

Hallenstein Glasson Holdings Limited

December 19, 2024



Table of Contents

Hallenstein Glasson Holdings Limited	2
SWOT Analysis	2
Historical Performance	3
Operating Performance (period ended 01 AUGUST 2024)	3
Balance Sheet Highlights (period ended 01 AUGUST 2024)	4
Revenue, Net Income and EPS growth History	4
Ratio Analysis	5
Price Performance	5
Recent Development	6
Outlook	6
Key Risks and Uncertainties	6
Valuation	6
Technical Analysis	7
Investment Summary	8
Technical Indicators Defined:	9

Hallenstein Glasson Holdings Limited

Equity Analysis

Kapitales Research Rating ★★☆☆
Recommendation Hold
Current Market Price NZ\$8.050
Risk High

52 Week Range (NZX)



Average volume	62.93k	52 Week Range (NZ\$)	5.100- 8.140
Shares outstanding	59.65 million	Dividend amount (NZ\$)	-
Free float	45.84 million	Dividend Yield	6.39%
P/E (TTM)	13.42	Ex-date	05 Dec 2024
Market cap (NZ\$)	463.52 million	Record date	-
EPS (TTM)(NZ\$)	0.5782	Pay date	13 Dec 2024
ROE	34.51%	Franking	-

Source: (NZX and Koyfin), Analysis by Kapitales Research

Hallenstein Glasson Holdings Limited, (NZX: HLG) together with its subsidiaries, operates as a retailer of men’s and women’s clothing in New Zealand and Australia. The company operates stores under the Hallenstein Brothers and Glassons names. It also sells its products through its online platform. Hallenstein Glasson Holdings Limited was founded in 1873 and is headquartered in Auckland, New Zealand.

SWOT Analysis

Strength

Hallenstein Glasson Holdings Limited offers a diversified product offering that includes menswear, womenswear, footwear, and accessories. This appeals to a broad customer base, especially among younger consumers. Additionally, its efficient supply chain and inventory management enable the company to respond quickly to changing fashion trends, giving it a competitive edge in the retail sector. Its strong market presence in New Zealand and Australia and its ability to adapt to evolving consumer preferences, such as a growing interest in sustainable fashion, further strengthen its position in the competitive market.

Weakness

The fashion retail industry is highly competitive, with local and international brands vying for market share. Hallenstein Glasson faces pressure from fast fashion brands, online retailers, and other established players in the region, which may impact its ability to maintain or grow its market share.

SWOT Analysis

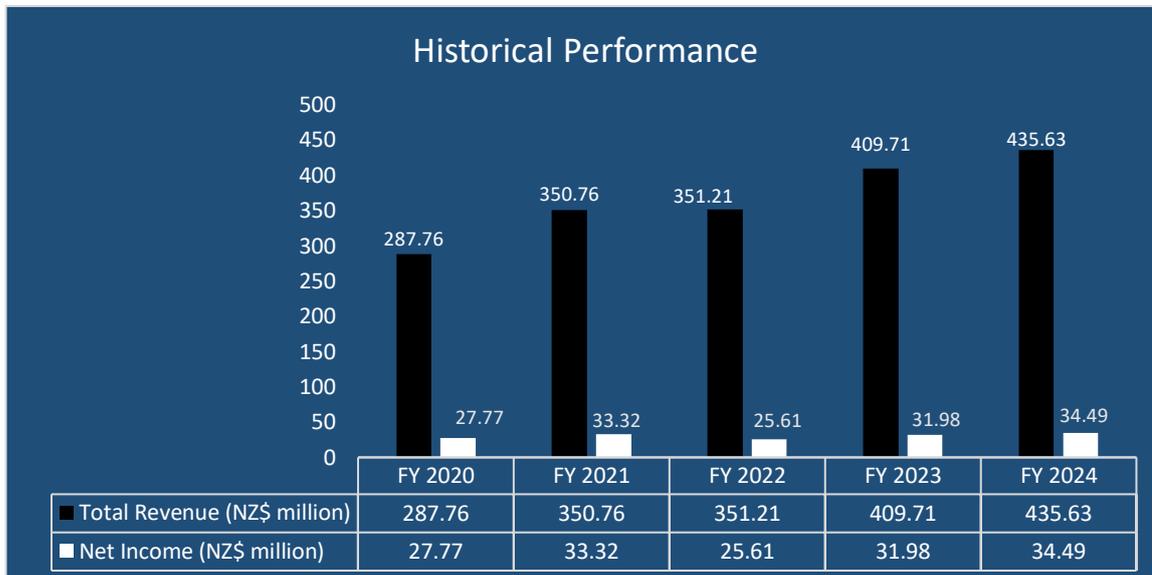
Opportunity

Hallenstein Glasson maintains a strong balance sheet with significant cash reserves. The company has a history of consistent dividend payments, with a trailing yield of around 6.9%. Hallenstein Glasson Holdings Limited's strategic focus on market expansion, digital integration, and sustainability, coupled with its strong financial performance, positions the company well for future growth and opportunities in the retail fashion industry.

Threat

1. Operational risk
2. Strategic risk
3. Changing in economic conditions
4. Global supply chain
5. Financial risk

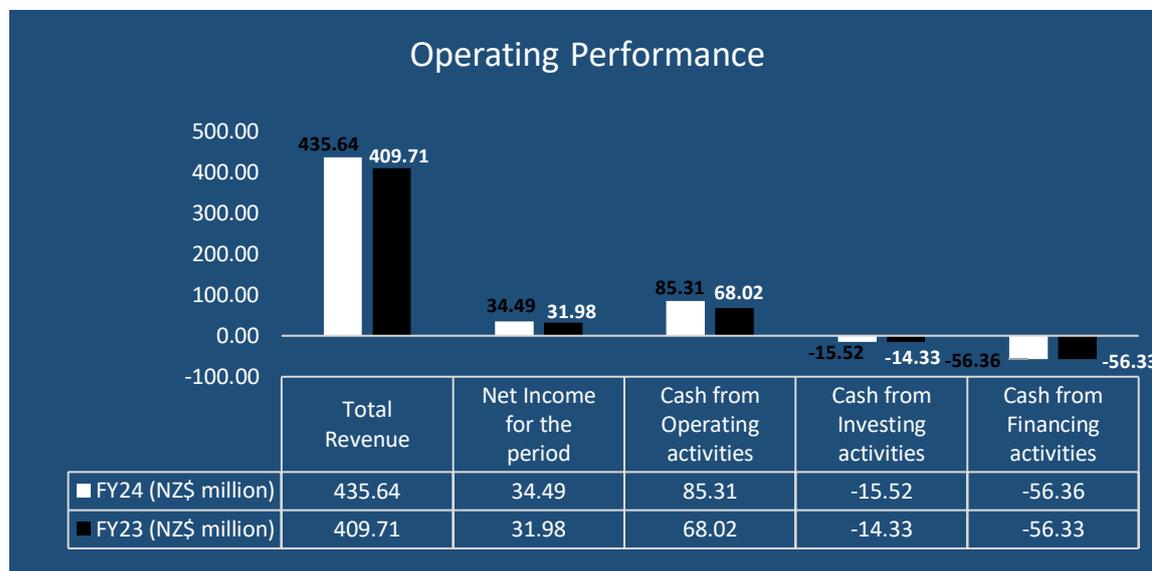
Historical Performance



Source: Koyfin, Analysis by Kapitaless Research

Total revenue steadily increased from NZ\$287.76 million in FY 2020 to NZ\$435.63 million in FY 2024, reporting a CAGR of 11.0%. Similarly, net income also shows a rising trend, from NZ\$27.77 million in FY 2020 to NZ\$34.49 million in FY 2024.

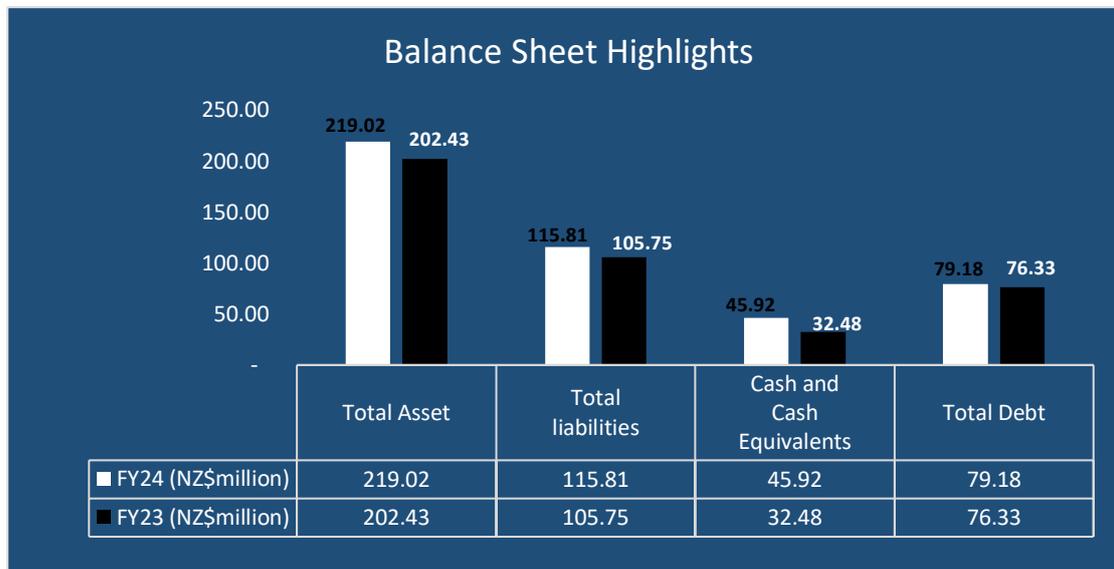
Operating Performance (period ended 01 AUGUST 2024)



Source: Company Reports, Chart Prepared by Kapitaless Research

- Total revenue increased in FY24 to NZ\$435.64, compared to NZ\$409.71 in FY23.
- Net income for the period shows a modest difference, with FY24 at NZ\$34.49, slightly higher than FY23's NZ\$31.98.
- Cash from operating activities also improved, rising to NZ\$85.31 in FY24 from NZ\$68.02 in FY23. Overall, the company experienced growth in revenue and operating cash flow.

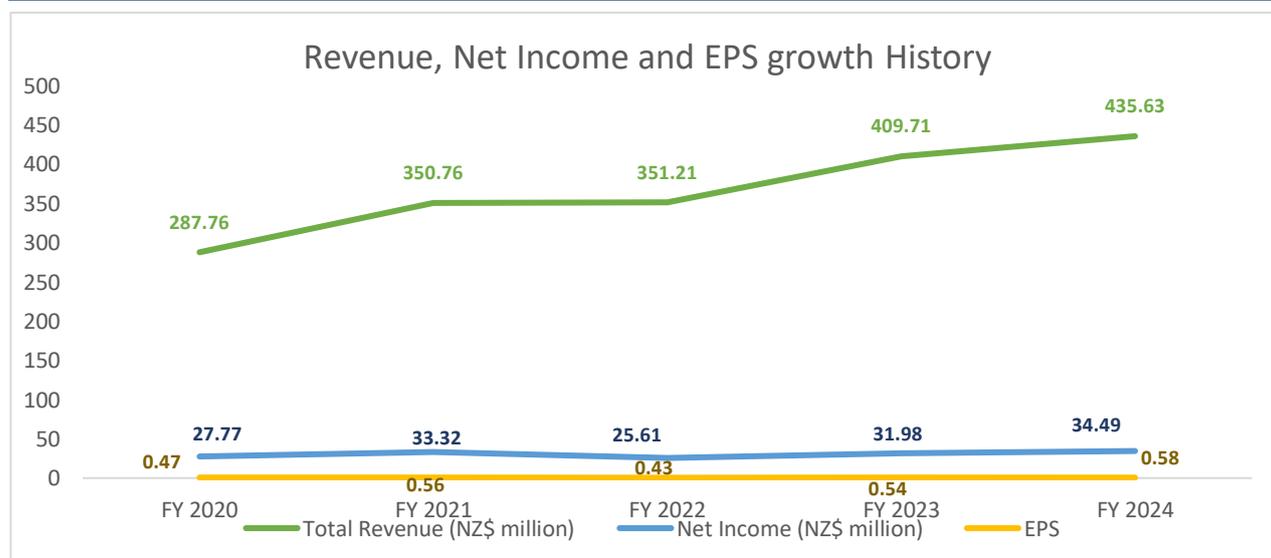
Balance Sheet Highlights (period ended 01 AUGUST 2024)



Source: Company Reports, Chart Prepared by Kapitaless Research

Total assets grew from NZ\$202.43 million in FY23 to NZ\$219.02 million in FY24, indicating overall growth. Total Liabilities also increased slightly, with FY24 at NZ\$115.81 million compared to NZ\$105.75 million in FY23. Cash and cash equivalents saw a notable rise from NZ\$32.48 million in FY23 to NZ\$45.92 million in FY24, suggesting improved liquidity. Total debt slightly increased, reaching NZ\$79.18 million in FY24 from NZ\$76.33 million in FY23, reflecting a manageable rise in financial obligations.

Revenue, Net Income and EPS growth History



Source: Koyfin, Analysis by Kapitaless Research

Fiscal Years	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Growth Trend
Total Revenue (NZ\$ million)	287.76	350.76	351.21	409.71	435.63	▬ ▬ ▬ ▬ ▬
Net Income (NZ\$ million)	27.77	33.32	25.61	31.98	34.49	▬ ▬ ▬ ▬ ▬
EPS	0.47	0.56	0.43	0.54	0.58	▬ ▬ ▬ ▬ ▬

Source: Koyfin, Analysis by Kapitaless Research

Sector: Consumer Discretionary

Industry: Specialty Retail

19 December 2024

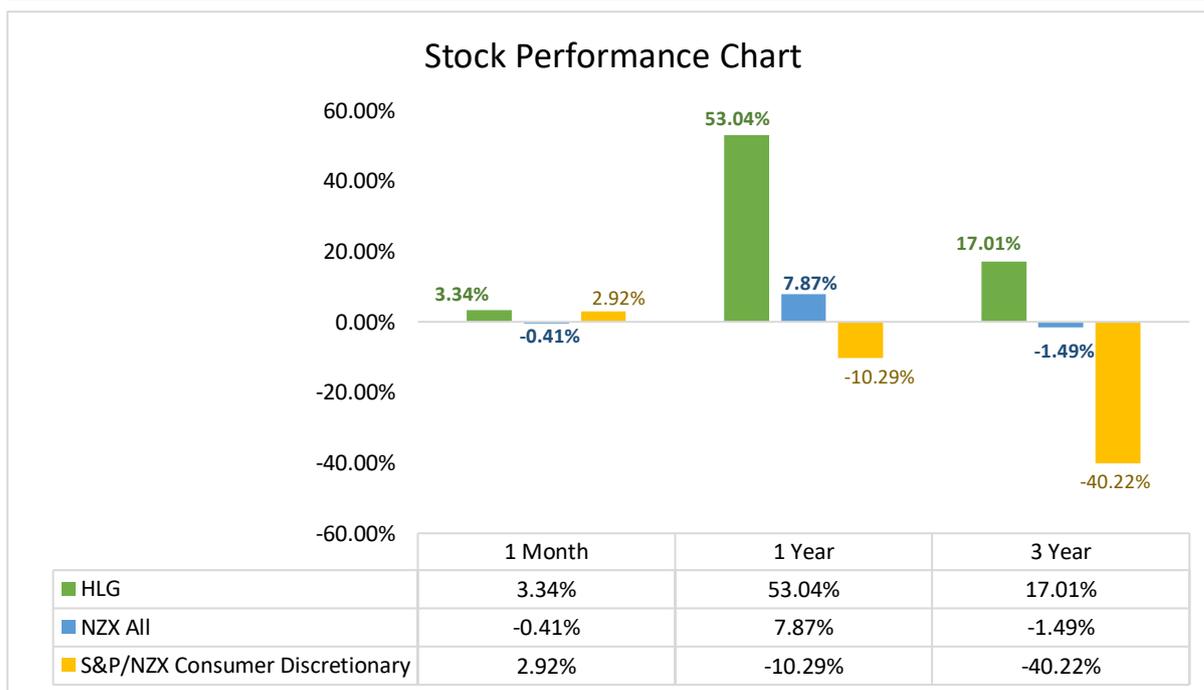
Ratio Analysis

Fiscal Years	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Return on Assets (ROA) %	14.99%	14.92%	11.39%	14.66%	16.07%
Return On Equity %	34.27%	37.81%	28.51%	34.18%	34.51%
Return on Total Capital (ROTC) %	19.12%	18.11%	13.81%	17.53%	19.06%
EBITDA Margin %	16.58%	16.83%	13.22%	14.21%	15.06%
Gross Profit Margin %	58.82%	57.36%	57.59%	57.32%	59.39%
Net Income Margin %	9.65%	9.50%	7.29%	7.80%	7.92%
Asset Turnover	1.80	1.70	1.70	2.00	2.10
Days Outstanding Inventory (Avg)	75.10	64.00	75.00	67.30	60.50
Current Ratio	1.20	1.20	1.20	1.30	1.30
Days Sales Outstanding (Average Receivables)	2.50	1.30	0.40	0.30	0.30
Days Payable Outstanding (Avg)	30.10	25.80	26.10	22.60	18.90
Cash Conversion Cycle (Average Days)	47.60	39.50	49.30	45.00	41.90

Source: Koyfin, Chart Prepared by Kapitaless Research

- The Gross Profit Margin from the previous year stood at 59.39%, indicating that the company can generate profits from its products or services with a high margin of revenue left after deducting the direct costs.
- ROE for FY24 was 34.51%, higher as compared to the previous corresponding period indicating that the company achieved a higher return for its shareholders.
- The company's profitability margins, such as EBITDA and net margin, have seen significant improvement in FY24 compared to last year, highlighting a robust enhancement in its fundamentals.
- ROA has been increasing steadily from 14.99% in FY20 to 16.07% in FY24, signalling improved efficiency in generating profits from assets over the years.

Price Performance



Source: Investing.com, Analysis by Kapitaless Research

Recent Development

On 05 September 2024, Hallenstein Glasson Holdings Limited provided a trading update for the year ending 01 August 2024. The company reported that its group sales for the 12 months reached NZ\$435.6 million, a significant increase of 6.3% from the previous year's sales of NZ\$409.7 million. Additionally, Hallenstein Glasson achieved an improved gross margin, increasing by approximately 200 basis points.

Outlook

Hallenstein Glasson Holdings Limited reported a solid financial performance for FY24, with a net profit after tax of NZ\$34.5 million, up from NZ\$32.0 million in the previous year. This growth was achieved despite Australasia's challenging retail conditions, particularly in New Zealand. The company's gross margin improved to 59.4%, up from 57.3% in FY23, driven by new supplier relationships, lower freight costs, and efficient inventory management, contributing to higher full-price sales and reduced discounting.

In Australia, the company saw a 14.1% increase in sales, reaching NZ\$218.1 million, with net profit after tax rising by 14.0% to NZ\$19.5 million. The company opened two new stores during the year, one in Knox, Victoria, and another in Rundle Mall, Adelaide. As of FY24, Hallenstein Glasson operates 38 stores across Australia, continuing to explore new opportunities for expansion with a focus on larger format stores that enhance the customer experience. The company also ended FY24 with a strong balance sheet, reporting a cash balance of NZ\$45.9 million, an increase of NZ\$13.4 million from the previous year. This reflects its robust financial position and potential for future growth.

Key Risks and Uncertainties

- Operational risk
- Strategic risk
- Changing in economic conditions
- Financial risk

Valuation

Relative Valuation Based on EV/EBITDA Multiple	
Hallenstein Glasson Holdings Limited	HLG
EBITDA (FY25E NZ\$million)	101.000
EV/EBITDA Multiple (NTM) (Peer Median) (approx)	6.517x
Implied EV (NZ\$ million)	658.18
Cash (NZ\$ million)	45.92
Debt (NZ\$ million)	79.180
Minority Interest (NZ\$ million)	
Implied Market Cap	624.92
Shares Outstanding (million)	59.65
Target Share Price (NZ\$)	10.476
Current Market Price (NZ\$) 19 December 2024	8.050
Rating	Hold

Source: Koyfin, Analysis by Kapitales Research

Technical Analysis



Source: TradingView, Analysis by Kapitales Research

Company Name	Ticker	Sector	CMP (NZ\$)	Advisory date	Rating	Target 1 (NZ\$)	Target 2 (NZ\$)	Stop Loss (NZ\$)
Hallenstein Glasson Holdings Limited	HLG	Consumer Discretionary	8.050	19 December 2024	Hold	9.190	10.060	7.000

The stock of speciality retail company HLG settled at NZ\$8.050 on 19 December after a gain of nearly 0.37% from previous day’s closing. It is currently trading near its 52-week high price level.

The stock is trading above the significant exponential moving averages (EMA) of 20, 50, 100, and 200 weeks on a weekly time frame, indicating bullishness for the midterm.

The stock is trading near its pivot resistance R3 (NZ\$8.180), holding a bullish momentum on a weekly time frame chart.

RSI (14 weeks) is at 71, holding a highly bullish momentum in the index.

Based on these facts, investors can hold the stock at the current market price (CMP) level for the potential targets of NZ\$9.190 (~14% upside) and NZ\$10.060 (~25% upside) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below NZ\$7.000 (previous swing support) to protect their investments in case of an unfavourable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favourable direction.

Investment Summary

Hallenstein Glasson Holdings Limited has made significant strides in its store network and digital presence in FY24. The company rolled out a new concept design at its Manukau store, resulting in notable sales growth post-reopening. The Timaru store was refurbished, while the Queenstown store closed in July. After year-end, a new Hallensteins store opened at the Manawa Bay outlet mall near Auckland Airport. In Australia, the company now operates five Hallenstein stores, with the Garden City store seeing substantial growth after relocating in November 2023. A new pop-up store was launched in Robina, Gold Coast, during Christmas.

The company has strengthened its brand through partnerships with content creators and the New Zealand Warriors rugby league team, enhancing brand awareness in New Zealand and Australia. Online sales accounted for 18.2% of total sales in FY24. Digital investment remains a priority, with the launch of the Hallensteins App and Glassons App, which has reached over 1.9 million downloads, further improving customer experience.

Hence, after considering the facts mentioned above, investors are advised to have a "Hold" rating on the stock of HLG at the closing price of NZ\$8.050 on 19 December 2024.

Note: Kapitales Research Rating Star has been decided over the quantitative analysis of the stock. Maximum number of stars can be 5, with 5 for the top rating and 1 for the lowest rating.

Technical Indicators Defined:

EMA: Exponential Moving Average is the moving average that puts more weight on the most recent data points. $EMA = \text{Closing price} * \text{multiplier} + \text{EMA (previous day)} * (1 - \text{multiplier})$. For a 200-day exponential moving average, the multiplier can be calculated with the formulae i.e. $[2/(200+1)] = 0.0095$.

RSI: Momentum indicator, Relative Strength Index is used to evaluate the overbought or oversold nature of an asset by measuring the magnitude of its recent price changes.

Bollinger Band: A technical analysis tool that uses two parameters i.e. period (default is 20) and standard deviations, forming a kind of price envelope depicting a range of upper price band and lower price band. This price band shifts according to the volatility swings, and it helps in identifying whether the underlying asset is in the overbought zone or oversold zone.

Support: This is a level or zone where the stock finds good demand indicating the buyer's strength.

Resistance: This is a level or zone where the stock finds a good supply indicating the seller's strength.

Stop-loss: This is the level from where the investors should exit their positions to prevent any further losses in case of unfavorable movement in the stock prices.

Customer Notice:

Nextgen Global Services Pty Ltd trading as Kapitales Research (ABN 89 652 632 561) is a Corporate Authorised Representative (CAR No. 1293674) of Enva Australia Pty Ltd (AFSL 424494). The information contained in this website is general information only. Any advice is general advice only. No consideration has been given or will be given to the individual investment objectives, financial situation or needs of any particular person. The decision to invest or trade and the method selected is a personal decision and involves an inherent level of risk, and you must undertake your own investigations and obtain your own advice regarding the suitability of this product for your circumstances. Please be aware that all trading activity is subject to both profit & loss and may not be suitable for you. The past performance of this product is not and should not be taken as an indication of future performance.

Disclosure: The information mentioned above has been sourced from the company reports and a third-party database, i.e., Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.

[Kapitales Research, Level 13, Suite 1A, 465 Victoria Ave, Chatswood, NSW 2067, Australia | 1800 005 780 | \[info@kapitales.com.au\]\(mailto:info@kapitales.com.au\)](#)