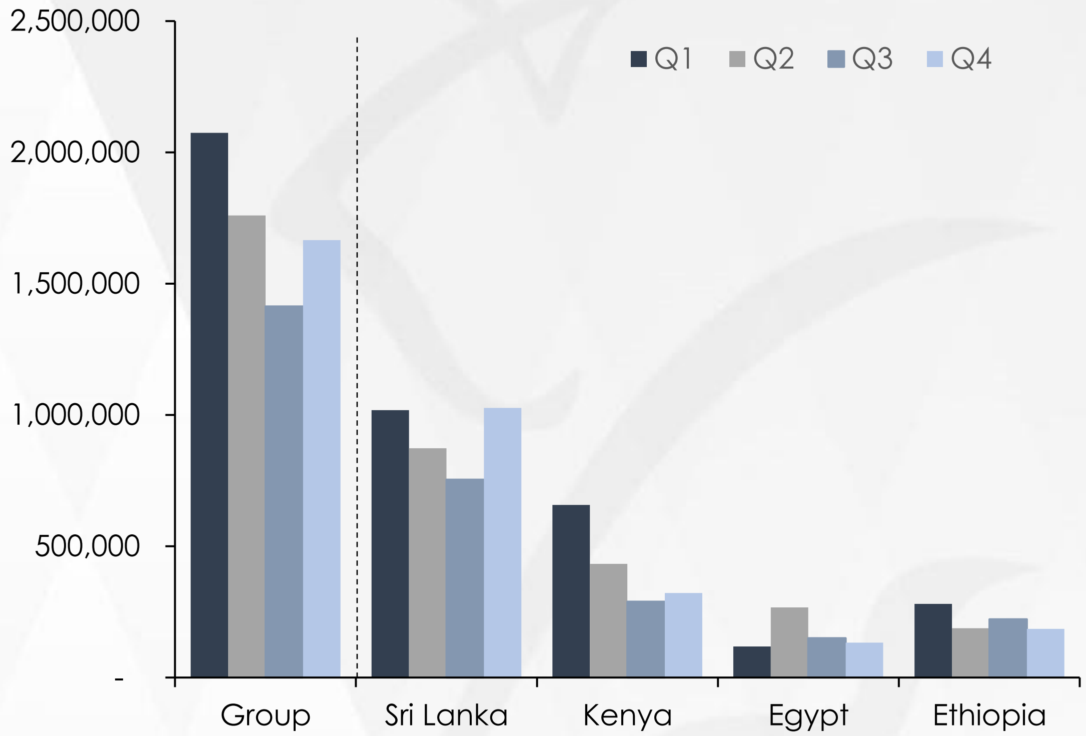
Approximately 18% quarter-on-quarter increase in standard hour output in Q4 (-17% y/y), driven by increases in Sri Lanka and Kenya

As a result, capacity utilization rates increased to approx. 90% during the fourth quarter, compared to around 80% in Q3

Minor decline in Egypt and Ethiopia partly reflects larger exposure to Red Sea disruption – since imports to both countries normally pass through this region

Sold Standard Hours by Country of Manufacture

Q1 FY 24 – Q4 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.

PLMD | **KEY DEVELOPMENTS**

BUILDING SYNERGIES WITH BLD THROUGH MANUFACTURING CAPABILITIES

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- **Collaborating with Focus Brands team** on optimal allocation of manufacturing capacity and capabilities
- **Sales from Focus Brands to PLMD expected to increase 4x** in FY 2024/25 (compared to FY 2023/24)

CONTINUING TO ONBOARD NEW HIGH-GROWTH CUSOMERS

Tommy John®
No adjustment needed.®

- **Fast growing US underwear brand, Tommy John onboarded** – brand supported by investment from US Comedian & Actor Kevin Hart
- **First production of mens underwear currently underway in Kenya for shipment in June**

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GROUP OUTLOOK

GROUP OUTLOOK | **OVERVIEW**

OPERATING ENVIRONMENT

Consumer demand conditions showing continued signs of stability; though downside risks remain

Major elections in UK and US over the coming months likely set tone of economic policy for the coming years

Red Sea shipping disruption looks set to continue for an extended period; currently contributing to rebound in global shipping rates

BRAND LICENSING DIVISION

Q1 is historically a softer quarter for Focus Brands, due to seasonal nature of existing business

BLD is subsequently expected to deliver profitable results; with further scope for upside

PRIVATE LABEL MANUFACTURING DIVISION

Current order book suggests pickup in revenue in the coming quarters

Further measures under consideration to ensure profitable growth

GROUP OUTLOOK | **PLMD DEMAND VISIBILITY**

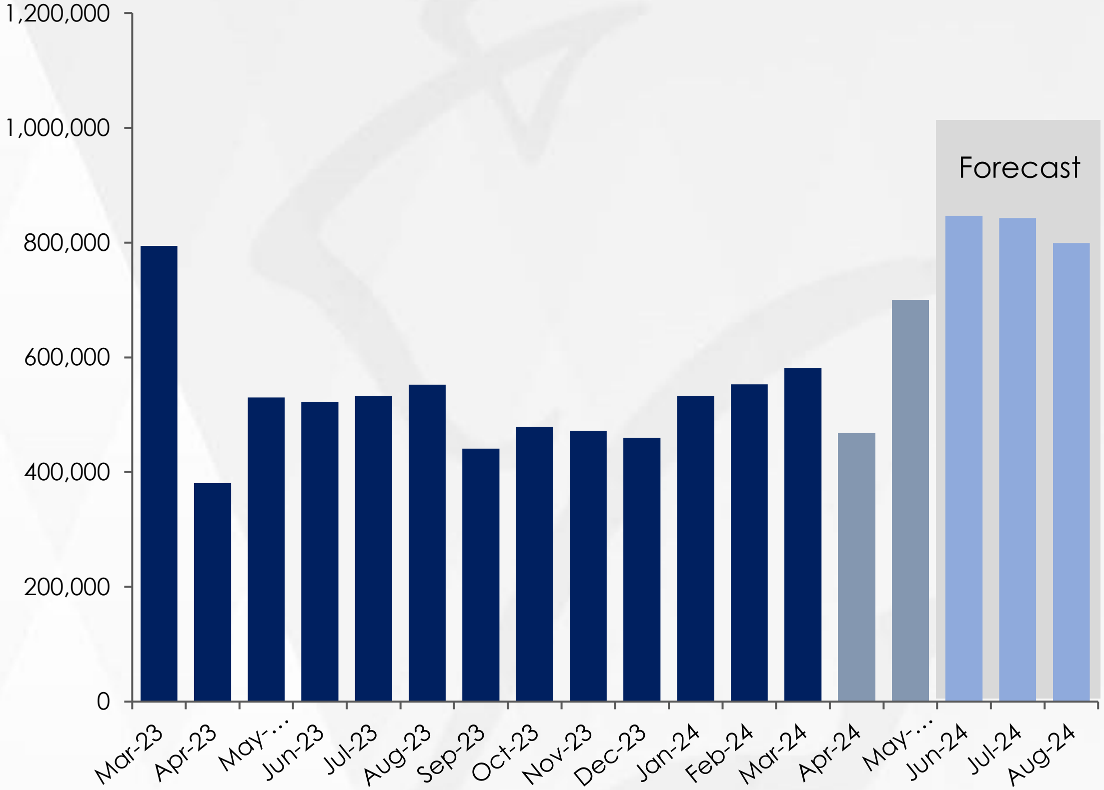
Current orderbook suggest approx. 42% q/q increase in loading in Q1 FY24/25 – timing of revenue recognition may differ

This would reflect an approx. 14% y/y increase in produced hours and should further boost capacity utilization (with some subcontracting required)

Outlook for subsequent quarters implies continued pickup in loading, though this is primarily based on customers forecasts rather than confirmed orders

Capacity & Loading (Standard Hours)

Q3 FY 23 – Q4 FY 24



Note: Historical loading is based on produced standard hours. 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 | **FUTURE POTENTIAL**

Supply Chain Solutions

PRIVATE LABEL MANUFACTURING DIVISION

BUILDING SYNERGIES

BRAND LICENSING DIVISION

Consistent Demand

Private Label Manufacturing Division – KEY STRENGTHS

- Agile & sustainable supply chain solutions supported by manufacturing capabilities
- Extensive knowledge of the textile supply chain and material innovations
- Strategic relationships with both established and emerging US lifestyle brands

Brand Licensing Division – KEY STRENGTHS

- Strong design and product development capabilities, well-respected by brand owners
- Established relationships with major European retailers, supported by in-region warehousing
- Successful brand building track record and portfolio of owned brands available to retailers

COMBINED NETWORK OF PARTNERS ACROSS THE FASION INDUSTRY

Major Lifestyle Brands

TOMMY HILFIGER, CALVIN KLEIN, VICTORIA'S SECRET, CASTORE

Diverse Retailers

TESCO, TJX, JD, zalando

Global Brand Owners

authentic, Pentland

Fashion-Focused Investors

rianta

SOCIAL CAPITAL UPDATE

SOCIAL CAPITAL | **COMMUNITY EMPOWERMENT**

HELA DIRILIYA

- Diriliya is **950+ entrepreneurs** and potential entrepreneurs strong.
- Three Diriliya members have opened their **own establishments.**
- Diriliya members showcased their products at several external marketplaces, including **Colombo City Center, Galle Face Hotel, Double XL and Urban Island.**

HELA DIRIDARUWO

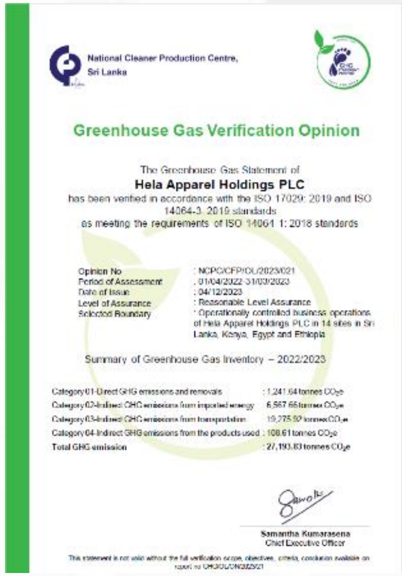
- Extended opportunities for Diridaruwo scholars to visit the **EDEX EXPO Exhibition 2024** at SLECC & KCC.
- Created 32 internal and external **employment opportunities for Diridaruwo scholars**
- 150 Diridaruwo scholars received **IT and English courses** via NIBM.

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

- **4,126 employees** completed the P.A.C.E. program in **9 factories** across **3 countries.**
- **P.A.C.E.** Program is evolving to **RISE – Reimagining Industry to Support Equality** from January 2024 onwards.
- **Two Hela employees have certified as Training Specialists** in January 2024 through the RISE program.

SOCIAL CAPITAL | **ENVIRONMENTAL STEWARDSHIP**

ISO 14064-1 : 2018 certified for the 3rd time - GHG Quantification & Reporting


National Cleaner Production Centre, Sri Lanka

Greenhouse Gas Verification Opinion

The Greenhouse Gas Statement of
Hela Apparel Holdings PLC
has been verified in accordance with the ISO 17029: 2019 and ISO 14064-3: 2019 standards
as meeting the requirements of ISO 14064 1: 2018 standards

Opinion No	: NCPC/CFP/OL/2023/021
Period of Assessment	: 01/04/2022-31/03/2023
Date of Issue	: 04/12/2023
Level of Assurance	: Reasonable Level Assurance
Selected Boundary	: Operationally controlled business operations of Hela Apparel Holdings PLC in 14 sites in Sri Lanka, Kenya, Egypt and Ethiopia

Summary of Greenhouse Gas Inventory – 2022/2023

Category 01-Direct GHG emissions and removals	: 1,241.64 tonnes CO_2e
Category 02-Indirect GHG emissions from imported energy	: 6,567.66 tonnes CO_2e
Category 03-Indirect GHG emissions from transportation	: 19,275.92 tonnes CO_2e
Category 04-Indirect GHG emissions from the products used	: 108.61 tonnes CO_2e
Total GHG emission	: 27,193.83 tonnes CO_2e

Samantha Kumarasena
Chief Executive Officer

ISO 14001:2015 – Environmental Management System certified for Hela Mawathagama Facility


Bureau Veritas Certification

FOUNDATION GARMENTS (PRIVATE) LIMITED

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Bureau Veritas Certification Holding SAS – UK Branch certifies that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the Management System Standard detailed below.

Standard

ISO 14001:2015

Scope of certification

MANUFACTURING OF APPAREL

Original cycle start date:	27 December 2023
Expiry date of previous cycle:	Not Applicable
Certification Audit date:	03 November 2023
Certification cycle start date:	27 December 2023

Subject to the continued satisfactory operation of the organisation's Management System, this certificate is valid until 26 December 2026

Version: 1 Issue date: 27 December 2023

Jagdheesh N. MANIAN
Director – CERTIFICATION, South Asia

2nd Communication on Progress submission has been published, showing continued support for the 10 principles of UNGC

Completed Programmes:

- UN SDG Ambition
- Climate Ambition
- Business & Human Rights Accelerator

Conducted Internal Training for Sourcing teams – **Road map to Zero discharge of Hazardous Chemicals**

SOCIAL CAPITAL | **SCIENCE BASED TARGETS**

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

We've submitted "Science Based Targets"

Why SBTi's?

Roadmap for businesses to cut GHG emissions

4-Step Process

1. Commit – 01st October 2021
2. Develop Targets – Feb 2024
3. Submit Targets – Mar 2024
4. Validation – July 2024
5. Communicate – Sep 2024

Targets

- Overall - **Near Term Target – 42%** GHG emission reduction by 2030 from 21/22
- **Scope 1 & 2** - **42 %** from Electricity & Diesel
- **Scope 03** - 25% reduction from upstream, downstream transportation & Business Travels

	Scope 1 & 2	Scope 3
2021/22	6,350	15,956
	- 42%	- 25%
2030/31	3,682	11,967

6 years more to ACT !

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.

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THANK YOU