

26 April 2024

Quarterly Activity Report: January – March 2024

Highlights:

- **Q3 FY24 sales of \$4.5M**
- **Sales subdued in line with cyclical effects of retail sector post-Christmas**
- **\$1.0M cash on hand and \$6.3M undrawn on financing facility**
- **Average gross margins continue to improve**
- **Continued traction in refurbished product sales**
- **No requirement to raise capital in the foreseeable future**

Pure-Play online retailer Harris Technology Group Limited (ASX: HT8) (“Harris Technology” or “the Company”) is pleased to provide its activity report for the March 2024 quarter (Q3 FY24).

Operations Update

Harris Technology generated sales revenue of \$4.5M in the March quarter in line with the lower cyclical nature of the retail sector, post-Christmas.

A net operating cash outflow of \$582K was recorded in the quarter (Q2 FY24: \$235k inflow), delivering a year-to-date operating cash outflow of \$121K.

As of 31 March 2024, inventory on hand was \$4.2M, remaining flat on the December 2023 value of \$4.1M. This included \$3.8M of purchased inventory during the March quarter, indicating continued inventory replenishment in line with anticipated demand, alongside a continued focus on higher-margin products and cash preservation.

Demand for refurbished tech products is proving positive which has seen an increase in warehouse floor space utilised by the refurbishment team. Previously owned products being sourced now include laptops, monitors, routers, servers and docking stations with gross margins outperforming new IT products.

As a Marketplace authorised reseller of refurbished tech products and a well-established supply chain, Harris Technology has potential to increase the scale of its refurbished product sales. Harris Technology also continues to generate consistent sales from the Household category which has been less impacted by the cyclical nature of the retail sector and returns higher margins.

IT Technology demand continues to be subdued in line with current economic circumstances. In line with seasonal demand reduction, Harris Technology has temporarily reduced its investment into its Manufacturer-to-Consumer divisional inventory.

Harris Technology CEO, Garrison Huang commented, “We have continued to navigate the difficult retail landscape with prudent cash management. The ongoing focus on higher-margin products is improving our average margins. Having identified a good growth opportunity in refurbished tech products, we are recording increasing success in this vertical where there is lower competitive activity. Harris Technology has an advantage in this space due to our established eCommerce presence and expertise across the tech products supply chain as consumers continue demonstrating higher price sensitivity due to the macroeconomic headwinds.”

Expenditure incurred during the quarter

Expenditure Category	Amount \$
Purchase of Inventory	3,779,000
Advertising	2,000
Staff Administrative and Corporate Costs	689,000

The amount included in section 6.1 of the Appendix 4C is the payment of fees to directors.

**All FY24 financial data quoted is unaudited unless stated otherwise.*

Harris Technology welcomes investors to join the HT8 investor mailing list for Company updates, industry research and investor discounts by subscribing at:

<http://ht8.com.au/subscribe>.

For more information, contact:

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This announcement has been authorised for ASX release by HT8 Chairman, Alan Sparks.

About Harris Technology Group Limited

Harris Technology Group Limited is a publicly listed company on the Australia Securities Exchange (ASX code: HT8). The Company's main business is the eCommerce business of Harris Technology (HT) – www.ht.com.au. Harris Technology is a well-known brand with a 30+ year history in IT/CE retail market covering a very wide range of IT products for small and medium businesses in Australia. Harris Technology was previously owned by Officeworks under Wesfarmers and prior to this, it was owned by Coles Myer Group. Harris Technology no longer operates any physical shopfronts – all businesses of Harris Technology are conducted online both on www.ht.com.au and via the major online platforms such as Amazon, Kogan, Catch and eBay etc.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Harris Technology Group Limited

ABN

93 085 545 973

Quarter ended ("current quarter")

31st March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...9....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,896	12,772
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(3,779)	(10,909)
(c) advertising and marketing	(12)	(38)
(d) leased assets	(49)	(131)
(e) staff costs	(407)	(1,281)
(f) administration and corporate costs	(233)	(540)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	6
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(582)	(121)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-	-
(d) investments		
(e) intellectual property		
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...9....months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(100)	(600)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	(100)	(600)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,727	1,766
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(582)	(121)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...9....months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(100)	(600)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,045	1,045

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,045	1,727
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,045	1,727

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	74
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p>		

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	3,000	1,705
7.2	Credit standby arrangements	5,000	-
7.3	Other (please specify)		-
7.4	Total financing facilities	8,000	1,705
7.5	Unused financing facilities available at quarter end		6,295
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<ol style="list-style-type: none"> 1. A loan facility of up to \$2 Million from GWH Trust controlled by MD/CEO. The loan is 6% annual interest effective from July 2023, unsecured and expires on 30th September 2024 and repayable in instalments of \$13,300 per month. The amount currently drawn \$1,184,166. 2. A loan facility of up to \$1 million from MD/CEO. The loan is 6% annual interest, unsecured and expires on 30th September 2024 and repayable in instalments of \$17,000 per month The amount currently drawn – \$520,664. 3. \$5,000,000/- Unlock / The Marketlend facility will be secured by a PPSR charge, available at the interest rate of 1.5% for 30 days. 2.75% for 60 days or Over 90 days 4%. The amount current drawn – NIL 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(582)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,045
8.3	Unused finance facilities available at quarter end (item 7.5)	6,295
8.4	Total available funding (item 8.2 + item 8.3)	7,340
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	12.61
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:26 April 2024.....

Authorised by:By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.