

harristtechnology
Let's talk technology

2023 AGM Investor Presentation

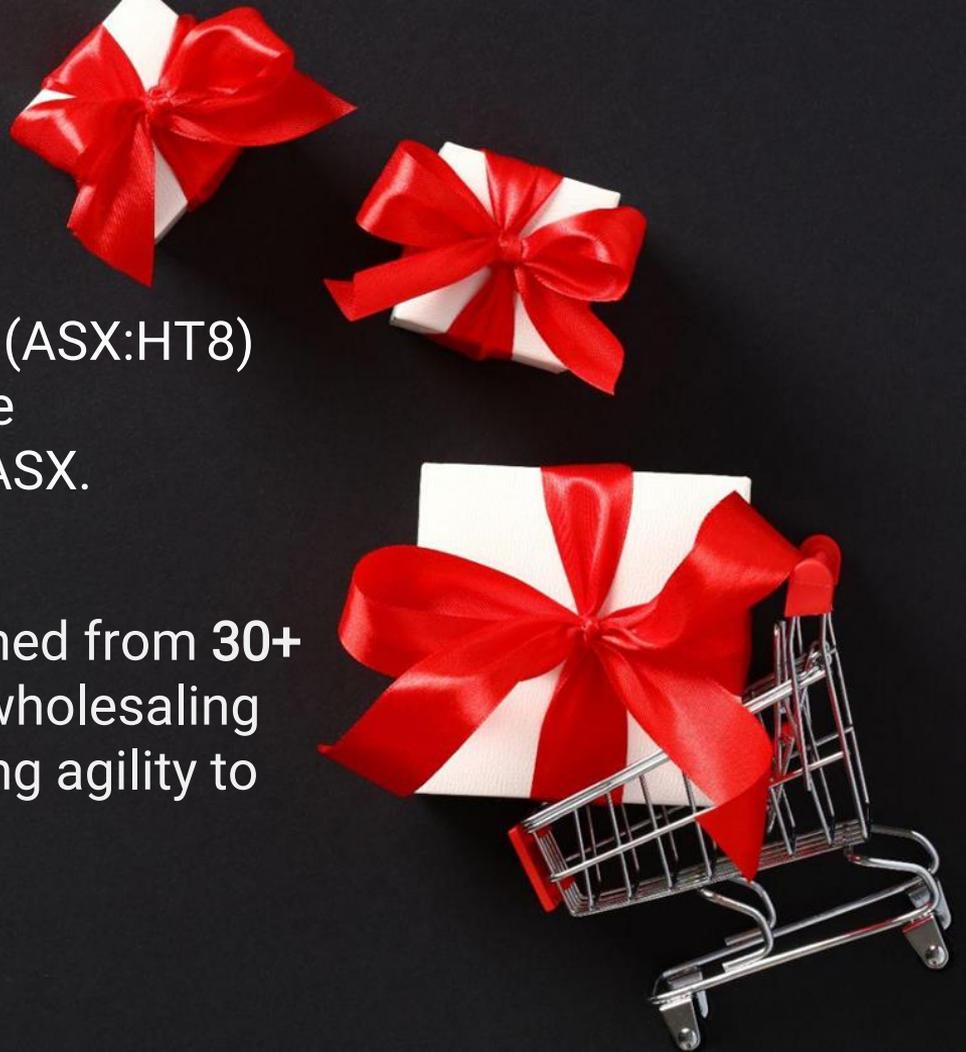
28 November 2023



Company Summary

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

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



FY23 Financial Summary

	Q1'24	FY23	FY22
Revenue	-	\$24.2m	\$50.3m
Operating Cash Flow	\$226K	\$486K	-\$1.38m
Cash on hand	-	\$1.8m	\$2.4m
Inventory	\$4.1m	\$4.7m	\$9.8m

Financial Focus in FY24

- Working capital protection
- Inventory health
- Margin mix improvement
- Cash flow managed to address difficult trading conditions with an inventory strategy that prioritises margins over revenue growth
- Growth of Marketplace penetration
- Household category growth
- M2C category initialisation
- Favourable international markets



Business Status Summary

Difficult trading conditions through FY23

Difficult economic conditions persist into 2024 with inflation and interest rates impacting consumer spend and depressing retail and online sales. The company has focused its efforts on maintaining its financial health in preparation of an uplift in the economy.

A marketplace seller that leverages external marketing spend

Operating on all major online eCommerce platforms such as Amazon, eBay, Kogan and Catch, Harris benefits from the substantial marketing spend by these platforms driving traffic to their sites. Expanded reach with new players such as Woolworths, Mosaic and Bunnings.

Growth from the Household products category

Expanded into Household category, (products commonly found in all Australian homes) which proved more immune to economic pressures, delivering higher-margins than the Tech category.

Launch of the Manufacturer to Consumer (M2C) division

Initiated M2C category sales in a limited number of products in conjunction with trusted suppliers.

International expansion

Entry into select International markets with limited range, using Marketplace infrastructure.



Difficult FY23 Trading Conditions

A reversion away from home office spending

Pandemic spending on home office products witnessed in FY20, FY21 and the start of FY22 were not sustained in FY23 as the working-from-home trend slowed with fewer home office upgrades reflected in sales of IT products.

Sector-wide overstocking

Overstocking was reporting across the broader online retail sector in FY22 and FY23. For technology products, this resulted in competitive discounting to reduce inventory with an adverse effect on gross margins from tech products and consumer electronics.

Rising interest rates in Australia

Discretionary retail spending was adversely affected by macroeconomic headwinds as the RBA cash rate rose from 0.10% in April 2022 to 4.0% in June 2023, creating cost-of-living pressures on households and their retail spending.

Harris Technology's response

A strategic review of all Harris Technology listed products was completed in April 2022 which significantly reduced the Company's product ranges. The review eliminated underperforming products and brands while refocusing resources to high-margin products, Household and M2C improving operating cash flow.



Platform Partnership Reach

Established marketplace seller on all major Australian eCommerce platforms

Access to high profile nationwide advertising

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

Cost saving synergies

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

Relationship expansion

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

Existing infrastructure

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



Manufacturer to Consumer (M2C)

Existing products

Harris Technology has expanded its range of products sold through online marketplace channels on behalf of international product manufacturers. These M2C private label products are actively listed in The United States, Canada, United Kingdom, Singapore and Australia.

Lower distribution costs, higher margins

Under the M2C division strategy, Harris Technology does not operate warehousing facilities but instead leverages Marketplace distribution facilities for fulfilment at lower distribution costs.

International markets - The initial priority

International consumers form the larger addressable market for M2C products where there are fewer economic headwinds, more favourable price sensitivity trends and lower presence of global household brands.



Appendices - FY 2023 Financials

	FY23	FY22
Revenue		
Sales revenue	24,185,555	50,295,594
Direct Costs	(20,427,911)	(42,837,482)
Gross Profit	3,757,644	7,458,112
Other income	6,397	1,007
Distribution expenses	(484,726)	(1,106,520)
Marketing expenses	(34,655)	(33,367)
Sales transaction expenses	(2,905,760)	(4,312,364)
Employee, contractor and director expenses	(2,089,968)	(2,597,935)
Technology expenses	(107,170)	(91,804)
Legal, administration and registry expenses	(308,323)	(302,510)
Depreciation and amortisation expenses	(170,170)	(145,161)
Other expenses	(10,484)	(211,026)
Finance costs	(168,861)	(134,333)
Foreign exchange gain / (loss)	(4,205)	11,163
Profit / (loss) before income tax	(2,520,281)	(1,464,738)
Income tax benefit / (expense)	(783,392)	-
Profit / (loss) after income tax	(3,303,673)	(1,464,738)
Other comprehensive income for the year	-	-
Total comprehensive Profit / (loss) for the year	(3,303,673)	(1,464,738)

Revenue

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

Sales Transaction Expenses

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



Appendices - FY 2023 Financials



A\$m	FY23	FY22
Current Assets		
Cash and cash equivalents	1,766,018	2,385,803
Trade and other receivables	1,443,007	2,392,703
Inventories	4,747,855	9,788,196
Prepayments and deposits	234,200	284,429
Total Current Assets	8,191,080	14,851,131
Non-current Assets		
Property, plant and equipment	111,268	126,963
Right of use assets	1,416,823	1,557,662
Intangible assets	9,320	-
Deferred tax assets	-	783,392
Total Non-current Assets	1,537,411	2,468,017
Total Assets	9,728,491	17,319,148
Current Liabilities		
Trade and other payables	2,724,345	5,966,987
Borrowings	2,250,918	3,076,122
Contract liabilities	-	156,026
Lease liabilities	124,779	117,738
Employee benefit liabilities	132,720	154,196
Total Current Liabilities	5,232,762	9,471,069
Non-current Liabilities		
Lease liabilities	1,401,562	1,496,883
Employee benefit liabilities	111,562	64,918
Total Non-current Liabilities	1,513,124	1,561,801
Total Liabilities	6,745,886	11,032,870
Net Assets / (Net Liabilities)	2,982,605	6,286,278

Disclaimer

The Material contained in this document is a presentation of general information about Harris Technology Group Limited (ABN : 93 085 545 973) activities, current as at the date of this presentation on 28 November 2023. It is provided in summary and does not purport to be complete. You should not rely upon it as advice for investment purposes as it does not take into account your investment objectives, financial position or needs. These factors should be considered, with or without professional advice when deciding if an investment is appropriate. To the extent permitted by law, no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of this material is accepted by Harris Technology Group Limited or any of its related bodies corporate.

Past performance information contained in the Materials is given for illustration purposes only and should not be relied upon as (and is not) an indication of future performance.

The Materials contain certain 'forward looking statements'. These statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievement of the Company to be materially different from future results, performance or achievements expressed or implied by those statements. These statements reflect views only as of the date of the Materials. The actual results of the Company may differ materially from the anticipated results, performance or achievement expressed, projected or implied by these forward looking statements. Subject to any obligations under the Corporations Act, the Company disclaims any obligation to disseminate any updates or revision to any forward looking statement to reflect any change in expectations in relation to those statements or any change in circumstances, events or conditions on which any of those statements are based. While the Company believes that the expectations reflected in the forward looking statements in the Materials are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in the Materials will actually occur and you are cautioned not to place undue reliance on any forward looking statements.

