

Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

HALF YEAR RESULTS PRESENTATION
31 DECEMBER 2021



🚩 Australia
🚩 New Zealand

🚩 Singapore
🚩 Slovenia

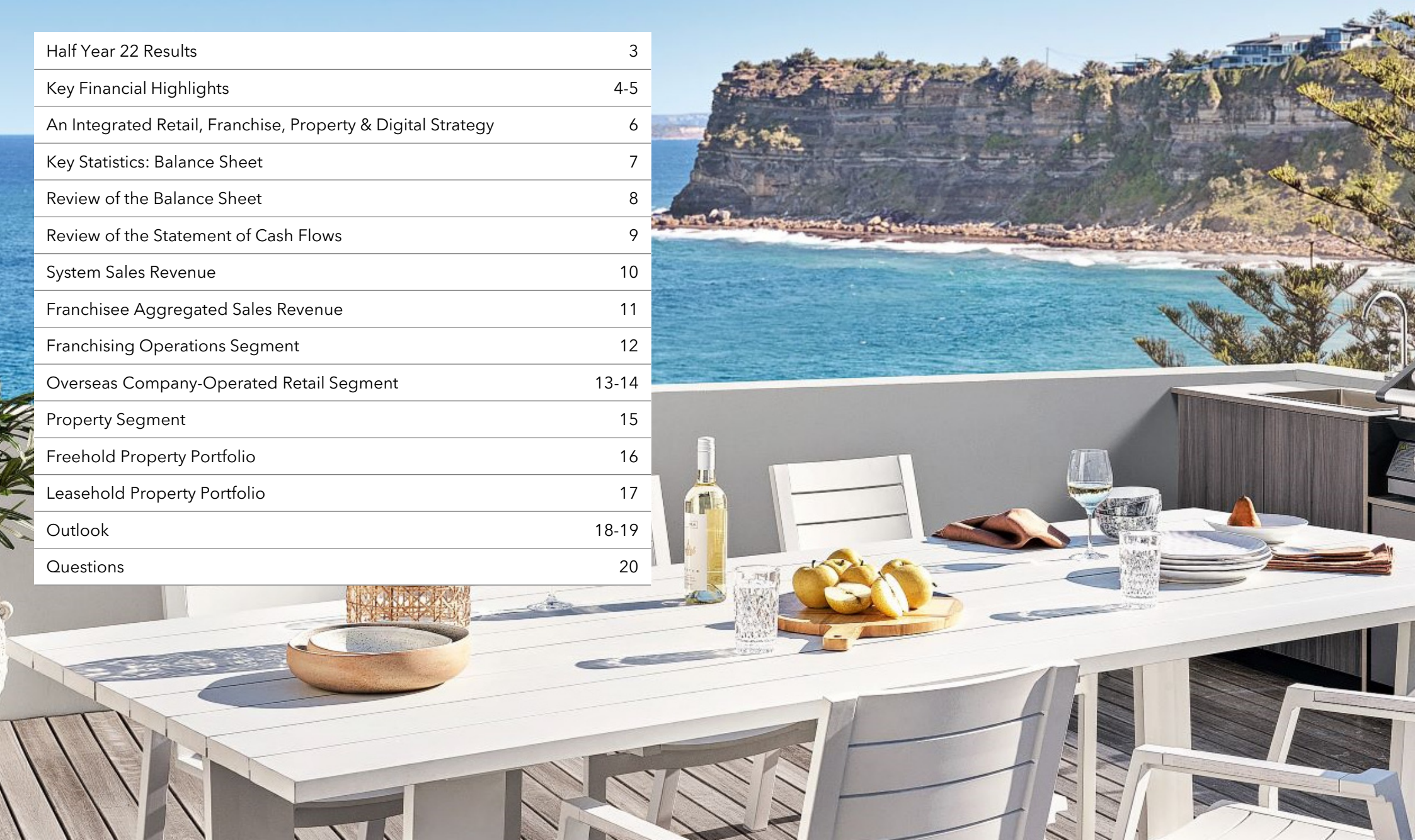
🚩 Ireland
🚩 Northern Ireland

🚩 Malaysia
🚩 Croatia

HALF-YEAR RESULTS PRESENTATION 31 DECEMBER 2021

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Half Year 22 RESULTS

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EBITDA

\$754.41 million

DOWN (3.3%) FROM 1H21

UP 70.2% FROM 1H20

Reported PBT

\$612.24 million

DOWN (4.9%) FROM 1H21

UP 103.3% FROM 1H20

Income Tax Expense

\$178.56 million

DOWN (0.6%) FROM 1H21

UP 112.5% FROM 1H20

Total System Sales Revenue

\$4.91 billion

DOWN (6.2%) FROM 1H21

UP 17.1% FROM 1H20

Net Assets

\$4.164 billion

UP 7.0% FROM JUN-21

UP 11.4% FROM DEC-20

Net Debt to Equity

1.46%

NET DEBT OF \$61.95m

UNUSED FINANCING FACILITIES \$266.3M

KEY FINANCIAL HIGHLIGHTS

4

EBITDA

\$754.41m

DOWN BY \$25.43m or -3.3% FROM \$779.84m IN 1H21
UP BY \$311.28m or 70.2% FROM \$443.13m IN 1H20

EBITDA

\$538.16m

Excluding AASB 16 net impact and net property revaluations

DOWN BY \$121.15m or -18.4% FROM \$659.31m IN 1H21
UP BY \$196.62m or 57.6% FROM \$341.54m IN 1H20

EBIT

\$637.76m

DOWN BY \$31.19m or -4.7% FROM \$668.95m IN 1H21
UP BY \$305.37m or 91.9% FROM \$332.39m IN 1H20

EBIT

\$492.49m

Excluding AASB 16 net impact and net property revaluations

DOWN BY \$122.34m or -19.9% FROM \$614.83m IN 1H21
UP BY \$196.11m or 66.2% FROM \$296.37m IN 1H20

REPORTED PBT

\$612.24m

DOWN BY \$31.67m or -4.9% FROM \$643.91m IN 1H21
UP BY \$311.09m or 103.3% FROM \$301.15m IN 1H20

PBT

\$482.87m

Excluding net property revaluations

DOWN BY \$124.73m or -20.5% FROM \$607.59m IN 1H21
UP BY \$202.00m or 71.9% FROM \$280.87m IN 1H20

REPORTED PROFIT AFTER TAX & NCI

\$430.91m

DOWN BY \$31.12m or -6.7% FROM \$462.03m IN 1H21
UP BY \$217.32m or 101.7% FROM \$213.59m IN 1H20

PROFIT AFTER TAX & NCI

\$340.35m

Excluding net property revaluations

DOWN BY \$96.26m or -22.0% FROM \$436.61m IN 1H21
UP BY \$140.96m or 70.7% FROM \$199.40m IN 1H20

NET DEBT TO EQUITY: 1.46%

NET DEBT OF **\$61.95m** vs
NET DEBT OF \$295.54m in JUN-21 &
NET CASH OF \$21.75m in DEC-20

UNUSED, AVAILABLE
FINANCING FACILITIES OF

\$266.33m

NET ASSETS

\$4.164 billion

Up 7.0% from **\$3.89bn** in Jun-21
Up 11.4% from **\$3.74bn** in Dec-20

BASIC EARNINGS PER SHARE

34.58c

Down from **37.08c** in 1H21
Up from **17.70c** in 1H20

INTERIM DIVIDEND

PER SHARE

(FULLY-FRANKED)

20.0c

HNHL CONSOLIDATED REVENUES

\$2.34 billion

SALES OF PRODUCTS TO CUSTOMERS.....**\$1.48bn**
REVENUE RECEIVED FROM FRANCHISEES.....**\$641.72m**
REVENUES AND OTHER INCOME ITEMS.....**\$222.49m**

540

FRANCHISEES IN
AUSTRALIA

194

FRANCHISED COMPLEXES
IN AUSTRALIA

108

OFFSHORE COMPANY
OPERATED STORES

TOTAL SYSTEM SALES REVENUE

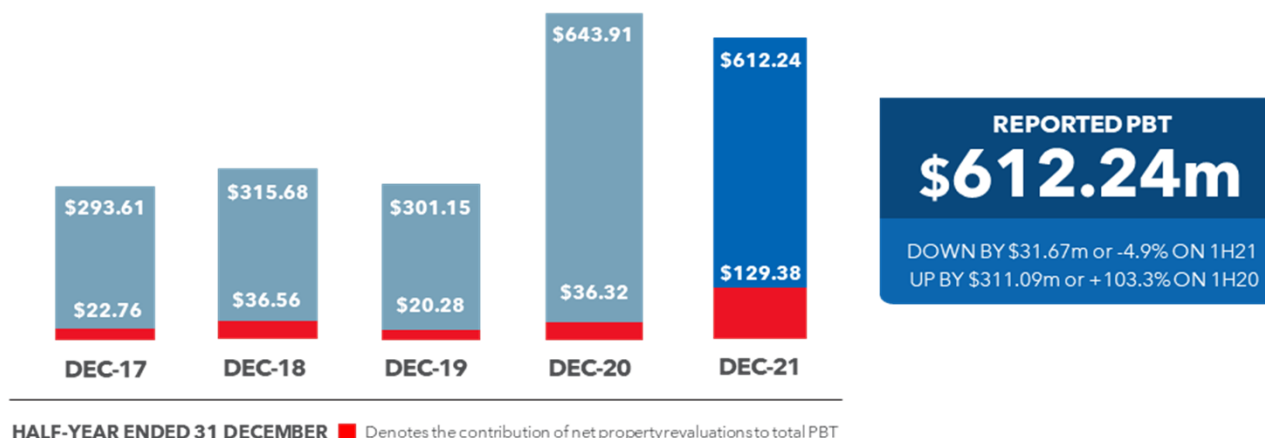
\$4.91 billion

AGGREGATED HEADLINE FRANCHISEE
SALES REVENUE***\$3.43bn**

COMPANY-OPERATED SALES REVENUE**\$1.48bn**

*Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

PROFIT BEFORE TAX AS REPORTED (\$M)



- As with FY2020 and FY2021, the world continues to be impacted by the ongoing effects of COVID-19.
- Profit before tax (**PBT**) result for 1H22 was \$612.24 million, a decrease of \$31.67 million or -4.9% from the PBT result of \$643.91 million for 1H21.
- This is a solid result given the unprecedented COVID-19 issues encountered by the consolidated entity during this half.
- When compared to a more stable, comparable recent trading period in 1H20 which generated a PBT result of \$301.15 million, the result achieved for 1H22 grew by \$311.09 million or +103.3%.
- Excluding the effects of net property revaluation adjustments, profit before tax for 1H22 was \$482.87 million, a decrease of \$124.73 million or -20.5% when compared to 1H21, but up by \$202.00 million or +71.9% when compared to 1H20.
- Each of Reported Profit Before Tax and System Sales Revenue has accelerated since the Retail Trading Update announced by the consolidated entity on 24th November 2021. The strengthening momentum in the home renovation market and heightened consumer demand since the start of the pandemic, continues to drive sales across key Home, Lifestyle and Tech product categories with the 'home' continuing to be the focal point for consumer spending.

HALF-YEAR ENDED 31 DECEMBER 2021

REPORTED PROFIT AFTER TAX & NCI

\$430.91mDOWN BY \$31.12m or -6.7% on 1H21
UP BY \$217.32m or +101.7% on 1H20

- Reported profit after tax and non-controlling interests was \$430.91 million for 1H22, a decrease of \$31.12 million or -6.7% from \$462.03 million in 1H21, but up by \$217.32 million or +101.7% from \$213.59 million when compared to 1H20.
- The effective tax rate for the consolidated entity was 29.16% for 1H22 compared to an effective tax rate of 27.89% for 1H21.

AN INTEGRATED RETAIL, FRANCHISE, PROPERTY AND DIGITAL STRATEGY

6

The consolidated entity operates an integrated retail, franchise, property and digital strategy, comprising three main pillars:

1. Retail- 2. Franchise- 3. Property

complemented by a robust and sustained investment in technology, digital transformation and IT infrastructure assets.

1

Offshore Company– Operated Retail Segment

Profit before tax
\$128.48m

Representing **21%** of PBT
or **27%** (excluding net property revaluations)

Down by \$9.67m or -7.0% on 1H21

Up by \$46.79m or +57.3% on 1H20

Offshore company-operated retail segment retail revenue increased by \$10.34m or +0.7% to \$1.40bn for 1H22. Growth moderated due to closures in New Zealand and Malaysia.

Offshore company-operated retail segment PBT decreased by \$9.67m or -7.0% to \$128.48m for 1H22 due to extensive mandated closures in NZ and Malaysia, coupled with supply-chain disruptions due to COVID-19.

The retail result for NZ decreased by \$7.73m or -10.3%, to \$67.61m in 1H22.

The retail result for Ireland and Northern Ireland decreased by \$2.10m or -6.0%, to \$33.11m in 1H22.

The retail result for Singapore and Malaysia remained consistent with the prior half at \$20.61m.

The retail result for Slovenia and Croatia increased by \$0.31m, or +4.5%, to \$7.15m in 1H22.

2

Franchising Operations Segment

Profit before tax
\$292.85m

Representing **48%** of PBT

Down by \$91.11m or -23.7% on 1H21

Up by \$168.99m or 136.4% on 1H20

Profitability of the franchising operations (FO) segment decreased by \$91.11m or -23.7% to \$292.85m for 1H22, compared to \$383.96m for 1H21. FO Margin of 8.53% for 1H22, compared to 10.22% for 1H21 and 7.65% for 2H21. The FO margin for 1H20 was 4.19%.

Australian franchisees were adversely affected this half with hard lockdowns throughout most cities and regions in NSW, VIC and the ACT for a period of up to 4 months, representing retail closures of nearly 60% of the total number of Australian Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes for the majority of 1Q22. The mandatory retail closures and the 5 km limit to customer mobility affected the product categories that were unable to transact online, resulting in consumers deferring home furnishing purchases until the restrictions lifted.

FO segment revenues decreased by \$93.35m or -13.5%, to \$595.93m for 1H22, primarily due to the 8.7% decrease in aggregated franchisee sales revenue to \$3.43bn for 1H22. Profitability was also impacted by rent waivers given by the franchisor to those franchisees affected by retail closures in NSW, VIC and ACT.

3

Property Segment

Profit before tax
\$197.74m

Representing **32%** of PBT

Up by \$88.65m or +81.3% on 1H21

Up by \$104.69m or 112.5% on 1H20

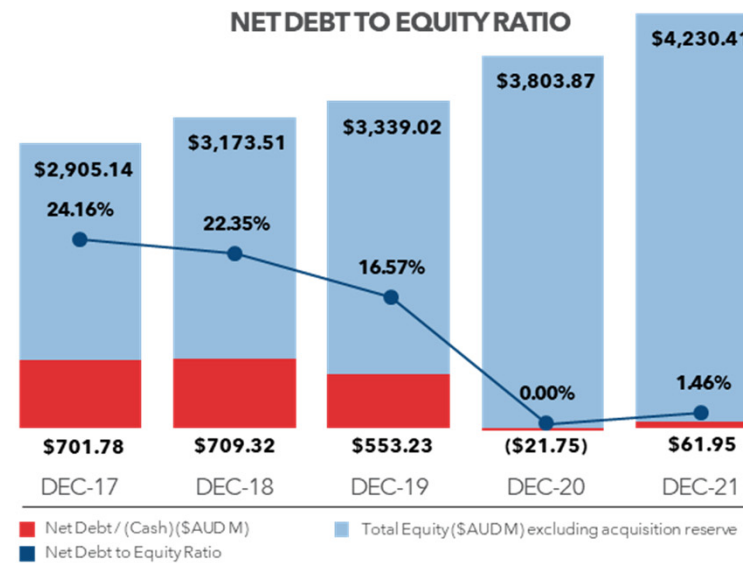
Strong growth in the retail property segment result to \$197.74m in 1H22, an increase of \$88.65m or +81.3%, from \$109.09m in 1H21.

Primarily achieved by a \$93.06m increase in the net property revaluation increment to \$129.38m for 1H22, up from a net revaluation increment of \$36.32m for 1H21. This was offset by a reduction in rent and outgoings received from freehold properties due to full or partial rent waivers given in 1H22 to external tenants and those franchisees affected by retail closures in NSW, VIC and ACT.

Strong freehold property portfolio valued at \$3.54bn as at 31 December 2021, up by \$435.46m or +14.0%.

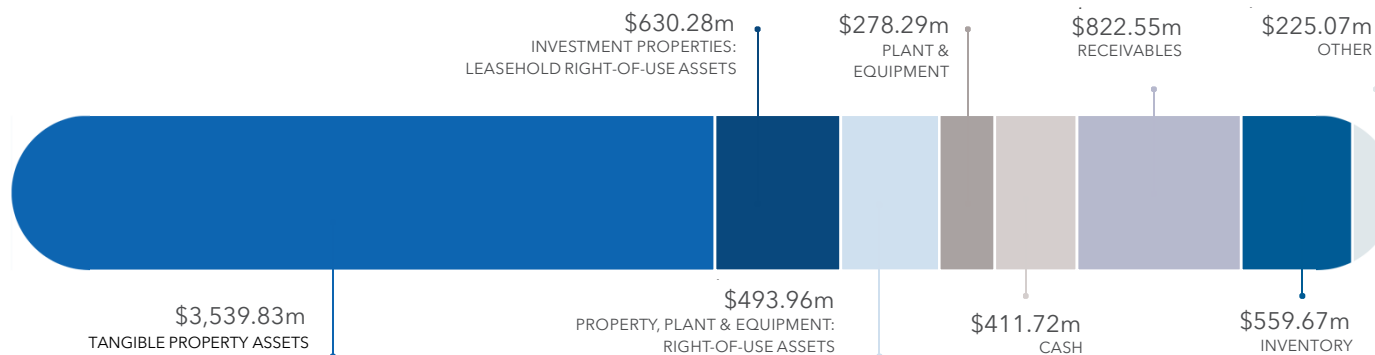
Leasehold property portfolio valued at \$1.124bn as at 31 December 2021, \$630.28m relating to leases of investment properties sub-leased to external parties and \$493.96m relating to leases of owner-occupied properties and plant and equipment assets.

NET DEBT OF
\$61.95m vs **NET CASH OF**
\$21.75m
 AS AT 31 DEC 21 AS AT 31 DEC 20



Total Assets			Total Liabilities		
DEC 2021	DEC 2020		DEC 2021	DEC 2020	
\$6.96 bn	\$6.26 bn	UP 11.3%	\$2.80 bn	\$2.52 bn	UP 11.1%

COMPOSITION OF TOTAL ASSETS OF \$6.96bn



	31 DECEMBER 2021	31 DECEMBER 2020	INCREASE / (DECREASE)	
TOTAL ASSETS	\$6,961.37m	\$6,256.70m	\$704.67m	11.3%
TOTAL LIABILITIES	\$2,797.09m	\$2,517.18m	\$279.91m	11.1%
EQUITY	\$4,164.28m	\$3,739.52m	\$424.76m	11.4%

Total Assets
up by \$704.67m (+11.3%)
from \$6.26bn as at 31 December 2020

- **\$397.65m** increase in the value of the freehold investment property portfolio
 - due to net property revaluation increments to fair value totalling \$231.74m recognised over the past 12 months, and \$165.91m relating to the acquisition of new freehold investment properties and the refurbishment of existing property assets.
- **\$128.99m** increase in cash and cash equivalents
 - solid growth in cash reserves across all 8 countries relative to the prior period, forming a strong working capital resource whilst maintaining low debt
- **\$97.45m** increase in franchisee receivables
 - due to higher financial accommodation provided to franchisees to assist franchisees in their strategy of increasing their inventory reserves in light of anticipated supply chain disruptions due to COVID-19, and the heightened demand following the 'Delta' lockdowns in NSW, VIC & the ACT and the peak Christmas trading period.
- **\$72.45m** increase in inventory
 - due to concerted efforts of our offshore company-operated stores to increase inventory to mitigate the ongoing global supply chain constraints.

Total Liabilities
up by \$279.91m (+11.1%)
from \$2.52bn as at 31 December 2020

- **\$48.70m** decrease in income tax payable driven by lower profit generated by the consolidated entity during the current half year.

Offset by;

- **\$212.69m** increase in interest-bearing loans and borrowings
 - due to increase in the utilisation of the Syndicated Facility by \$230m from \$180m utilised as at 31 December 2020 to \$410m utilised as at 31 December 2021.
- **\$87.61m** increase in deferred tax liabilities mainly due to \$231.74m of net property revaluation increments over the past 12 months.

	31 DECEMBER 2021	31 DECEMBER 2020	INCREASE / (DECREASE)	
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$566.16m	\$391.95m	\$174.21m	44.4%
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(\$77.78m)	(\$96.36m)	\$18.58m	19.3%
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(\$340.04m)	(\$320.69m)	(\$19.35m)	(-6.0%)
NET INCREASE /(DECREASE) IN CASH & CASH EQUIVALENTS	\$148.34m	(\$25.10m)	\$173.44m	691.1%
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR	\$248.73m	\$294.45m	(\$45.72m)	(-15.5%)
CASH & CASH EQUIVALENTS AT END OF THE YEAR	\$397.07m	\$269.35m	\$127.72m	47.4%

Cash conversion in 1H22 improved significantly compared to 1H21 predominantly due to a \$174.21m increase in net cashflows from operating activities, from \$391.95m in 1H21 to \$566.16m for 1H22.

Operating Cash Flows up by \$174.21m

from \$391.95m in 1H21
to **\$566.16m** in 1H22

- **\$248.27m** increase in net receipts from franchisees
 - mainly because the movement in the aggregate financial accommodation provided to franchisees decreased compared to 1H21. Whilst franchisees continued to build their inventory reserves to meet the anticipated pent-up demand for Home, Lifestyle and Tech products and to mitigate supply chain disruptions due to COVID-19, the quantum of funding requested by franchisees to fund their 1H22 inventory purchases decreased compared to 1H21.
 - This is offset by:
 - \$100.35m decrease in gross revenue received from franchisees directly attributable to an 8.7% reduction in aggregate franchisee sales revenue, affected by nearly 4 months retail closures in the current half.
- **\$18.13m** increase in receipts from customers primarily due to new store openings overseas over the past 12 months.

Offset by;

- **\$89.95m** increase in income taxes paid due to higher income tax instalments.

Investing Cash Outflows down by \$18.58m

from \$96.36m in 1H21
to **\$77.78m** in 1H22

- due to reduction in payments for the purchase of property, plant and equipment and intangible assets by **\$17.85m**.

Financing Cash Outflows up by \$19.35m

from \$320.69m in 1H21
to **\$340.04m** in 1H22

- **\$65.0m** increase in the net repayment of Syndicated Facility

Offset by;

- a reduction in dividends paid by **\$37.38m**

SYSTEM SALES INCREASE / (DECREASE) IN CONSTANT LOCAL CURRENCIES:

TOTAL SALES	1Q22 vs 1Q21	2Q22 vs 2Q21	1H22 vs 1H21	1Q22 vs 1Q20	2Q22 vs 2Q20	1H22 vs 1H20
AUSTRALIAN FRANCHISEES \$ AUD*	(-16.5%)	(-1.7%)	(-8.7%)	9.8%	21.7%	16.2%
NEW ZEALAND \$ NZD	(-15.0%)	6.1%	(-3.6%)	3.0%	25.2%	15.2%
SLOVENIA & CROATIA € EURO	2.8%	19.6%	11.4%	29.3%	22.8%	25.6%
IRELAND € EURO	10.3%	3.2%	5.9%	81.3%	52.2%	62.4%
NORTHERN IRELAND £ GBP	4.4%	(-9.0%)	(-3.4%)	22.7%	15.5%	18.6%
SINGAPORE \$ SGD	7.0%	3.4%	5.0%	7.9%	16.1%	12.2%
MALAYSIA MYR	(-30.8%)	8.8%	(-10.2%)	(-23.5%)	25.6%	1.5%

TOTAL SYSTEM SALES REVENUE

\$4.91 billion

Comprised of aggregated Franchisee sales in Australia plus Company-Operated sales in New Zealand, Slovenia, Croatia, Ireland Northern Ireland, Singapore and Malaysia:

Aggregated Headline Franchisee Sales Revenue***\$3.43bn**

Company-Operated Sales Revenue.....**\$1.48bn**

*Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

COMPARABLE SALES

Comparable sales growth has not been adjusted for the temporary closures mandated by each local Government overseas as a result of the COVID-19 response

	1Q22 vs 1Q21	2Q22 vs 2Q21	1H22 vs 1H21	1Q22 vs 1Q20	2Q22 vs 2Q20	1H22 vs 1H20
AUSTRALIAN FRANCHISEES \$ AUD*	(-16.3%)	(-1.3%)	(-8.4%)	11.0%	22.1%	17.1%
NEW ZEALAND \$ NZD	(-15.6%)	6.1%	(-3.8%)	1.7%	23.7%	13.8%
SLOVENIA & CROATIA € EURO	(-4.3%)	15.4%	5.8%	20.4%	15.3%	17.5%
IRELAND € EURO	4.7%	2.0%	3.0%	64.1%	37.5%	46.8%
NORTHERN IRELAND £ GBP	4.4%	(-9.0%)	(-3.4%)	22.7%	15.5%	18.6%
SINGAPORE \$ SGD	(-2.1%)	1.4%	(-0.2%)	(-2.9%)	4.0%	0.7%
MALAYSIA MYR	(-39.5%)	0.3%	(-18.8%)	(-42.4%)	5.5%	(-18.0%)

TOTAL FRANCHISEE SALES HALF-YEAR ENDED 31 DECEMBER 2021

\$3.433bn

DOWN BY 8.7% ON 1H21
UP BY 16.2% ON 1H20

COMPARABLE FRANCHISEE SALES HALF-YEAR ENDED 31 DECEMBER 2021

\$3.426bn

DOWN BY 8.4% ON 1H21
UP BY 17.1% ON 1H20

* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Harvey Norman®, Domayne® and Joyce Mayne® retail sales in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results.

TOTAL FRANCHISEE SALES HALF-YEAR ENDED 31 DECEMBER 2021 \$3.433bn DOWN BY 8.7% ON 1H21 UP BY 16.2% ON 1H20	COMPARABLE FRANCHISEE SALES HALF-YEAR ENDED 31 DECEMBER 2021 \$3.426bn DOWN BY 8.4% ON 1H21 UP BY 17.1% ON 1H20
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* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Retail sales in Harvey Norman®, Domayne® and Joyce Mayne® in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results. Australian franchisee aggregated sales revenue is reported to the market as it is a key indicator of the performance of the franchising operations segment.

- Unprecedented demand from consumers following the initial months of the pandemic created a super-charged sales period for franchisees for the half-year ended 31 December 2020 (i.e.1H21).
- Strong sales momentum continued into the second half of FY21 until July 2021 when the 'Delta' variant kickstarted nearly 4 months rolling lockdowns across most states and territories across Australia.
- Australian franchisees were adversely affected with hard lockdowns throughout most cities and regions in NSW, VIC and the ACT for a period of up to 4 months, representing retail closures of nearly 60% of the total number of Australian Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes for the majority of 1Q22. These closures resulted in a reduction in franchisee sales by -16.5% in 1Q22 compared to 1Q21.
- Retail closures during 1H21 were not as widespread, limited to franchised complexes located in greater Melbourne, VIC for an 11-week period, representing less than 10% of the total number of Australian franchised complexes.
- Franchisee sales rebounded during 2Q22 with the pent-up demand resulting in an acceleration in franchisee sales post lockdown. 2Q22 sales was only 1.7% down on the record 2Q21.
- The strategy of franchisees of intentionally ramping up stock proved successful as franchisees were able to capitalise on a strong Christmas trading period.
- The sales momentum in 2Q22 drove the solid franchisee sales of **\$3.43 billion** for 1H22, down 8.7% from the comparative December 2020 half. When compared to a more stable, comparable recent retail period in 1H20 which generated aggregated franchisee sales of \$2.95 billion, franchisee sales for the current 1H22 period grew by 16.2%.
- Solid sales in whitegoods, television and small appliances have continued during the current half year.
- Technology franchisees have continued to perform well, particularly in computers and related peripherals such as monitors, printers and webcams, due to the expansion of mandated remote working and remote learning during the period.
- Strong sales in the Smart Phone category with the mobile phone being the centrepiece of connecting consumers to their Smart Homes and integrating their daily activities.
- The mandatory retail closures in NSW, VIC and the ACT adversely affected the sales of furniture and bedding franchisees in 1H22 as these categories are unable to transact online, resulting in consumers deferring home furnishing purchases until the restrictions lifted. However, franchisees have seen furniture and bedding sales rebound post lockdown and into the new year.

	1H22	1H21	1H20	INCREASE / (DECREASE) ON 1H21		INCREASE / (DECREASE) ON 1H20	
FRANCHISING OPERATIONS SEGMENT REVENUE	\$595.93m	\$689.27m	\$443.81m	(-\$93.35m)	(-13.5%)	\$152.11m	34.3%
AGGREGATED FRANCHISEE HEADLINE SALES REVENUE*	\$3.43bn	\$3.76bn	\$2.95bn	(-\$325.26m)	(-8.7%)	\$479.83m	16.2%
FRANCHISING OPERATIONS SEGMENT RESULT	\$292.85m	\$383.96m	\$123.86m	(-\$91.11m)	(-23.7%)	\$168.99m	136.4%
FRANCHISING OPERATIONS MARGIN %	8.53%	10.22%	4.19%	-169bps		+434bps	

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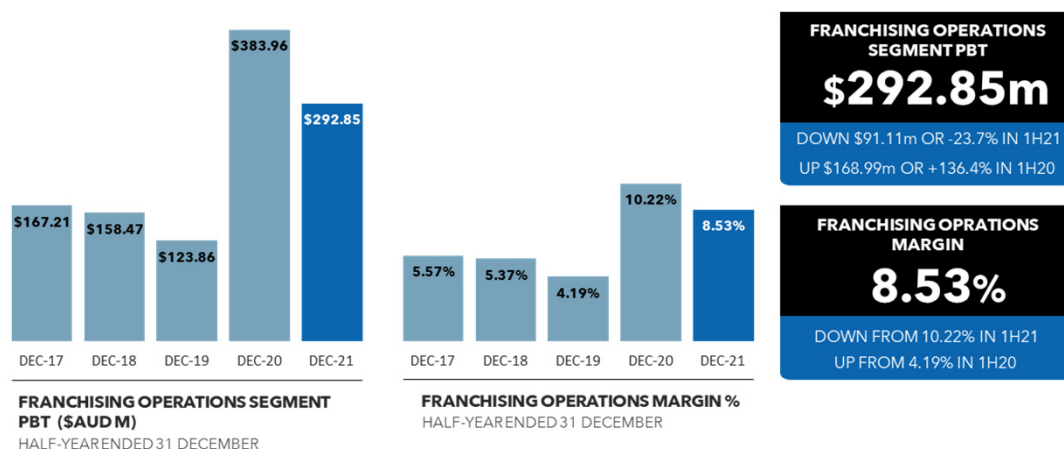
Franchising Operations Segment Revenue
down by \$93.35m (-13.5%)
from \$689.27m in 1H21 to \$595.93m in 1H22

Due to decrease in gross franchise fees by \$86.94m, directly attributed to the 8.7% reduction in aggregated franchisee sales revenue from \$3.76bn in 1H21 to \$3.43bn in 1H22.

Franchising Operations Segment PBT
down by \$91.11m (-23.7%)
from \$383.96m in 1H21 to \$292.85m in 1H22

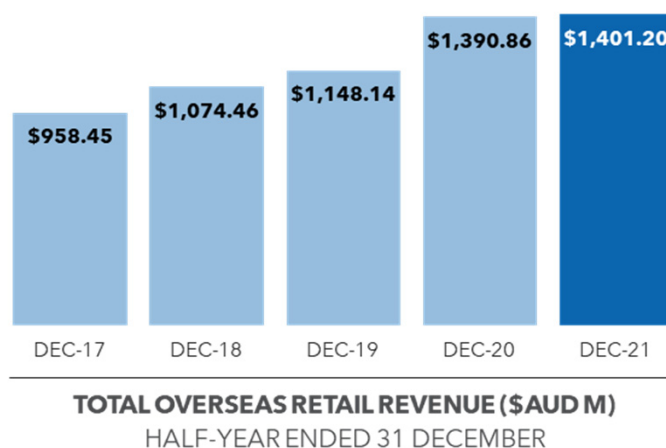
The profitability of the franchising operations segment was negatively impacted by approximately four months of government mandated closures in the current half year. The franchising operations segment PBT decreased by \$91.11m due to:

- Decrease in franchising operations segment revenue by \$93.35m due to lower franchise fees received from franchisees by \$86.94m in 1H22, and
- Reduction in rent and outgoings received from franchisees as full or partial rent waivers were given to external tenants and franchisees affected by the retail closures in NSW, VIC and the ACT in 1H22.
- The rent waivers provided to external tenants and franchisees amounted to \$27.07m in total, of which \$14.79m related to properties owned by the consolidated entity (and recorded in the Property Segment) and \$12.28m related to properties leased by the consolidated entity (and recorded in the Franchising Operations Segment).
- During 1H21, \$8.63m of rent waivers were given to external tenants and franchisees affected by the 11-week mandatory Stage 4 lockdown in greater Melbourne, Victoria, of which \$4.56m related to owned properties and \$4.07m related to leased properties.

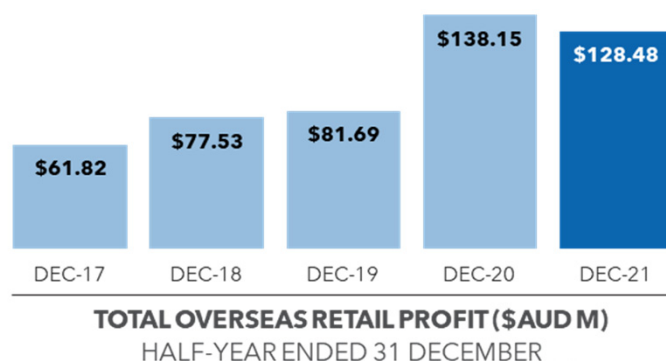


OFFSHORE SEGMENT PROFIT RESULT

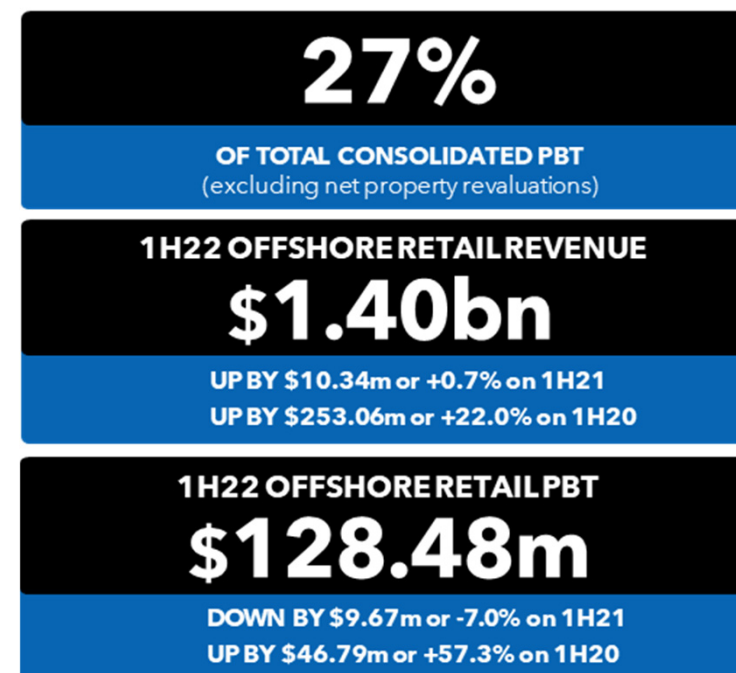
	31 DECEMBER 2021	31 DECEMBER 2020	INCREASE / (DECREASE)	
RETAIL - NEW ZEALAND	\$67.61m	\$75.34m	(-\$7.73m)	(-10.3%)
RETAIL - SINGAPORE & MALAYSIA	\$20.61m	\$20.76m	(-\$0.14m)	(-0.7%)
RETAIL - IRELAND & NORTHERN IRELAND	\$33.11m	\$35.21m	(-\$2.10m)	(-6.0%)
RETAIL - SLOVENIA & CROATIA	\$7.15m	\$6.85m	\$0.30m	4.5%
RETAIL - OVERSEAS	\$128.48m	\$138.15m	(-\$9.67m)	(-7.0%)



UP BY
46.2%
IN 5 YEARS



UP BY
107.8%
IN 5 YEARS



OVERSEAS COMPANY-OPERATED RETAIL SEGMENT (continued) 14

New Zealand

- Sales decreased by **\$7.95m or -1.3%**, from \$594.39m in 1H21 to **\$586.43m** in 1H22.
- Retail result decrease by **\$7.73m or -10.3%**, from \$75.34m in 1H21 to **\$67.61m in 1H22**.
- Sales and profitability were negatively impacted by the Alert Level 3 & 4 nationwide lockdowns in 1H22 from 18 August 2021, closing all 11 retail stores and 2 outlets in Auckland for a prolonged 12-week period up to 10 November 2021 (closure of 84 days), and closing all 30 retail stores outside of Auckland for a 3-week period, with limited re-opening to customers commencing from 7 September 2021 (closure of 21 days). This is in contrast to a 19-day closure of Auckland stores only in 1H21.
- Sales quickly rebounded when restrictions were lifted and were assisted by a full 6-month's contribution from 3 stores that opened during FY21.

Ireland & Northern Ireland

- Aggregated sales revenue for Ireland and Northern increased by **\$10.26m or +2.7%**, from \$374.13m in 1H21 to **\$384.39m** in 1H22.
- Aggregated retail result for Ireland and Northern Ireland decreased by **\$2.10m or -6.0%**, from \$35.21m in 1H21 to **\$33.11m** in 1H22.

Ireland

- Sales increased by **\$10.32m or +2.9%**, from \$360.52m in 1H21 to **\$370.84m in 1H22**.
- Retail result decrease by **\$1.35m or -4.1%**, from \$33.03m in 1H21 to **\$31.68m in 1H22**.
- 1H22 has benefited from a reduction in COVID-19 restrictions, increasing customer confidence and in-store foot traffic.
- The rise in 1H22 sales is also attributed to a full 6-month's uninterrupted contributions from the Galway and Sligo stores.

Northern Ireland

- Sales decreased by **\$0.06m**, from \$13.61m in 1H21 to **\$13.55m** in 1H22.
- Retail result for 1H22 was a profit of **\$1.44m**, a decrease of **\$0.75m or -34.3%** from \$2.19m in 1H21.
- Flagship store at Boucher Road, South Belfast continues to perform well.

Singapore & Malaysia

- Aggregated sales revenue for Asia combined was **\$296.15m**, a decrease of **\$6.48m or -2.1%**, from \$302.63m in 1H21.
- Aggregated retail result for Asia was **\$20.61m** for 1H22, a slight reduction of **\$0.14m, or -0.7%** from \$20.76m in 1H21.

Malaysia

- Despite a full 6-month's contribution of the 3 stores opened in 1H21 and the new Pavilion Bukit Jalil store that opened on 3 December 2021, sales decreased by **\$15.50m or -12.1%** to \$113.05m for 1H22 mainly due to extensive lockdowns.
- Malaysian stores were closed for a 7-week period (closure of 51 days) during 1H22, with a limited opening to customers commencing from 21 August 2021. This is in contrast to a period of growth and expansion in 1H21, surging sales on the back of pent-up demand from closures in the early months of the pandemic and no physical retail closures last half.
- Sales were strong when the stores re-opened from October 2021, however Christmas trade was adversely impacted by the severe floods in the Klang Valley in mid Dec-21 causing damage and disruption to the main warehouse in Kuala Lumpur and deferring sales into the new year.

Singapore

- Sales increased by **\$6.86m or +4.1%** due to a full 6-months contribution of the 3 stores opened in mid-to-late 1H21.

Slovenia & Croatia

- Aggregated sales revenue for Slovenia and Croatia increased by **\$9.32m or +10.0%**, from \$93.27m in 1H21 to **\$102.59m** in 1H22.
- Aggregated retail result for Slovenia and Croatia increased by **\$0.31m or +4.5%**, from \$6.85m in 1H21 to **\$7.15m** in 1H22.

Slovenia

- Sales increased by **\$5.81m or +8.1%**, to \$77.73m in 1H22. Retail result increased by **\$0.89m or +13.1%**, from \$6.76m in 1H21 to **\$7.65m in 1H22**.
- All 5 Slovenian stores including the flagship store at Ljubljana have delivered double-digit sales growth across all product categories.

Croatia

- Sales increased by **\$3.51m or +16.4%**, driven by a full 6-months trade of the Pula store

	31 DECEMBER 2021	31 DECEMBER 2020	INCREASE / (DECREASE)	%
PROPERTY SEGMENT REVENUE	\$259.38m	\$167.23m	\$92.15m	+55.1%
NET PROPERTY REVALUATION INCREMENT	\$129.38m	\$36.32m	\$93.06m	+256.2%
PROPERTY SEGMENT EBITDIA	\$206.25m	\$117.07m	\$89.18m	+76.2%
PROPERTY SEGMENT RESULT BEFORE TAX	\$197.74m	\$109.09m	\$88.65m	+81.3%

Property Segment Revenue up by \$92.15m (+55.1%)

from \$167.23m in 1H21 to **\$259.38m** in 1H22

- This increase is due to the recognition of \$129.38m in net property revaluation increments to fair value in 1H22 compared to \$36.32m in net increments for 1H21, an increase of \$93.06m, primarily due to the strength and resilience of the 'large-format retail' property market on the back of solid investor demand and the strengthening momentum of the home renovation market fuelling the trading performance of Home, Lifestyle and Tech retailers.
- This increase was offset by a reduction in rent and outgoings received from freehold properties during 1H22 as full or partial rent waivers were given to external tenants and franchisees affected by the retail closures in NSW, VIC and ACT for approximately a 4-month period.
- These rent waivers amounted to \$27.07 million in total, of which \$14.79 million related to properties owned by the consolidated entity (and recorded in the Property Segment) and \$12.28 million related to properties leased by the consolidated entity (and recorded in the Franchising Operations Segment).
- During 1H21, \$8.63 million of rent waivers were given to franchisees affected by the 11-week mandatory Stage 4 lockdown in greater Melbourne, Victoria, of which \$4.56 million related to owned properties and \$4.07 million related to leased properties.

Property Segment Result Before Tax up by \$88.65m (+81.3%)

from **\$109.09m** in 1H21 to **\$197.74m** in 1H22

- Mainly due to \$93.06m increase in net property revaluation increment for freehold investment properties.

COMPOSITION OF FREEHOLD PROPERTY SEGMENT ASSETS	December 2021	# of Owned Retail Property Assets	# of Owned Other Property Assets	Net Increase in Fair Value (Income Statement)	Net Increase / (Decrease) in Fair Value (Equity)
(1) Investment Properties (Freehold) and Assets Held for Sale					
- Australia	\$3,042.89m	95	41	\$129.38m	-
- New Zealand	\$11.39m	-	2	-	-
- Singapore (Property asset held for sale)	\$13.06m	-	1	-	-
Total Investment Properties (Freehold) and Assets Held for Sale	\$3,067.34m	95	44	\$129.38m	-
(2) Owner–Occupied Land & Buildings					
- Australia	\$10.30m	-	1	-	-
- New Zealand	\$361.38m	19	1	-	\$16.18m
- Singapore	\$8.05m	-	1	-	\$0.14m
- Slovenia	\$75.36m	5	-	-	-
- Ireland	\$15.45m	1	-	-	-
Total Owner–Occupied Land & Buildings	\$470.53m	25	3	-	\$16.32m
(3) Joint Venture Assets	\$1.96m	-	7	-	-
Total Freehold Property Segment Assets	\$3,539.83m	120	54	\$129.38m	\$16.32m

- The Australian freehold investment property portfolio has grown to **\$3.043 billion as at 31 December 2021**, surpassing the \$3 billion milestone for the first time and firmly positioning the consolidated entity as the largest single owner of Large Format Retail (LFR) real estate in the Australian market.
- 194 Australian franchised complexes** geographically spread throughout the country; **95** of the franchised complexes (49% of total), and their associated warehouses, are owned by the consolidated entity, which are then leased to external parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees, and a diversified range of complementary retailers and lifestyle operators.
- Property ownership is a core pillar of our successful integrated retail, franchise, property and digital strategy and our key point of difference. Our freehold properties are LFR centres, an attractive and resilient asset class that has enjoyed significant gains over the past 18 months, on the back of rising investor demand, scarce quality LFR supply, firming yields and strong recent LFR sale transactions. The record low cost of debt and the record rise in household and business savings since the start of the pandemic, coupled with pandemic-driven housing shifts, has seen a significant rise in national residential dwelling commencements and a sustained increase in renovation activity.
- The uptake of the government’s HomeBuilder Program is expected to underpin strong values across the LFR sector and the underlying value of our robust Australian freehold investment property portfolio.
- Solid performance across the LFR sector has resulted in another material increase in the value of our Australian investment property portfolio by \$148.67m this half, of which \$129.38m is for the capital appreciation in property fair values during 1H22 and \$19.30m relates to capital additions and refurbishments.
- Globally, we have **108 company-operated stores across 7 countries**. 25 of the stores located overseas (23% of total) are owned by the consolidated entity. The aggregate value of the overseas owner-occupied and investment property portfolio is \$484.68m, increasing in value by \$20.01m during the period primarily relating to capital appreciation since the end of FY21.

COMPOSITION OF LEASEHOLD PROPERTY SEGMENT ASSETS	Right-of-Use Asset Dec 2021	Lease Liabilities Dec 2021	# of Leased Retail Property Assets	# of Leased Other Property Assets
(1) Leases of Properties Sub-Leased to External Parties	\$630.28m	\$661.04m	99	168
- Australia				
(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets				
- Australia	\$27.56m	\$43.48m	-	8
- New Zealand	\$124.02m	\$142.37m	27	33
- Singapore & Malaysia	\$227.60m	\$173.23m	39	14
- Slovenia & Croatia	\$16.68m	\$18.67m	2	6
- Ireland & Northern Ireland	\$98.08m	\$135.32m	16	11
Total Owner-Occupied Properties and Plant and Equipment Assets	\$493.96m	\$513.06m	84	72
Total Leasehold Property Segment Assets	\$1,124.23m	\$1,174.10m	183	240

Right-of-Use Assets: Leasehold Investment Properties (Sub-Leased to External Parties)

- Primarily for the purposes of being sub-leased to Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia.

Right-of-Use Assets: Leasehold Owner-Occupied Properties and Plant and Equipment Assets

- Primarily include company-operated stores, warehouses and offices that are leased from external landlords.

Financial Impact of AASB 16 Leases:	Leases of Owner-Occupied Properties \$000	Leases of Properties Sub-Leased to External Parties \$000	Total Leases \$000
Property, plant and equipment: Right-of-use asset	\$33,046	-	\$33,046
- Depreciation expense			
Investment properties (leasehold): Right-of-use asset	-	\$38,573	\$38,573
- Fair value re-measurement			
Finance costs: Interest on lease liabilities (accretion)	\$8,518	\$12,233	\$20,751
Total AASB 16 Expenses Recognised	\$41,564	\$50,806	\$92,370
Less: Lease payments made during FY21 (excluding variable lease payments (short-term, low-value leases))	(\$41,801)	(\$46,702)	(\$88,503)
Other adjustments	\$992	-	\$992
AASB 16 Incremental Decrease in PBT for 1H22	\$755	\$4,104	\$4,859

- Refit program in Australia has been hampered by the government mandated closures during 1H22. It is our intention to complete the premium refits of franchised complexes located at Fyshwick, ACT and Erina, NSW by the end of calendar 2022.
- We expect to ramp-up our premium refit plan with the expected completion of up to 40 premium refits over the next 5 years.
- As planned, we opened two Harvey Norman® franchised complexes in Australia during 1H22 located at Murwillumbah, New South Wales (September 2021) and Port Pirie, South Australia (November 2021). In December 2021, we opened a company-operated store in Malaysia located at Pavilion Bukit Jalil, Kuala Lumpur.
- During 2nd half of FY22, we intend to open 1 franchised complex in Australia. The proposed third Croatian store at Rijeka and the new store in Ireland, both slated for opening in late FY22, have been delayed to early FY23.
- Beyond FY22, we intend to open 2 franchised complexes in Australia during the 2023 and 2024 financial years and we intend to relocate 2 franchised complexes from leased sites to freehold properties.
- We expect our offshore expansion plans to continue with the anticipated opening of up to 9 company-operated stores overseas during FY23 and FY24: 3 in New Zealand, 3 in Malaysia, 1 in Ireland (delayed from FY22) and 2 in Croatia (1 store delayed from FY22), whilst relocating 1 store in New Zealand.
- Last year, we announced our intention to open 2 leasehold company-operated stores in Budapest, Hungary with the first store to be opened in calendar 2023 and the second store to be opened by the end of FY24.

Except for Ireland where sales were virtually flat, there has been sales growth in all countries for the period 1 January 2022 to 21 February 2022 against a strong prior comparable period for 1 January 2021 to 21 February 2021. When compared to a more stable recent retail trading period in 1 January 2020 to 21 February 2020, there has been solid sales growth by Australian franchisees and the company-operated stores in each overseas country.

The strengthening momentum in the home renovation market and heightened consumer demand since the start of the pandemic, continues to drive sales across key Home, Lifestyle and Tech product categories with the 'home' continuing to be the focal point for consumer spending. Refer to the information in the tables below.

Aggregated Sales increase / (decrease) from 1 January 2022 to 21 February 2022 vs 1 January 2021 to 21 February 2021 and 1 January 2022 to 21 February 2022 vs 1 January 2020 to 21 February 2020

(% increases have been calculated in Australian Dollars \$A)

Comparable sales growth has not been adjusted for the temporary closures mandated by each local government as a result of their COVID-19 Response.

COUNTRY	1 January 2022 to 21 February 2022 vs 1 January 2021 to 21 February 2021		1 January 2022 to 21 February 2022 vs 1 January 2020 to 21 February 2020	
	Total %	Comparable %	Total %	Comparable %
Australian Franchisees	1.3	1.5	22.9	23.0
New Zealand	1.5	1.5	19.8	18.2
Slovenia & Croatia	21.2	21.2	11.6	3.3
Ireland	(-0.1)	(-0.3)	51.1	37.2
Northern Ireland	100.2	100.2	32.5	32.5
Singapore	9.2	9.2	13.3	1.6
Malaysia	8.7	4.5	18.1	2.1

Aggregated Sales increase / (decrease) from 1 January 2022 to 21 February 2022 vs 1 January 2021 to 21 February 2021 and 1 January 2022 to 21 February 2022 vs 1 January 2020 to 21 February 2020

(% increases have been calculated in local currencies)

Comparable sales growth has not been adjusted for the temporary closures mandated by each local government as a result of their COVID-19 Response.

COUNTRY		1 January 2022 to 21 February 2022 vs 1 January 2021 to 21 February 2021		1 January 2022 to 21 February 2022 vs 1 January 2020 to 21 February 2020	
		Total %	Comparable %	Total %	Comparable %
Australian Franchisees	\$A	1.3	1.5	22.9	23.0
New Zealand	\$NZD	1.2	1.2	23.1	21.4
Slovenia & Croatia	€Euro	20.4	20.4	14.3	5.8
Ireland	€Euro	(-0.7)	(-1.0)	54.8	40.5
Northern Ireland	£GBP	87.6	87.6	4.9	4.9
Singapore	\$SGD	3.1	3.1	18.0	5.8
Malaysia	MYR	4.6	0.6	26.9	9.7

QUESTIONS

(LIMITED TO 30 MINUTES)