

26 April 2023

Quarterly Activity Report: January – March 2023

Highlights:

- **Q3 FY23 Sales of \$5.3M and YTD FY23 of \$20.6M**
- **\$1.1 million positive operating cash flow YTD FY23 (9 months)**
- **\$2.7 million cash on hand**
- **Manufacturer-to-Consumer (M2C) business started internationally**

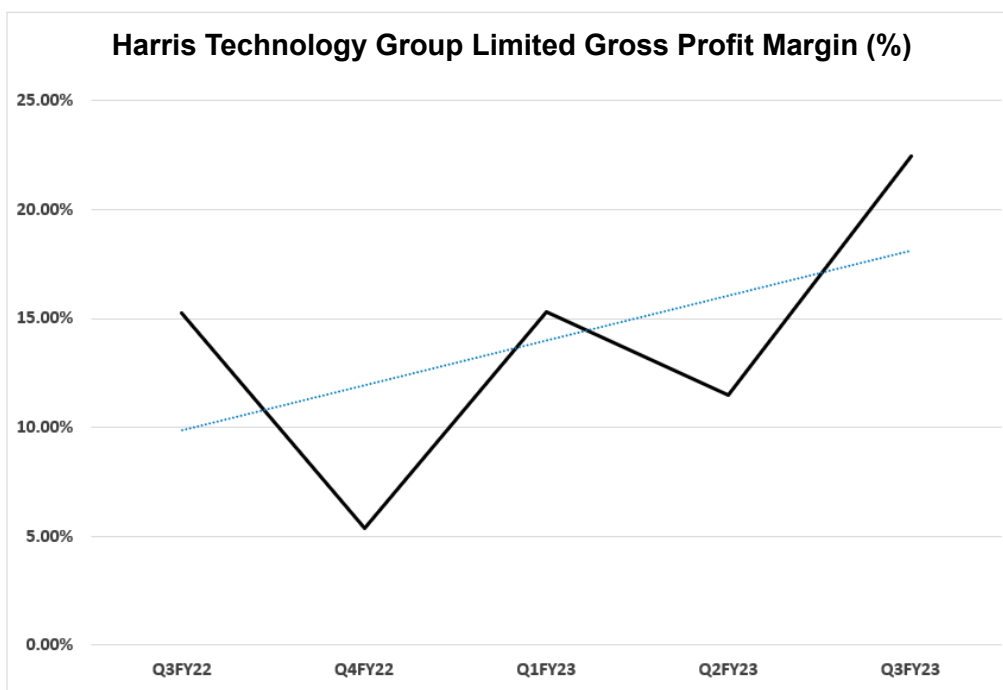
Pure-Play online retailer Harris Technology Group Limited (ASX: HT8) is pleased to provide its activity report for the March 2023 quarter.

Operations Update

For the March quarter, Harris Technology generated sales revenue of \$5.3M while continuing to improve inventory quality, following the steep drop in demand for tech products post-pandemic. An operating cash outflow of (\$0.2M) resulted in Q3 but still maintained positive operating cash inflow of \$1.1M for the 9 months.

As of 31 March 2023, inventory on hand was \$5.9M, a decrease on the December 2022 value of \$6.2M. Inventory levels are now approaching an optimal level where low-margin tech products have been mostly cleared, providing free cash flow for Harris Technology to reallocate towards higher margin household products that have proven to turn over at a higher frequency. The company is in a much healthier position to mitigate the expected economic headwind of lower consumer spending.

As a result of a focus on margin management, Q3 average gross profit margins exceeded 20%* for three consecutive calendar months for the first time in a protracted period.



The Board is pleased with the progress made in reducing inventory and the improvement in margins, enabling the Company to strengthen its balance sheet. The board believes that the company can manage cashflow well and does not intend raising capital in the foreseeable future.

Harris Technology has increased activity in the Manufacturer-to-Consumer (M2C) business which has commenced operations in Canada and Singapore with a small range of tech products.

M2C sells private label tech products in regions where Harris Technology has identified market opportunities for higher-margin products that carry minimal inventory risk. Harris Technology does not expect the M2C sales to have a material impact on FY23 revenue but will act as a test case for international expansion into other countries.

Harris Technology CEO, Garrison Huang commented, "It has been pleasing to see the results of our focus in margin improvement having delivered three consecutive months of gross margins above 20%."

"The M2C division is gathering momentum from a limited range of products, we hope to gradually add new lines of products across many different countries."

"Trading through the March quarter has again been impacted by difficult economic conditions but with minimal ageing inventory on hand, Harris Technology is well positioned to allocate more resources towards its higher-margin products."

Expenditure incurred during the quarter

Expenditure Category	Amount \$
Purchase of Inventory	5,215,000
Advertising	11,000
Staff Administrative and Corporate Costs	482,000

The amount included in section 6.1 of the Appendix 4C is the payment of fees to directors.

*All FY2023 financial data quoted is unaudited.

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

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This announcement has been authorised for ASX release by HT8 Chairman, Alan Sparks.

About Harris Technology Group Limited

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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Harris Technology Group Limited

ABN

93 085 545 973

Quarter ended ("current quarter")

31st March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...9....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,493	20,898
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(5,215)	(18,115)
(c) advertising and marketing	(11)	(18)
(d) leased assets		
(e) staff costs	(372)	(1,286)
(f) administration and corporate costs	(110)	(409)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(215)	1,070
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-	-
(d) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...9....months) \$A'000
	(e) intellectual property		
	(f) other non-current assets	-	(9)
2.2	Proceeds from disposal of:		
	(g) entities		
	(h) businesses		
	(i) property, plant and equipment		
	(j) investments		
	(k) intellectual property		
	(l) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-	(9)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(100)	(700)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(100)	(700)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...9....months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,062	2,386
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(215)	1,070
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(9)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(100)	(700)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,747	2,747

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,747	3,062
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,747	3,062

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	69
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	1,561	1,561
7.2	Credit standby arrangements	7,500	918
7.3	Other (please specify)		-
7.4	Total financing facilities	9,061	2,479
7.5	Unused financing facilities available at quarter end		6,582
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<ol style="list-style-type: none"> 1. Loan of \$1,516,301 from MD/CEO. The loan is 3.5% annual interest effective from February 2022, unsecured and no specified maturity date and repayable in instalments of \$20,000 per fortnight. 2. A loan facility of up to \$1.5 million from MD/CEO. The loan is 3.5% annual interest, unsecured and expires on 31 December 2023. The amount currently drawn – \$918,064 3. \$5,000,000/- Unlock / The Marketlend facility will be secured by a PPSR charge, available at the interest rate of 1.5% for 30 days. 2.75% for 60 days or Over 90 days 4%. The amount current drawn – NIL 4. An additional \$1 million loan facility committed by MD/CEO. The loan is 3.5% annual interest, unsecured and expires on 31st December 2023. The amount current drawn - NIL 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(215)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,747
8.3	Unused finance facilities available at quarter end (item 7.5)	6,582
8.4	Total available funding (item 8.2 + item 8.3)	9,329
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	43.39
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:26-04-2023.....

Authorised by:By the Board
(Name of body or officer authorising release – see note 4)