Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

YEAR END

RESULTS PRESENTATION

JUNE **2022**

- Australia
- New Zealand
- Singapore
- Slovenia
- Ireland
- Northern Ireland
- Malaysia
- Croatia


smeg

Harvey Norman

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2022 RESULTS

EBITDA

$1.437 billion

Decrease of **$20.58 million** from FY21

Reported PBT

$1.140 billion

Decrease of **$42.09 million** from FY21

Income Tax Expense

$323 million

Decrease of **$13.12 million** from FY21

SYSTEM SALES REVENUE

Total System Sales Revenue

$9.558 billion

Decrease of **$163.13 million** from FY21

KEY FINANCIAL HIGHLIGHTS

EBITDA
$1.437bn
DOWN BY $20.58m or -1.4% FROM $1.457bn IN FY21
UP BY $491.88m or 52.1% FROM $944.67m IN FY20

EBITDA
$1.044bn
Excluding AASB 16 net impact and net property revaluations
DOWN BY $102.83m or -9.0% FROM $1.147bn IN FY21
UP BY $301.26m or 40.6% FROM $742.47m IN FY20

EBIT
$1.193bn
DOWN BY $40.15m or -3.3% FROM $1.233bn IN FY21
UP BY $471.51m or 65.4% FROM $721.08m IN FY20

EBIT
$953.20m
Excluding AASB 16 net impact and net property revaluations
DOWN BY $105.95m or -10.0% FROM $1.059bn IN FY21
UP BY $298.34m or 45.6% FROM $654.86m IN FY20

REPORTED PBT
$1.140bn
DOWN BY $42.09m or -3.6% FROM $1.183bn IN FY21
UP BY $479.15m or 72.5% FROM $661.29m IN FY20

PBT
$942.79m
Excluding AASB 16 net impact and net property revaluations
DOWN BY $107.09m or -10.2% FROM $1.050bn IN FY21
UP BY $307.19m or 48.3% FROM $635.60 IN FY20

REPORTED PROFIT AFTER TAX & NCI
$811.53m
DOWN BY $29.89m or -3.6% FROM $841.41m IN FY21
UP BY $330.99m or 68.9% FROM $480.54m IN FY20

PROFIT AFTER TAX & NCI
$673.55m
Excluding AASB 16 net impact and net property revaluations
DOWN BY $75.22m or -10.0% FROM $748.76m IN FY21
UP BY $211.38m or 45.7% FROM $462.16m IN FY20

544
FRANCHISEES IN AUSTRALIA

195
FRANCHISED COMPLEXES IN AUSTRALIA

109
OVERSEAS COMPANY OPERATED STORES

NET DEBT TO EQUITY: 10.31%

NET DEBT OF **$450.77m in JUN-22** vs
NET DEBT OF $295.54m in JUN-21

UNUSED, AVAILABLE FINANCING FACILITIES OF
$189.64m

NET ASSETS
$ 4.29 billion
Up 10.3% from **$3.89bn** in Jun-21

BASIC EARNINGS PER SHARE
65.13c
Down from **67.53c** in FY21
Up from **39.19c** in FY20

DIVIDENDS PER SHARE
(FULLY FRANKED)
37.5c
Up from **35.0c** in FY21

HNHL CONSOLIDATED REVENUES
$4.506 billion
SALES OF PRODUCTS TO CUSTOMERS……………………..**$2.807bn**
REVENUES RECEIVED FROM FRANCHISEES……………….**$1.301bn**
REVENUES AND OTHER INCOME ITEMS………………….. **$397.19m**

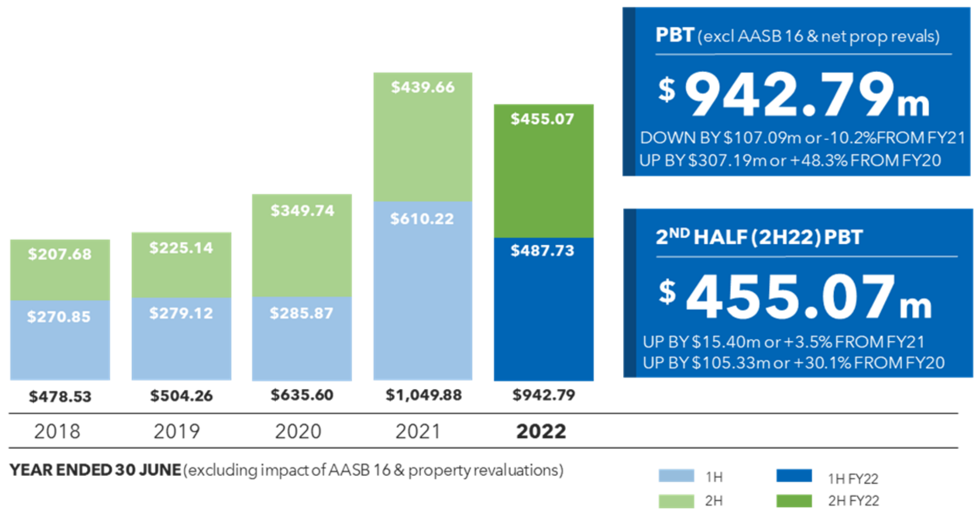
TOTAL SYSTEM SALES REVENUE
$9.558 billion
AGGREGATED HEADLINE FRANCHISEE SALES REVENUE* ………………………………….**$6.750bn**
COMPANY-OPERATED SALES REVENUE ………..**$2.807bn**

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

SOLID FINANCIAL RESULTS

- Reported earnings before interest, tax, depreciation & amortisation (**EBITDA**) of **$1.437 billion**, down by $20.58 million or -1.4% from $1.457 billion in FY21, and up by $491.88 million or +52.1% from $944.67 million in FY20
  ▶ 1H22 down by $25.43 million or -3.3%; 2H22 up by $4.84 million or +0.7%.
- EBITDA (excluding AASB 16 impact and net property revaluations) of **$1.044 billion**, down by $102.83 million or –9.0% from $1.147 billion in FY21, and up by $301.26 million or +40.6% from $742.47 million in FY20
  ▶ 1H22 down by $121.15 million or -18.4%; 2H22 up by $18.32 million or +3.8%.
- Reported earnings before interest & tax (**EBIT**) of **$1.193 billion**, down by $40.15 million or -3.3% from $1.233 billion in FY21, and up by $471.51 million or +65.4% from $721.08 million in FY20.
- EBIT (excluding AASB 16 impact and net property revaluations) of **$953.20 million**, down by $105.95 million or -10.0% from $1.059 billion in FY21, and up by $298.34 million or +45.6% from $654.86 million in FY20
  ▶ 1H22 down by $122.34 million or -19.9%; 2H22 up by $16.39 million or +3.7%.
- Reported profit before tax (**PBT**) of **$1.140 billion**, down by $42.09 million or -3.6% from $1.183 billion in FY21, and up by $479.15 million or +72.5% from $661.29 million in FY20, delivering a robust **return on net assets of 26.6%** for FY22 compared to 30.4% in FY21 and 19.0% for FY20.
- PBT (excluding AASB 16 impact and net property revaluations) of **$942.79 million**, down by $107.09 million or -10.2% from $1.050 billion in FY21, and up by $307.19 million or +48.3% from $635.60 million in FY20 ▶ 1H22 down by $122.50 million or -20.1%; 2H22 up by $15.40 million or +3.5%.
- Net profit after tax and non-controlling interests (**NPAT&NCI**) of **$811.53 million**, down by $29.89 million or -3.6% from $841.41 million in FY21, and up by $330.99 million or +68.9% from $480.54 million in FY20
  ▶ 1H22 down by $31.12 million or -6.7%; 2H22 up by $1.23 million or +0.3%.
- NPAT&NCI (excluding AASB 16 impact and net property revaluations) of **$673.55 million,** down by $75.22 million or -10.0% from $748.76 million in FY21, and up by $211.38 million or +45.7% from $462.16 million in FY20
  ▶ 1H22 down by $86.58 million or -19.8%; 2H22 up by $11.36 million or +3.7%.
- **Overseas company-operated retail** profit result of **$232.00 million**, down by $8.80 million or –3.7%, amid government imposed lockdowns in 1H22 and the emerging headwinds affecting retail towards the end of FY22
  ▶ 1H22 down by $9.67 million or -7.0%; 2H22 up by $0.88 million or +0.9%.
- **Earnings per share** of **65.13 cents**, down by 2.40 cents or –3.6% from 67.53 cents in FY21, and up by 25.94 cents or +66.2% from 39.19 cents for FY20.
- Very strong balance sheet surpassing the $7 billion milestone for the first time, with **total assets of $7.25 billion**, up by $573.47 million or +8.6% primarily driven by organic growth from offshore store expansion and increases in the tangible freehold property portfolio.
- **Net assets** of **$4.29 billion** as at 30 June 2022, up by $401.11 million, or +10.3%, from $3.89 billion as at 30 June 2021.

UNDERLYING PROFIT BEFORE TAX ($M)
[excluding impact of AASB 16 *Leases* & net property revaluations]



PROPERTY

- **30 June 2022:** 195 franchised complexes in Australia and 109 company-operated stores overseas.

- Strong freehold property portfolio valued at **$3.74 billion** as at 30 June 2022, up by $367.36 million or +10.9%, consisting of 95 freehold investment properties in Australia, 26 owner-occupied land and buildings in New Zealand, Singapore, Slovenia, Ireland and Australia and joint venture assets.

- 3 new franchised complexes opened in Australia during FY22 located at Murwillumbah, New South Wales (September 2021), Port Pirie, South Australia (November 2021) and Charters Towers, Queensland (April 2022).

- 1 new company-operated store opened in Malaysia in December 2021 located at Pavilion Bukit Jalil, Kuala Lumpur and 1 new commercial outlet opened in Hamilton, New Zealand in March 2022. The new store at Fonthill, Dublin, Ireland opened shortly after year-end (slightly delayed due to the pandemic). The proposed third Croatian store at Rijeka has been delayed to calendar 2023.

- During the second half of the financial year, the premium refit program, which was hampered by the government mandated closures during 1H22, was recommenced. Given COVID supply chain issues and labour shortages, we have reassessed expected completion dates and we now expect to complete up to 25 premium refits over the next 5 years.

HARVEY NORMAN® AUSTRALIAN FRANCHISED RETAIL AND OVERSEAS COMPANY-OPERATED RETAIL OPERATIONS ARE SUPPORTED BY AN INTEGRATED RETAIL, FRANCHISE, PROPERTY & DIGITAL SYSTEM

HARVEY NORMAN® RECOGNISED HOME, LIFESTYLE AND TECHNOLOGY RETAIL BRANDS

169 Franchised complexes – Harvey Norman

19 Franchised complexes – DOMAYNE®

7 Franchised complexes – JOYCE MAYNE®

109 Overseas company-operated stores – Harvey Norman

AUSTRALIAN FRANCHISING OPERATIONS

- 195 franchised complexes in Australia comprising 544 independent franchisees
- FY22 Aggregated Franchisee Sales Revenue: $6.75 billion
- FY22 PBT: $553.02 million

OVERSEAS COMPANY-OPERATED RETAIL

- 109 company-operated stores in 7 countries (New Zealand, Singapore, Malaysia, Ireland, Northern Ireland, Slovenia & Croatia)
- FY22 Overseas Company-Operated Revenue: $2.63 billion
- FY22 PBT: $232.00 million

STRATEGIC 'LARGE-FORMAT' RETAIL PROPERTY PORTFOLIO

- 95 franchised complexes owned (49% of total)
- 450 diverse third-party tenants (large proportion ASX listed)
- $3.19 billion LFR portfolio (largest single owner in Australia)
- FY22 PBT: $366.48 million (including revaluations)

- 26 international owned retail property assets (24% of total)
- $520.49 million 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. Retail- 2. Franchise- 3. Property

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

1 Overseas Company–Operated Retail Segment

$232.00m

Profit Before Tax

Representing **20.3%** of PBT or **25.0%**

(excluding net property revaluations)

Down by $8.80m or -3.7% on FY21

Up by $79.92m or +52.6% on FY20

Retail revenue for the overseas company-operated retail segment was $2.63 billion for FY22, up by $28.14 million or +1.1% from FY21. Offshore growth moderated this year due to extensive hard lockdowns and closures in New Zealand and Malaysia during 1H22, coupled with supply-chain disruptions due to COVID-19 and the emerging headwinds affecting retail towards the end of FY22.

PBT of the overseas company-operated retail segment was $232.00 million for FY22, a decrease of $8.80 million or –3.7%. Profitability improved in 2H22, with an aggregate result of $103.52 million, increasing by $0.88 million, or +0.9%, after declining by -$9.67 million, or –7.0%, in aggregate for 1H22.

The retail result for NZ decreased by $12.53 million or -8.9%, to $129.08 million in FY22.

The retail result for Singapore and Malaysia increased by $9.45 million or +26.3%, to $45.36 million in FY22.

The retail result for Ireland and Northern Ireland decreased by $5.73 million or –11.0%, to $46.16 million in FY22.

The retail result for Slovenia and Croatia remained consistent with the previous year at $11.40 million.

2 Franchising Operations Segment

$553.02m

Profit Before Tax

Representing **48.5%** of PBT

Down by $75.17m or -12.0% on FY21

Up by $204.42m or 58.6% on FY20

Profitability of the franchising operations (FO) segment declined by $75.17 million to $553.02 million for FY22, compared to $628.19 million for FY21. The FO segment improved significantly in 2H22, increasing by $15.94 million, or +6.5%, to $260.16 million, after being down -$91.11 million, or -23.7%, in 1H22.

FO segment revenues reduced by $44.54 million to $1.19 billion for FY22, primarily due to a decrease in franchise fees received from franchisees by $42.59 million or -4.0% on the back of a 2.9% decrease in aggregated franchisee sales revenue to $6.75 billion for FY22.

Profitability was negatively impacted by approx. four months of government mandated closures in NSW, VIC and the ACT in 1H22, the challenges presented by the *'Omicron'* variant in 2H22 and the emergence of macroeconomic headwinds affecting discretionary retail towards the end of FY22. Rent waivers were also provided by the franchisor to those franchisees affected by retail closures and there was a rise in brand support advertising costs to promote and enhance the Harvey Norman®, Domayne® and Joyce Mayne® brands.

The franchising operations margin was 8.19% for FY22, vs. 9.04% for FY21 and 5.66% for FY20.

3 Property Segment

$366.48m

Profit Before Tax

Representing **32.1%** of PBT

Up by $74.94m or +25.7% on FY21

Up by $193.30m or +111.6% on FY20

The retail property segment delivered a strong result of $370.10 million in FY22 compared to a result of $291.79 million in FY21, an increase of $78.31 million or +26.8%.

This was primarily achieved by a $73.31 million increase in the net property revaluation increment to $213.68 million for FY22, up from a net revaluation increment of $140.37 million for FY21.

Excluding net property revaluations, profitability grew by $9.11 million, or +11.6%, to $87.63 million in 2H22, after being down by -$4.11 million, or -5.6%, in 1H22.

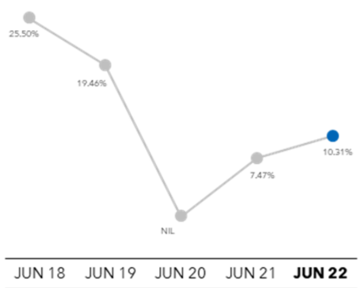
Strong freehold property portfolio valued at $3.74 billion as at 30 June 2022, up by $367.36 million or +10.9%.

Leasehold property portfolio valued at $1.15 billion as at 30 June 2022, $675.60 million relating to leases of investment properties sub-leased to external parties and $472.51 million relating to leases of owner-occupied properties and plant and equipment assets.

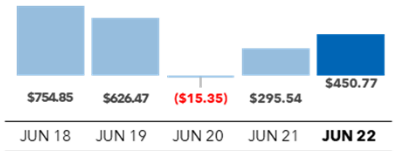
KEY STATISTICS: BALANCE SHEET

NET DEBT TO EQUITY RATIO

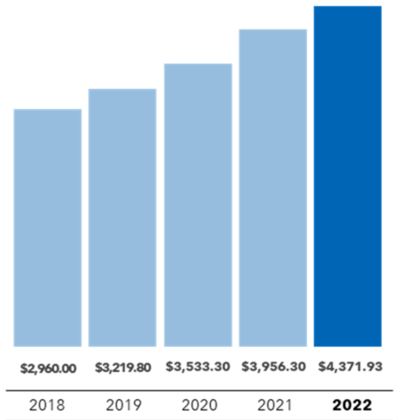
JUNE 22 NET DEBT OF **$450.77m** VS **JUNE 21** NET DEBT OF **$295.54m**



NET DEBT TO EQUITY RATIO

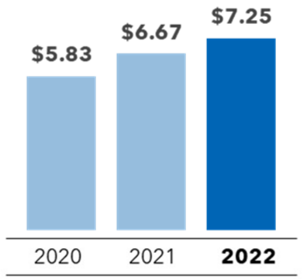


NET DEBT/(CASH) ($AUD M)



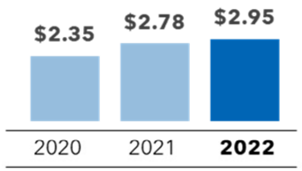
TOTAL EQUITY ($AUD M)
excluding acquisition reserve

TOTAL ASSETS ($bn)



YEAR ENDED 30 JUNE

TOTAL LIABILITIES ($bn)



YEAR ENDED 30 JUNE

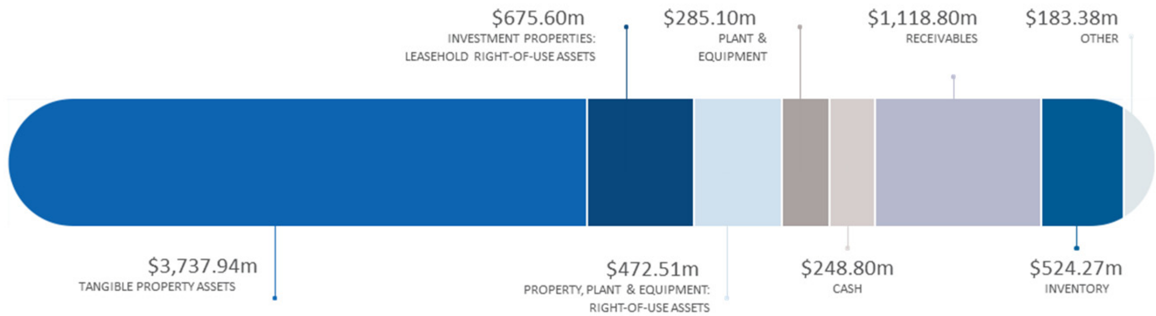
RECORD TOTAL ASSETS

EXCEED $7 BILLION

RECORD NET ASSETS

EXCEED $4 BILLION

COMPOSITION OF TOTAL ASSETS OF $7.25bn



	30 JUNE 2022	30 JUNE 2021	INCREASE / (DECREASE)	
TOTAL ASSETS	$7,246.40m	$6,672.93m	$573.47m	8.6%
TOTAL LIABILITIES	$2,952.28m	$2,779.92m	$172.36m	6.2%
EQUITY	$4,294.12m	$3,893.02m	$401.11m	10.3%

Total Assets
up by $573.47m (+8.6%)
from $6.67bn in FY21 to **$7.25bn** in FY22

- **$324.70m** increase in the value of the freehold investment property portfolio
  - primarily due to net property revaluation increments totalling $213.68 million recognised over the past 12 months, the acquisition of new freehold investment properties, the refurbishment of existing freehold investment property assets in Australia and the purchase of the Eastgate Retail Park in Cork, Ireland.
- **$99.69m** increase in franchisee receivables
  - repayments of indebtedness by franchisees decreased in FY22 on the back of a $202.13 million or -2.9% reduction in aggregate franchisee sales revenue, offset by a reduction in the amount of funding advanced to franchisees to fund their FY22 inventory purchases relative to funding advanced to franchisees for FY21 inventory purchases. Franchisees continued to maintain appropriate inventory reserves to meet the demand for home, lifestyle and technology products.
- **$49.37m** increase in property, plant and equipment
  - due to the acquisition of the Eastgate Retail Park in Ireland, fit-out of the new Pavilion Bukit Jalil store in Malaysia, the fit-out for the 3 new Harvey Norman® franchised complexes opened during the year and net property revaluation increments for the owner-occupied freehold properties over the past 12 months.
- **$45.18m** increase in inventory
  - mainly due to the concerted effort by overseas company-operated stores to increase inventory to mitigate the ongoing global supply chain constraints and satisfy solid sales growth.

Total Liabilities
up by $172.36m (+6.2%)
from $2.78bn in FY21 **to $2.95bn** in FY22

- **$139.61m** increase in interest-bearing loans and borrowings
  - due to the higher utilisation of the Syndicated Facility by $120 million during FY22, from $490 million utilised as at 30 June 2021 to $610 million utilised as at 30 June 2022 to fund our conservative, sustainable expansion strategy.
- **$65.88m** increase in deferred tax liabilities mainly due to $213.68 million of net property revaluation increments relating to freehold investment properties and $43.22 million of net property revaluation increments for owner-occupied properties over the past 12 months.

Offset by;

- **$80.20m** reduction in income tax payable.

REVIEW OF THE STATEMENT OF CASH FLOWS

	30 JUNE 2022	30 JUNE 2021	INCREASE / (DECREASE)	
NET CASH FLOWS FROM OPERATING ACTIVITIES	$597.30m	$543.87m	$53.43m	9.8%
NET CASH FLOWS USED IN INVESTING ACTIVITIES	($178.80m)	($254.12m)	$75.32m	29.6%
NET CASH FLOWS USED IN FINANCING ACTIVITIES	($432.87m)	($335.47m)	($97.40m)	(-29.0%)
NET DECREASE IN CASH & CASH EQUIVALENTS	($14.37m)	($45.72m)	$31.35m	68.6%
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR	$248.73m	$294.45m	($45.72m)	(15.5%)
CASH & CASH EQUIVALENTS AT END OF THE YEAR	$234.36m	$248.73m	($14.37m)	(-5.8%)

Operating Cash Flows up by $53.43m

from $543.87m in FY21
to **$597.30m** in FY22

- **$301.08m** increase in net receipts from franchisees
  - despite lower gross revenue received from franchisees by $44.64 million, the movement in the aggregate amount of financial accommodation provided to franchisees decreased compared to the movement in FY21.
  - Franchisees continued to maintain appropriate inventory reserves to meet the demand for home, lifestyle and technology products. The amount of funding advanced to franchisees to fund their FY22 inventory purchases decreased compared to funding advanced for franchisee inventory purchases for FY21.

Offset by;

- **$129.63m** increase in income tax paid primarily due to the higher final tax payment made in FY22 attributable to FY21 taxable profits and the higher income tax instalment rate applied in Australia for FY22.
- **$113.06m** increase in payments to suppliers and employees for higher inventory purchases overseas to ramp-up stock and higher operating costs due to new store openings.

Investing Cash Outflows down by $75.32m

from $254.12m in FY21
to **$178.80m** in FY22

- Mainly due to a reduction in payments for the purchase and refurbishment of freehold investment properties by **$92.67 million.**

Financing Cash Outflows up by $97.40m

from $335.47m in FY21
to **$432.87m** in FY22

- **$175m** reduction in the proceeds received from the drawdown of the Syndicated Facility in FY22 relative to FY21

Offset by;

- net proceeds from other borrowings in FY22 of **$20.84m** vs. repayments of other borrowings in FY21 of **($26.14m)**
- a reduction in dividends paid by **$37.38m**

AGGREGATED SALES REVENUE

AGGREGATED SALES INCREASE / (DECREASE) IN CONSTANT LOCAL CURRENCIES:

TOTAL SALES

TOTAL SALES	Local Currency	1H22 vs. 1H21	2H22 vs. 2H21	FY2022 vs FY2021
AUSTRALIAN FRANCHISEES*	$ AUD	(-8.7%)	3.9%	(-2.9%)
NEW ZEALAND	$ NZD	(-3.6%)	(-2.9%)	(-3.2%)
SLOVENIA & CROATIA	€ EURO	11.4%	5.8%	8.7%
IRELAND	€ EURO	5.9%	(-2.8%)	2.1%
NORTHERN IRELAND	£ GBP	(-3.4%)	28.7%	8.7%
SINGAPORE $ SGD	$ SGD	5.0%	3.5%	4.2%
MALAYSIA MYR	MYR	(-10.2%)	27.1%	7.8%

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

COMPARABLE SALES	Local Currency	1H22 vs. 1H21	2H22 vs. 2H21	FY2022 vs FY2021
AUSTRALIAN FRANCHISEES*	$ AUD	(-8.4%)	3.9	(-2.7%)
NEW ZEALAND	$ NZD	(-3.8%)	(-3.0%)	(-3.4%)
SLOVENIA & CROATIA	€ EURO	5.8%	5.8%	5.8%
IRELAND	€ EURO	3.0%	(-3.0%)	0.4%
NORTHERN IRELAND	£ GBP	(-3.4%)	28.7%	8.7%
SINGAPORE $ SGD	$ SGD	(-0.2%)	3.5%	1.6%
MALAYSIA MYR	MYR	(-18.8%)	22.3%	1.0%

Aggregated Franchisee Sales of $6.75bn for FY22

vs $6.95bn for FY21
down 2.9**%** ($AUD)

1H22 vs. 1H21 down by (-8.7%)
2H22 vs. 2H21 up by 3.9%
During 2H22 franchisee sales improved considerably, with record 3Q22 franchisee sales up 2.8% vs. 3Q21, and 4Q22 franchisee sales up by 4.9% vs. 4Q21.

Aggregated Comparable Franchisee Sales of $6.74bn for FY22

vs $6.93bn for FY21
down 2.7**%** ($AUD)

* 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*

TOTAL FRANCHISEE SALES
YEAR ENDED 30 JUNE 2022

$6.75bn

DOWN BY -2.9% ON FY21
UP BY 9.5% ON FY20

COMPARABLE FRANCHISEE SALES
YEAR ENDED 30 JUNE 2022

$6.74bn

DOWN BY -2.7% ON FY21
UP BY 9.9% ON FY20

** 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 provided to the market as it is a key indicator of the performance of the franchising operations segment.*

- Australian franchisees were adversely affected with hard lockdowns throughout most cities and regions in NSW, VIC and the ACT, representing retail closures of nearly 60% of the total number of Australian Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes for the majority of 1Q22. These closures resulted in a reduction in franchisee sales by -16.5% in 1Q22 compared to 1Q21.
- Franchisee sales rebounded during 2Q22 with the pent-up demand resulting in an acceleration in franchisee sales post lockdown. 2Q22 sales was only 1.7% down on the record 2Q21, despite the looming threat of 'Omicron'.
- Franchisee sales improved considerably with record 3Q22 franchisee sales, up 2.8% relative to 3Q21, and 4Q22 franchisee sales increasing by 4.9% compared to 4Q21.
- The second half growth saw franchisee sales close out at $6.75 billion this year to be only down 2.9% from $6.95 billion in FY21 (1H22 was down 8.7% compared to 1H21).
- When compared to a more stable, comparable recent retail period in FY20 which generated aggregated franchisee sales of $6.16 billion, franchisee sales for FY22 grew by 9.5%.
- The demand for home, lifestyle and technology products has continued with strong sales in whitegoods, televisions and small appliances throughout the year.
- Cooking appliances and small kitchen essentials that deliver innovation, efficiency as well as cutting-edge style have stood out.
- Growth in the air purification category due to an increasingly health-aware consumer.
- The technology franchisees have continued to perform well, particularly in the high demand category of personal computers as consumers continue to expand their hybrid work environments.
- Solid demand for drones and scooters for outdoor activities, and gaming and crafting for indoor activities.
- Solid growth in the smart phone category as consumers upgrade to the latest mobile phones and related accessories. Franchisees saw more consumers being comfortable to expand the number of devices they have connected at home, such as security cameras, lighting and higher performing Wi-Fi connectivity.
- The government-mandated retail closures in NSW, VIC and the ACT adversely affected the sales of furniture and bedding franchisees in 1H22 resulting in consumers deferring home furnishing purchases until the restrictions lifted. However, franchisees have seen furniture and bedding sales stabilise post lockdown throughout the second half of the financial year.
- Proactive planning by franchisees throughout 2022, in managing a balanced and appropriate inventory level to satisfy consumer demand, has been important to mitigate persistent supply chain disruptions. As the uncertainty within supply chains eased within the second half of FY22, franchisees are well positioned to take advantage of new inventory ranges into the first half of FY23.

	30 JUNE 2022	30 JUNE 2021	INCREASE / (DECREASE)	
FRANCHISING OPERATIONS SEGMENT REVENUE	$1.193bn	$1.238bn	(-$44.54m)	(-3.6%)
AGGREGATED FRANCHISEE HEADLINE SALES REVENUE*	$6.75bn	$6.95bn	(-$202.13m)	(-2.9%)
FRANCHISING OPERATIONS SEGMENT RESULT	$553.02m	$628.19m	(-$75.17m)	(-12.0%)
FRANCHISING OPERATIONS MARGIN %	8.19%	9.04%	-85bps	

* 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 down by $44.54m (-3.6%)

from $1.238bn in FY21 **to $1.193bn in FY22**

- Primarily due to a decrease in franchise fees received from franchisees by $42.59 million or -4.0%, on the back of a 2.9% decrease in aggregated franchisee sales revenue to $6.75 billion for FY22, compared to $6.95 billion for FY21.

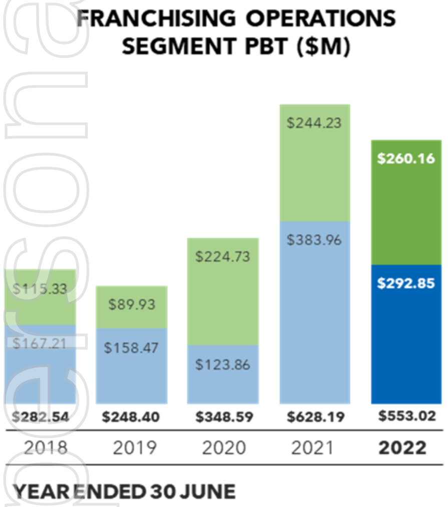
Franchising Operations Segment PBT down by $75.17m (-12.0%)

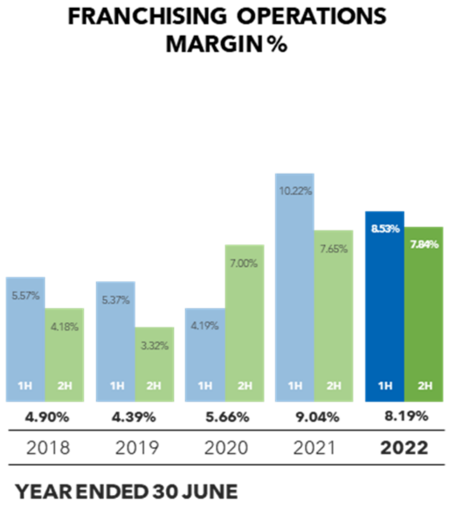
from $628.19m in FY21 **to $553.02m in FY22**

The profitability of the franchising operations segment was negatively impacted by approximately four months of government mandated closures during 1H22 and the emergence of macroeconomic headwinds affecting discretionary retail towards the end of FY22.

The franchising operations segment PBT decreased by $75.17 million due to:

- Decrease in franchising operations segment revenue by $44.54m due to lower franchise fees received from franchisees by $42.59 million in FY22, directly attributable to the 2.9% reduction in aggregated franchisee sales revenue to $6.75 billion for FY22 compared to $6.95 billion in FY21.
- Reduction in rent and outgoings received from franchisees as full or partial rent waivers were provided to external tenants and franchisees affected by the retail closures in NSW, VIC and the ACT during FY22. The rent waivers provided to franchisees in the Franchising Operations Segment (relating to properties leased by the consolidated entity) amounted to $8.82 million in FY22 vs $4.07 million in FY21.
- Profitability was also impacted by a rise in brand support advertising costs to promote and enhance the Harvey Norman®, Domayne® and Joyce Mayne® brands.





FRANCHISING OPERATIONS SEGMENT PBT

$553.02m

DOWN BY -$75.17m OR -12.0% FROM FY21
UP BY $204.42 OR 58.6% FROM FY20

FRANCHISING OPERATIONS MARGIN

8.19%

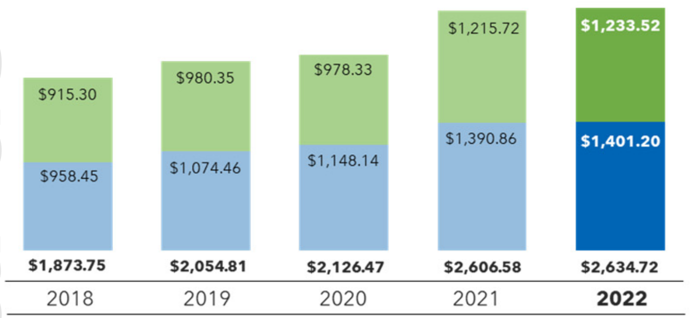
DOWN FROM 9.04% FROM FY21
UP FROM 5.66% FROM FY21

1H | 1H FY22
2H | 2H FY22

OVERSEAS COMPANY-OPERATED RETAIL SEGMENT

OVERSEAS SEGMENT PROFIT RESULT	30 JUNE 2022	30 JUNE 2021	INCREASE / (DECREASE)	
RETAIL – NEW ZEALAND	$129.08m	$141.61m	(-$12.53m)	(-8.9%)
RETAIL – SINGAPORE & MALAYSIA	$45.36m	$35.92m	$9.45m	26.3%
RETAIL – IRELAND & NORTHERN IRELAND	$46.16m	$51.89m	(-$5.73m)	(-11.0%)
RETAIL – SLOVENIA & CROATIA	$11.40m	$11.38m	$0.02m	0.2%
RETAIL – OVERSEAS	**$232.00m**	**$240.79m**	**(-$8.80m)**	**(-3.7%)**

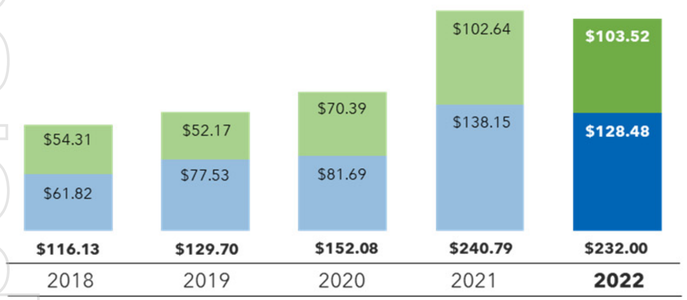
TOTAL OVERSEAS RETAIL REVENUE ($AUD M)



YEAR ENDED 30 JUNE

UP BY 53.6% IN 5 YEARS

TOTAL OVERSEAS RETAIL PROFIT RESULT ($AUD M)



YEAR ENDED 30 JUNE

UP BY 130% IN 5 YEARS

25%

OF TOTAL CONSOLIDATED PBT
(excluding net property revaluations)

FY22 OFFSHORE RETAIL REVENUE

$2.63bn

UP BY $28.14m or +1.1% on FY21
UP BY $508.25m or +23.9% on FY20

FY22 OFFSHORE RETAIL PBT

$232.00m

DOWN BY $8.80m or -3.7% on FY21
UP BY $79.92m or +52.6% on FY20

New Zealand

- Sales for FY22 have surpassed the billion dollar milestone for a second year in a row, at **$1.12bn** for FY22, down by **$29.06m or -2.5%** from $1.15bn in FY21. Compared to FY20, the sales increase was $158.90m or +16.6%.
- Retail result was **$129.08m** for FY22, down by **$12.53m or -8.9%** from $141.61m in FY21. Compared to FY20, the increase in retail profit was $29.92m or +30.2%.
- Sales and profitability were adversely impacted in 1H22 by the nationwide imposition of Alert Level 3 & 4 lockdowns, closing all stores in Auckland for 12 weeks and all stores outside of Auckland for 3 weeks.
- 2H22 was affected by a swift reversal of previously strong macroeconomic conditions and a decline in consumer and business confidence. This was partially moderated by a full year's contribution from the 3 stores that opened during FY21 and the new commercial outlet opened in FY22, coupled with sound inventory management and effective cost control to preserve cashflow.

Ireland & Northern Ireland

- Aggregated sales revenue for Ireland & Northern Ireland decreased by **$2.62m or -0.4%**, from $647.90m in FY21 to **$645.29m** in FY22.
- Aggregated retail result for Ireland & Northern Ireland decreased by **$5.73m or -11.0%** in FY21, from $51.89m in FY21 to **$46.15m** in FY22.

Ireland

- Sales decreased by **$4.93m or -0.8%**, from $626.02m in FY21 to **$621.09m** for FY22. When compared against FY20, the FY22 increase was $198.03m or +46.8%.
- Retail result decreased by **$4.81m or -9.7%**, from $49.63m in FY21 to **$44.83m in FY22.**
- Sales increased in local currency but declined on translation to AUD due to a 2.8% devaluation in the Euro relative to the AUD. FY22 has benefitted from the easing of COVID-19 restrictions, increasing consumer confidence, in-store foot traffic and heightened demand from the prolonged closure of the furniture and bedding categories in 2H21. The rise in FY22 sales is also attributed to a full year's uninterrupted contributions from the Galway and Sligo stores.
- Sales were more subdued in 2H22 due to the lifting of travel restrictions, persistent supply chain constraints and tight labour market conditions.

Northern Ireland

- Sales was **$24.19m** for FY22 compared to $21.88m in FY21, an increase of **$2.31m or 10.6%**.
- Retail result for FY22 was a profit of **$1.33m**, a decrease of **$0.92 million or -40.7%** from a profit of $2.25m in FY21.
- Flagship store at Boucher Road, South Belfast continues to perform well.

Singapore & Malaysia

- Aggregated sales revenue for Asia combined was **$621.23m**, an increase of **$43.75m or +7.6%,** from $577.48m in FY21.
- Aggregated retail result for Singapore and Malaysia was **$45.36m** for FY22, a solid increase of **$9.45m, or +26.3%**, from $35.92m in FY21.

Malaysia

- Despite a full 6-month's contribution of the 3 stores opened in 1H21 and the new Pavilion Bukit Jalil store that opened on 3 December 2021, sales decreased by **$15.50m or -12.1%** to **$113.05m** for 1H22 mainly due to extensive lockdowns and the severe floods in the Klang Valley in mid Dec-21 causing damage and disruption to the main warehouse and delaying sales.
- Sales rebounded strongly in 2H22, increasing by **$35.23m or 31.2%** to **$148.31m** following the pre-Christmas flood, the restoration of consumer and business confidence and solid sales contribution of the new Pavilion Bukit Jalil store. The second half growth saw sales close out at **$261.37m** for FY22**, up by $19.73m or 8.2%** from $241.64m in FY21.

Singapore

- Sales increased by **$19.96m, or +6.2%** to **$342.44m** for FY22 benefited by a full year's contribution of the 3 stores that opened in Singapore in the first half of FY21.

Slovenia & Croatia

- Aggregated sales revenue for Slovenia and Croatia increased by **$10.10m or +5.6%,** from $179.22m in FY21 to **$189.32m** in FY22.
- Aggregated retail result for Slovenia and Croatia increased by **$0.02m or +0.2%**, from $11.38m in FY21 to **$11.40m** in FY22.

Slovenia

- Sales increased by **$10.71m or +8.1%,** from $131.63m in FY21 to **$142.34m** for FY22. When compared against FY20, the increase was $21.99m or +18.3%. Retail result was **$12.43m** for FY22, increased by **$1.16m increase or +10.3%,** from $11.27m in FY21.
- All 5 Slovenian stores including the flagship store at Ljubljana have delivered another double-digit sales growth across all product categories in FY22.

Croatia

- Sales were **$46.98m** for FY22, decreased by **$0.62m or -1.3%**, from $47.60m in FY21 due to a 2.8% devaluation in the Euro relative to AUD for the year. In Euro, sales increased by €0.46m driven by a full year's trade of the Pula store.
- Retail loss of **$1.03m** for FY22 compared to a modest profit of $0.11 million for FY21.

PROPERTY SEGMENT

	30 JUNE 2022	30 JUNE 2021	INCREASE / (DECREASE)	%
PROPERTY SEGMENT REVENUE	$494.39m	$409.20m	$85.19m	+20.8%
NET PROPERTY REVALUATION INCREMENT	$213.68m	$140.37m	$73.31m	+52.2%
PROPERTY SEGMENT EBITDIA	$383.61m	$307.44m	$76.17m	+24.8%
PROPERTY SEGMENT RESULT BEFORE TAX	$366.48m	$291.54m	$74.94m	+25.7%

Property Segment Revenue up by $85.19m (+20.8%)

from $409.20m in FY21 to **$494.39m** in FY22

- This increase is primarily due to the recognition of $213.68 million in net property revaluation increments for FY22 compared to $140.37 million in net increments for FY21, an increase of $73.31 million, primarily due to the strong sustained demand and resilience of the 'large-format retail' property market.
- This increase was offset by a reduction in rent and outgoings received from freehold properties during FY22 as full or partial rent waivers were provided to external tenants and franchisees affected by the retail closures in NSW, VIC and ACT for approximately a 4-month period from Jul-21 to mid Oct-21.
- These rent waivers amounted to $19.58 million in total, of which $10.76 million related to properties owned by the consolidated entity (and recorded in the Property Segment) and $8.82 million related to properties leased by the consolidated entity (and recorded in the Franchising Operations Segment).
- During FY21, $9.85 million of rent waivers were provided to franchisees affected by the 11-week government-mandated Stage 4 lockdown in greater Melbourne, Victoria, of which $5.78 million related to owned properties and $4.07 million related to leased properties.

Property Segment Result Before Tax up by $74.94m (+25.7%)

from **$291.54m** in FY21 to **$366.48m** in FY22

- The increase in the property segment result before tax is mainly due to the $73.31 million increase in net property revaluation increment for freehold investment properties over the past 12 months.

FREEHOLD PROPERTY PORTFOLIO

COMPOSITION OF FREEHOLD PROPERTY SEGMENT ASSETS	June 2022	# of Owned Retail Property Assets	# of Owned Other Property Assets	Net Increase in Fair Value (Income Statement)	Net Increase / (Decrease) in Fair Value (Equity)
(1) Investment Properties (Freehold) and Assets Held for Sale					
- Australia	$3,190.34m	95	41	$213.68m	-
- New Zealand	$10.90m	-	2	-	-
- Ireland	$28.97m	-	1	-	-
- Singapore (Property asset held for sale)	$12.10m	-	1	-	($1.25m)
Total Investment Properties (Freehold) and Assets Held for Sale	**$3,242.32m**	**95**	**45**	**$213.68m**	**($1.25m)**
(2) Owner–Occupied Land & Buildings					
- Australia	$13.50m	-	1	-	$3.26m
- New Zealand	$361.71m	19	1	-	$27.30m
- Singapore	$13.30m	-	1	-	$5.26m
- Slovenia	$80.01m	5	-	-	$7.40m
- Ireland	$25.60m	2	-	-	-
Total Owner–Occupied Land & Buildings	**$494.12m**	**26**	**3**	**-**	**$43.22m**
(3) Joint Venture Assets	**$1.50m**	**-**	**7**	**-**	**-**
Total Freehold Property Segment Assets	**$3,737.94m**	**121**	**55**	**$213.68m**	**$41.97m**

- The Australian freehold investment property portfolio surpassed the $3 billion milestone for the first time during FY22 and has grown to **$3.19 billion as at 30 June 2022,** firmly positioning the consolidated entity as the largest single owner of Large Format Retail (**LFR**) real estate in the Australian market.
- The LFR property market has performed strongly throughout FY22, experiencing robust sales volumes and historically low yields. Reported recent sales transactions highlight continued solid investor demand and scarcity of high quality LFR properties in the market. This has largely been driven by the low interest rate environment over the last few years, confidence in the financial and operational performance of LFR centres and their resilience throughout the pandemic, as well as providing an attractive return on investment relative to alternative asset classes.
- We have 195 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. 95 franchised complexes (49% 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.
- Generally, our LFR centres have expansive footprints facilitating the efficient execution of COVID-Safe practices, easy and direct access points enabling franchisees to improve their '1-Hour Click & Collect' and 'Contactless Click & Collect' capabilities and open-air carparks for ease of in-store shopping or swift collection of goods. Our LFR centres accommodate a complimentary mix of over 450 third-party tenants that are diversified across a variety of different categories including Hardware, Medical, Chemists, Pets and Auto related products.
- The strong sustained demand and resilience of the LFR market has resulted in a record increase in the value of our Australian investment property portfolio this year, growing by **$296.13 million or +10.2%** in FY22 to **$3.19 billion**, from $2.89 billion in FY21. $213.68 million of this increase is represented by capital appreciation in property fair values during FY22 and $82.45 million relates to capital additions and refurbishments during the year.
- Globally, we have **109 company-operated stores across 7 countries**. 26 of the stores located overseas (24% of total) are owned by the consolidated entity. The aggregate value of the overseas owner-occupied and investment property portfolio is $520.49m, increasing in value by $68.48m during the year primarily relating to the purchase of the Eastgate Retail Park in Little Island, Cork, Ireland and capital appreciation since the end of FY21.

LEASEHOLD PROPERTY PORTFOLIO

COMPOSITION OF LEASEHOLD PROPERTY SEGMENT ASSETS	Right -of-Use Asset June 2022	Lease Liabilities June 2022	# of Leased Retail Property Assets	# of Leased Other Property Assets
(1) Leases of Properties Sub-Leased to External Parties	$675.60m	$719.02m	100	170
- Australia				
(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets				
- Australia	$25.79m	$41.11m	-	16
- New Zealand	$118.49m	$136.18m	25	36
- Singapore & Malaysia	$218.39m	$164.23m	41	15
- Slovenia & Croatia	$14.95m	$16.87m	2	6
- Ireland & Northern Ireland	$94.90m	$127.22m	15	17
Total Owner–Occupied Properties and Plant and Equipment Assets	**$472.51m**	**$485.60m**	**83**	**90**
Total Leasehold Property Segment Assets	**$1,148.11m**	**$1,204.63m**	**183**	**260**

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 on Consolidated Income Statement:	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	$65,870	-	**$65,870**
Investment properties (leasehold): Right-of-use asset - Fair value re-measurement	-	$87,558	**$87,558**
Finance costs: Interest on lease liabilities (accretion)	$16,713	$25,025	**$41,738**
Total AASB 16 Expenses Recognised	**$82,583**	**$112,583**	**$195,166**
Less: Lease payments made during FY22 (excluding variable lease payments (short-term, low-value leases)	($82,921)	($94,938)	($177,859)
Other adjustments	($1,280)		($1,280)
AASB 16 Incremental (Increase)/ Decrease in PBT for FY22	($1,618)	$17,645	$16,027

During the second half of the financial year, the premium refit program, which was hampered by the government mandated closures during 1H22, was recommenced. Given COVID supply chain issues and labour shortages, we have reassessed expected completion dates and we now expect to complete up to 25 premium refits over the next 5 years.

As planned, we opened three Harvey Norman® franchised complexes in Australia located at Murwillumbah, NSW (Sep 2021), Port Pirie, South Australia (Nov 2021), and Charters Towers, QLD (Apr 2022). In December 2021, we opened a company-operated store in Malaysia located at Pavilion Bukit Jalil, Kuala Lumpur, and a company-operated commercial outlet in Hamilton, New Zealand in March 2022.

In the 2023 financial year, we intend to open up to 2 franchised complexes in Australia and relocate 1 franchised complex from a leased site to a freehold property. Overseas, we opened our 16th company-operated store in Ireland at Fonthill, Dublin on 22nd July 2022, and we expect to ramp-up our offshore expansion plans with the anticipated opening of a further 4 company-operated stores
during FY23: 1 in New Zealand, 2 in Malaysia and 1 in Croatia (expect to open by the end of calendar 2023).

Beyond FY23, we anticipate opening a further 2 franchised complexes in Australia and intend to relocate 3 franchised complexes from leased sites to freehold properties during the 2024 financial year. Overseas, we expect to open up to 6 company-operated stores in FY24: 2 in New Zealand, 2 in Malaysia and our first 2 company-operated stores in Budapest, Hungary that were announced last year.

RETAIL TRADING UPDATE: 1 July 2022 to 29 August 2022 vs 1 July 2021 to 29 August 2021

Aggregated Sales increase / (decrease) from 1 July 2022 to 29 August 2022 vs 1 July 2021 to 29 August 2021[1]
(% increases have been calculated in local currencies)

[1] comparable sales growth has not been adjusted for the temporary closures mandated by each local government as a result of their COVID-19 Response

COUNTRY		1 July 2022 to 29 August 2022 vs 1 July 2021 to 29 August 2021	
		Total %	Comparable %
Australian Franchisees	$A	10.7%	10.3%
New Zealand	$NZD	5.0%	4.6%
Slovenia & Croatia	€Euro	12.2%	12.2%
Ireland	€Euro	(-1.0%)	(-3.7%)
Northern Ireland	£GBP	(-10.2%)	(-10.2%)
Singapore	$SGD	1.9%	4.1%
Malaysia	MYR	108.0%	99.0%

The start of FY23 has seen solid sales results. Low unemployment and high net deposit rates continue to underpin growth.

Harvey Norman® is well positioned to continue to maximise the opportunities in Home and Lifestyle categories via the home renovation market and new home builds.

QUESTIONS

(LIMITED TO 30 MINUTES)