

28 February 2023

Harris Technology FY23 Half Year Results

Half Year FY23 Highlights:

- **\$15.4M sales revenue**
- **Inventory reduction achieved, inventory on hand of \$6M**
- **\$1.3M positive operating cash flow**
- **\$3M cash on hand**
- **Rising contribution from high margin Household products category**
- **Further reduction in customer acquisition costs targeted**

Pure-Play online retailer Harris Technology Group Limited (ASX: HT8) has released its audited financial report for the six months ended 31 December 2022 (H1 FY23).

Harris Technology generated \$15.4 million sales revenue in H1 FY23. The decline from H1 FY22 (\$28.5M) was as a result of declining consumer demand and a strategic review conducted, phasing out underperforming products.

Excess stock of these products was sold at clearance prices and are no longer replenished, improving Harris Technology's margin mix on the path to return the company to profitability. By being more selective on which marketplaces Harris Technology chooses to compete with certain products, the company aims to improve its margins overall.

Harris Technology has expanded the number of marketplaces where its products are listed including Woolworths, Bunnings, Mosaic Brands and Lasoo, in addition to the other majors (Amazon, eBay, Kogan, Catch and its own website HT.com.au). Further entry into new marketplaces is flagged over the next 12 months which will contribute to diversification of sales channels and improved margin mix.

The Company made good progress in reducing its inventory holding thereby improving its cash position. As of 31 December 2022, inventory on hand was \$6 million, down 38% from \$9.8M on 30 June 2022.

Harris Technology generated \$1.3 million in operating cash flow. This is a material improvement on the previous year (H1 FY22: \$1.8 million outflow), leaving the Company with \$3.06 million in cash on 31 December 2022.

Declining demand and clearance sales for the reporting period contributed to a \$1.03 million EBITDA loss. A non-cash impairment of \$0.78 million for deferred tax assets was also logged during the reporting period as a result of the uncertainty of the current economic outlook, this asset may be recognised in the future as the outlook improves.

Positive momentum continued in the Household category where sales continue to increase, improving the margin mix, whilst carrying minimal inventory.

The Board is satisfied that inventory has now returned to a balanced level allowing the Company to focus on higher margin products that are underserved across online marketplaces. The Board does not foresee substantial revenue growth for the remainder of FY23, but improved margin mix is expected to reduce the impact of difficult trading conditions amid macroeconomic headwinds for the retail sector.

Harris Technology CEO, Garrison Huang commented, “It was pleasing to see the impact of our strategic review towards the second half of H1 FY23 where we were able to reach our inventory targets by clearing aged stock and drive sales of higher-margin products.”

“Although this strategy has had an impact on revenue, we have substantially reduced our customer acquisition expenses by electing not to compete on price across certain tech products and channels. This has enabled Harris Technology to maintain a healthy balance sheet without excessive discounting by being more selective with marketplace listings.”

“We will continue to preserve cash flow without relying on borrowings or raising capital while we increase the volume of Household products which continue to sell well at a time where demand for tech products has stalled. Looking ahead to the remainder of FY23, Harris Technology will continue to operate as a lean organisation while tempering our customer acquisition spending to maintain higher margins on products sold.”

(Ends)

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:
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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.