

harristtechnology
Let's talk technology

2022 AGM Investor Presentation

23 November 2022



Company Summary

Harris Technology Group Limited
(ASX:HT8) is the only dedicated
eCommerce marketplace seller listed on
the ASX.

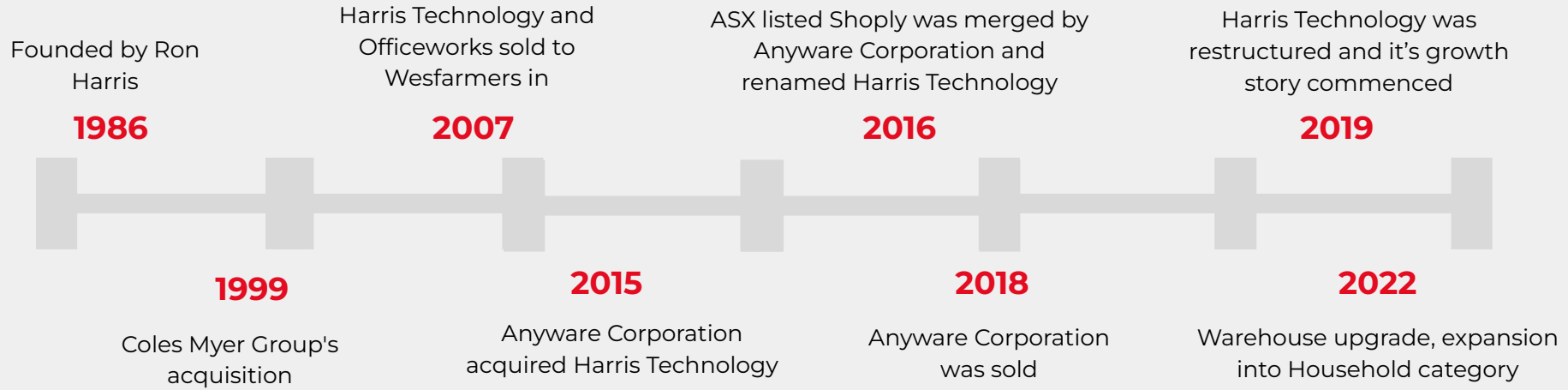
Mission

To become a leading domestic and international marketplace
eCommerce player.

Global vendor networks established
from **30+ years of experience** in
sourcing, wholesaling and
distribution for market-leading
agility to pre-empt retail trends.

Ticker	ASX: HT8
Current SOI	298,295,481
Options of Issue	1,000,000
Market Cap	\$5M
Cash at Bank (30 Sep 2022)	\$2.14M

Timeline



Financial Summary

FY22 Revenue

\$50.29m

20.3% growth vs pcp

FY21 Revenue

\$41.8m

FY22 NPAT

-\$1.46m

FY21 NPAT

\$1.75m

FY22 Total Equity

\$6.29m

FY21 Total Equity

\$7.66m

Financial Focus in FY23

- Growth in high-margin product sales from Household products and direct importing (M2C)
- Further inventory reduction to preserve cash reserves, eliminating underperforming brands
- Return to profitability with no need to raise capital in the foreseeable future.



Business Status Summary

Leveraging the major eCommerce platforms to accelerate growth

Operating on all major online eCommerce platforms such as Amazon, eBay, Kogan and Catch etc, Harris benefits from the substantial marketing spending by these platforms that drive traffic to their online shopping sites to capitalise on eCommerce trends.

Product sourcing agility

Harris Technology actively monitors retail trends to identify commercial opportunities highlighted by its two recent business manoeuvres in which it secured high-end graphics cards when Bitcoin prices were accelerating and PPE products at the height of the pandemic.

Difficult trading conditions through FY22

Sales margins impacted by higher supply chain and freight expenses.
Focus in H2 to reduce ageing inventory, at expense to margins.

Positioning for a return to profitability

Harris Technology conducted an extensive review of all technology products, reducing exposure to underperforming brands. This will have a short term impact on revenue but better position Harris Technology to accelerate its return to profitability.



Difficult FY22 Trading Conditions

A reversion away from home office spending

Pandemic spending on home office products was not sustained in FY22 as the working-from-home trend slowed. Additional headwinds were faced in consumer sentiment falling amid macroeconomic pressure of rising interest rates.

Sector-wide Overstocking

Overstocking was reporting across the broader online retail sector in FY22. For technology products, this resulted in competitive discounting to reduce inventory with an adverse affect on gross margins from tech products and consumer electronics.

Freight and Supply Chain Expenses

Higher fuel prices were felt throughout the supply chain, particularly for products sourced internationally.

Harris Technology's Response

Harris Technology deemed it prudent to preserve cash by reducing investment in inventory and cutting underperforming brands while moving to higher margin categories, identifying household products.



Platform Partnership Reach

Established marketplace seller on all major Australian eCommerce platforms

Access to high profile nationwide advertising

Established profiles across all major online marketplaces to capitalise on external marketing and advertising that draws online traffic to Harris Technology products.

Cost saving synergies

Working within the major marketplaces such as Amazon, eBay, Kogan and Catch has yielded marketing and logistic savings and reach with continued expansion across new marketplaces including Woolworths, Bunnings and Mosaic Brands.

Relationship expansion

Harris Technology actively monitors emerging trends for access to new audiences for 'basket mixing' opportunities and in-demand category sales.

Existing infrastructure

Minimal operational expenses are required to list or drive traffic for new products and categories on existing and new channels.



Harris Technology Website

Effective eCommerce platform

www.ht.com.au drives SME sales and product promotions.

Direct Mailing List

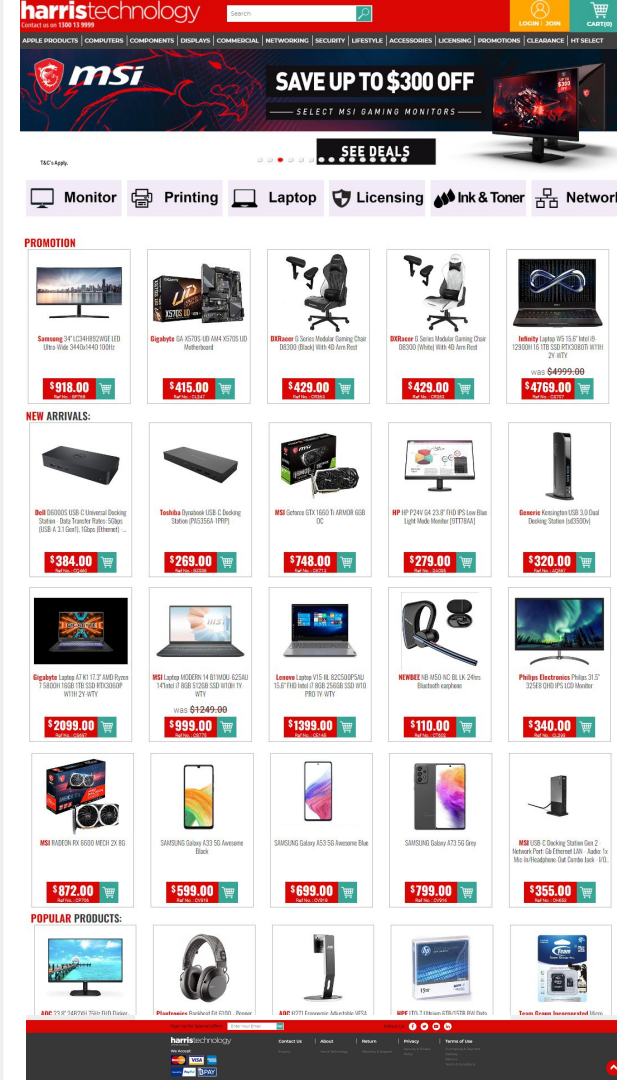
High source of conversion for clearance products as part of inventory reduction initiatives for immediate access to 60,000+ customers.

Major Upgrade Rollout

Improvements rolled out in FY22 have increased organic traffic to the website and streamlined ERP integration to reduce admin and logistics costs.

Strategic Review of Technology Brands

Detailed review of all technology products sold through Harris Technology channels with a focus on net margins commenced in March 2022. The review has resulted in decreased exposure or total removal of underperforming brands.



HT Home Website Launch

Expansion into the Household category

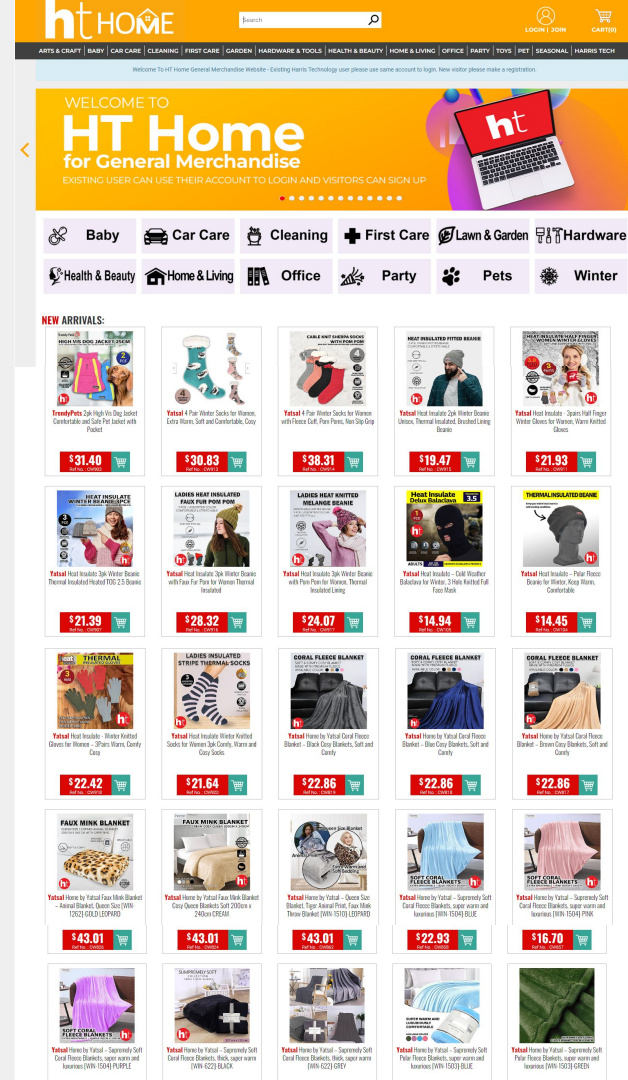
Encouraging sales data from a trial of the Household category that commenced in September 2021, working with local importers and targeting an underserved segment on major marketplaces.

Higher Margin Products

Sound sales data has been collected that identified higher margin products within the Household category that are substantially higher than tech sector averages to make the expansion feasible with the existing eCommerce infrastructure.

Faster Inventory Turnover

Product mix is primarily constructed of reusable items found in almost all households. Lower inventory hold times facilitate higher stock-turn and recurring margins from return order frequency.



Manufacturer to Consumer (M2C)

Existing Products

Harris Technology sells a range of products through its online channels with exclusivity on behalf of international electronics manufacturers. Some private label products are currently sold through these channels in Australia while online stores have been registered in 14 countries being targeted for M2C.

Impact of COVID-19

M2C product introduction was postponed due to international travel restrictions limiting management plans to undertake international factory inspections as well as increased shipping costs during the pandemic that would have adversely affect margins on these products temporarily.

Expansion of M2C Product Range

As part of the focus on higher-margin products, Harris Technology intends to expand its range of M2C products in FY23/4 where private label goods can deliver gross margins of circa 40%.



Inventory Management

Pandemic Impact on Online Retail

Online shopping trends witnessed through the pandemic were not sustained in FY22, resulting in higher inventory hold for Harris and the online sector..

Inventory Position

Inventory as at 31 October 2022 is \$7.2M, down from highs of \$12.9M at 31 December 2021. Inventory initiatives have enabled Harris Technology to maintain cash reserves while focusing on stock replenishment of profitable products.

Further Inventory Reduction

Harris Technology is targeting further inventory reduction in the IT/Tech category which will facilitate working capital for growth in the Household products category and help accelerate higher-margin M2C operations.



Q&A



Appendices - FY 2022 Financials

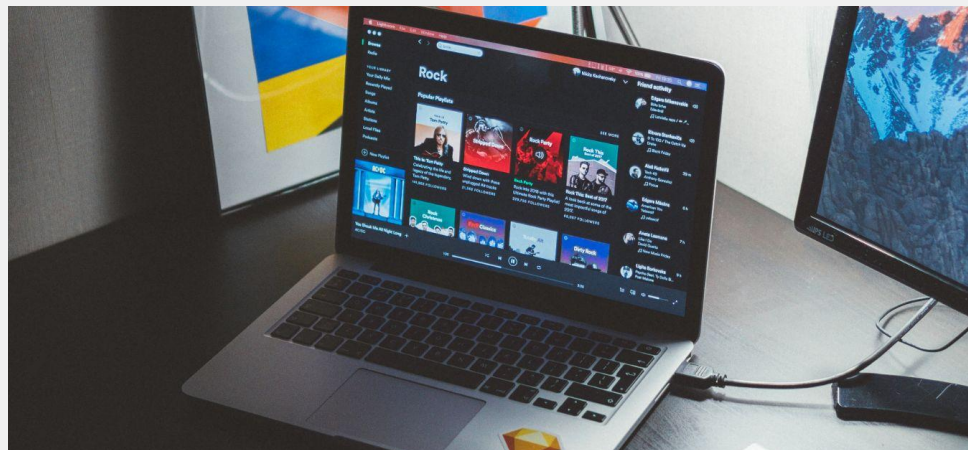
	FY22	FY21
Revenue		
Sales revenue	50,295,594	41,800,861
Direct Costs	(42,837,482)	(34,128,418)
Gross Profit	7,458,112	7,672,443
Other income	1,007	59,751
Distribution expenses	(1,106,520)	(561,658)
Marketing expenses	(33,367)	(62,571)
Sales transaction expenses	(4,312,364)	(3,326,514)
Employee, contractor and director expenses	(2,597,935)	(2,075,242)
Technology expenses	(91,804)	(70,350)
Legal, administration and registry expenses	(302,510)	(405,988)
Depreciation and amortisation expenses	(145,161)	(72,514)
Impairment expense	-	-
Other expenses	(211,026)	46,698
Finance costs	(134,333)	(67,588)
Foreign exchange gain / (loss)	11,163	(10,923)
Profit / (loss) before income tax	(1,464,738)	1,125,544
Income tax benefit / (expense)	-	627,872
Profit / (loss) after income tax	(1,464,738)	1,753,416
Other comprehensive income for the year	-	-
Total comprehensive Profit / (loss) for the year	(1,464,738)	1,753,416

Revenue

+20% revenue growth in FY22, but not anticipated to be maintained in FY23 due to inventory review that has a stronger focus on profitability, reducing low-margin products.

Sales Transaction Expenses

Fees incurred from marketplace platform partners covering sale commissions, third party warehousing, logistics and dispatch.



Appendices - FY 2022 Financials



A\$m	FY22	FY21
Current Assets		
Cash and cash equivalents	2,385,803	3,262,107
Trade and other receivables	2,392,703	3,129,379
Inventories	9,788,196	10,766,788
Prepayments and deposits	284,429	154,424
Total Current Assets	14,851,131	17,312,698
Non-current Assets		
Furniture & Fixtures	2,910	-
Property, plant and equipment	124,053	14,274
Right of use assets	1,557,662	166,824
Intangible assets	-	-
Deferred tax assets	783,392	783,392
Total Non-current Assets	2,468,017	964,490
Total Assets	17,319,148	18,277,188
Current Liabilities		
Trade and other payables	6,123,014	7,734,915
Borrowings	3,076,121	2,266,380
Contract liabilities	-	287,121
Lease liabilities	117,738	83,801
Employee benefit liabilities	154,196	104,028
Total Current Liabilities	9,471,069	10,476,245
Non-current Liabilities		
Lease liabilities	1,496,883	96,790
Employee benefit liabilities	64,918	43,040
Total Non-current Liabilities	1,561,801	139,830
Total Liabilities	11,032,870	10,616,075
Net Assets / (Net Liabilities)	6,286,278	7,661,113

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