

9 January 2018

Trading Update

The PAS Group Limited (PAS, ASX: PGR) announces today that ongoing subdued consumer sentiment, industry wide traffic headwinds and the elevated promotional environment flagged in our August results announcement have continued. Like For Like store sales in Review and Black Pepper, which were below the prior year for the first 8 weeks of the half, have continued to be below prior year and the prevailing environment has also resulted in delays to wholesale orders in Designworks.

PAS continues to be debt free and forecasts H1 EBITDA to be between \$8.0m-\$8.5m inclusive of \$1.0m of non-recurring costs relating to the on-market takeover offer, strategic consulting costs (further details below) and an unfavourable NZ customs duty ruling.

Business Update

Notwithstanding the difficult trading environment, PAS continues to make progress against a number of strategic initiatives and is excited to announce 2 major new agreements including acquiring the Lonsdale distribution license and a significant supply contract with Coles supermarkets for their Coles Mix program.

- **Lonsdale:** The Lonsdale brand is globally recognised and has a wide appeal in the Australian market. The potential for this brand is significant representing a sizable sales opportunity for the Group. First shipments will be delivered in January and will be rolled out through Target stores nationally.
- **Coles Supermarkets:** In October 17 Designworks won a key tender to design and supply Coles supermarkets with apparel for their women's Mix program. The initial deliveries of this program will commence in July 2018 with the total program expected to deliver \$15-\$20m p.a. in incremental sales across FY19/FY20.

In the online direct to consumer space the Group launched B.O.D by Racheal Finch active wear which demonstrates a new Designworks capability to commercialise collaborations with celebrities and social influencers. The range will be rolled out to key accounts including Myer and others in H2 FY2018.

In December the Australian Everlast website was launched, providing direct access to a broad range of fitness equipment for a brand that has experienced significant growth in the Australian market since it was acquired by Designworks.

These new initiatives and agreements represent a substantial growth opportunity for PAS over the next few years which continue to expand and leverage Designworks' existing capabilities. Beyond this, the pipeline of opportunities for Designworks remains strong with discussions well progressed for a further major sports brand.

The Group's total online sales for the half grew by 25% on the prior corresponding period and now represent 14% of total retail sales. In January Review will launch on both the Amazon Market place and Alibaba Tmall platforms. In H2 FY2018 there are further digital initiatives planned including a relaunch of Review on a new Tier 1 web platform.

International growth in particular in the US is a significant opportunity for JETS and PAS has been working with The Boston Consulting Group on US expansion opportunities and we will update on these initiatives as they progress.

In conclusion, despite the trading environment, PAS remains long term debt free, has a strong balance sheet and continues to evaluate potential strategic opportunities.

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