

26 October 2023

Quarterly Activity Report: July – September 2023

Highlights:

- **Q1 FY24 Sales of \$4.4M**
- **\$226K positive operating cash flow for the quarter**
- **\$1.6M cash on hand**
- **Seasonal product listings commenced, projected to deliver improved margin mix**
- **New tech products commencing Manufacturer-to-Consumer (M2C) sales in Q2 FY24, targeting the upcoming retail season**
- **No requirement to raise capital in the foreseeable future**

Pure-Play online retailer Harris Technology Group Limited (ASX: HT8) (“Harris Technology” or the “Company”) is pleased to provide its activity report for the September 2023 quarter (Q1 FY24).

Operations Update

For the September quarter, Harris Technology generated sales revenue of \$4.4M with a steadily increased mix of household product category.

A net operating cash inflow of \$226K was recorded in the quarter.

Retail trading conditions continued to be difficult with Harris Technology maintaining its prudent cash management strategy and limiting inventory investment through the quarter.

As of 30 September 2023, inventory on hand was \$4.1M, a decrease of \$0.6M on the June 2023 value of \$4.7M. This included \$3.4M of purchased inventory during the September quarter, indicating continued inventory holding quality to best position Harris Technology for the upcoming retail season.

Since expanding into the Household category in 2022, Harris Technology has seen a steady uplift in average product margins, particularly from seasonal ranges which include Christmas and summer holiday products. In preparation for these trends, Harris Technology commenced listing and distributing these products earlier than previous years with unsold inventory from previous seasons generating sales in September and October already. The Company continues to monitor these high-margin product sales and will replenish across various online marketplace channels accordingly.

The Manufacturer-to-Consumer (M2C) division continues to generate sales from a small range of private-label tech products in the United States, Canada, United Kingdom, Singapore and at home in Australia. Sales data generated in these territories, some of which are less impacted by retail headwinds, provide insight into consumer trends.

During the December quarter, investment in the M2C division will increase with several high-margin products flagged for online listings and distribution in new regions.

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

Harris Technology CEO, Garrison Huang commented, "Increased activity from the M2C division has been encouraging and highlights an opportunity for Harris Technology to sell private label tech products into more international marketplaces. While demand for Harris Technology's traditional range of IT products has slowed over the past 12 months, we're seeing consumer behaviour starting to turn with greater demand for private-label and refurbished products as an alternative to premium tech brands."

"We are actively in discussions with international manufacturers and look forward to adding more private label products to our eCommerce channels in the coming months in preparation for the busy retail season that includes Black Friday, Cyber Monday, Christmas and Boxing Day."

Expenditure incurred during the quarter

Expenditure Category	Amount \$
Purchase of Inventory	3,373,000
Advertising	14,000
Staff Administrative and Corporate Costs	703,000

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

**All FY24 financial data quoted is unaudited unless stated otherwise.*

Harris Technology welcomes investors to join the HT8 investor mailing list for Company updates, industry research and investor discounts by subscribing at:

<http://ht8.com.au/subscribe>.

For more information, contact:

Garrison Huang

info@ht.com.au

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

About Harris Technology Group Limited

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

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")

30th Sept 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...3....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,314	4,314
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(3,373)	(3,373)
(c) advertising and marketing	(14)	(14)
(d) leased assets	(50)	(50)
(e) staff costs	(459)	(459)
(f) administration and corporate costs	(194)	(194)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
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	226	226
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-	-
(d) investments		
(e) intellectual property		
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...3....months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) 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	-	-

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	(400)	(400)
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	(400)	(400)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,766	1,766
4.2 Net cash from / (used in) operating activities (item 1.9 above)	226	226
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...3....months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(400)	(400)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,592	1,592

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	1,592	1,766
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)	1,592	1,766

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	81
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	3,000	1,857
7.2 Credit standby arrangements	5,000	-
7.3 Other (please specify)		-
7.4 Total financing facilities	8,000	1,857
7.5 Unused financing facilities available at quarter end		6,143
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. A loan facility of up to \$2 Million from GWH Trust controlled by MD/CEO. The loan is 6% annual interest effective from July 2023, unsecured and expires on 30th September 2024 and repayable in instalments of \$13,300 per month. The amount currently drawn \$1,248,263. 2. A loan facility of up to \$1 million from MD/CEO. The loan is 6% annual interest, unsecured and expires on 30th September 2024 and repayable in instalments of \$17,000 per month The amount currently drawn – \$609,195. 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 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	226
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,592
8.3 Unused finance facilities available at quarter end (item 7.5)	6,143
8.4 Total available funding (item 8.2 + item 8.3)	7,735
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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 October 2023.....

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

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.