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For Immediate Distribution

27th February 2015

THE PAS GROUP LIMITED HALF YEAR RESULTS – 31 December 2014

- Total sales \$117.4 million
- Underlying EBITDA at \$8.7 million
- Underlying NPAT at \$3.3 million
- Retail sales up 9.7% to \$69.9 million
- 31 new stores opened during the half taking total to 263 retail sites
- Online sales grew by 76.8%
- Expanded product categories with acquisition of new licensed brands including Everlast, Slazenger and Dunlop footwear and sporting equipment
- New character licences obtained including Hello Kitty
- Cash on hand of \$7.3 million as at 31st December 2014
- Interim Dividend of 1.9 cents per share fully franked

The PAS Group Limited (ASX: PGR) (“PAS”, “the Group” or “the Company”) today reported underlying net profit after tax (NPAT) of \$3.3 million for the half year ended 31st December 2014. This result was in line with the trading update released to the market on 3rd December 2014. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was \$8.7 million.

The statutory net loss after tax of \$34.8m was impacted by a one-off, non-cash significant item relating to the revaluation of the carrying value of the Metalicus goodwill and brand name. The turnaround in the Metalicus business has taken longer than anticipated and as such the Company has written down the goodwill and brand name relating to this business.

The Board declared a fully franked interim dividend of 1.9 cents per share.

Retail sales for the half year increased by 9.7% to \$69.9m primarily due to the successful new store roll out program and growth in online sales. However underlying trading conditions remained challenging through December, impacted by low consumer sentiment and significant discounting in the market prior to Christmas and during the Boxing Day sales. In addition, as outlined at the December trading update, the underlying results for the half were impacted by a number of factors:

- The accelerated reduction in sales of Target private label product, which resulted in Wholesale revenues being significantly below expectations;
- Concession sales of Review and Metalicus being affected by weak womenswear sales at Myer;
- The Metalicus recovery being slower than anticipated; and
- Incremental sales from new Black Pepper stores being impacted by the subdued trading environment. All new stores achieved a positive contribution.

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Management has implemented a range of new actions which will assist the Metalicus turnaround including:

- A revised product range which has resulted in a positive reaction to the Winter 15 and Spring/Summer collections for 2015 with wholesale orders ahead of prior years;
- Enhanced marketing communications and in-store presentation; and
- Leveraging the implementation of the new merchandise planning system.

Eric Morris, Chief Executive Officer of PAS commented:

“The company has delivered underlying earnings in line with the guidance provided in early December and made good progress in implementing key elements of our growth strategy. Sales from the new store roll out program, new sports business, brand licences and characters licences in Designworks along with the revised product range and improvements in Metalicus are expected to drive an overall improved sales performance in the future.”

A summary of the Company's financial performance for the half year ended 31st December on an underlying and a statutory basis is shown below:

\$ million	Statutory H1 FY2014	Statutory H1 FY2015	Underlying H1 FY2015
Revenue from Sales	\$121.7	\$117.4	\$117.4
EBITDA	\$16.3	\$8.7	\$8.7
EBIT	\$13.3	(\$32.6)	\$5.5
NPAT	\$5.0	(\$34.8)	\$3.3

Retail

Retail sales grew from \$63.7 million in H1 FY2014 to \$69.9 million in H1 FY2015, an increase of 9.7%. This increase came from significant growth in online sales, including the successful launch of Black Pepper online, the opening of new stores H1 FY2015 and the impact of stores opened during H2 FY2014. During the period 31 new stores were opened, taking the total number of stores as at 31st December 2014 to 263. Like-for-like retail sales (including Metalicus) decreased by 4.4% and were adversely affected by the performance of Myer Concessions and general retail conditions.

Online sales continued their solid growth increasing 76.8% compared to the prior half year period. Online sales now account for 7.4% of retail sales for the Metalicus and Review brands.

Wholesale

Wholesale sales for the half year reduced from \$57.9 million in H1 FY2014 to \$47.4 million in H1 FY2015, a decrease of 18.1%. As previously outlined the impact on Designworks of the accelerated reduction of sales in Target house branded product and the ongoing impact of the considered strategic shift from wholesale to retail in Black Pepper affected Wholesale sales. Going forward the launch of new brands and licences in H2 FY2015 will drive a significant improvement in the wholesale business and sets the Designworks business up for success into FY2016.

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Dividend

The PAS Board has declared an interim dividend of 1.9 cents per share, fully franked and payable on 10th April 2015 with a record date of 20th March 2015. The dividend represents a payout ratio of c. 79% and is fully funded from available cash flow.

Growth Strategy

New Stores & Store Enhancement

The new store rollout-program is on track. PAS expects to grow its retail presence to 275 stores by 30 June 2015. Of the 44 new stores due to be opened this financial year, 31 are already open and the remaining 13 have been secured or are under negotiation. 31 Retail Stores representing 13.2% of the retail portfolio were refurbished or refreshed during the half.

Online & Digital Growth

Online sales have continued to grow considerably, increasing by 76.8% in H1 FY2015. PAS also launched a new online site for Black Pepper, loyalty gift card online redemptions, customer wishlist, and a successful trial of Click & Collect in Review in the half. Online sales now represent 7.4% of sales in the Review and Metalicus brands and in a short time online has become a top performing Black Pepper store. Over the next 6 months PAS will continue to roll out Click & Collect, implement further enhancements in online store functionality and trial store-to-door fulfilment of online customer orders. A dedicated international online Review store will be launched in Q4 to service the Singapore market.

Loyalty & Targeted customer communication

Loyalty membership across the Group increased by 92,300 members in the half from 261,000 at 31st June 2014 to 353,000 at 31st December 2014. Loyalty sales now represent c.60% of total retail sales. Our growing customer database provides the platform for segmented and targeted customer communication. During H1 FY2015 PAS implemented a new email fulfilment platform and we now have a dedicated in-house capability to design, target and carry out our digital communication strategy. A number of other enhancements are in progress including the development of detailed customer profiles to drive improved digital targeting and transaction based communications.

Product & Brand Extensions

Designworks has successfully trialled a children's apparel range in Toys"R"Us Japan and from Winter 2015 will supply their entire fashion range for infant and toddlerwear for Japan. The business has also developed new customer relationships with Coles and Woolworths for licensed and branded apparel programs that will roll out over the next 12 months.

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Brand Licences

During H1 FY2015 Designworks acquired the rights to distribute Everlast, Slazenger & Dunlop footwear and sporting equipment to complement the recently signed apparel licences. Benefits from these new brand licenses, as well as the launch of Karrimor apparel, footwear and accessories will benefit H2 FY2015 sales and continue to drive growth through FY2016. There continues to be a strong pipeline of new brand licensing opportunities under review.

Character Licences

A number of new character licenses including Hello Kitty have been signed during the half which will contribute to sales H2 FY2015 and FY2016.

Management Changes

The Company announces that Chief Financial Officer, Derrick Krowitz has resigned from The PAS Group and that Matthew Durbin has been appointed Chief Financial and Operations Officer. Matthew has 26 years' experience in the retail sector with senior roles at David Jones across Merchandise, Financial Services, Finance and Strategy.

In addition, Mark Reid has been promoted to General Manager - Finance and Steven Milicevic the Group's General Counsel also now holds the role of Company Secretary.

Mr. Morris concluded:

"Consumer sentiment and trading conditions remain challenging. In this environment the Company remains focused on delivering on our growth strategy, including the new store roll out program, growth in online and digital, the introduction of new brand licences, growth in loyalty, new CRM capability and improvements in operating efficiency. This includes the implementation of a new merchandise planning system to improve inventory control. These initiatives will be well supported by the new management structure.

The PAS Group is in a strong financial position with no debt and strong cash flow and will continue to evaluate potential acquisition opportunities."

-ENDS-

For further information, please contact:

The PAS Group
Mr. Eric Morris
Chief Executive Officer & Managing Director
(03) 9902 5501

Citadel Communications
Mr. Matthew Gregorowski
(02) 9290 3033

Mr. Matthew Durbin
Chief Financial and Operations Officer
(03) 9902 5525