

# Q2 FY 2024/25 Earnings Release Update

20 November 2024

EVER  
EVOLVING



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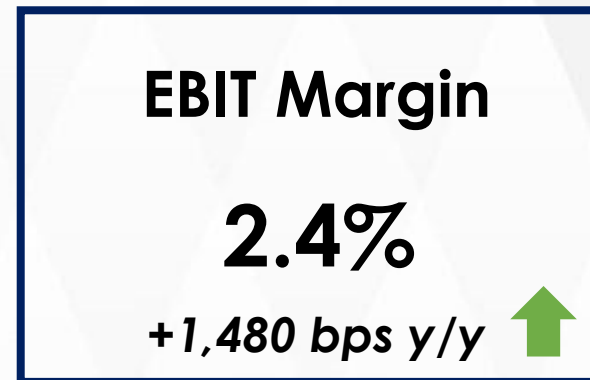
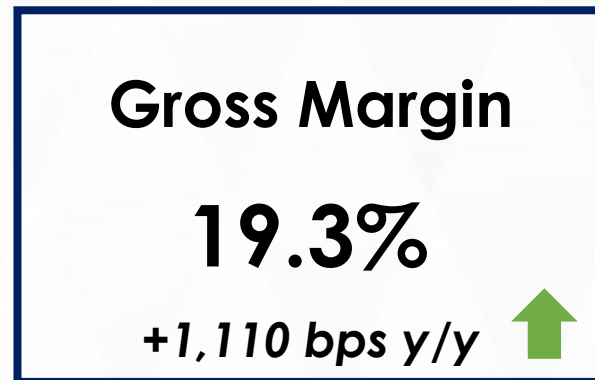
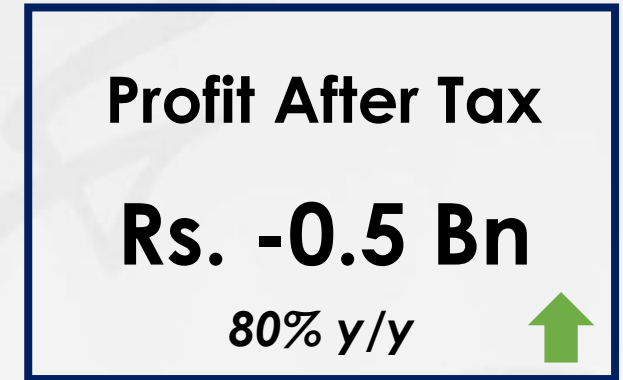
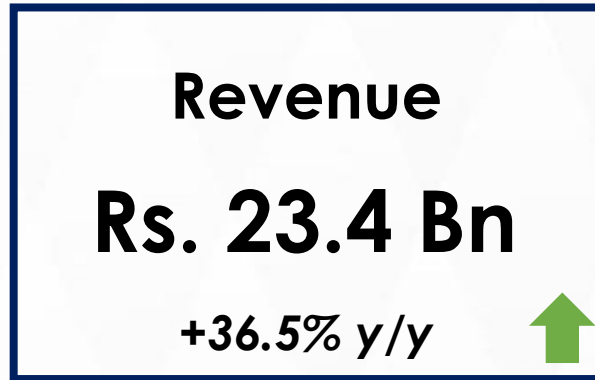




# GROUP HIGHLIGHTS



# Q2 FY 2024/25 | GROUP FINANCIAL HIGHLIGHTS



Note: The LKR/USD exchange rate in Q2 FY 24/25 averaged 5.5% lower (i.e. appreciation) than in Q2 FY 23/24; and 0.1% lower than in Q1 FY 24/25.

\* Rights Issue proceeds of Rs. 1,596,826,135 have been included in equity for the purpose of the net-debt-to-equity ratio calculation. As noted on the subsequent slides, the shares were allotted and listed on 10th November 2024 and the proceeds are therefore recorded as a liability in the Q2 balance sheet.

# Q2 FY 2024/25 | DIVISIONAL PERFORMANCE

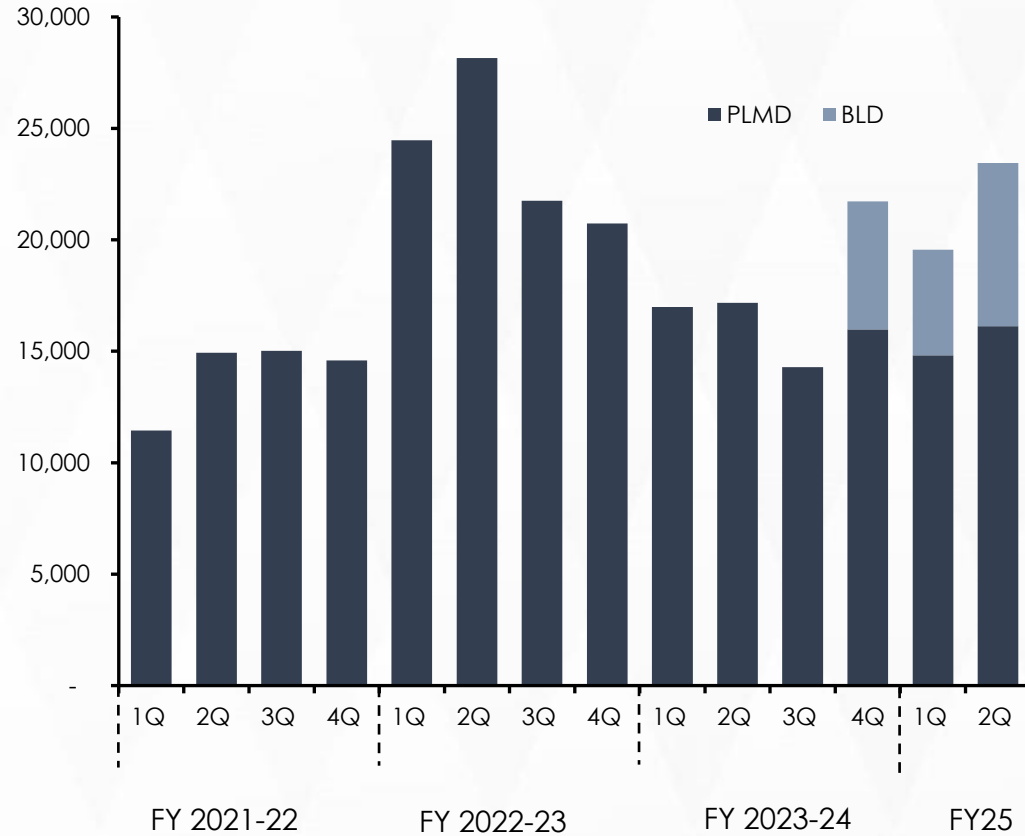
QUARTERLY FINANCIAL SNAPSHOT – PERIOD ENDED 30 SEPTEMBER									
LKR Mn	Group			Private Label Manufacturing Division (PLMD)			Brand Licensing Division (BLD)		
	2024	2023	% / bps Variance	2024	2023	% / bps Variance	2024	2023	% / bps Variance
Revenue	23,445	17,172	36.5%	16,130	17,172	-6.1%	7,315	-	-
<b>Gross Profit</b>	<b>4,533</b>	<b>1,404</b>	<b>222.9%</b>	<b>2,680</b>	<b>1,404</b>	<b>41.5%</b>	<b>1,854</b>	-	-
Gross Margin	19.3%	8.2%	1,110 bps	16.6%	8.2%	840 bps	25.3%	-	-
<b>Operating Profit</b>	<b>557</b>	<b>(2,128)</b>	<b>126.2%</b>	<b>268</b>	<b>(2,128)</b>	<b>112.6%</b>	<b>290</b>	-	-
Operating Margin	2.4%	(12.4%)	1,480 bps	1.7%	(12.4%)	1,410 bps	4.0%	-	-

## KEY HIGHLIGHTS

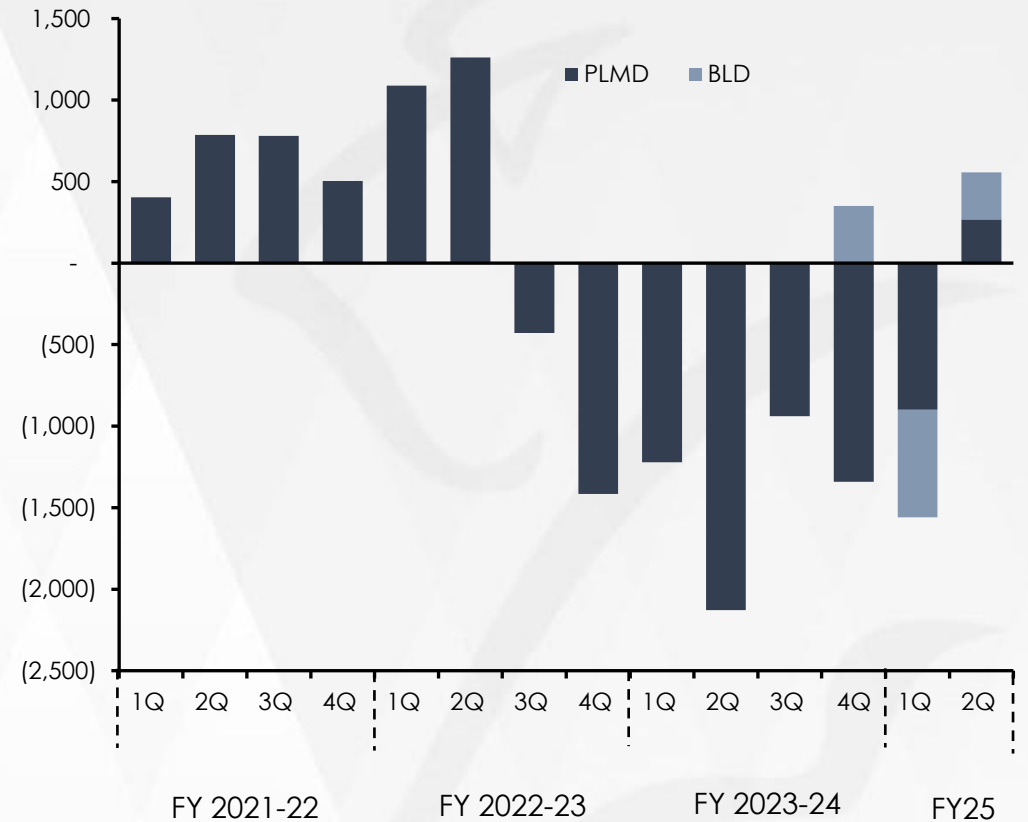
- **Group revenue growth of 36.5% y/y in Q2 was driven by the contribution of the BLD.** PLMD revenue declined by 6.1% y/y, primarily due to LKR/USD exchange rate appreciation. On a q/q basis, PLMD revenue grew by 8.8%.
- **First operating profit in 8 quarters for the Group, supported by a significant improvement in gross margins** – PLMD's gross profit margin more than doubled to 16.6%, which is the highest level in 14 quarters.
- **Group recorded a post-tax loss (attributable to equity holders) of Rs. 458 Mn, due to elevated finance costs.** Nonetheless, this was the smallest net loss in eight quarters.

# Q2 FY 2024/25 | REVENUE & OPERATING PROFIT

Group Revenue (LKR Mn)  
Q1 FY 22 – Q2 FY 25



Operating Profit\* (LKR Mn)  
Q1 FY 22 – Q2 FY 25



\*Q4 FY 2023-24 operating profit has been adjusted to remove gain on bargain purchase impact of +Rs. 9.6 Bn, as well exceptional one-offs costs of Rs. 0.6 Bn for BLD and Rs. 1.5 Bn for PLMD

# Q2 FY 2024/25 | RIGHTS ISSUE



**Rights Issue of shares to raise approx. Rs. 1.6 Bn was successfully oversubscribed** – demonstrating the support of the company’s shareholders



**Shares were allotted and listed on 10<sup>th</sup> October 2024**, - proceeds were recorded under liabilities (rather than equity) on the Q2 balance sheet



**Proceeds (excluding issue costs) have been fully utilized to settle existing bank borrowings** – as disclosed on 18<sup>th</sup> November



**Rights Issue represents first phase of wider capital augmentation strategy to strengthen balance sheet** - details of subsequent raises are to be determined by the Board of Directors

## HELA APPAREL HOLDINGS – RIGHTS ISSUE 2024

	Number of Shares	Value (LKR)
Rights Issue Offering	319,365,227	1,596,826,135
Subscriptions Received	319,514,110	1,597,570,550
<b>Over/(Under) Subscription</b>	<b>148,883</b>	<b>744,415</b>

## KEY DATES

- **24<sup>TH</sup> SEPTEMBER 2024**  
Last Date of Acceptance and Payments for Rights
- **10<sup>TH</sup> OCTOBER 2024**  
Date of Listing for Rights Issue Shares
- **18<sup>TH</sup> NOVEMBER 2024**  
Market Disclosure Confirming Full Utilisation of Proceeds





# PRIVATE LABEL MANUFACTURING DIVISION (PLMD)



# PLMD | Q2 FY 2024/25 HIGHLIGHTS

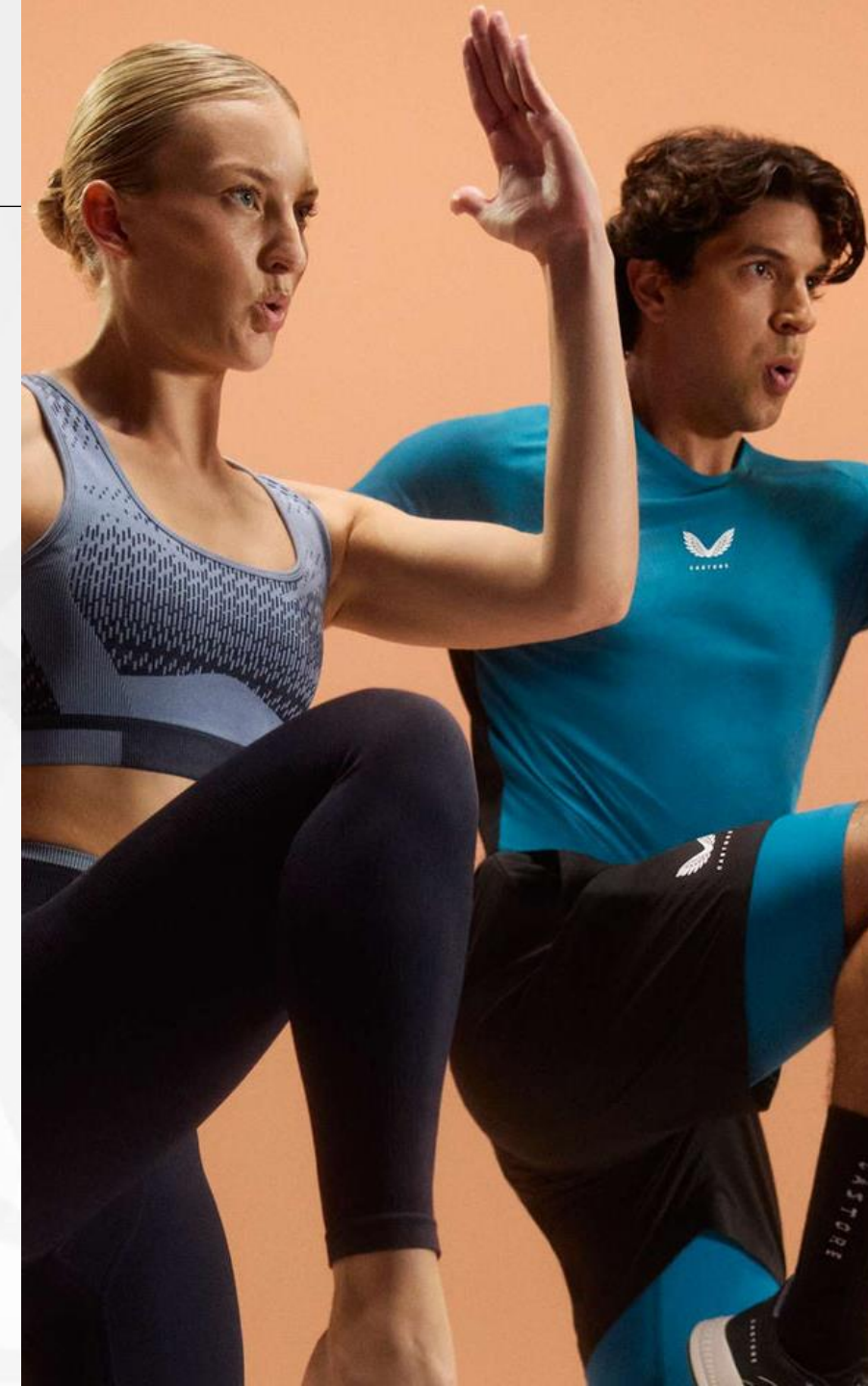
## PRIVATE LABEL MANUFACTURING DIVISION – PERFORMANCE OVERVIEW

(LKR Mn)	Q2 2024/25	Q2 2023/24	Y/Y Variance
REVENUE	16,130	17,172	-6.1%
ADJUSTED EBTIDA*	877	(1,857)	+147.2%
ADJUSTED EBITDA MARGIN (%)	5.4%	(10.8%)	+1,620 bp

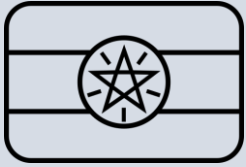
### HIGHLIGHTS OF THE QUARTER

- **PLMD revenue of Rs. 16.1 Bn in Q2** reflected a 6.1% y/y decline primarily due to the LKR/USD appreciation – in USD terms, revenue decreased by only 0.6% y/y
- **Gradual pickup in demand from key brand partners continued in Q2** – USD revenue grew by 7.8% compared to Q1 and was more than 20% above the low recorded in Q3 of FY 2023/24
- **Profit margins improved substantially**, reflecting the steps taken to realign the division's cost and capacity base over the past 18 months:
  - Gross margin improved to 16.6% - the highest level in 14 quarters, reflecting improved capacity utilization and shift to higher margin customers
  - EBITDA margin improved by 1,650 bp to 5.4% as administrative and distribution expenses declined on a year-on-year basis for the division

\*Q2 FY 2024/25 Adjusted EBITDA excludes Rs. 136 Mn in one-off costs related to the scaling down of the PLMD's Ethiopian manufacturing operations. Q2 FY 2023/24 is unadjusted.



# PLMD | ETHIOPIA DOWNSIZE



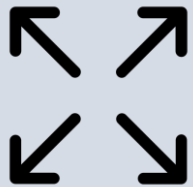
PLMD has taken the strategic decision to scale down its manufacturing operations in Ethiopia, due to the challenging operating conditions in this location, notably:

- Loss of duty-free access to the US market since 2022
- Significantly increased freight costs and disruption due to restricted maritime freight in the Red Sea



Downsizing took effect as of September, including the reduction of a significant number of employee roles:

- One-off costs of Rs. 136 Mn during Q2 were primarily related to employee redundancy costs



Decision is not expected to lead to any revenue or capacity constraints, given flexibility across operating countries

- Existing orderbook for Ethiopia has been transferred to Egypt and Kenya, which have potential to increase capacity
- Excluding downsizing costs, net financial impact is expected to be positive due to reduced group operating costs







# BRAND LICENSING DIVISION (BLD)



# BLD | Q2 FY 2024/25 HIGHLIGHTS

## BRAND LICENSING DIVISION – PERFORMANCE OVERVIEW

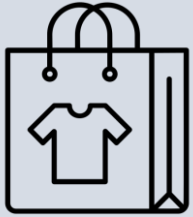
(LKR Mn)	Q2 2024/25
REVENUE	7,315
<b>EBITDA</b>	<b>435</b>
EBITDA MARGIN (%)	5.9%

### HIGHLIGHTS OF THE QUARTER

- **Revenue of Rs. 7.3 Bn (compared to Rs. 4.7 Bn in Q1) reflected a strong seasonal pickup in demand.** Q2 has historically been one of the BLD's strongest selling periods due to the timing of European fashion seasons
- **Robust EBITDA margin of 5.9% supported a profit-before-tax of Rs. 342 Mn for BLD** – with the overall performance tracking in line with expectations and the previous year's performance (pre-acquisition)
- **Further upside is expected in FY 2025/26**, supported by the management current initiatives focused on:
  - Reenergized brand portfolio (including addition of Reebok outerwear)
  - Evolving distribution channel strategy to drive improved gross margins
  - Tightly controlled cost base



# BLD | KEY DEVELOPMENTS



## ELLESSE OUTLET STORE

- **First Ellesse Outlet store in the UK set to open in Q3** – this represents the BLD's first physical direct-to-consumer channel
- **Opportunity to monetize existing inventory**, as well as develop direct-to-consumer channel
- Also presents potential opportunity to monetize PLMD's excess fabrics to support this channel

## ELLESSE BRAND RE-LAUNCH

- **Ellesse brand re-launch took place in Italy during late-October** – part of the brand owner's (Pentland Brands) elevation strategy, which is positioning Focus Brands as a lead licensee
- **BLD also held a launch event on 7<sup>th</sup> November for its retail partners** – this will be supportive of the drive to improve gross margins







# GROUP OUTLOOK



# GROUP OUTLOOK | OVERVIEW



## OPERATING ENVIRONMENT



**Consumer demand conditions stable**, though picture is mixed across the fashion sector



**US elections result present additional uncertainty**; though there may also be opportunities (e.g. Kenya-US FTA)

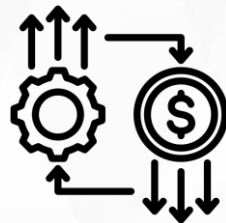


**Interest rates reductions in major economies** likely to be supportive of consumer demand and reduced finance costs

### PRIVATE LABEL MANUFACTURING DIVISION



Current order book indicates further y/y revenue pickup in Q3



Outlook for Q4 points to stabilisation in demand, rather than further material growth

### BRAND LICENSING DIVISION



Q3 expected to be softer, in line with historic seasonal trends



Overall BLD continues to trade in line with expectations and is on track for a profitable FY

# GROUP OUTLOOK | MARGIN IMPROVEMENT



**Management remains focused on profit margin improvement to drive a sustainable return to net profit over the coming quarters** - positive Q2 results have demonstrated the impact of the restructuring measures taken over the past 18 months, but there remains further work to do

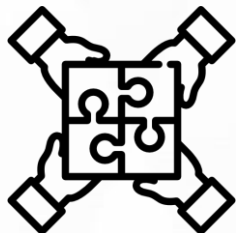
## MARGIN IMPROVEMENT DRIVERS

### ENSURING AGILITY OF MANUFACTURING BASE AND TIGHTLY CONTROLLING COST BASE



- **Further measures under consideration to ensure agility of PLMD's manufacturing footprint** - this will ensure resilience and improved profitability in the context of an uncertain demand environment
- **Admin and distribution costs will continue to be tightly controlled**, with a continued focus on identifying costs efficiencies to ensure improved gross margins drive return to net profit

### DRIVING UPSIDE POTENTIAL OF BLD AND SYNERGIES WITH PLMD



- **BLD will continue to be impacted by seasonality in the short-term (with Q2 and Q4 being its strongest selling quarters)** – but the division remains on track for a profitable full year
- **Impact of current initiative to drive revenue and margin growth will be more fully felt into FY 2024/25**, including the new licenses (e.g. Reebok Outwear)



# SOCIAL CAPITAL UPDATE



# SOCIAL CAPITAL | COMMUNITY EMPOWERMENT



HELA  
DIRILIYA

- Diriliya is **950+ entrepreneurs** and potential entrepreneurs strong.
- **One-on-One Business Consultation Sessions** for selected Diriliya members in Thihariya & Palapathwala.
- Six Diriliya members participated in the **Egypt Bazaar at One Galle Face** on July 20th and 21st.



HELA  
DIRIDARUWO

- **Created 39 internal and external employment opportunities** for Diridaruwo scholars.
- **Diridaruwo success stories** were captured by Berendina from Thihariya Scholars, representing the AL & undergraduate categories.



RISE  
PROGRAM

- Successfully **completed the 7-day Internal RISE Train-the-Trainer program**, along with the Conceptual Clarity Assessment, for 19 participants across the group.
- All 19 participants who completed the Train-the-Trainer program were certified as **Training Specialists under the RISE Foundation**.

# SOCIAL CAPITAL | ENVIRONMENTAL STEWARDSHIP



**Science Based Targets (GHG reduction targets) have been submitted to SBTi and passed initial screening & lead reviewing. Now on final stage of approval.**



**3rd Communication on Progress (COP) submission has been published, showing continued support for the 10 principles of UNGC**



**ISO 14064-1 : 2018 calculation completed for all 03 scopes for the 4th time – verification in progress - GHG Quantification & Reporting**



# SAFE HARBOR STATEMENT

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THANK YOU