

Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

HALF YEAR RESULTS PRESENTATION

DECEMBER
2023



🚩 Australia

🚩 New Zealand

🚩 Singapore

🚩 Slovenia

🚩 Ireland

🚩 Northern Ireland

🚩 Malaysia

🚩 Croatia

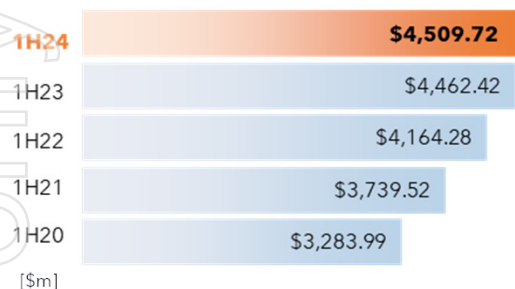
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DECEMBER 2023 (1H24) RESULTS

Net Assets

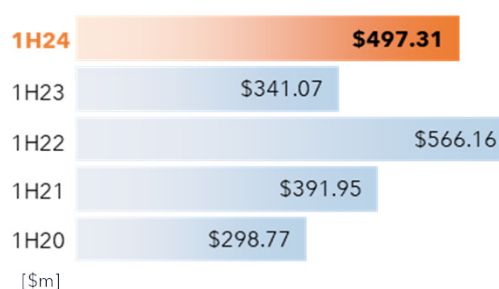
\$4.510bn



↑ **\$47.31m** from 1H23 | 4-YEAR CAGR **8.3%**
 ↑ **\$1,225.74m** from 1H20

Operating Cash Flows

\$497.31m

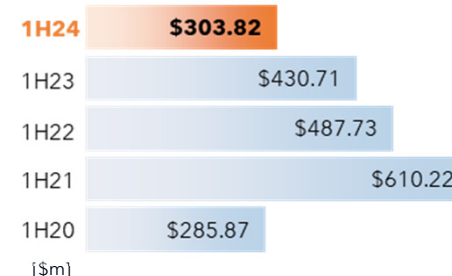


↑ **\$156.24m** from 1H23 | 4-YEAR CAGR **13.6%**
 ↑ **\$198.55m** from 1H20

PBT

[excluding AASB 16 net impact and net property revaluations]

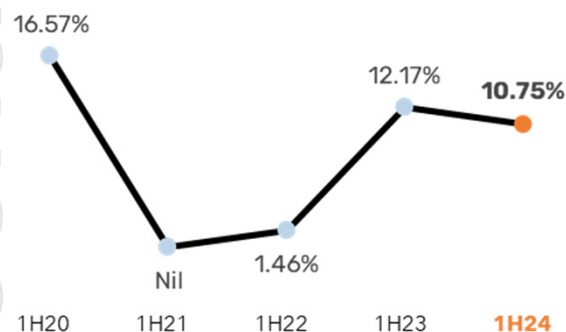
\$303.82m



↓ **\$126.88m** from 1H23 | ↑ **\$17.96m** from 1H20

Net Debt to Equity %

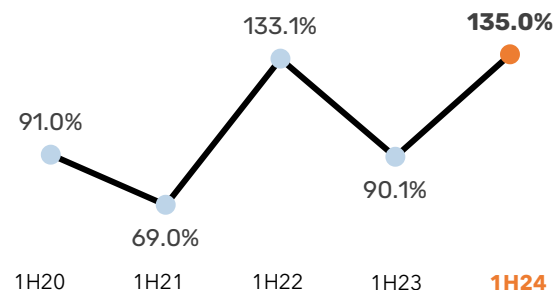
10.75%



Improvement from **12.17%** in 1H23 and **16.57%** in 1H20

Cash Conversion %

135.0%

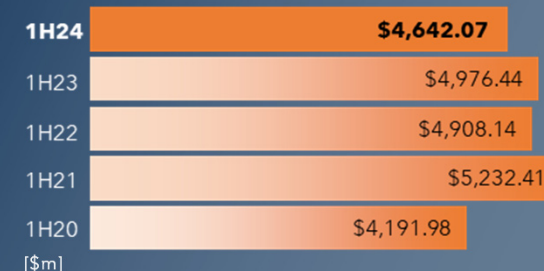


Improvement from **90.1%** in 1H23 and **91.0%** in 1H20

[Calculated as: Operating Cash Flows (excluding interest & tax) ÷ EBITDA (excluding AASB 16 & net property revaluations)]

Total System Sales Revenue*

\$4.642bn



↓ **\$334.37m** from 1H23 | ↑ **\$450.09m** from 1H20

*Comprised of Harvey Norman® overseas company-operated sales revenue and aggregated Harvey Norman®, Domayne® and Joyce Mayne® franchisee sales revenue in Australia. Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

1H24 RESULTS FOR ANNOUNCEMENT TO THE MARKET

EBITDA

\$473.02m

↓ **\$221.00m** or -31.8% from **\$694.01m** in 1H23
 ↑ **\$29.89m** or 6.7% from **\$443.13m** in 1H20

EBITDA excluding AASB16 net impact and
net property revaluations

\$376.46m

↓ **\$113.80m** or -23.2% from **\$490.26m** in 1H23
 ↑ **\$34.91m** or 10.2% from **\$341.54m** in 1H20

EBIT

\$337.95m

↓ **\$224.42m** or -39.9% from **\$562.37m** in 1H23
 ↑ **\$5.57m** or 1.7% from **\$332.39m** in 1H20

EBIT excluding AASB16 net impact and
net property revaluations

\$329.60m

↓ **\$116.43m** or -26.1% from **\$446.03m** in 1H23
 ↑ **\$33.22m** or 11.2% from **\$296.37m** in 1H20

Total System Sales Revenue

\$4.64 bn

Aggregated headline franchisee sales revenue* **\$3.16bn**

Company-operated sales revenue **\$1.48bn**

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

HNHL Consolidated Revenue

\$2.15 bn

Sales of products to customers **\$1.48bn**

Revenues received from franchisees **\$564.30m**

Revenues and other income items **\$108.33m**

REPORTED PBT

\$283.58m

↓ **\$239.09m** or -45.7% from **\$522.67m** in 1H23
 ↓ **\$17.57m** or -5.8% from **\$301.15m** in 1H20

PBT excluding AASB16 net impact and
net property revaluations

\$303.82m

↓ **\$126.88m** or -29.5% from **\$430.71m** in 1H23
 ↑ **\$17.96m** or 6.3% from **\$285.87m** in 1H20

REPORTED PROFIT AFTER TAX & NCI

\$200.01m

↓ **\$165.89m** or -45.3% from **\$365.90m** in 1H23
 ↓ **\$13.58m** or -6.4% from **\$213.59m** in 1H20

PAT excluding AASB16 net impact and
net property revaluations

\$213.89m

↓ **\$87.43m** or -29.0% from **\$301.32m** in 1H23
 ↑ **\$10.85m** or 5.3% from **\$203.04m** in 1H20

Net Assets

\$4.51 bn

↑ **1.1%** from **\$4.46bn** in Dec 22
 ↑ **37.3%** from **\$3.28bn** in Dec 19

Basic Earnings Per Share

16.05c

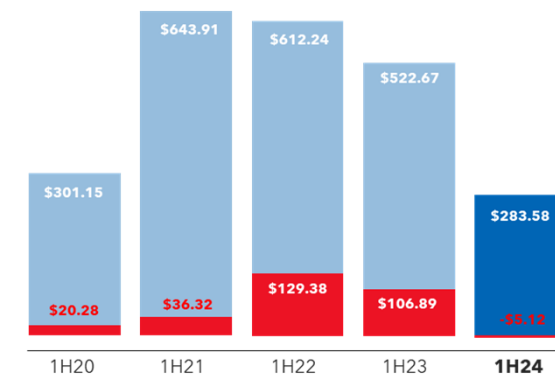
↓ from **29.37c** in 1H23
 ↓ from **17.14c (restated)** in 1H20

Interim Dividend Per Share (FULLY-FRANKED)

10.0c

- **\$4.51bn net assets**, up \$47.31m or 1.1% from Dec-22 → **substantial 37.3% growth since Dec-19**
- **Prudent financial management** has resulted in an improved liquidity position and low net debt to equity ratio of 10.75% in 1H24, an improvement from 12.17% in 1H23 and 16.57% in 1H20
- **\$497.31m in operating cash flows**, up \$156.24m or 45.8% from 1H23, with a cash conversion of 135% mainly due to substantial improvement in working capital:
 - increase of \$198.55m or 66.5% from pre-pandemic operating cash flows in 1H20
 - 4-year CAGR of 13.6%
- **\$283.58m reported PBT**, down \$239.09m or -45.7% from 1H23 due to:
 - **\$2.15bn of total revenues**, down by \$191.84m or -8.2% from 1H23:
 - \$108.63m reduction in other income items mainly due to a net revaluation decrement of \$5.12m recorded in 1H24 compared to a net revaluation increment of \$106.89m in 1H23
 - \$102.51m decrease in franchise fees received on the back of a -9.7% reduction in aggregated franchisee sales revenue to \$3.16bn
 - **\$855.72m of total operating expenses**, up by \$40.21m or 4.9% from 1H23 due to:
 - total operating expenses were 18.4% of total system sales revenue for 1H24 compared to 16.4% in 1H23
 - increase partially attributed to inflation experienced across the 8 countries and new store openings
 - increase of \$23.23m or 16.2% in occupancy costs due to new store openings and rent increases for existing franchised complexes and company-operated stores
 - successive interest rate hikes increased finance costs by \$11.78m in Australia and by \$2.89m overseas
 - global marketing expenses were 4.3% of total system sales revenue in 1H24, compared to the pre-pandemic level of 5.1% in 1H20
- **\$303.82m PBT excluding the effects of AASB 16 and net property revaluations**, down by \$126.88m or -29.5% from 1H23 but up 6.3% on pre-pandemic result of \$285.87m in 1H20
- **Effective tax rate of 28.49%** for 1H24 vs 29.26% for 1H23

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 property revaluations)

\$303.82m

vs 1H23

vs 1H20

↓ -29.5%
(down \$126.88m)

↑ +6.3%
(up \$17.96m)

OPERATING CASH FLOWS

\$497.31m

vs 1H23

vs 1H20

↑ +45.8%
(up \$156.24m)

↑ +66.5%
(up \$198.55m)

STRONG CASH CONVERSION

135.0% for 1H24

90.1% for 1H23

Total Assets

\$7.86 bn

As at 31 December 2023



↑ 0.6%	up by \$45.96m from \$7.81bn in Dec-22
↑ 29.9%	up by \$1.81bn from \$6.05bn in Dec-19

Net Assets

\$4.51 bn

As at 31 December 2023

↑ 1.1%	up by \$47.31m from \$4.46bn in Dec-22
↑ 37.3%	up by \$1.23bn from \$3.28bn in Dec-19

We operate an integrated retail, franchise, property and digital system across 8 countries.



Australia
198
franchised complexes



New Zealand
46
stores



Singapore
12
stores



Slovenia
5
stores



Ireland
16
stores



Malaysia
32
stores



Northern Ireland
2
stores



Croatia
3
stores

Harvey Norman® Australian franchised retail and overseas company-operated retail operations are supported by an integrated retail, franchise, property & digital system

Australian Franchising Operations

- **198 franchised complexes in Australia comprising 560 independent franchisees**
- **1 new franchised complex in 1H24** at Belconnen, ACT (Nov-23)
- **1H24 Aggregated Franchisee Sales Revenue:** \$3.16 billion
- **1H24 Franchising Operations PBT:** \$143.08 million

Overseas Company – Operated Retail

- **116 company-operated stores in 7 countries**
- **5 new company-operated stores in 1H24: Malaysia** - Shah Alam, Selangor (Jul-23), Kota Kinabalu, Sabah (Aug-23), Pavilion Damansara Heights, Kuala Lumpur (Oct-23) and Kuantan, Pahang (Nov-23); **New Zealand** - Tauriko, Tauranga (Dec-23).
- **1H24 Overseas Company-Operated Revenue:** \$1.40 billion
- **1H24 Overseas Retail PBT:** \$76.18 million
- **Comprises 26.9% Total PBT** [26.4% excluding revaluations]

Strategic 'Large-format' Retail Property Portfolio

- **96 franchised complexes owned** (48% of total)
- **470 diverse third-party tenants** (large proportion ASX-listed)
- **\$3.51 billion Australian investment property portfolio** (largest single owner in Australia)
- **1H24 Property PBT:** \$70.43 million (including revaluations)
- **27 international owned retail property assets** (23% of total)
- **\$607.62 million overseas owner-occupied and investment property portfolio**

Investment in Technology, Digital Transformation and IT Infrastructure Assets



Online sales channel



Click & collect



Quick reserve



Store finder



Trak by
Harvey Norman®



LiveChat

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

1. Franchise – 2. Retail – 3. Property complemented by sustained investment in technology, digital transformation and IT infrastructure assets.

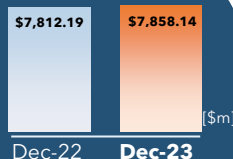
Franchising Operations Segment 4-year CAGR 3.7%	REVENUE \$511.81m <div> <div>vs 1H23</div> <div>vs 1H20</div> </div> <div> <div>↓</div> <div>↑</div> </div> <div> <div>-14.0%</div> <div>+15.3%</div> </div> <div> <div>(down \$83.27m)</div> <div>(up \$67.99m)</div> </div>	TOTAL EXPENSES \$368.73m <div> <div>vs 1H23</div> <div>vs 1H20</div> </div> <div> <div>↑</div> <div>↑</div> </div> <div> <div>+3.2%</div> <div>+15.2%</div> </div> <div> <div>(up \$11.30m)</div> <div>(up \$48.78m)</div> </div>	PBT RESULT \$143.08m <div> <div>vs 1H23</div> <div>vs 1H20</div> </div> <div> <div>↓</div> <div>↑</div> </div> <div> <div>-39.8%</div> <div>+15.5%</div> </div> <div> <div>(down \$94.57m)</div> <div>(up \$19.22m)</div> </div>	Representing 49.6% of PBT excluding property revaluations [or 50.5% of Total PBT]
Overseas Company-Operated Retail Segment	REVENUE \$1.40bn <div> <div>vs 1H23</div> <div>vs 1H20</div> </div> <div> <div>↑</div> <div>↑</div> </div> <div> <div>+0.9%</div> <div>+21.7%</div> </div> <div> <div>(up \$12.06m)</div> <div>(up \$249.57m)</div> </div>	TOTAL EXPENSES \$1.32bn <div> <div>vs 1H23</div> <div>vs 1H20</div> </div> <div> <div>↑</div> <div>↑</div> </div> <div> <div>+2.8%</div> <div>+23.9%</div> </div> <div> <div>(up \$35.48m)</div> <div>(up \$255.07m)</div> </div>	PBT RESULT \$76.18m <div> <div>vs 1H23</div> <div>vs 1H20</div> </div> <div> <div>↓</div> <div>↓</div> </div> <div> <div>-23.5%</div> <div>-6.7%</div> </div> <div> <div>(down \$23.42m)</div> <div>(down \$5.51m)</div> </div>	Representing 26.4% of PBT excluding property revaluations [or 26.9% of Total PBT]
Property Segment	REVENUE \$160.62m <div> <div>vs 1H23</div> <div>vs 1H20</div> </div> <div> <div>↓</div> <div>↑</div> </div> <div> <div>-37.7%*</div> <div>+2.4%</div> </div> <div> <div>(down \$97.17m)</div> <div>(up \$3.71m)</div> </div>	TOTAL EXPENSES \$90.19m <div> <div>vs 1H23</div> <div>vs 1H20</div> </div> <div> <div>↑</div> <div>↑</div> </div> <div> <div>+26.2%*</div> <div>+41.2%</div> </div> <div> <div>(up \$18.70m)</div> <div>(up \$26.33m)</div> </div>	PBT RESULT \$70.43m <div> <div>vs 1H23</div> <div>vs 1H20</div> </div> <div> <div>↓</div> <div>↓</div> </div> <div> <div>-62.2%*</div> <div>-24.3%</div> </div> <div> <div>(down \$115.86m)</div> <div>(down \$22.62m)</div> </div> <p> [*negatively impacted by: net revaluation decrement of (\$5.12m) in 1H24 vs net revaluation increment of \$106.89m in 1H23, a deterioration of (\$112.01m)] </p>	Representing 26.2% of PBT excluding property revaluations [or 24.8% of Total PBT]

	31 DECEMBER 2023	31 DECEMBER 2022	Increase / (Decrease) \$	Increase / (Decrease) %
Total assets	\$7.86bn	\$7.81bn	\$45.96m	0.6%
Total liabilities	\$3.35bn	\$3.35bn	(\$1.35m)	(-0.0%)
Equity	\$4.51bn	\$4.46bn	\$47.31m	1.1%

Total Assets

\$7.86 bn

As at 31 December 2023



- ↑ 0.6% up by \$45.96m from \$7.81bn in Dec-22
- ↑ 29.9% up by \$1.81bn from \$6.05bn in Dec-19

- **\$243.29m** decrease in total current trade and other receivables
 - mainly due to a decrease in receivables from franchisees by \$229.90 million, or -24.8%, to \$697.97 million as at Dec-23, compared to \$927.88 million as at Dec-22
 - lower financial accommodation was provided to franchisees during 1H24 to fund inventory purchases as franchisees focused on maintaining efficient inventory levels amid the subdued discretionary retail environment
- **\$148.47m** increase in the value of the freehold investment property portfolio
 - primarily due to acquisition and refurbishment of new freehold investment properties in Australia
- **\$99.86m** increase in the property, plant and equipment
 - mainly due to the fit-out of 4 new company-operated stores in Malaysia and 1 new NZ company-operated store during 1H24 and fit-out of 2 new overseas stores during 2H23
 - construction costs were incurred in NZ for the development of 2 new stores due to open in 1H25
 - fit-out of 1 new franchised complex in Australia during 1H24 and 2 franchised complexes during 2H23, in addition to the completion of premium refits at Balgowlah (NSW) and Preston (VIC)
- **\$13.34m** increase in inventories
 - primarily driven by new store openings during the last 12 months
 - impacted also by movements in foreign currencies used for translation purposes between the periods

Total Liabilities

\$3.35bn

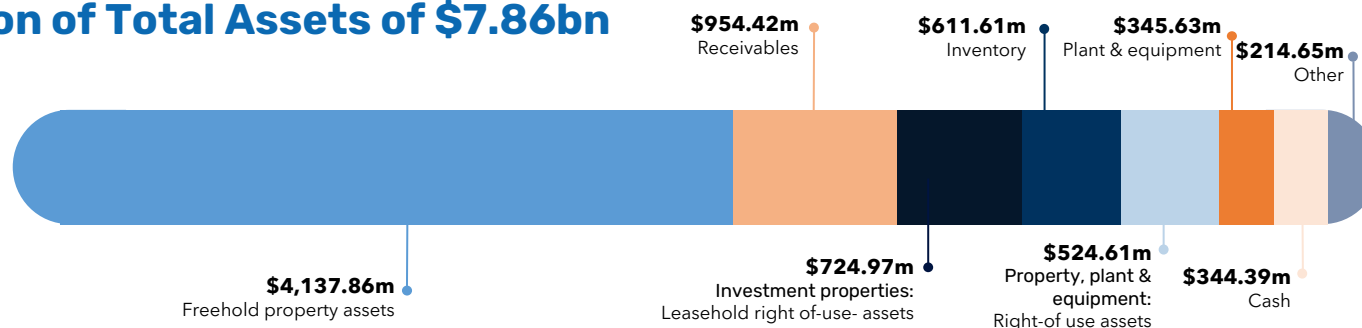
As at 31 December 2023



- ↓ 0.04% down by \$1.35m from \$3.35bn in Dec-22
- ↑ 21.1% up by \$583.40m from \$2.77bn in Dec-19

- **\$38.35m** net decrease in the interest-bearing loans and borrowings
 - primarily due to lower utilisation of the Syndicated Facility by \$40 million, from \$790 million utilised as at Dec-22 to \$750 million utilised as at Dec-23

Composition of Total Assets of \$7.86bn



Net Debt:

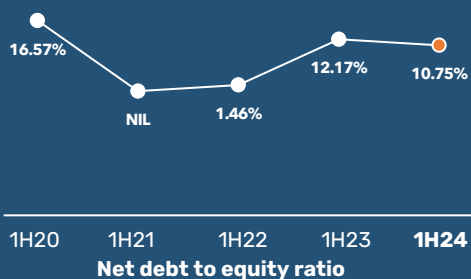
Dec 23

\$496.37m

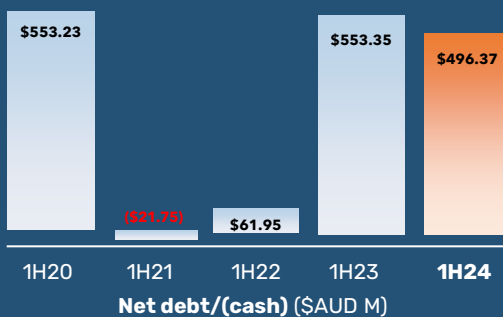
VS

Dec 22

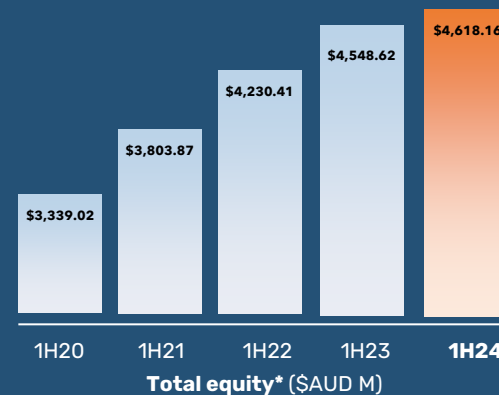
\$553.35m



Net debt to equity ratio



Net debt/(cash) (\$AUD M)



Total equity* (\$AUD M)

[*Total Equity excludes ROU assets, lease liabilities & acquisition reserve]

	31 DECEMBER 2023	31 DECEMBER 2022	Increase / (Decrease) \$	Increase / (Decrease) %
Net cash flows from operating activities	\$497.31m	\$341.07m	\$156.24m	45.81%
Net cash flows used in investing activities	(\$137.88m)	(\$150.61m)	\$12.73m	8.5%
Net cash flows used in financing activities	(\$234.69m)	(\$113.29m)	(\$121.41m)	(-107.2%)
Net increase in cash & cash equivalents	\$124.74m	\$77.18m	\$47.57m	61.6%
Cash & cash equivalents at beginning of the period	\$202.06m	\$234.36m	(\$32.30m)	(-13.8%)
Cash & cash equivalents at end of the period	\$326.80m	\$311.54m	\$15.27m	4.9%

OPERATING CASH INFLOWS

Up by \$156.24m

from \$341.07m in 1H23
to **\$497.31m** in 1H24

- **\$88.88m** increase in net receipts from franchisees, despite a reduction in gross revenue received from franchisees by \$90.33m, due to a reduction in the aggregate amount of financial accommodation provided to franchisees in 1H24 relative to 1H23. During 1H24, financial accommodation provided to franchisees significantly decreased due to lower funding requested by franchisees to fund their inventory purchases as franchisees focused on maintaining efficient inventory levels amid the subdued discretionary retail environment.

- **\$94.38m** decrease in income taxes paid due to higher final tax payment made in 1H23 attributable to FY22 taxable profits and the higher income tax instalment rate applied in Australia for 1H23.

Offset by:

- **\$33.07m** increase in payments to suppliers and employees due to higher operating costs attributable to new store openings, compounded by a general increase in operating costs due to inflation.

OUTFLOWS FROM INVESTING ACTIVITIES

Down by \$12.73m

from \$150.61m in 1H23
to **\$137.88m** in 1H24

- **\$16.88m** in net repayments from loans in 1H24 compared to net loans granted in 1H23 of \$12.10m.

Offset by:

- **\$13.40m** increase in payments for property, plant and equipment and intangible assets.
- **\$9.46m** increase in payments for the purchase and refurbishments of freehold investment properties.

OUTFLOWS FROM FINANCING ACTIVITIES

Up by \$121.41m

from \$113.29m in 1H23
to **\$234.69m** in 1H24

- **\$121.41m increase in net financing cash outflows** due to the repayment of syndicated facility of \$10m in 1H24 compared to net proceeds received of \$180m in 1H23.

- This was offset by a reduction in dividends paid by \$68.53m.

Aggregated sales increase / (decrease) in constant local currencies:

Total Sales	Local Currency	1H24 vs 1H23
Australian Franchisees*	\$ AUD	(-9.7%)
New Zealand	\$ NZD	(-6.1%)
Slovenia & Croatia	€ EURO	(-6.0%)
Ireland	€ EURO	(-2.3%)
Northern Ireland	£ GBP	(-7.7%)
Singapore	\$ SGD	(-3.1%)
Malaysia	MYR	2.6%

Comparable Sales increase / (decrease) in constant local currencies:

Comparable Sales	Local Currency	1H24 vs 1H23
Australian Franchisees*	\$ AUD	(-10.2%)
New Zealand	\$ NZD	(-7.8%)
Slovenia & Croatia	€ EURO	(-12.1%)
Ireland	€ EURO	(-2.7%)
Northern Ireland	£ GBP	(-7.7%)
Singapore	\$ SGD	(-2.8%)
Malaysia	MYR	(-6.9%)

* 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. Australian franchisee aggregated sales revenue is provided to the market as it is a key indicator of the performance of the franchising operations segment.

Total franchisee sales*

Half-year ended 31 December 2023

\$3.16bn

↓ 9.7% on 1H23

↑ 7.2% on 1H20

Comparable franchisee sales*

Half-year ended 31 December 2023

\$3.15bn

↓ 10.2% on 1H23

↑ 9.4% on 1H20

Total System Sales Revenue of

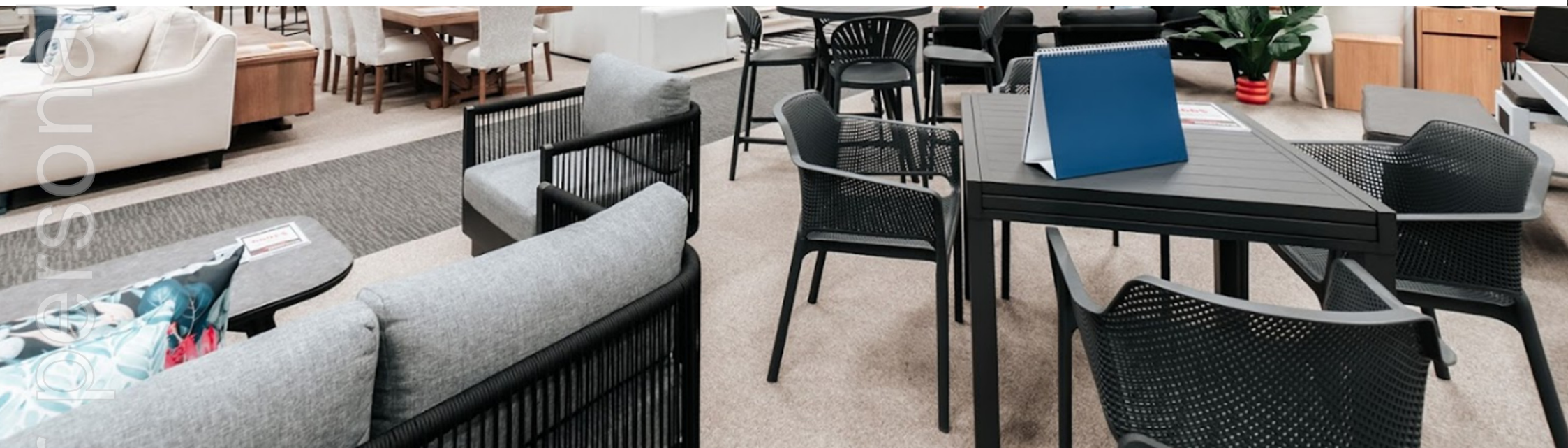
\$4.64bn for 1H24

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* revenue of **\$3.16bn**
Company-Operated sales revenue of **\$1.48bn**

- Australian franchisee sales for 1H24 decreased by 9.7% to \$3.16 billion relative to 1H23 as 1H23 was buoyed by the normalisation of retail trading conditions following two years of COVID-related disruptions. 1H23 saw near-record sales of \$3.51 billion (only surpassed by record sales in 1H21 due to pandemic-fuelled expansion in the Homemaker categories) thereby providing a challenging retail base for comparison purposes.
- When compared to 1H20, aggregated franchisee sales remain well above pre-pandemic levels growing by 7.2% from \$2.95 billion in 1H20.
- Franchisee sales recovered throughout 2Q24 in the lead up to the busy Christmas trading period and were assisted by an improvement in sales of seasonal products by Electrical and Furniture franchisees which were negatively impacted by cooler than usual temperatures experienced in the previous corresponding period.
- Harvey Norman®, Domayne® and Joyce Mayne® remain well placed for growth that arises from the home renovation cycle, new home starts and net migration increases.

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	1H24	1H23	Increase / (Decrease) \$	Increase / (Decrease) %
Franchising operations segment revenue	\$511.81m	\$595.08m	(\$83.27m)	(-14.0%)
Aggregated franchisee headline sales revenue*	\$3.16bn	\$3.51bn	(\$341.49m)	(-9.7%)
Franchising operations segment PBT	\$143.08m	\$237.65m	(\$94.57m)	(-39.8%)
Franchising operations margin % [calculated as franchising operations segment PBT ÷ aggregated franchise sales revenue]	4.52%	6.78%	(226bps)	

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

The franchising operations segment PBT decreased by \$94.57m due to:

- Decrease in franchising operations segment revenues by \$83.27m attributable to:
 - lower franchise fees received by \$102.51m on the back of a -9.7% reduction in aggregated franchisee sales revenue in 1H24 vs 1H23

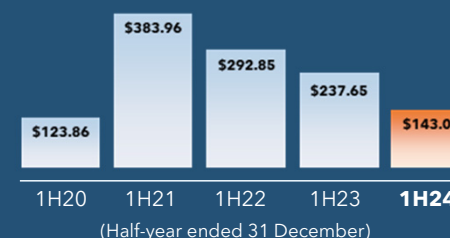
Offset by:

- higher rent and outgoings received from franchisees by \$3.77m or 5.7%
- higher interest to administer franchisee financial accommodation facilities by \$3.22m
- Increase in costs to operate the franchising operations segment mainly due to:
 - higher finance costs and higher costs to monitor and evaluate franchisee compliance and operational performance
 - overall marketing spend has remained relatively consistent with the previous period and remains efficient at 5.5% of Australian franchisee sales revenue compared to the pre-pandemic ratio of 6.1% in 1H20

Franchising operations segment PBT (\$m)

\$143.08m

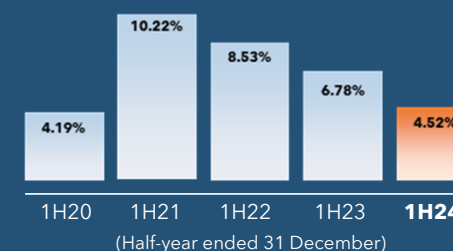
↓ \$94.57m or -39.8% from 1H23
↑ \$19.22m or 15.5% from 1H20



Franchising operations margin (%)

4.52%

↓ 226 bps from 1H23
↑ 33 bps from 1H20



Overseas retail segment PBT result	1H24	1H23	Increase / (Decrease) \$	Increase / (Decrease) %
Retail - New Zealand	\$39.53m	\$45.28m	(\$5.75m)	(-12.7%)
Retail - Singapore & Malaysia	\$19.01m	\$26.97m	(\$7.95m)	(-29.5%)
Retail - Ireland & Northern Ireland	\$14.54m	\$19.30m	(\$4.76m)	(-24.7%)
Retail - Slovenia & Croatia	\$3.10m	\$8.05m	(\$4.96m)	(-61.6%)
Total overseas retail segment PBT result	\$76.18m	\$99.60m	(\$23.42m)	(-23.5%)

**Aggregated overseas
retail revenue (\$AUD m)**



**Aggregated overseas
retail PBT result (\$AUD m)**



**Overseas Retail Segment
Comprises**

26.4%

of PBT excluding property revaluations

26.9% of Total PBT

New overseas stores opened in 1H24



Selangor, Malaysia

Opened on 24 July 2023
Located in Plaza Shah Alam,
Selangor



Sabah, Malaysia

Opened on 28 August 2023
Located in Kota Kinabalu,
Sabah



Kuala Lumpur, Malaysia

Opened on 9 October 2023
Located in Pavilion Damansara Heights,
Kuala Lumpur



Pahang, Malaysia

Opened on 17 November 2023
Located in Kuantan, Pahang
(electrical and computers only)



Tauriko, New Zealand

Opened on 11 December 2023
Located in Tauriko,
Tauranga in the North Island

New Zealand

- Sales for 1H24 declined by \$22.65m, or -4.3%, to \$506.21m for 1H24, from \$528.86m in 1H23 as macroeconomic headwinds continued to worsen in NZ.
- NZ sales are still marginally ahead of pre-pandemic levels, growing by NZ\$13.23m or 2.5% compared to 1H20 in local currency.
- Retail result was \$39.53m for 1H24, down by \$5.75m, or -12.7%, from \$45.28m in 1H23.
- Despite the decline in gross profits on the back of lower NZ sales, gross profit margins have held steady due to improved supplier relationships.
- Concerted effort to curtail costs has led to a reduction in operating expenses in 1H24 vs 1H23. Operating expenses for 1H24 were inclusive of intercompany licence fees payable under the revised global transfer pricing policy that was adopted in FY23. The intercompany brand licence fee in 1H24 was comparable with the prior period.
- The Harvey Norman® brand is proud to retain its market leading position across key categories within the Home and Lifestyle market.
- There will be 2 new stores to be opened at Papanui in November 2024 and Ravenswood in December 2024.

Ireland & Northern Ireland

- Aggregated sales revenue for Ireland & Northern Ireland increased by \$25.87m or 7.0%, from \$368.92m in 1H23 to \$394.79m in 1H24.
- Aggregated retail result for Ireland & Northern Ireland decreased by \$4.76m in 1H24, from \$19.30m in 1H23 to \$14.54m in 1H24. If the intercompany brand licence fees under the revised global transfer pricing policy were excluded from the result, the segment would have generated a result of \$21.03m, up by \$1.73m from 1H23.

Ireland

- Sales for 1H24 increased by \$25.75m, or +7.2%, to \$384.42m, from \$358.67m in 1H23 mainly due to 9.7% appreciation in the EUR relative to AUD. Sales in local currency decreased by -2.3% to €231.84m in 1H24 from €237.26m in 1H23.
- When compared to pre-pandemic sales of \$233.33 million in 1H20, there has been substantial growth by \$151.08 million, or +64.8%, with a 4-year CAGR of 13.3%.
- Retail profit for 1H24 was \$15.80m, a decrease of \$4.31m, or -21.4%, from \$20.10m in 1H23.
- If the intercompany brand licence fees were excluded from the result, the Irish segment would have generated a result of \$22.29 million, an increase of \$2.19 million or +10.9%, from 1H23.

Northern Ireland

- Sales for 1H24 increased by \$0.12m to \$10.37m, from \$10.25m in 1H23 due to 9.6% appreciation in the GBP relative to AUD. Sales in local currency decreased to £5.40m in 1H24 from £5.85m in 1H23.
- NI recorded a loss of \$1.26m for 1H24, compared to a loss of \$0.80m for 1H23.

Singapore & Malaysia

- Aggregated sales revenue for Asia combined was \$356.24m, an increase of \$8.68m, or 2.5%, from \$347.56m in 1H23.
- Aggregated retail result for Asia was \$19.01m for 1H24, a decrease of \$7.95m, or -29.5%, from \$26.97m in 1H23. If the intercompany brand licence fees of \$5.82m charged under the revised global transfer pricing policy were excluded from the result, the Asian segment would have generated a result of \$24.83m, a decrease of \$2.14m or -7.9%, from 1H23.

Malaysia

- Sales were \$148.95m, an increase of \$3.70m, or +2.5% assisted by a 6.0% appreciation in the SGD relative to AUD for the period. Sales in local currency decreased by S\$4.38m or -3.2% to S\$131.21m in 1H24 from S\$135.59m in 1H23. Despite the new store openings in Malaysia, sales marginally decreased in local currency due to weakened consumer sentiment caused by inflationary pressures and the state elections in August 2023. Comparable stores sales in Malaysia reduced by -6.9% in local currency.

Singapore

- Sales for 1H24 were \$198.38m, an increase of \$5.10m, or +2.6% from \$193.28m in 1H23, but were down in local currency by S\$5.67m or -3.2% to S\$174.75m in 1H24 from S\$180.43m in 1H23.
- Sales increased by \$34.58m compared to the pre-pandemic sales in 1H20.

Slovenia & Croatia

- Aggregated sales revenue for Slovenia and Croatia increased by \$3.31m, or 3.1%, from \$107.53m in 1H23 to \$110.84m in 1H24.
- Aggregated retail result for Slovenia and Croatia decreased by \$4.96m, or -61.6%, from \$8.05m in 1H23 to \$3.10m in 1H24. The segment result would have been \$3.60m if the intercompany brand licence fees were excluded.

Slovenia

- Sales were \$76.98m for 1H24, down by \$4.97m or -6.1%, from \$81.95m in 1H23. When compared against 1H20, sales were above pre-pandemic levels, higher by \$12.43 million or +19.3%.
- The retail segment in Slovenia delivered a profit of \$5.04m in 1H24, a \$3.30m decrease or -39.5%, from \$8.34m in 1H23. If the payment of the intercompany brand licence fees were excluded from the result, the Slovenian result would have been \$5.55m.

Croatia

- Sales were \$33.86m for 1H24, increasing by \$8.28m or +32.4%, from \$25.58m in 1H23 due to a full 6-months contribution of the third store that opened at Rijeka in April 2023.
- Operating costs from the new Rijeka store and overall inflation has resulted in a loss in Croatia of \$1.95m in 1H24 compared to a loss of \$0.29m in 1H23.

	31 December 2023	31 December 2022	Increase / (Decrease) \$	Increase / (Decrease) %
Property segment revenue	\$160.62m	\$257.79m	(\$97.17m)	(-37.7%)
Net property revaluation (decrement) / increment	(\$5.12m)	\$106.89m	(\$112.01m)	(-104.8%)
Property segment EBITDA	\$92.91m	\$201.56m	(\$108.66m)	(-53.9%)
Property segment result before tax	\$70.43m	\$186.29m	(\$115.86m)	(-62.2%)

Property Segment Revenue

Down by \$97.17m (-37.7%) from \$257.79m in 1H23 to **\$160.62m in 1H24**, but up by 2.4% from 1H20

- This decrease was primarily due to a reduction in net property revaluation adjustments by \$112.01m to a net decrement of \$5.12m for 1H24, compared to a net increment of \$106.89m for 1H23.
- There has been a slight softening of large format retail (LFR) property yields in 1H24 following continued increases in the cost of capital, offset by rental growth. The stable fair values of our LFR properties demonstrate the resilience of this asset class, which stands to benefit from the expected ramp-up of dwelling commencements, solid population growth and high net migration.
- This was offset by an increase in rent and outgoings received from freehold properties by \$7.31 million or 5.6% due to higher market rentals and very low vacancy rates during 1H24.

Property Segment Result Before Tax

Down by \$115.86m (-62.2%) from \$186.29m in 1H23 to **\$70.43m in 1H24**, and down by 24.3% from 1H20 (mainly due to impact of net property revaluation adjustments)

- The decrease is mainly due to a lower net revaluation increment recognised this year by \$112.01m.
- Excluding net property revaluations for both periods, the property segment result would have been \$75.55m for 1H24 compared to \$79.40m for 1H23, a marginal reduction of \$3.86m mainly due to an increase in interest between the periods.

Composition of freehold property segment assets	December 2023	# of Owned Retail Property Assets	# of Owned Other Property Assets	Net Increase / (Decrease) in Fair Value [Income Statement]	Net Increase / (Decrease) in Fair Value [Equity]
(1) Investment Properties (Freehold)					
- Australia	\$3,514.22m	96	44	(\$4.56m)	-
- New Zealand	\$9.69m	-	2	-	-
- Ireland	\$30.12m	-	1	(\$0.56m)	-
Total Investment Properties (Freehold)	\$3,554.03m	96	47	(\$5.12m)	-
(2) Owner-Occupied Land & Buildings					
- Australia	\$13.31m	-	1	-	-
- New Zealand	\$430.92m	20	1	-	(\$8.57m)
- Singapore	\$25.78m	-	2	-	-
- Slovenia	\$85.57m	5	-	-	-
- Ireland	\$25.54m	2	-	-	-
Total Owner-Occupied Land & Buildings	\$581.13m	27	4	-	(\$8.57m)
(3) Joint Venture Assets	\$2.71m	-	8	-	-
Total Freehold Property Segment Assets	\$4,137.86m	123	59	(\$5.12m)	(\$8.57m)

- **The consolidated entity continues to be the largest owner of LFR real estate in the Australian market.**
- Our Australian freehold investment property portfolio has grown to \$3.51bn as at 31 December 2023, rising by \$71.21m or 2.1% during 1H24. This increase is due to capital additions and refurbishments during the current period, offset by a marginal net revaluation decrement of \$4.56 million for 37 Australian freehold investment properties that were subject to revaluation this half.
- 198 Australian franchised complexes geographically spread throughout the country, with a local Harvey Norman®, Domayne® and Joyce Mayne® branded store located within close proximity to customers. 96 franchised complexes (48% of total), and their associated warehouses, are owned by the consolidated entity, which are then leased to external parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
- Our LFR centres also accommodate a complimentary mix of over 470 third-party tenants that are diversified across a variety of different categories including Food, Lifestyle & Other Service Retailers, Hardware, Medical, Pharmacies, Pets and Auto related products, a number of which are ASX-listed and are national retailers that support the underlying value of our properties.
- The current sentiment in the LFR market is reasonably positive as we are approaching the end of the cash rate cycle and it is expected a degree of certainty and confidence will return to the retail investment market. Strong population growth propelled by high net migration as well as the solid labour market has supported LFR spending, providing confidence to both retailers and investors.
- Globally, we have 116 company-operated stores across 7 countries. 27 of the stores located overseas (23% of total) are owned by the consolidated entity. The aggregate value of the overseas owner-occupied and investment property portfolio is \$607.62m, increasing in value by \$10.97m or 1.8% during the period.

Composition of the Leasehold Property Portfolio:

Composition of leasehold property portfolio	Right-of-Use Asset Dec 2023	Lease Liabilities Dec 2023	# of Leased Retail Property Assets	# of Leased Other Property Assets
(1) Leases of Properties Sub-Leased to External Parties				
- Australia	\$724.97m	\$804.74m	102	199
(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets				
- Australia	\$42.97m	\$57.87m	-	16
- New Zealand	\$104.86m	\$121.63m	26	34
- Singapore & Malaysia	\$245.42m	\$193.68m	44	20
- Slovenia & Croatia	\$25.53m	\$27.73m	3	2
- Ireland & Northern Ireland	\$105.83m	\$136.10m	16	16
Total Owner-Occupied Properties and Plant and Equipment Assets	\$524.61m	\$537.01m	89	88
Total Leasehold Property Portfolio	\$1,249.59m	\$1,341.75m	191	287

Financial Impact of AASB 16 Leases on the Consolidated Income Statement:

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 depreciation expense	\$35,893	-	\$35,893
Investment properties (leasehold): Right-of-use asset fair value re-measurement	-	\$52,310	\$52,310
Finance costs: Interest on lease liabilities	\$10,401	\$18,193	\$28,594
Total AASB 16 Expenses Recognised	\$46,294	\$70,503	\$116,797
Less: Lease payments made during 1H24 (excluding variable lease payments and short-term, low-value leases)	(\$45,743)	(\$57,140)	(\$102,883)
Other Adjustments	\$1,207	-	\$1,207
AASB 16 Net Decrease in PBT for 1H24	\$1,758	\$13,363	\$15,121

- In **Malaysia**, we are on track to open a further 3 company-operated stores during 2H24, with the sites confirmed and signed. We anticipate opening up to 12 new stores during FY25, and it is still our intention to grow to 80 stores in Malaysia by the end of 2028.
- In **New Zealand**, the full-format store at Tauriko, Tauranga in the North Island was opened on 11 December 2023. We are on track to open 2 new full-format stores in 1H25 at Papanui in November 2024 and Ravenswood in December 2024, both in the Christchurch region of the South Island, and intend to complete 2 refurbishments in 2H25.
- In **Croatia**, the further 3 stores that were intended to open during FY25 have been delayed due to difficulties in locating suitable sites and negotiating with potential landlords. Our first 2 company-operated stores that were due to open in **Budapest, Hungary** during FY25 have also been delayed due to similar challenges.
- In January 2024, we announced the expansion of the Harvey Norman® brand in the **United Kingdom** with the signing of a lease at Merry Hill, located in the West Midlands region in England. We intend to open the 57,000 sq. ft. Harvey Norman® Merry Hill flagship store by late calendar 2024.
- In **Australia**, we opened 1 franchised complex at Belconnen, ACT, on 3 November 2023 as planned, whilst 1 franchised complex has been delayed from 2H24 to 1H25. We are on track to relocate 2 franchised complexes in 2H24. For FY25, the present intention is to open 2 new franchised complexes in Australia and relocate 2 franchised complexes to new sites, both which are new freehold properties.
- During 1H24, the premium refit program has continued with the completion of the refits at Harvey Norman® Balgowlah (NSW) and Harvey Norman® Preston (VIC) this half. There are 3 premium refits currently in progress located at Erina (NSW), Penrith (NSW) and Cannington (WA).

Retail Trading Update:

Aggregated sales increase / (decrease) in local currencies from 1 January 2024 to 31 January 2024 vs 1 January 2023 to 31 January 2023:

% increase / (decrease) calculated in local currencies		1 January 2024 to 31 January 2024 vs 1 January 2023 to 31 January 2023	
Country		Total %	Comparable %
Australian Franchisees	\$ AUD	1.3	0.6
New Zealand	\$ NZD	(-4.0)	(-7.0)
Slovenia & Croatia	€ EUR	10.7	2.8
Ireland	€ EUR	1.8	1.8
Northern Ireland	£ GBP	2.3	2.3
Singapore	\$ SGD	9.7	9.7
Malaysia	MYR	11.0	2.5