

# HALF-YEAR RESULTS PRESENTATION

31 DECEMBER 2020



**Harvey Norman**

HOLDINGS LIMITED | ACN 003 237 545

**SHOP WITH CONFIDENCE**  
on Quality, Value & Service

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Hornsby, NSW Franchised Complex

# KEY FINANCIAL HIGHLIGHTS

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## HARVEY NORMAN HOLDINGS LIMITED

<b>REPORTED PBT</b> <b>\$643.91m</b> <small>UP BY 113.8%</small> <small>FROM \$301.15m IN 1H20</small>	<b>PBT</b> <small>Excluding AASB 16 net impact and net property revaluations</small> <b>\$610.22m</b> <small>UP BY 113.5%</small> <small>FROM \$285.87m IN 1H20</small>
<b>REPORTED PROFIT AFTER TAX &amp; NCI</b> <b>\$462.03m</b> <small>UP BY 116.3%</small> <small>FROM \$213.59m IN 1H20</small>	<b>PROFIT AFTER TAX &amp; NCI</b> <small>Excluding AASB 16 net impact and net property revaluations</small> <b>\$438.17m</b> <small>UP BY 115.8%</small> <small>FROM \$203.04m IN 1H20</small>
<b>EBITDA</b> <b>\$779.84m</b> <small>UP BY 76.0%</small> <small>FROM \$443.13m IN 1H20</small>	<b>EBITDA</b> <small>Excluding AASB 16 net impact and net property revaluations</small> <b>\$659.31m</b> <small>UP BY 93.0%</small> <small>FROM \$341.54m IN 1H20</small>
<b>EBIT</b> <b>\$668.95m</b> <small>UP BY 101.3%</small> <small>FROM \$332.39m IN 1H20</small>	<b>EBIT</b> <small>Excluding AASB 16 net impact and net property revaluations</small> <b>\$614.83m</b> <small>UP BY 107.5%</small> <small>FROM \$296.37m IN 1H20</small>

### NET DEBT TO EQUITY: NIL

NET CASH OF **\$21.75m** VS NET DEBT OF **\$553.23m** IN 1H20  
 AN IMPROVEMENT OF **\$574.98m**

UNUSED, AVAILABLE  
 FINANCING FACILITIES OF  
**\$499m**  
out of total financing facilities  
 of \$755m as at Dec 20

### NET ASSETS

**\$3.74 billion**  
↑ 13.9% FROM \$3.28bn IN DEC 19

### BASIC EARNINGS PER SHARE

**37.08c**  
↑ FROM 17.70c IN 1H20

### INTERIM DIVIDENDS PER SHARE

(FULLY FRANKED)  
**20.0c**

### HNHL CONSOLIDATED REVENUES

**\$2.34 billion** UP BY 27%  
FROM \$1.84 billion IN 1H20

COMPANY-OPERATED SALES REVENUE . . . . . **\$1.47bn**  
 REVENUE RECEIVED FROM FRANCHISEES . . . . . **\$742.07m**  
 REVENUES AND OTHER INCOME ITEMS . . . . . **\$123.70m**

**539**  
**FRANCHISEES  
 IN AUSTRALIA**

**194**  
**FRANCHISED COMPLEXES  
 IN AUSTRALIA**

**107**  
**OFFSHORE COMPANY  
 OPERATED STORES**

### TOTAL SYSTEM SALES REVENUE

**\$5.23 billion**  
**UP BY 24.8%**

**↑ FROM \$4.19 billion IN 1H20**

Comprised of aggregated Franchisee sales in Australia plus  
 company-operated sales in New Zealand, Slovenia, Croatia,  
 Ireland, Northern Ireland, Singapore and Malaysia:

AGGREGATED HEADLINE FRANCHISEE  
 SALES REVENUE\* . . . . . **\$3.76bn**  
 COMPANY-OPERATED SALES REVENUE. . . . . **\$1.47bn**

\* Sales made by franchisees in Australia do not form part of the financial  
 results of the consolidated entity.

## RECORD FINANCIAL ACHIEVEMENT

Reported profit before tax (PBT) of **\$643.91m, up by \$342.76m or +113.8%** from 1H20.

PBT (excluding net property revaluations & AASB 16) of **\$610.22m, up by \$324.36m or +113.5%** from 1H20.

Aggregated headline franchisee sales revenue totalled **\$3.76bn, up by +27.3%** in 1H21 vs 1H20.

Franchising operations segment revenue of **\$689.27m up by \$245.46m or +55.3%** from 1H20.

Franchising operations segment result of **\$383.96m up by \$260.10m or +210.0%**.

Franchising operations margin of **10.22% for 1H21, up by 603 bps** from a margin of 4.19% for 1H20.

1H21 offshore company-operated retail revenue of **\$1.39bn, up by \$242.72m or +21.1%**.

1H21 offshore company-operated retail result of **\$138.15m, up by \$56.46m or +69.1%**.

## SOLID BALANCE SHEET

Robust balance sheet with total assets of **\$6.26bn**, including tangible freehold property assets of \$3.10bn.

Net assets of **\$3.74bn up by +13.9%** from Dec-19.

Net debt to equity: **NIL in Dec-20** vs. 16.57% in Dec-19.

**Positive net cash position of \$21.75m** (cash net of interest-bearing loans and borrowings) at the end of 1H21 vs. a net debt position of \$553.23m at the end of 1H20.

Net cash flows from operating activities of **\$391.95m for 1H21, up \$93.18m or +31.2%**, from \$298.77m for 1H20.

Earnings per share of **37.08 cents, up by +109.5%** from 17.70 cents for 1H20.

## PROPERTY

**194** franchised complexes in Australia and **107** company-operated stores overseas.

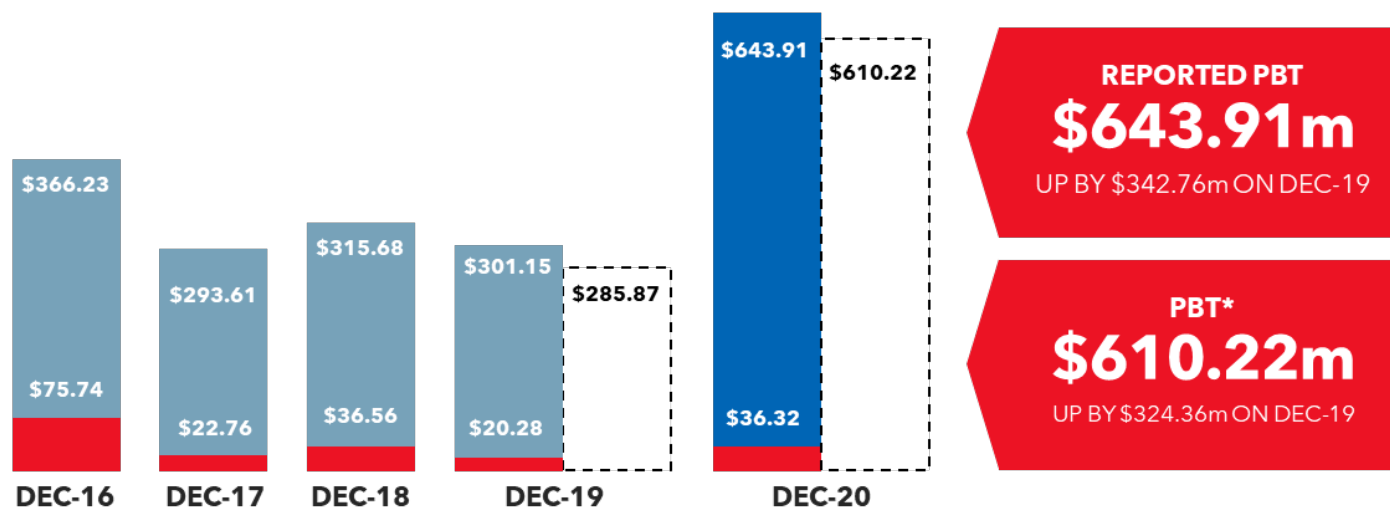
**\$3.10bn property portfolio**, consisting of freehold investment properties, owner-occupied land and buildings in New Zealand, Singapore, Slovenia, Ireland and Australia, joint venture assets and assets held for resale.

**\$1.16bn right-of-use assets**, consisting of leases of owner-occupied properties of \$528.26m, and leases of properties sub-leased to external parties of \$631.35m.

**12 new company-operated stores** opened during 1H21 as planned.

**1 new premium-format Harvey Norman® franchised complex** opened at Hornsby, NSW (Oct-20).

## PROFIT BEFORE TAX AS REPORTED (\$M)



HALF YEAR ENDED 31 DECEMBER

(Including property revaluations)

■ Denotes the contribution of net property revaluations to total PBT

□\* PBT excluding AASB 16 net impact and net property revaluations.

## HALF-YEAR ENDED 31 DECEMBER 2020

REPORTED PROFIT AFTER TAX & NCI

**\$ 462.03m**

▲ 116.3% ON DEC 2019

PAT & NCI

excluding AASB 16 net impact and net property revaluations

**\$ 438.17m**

▲ 115.8% ON DEC 2019

**Net profit after tax (NPAT) and non-controlling interests increased by \$248.44m**, or +116.3%, to \$462.03m for 1H21, from \$213.59m in 1H20. Excluding the AASB 16 net impact and the after tax net property revaluation adjustments, NPAT would have been \$438.17m for 1H21, up by \$235.13m or +115.8% relative to the previous half.

**The effective tax rate was 27.89%** for 1H21, compared to an effective tax rate of 27.90% for 1H20.

# AN INTEGRATED RETAIL, FRANCHISE, PROPERTY AND DIGITAL STRATEGY

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The consolidated entity operates an integrated retail, franchise, property and digital strategy, comprising three main pillars:

## 1. Retail - 2. Franchise - 3. Property

complemented by a robust and sustained investment in technology, digital transformation and IT infrastructure assets.

### Franchising Operations Segment

Profit before tax  
**\$383.96m**  
Representing 60% of PBT

Increase of  
**\$260.10m or +210.0%**

- Profitability of the franchising operations segment increased by \$260.10m or +210.0% to \$383.96m for 1H21, compared to \$123.86m for 1H20.
- This increase was achieved by strong growth in franchising operations segment revenues to \$689.27 million for 1H21, an increase of \$245.46 million, or 55.3%, from \$443.81 million in 1H20, primarily due to higher franchise fees received from franchisees in this half, underpinned by a 27.3% increase in headline aggregated franchisee sales revenue to \$3.76 billion for 1H21, compared to \$2.95 billion for 1H20.
- Robust franchising operations margin of 10.22% for 1H21, compared to 4.19% for 1H20.

### Offshore Company-Operated Retail Segment

Profit before tax  
**\$138.15m**  
Representing 21.5% of PBT

Increase of  
**\$56.46m or +69.1%**

- Profit of the offshore company-operated retail segment increased by \$56.46m or +69.1%, to \$138.15m in 1H21, from \$81.69m in 1H20, our highest ever half-year PBT.
- The offshore company-operated retail segment delivered strong sales for 1H21 of \$1.39bn, up by \$242.72m or +21.1%.
- Largest contributor to growth in profitability was New Zealand, increasing by \$26.81m or +55.3% to \$75.34m in 1H21.
- The retail result for Ireland and Northern Ireland increased by \$22.77m or +182.9% to \$35.21m in 1H21.
- The retail result for Singapore and Malaysia increased by \$5.60m or +37.0% to \$20.76m in 1H21.
- The retail result for Slovenia and Croatia increased by \$1.28m or +23.0% to \$6.85m in 1H21.

### Property Segment

Profit before tax  
**\$109.09m**  
Representing 17% of PBT

Increase of  
**\$16.05m or +17.2%**

- The retail property segment delivered a result of \$109.09m in 1H21 compared to a result of \$93.05m in 1H20, an increase of \$16.05m or +17.2%.
- Mainly due to \$16.04m increase in the net property revaluation increment to \$36.32m in 1H21 relative to a net increment of \$20.28m for 1H20.
- The consolidated entity owns and manages a robust freehold property portfolio valued at \$3.10bn as at 31 December 2020.

# SUMMARY OF TEMPORARY STORE CLOSURES DUE TO COVID-19

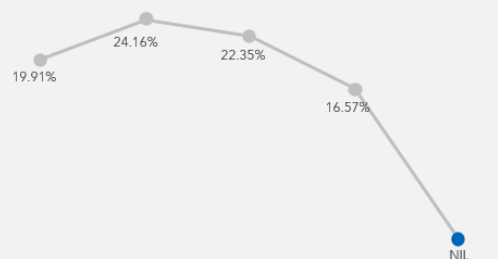
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Our company operated stores in New Zealand, Ireland, Northern Ireland and Slovenia were mandatorily closed by their respective Governments for between 2 to 6 weeks during the current half-year period. Based on the eligibility criteria of the COVID-19 support and assistance offered by the respective governments, some of our offshore subsidiaries applied for, and were eligible to receive, wages support and assistance of \$2.25m in aggregate. All of the support and assistance was passed onto our employees, and we did not terminate the employment of any employee as a result of the pandemic. Our offshore businesses also received property-related support and assistance of \$3.21m in aggregate.

		Government Mandated Temporary Closure Dates			Government Wage Support & Assistance	Property Support & Assistance
		Affected Product Category	Date Closed	Date Re-opened		
New Zealand	43 Retail Stores	All product categories in 11 retail stores in Auckland	12/08/20	31/08/20	nil	nil
	Online Trade	Online permitted - all product categories	Open			
Malaysia	26 Retail Stores	Retail trading permitted for all product categories, however with inhibited mobility and shortened trading hours due to restrictions placed under Recovery Movement Control Order (RMCO) and Conditional Movement Control Order (CMCO)	Open		\$0.12m	\$0.29m
	Online Trade	Online permitted - all product categories	Open			
Singapore	14 Retail Stores	Retail trade permitted - all product categories	Open		\$2.04m	\$0.81m
	Online Trade	Online Permitted - all product categories	Open			
Republic of Ireland	15 Retail Stores	Closure of furniture & bedding product categories	22/10/20	30/11/20	nil	\$1.64m
		Closure of furniture & bedding product categories	31/12/20	Under review		
	Online Trade	Online Permitted - all product categories	Open			
Northern Ireland	2 Retail Stores	Closure of furniture & bedding product categories	26/12/20	Under review	\$0.01m	\$0.47m
	Online Trade	Online Permitted - all product categories	Open			
Slovenia	5 Retail Stores	Closure of all product categories across all 5 retail stores	24/10/20	06/11/20	\$0.08m	nil
		Closure of all product categories across all 5 retail stores	16/11/20	19/12/20		
		Closure of all product categories across all 5 retail stores	24/12/20	15/02/21		
	Online Trade	Online Permitted - all product categories	Open			
Croatia	2 Retail Stores	Retail trade permitted - all product categories	Open		nil	nil
	Online Trade	Online Permitted - All product categories	Open			
					\$2.25m	\$3.21m

We own or control other non-franchised retail and wholesale operations under various brand names in Australia (outside of the Harvey Norman®, Domayne® and Joyce Mayne® brands). Some of the other non-franchised businesses applied for, and were eligible to receive, \$3.63m of wages support and assistance during 1H21, all of which was passed on directly to their employees in order to retain the employees of those businesses. In addition, they received property-related support and assistance of \$0.21m.

## NET DEBT TO EQUITY RATIO



DEC-16 DEC-17 DEC-18 DEC-19 DEC-20

## NET DEBT TO EQUITY RATIO

DECEMBER 2020  
NET CASH OF

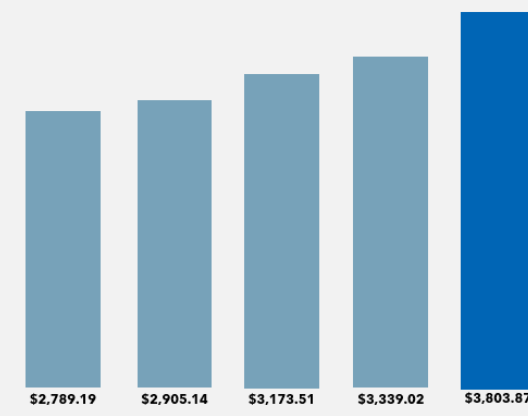
**\$21.75m** vs

DECEMBER 2019  
NET DEBT OF \$553.23m



DEC-16 DEC-17 DEC-18 DEC-19 DEC-20

## NET DEBT/(CASH) (\$AUD M)

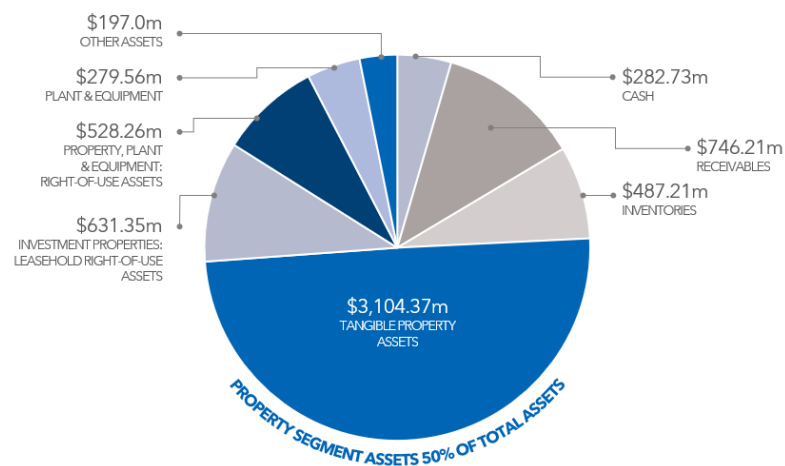


DEC-16 DEC-17 DEC-18 DEC-19 DEC-20

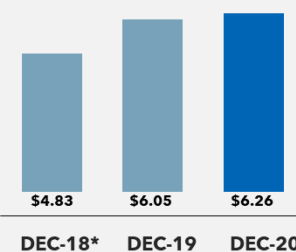
## TOTAL EQUITY (\$AUD M)

excluding acquisition reserve

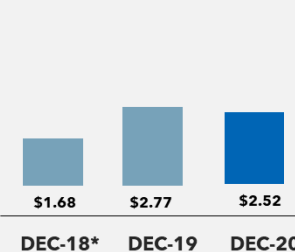
## COMPOSITION OF TOTAL ASSETS OF \$6.26bn



## TOTAL ASSETS (\$AUD bn)



## TOTAL LIABILITIES (\$AUD bn)



NET ASSET POSITION  
DECEMBER 2020  
UP **13.87%**  
TO **\$3.74bn**

HALF-YEAR ENDED 31 DECEMBER

\* Excludes AASB 16 Impact

	31 December 2020	31 December 2019	INCREASE / (DECREASE)	
<b>TOTAL ASSETS</b>	\$6,256.70m	\$6,049.01m	\$207.69m	3.43%
<b>TOTAL LIABILITIES</b>	\$2,517.18m	\$2,765.02m	(\$247.84m)	(8.96%)
<b>EQUITY</b>	\$3,739.52m	\$3,283.99m	\$455.53m	13.87%

## Total Assets up by \$207.69m (3.43%)

from \$6.05bn in 1H20 to **\$6.26bn** in 1H21

- \$99.16m (+3.88%) increase in the value of the freehold investment property portfolio
  - due to the net property revaluation increments since Dec-19 of \$50.31m (\$13.99m in 2H20 & \$36.32m in 1H21).
  - The refurbishment and upgrade of existing of freehold investment property assets.
- \$85.50m increase in cash and cash equivalents
  - due to higher cash receipts from franchisees and higher cash receipts from customers primarily due to strong trading profit generated by the franchising operations segment and the offshore company-operated stores.
- \$51.21m increase in property, plant and equipment
  - mainly due to the fit-out of the 12 new company-operated offshore stores, the premium fit-out of the new franchised complex at Hornsby and net property revaluation increments since Dec-19.

Offset by;

- \$90.87m reduction in trade receivables
  - mainly due to lower receivables from franchisees by \$98.96m due to higher net cash receipts from franchisees by \$81.40m, from \$486.56m in 1H20 to \$567.96m in 1H21, assisted by higher aggregated franchisee sales.

## Total Liabilities down by \$247.84m (8.96%)

from \$2.76bn in 1H20 to **\$2.52bn** in 1H21

- \$489.48m reduction in interest-bearing loans and borrowings
  - due to \$460m reduction in utilisation of the Syndicated Facility
  - Utilisation of \$256m of financing facilities out of \$755m available financing facilities (33.9% utilisation) in 1H21 vs utilisation of \$746m of financing facilities out of \$976m available financing facilities (76.4% utilisation) in 1H20.

Offset by;

- \$82.26m increase in trade and other payables
  - due to higher inventory reserves held by the offshore company-operated stores leading up to Christmas period in response to strong sales growth.
- \$90.47m increase in income tax payable driven by higher profit generated by the consolidated entity during the current half year.

	1H21	1H20	INCREASE / (DECREASE)	
NET CASHFLOWS FROM OPERATING ACTIVITIES	\$391.95m	\$298.77m	\$93.18m	31.19%
NET CASHFLOWS USED IN INVESTING ACTIVITIES	(\$96.36m)	(\$84.98m)	(\$11.37m)	(-13.38%)
NET CASHFLOWS USED IN FINANCING ACTIVITIES	(\$320.69m)	(\$222.93m)	(\$97.76m)	(-43.85%)
NET DECREASE IN CASH & CASH EQUIVALENTS	(\$25.10m)	(\$9.14m)	(\$15.95m)	(-174.51%)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	\$294.45m	\$185.82m	\$108.63m	58.46%
CASH & CASH EQUIVALENTS AT END OF PERIOD	\$269.35m	\$176.67m	\$92.68m	52.46%

## Operating Cash Flows up by \$93.18m

from \$298.77m in 1H20  
to **\$391.95m** in 1H21

- \$253.50m increase in receipts from customers
  - Reflecting sales growth in company-operated overseas stores.
- \$81.40m increase in net receipts from franchisees
  - Net receipts from franchisees increased to \$567.96m in 1H21, from \$486.56m in 1H20 due to higher gross revenue received from franchisees by \$244.22m offset by an increase in the movement in the aggregate amount of financial accommodation provided to franchisees compared to the movement in 1H20, inline with the increased inventory levels held by franchisees leading up to the Christmas period in order to drive franchisee sales revenue.

Offset by;

- \$156.47m increase in payments to suppliers and employees.
- \$58.49m increase in income tax paid.

## Investing Cash Outflows up by \$11.37m

from \$84.98m in 1H20  
to **\$96.34m** in 1H21

- \$17.72m decrease in proceeds from sale of property, plant and equipment and properties held for resale mainly due to HNHL's share of proceeds received from the sale for the Byron at Byron Bay Resort Joint Venture in 1H20

Offset by;

- Lower cash outflows for the purchase of property, plant and equipment, intangible assets and purchase and refurbishments of freehold investment properties by \$7.44m (\$88.78m in 1H21 vs \$96.22m in 1H20)

## Financing Cash Outflows up by \$97.76m

from \$222.93m in 1H20  
to **\$320.69m** in 1H21

- \$165.68m relating to the proceeds raised from the renounceable pro-rate Entitlement Offer in October 2019

Offset by;

- \$60m reduction in net repayment of the Syndicated Facility (\$15m repayment in 1H21 vs \$75m repayment in 1H20)

## SYSTEM SALES INCREASE / (DECREASE) IN CONSTANT LOCAL CURRENCIES:

TOTAL SALES	1QTR - 2021 vs 1QTR 2020	2QTR - 2021 vs 2QTR 2020	1H21 vs 1H20
AUSTRALIAN FRANCHISEES \$ AUD*	+31.4%	+23.8%	+27.3%
NEW ZEALAND \$ NZD	+21.2%	+18.0%	+19.4%
SLOVENIA & CROATIA € EURO	+25.8%	+2.7%	+12.8%
IRELAND € EURO	+64.4%	+47.5%	+53.4%
NORTHERN IRELAND £ GBP	+17.6%	+26.9%	+22.9%
SINGAPORE \$ SGD	+0.8%	+12.3%	+6.9%
MALAYSIA RM	+10.4%	+15.4%	+13.0%

## COMPARABLE SALES

Comparable sales growth has not been adjusted for the temporary closures mandated by each local Government overseas as a result of the COVID-19 Response

	1QTR - 2021 vs 1QTR 2020	2QTR - 2021 vs 2QTR 2020	1H21 vs 1H20
AUSTRALIAN FRANCHISEES \$ AUD*	+32.3%	+23.5%	+27.5%
NEW ZEALAND \$ NZD	+20.4%	+16.9%	+18.5%
SLOVENIA & CROATIA € EURO	+25.8%	(-0.4)%	+11.1%
IRELAND € EURO	+57.3%	+35.4%	+43.1%
NORTHERN IRELAND £ GBP	+17.6%	+26.9%	+22.9%
SINGAPORE \$ SGD	(-0.2)%	(-0.8)%	(-0.5)%
MALAYSIA RM	(-2.4)%	+5.6%	+1.7%

\* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Harvey Norman®, Domayne® and Joyce Mayne® retail sales in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results.

## Total System Sales Revenue of \$5.23 Billion for 1H21

Comprised of aggregated Franchisee sales in Australia plus Company-Operated sales in New Zealand, Slovenia, Croatia, Ireland, Northern Ireland, Singapore and Malaysia:

Aggregated Franchisee sales\* of **\$3.76bn**  
Company-Operated sales Revenue of **\$1.47bn**

*\*Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.*

## Aggregated Franchisee Sales of \$3.76bn for 1H21

vs \$2.95bn for 1H20  
up **27.3%** (\$AUD)

## Aggregated Comparable Franchisee Sales of \$3.74bn for 1H21

vs **\$2.93bn** for 1H20  
up **27.5%** (\$AUD)

## TOTAL FRANCHISEE SALES HALF-YEAR ENDED 31 DECEMBER 2020

**\$3.76bn** UP BY **27.3%**

## COMPARABLE FRANCHISEE SALES HALF-YEAR ENDED 31 DECEMBER 2020

**\$3.74bn** UP BY **27.5%**

\* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Retail sales in Harvey Norman®, Domayne® and Joyce Mayne® in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results. Australian franchisee aggregated sales revenue is reported to the market as it is a key indicator of the performance of the franchising operations segment.

- In 1H21, aggregated franchisee sales revenue increased by 27.3% on a headline basis, and 27.5% on a comparable sales basis, relative to 1H20.
- Approx. 65% of the franchised complexes are located in regional standalone large-format centres. During the prior period, the sales revenue of some of the regional franchisees were negatively impacted by severe drought, bushfires and flood. As Regional Australia recovered from these natural disasters, the sales revenue of some of the regional franchisees improved.
- With the exception of the below mandatory closures, the 194 franchised complexes throughout Australia have remained open during 1H21.
  - 18 Harvey Norman® and Domayne® franchised complexes in greater Melbourne, Victoria were closed for an 11-week period from 6 August 2020 to 27 October 2020 as mandated by the State Government of Victoria.
  - 10 Harvey Norman® franchised complexes located in South Australia were closed from the 19 to 21 November 2020 as mandated by the State Government of South Australia.
- Strong growth in technology, with computers and related peripherals, leading the way due to continuation of remote working.
- The gaming category was boosted in 2Q21 with the launch of PS5 and Xbox Series X in November 2020.
- Robust sales in whitegoods, television, home office furnishings and small appliances continued during the current half.
- Solid sales in furniture and bedding.
- Solid growth in outdoor furniture and outdoor cooking categories as consumers transform their backyards into outdoor entertaining spaces.
- Strong uptake of the Federal Government's HomeBuilder grants, tripling the Government's initial expectations. As our franchisees operate in Home & Lifestyle space, the surge in new dwellings and major renovations may open new opportunities and drive sales throughout 2021 and beyond.

	1H21	1H20	INCREASE / (DECREASE)	
<b>FRANCHISING OPERATIONS SEGMENT REVENUE</b>	\$689.27m	\$443.81m	\$245.46m	55.3%
<b>AGGREGATED FRANCHISEE HEADLINE SALES REVENUE*</b>	\$3.76bn	\$2.95bn	\$805.09m	27.3%
<b>FRANCHISING OPERATIONS SEGMENT RESULT</b>	\$383.96m	\$123.86m	\$260.10m	210.0%
<b>FRANCHISING OPERATIONS MARGIN %</b>	10.22%	4.19%	603bps	

\* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Harvey Norman®, Domayne® and Joyce Mayne® retail sales in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results.

## Franchising Operations Segment Revenue up by \$245.46m (+55.3%)

from \$443.81m in 1H20 to \$689.27m in 1H21

- Net franchise fees increased by \$255.88m, or +71.5%, underpinned by aggregated franchisee sales growth which increased by 27.3% from \$2.95bn in 1H20 to \$3.76bn in 1H21.

## Franchising Operations Segment PBT up by \$260.10m (+210.0%)

from \$123.86m in 1H20 to \$383.96m in 1H21

- Increase in franchising operations segment revenue by \$245.46m as described above.
- Profitability further improved by a reduction in borrowing costs, from a combination of low utilisation of debt facilities and low interest rates.

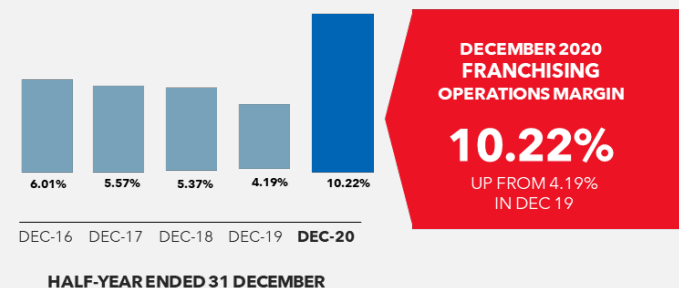
Offset by:

- reduction in rental income from franchisees due to rental support and assistance granted by the franchisor to those franchisees affected by the 11-week mandatory closures in greater Melbourne, VIC.

FRANCHISING OPERATIONS SEGMENT PBT



FRANCHISING OPERATIONS MARGIN



**21.5%**  
OF TOTAL  
CONSOLIDATED PBT

**Record 1H21 Offshore  
Retail Revenue  
\$1.39bn**  
UP BY \$242.72m (+21.1%)

**Record 1H21 Offshore  
Retail PBT  
\$138.15m**  
UP BY \$56.46m (+69.1%)

## New Zealand

Opened 3 new stores

- Dunedin Outlet (Aug-20)
- Grey Lynn Commercial Showroom (Oct-20)
- Glen Innes Outlet (Oct-20)

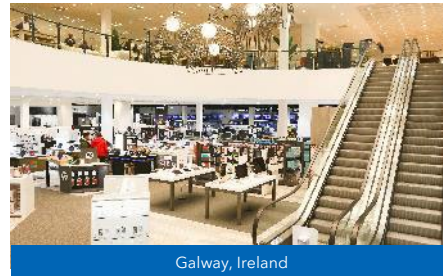


Glen Innes, New Zealand

## Ireland

Opened 2 new stores

- Galway (Jul-20)
- Sligo (Nov-20)



Galway, Ireland



Sligo, Ireland

## Croatia

Opened 1 new store

- Pula (Nov-20)



Pula, Croatia

## Singapore

Opened 3 new stores

- Seletar Mall (Sep-20)
- The Centrepoint (Sep-20)
- Westgate (Nov-20)



Seletar Mall, Singapore



The Centrepoint, Singapore

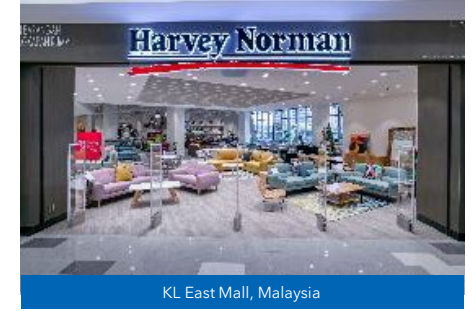


Westgate, Singapore

## Malaysia

Opened 3 new stores

- KL East Mall (Nov-20)
- Menara (Dec-20)
- Quayside Mall (Dec-20)



KL East Mall, Malaysia



Menara, Malaysia

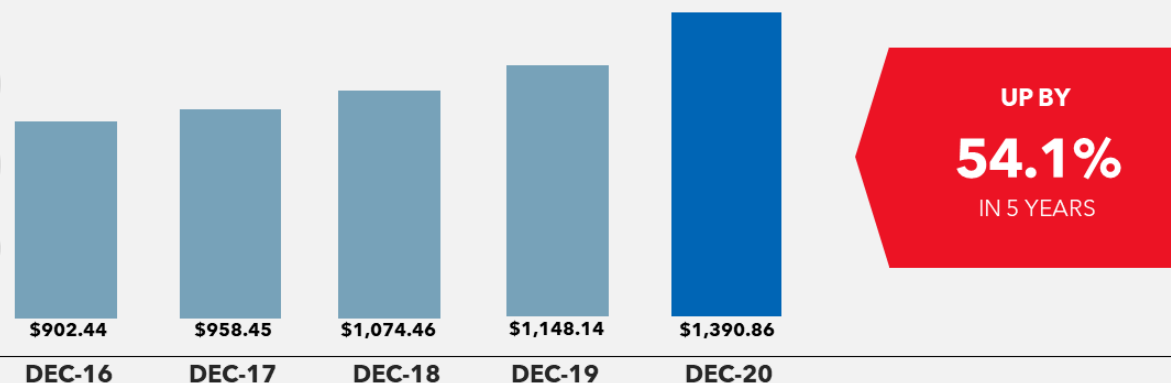


Quayside Mall, Malaysia

## OVERSEAS SEGMENT PROFIT RESULT

	1H21	1H20	INCREASE / (DECREASE)	
RETAIL - NEW ZEALAND	\$75.34m	\$48.53m	\$26.81m	55.3%
RETAIL - SINGAPORE & MALAYSIA	\$20.76m	\$15.16m	\$5.60m	37.0%
RETAIL - IRELAND & NORTHERN IRELAND	\$35.21m	\$12.45m	\$22.77m	182.9%
RETAIL - SLOVENIA & CROATIA	\$6.85m	\$5.57m	\$1.28m	23.0%
<b>TOTAL OVERSEAS RETAIL</b>	<b>\$138.15m</b>	<b>\$81.69m</b>	<b>\$56.46m</b>	<b>69.1%</b>

## TOTAL OVERSEAS RETAIL REVENUE (\$AUD M)



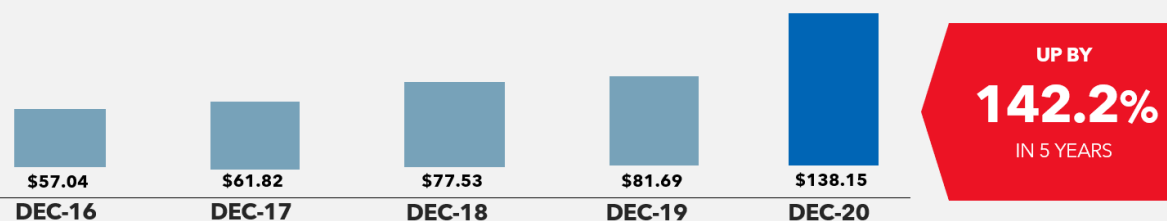
## Overseas Company-Operated Retail Sales Revenue

up by **\$240.57m (21.4%)**  
from \$1.12bn in 1H20 to **\$1.36bn** in 1H21

## Overseas Company-Operated Retail Segment

now represents **21.5%** of total PBT

## TOTAL OVERSEAS RETAIL PROFIT RESULT (\$AUD M)



## Overseas Company-Operated Retail Segment PBT

up by **69.1%**  
from \$81.69m in 1H20 to **\$138.15m** in 1H21

HALF-YEAR ENDED 31 DECEMBER

### New Zealand

- Sales increased by **\$90.49m or +18.0%**, from \$503.90m in 1H20 to **\$594.39m in 1H21**
- Retail result increased by **\$26.81m or +55.3%**, from \$48.53m in 1H20 to **\$75.34m in 1H21**
- Quick acceleration in sales as stores re-opened following government mandated closures in August 2020. Strong sales were achieved across all key categories.
- 2 new outlets were opened in Dunedin (Aug-20) and in Glen Innes, Auckland (Oct-20) along with a commercial showroom in Grey Lynn, Auckland (Oct-20).
- Solid sales and the ongoing focus on controlling operating expenses have generated an increase in retail profit

### Ireland & Northern Ireland

- Aggregated sales revenue increased by **\$129.53m or +53.0%**, from \$244.61m in 1H20 to **\$374.13m in 1H21**
- Aggregated retail result increased by **\$22.77m in 1H21 or +183%**, from \$12.45m in 1H20 to **\$35.21m in 1H21**

#### Ireland

- Sales increased by **\$127.19m or +54.5%**, from \$233.33m in 1H20 to **\$360.52m in 1H21**
- Retail result increased by **\$20.67m or +167.2%**, from \$12.36m in 1H20 to **\$33.03m in 1H21**
- Customers continued spending on improving their homes. Strong sales were achieved across all key homemaker product categories.
- Two new stores were opened during the half-year at Galway City (Jul-20) and Sligo (Nov-20).

#### Northern Ireland

- Sales increased by **\$2.33m**, from \$11.27m in 1H20 to **\$13.61m in 1H21**
- Retail result increased by **\$2.10m**, from \$0.09m in 1H20 to **\$2.19m in 1H21**
- Customers continued to invest in their homes and entertaining from their homes.
- Strong sales delivered our second consecutive half-year profit.

### Singapore & Malaysia

- Aggregated sales revenue increased by **\$10.58m or +3.6%**, from \$292.05m in 1H20 to \$302.63m in 1H21
- Aggregated retail result increased by **\$5.60m or +37.0%**, from \$15.16m in 1H20 to **\$20.76m in 1H21**
- Profitability has improved in Singapore & Malaysia through improved margins on sales, and carefully targeted cost reductions.

#### Malaysia

- Sales increased by **\$8.79m or +7.3%** mainly due to 3 new stores opened in 1H21 and a full 6 months trade of the 5 stores that were opened in FY20
- Various movement control orders had an adverse impact to foot traffic within the stores throughout 1H21.

#### Singapore

- Sales increased by **\$3.10m** due to 3 new stores opening in 1H21 and the organic growth of the existing flagship store at Millennia Walk

### Slovenia & Croatia

- Aggregated sales revenue increased by **\$9.98m or +12.0%**, from \$83.29m in 1H20 to \$93.27m in 1H21
- Aggregated retail result increased by **\$1.28m or +23.0%**, from \$5.57m in 1H20 to **\$6.85m in 1H21**

#### Slovenia

- Sales increased by **\$7.37m or +11.4%**
- Retail result increased by **\$1.52m or +29.1%**, from \$5.24m in 1H20 to **\$6.76m in 1H21**.

#### Croatia

- Sales increased by **\$2.61m or +13.9%**
- Modest retail profit of \$0.09m
- Higher sales partly due to the new store opening in Pula (Nov-20) and the continued strength of our Zagreb flagship store

	1H21	1H20	INCREASE / (DECREASE)	%
PROPERTY SEGMENT REVENUE	\$167.23m	\$156.91m	\$10.32m	+6.6%
NET PROPERTY REVALUATION INCREMENT	\$36.32m	\$20.28m	\$16.04m	+79.1%
PROPERTY SEGMENT EBITDIA	\$117.07m	\$107.09m	\$9.98m	+9.3%
PROPERTY SEGMENT RESULT BEFORE TAX	\$109.09m	\$93.05m	\$16.05m	+17.2%

## Property Segment Revenue up by \$10.32m (6.6%)

from \$156.91m in 1H20 to **\$167.23m** in 1H21

- Increase in the net property revaluation increment for Australian freehold investment properties by \$16.04m to \$36.32m for 1H21, compared to \$20.28m for 1H20.
- There was a change in the independent valuation cycle being reduced to 2 years from 1 January 2020, resulting in external valuation of 35 properties in 1H21 compared to 25 properties in 1H20.
- Although property valuations are still subject to a degree of uncertainty due to COVID-19, we have seen that our property values have remained strong throughout 1H21, continuing to provide a solid and robust anchor to our balance sheet and providing the perfect complement and competitive advantage to our franchising operations and retailing segments.

Offset by;

- \$5.72m reduction in rent and outgoings received due to rental abatements provided to those franchisees affected by the pro-longed mandatory 11-week lockdown in greater Melbourne, Victoria.

## Property Segment Result Before Tax up by \$16.05m (17.2%)

from **\$93.05m** in HY20 to **\$109.09m** in HY21

- Mainly due to \$16.04m increase in net property revaluation increment for freehold investment properties.

COMPOSITION OF FREEHOLD PROPERTY SEGMENT ASSETS	December 2020 (\$m)	# of Owned Retail Property Assets	# of Owned Other Property Assets	Net Increase in Fair Value (Income Statement) (\$m)	Net Increase in Fair Value (Equity) (\$m)
<b>(1) Investment Properties (Freehold) and Assets Held for Sale</b>					
- Australia	\$2,647.14	94	44	\$36.56	-
- New Zealand	\$9.49	-	2	(\$0.24)	-
- Singapore (Property asset held for sale)	\$15.21	-	1	-	-
<b>Total Investment Properties (Freehold) and Assets Held for Sale</b>	<b>\$2,671.84</b>	<b>94</b>	<b>47</b>	<b>\$36.32</b>	<b>-</b>
<b>(2) Owner–Occupied Land &amp; Buildings</b>					
- Australia	\$10.19	-	1	-	-
- New Zealand	\$319.53	19	1	-	\$33.05
- Singapore	\$7.60	-	1	-	-
- Slovenia	\$77.31	5	-	-	-
- Ireland	\$15.80	1	-	-	-
<b>Total Owner–Occupied Land &amp; Buildings</b>	<b>\$430.43</b>	<b>25</b>	<b>3</b>	<b>-</b>	<b>\$33.05</b>
<b>(3) Joint Venture Assets</b>	<b>\$2.10</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>
<b>Total Freehold Property Segment Assets</b>	<b>\$3,104.37</b>	<b>119</b>	<b>56</b>	<b>\$36.32</b>	<b>\$33.05</b>

- The consolidated entity owns and manages a robust freehold property portfolio valued at \$3.1bn as at 31 December 2020.
- In Australia, the majority of the 194 franchised complexes are located in large-format, stand-alone retail precincts rather than multi-storey shopping centres. These large-format centres provide customers with the confidence of being able to shop safely in complexes that are typically constructed around an open-air carpark, allowing direct and safe access to the shopfront and enabling franchisees to continue to improve their '1-Hour Click & Collect' and 'Contactless Click & Collect' capabilities so that their customers have the option of ordering online and swiftly picking up the goods themselves when convenient to do so.

COMPOSITION OF LEASEHOLD PROPERTY SEGMENT ASSETS	Right -of-Use Asset Dec 20 (\$m)	Lease Liabilities Dec 20 (\$m)	# of Leased Retail Property Assets	# of Leased Other Property Assets
<b>(1) Leases of Properties Sub-Leased to External Parties</b>				
- Australia	\$631.35	\$654.95	100	162
<b>(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets</b>				
- Australia	\$32.37	\$49.68	-	7
- New Zealand	\$108.74	\$126.03	24	26
- Singapore & Malaysia	\$256.20	\$200.42	40	14
- Slovenia & Croatia	\$20.10	\$22.14	2	7
- Ireland & Northern Ireland	\$110.85	\$148.68	16	10
<b>Total Owner-Occupied Properties and Plant and Equipment Assets</b>	<b>\$528.26</b>	<b>\$546.96</b>	<b>82</b>	<b>64</b>
<b>Total Leasehold Property Segment Assets</b>	<b>\$1,159.61</b>	<b>\$1,201.91</b>	<b>182</b>	<b>226</b>

## Right-of-Use Assets: Leasehold Investment Properties (Sub-Leased to External Parties)

- Primarily for the purposes of being sub-leased to Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia.

## Right-of-Use Assets: Leasehold Owner-Occupied Properties and Plant and Equipment Assets

- Primarily include company-operated stores, warehouses and offices that are leased from external landlords.

Financial Impact of AASB 16 Leases:	Leases of Owner-Occupied Properties \$000	Leases of Properties Sub-Leased to External Parties \$000	Total Leases \$000
Property, plant and equipment: Right-of-use asset	31,574	-	<b>31,574</b>
- Depreciation expense			
Investment properties (leasehold): Right-of-use asset	-	35,899	<b>35,899</b>
- Fair value re-measurement			
Finance costs: Interest on lease liabilities (accretion)	8,916	11,507	<b>20,423</b>
<b>Total AASB 16 Expenses Recognised</b>	<b>40,490</b>	<b>47,406</b>	<b>87,896</b>
Less: Lease payments made during 1H21 (excluding variable lease payments (short-term, low-value leases)	(39,546)	(45,583)	<b>(85,129)</b>
Other adjustments	(139)	-	<b>(139)</b>
<b>AASB 16 Incremental Decrease in PBT for 1H21</b>	<b>805</b>	<b>1,823</b>	<b>2,628</b>

From 1 January 2021, further lockdowns and restrictions have been mandated by each local government as part of their COVID-19 Response as follows:

- **Australian Franchised Complexes: Western Australia (WA):** 5-day closure of 13 Harvey Norman® and Domayne® franchised complexes located in Perth and other affected regions of WA by the State Government of WA from 1 to 5 February 2021 (inclusive). **Victoria (VIC):** 5-day closure of all 40 Harvey Norman® and Domayne® franchised complexes in VIC for a 5-day period by the State Government of VIC from 13 February 2021 to 17 February 2021 (inclusive).
- **New Zealand:** 3-day closure of 13 Harvey Norman® company-operated stores and outlets in Auckland from 15 February 2021 to Wednesday 17 February 2021 (inclusive). All 13 stores re-opened to the public on Thursday 18 February 2021.
- **Slovenia:** 53-day closure of all 5 Harvey Norman® company-operated stores from 24 December 2020 to Sunday 14 February 2021. All 5 stores re-opened to the public on Monday 15 February 2021.
- **Ireland:** The Irish Government re-introduced the Level 5 lockdown measures from 31 December 2020 resulting in the closure of the furniture and bedding categories across all stores from that date while the computer and electrical categories were permitted to remain open to the public. During this lockdown, no restrictions have been imposed on online trade for the computer and electrical categories, but the "Click & Collect" option is currently prohibited for online sales for the furniture and bedding categories. The Irish Government have indicated that the Level 5 lockdown measures may be lifted on 5 April 2021.
- In **Northern Ireland**, the Northern Ireland Executive announced COVID-19 lockdown measures, resulting in the closure of the 2 company-operated stores in Northern Ireland from 26 December 2020, with a proposed review date for these lockdown measures on 1 April 2021. Online trade during this lockdown period is restricted to contactless delivery only.
- In **Malaysia**, the Recovery Movement Control Order (**RMCO**) was implemented on 10 June 2020 and has been further extended to 31 March 2021. The Conditional Movement Control Order (**CMCO**) re-implemented on 9 October 2020 continued to be extended until 4 March 2021 in certain regions. On 13 January 2021, the Movement Control Order (**MCO**) was reintroduced for certain States with a spike in COVID cases and has been extended until 4 March 2021. Whilst there have been no further lockdowns, these restrictions have continued to inhibit mobility throughout many regions in Malaysia.

The below table shows the increase / (decrease) percentages (%) of aggregated total sales and comparable sales from **1 January 2021 to 23 February 2021** compared to **1 January 2020 to 23 February 2020**. The % increases have been calculated in Australian Dollars \$AUD and in the constant local currencies of each of the below countries. Comparable sales for the previous corresponding period have not been adjusted for the effect of any temporary closures mandated by each local government as a result of their COVID-19 Response.

**Positive momentum has continued from 1 January 2021 to 23 February 2021 with aggregated sales revenue increasing 21.0% compared to the period 1 January 2020 to 23 February 2020. The increase/(decrease) % by country is shown below:**

COUNTRY	% Increase Calculated in \$AUD	
	Total Sales %	Comparable Sales %
Australian Franchisees	22.2	22.0
New Zealand	17.3	15.9
Slovenia & Croatia	(-4.1)	(-11.3)
Ireland	51.5	37.3
Northern Ireland	(-32.7)	(-32.7)
Singapore	2.9	(-7.4)
Malaysia	6.3	(-4.7)

	% Increase Calculated in Constant Local Currencies	
	Total Sales %	Comparable Sales %
\$AUD	22.2	22.0
\$NZD	20.8	19.4
€EUR	(-1.0)	(-8.4)
€EUR	56.3	41.7
£GBP	(-27.3)	(-27.3)
\$SGD	13.6	2.2
MYR	18.8	6.6

# QUESTIONS

(LIMITED TO 30 MINUTES)