

31 August 2023

Harris Technology announces FY23 Results - Commentary

Highlights:

- **\$24.2M revenue**
- **\$3.8M gross profit**
- **Successful execution of a June 2022 strategic review of inventory and margins across all technology products with a focus on improving margins in FY23**
- **Expansion into higher-margin Household category has lifted gross margins across the Company and the category is showing early signs of growth**
- **Reduction of inventory with \$4.7 on hand at end of FY23, down from \$9.8M at end of FY22**
- **Launch of Manufacturer-to-Consumer (M2C) business with sales generated in the United States, Canada, United Kingdom, Singapore and Australia**

Pure-Play online retailer Harris Technology Group Limited (ASX: HT8) has released its Appendix 4E (Preliminary Final Report) for the year ended 30 June 2023. Audited financial statements are expected to be released on or before 30 September 2023.

Sales revenue of \$24.2 million represented a decline on the previous year but this was in line with the strategic review undertaken by Harris Technology in June 2022 which committed to overhauling the margin mix of products within the product portfolio. The review resulted in Harris Technology reducing the range of products sold, with a focus on gross product margins generated and inventory turnover ratio. These changes were reflected in FY23 sales revenue but with the difference largely consisting of products that were generating low margins or losses due to inventory hold times.

Targeting an uplift in gross margins in FY23, Harris Technology entered the Household products category with sales generated through online marketplaces and own [home.ht](https://www.home.ht) channel. Products within the Household category have typically been those found in all homes around Australia with a consistent demand witnessed throughout the financial year where the gross product margins are at least 40%.

Since travel restriction eased in China, Harris Technology has relaunched its Manufacturer-to-Consumer (M2C) business partnering with product manufacturers, principally in China to source products and competitively market them globally due to the direct channel approach. This business model does not operate any company's own warehousing facilities instead utilising third-party logistic companies such as Amazon when expanding internationally.

Harris Technology ended FY23 with \$4.7M of inventory on hand, down from the \$9.8M at the end of FY22. The reduction in inventory was primarily driven by technology product sales at clearance prices to limit ageing and preserve cash. This inventory reduction initiative has enabled the Company to expand to the Household category and launch of M2C without the need to raise capital. Both divisions have shown potential for long-term growth with strong gross margins from low-scale turnover.

The (\$3.3M) NPAT loss for FY23 included a \$0.8M non-cash write back of deferred tax asset due to the uncertainty of the market.

Harris Technology CEO, Garrison Huang said: "Trading through FY23 was very difficult in the backdrop of macroeconomic factors, namely interest rates and cost-of-living increases, which impacted discretionary spending. While Harris Technology was not immune to these headwinds, we took a conservative position to preserve cash, clear ageing inventory and pivot our product ranges to focus on higher margins. These changes resulted in a decline in year-on-year revenue but have positioned Harris Technology to bounce back."

"We have been encouraged by the small range of products being sold internationally by the M2C division which will provide insights into further growth where we will be able to scale the division in additional international markets."

"Thank you to all of our staff and shareholders for their support throughout the difficult year. We look forward to improving macro conditions where Harris Technology is well positioned to expand the M2C business in the year ahead."

**All FY2023 financial data quoted is unaudited unless stated otherwise.*

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:

Garrison Huang
info@ht.com.au

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.