

## CEO'S REVIEW

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As we close out Financial Year (FY) 2024/25, I am pleased to share the progress Teejay Group has made in what has been a year marked by both challenges and remarkable achievements. The global economy experienced a mix of growth and obstacles, but despite these challenges, the Group delivered a strong performance, continuing to build upon the foundation of resilience and strategic foresight. We are entering the new financial year with a renewed sense of optimism, armed with the different learnings of the past year and a commitment to maintaining a growth trajectory.



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### RESILIENCE IN THE FACE OF GLOBAL UNCERTAINTY

The global economy in 2024/25 was characterised by a combination of growth and challenges. While inflationary pressures, geopolitical instability, and other macroeconomic uncertainties presented significant hurdles, key markets that Teejay depends on continued to perform positively. As a result, the Group was able to efficiently adapt to the evolving economic landscape, ensuring continued resilience and growth. This ability to navigate through complexities in major markets was essential in maintaining Teejay's upward trajectory during the year.

The United States economy experienced steady growth during the fiscal year and significant technological advancements, particularly in the shift towards online ordering and digital platforms. These developments contributed positively to overall economic activity. However, inflation remained a persistent concern throughout the year.

In the European Union (EU), the economy demonstrated further recovery however, inflation, which averaged above 2%, remains a concern. The ongoing effects of Brexit continued to present challenges in the region. On the other hand, Japan's economy grew during the fiscal year, supported by strong domestic demand and exports, with inflation remaining low at 1.5%.

Despite these global uncertainties, Teejay demonstrated remarkable resilience and adaptability throughout the fiscal year. Sales from our strategic customers showed significant growth, reflecting the Group's ability to

effectively position itself for future opportunities. The year, which began with various challenges, was met with a strong focus on innovation, market expansion, and strengthening customer relationships. As a result, Teejay successfully navigated the evolving global environment, overcame obstacles, and ended the year on a positive note - delivering on the value and commitments made to its shareholders.

### DELIVERING EXCEPTIONAL GROWTH ACROSS KEY METRICS

The financial performance of Teejay for FY 2024/25 demonstrates significant growth across key metrics, underscoring the Group's ability to navigate challenges while maintaining a positive growth trajectory.

The Group recorded an impressive Year-over-Year (YoY) Top line growth of 10% in Sri Lankan Rupees (LKR), reaching LKR 67 Bn. Net profit also increased by 152% YoY, to LKR 2.8 Bn. Although the first quarter of the year started slow, by the second Quarter onwards we have improved the Group profitability at a steady rate, indicating steady growth in revenue and profitability over the year. This remarkable performance was driven by several key factors: strategic expansion into new markets, strong relationships with key customers, continued innovation in product offerings, enhanced operational efficiency, and effective financial management. These efforts enabled Teejay to navigate global challenges while achieving substantial growth and positioning the Group for sustained success in the future.

### POSITIONING FOR GROWTH AMID GLOBAL REALIGNMENT

Revenue growth is expected to stabilise in the low single digits in FY 2025/26, with non-luxury segments driving economic profit increases for the first time since 2010. This shift presents new opportunities for Teejay as demand in these segments grows, especially in the wake of global economic recovery and evolving consumer preferences.

The "China Plus One" strategy is becoming increasingly relevant, with production shifting from China to other parts of Asia. Due to recent challenges in Bangladesh, key customers are actively reducing their exposure in the region as part of ongoing supply chain de-risking efforts. As a result, production orders are currently shifting towards alternative manufacturing hubs, including Sri Lanka, India, and Vietnam. This shift presents Teejay with a strategic opportunity to capitalise on new market dynamics, expanding its footprint in these regions and moving closer to needlepoint both geographically and operationally—thereby strengthening its ability to meet the growing demand for reliable and efficient production solutions.

The Harmonised Tariff Schedule of the United States (HTSUS) may also have significant implications for the global fashion industry, particularly in terms of tariffs on cotton and synthetic materials. The Sri Lankan Government, along with industry associations such as the Fabric and Apparel Accessory Manufacturers Association (FAAMA) and the Joint Apparel Association Forum Sri Lanka (JAAF), is working closely with experts to mitigate these challenges. Following productive

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discussions with the US government and key officials, we are confident that favourable terms will be negotiated for Sri Lanka, providing a positive outlook for the country's textile and apparel industry.

Teejay's operations felt the effects of tariff impositions; however, with a well-balanced portfolio diversified between EU and US markets the Group has effectively mitigated and spread out its exposure to risk across key global markets. Additionally, the proposed tariff rates across various regions where Teejay operates present challenges to the Group's cost management and pricing strategy, particularly in the US market. While the current tariff ruling is being challenged in court, Teejay is closely monitoring the situation and proactively adapting its operations and strategies to mitigate potential impacts.

Despite the challenges, Teejay is well-positioned to leverage its strategic flexibility. The Group's ability to efficiently transfer orders across its various manufacturing locations allows it to mitigate risks associated with tariff fluctuations. The Teejay Group, with multiple strategic locations, provides a unique advantage in optimising the supply chain and maintaining a competitive edge in the global market. This adaptability enables Teejay to continue servicing its US clients while also exploring new growth opportunities in different regions.

### **EXPANDING GLOBAL FOOTPRINT WITH STRATEGIC PRECISION**

Teejay has strategically established a strong presence in key global markets, including Egypt, Bangladesh, Indonesia, and India. Our operations in Sri Lanka specialise in cotton, synthetic, and print capabilities, with a dedicated printing

manufacturing facility for greater operational focus. In India, we operate across cotton, synthetic, print, and lace production lines, while Bangladesh serves as a marketing hub to support our regional strategies. This well-positioned geographic footprint is designed to effectively serve both the US and EU markets, ensuring Teejay's ability to meet the evolving demands of customers across diverse regions.

In FY 2024/25, Teejay successfully expanded its operations with new ventures in Egypt and Indonesia, where partner operations have now been fully established. The target of commercialising and operationalising these manufacturing locations has been successfully achieved, further strengthening the Group's global footprint. To ensure the success of these ventures, two dedicated teams have been allocated to oversee and drive operational excellence, ensuring that these new facilities contribute effectively to Teejay's continued growth and market expansion.

Teejay continues to focus on customer diversification as a key strategy for growth. We are actively nurturing relationships with new customers while strengthening ties with existing partners. This approach not only strengthens revenue streams but also reinforces Teejay's reputation as a reliable and adaptable partner, capable of serving a diverse range of markets.

To meet the evolving needs of our customers, Teejay is committed to product diversification and expanding our product capabilities. We are focusing on specialised product lines such as fleece, jacquard, finer gauges, acid printing, and the polo business. This product-focused expansion allows Teejay to offer innovative solutions that cater to diverse market demands, ensuring continued growth and competitive advantage in the textile industry.

### **STRATEGIC OUTLOOK: DRIVING SUSTAINABLE GROWTH**

Teejay is actively continuing its transformational journey with a focused vision for the future. We have implemented a new three-year plan, aimed at driving sustained growth, improving profitability, and fostering stronger, more strategic partnerships with our key customers. This plan emphasises innovation, operational efficiency, and market expansion, positioning the Group to capitalise on emerging opportunities while solidifying its leadership in the global textile industry. Through this strategic roadmap, Teejay is committed to delivering long-term value to all stakeholders.

Teejay is committed to enhancing workforce effectiveness by investing in structured capability building and skills development programmes. These initiatives are designed to equip our employees with the necessary technical expertise and behavioural skills to thrive in a rapidly evolving business environment. By focusing on continuous learning and professional growth, Teejay aims to foster a culture of excellence, and ensure that our workforce is well-prepared to meet future challenges and drive the Company's continued success.

Teejay is dedicated to achieving operational excellence, focusing on cost reduction, efficiency, productivity and better resource utilisation. Strategic initiatives have been implemented to reduce manufacturing waste, optimise utility costs, and improve overall operational efficiency. These efforts not only drive operational improvements but also align with the Group's commitment to sustainable practices ensuring enhanced performance while maintaining environmental and social responsibility.

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Teejay has applied IFRS covering Scope 1, Scope 2, and Scope 3 emissions, as part of our commitment to environmental accountability. Additionally, we have successfully obtained independent assurance for our sustainability reporting for the third consecutive year, further strengthening our ESG framework, transparency, and dedication to responsible business practices.

We are making significant strides towards sustainability, with two key projects aimed at reducing our environmental impact and operational costs. The Group is investing in a 7 MW solar project, with roof renovations already underway, expected to be completed this year. This initiative, with an investment of USD 2.7 Mn., will contribute to reducing energy consumption and furthering our commitment to renewable energy. In parallel, Teejay is also investing on a project: fuel switch to Biomass aimed at reducing operational costs by 25-30%. This initiative, with an investment of USD 2.6 Mn., is expected to reach full stabilisation by April 2026, aligning with our long-term sustainability goals and further improving our operational efficiency. These efforts highlight Teejay's ongoing commitment to reducing its carbon footprint and investing in sustainable business practices.

Teejay continues to demonstrate its commitment to sustainability with outstanding performance in the Higg FEM 2024 assessment, which evaluates environmental and management systems, including energy usage, greenhouse gas (GHG) emissions, water, waste, wastewater, air emissions, and chemical management. All Teejay entities have achieved scores above 90%, with Teejay Lanka leading at 99%, followed by Teejay India at 97%, and TJP at 91%. For the third consecutive year, Teejay has led the industry in sustainable manufacturing, achieving the highest global score recorded for a manufacturing plant. Competing against 18,293

contestants worldwide, this accomplishment underscores Teejay's unwavering commitment to environmental responsibility and operational excellence.

Teejay integrates artificial intelligence (AI)-driven systems, such as CoPilot, to assist team members in their daily tasks, improving decision-making and operational efficiency. These systems run in the background, supporting employees to perform their roles more effectively and accurately. Robotic process automation (RPA) improved accuracy by automating repetitive tasks. This technology allows employees to focus on higher-value tasks, enhancing productivity.

Moreover, Internet of Things (IoT)-based systems such as the Smart Knitting Monitoring System and Utility Monitoring System effectively monitor utility consumption and optimise machine usage. These systems provide real-time data, enabling management to make informed decisions and improve operational efficiency.

By demonstrating exemplary transparency placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations, and adherence to best practices, Teejay Group reinforces its reputation as a responsible corporate entity that prioritises accountability and ethical conduct. Furthermore, we firmly embrace a gender-neutral approach in employee recruitment and promotion, reinforcing our dedication to fairness, diversity, and equal opportunity across the organisation.

The fashion industry faces a period of volatility and uncertainty in 2025, marked by economic slowdowns, increased consumer price sensitivity, intensifying climate change effects, and evolving global trade patterns. Despite these challenges, Teejay is strategically positioned to leverage new opportunities. By embracing agile

adaptation and fostering strategic innovation, the Group is confident in its capability to navigate the changing market landscape and sustain long-term growth.

## ACKNOWLEDGEMENTS

As we step into a landmark year for Teejay, celebrating 25 years of excellence, we reflect on a remarkable journey, from humble beginnings to becoming a leading player in the industry. I have been fortunate to witness this entire journey firsthand, from our very first delivery, through our 2011 listing on the Colombo Stock Exchange as a Public Limited Company, to the acquisitions of Teejay India and Teejay Prints in 2015, and our recent expansion into Egypt and Indonesia in 2024.

This milestone heralds a new chapter for Teejay, characterised by a refreshed identity and a renewed commitment to innovation and sustainable growth. We extend our deepest gratitude to all who have contributed to our success: our esteemed Board of Directors for their visionary leadership, our dedicated Leadership Team for their unwavering guidance, our exceptional employees for their steadfast commitment, our reliable suppliers, and our valued customers. Your continued trust and partnership are the foundation of our achievements, and we look forward to building upon this legacy together in the years ahead.



**Pubudu De Silva**

Group Chief Executive Officer  
5 June 2025