



ABN 25 169 477 463

2015 Annual General Meeting

22 October 2015, Melbourne

The PAS Group Limited (ASX:PGR) is pleased to provide a copy of the address to be given by Chairman, Mr Rod Walker, and the address to be given by CEO, Mr Eric Morris, at the Company's Annual General Meeting which will commence at 11am this morning.



The PAS Group Limited (ASX: PGR)

ABN 25 169 477 463

MARKET ANNOUNCEMENT

2015 Annual General Meeting

Chairman and CEO Addresses to Shareholders

1. QUORUM

Good morning ladies and gentlemen and welcome to the second Annual General Meeting of The PAS Group.

My name is Rod Walker and I am your Chairman. It is now 11:00am, the appointed time for the holding of the Meeting and I am advised by the company secretary that the necessary quorum is present.

I therefore have pleasure in declaring this Annual General Meeting of the shareholders of The PAS Group open and I thank you for attending.

Firstly, let me take you through the format of today's meeting. The first item of business will be my address followed by an address from Eric Morris, PAS Group's Chief Executive Officer and Managing Director.

2. CHAIRMAN'S ADDRESS, INTRODUCTION OF BOARD AND MANAGEMENT

Introduction of Board, CF&OO, Company Secretary and Auditor

I would now like to introduce the members of the board.

- Jon Brett – Jon was appointed to the board in May 2014. Jon is Chairman of the Audit and Risk Committee
- Jacquie Naylor – Jacquie also joined the board in May 2014 and is a member of the Nomination and Remuneration Committee
- Dave Fenlon – Dave has been a director of the former PAS Group since April 2013 and is a member of the Audit and Risk Committee
- Eric Morris – has been Managing Director since inception and is also the CEO.

Also joining us are:

- our Chief Financial and Operating Officer Matthew Durbin; and
- our Company Secretary Kwong Yap.

Brad Pollock from the Company's Auditor, Deloitte Touche Tohmatsu, is also present and will be available to answer questions on the audit process at the appropriate time.

Chairman's Address

Introduction

The result in the 2015 financial year was disappointing for the Board, for management and for shareholders alike. Although we did not deliver our prospectus forecast, (for which there were some good reasons), we have made good progress towards achieving our longer-term growth strategy and improving operating efficiencies across the business.

It was a difficult year for many discretionary retailers with an environment characterised by a number of profit downgrades across the sector and generally weaker consumer sentiment following the May 2014 Federal Budget.

Operationally, Target's decision to insource its private label business affected the first-half performance of our wholesale division and the write down of goodwill associated with the Metalicus brand impacted the full year result after a slower than anticipated recovery in that business.

The management team has addressed these issues and has implemented a growth strategy which saw a solid recovery in the underlying performance of the business in the second half. Eric will talk about this in more detail in his address.

Unsolicited Offer

As you will be aware, on 22 September 2015 Australia Brands Investment (ABI), part of Coliseum Capital, announced an unconditional on-market takeover offer to acquire all PAS shares that it or its associates do not already own for \$0.63 cash per share.

As outlined in our target statement earlier this month, your Directors have recommended shareholders reject ABI's offer. After careful consideration we arrived at this unanimous recommendation for four key reasons:

1. ABI's Offer is materially inadequate and does not reflect fair value for your PAS shares;
2. The timing of ABI's Offer is opportunistic and fails to reflect the value of a number of initiatives and growth strategies that are well underway;
3. By accepting ABI's offer or selling your PAS shares on market, you will lose the opportunity to participate in PAS' expected future growth; and
4. By accepting ABI's offer or selling your PAS Shares on market, you will lose the opportunity to receive the benefit of any subsequent higher offer that may arise.

With reference to the last point, your Directors, have a responsibility to shareholders to initiate discussions with other parties with a view to ascertaining their interest in making a competing takeover offer for PAS. While there can be no guarantees these discussions will lead to a superior proposal that your Directors could recommend to PAS Shareholders, if you accept ABI's offer, you will be unable to participate in any alternative superior proposal that may emerge.

Coliseum first became a shareholder in The PAS Group in December 2014 and has progressively increased its interest since then to approximately 19.23%, prior to announcing the offer. The Board believes this reflects their confidence in PAS' underlying business and future prospects, as outlined in their bidder's statement.

PAS has a highly credentialed management team that is well placed to further drive the growth of the PAS business and generate strong future returns from PAS' unique portfolio of brands and assets. The initiatives and growth strategies we have in place are well underway and are expected to underpin PAS' outlook for improved future performance.

Your Directors consider that you will be better off retaining your PAS Shares to reap the benefits of this improved performance rather than exiting your investment in PAS for \$0.63 cash per share.

In addition, when measured on an EV/EBIT multiple for the 2015 financial year the offer is materially below the multiples paid in comparable transactions. It is also significantly below the average premium of 30% to 40% offered by bidders in takeovers of Australian publicly listed companies.

In any event, the PAS Board does not believe that the trading price of PAS shares prior to the announcement of ABI's offer is an appropriate baseline from which to calculate any takeover premium. The lack of an active market has resulted in low liquidity in PAS shares. As a result, the trading price of PAS shares has been susceptible to significant fluctuations on small volumes. Accordingly, the market price of PAS shares prior to the announcement of the offer is not a reliable indicator of value.

PAS shares also offer an attractive dividend yield. Your Board declared a fully franked final dividend of 3.1 cents per share, taking the total fully franked dividend for the year to 5 cents per share, a payout ratio of 78%. Our financial position remains strong; we have no debt and good cash flows.

For all of these reasons, which are outlined in more detail in the target statement, the PAS Group Board urges shareholders to reject ABI's offer.

On behalf of the Board, I thank you for your continued support.

I will now hand over to your Managing Director and Chief Executive Officer, Eric Morris.

3. CHIEF EXECUTIVE'S ADDRESS

Thank you Rod.

Ladies and gentleman,

Today I will run through the highlights of the company's FY2015 Results, provide an overview of operations including looking at our growth plans and how we are addressing some of the challenges we have been facing and then conclude by looking at the outlook for the business.

FY2015 Results

Highlights of the results for the year to 30 June 2015 include:

- Sales were up 3.1% to \$253.2 million, and up 9.7% in H2 on pcp;
- Underlying EBITDA of \$20.2 million was in line with the May trading update;

- Underlying net profit after tax (NPAT) was \$8.8 million and underlying earnings per share were 6.4 cents per share;
- Retail sales increased 10.4% to \$143.1 million, up 11.1% in H2 on pcp;
- Strong 2nd half performance for both Black Pepper & Review;
- Strong cash generation, with cash on hand of \$12.5 million as at 30 June 2015;
- New store roll-out was in line with our plan with 44 new stores opened during the year, taking the total to 275 retail sites;
- Strong growth was achieved in the Designworks Sports division across the Everlast, Dunlop and Slazenger brands;
- Online sales grew 57.1% in addition to the 60.6% growth achieved in FY2014; and
- Strong growth in our loyalty program, with membership up 82% to 474,900 since 30 June 2014, an increase of 213,900.

Operational overview and growth strategy

As referred to by Rod, in addition to the challenging trading environment, as a business we were confronted by some operational issues.

While a key focus of our growth strategy was to transition the Designworks division away from the reliance on Target Private Brand to other brands and brand licensing, their decision to take all of this business in house happened more rapidly than they had previously indicated and that we had anticipated.

As a result we successfully added a number of new brands to the licensing division, including Everlast, Dunlop, Slazenger and Karrimor. We have added several new licenses to our character licensing portfolio including the likes of Hello Kitty and Star Wars. We have also opened new distribution channels with both Toys”R”Us in Japan and Coles.

In the retail division, while the performance of the Metalicus business has been disappointing, we have taken a number of actions to improve the performance of the business.

Our new store roll-out is on track, we plan on opening an additional 32 stores this year and in addition to new stores opened during the year, 40 retail sites have been refurbished or refreshed with another 31 planned for FY2016.

Growth in the Group’s retail business is expected to come from additional new store rollouts, our ongoing refurbishment program, growing the online business and expansion of our successful customer loyalty programs. Growth in online is being driven by the rollout of “Click & Collect” and “Store-to-door” in Review and Metalicus and a new “Floor-to-door” initiative planned for FY2016.

We have carried out a comprehensive review of costs across the business and commenced a program of efficiency improvements in non-customer facing areas.

Acquisitions

In July 2015, we acquired online led bridal and occasion wear business, White Runway which we believe is complementary to and synergistic with our existing business.

We believe there are significant opportunities for growth in White Runway through geographic expansion in Australia and internationally.

Acquisitions remain a key part of our strategy and we continue to review a number of other acquisition opportunities.

Outlook

PAS is well placed to deliver growth in FY16 and future years due to the following key growth drivers:

- Retail sales growth driven by 32 new stores opening, the annualisation of stores opened in FY2015 and underlying growth of the targeted store improvement program and online initiatives;
- Sales in Designworks in the first half of FY2016 are expected to be broadly in line with the run rate achieved in the second half of FY2015; and
- The recently acquired White Runway business is forecast to contribute additional sales to the retail segment.

Despite these key growth drivers, we remain cautious about the remainder of FY2016 given the ongoing subdued level of consumer confidence in Australia.

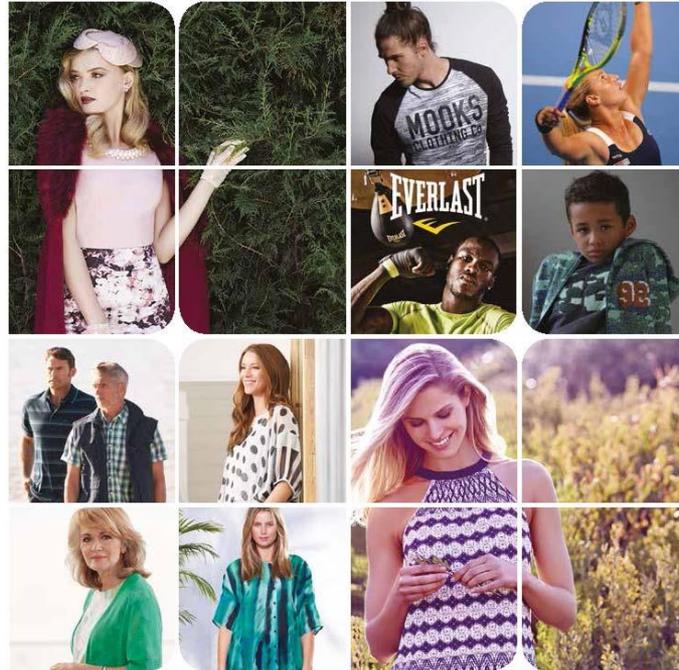
Trading Performance Q1 FY2016

I am pleased to be able to report that for the first quarter of FY2016, sales and EBITDA are ahead of last year and management's expectations. Retail like-for-like sales growth in the quarter was positive (including the continued underperformance in Metalicus) which is a significant improvement from the second half last year.

Thank you to the Board and shareholders for your ongoing support.

I would also like to take this opportunity to thank the management team and all PAS Group staff for their hard work during the year.

I will now hand back to the chair for the formal section of the meeting.



2015 Annual General Meeting

22 October 2015



MEETING AGENDA

- Quorum / open meeting
- Chairman's welcome, introduction of Board members
- CEO's address
- Notice of meeting – taken as read
- Consideration of Financial Report
- Business – Resolutions 1, 2 & 3

Close of meeting



Chairman's Welcome, Introduction of Board Members



CEO's Address

FY2015 AGM - Performance Highlights



- **Sales of \$253.2 million** up 3.1% (H2 up 9.7%)
 - Retail sales up 10.4% (H2 up 11.1%)
 - Wholesale sales down 5.0% (H2 up 8.1%)
 - Online sales up 57.1%
- Underlying **EBITDA of \$20.2 million** in line with trading update of 15th May 2015
- Underlying **NPAT of \$8.8 million** (H2 \$5.5m)
- Underlying **EPS of 6.4 cents** per share (H2 4.0 cents per share)
- **Retail sales** increased **10.4%** to \$143.1 million, up 11.1% in H2 on pcp
- Strong **2nd half** performance for both **Black Pepper & Review**
- Strong cash generation, with **cash on hand of \$12.5 million** as at 30 June 2015
- **New store roll-out** was in line with our plan with **44 new stores** opened during the year, taking the total to 275 retail sites
- **Strong growth** was achieved in the Designworks **Sports division** across the Everlast, Dunlop and Slazenger brands
- **Online sales** grew **57.1%** in addition to the 60.6% growth achieved in FY2014
- Strong growth in our **loyalty program**, with membership **up 82% to 474,900** since 30 June 2014, an increase of 213,900

FY2015 AGM - Operational Overview & Growth Strategy



- **Wholesale**
 - **Successful transition of the Designworks division** away from the reliance on Target Private Brand. Their decision to take all of this business in house happened more rapidly than they had previously indicated and that we had anticipated impacting Designworks result.
 - **Successful addition of new brands to the licensing division**, including Everlast, Dunlop, Slazenger and Karrimor.
 - **New licenses added to our character licensing portfolio** including the likes of Hello Kitty and Star Wars.
 - **New distribution channels** with both Toys”R”Us in Japan and Coles.
- **Retail**
 - While the performance of the **Metalicus** business has been **disappointing**, we have taken a number of actions to improve the performance of the business.
 - Our **new store roll-out program** is **on track**, we plan on **opening an additional 32 stores this year**. In addition to the new stores opened during the year, **40 retail** sites have been **refurbished** or refreshed with an additional **31 planned for FY2016**.
 - **Growth** in the Group’s retail business planned from additional **new store rollouts**, our **ongoing refurbishment** program, growing the **online business** and expansion of our successful customer **loyalty programs**.
 - **Growth in online** is being driven by the rollout of “Click & Collect” and “Store-to-door” in Review and Metalicus and a new “Floor-to-door” initiative planned for FY2016.
- **Completed a comprehensive review of costs** across the business and commenced a program of efficiency improvements in non-customer facing areas.

FY2015 AGM - Acquisitions



- **Acquisition of new sports equipment division** from Pacific Brand in H1 FY2015
- **Acquisition of White Runway business completed in July 2015** adding a fast growing online led business in the occasion wear and bridal party segment. We believe the new business is complementary to and synergistic with our existing business.
- Significant opportunities for **growth in White Runway** through geographic expansion in Australia and internationally.
- **Acquisition remain a key part of our strategy** and we continue to review a number of other acquisition opportunities.

FY2015 AGM - Outlook



- PAS is **well placed to deliver growth in FY16** and future years due to the following key growth drivers:
 - Retail sales growth driven by **32 new stores** opening, the **annualisation of stores opened in FY15** and underlying growth of the **store improvement program** and **online initiatives**;
 - Sales in **Designworks** in the first half of FY16 are expected to be **broadly in line with the run rate** achieved in the second half of FY15; and
 - The recently acquired **White Runway** business is forecast to contribute **additional sales** to the retail segment.
- Despite these key growth drivers, **PAS remains cautious** about the remainder of FY16 given the ongoing **subdued level of consumer confidence** in Australia.
- Trading Performance Q1
 - **Sales and EBITDA** are **ahead of last year and expectations**. **Retail Like for like sales growth** in the quarter was **positive** (including the continued underperformance in Metalicus) which is a **significant improvement in trading** from the second half last year.

Growth Strategy



1 New Store Roll Out

- Expected to grow from current **275 retail sites to 290** by end of FY2016
- New store roll out progressing **in line with plan**

2 Store Enhancement

- Targeted **refurbishments** planned for **31 Retail sites** in FY2016
- Opportunity to create **larger format Black Pepper stores** with **expanded brand portfolio**
- Continued **refresh of concession concepts** through FY2016

3 Product and Brand Extension

- **Annualisation** of H2 FY2015 sales and **organic growth in Designworks sports division**
- **New sports categories** signed with Slazenger and Dunlop brands
- **Growing licensed business** in Designworks with **new customer channels**

4 Licensing Opportunities

- Continue to **leverage alliance** with UK based global brand owner **IBML**
- Continued growth in licensed product sales with **Coles**
- Successful **Toys”R”Us Japan** relationship for infant and toddlerwear continues
- **Strong portfolio of licences** including Hello Kitty, Star Wars, Marvel, Teenage Mutant Ninja Turtles, Fireman Sam and Angelina Ballerina

5 Online Growth

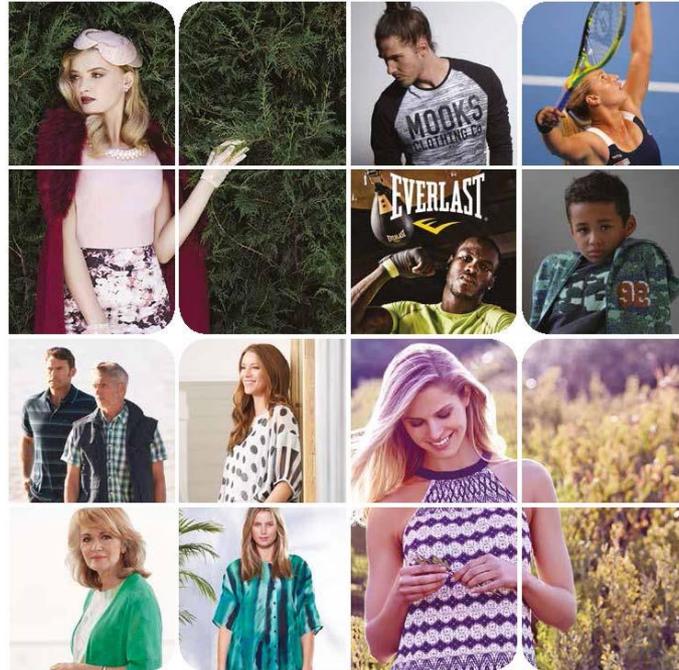
- **“Store-to-Door”** and **“Floor-to-Door”** roll out to all brands planned for FY2016
- **“Drop-Ship” model** being developed to access key retail partners online customer base
- Major **update** of the retail **brands website** user experience including **enhanced mobile** compatibility
- Growth of **White Runway**

6 Loyalty & Communication

- Continued focus on **growing loyalty program** to support **targeted communication**
- **Mobile loyalty app** and in-store emailed receipts for loyalty customers

7 Acquisitions

- **White Runway** online-led occasion-wear business acquired in July 2015
- Continuing to **evaluate** a number of **opportunities**



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