Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

PRESENTATION OF RESULTS | 30 JUNE 2023

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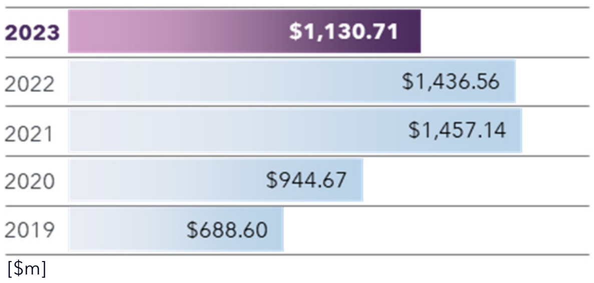
AUSTRALIA
Harvey Norman
TEAM PARTNER
Paralympics Australia

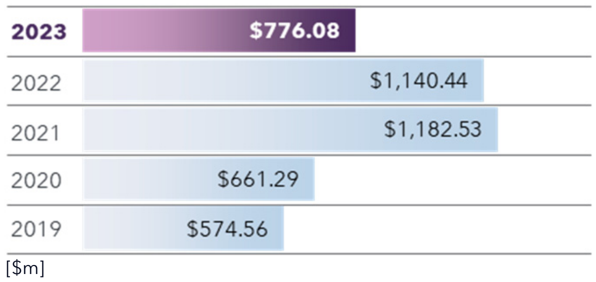
2023 RESULTS

EBITDA
$1,130.71m



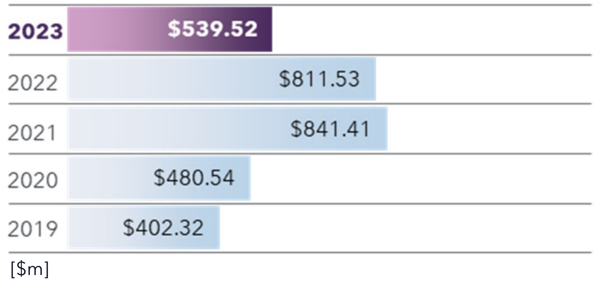
↓ **$305.85m** from FY22
↑ **$442.11m** from FY19
4-YEAR CAGR **13.2%**

Reported PBT
$776.08m



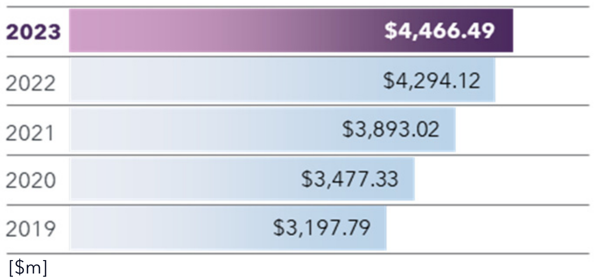
↓ **$364.36m** from FY22
↑ **$201.52m** from FY19
4-YEAR CAGR **7.8%**

Reported NPAT & NCI
$539.52m



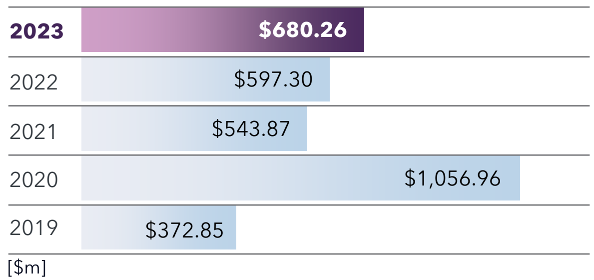
↓ **$272.01m** from FY22
↑ **$137.20m** from FY19
4-YEAR CAGR **7.6%**

Net Assets
$4.466bn



↑ **$172.37m** from FY22
↑ **$1,268.70m** from FY19
4-YEAR CAGR **8.7%**

Operating Cash Flows
$680.26m



↑ **$82.96m** from FY22
↑ **$307.41m** from FY19
4-YEAR CAGR **16.2%**

Total System Sales Revenue*
$9.193bn

↓ **$364.66m** from FY22
↑ **$1,301.84m** from FY19
4-YEAR CAGR **3.9%**

*Comprised of Harvey Norman® overseas company-operated sales revenue and aggregated Harvey Norman®, Domayne® and Joyce Mayne® franchisee sales revenue in Australia. Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

KEY FINANCIAL HIGHLIGHTS

EBITDA

$1.131 bn

↓ **$305.85m** or **-21.3%** from **$1.437bn** in FY22
↑ **$442.11m** or **64.2%** from **$688.60m** in FY19

4-YEAR CAGR **13.2%**

EBITDA excluding AASB16 net impact and net property revaluations

$812.90 m

↓ **$230.84m** or **-22.1%** from **$1.044bn** in FY22
↑ **$194.60m** or **31.5%** from **$618.30m** in FY19

4-YEAR CAGR **7.1%**

EBIT

$867.74 m

↓ **$324.85m** or **-27.2%** from **$1.193bn** in FY22
↑ **$264.40m** or **43.8%** from **$603.34m** in FY19

4-YEAR CAGR **9.5%**

EBIT excluding AASB16 net impact and net property revaluations

$721.59 m

↓ **$231.61m** or **-24.3%** from **$953.20m** in FY22
↑ **$188.56m** or **35.4%** from **$533.04m** in FY19

4-YEAR CAGR **7.9%**

Total System Sales Revenue

$9.193 bn

Aggregated headline franchisee sales revenue* **$6.417bn**

Company-operated sales revenue **$2.776bn**

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

HNHL Consolidated Revenue

$4.275 bn

Sales of products to customers **$2.776bn**

Revenue received from franchisees **$1.171bn**

Revenue and other income items **$327.99m**

REPORTED PBT

$776.08 m

↓ **$364.36m** or **-31.9%** from **$1.140bn** in FY22
↑ **$201.52m** or **35.1%** from **$574.56m** in FY19

4-YEAR CAGR **7.8%**

PBT excluding AASB16 net impact and net property revaluations

$680.23 m

↓ **$262.56m** or **-27.8%** from **$942.79m** in FY22
↑ **$175.98m** or **34.9%** from **$504.26m** in FY19

4-YEAR CAGR **7.8%**

REPORTED PROFIT AFTER TAX & NCI

$539.52 m

↓ **$272.01m** or **-33.5%** from **$811.53m** in FY22
↑ **$137.20m** or **34.1%** from **$402.32m** in FY19

4-YEAR CAGR **7.6%**

PAT excluding AASB16 net impact and net property revaluations

$471.88 m

↓ **$201.66m** or **-29.9%** from **$673.55m** in FY22
↑ **$118.80m** or **33.6%** from **$353.09m** in FY19

4-YEAR CAGR **7.5%**

Net Assets

$4.466 bn

↑ **4.0%** from **$4.29bn** in June 22
↑ **39.7%** from **$3.198bn** in June 19

Basic Earnings Per Share

$43.30c

↓ from **65.13c** in FY22
↑ from **34.70c** in FY19

Dividends Per Share

(FULLY-FRANKED)

25.0c

↓ from **37.50c** in FY22
↓ from **33.00c** in FY19

KEY FINANCIAL HIGHLIGHTS (continued)

- **$7.67bn total assets, anchored by a $4bn property portfolio** – up by $425.43m or 5.9% from FY22
- **$4.47bn net assets** – substantial 40% growth since the beginning of the pandemic
- **prudent financial management** resulting in ample liquidity and low net debt to equity ratio of 13.85%
- **$680.26m in operating cash flows**, up $82.96m or 13.9%, with a cash conversion of 97.4%
    - mainly due to substantial improvement in working capital in 2H23 resulting in a $308.05m increase vs 2H22
    - 1H23 cash conversion of 90.1%
    - 2H23 cash conversion of 108.4%
    - increase of $307.41m or 82.5% from pre-pandemic operating cash flows in FY19
- **$776.08m reported PBT, CAGR of 7.8% over the past 4-years** – profitability still well-above pre-pandemic levels, growing by 35% since FY19
    - **$4.28bn of total revenues**, down by $230.46m or -5.1% off a high base in FY22:
        - $130.00m reduction in revenue received from franchisees on the back of reduction in aggregated franchisee sales revenue by -4.9% to $6.42bn
        - $31.26m reduction in company-operated sales revenue, mainly due to NZ
        - $69.20m reduction in other income items mainly due to $94.93m reduction in net property revaluation increments
    - **$1.62bn of total operating expenses**, up by $121.74m or 8.1%
        - normalisation of operating expenses post-COVID
        - 17.68% operating efficiency ratio, comparable to pre-pandemic levels [total operating expenses of the consolidated entity as a % of total system sales revenue]
        - 4.3% global marketing expenses as a percentage of total system sales revenue [was 5.0% in FY19]
        - $39.51m increase in finance costs
        - $49.59m increase in other expenses primarily due to the cost of bonus gift cards as franchisees continue to strengthen customer loyalty (for the prior year, this expense was included in marketing expenses). In total, the cost of bonus gift cards has increased by $11.02m from FY22.
- **$680.23m PBT excluding the effects of AASB 16 and net property revaluations**, down by $262.56m or -27.8%
    - 35% up on pre-pandemic levels of FY19
    - 4-year CAGR of 7.8%

Operating Cash Flows

Substantial improvement in working capital to deliver strong operating cash flows.

$680.26m

FY22	FY19	1H23 vs 1H22	2H23 vs 2H22
↑ +13.9% (up $82.96m)	↑ +82.5% (up $307.41m)	↓ -39.8% (down $225.09m)	↑ +989.4% (up $308.05m)

Strong Cash Conversion

97.4%

1H23	2H23
90.1%	108.4%

PBT

Excluding net impact of AASB 16 and property revaluations

$680.23m

FY22	FY19	1H23 vs 1H22	2H23 vs 2H22
↓ -27.8% (down $262.56m)	↑ +34.9% (up $175.98m)	↓ -11.7% (down $57.02m)	↓ -45.2% (down $205.54m)

Total Assets

Very strong balance sheet underpinned by an appreciating robust, tangible asset base

$7.67bn

FY22	FY19
↑ +5.9% (up $425.43m)	↑ +59.9% (up $2.87bn)

Solid working capital and a strong property portfolio are key competitive advantages that provides us with capacity to access additional capital as required.
[4-year CAGR 12.4%]

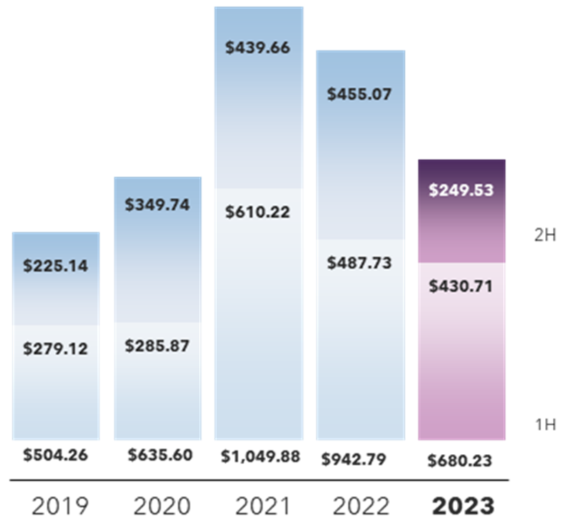
Net Assets

40% increase in net assets from pre-covid position in June 19. 4% increase since June 22.

$4.47bn

FY22	FY19
↑ +4.0% (up $172.37m)	↑ +39.7% (up $1.27bn)

Versatile & adaptable operating model and organic expansion in existing countries delivered a 40% growth in net assets since FY19.
[4-year CAGR of 8.7%]



YEAR ENDED 30 JUNE
PBT excluding impact of AASB16 & property revaluations [$m]

AN INTEGRATED RETAIL, FRANCHISE, PROPERTY AND DIGITAL SYSTEM

We operate an integrated retail, franchise, property and digital system across 8 countries.

Australia	New Zealand	Singapore	Slovenia	Ireland	Malaysia	Northern Ireland	Croatia
197 franchised complexes	**45** stores	**12** stores	**5** stores	**16** stores	**28** stores	**2** stores	**3** stores

Harvey Norman® Australian franchised retail and overseas company-operated retail operations are supported by an integrated retail, franchise, property & digital system

Australian Franchising Operations

- **197 franchised complexes in Australia comprising 555 independent franchisees**
- **FY23 Aggregated Franchisee Sales Revenue:** $6.42 billion
- **FY23 Franchising Operations PBT:** $373.36 million

Overseas Company – Operated Retail

- **111 company-operated stores in 7 countries**
- **FY23 Overseas Company-Operated Revenue:** $2.60 billion
- **FY23 Overseas Retail PBT:** $139.06 million
- **Comprises 21% PBT excluding revaluations** [18% Total PBT]

Strategic 'Large-format' Retail Property Portfolio

- **96 franchised complexes owned (49% of total)**
- **470** diverse third-party tenants (large proportion ASX-listed)
- **$3.44 billion Australian investment property portfolio** (largest single owner in Australia)
- **FY23 Property PBT:** $271.66 million (including revaluations)

- **27 international owned retail property assets** (24% of total)
- **$596.65 million overseas owner-occupied and investment property portfolio**

Investment in Technology, Digital Transformation and IT Infrastructure Assets

Online sales channel | **Click & collect** | **Quick reserve** | **Store finder** | **Trak by Harvey Norman®** | **LiveChat**

The consolidated entity operates an integrated retail, franchise, property and digital system, comprising three main strategic pillars:
1. Franchise – 2. Retail – 3. Property complemented by sustained investment in technology, digital transformation and IT infrastructure assets.

1 Franchising Operations Segment

4-year CAGR **10.7%**

	REVENUE $1.07bn		TOTAL EXPENSES $692.31m		PBT RESULT $373.36m	
	vs FY22	vs FY19	vs FY22	vs FY19	vs FY22	vs FY19
	↓ -10.7% (down $127.50m)	↑ +27.1% (up $227.01m)	↑ +8.1% (up $52.16m)	↑ +17.3% (up $102.05m)	↓ -32.5% (down $179.66m)	↑ +50.3% (up $124.96m)
	1H23 vs 1H22	2H23 vs 2H22	1H23 vs 1H22	2H23 vs 2H22	1H23 vs 1H22	2H23 vs 2H22
	↓ -0.1% (down $0.85m)	↓ -21.2% (down $126.65m)	↑ +17.9% (up $54.36m)	↓ -0.7% (down $2.20m)	↓ -18.9% (down $55.21m)	↓ -47.8% (down $124.45m)

Representing 56.8% of PBT excluding property revaluations
[or48.1% of Total PBT]

2 Overseas Company-Operated Retail Segment

4-year CAGR **1.8%**

	REVENUE $2.60bn		TOTAL EXPENSES $2.46bn		PBT RESULT $139.06m	
	vs FY22	vs FY19	vs FY22	vs FY19	vs FY22	vs FY19
	↓ -1.3% (down $34.08m)	↑ +26.6% (up $545.84m)	↑ +2.5% (up $58.87m)	↑ +27.9% (up $536.48m)	↓ -40.1% (down $92.94m)	↑ +7.2% (up $9.35m)
	1H23 vs 1H22	2H23 vs 2H22	1H23 vs 1H22	2H23 vs 2H22	1H23 vs 1H22	2H23 vs 2H22
	↓ -1.1% (down $15.56m)	↓ -1.5% (down $18.52m)	↑ +1.0% (up $13.33m)	↑ +4.0% (up $45.54m)	↓ -22.5% (down $28.88m)	↓ -61.9% (down $64.06m)

Representing 21.2% of PBT excluding property revaluations
[or 17.9% of Total PBT]

3 Property Segment

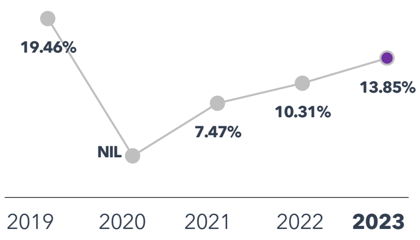
4-year CAGR **7.3%**

	REVENUE $423.13bn		TOTAL EXPENSES $151.46m		PBT RESULT $271.66m	
	vs FY22	vs FY19	vs FY22	vs FY19	vs FY22	vs FY19
	↓ -14.4% (down $71.27m)	↑ +27.4% (up $90.97m)	↑ +18.4% (up $23.55m)	↑ +18.8% (up $23.99m)	↓ -25.9% (down $94.82m)	↑ +32.7% (up $66.98m)
	1H23 vs 1H22	2H23 vs 2H22	1H23 vs 1H22	2H23 vs 2H22	1H23 vs 1H22	2H23 vs 2H22
	↓ -0.6% (down $1.60m)	↓ -29.6% (down $69.67m)	↑ +16.0% (up $9.85m)	↑ +20.7% (up $13.70m)	↓ -5.8% (down $11.45m)	↓ -49.4% (down $83.37m)

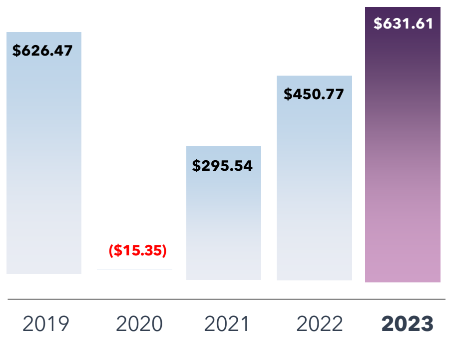
Representing 23.3% of PBT excluding property revaluations
[or **35.0%** of Total PBT]

KEY STATISTICS: BALANCE SHEET

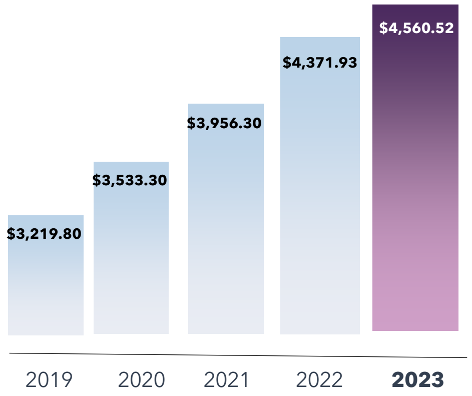
Net Debt: June 23 Net debt of **$631.61 m** VS June 22 Net debt of **$450.77 m**



NET DEBT TO EQUITY RATIO



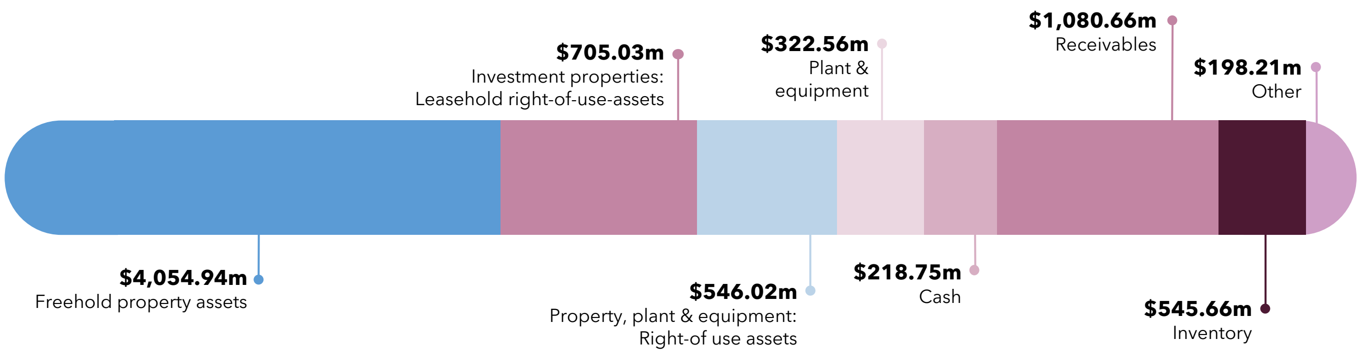
NET DEBT/(CASH) ($AUD M)



TOTAL EQUITY* ($AUD M)

[*Total Equity excludes ROU assets, lease liabilities and acquisition reserve]

Composition of Total Assets of $7.67bn



Total assets

Year ended 30 June

2023	**$7.67 bn**
2022	$7.25 bn

↑ 5.9% from June 22

- Total assets increased by $425.43 million or 5.9% from June 2022
- Freehold investment property portfolio increased by $253.38 million
- Freehold owner-occupied property portfolio increased by $75.33 million
- Franchisee receivables decreased by $51.92 million or -5.8% to $841 million as at 30 June 2023

Total liabilities

Year ended 30 June

2023	**$3.21 bn**
2022	$2.95 bn

↑ 8.6% from June 22

- Total liabilities increased by $253.06 million or 8.6% from June 2022
- Interest-bearing loans and borrowings increased by $150.79 million

Net assets have increased by $172.37m or 4.0% to $4.47bn as at 30 June 2023. When compared to FY19, net assets increased by $1.27bn or 39.7%.

40% Increase in Net Assets from FY19

8.7% 4-Year Net Assets CAGR

REVIEW OF THE BALANCE SHEET

	30 June 2023	30 June 2022	Increase / (Decrease) $	Increase / (Decrease) %
Total assets	$7.67 bn	$7.25 bn	$425.43m	5.9%
Total liabilities	$3.21 bn	$2.95 bn	$253.06m	8.6%
Equity	$4.47 bn	$4.29 bn	$172.37m	4.0%

Total Assets

Up by **$425.43m** (+5.9%)
from $7.25bn in FY22 to $7.67bn in FY23

Increase of **59.9%** from FY19
4-Year CAGR of 12.4%

- **$253.38m** increase in the value of the freehold investment property portfolio
  - primarily due to $120.20 million net property revaluation increments over the past 12 months, acquisition of new freehold investment properties and the refurbishments of freehold investment property assets in Australia.
- **$112.79m** increase in the property, plant and equipment
  - mainly due to the increase in the freehold owner-occupied property portfolio of $75.33 million and the fit-out of 4 new company-operated stores overseas: Fonthill, Ireland (July 2022), 1 Utama Shopping Centre, Malaysia (November 2022), Rijeka, Croatia (April 2023) and Masterton, NZ (June 2023).
  - includes fit-outs of three new franchised complexes in Australia: Manjimup, WA (November 2022), Port Stephens, NSW (March 2023) and Renmark, SA (May 2023).
  - premium refit program for franchised complexes in Australia is well underway with five refits in progress as at 30 June 2023.
- **$21.38m** increase in inventory
  - due to the new company-operated store openings coupled with their concerted efforts to maintain balanced and appropriate levels of inventory in each overseas market.

Total Liabilities

Up by **$253.06m** (+8.6%)
from $2.95bn in FY22 to $3.21bn in FY23

- **$150.79m** net increase in the interest-bearing loans and borrowings
  - primarily due to higher utilisation of the Syndicated Facility by $150m.

Net assets of
$4.47 bn
as at 30 June 2023

Increase of **$172.37m** or **4.0%** from FY22
Increase of **$1.27bn** or **39.7%** from FY19

4-Year CAGR of
8.7%

REVIEW OF THE STATEMENT OF CASH FLOWS

	30 June 2023	30 June 2022	Increase / (Decrease) $	Increase / (Decrease) %
Net cash flows from operating activities	$680.26m	$597.30m	$82.96m	13.9%
Net cash flows used in investing activities	($333.48m)	($178.80m)	($154.69m)	(-86.5%)
Net cash flows used in financing activities	($379.08m)	($432.87m)	$53.80m	12.4%
Net decrease in cash & cash equivalents	($32.30m)	($14.37m)	($17.93m)	(-124.8%)
Cash & cash equivalents at beginning of the year	$234.36m	$248.73m	($14.37m)	(-5.8%)
Cash & cash equivalents at end of the year	$202.06m	$234.36m	($32.30m)	(-13.8%)

Operating Cash Flows

Up by $82.96m

From $597.30m in FY22 to **$680.26m** in FY23

Strong Cash Conversion of 97.4% for FY23 | 1H23 90.1% 2H23 108.4%

- **$22.29m** increase in net receipts from franchisees due to the movement in the aggregate amount of financial accommodation provided to franchisees in FY23 relative to the movement in FY22. During FY23, the movement in the aggregate amount of financial accommodation provided to franchisees decreased primarily due to lower funding requested by franchisees to fund inventory purchases.
- **$103.52m** decrease in income taxes paid due to the higher tax payment made in FY22 attributable to FY21 taxable profits and the higher income tax instalment rate applied in Australia for FY22.

Offset by:

- **$30.02m** increase in payments to suppliers and employees due to higher operating costs attributable to new store openings and the normalisation of operating costs post-COVID.

Investing Cash Outflows

Up by $154.69m

From $178.80m in FY22 to **$333.48m** in FY23

- **$56.64m** increase in the payments for the purchase and refurbishments of freehold investment properties.
- **$92.74m** increase in the payments for the property, plant and equipment assets due to the purchase, construction or refurbishment of freehold owner-occupied properties, fit-out of 4 new company-operated stores overseas and the fit-out of 3 new franchised complexes in Australia, in addition to the re-commencement of the premium refit program.

Financing Cash Outflows

Down by $53.80m

From $432.87m in FY22 to **$379.08m** in FY23

- **$56.07m** decrease in dividends paid and **$30.00m** higher proceeds from syndicated facility

Offset by:

- **$9.92m** higher outflows for principal lease payments and **$22.35m** turnaround in repayments of other borrowings

AGGREGATED SALES REVENUE

Aggregated sales increase / (decrease) in constant local currencies:

Total Sales	Local Currency	1H23 vs 1H22	2H23 vs 2H22	FY23 vs FY22
Australian Franchisees*	$ AUD	2.1%	(-12.3%)	(-4.9%)
New Zealand	$ NZD	(-5.2%)	(-10.9%)	(-8.0%)
Slovenia & Croatia	€ EURO	10.0%	2.4%	6.4%
Ireland	€ EURO	1.5%	2.0%	1.7%
Northern Ireland	£ GBP	(-19.6%)	(-18.4%)	(-19.0%)
Singapore	$ SGD	4.7%	(-0.9%)	1.9%
Malaysia	MYR	27.5%	(-4.6%)	9.2%

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.

Comparable Sales	Local Currency	1H23 vs 1H22	2H23 vs 2H22	FY23 vs FY22
Australian Franchisees*	$ AUD	1.9%	(-12.4%)	(-5.1%)
New Zealand	$ NZD	(-5.6%)	(-11.2%)	(-8.3%)
Slovenia & Croatia	€ EURO	10.0%	(-0.6%)	5.0%
Ireland	€ EURO	(-2.9%)	(-2.8%)	(-2.8%)
Northern Ireland	£ GBP	(-19.6%)	(-18.4%)	(-19.0%)
Singapore	$ SGD	7.4%	1.9%	4.7%
Malaysia	MYR	21.5%	(-9.8%)	3.7%

Aggregated Franchisee Sales of

$6.42 bn for FY23

vs **$6.75bn** for FY22 down by **4.9%**

vs **$5.66bn** for FY19 up by **13.4%**

Aggregated Comparable Franchisee Sales of

$6.40 bn for FY23

vs **$6.75bn** for FY22 down by **5.1%**
vs $5.57bn for FY19 up by **14.0%**

Total System Sales Revenue of

$9.19 bn for FY23

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

Aggregated Franchisee sales* of **$6.42bn**
Company-Operated sales Revenue of **$2.78bn**

** 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.*

AUSTRALIAN FRANCHISEE AGGREGATED SALES REVENUE*

Total franchisee sales*

Year ended 30 June 2023

$6.42 bn

↓ **4.9%** on FY22

↑ **13.4%** on FY19

4-YEAR CAGR **3.2%**

Comparable franchisee sales*

Year ended 30 June 2023

$6.40 bn

↓ **5.1%** on FY22

↑ **14.0%** on FY19

4-YEAR CAGR **3.3%**

* *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 provided to the market as it is a key indicator of the performance of the franchising operations segment.*

- Trading conditions normalised during FY23 following two years of COVID-related disruptions. Post-COVID, Australian franchisee sales for FY23 decreased by 4.9% to $6.42 billion from a strong base of $6.75 billion for FY22.
- When compared to FY19, franchisee sales are well- above pre-pandemic levels growing by 13.4% from $5.66 billion in FY19.
- Australian franchisee sales for 2H23 decreased by 12.3% on 2H22 as 2H22 included pent up demand from nearly 4 months of mandated rolling lockdowns. 1H23 Australian franchisee sales increased by 2.1% on 1H22.
- Cooler than usual temperatures experienced by the east coast of Australia led to a substantial decrease in sales of seasonal products by Electrical and Furniture franchises such as air conditioning units, fans, air treatment units, outdoor furniture and barbeques.
- Harvey Norman®, Domayne® and Joyce Mayne® franchisees service the Homemaker category and are well placed for any growth that may arise from the home renovation cycle, new home starts and net migration increases.

FRANCHISING OPERATIONS SEGMENT

	30 June 2023	30 June 2022	Increase / (Decrease) $	Increase / (Decrease) %
Franchising operations segment revenue	$1.07bn	$1.19bn	(-$127.50m)	(-10.7%)
Aggregated franchisee headline sales revenue*	$6.42bn	$6.75bn	(-$333.40m)	(-4.9%)
Franchising operations segment result	$373.36m	$553.02m	(-$179.66m)	(-32.5%)
Franchising operations margin % [calculated as franchising operations segment PBT ÷ aggregated franchise sales revenue]	5.82%	8.19%	-237bps	

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

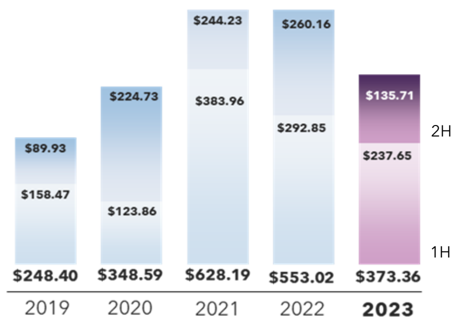
Franchising Operations Segment Revenue

Down by $127.50m (-10.7%)

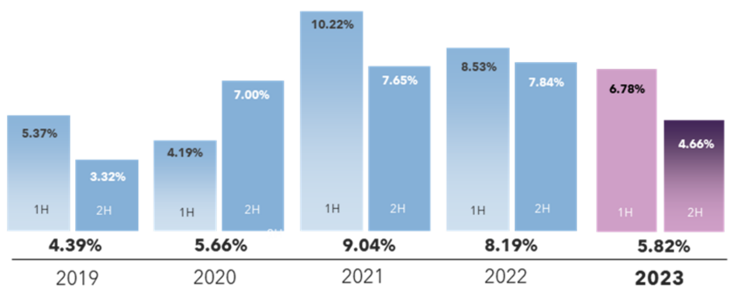
From $1.19bn in FY22 to **$1.07bn in FY23**

Increase of 27.1% from FY19 | 4-Year CAGR of 6.2%

- Primarily due to a reduction in aggregated franchisee sales by $333.40 million or -4.9% to $6.42 billion in FY23.



Franchising Operations Segment PBT (AUD $M)



Franchising Operations Margin (%)

Franchising Operations Segment PBT

Down by $179.66m (-32.5%)

From $553.02m in FY22 to **$373.36m in FY23**

Increase of 50.3% from FY19 | 4-Year CAGR of 10.7%

The franchising operations segment PBT decreased by $179.66 million due to:

- Decrease in franchising operations segment revenue by $127.50 million attributable to
  - lower franchise fees received by $172.47 million.

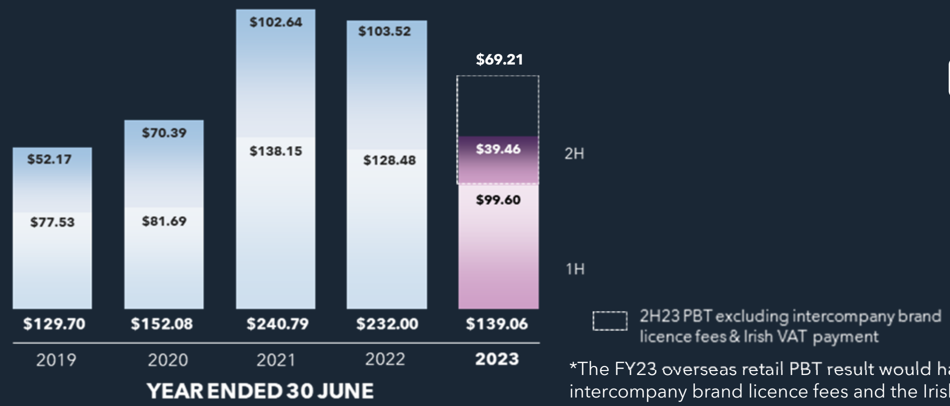
  Offset by:
  - higher rent and outgoings received from franchisees by $34.93 million or 14.0% as FY22 included the cost of rent waivers during COVID lockdowns totalling $19.58 million, of which $8.82 million related to properties leased by the consolidated entity (and recorded in the Franchising Operations Segment)
  - higher interest to administer franchisee financial accommodation facilities by $7.54 million.
- Increase in costs to operate the franchising operations segment mainly due to:
  - increase in cost of bonus gift cards by $11.02 million – franchisor has continued to assist franchisees to invest in their customers and enhance customer loyalty and retention
  - rise in finance costs by $10.43 million primarily due to a $6.68 million increase in interest costs on lease liabilities for leases sub-leased to external tenants.

OVERSEAS COMPANY-OPERATED RETAIL SEGMENT

Overseas retail segment PBT result	30 June 2023	30 June 2022	Increase / (Decrease) $	Increase / (Decrease) %
Retail – New Zealand	$80.69m	$129.08m	(-$48.38m)	(-37.5%)
Retail – Singapore & Malaysia	$40.07m	$45.36m	(-$5.30m)	(-11.7%)
Retail – Ireland & Northern Ireland	$10.66m	$46.16m	(-$35.50m)	(-76.9%)
Retail – Slovenia & Croatia	$7.63m	$11.40m	(-$3.77m)	(-33.1%)
Total overseas retail segment PBT result	**$139.06m**	**$232.00m**	**(-$92.94m)**	**(-40.1%)**

Aggregated overseas retail revenue ($AUD M)

Aggregated overseas retail PBT result ($AUD M)



*The FY23 overseas retail PBT result would have been **$168.81M** if the intercompany brand licence fees and the Irish VAT payment were excluded

Malaysian Expansion Plan: 2022 to 2028

This diagram shows the location of the current 28 stores in Malaysia as at 30 June 2023 (red pins). The blue pins show the proposed location of the new full-format stores and the orange pins show the proposed location of the new stores by the end of 2028.

OVERSEAS COMPANY-OPERATED RETAIL SEGMENT (continued)

New Zealand

- Sales for FY23 declined by $113.98m, or –10.2%, to $1.01bn for FY23, from $1.12bn in FY22. All key categories were affected from the decline in consumer discretionary spend and reduced store foot traffic.
- 1H23 declined by $57.57m as 1H22 benefitted from elevated sales during the lockdowns as consumers worked and studied from home and the surge post-lockdown due to pent-up demand.
- NZ sales are still ahead of pre-pandemic levels, up by $70.01m compared to FY19.
- Retail result was $80.69m for FY23, down by $48.38m, or –37.5%, from $129.08m in FY22.
- The fall in retail profit for FY23 was as a result of a decrease in sales turnover, a contraction in gross margin due to discounting and the normalisation of operating costs. Operating expenses for FY23 were inclusive of intercompany brand licence fees payable under the revised global transfer pricing policy that was adopted this year.
- Our brand remains strong and our business continues to retain its market leader position in the home and lifestyle market. New store at Masterton was opened in June 2023.

Ireland & Northern Ireland

- Aggregated sales revenue for Ireland & Northern Ireland increased by $5.68m or 0.9%, from $645.29m in FY22 to $650.97m in FY23.
- Aggregated retail result for Ireland & Northern Ireland decreased by $35.50m in FY23, from $46.16m in FY22 to $10.66m in FY23. If the intercompany brand licence fees under the revised global transfer pricing policy and the Irish VAT payment were excluded from the result, the segment would have generated a result of $26.59m, down by $19.57m from FY22.

Ireland

- Sales for FY23 increased by $10.78m, or +1.7%, to $631.88m, from $621.09m in FY22 mainly due to the contribution of the new store at Fonthill, Dublin which opened on 22 July 2022.
- Retail profit for FY23 was $12.76m, a decrease of $32.07m, or –71.5%, from $44.83m in FY22.
- The supply chain constraints and high delivery costs experienced last year have hampered sales and eroded margins in FY23.
- The Irish business paid $11.88m to the Revenue Commissioners on account of a VAT issue which was recorded as an expense in 2H23. The Irish business adopted a conservative approach in estimating the amount to be paid and, as of the date of this report, the amounts paid are under review.
- If the VAT payment and intercompany brand licence fees under the revised global transfer pricing policy were excluded from the result, the profit would be $28.68m, a decrease of $16.15m or -36.0% from FY22.

Northern Ireland

- Sales for FY23 decreased by $5.10m to $19.09m, from $24.19m in FY22.
- The difficult trading conditions in Northern Ireland has resulted in a loss of $2.09m for FY23, compared to a profit of $1.33m for FY22.

Singapore & Malaysia

- Aggregated sales revenue for Asia combined was $682.42m, an increase of $61.19m, or 9.9%, from $621.23m in FY22.
- Aggregated retail result for Asia was $40.07m for FY23, a decrease of $5.30m, or -11.7%, from $45.36m in FY22. If the intercompany brand licence fees under the revised global transfer pricing policy were excluded from the result, the Asian segment would have generated a result of $51.41m, an increase of $6.05m or 13.3%, from FY22.

Malaysia

- Sales were $289.18m, an increase of $27.81m, or +10.6%. The rise in sales is partially attributed to the new store at 1 Utama Shopping Centre, Selangor that opened on 22 November 2022 and a full year's contribution Pavilion Bukit Jalil store that opened in December 2021.
- Sales increased by $92.06m compared to the pre-pandemic sales in FY19.

Singapore

- Despite the closure of 2 small company-operated stores this year, sales for FY23 were $375.02m, an increase of $32.57m, or +9.5% from $342.44m in FY22.
- Sales increased by $33.05m compared to the pre-pandemic sales in FY19.
- Business in Singapore has started to normalise, with resumption of international travel and new housing projects. While the national GST increase from 7% to 8% effective from 1 January 2023 led to a surge in sales in Dec-22, it had the effect of slowing down consumer spending in 2H23.

Slovenia & Croatia

- Aggregated sales revenue for Slovenia and Croatia increased by $12.20m, or 6.4%, from $189.32m in FY22 to $201.52m in FY23.
- Aggregated retail result for Slovenia and Croatia decreased by $3.77m, or -33.1%, from $11.40m in FY22 to $7.63m in FY23. The segment result would have been $10.12m if the intercompany brand licence fees were excluded.

Slovenia

- Sales were $149.19m for FY23, growing by $6.85m or +4.8%, from $142.34m in FY22.
- 5 retail stores have delivered steady and strong sales growth during the initial three quarters of FY23. Sales declined in 4Q23 as rising interest rates, inflationary pressures and higher energy prices took effect, lowering household disposal incomes and reducing foot traffic in-store.
- Higher sales offset by higher operating costs. Retail profit of $9.97m in FY23, a $2.46m decrease or –19.8%, from $12.43m in FY22.
- If the payment of the intercompany brand licence fees were excluded from the result, the Slovenian result would have been $12.46 million, an increase of $0.03 million or 0.3%, from FY22.

Croatia

- Sales were $52.33m for FY23, increasing by $5.35m or +11.4%, from $46.98m in FY22. New store at Rijeka was opened in April 2023.
- Heightened operating costs eroded the sales gains, resulting in a loss in Croatia of $2.34m in FY23 compared to a loss of $1.03m in FY22.

PROPERTY SEGMENT

	30 June 2023	30 June 2022	Increase / (Decrease) $	Increase / (Decrease) %
Property segment revenue	$423.13m	$494.39m	($71.27m)	(-14.4%)
Net property revaluation increment	$118.75m	$213.68m	($94.93m)	(-44.4%)
Property segment EBITDA	$308.40m	$383.61m	($75.20m)	(-19.6%)
Property segment result before tax	$271.66m	$366.48m	($94.82m)	(-25.9%)

Property Segment Revenue

Down by $71.27m (-14.4%)

From $494.39m in FY22 to **$423.13m in FY23**

Increase of **27.4%** from FY19 | 4-Year CAGR of **6.2%**

- This decrease was primarily due to a reduction in the net property revaluation increment by $94.93m to $118.75m for FY23, compared to $213.68m net increments for FY22.
- Excluding property revaluations, retail property revenues increased by $23.66m due to higher rent received from franchisees and other third-party tenants, partially contributed by $10.76m in rent waivers provided to franchisees occupying owned properties last year due to the lockdowns, and higher market rentals and very low vacancy rates during FY23.

Property Segment Result Before Tax

Down by $94.82m (-25.9%)

From $366.48m in FY22 to **$271.66m in FY23**

Increase of **32.7%** from FY19 | 4-Year CAGR of **7.3%**

- The decrease is mainly due to a lower net revaluation increment recognised this year by $94.93m.
- Excluding net property revaluations for both periods, the property segment result would have been consistent with the prior year, a marginal increase of $0.11m from $152.80m for FY22 to $152.91m for FY23.

FREEHOLD PROPERTY PORTFOLIO

Composition of freehold property segment assets	June 2023	# of Owned Retail Property Assets	# of Owned Other Property Assets	Net Increase / (Decrease) in Fair Value [Income Statement]	Net Increase / (Decrease) in Fair Value [Equity]
(1) Investment Properties (Freehold)					
- Australia	$3,443.01m	96	44	$120.20m	-
- New Zealand	$9.59m	-	2	($1.44m)	-
- Ireland	$31.00m	-	1	-	-
Total Investment Properties (Freehold)	**$3,483.59m**	**96**	**47**	**$118.75m**	**-**
(2) Owner–Occupied Land & Buildings					
- Australia	$13.38m	-	1	-	-
- New Zealand	$418.21m	20	1	-	($22.22m)
- Singapore	$26.38m	-	2	-	($0.67m)
- Slovenia	$85.25m	5	-	-	-
- Ireland	$26.22m	2	-	-	($1.05m)
Total Owner–Occupied Land & Buildings	**$569.45m**	**27**	**4**	**-**	**($23.93m)**
(3) Joint Venture Assets	**$1.90m**	**-**	**7**	**-**	**-**
Total Freehold Property Segment Assets	**$4,054.94m**	**123**	**58**	**$118.75m**	**($23.93m)**

- **The consolidated entity continues to be the largest owner of LFR real estate in the Australian market.**
- Our Australian freehold investment property portfolio has grown to $3.44bn as at 30 June 2023, rising by $252.66m or 7.9% during FY23. $120.20m of the increase is attributed to capital appreciation in property fair values during the current year and $132.47m relates to capital additions and refurbishments. Throughout the pandemic and up to 1H23, we reported on the resilience of the large-format retail (LFR) market in Australia, buoyed by strong consumer household spending, the significant uptick in new dwellings and renovations and the high levels of investor demand for quality LFR property assets. Investor sentiment in the LFR market moderated during 2H23 as successive increases in the cash rate subdued demand.
- 197 Australian franchised complexes geographically spread throughout the country, with a local Harvey Norman®, Domayne® and Joyce Mayne® branded store located within close proximity to customers. 96 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.
- Our LFR centres also accommodate a complimentary mix of over 470 third-party tenants that are diversified across a variety of different categories including Food, Lifestyle & Other Service Retailers, Hardware, Medical, Pharmacies, Pets and Auto related products, a number of which are ASX-listed and are national retailers that support the underlying value of our properties.
- The marginal increase in property fair value for 2H23 is in contrast to the revaluation results of other listed real estate investment trusts (REITS). This contrast is due to the assets held by the consolidated entity being in a different asset class to assets held by other REITS that hold assets such as offices or traditional retail shopping centres. Unlike these other asset classes, the LFR property sector continues to experience strong tenant demand and historically high occupancy rates resulting in solid rental growth.
- Globally, we have 111 company-operated stores across 7 countries. 27 of the stores located overseas (24% of total) are owned by the consolidated entity. The aggregate value of the overseas owner-occupied and investment property portfolio is $596.65m, increasing in value by $76.16m or 14.6% during the year.

LEASEHOLD PROPERTY PORTFOLIO

Composition of the Leasehold Property Portfolio:

Composition of leasehold property portfolio	Right-of-Use Asset June 2023	Lease Liabilities June 2023	# of Leased Retail Property Assets	# of Leased Other Property Assets
(1) Leases of Properties Sub-Leased to External Parties				
- Australia	$705.03m	$771.44m	101	208
(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets				
- Australia	$39.98m	$54.16m	-	16
- New Zealand	$104.68m	$121.22m	25	33
- Singapore & Malaysia	$255.92m	$202.29m	40	21
- Slovenia & Croatia	$27.40m	$29.52m	3	2
- Ireland & Northern Ireland	$118.05m	$150.19m	16	16
Total Owner–Occupied Properties and Plant and Equipment Assets	**$546.02m**	**$557.37m**	**84**	**88**
Total Leasehold Property Portfolio	**$1,251.05m**	**$1,328.81m**	**185**	**296**

Financial Impact of AASB 16 *Leases* on the Consolidated Income Statement:

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 depreciation expense	$69,551	-	**$69,551**
Investment properties (leasehold): Right-of-use asset fair value re-measurement	-	$102,113	**$102,113**
Finance costs: Interest on lease liabilities	$18,594	$31,700	**$50,294**
Total AASB 16 Expenses Recognised	**$88,145**	**$133,813**	**$221,958**
Less: Lease payments made during FY23 (excluding variable lease payments and short-term, low-value leases)	($86,658)	($110,832)	**($197,490)**
Other Adjustments	($1,568)	-	**($1,568)**
AASB 16 Incremental (Increase)/Decrease in PBT for FY23	**($81)**	**$22,981**	**$22,900**

- Subsequent to balance date, 2 new Harvey Norman® company-operated stores were opened in **Malaysia** located at Shah Alam, Selangor (opened 24 July 2023) and Kota Kinabalu, Sabah (opened 28 August 2023), bringing our total number of stores in Malaysia to 30 as at the date of this report.
- As announced at the 2022 Annual General Meeting of the Company, we continue to recognise the significant opportunity to grow to 80 stores in Malaysia by the end of 2028. We are on track to open a further 8 stores in Malaysia during FY24, of which leases for 5 of these sites have been confirmed and executed. This includes the opening of the Pavilion Damansara Heights store in Kuala Lumpur that was deferred from 2H23 to 1H24. The remaining 3 sites are currently in progress. Beyond FY24, we anticipate opening up to 12 new stores in Malaysia during FY25, with our intention of reaching the milestone of 50 stores in Malaysia by 30 June 2025, our largest store network outside of Australia.
- In **New Zealand**, we intend to open 1 new company-operated store during FY24. Due to the macroeconomic situation in New Zealand, the other 2 proposed store openings for FY24 have been deferred to the first half of FY25. We are continuing to pursue retail sites in **Croatia** and presently intend to open a further 3 stores in Croatia during FY25. Our first 2 company-operated stores in **Budapest, Hungary** are now anticipated to open during FY25 rather than calendar 2024.
- In **Australia**, we anticipate opening 2 new franchised complexes and relocating 1 franchised complex from a leased site to a freehold property during the 2024 financial year.
- Last year, we announced the recommencement of the premium refit program and the revised expectations to complete up to 25 premium refits over the next 5 years. During FY23, the premium refit of the furniture and bedding categories of the Fyshwick (ACT) franchised complex was completed and the premium refits of 5 franchised complexes are currently underway located at Balgowlah (NSW), Erina (NSW), Preston (VIC), Penrith (NSW) and Cannington (WA). It is our present intention to commence a further 4 premium refits of Australian franchised complexes during FY24.

Retail Trading Update:

Aggregated sales increase / (decrease) in local currencies from 1 July 2023 to 31 July 2023 vs 1 July 2022 to 31 July 2022:

% increase / (decrease) calculated in local currencies		1 July 2023 to 31 July 2023 vs 1 July 2022 to 31 July 2022	
Country		**Total** %	**Comparable** %
Australian Franchisees	$ AUD	**(-12.3)**	(-12.6)
New Zealand	$ NZD	**(-2.6)**	(-4.7)
Slovenia & Croatia	€ EUR	**(-11.3)**	(-17.5)
Ireland	€ EUR	**(-2.1)**	(-5.3)
Northern Ireland	£ GBP	**(-19.7)**	(-19.7)
Singapore	$ SGD	**(-1.7)**	(-1.0)
Malaysia	MYR	**0.6**	(-5.7)