

28th August 2015

- Sales up 3.1% to \$253.2 million (H2 up 9.7% on pcp)
- Underlying EBITDA of \$20.2 million in line with May trading update
- Underlying net profit after tax (NPAT) of \$8.8 million
- Underlying earnings per share of 6.4 cents per share
- Retail sales up 10.4% to \$143.1 million (H2 up 11.1% on pcp)
- 44 new stores opened during the year taking the total to 275 retail sites
- Designworks Sports division experienced strong growth across Everlast, Dunlop and Slazenger
- Acquisition of White Runway completed in July 2015 adding a fast growing online business in the occasion wear and bridal market
- Strong cash generation, cash on hand of \$12.5 million as at 30 June 2015
- Total full year dividends of 5.0 cents per share fully franked, Final Dividend of 3.1 cents per share

The PAS Group Limited (ASX: PGR) (“PAS”, “the Group” or “the Company”) today reported underlying net profit after tax (NPAT) of \$8.8 million for the full year ended 30th June 2015. Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was \$20.2 million. This result was in line with the trading update released to the market on 15th May 2015.

A summary of the Company's financial performance for the full year ended 30th June 2015 on an underlying and a statutory basis is shown below:

\$ million	Underlying FY2014	Underlying FY2015	Statutory FY2014	Statutory FY2015
Revenue from Sales	\$245.5	\$253.2	\$245.5	\$253.2
EBITDA	\$31.7	\$20.2	\$28.6	\$20.2
EBIT	\$25.6	\$13.6	\$22.5	(\$27.1)
NPAT	\$17.2	\$8.8	\$13.0	(\$31.9)

The Statutory net loss after tax of \$31.9 million was impacted by the previously reported one-off, non-cash significant item relating to the revaluation of the carrying value of the Metalicus goodwill and brand name of \$38.1m. In addition in H2 FY2015 the remaining balance of the fixed assets in the Metalicus business of \$2.6m was written down. Performance in Metalicus also impacted the underlying FY2015 EBITDA and remains challenging, with significant focus being applied to the brand. Wholesale performance was impacted in H1 FY2015 by the previously reported Target private label reduction in Designworks.

Segment Performance

Retail

Total retail sales grew by 10.4% to \$143.1 million in FY2015. This increase came from online sales growth, the opening of new stores and the impact of stores opened during H2 FY2014. During the period, 44 new stores were opened taking the total number of stores as at 30 June 2015 to 275 in line with our plan. Like for like retail sales for the year were down 0.9% excluding Metalicus (down 4.1% including Metalicus) and were negatively impacted by the performance of Myer Concessions, some new store cannibalisation of existing stores in Black Pepper and general retail conditions. Online sales continued to grow strongly, increasing 57.1% for the full year.

Wholesale

Wholesale sales for the full year were \$110.1 million, a decline of 5.0%, impacted by the previously reported reduction of sales in Target house branded product and the strategic shift from wholesale to retail in Black Pepper. Wholesale sales recovered strongly in H2 FY2015, up 31.8% on H1 FY2015 to \$62.6 million and up 8.1% on H2 FY2014 driven by strong growth in the new sports and licensed business in Designworks.

Operational Highlights and Growth Strategy

New Stores & Store Enhancement

The new store rollout-program is proceeding to plan. In FY2016 PAS expects to grow its retail presence to 290 sites. The Group plans to open 32 new stores and to close up to 17 stores at lease expiry.

Significant store expansion opportunities exist for Black Pepper, particularly in the Western Australia, South Australia and New Zealand markets where the retail footprint is under-represented. As such PAS expects to open 24 new Black Pepper stores in FY2016.

During FY2015 40 Retail sites were refurbished or refreshed.

Online Growth

Online sales have continued to grow considerably, increasing by 57.1% in FY2015 in addition to the 60.6% growth achieved in FY2014. The Black Pepper online store launched in October 2014 has become one of the brand's top performing stores. During the year PAS launched new online sites for Black Pepper and Yarra Trail and rolled out new online initiatives including the roll out of "Click & Collect" in Review and Metalicus.

In FY2016 PAS plans to roll out "Store-to-Door" and "Floor-to-Door" fulfilment of customer orders, complete a major update to the front end design of the online stores and further enhance the online store functionality including mobile.

Loyalty & Targeted Customer Communication

Loyalty membership across the Group increased to 474,900 members at 30 June 2015 up 213,900 members since June 2014. Loyalty sales now represent 69.0% of total retail sales. Our growing customer database provides the platform for segmented and targeted customer communication.

Wholesale - Designworks

During FY2015 Designworks signed a number of new brands and character licences and will continue to drive growth into FY2016 through new initiatives including the successful babywear and toddler program in Toys”R”US Japan and the roll out in Coles and Woolworths of licensed products, following a successful trial and sell through of the initial programs in H2 FY2015.

In the second half of FY2015 the Everlast and Slazenger launches were successful in driving new sales and broadening the Designworks customer base. The sports equipment and footwear business for these brands, acquired from Pacific Brands during the year, were successfully integrated and contributed to the growth momentum into the second half. In FY2016 the sports division will drive further revenue growth through the continued expansion of the Everlast apparel product range in Kmart, an expanded Slazenger apparel range in Big W, the expansion of Dunlop and Everlast footwear and new equipment ranges in Rebel Sport and other sports specialty stores. Additional sports category licences have been signed for the Slazenger and Dunlop brands which will be phased in during FY2016.

Operating Efficiency Program

The Company successfully implemented a new merchandise planning system which aims to drive incremental sales through improved forward visibility into store and category inventory planning and allocations.

The Group has also completed a comprehensive review of costs and recently commenced a range of actions to drive efficiency improvements in non-customer facing areas.

New Business Acquisition White Runway - whiterunway.com.au

In July 2015 PAS acquired White Runway, an online led occasion-wear business. The business sells ready to wear and made to measure bridal party, mother of the bride and occasion-wear. White Runway offers customers personalised styling and fitting services for the made to measure business and currently operates showrooms in Sydney, Melbourne and a New York pop-up. In FY2015 the business revenue grew to \$2.5 million and provides PAS group an opportunity to expand in the large and growing bridal and occasion segment. PAS sees significant opportunities for growth in White Runway through geographic expansion in Australia and internationally and synergies with our existing business. The purchase price comprises three tranches, the first of which was paid at completion of the transaction from available cash. The subsequent two payments are linked to the performance of White Runway and are payable in FY2017 and FY2019 respectively.

Dividend

The business has continued to generate strong cashflows with a cash balance of \$12.5m at 30 June 2015. The Board has declared a final dividend of 3.1 cents per share, fully franked and payable on 9th October 2015 with a record date of 18th September 2015. The full year dividend of 5.0 cents per share represents a payout ratio of 78%.

Outlook

The Group's growth in FY2016 will be driven by the initiatives outlined above, in particular:

- Retail sales growth from new stores and the annualisation of stores opened in FY2015 along with underlying growth from the Company's online initiatives and store improvement program. White Runway will contribute additional sales in the retail segment; and
- Wholesale sales growth through Designworks in H1 FY2016 at broadly the run rate achieved for H2 FY2015.

Underlying EBITDA is expected to increase broadly in line with sales growth.

Eric Morris, Chief Executive Officer of PAS commented:

"The Company has delivered underlying earnings in line with the guidance provided in May 2015 with significant earnings improvement in the second half. While consumer sentiment and trading conditions remain challenging, sales for the first eight weeks of the year have been in line with expectations with positive like for like sales growth.

PAS remains focused on delivering its growth strategy, which includes the new store rollout program, driving online sales growth and capability, growing our loyalty programs, introducing new brand and character licences, growing the sports division and improving operating efficiency.

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

-ENDS-

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About The PAS Group

The PAS Group operates a portfolio of 23 leading and diverse apparel brands. It serves a broad customer demographic with distribution spanning multiple sales channels including 275 owned stores and department store concessions under its Review, Metalicus and Black Pepper brands, a wholesale business and a rapidly growing online business. Its wholesale business incorporates owned retail brands such as Black Pepper, Metalicus, Yarra Trail and Marco Polo as well as several licensed brands designed and distributed through its Designworks operation including Mooks, Everlast and Slazenger, sold through department stores and discount department stores as well as over 1,000 independent retail outlets. PAS operates a fully integrated supply chain with considerable in-house design capabilities in Australia and established direct sourcing relationships.