

31 August 2022

Harris Technology announces FY22 Results

Highlights:

- \$50.3M revenue, a 20% YoY increase (FY21: \$41.8M)
- \$7.45M gross profit, 2.8% YoY decrease (FY21: \$7.67M)
- Completion of a strategic review of all technology products with a focus on improving margins in FY23
- Expansion into higher-margin Household category is underway
- Reduction of inventory with \$9.8M on hand at end of June 2022, down from \$12.9M at 31 December 2021, which continues to trend down post year end
- Inventory revaluation of \$0.5M non-cash write down formed part of the \$1.46M net loss for FY22; effectively enabling a strong rebound in FY23

Harris Technology Group Limited (ASX: HT8) has released its Appendix 4E and Preliminary Final Report for the year ended 30 June 2022 (FY22).

The increase in sales revenue to \$50.3 million was a strong continuation of Harris Technology's sales growth (FY21: \$41.8M) but the company was not immune from difficult trading conditions which impacted the eCommerce industry caused by higher freight and supply chain expenses. These increased expenses, exacerbated by discounting from the industry, impacted Harris Technology's gross profit margins by 3.5% down from 18.3% the previous year to 14.8% in FY22, resulting in gross profit of \$7.5M on goods sold, down 2.8% on prior year (FY21: \$7.7M).

Adapting to changing market conditions, Harris Technology conducted a company-wide review of all technology brands sold through its channels. This review resulted in a reduction of underperforming brands where key criteria included sales margins and inventory hold times. Outcomes of this review have been included as provisions against inventory of \$0.5M. These provisions are one-off expenses that contributed to a higher net loss for FY22 than the resulted envisaged in the ASX announcement on 1 July 2022. Harris Technology commences FY23 with an inventory balance reduced of aged stock that would otherwise be sold at losses.

The Company ended FY22 with \$9.8M of inventory on hand, down from the \$12.9M on hand at 31 December 2021. Reducing total inventory by \$3.1M through in the second half of the year along with clearance of the overstocked products has resulted in a trading loss in FY22 but has positioned Harris Technology to rebound into profitability in FY23. Repositioning the company on better margin brands and categories, the Board is confident that the company is able to manage its cash flow and does not intend to raise capital in the foreseeable future.

Inventory has since been further reduced to a holding of approximately \$8.0M (unaudited) at the date of this announcement.

As part of the strategic focus on higher margin products, Harris Technology expanded into the Household category having identified it as an underserved range of products across eCommerce channels. Household products will also be listed on major marketplaces, including Amazon and eBay, as part of Harris Technology's strategy that leverages third party advertising to attract online shopping traffic where HT's highly rated seller profiles enable its products to be featured prominently. The category expansion will increase throughout FY23 in parallel with existing operations, utilising shared sales, marketing, and administration.

Harris Technology has started its M2C (Manufacturer to Consumer) operation including a small range of private label products. The company intends to ramp up this business division with an international expansion plan in FY23 which is expected to help mix margins positively.

Harris Technology CEO, Garrison Huang said: "Harris Technology has managed a 20% growth in sales to \$50M but incurred a trading loss in FY22. As the CEO of Harris Technology, I apologise to our shareholders. Our anticipation of continued growth of IT products did not eventuate towards the December quarter. As a result of dropping demand as the COVID pandemic eased, we were overstocked."

"Since the start of January 2022, we took swift action to reduce inventory which resulted in a range of products sold at clearance prices. We are confident that the company will soon be free from the burden of slow-moving stock and accelerate attention to higher margin products as we seek to restore profitability in FY23."

Harris Technology welcomes investors to join the HT8 investor mailing list for Company updates, industry research and investor discounts by subscribing at:
<http://ht8.com.au/subscribe>.

For more information, contact:
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This announcement has been authorised for ASX release by HT8 Chairman, Alan Sparks.

About Harris Technology Group Limited

Harris Technology Group Limited is a publicly listed company on the Australia Securities Exchange (ASX code: HT8). The Company's main business is the eCommerce business of Harris Technology (HT) – www.ht.com.au. Harris Technology is a well-known brand with a 30+ year history in IT/CE retail market covering a very wide range of IT products for small and medium businesses in Australia. Harris Technology was previously owned by Officeworks under Wesfarmers and prior to this, it was owned by Coles Myer Group. Harris Technology no longer operates any physical shopfronts – all businesses of Harris Technology are conducted online both on www.ht.com.au and via the major online platforms such as Amazon, Kogan, Catch and eBay etc.