

26 August 2016

## THE PAS GROUP DELIVERS STRONG FY2016 RESULT

**EBITDA<sup>(1)</sup> up 16.6% to \$23.9 million**

**NPAT up 14.3% to \$11.3 million**

### HIGHLIGHTS FOR FY2016<sup>(1)</sup>

\$ million	FY2016	FY2015	Change %
Revenue from Sales	\$269.4	\$224.6	+19.9%
<b>EBITDA</b>	<b>\$23.9</b>	<b>\$20.5</b>	<b>+16.6%</b>
EBIT	\$17.1	\$15.2	+13.0%
<b>NPAT – Continuing Operations</b>	<b>\$11.3</b>	<b>\$9.9</b>	<b>+14.3%</b>
NPAT – Discontinued Operations	(\$0.7)	(\$41.8)	
<b>Reported NPAT<sup>(2)</sup></b>	<b>\$10.6</b>	<b>(\$31.9)</b>	

- Retail sales up 15.4% to \$135.9 million, like for like store sales up 3.7%
- 31 new stores opened during the year
- Online sales grew by 149% and now represent more than 9% of retail sales
- Designworks transition successful, achieving more than \$100 million in sales
- Acquisition of White Runway and JETS Swimwear
- Sale agreement signed for the Metalicus business
- Strong cash generation, cash on hand of \$7.9 million as at 30 June 2016
- Final Dividend of 2.6 cents per share, Total Dividends declared of 5.2 cents per share

### The FY2016 result was driven by:

- Continuation of the strong growth of the Designworks licensed business and sports division;
- Positive like for like retail sales in Review and Black Pepper;
- Positive contribution from new stores; and
- Strong online and Loyalty growth.

(1) The financials exclude the impact of the Metalicus business which is reported as a discontinued operation above

(2) "Reported NPAT" includes the results from the Metalicus business (discontinued operations)

## DIVIDEND

The business continued to generate strong cash flows with a cash balance of \$7.9 million at 30 June 2016. The Board has declared a Final dividend of 2.6 cents per share, fully franked and payable on 7 October 2016 with a record date of 16 September 2016. Total dividends declared for the year were 5.2 cents per share.

## METALICUS SALE

On 28 July 2016 the company announced that it had finalised a sale agreement for its Metalicus business. Completion is on track to be finalised by the end of September 2016. The divestment will allow management to concentrate on core and new growth businesses whilst freeing up working capital. The transaction is not expected to give rise to any material gain or loss on sale in FY2017 and although Metalicus sales in FY2016 were c.\$25 million, the business has been loss making.

## OPERATIONAL HIGHLIGHTS AND GROWTH STRATEGY

### Retail Segment

**Retail sales grew 15.4% to \$135.9 million in FY2016.** This increase came from online sales growth, the opening of new stores and the full year impact of stores opened during FY2015. Like for like retail sales (excluding Metalicus) grew 3.7% with positive growth in both Review and Black Pepper. Online sales grew by 149% in FY2016 over FY2015 and now represent more than 9% of retail sales.

### Retail Highlights for the year included:

- 31 new stores opened taking the total number of stores as at 30th June 2016 to 251 excluding 38 Metalicus stores that will transfer on sale completion;
- The performance of the online business and implementation of several new initiatives which placed us in a leading position in the Australian digital space;
- Targeted refurbishments on 34 stores were completed ensuring our stores remain current with our latest concepts;
- Black Pepper: online sales more than doubled and is now the largest store in the Black Pepper portfolio, expansion into New Zealand where 10 new stores were opened and successful roll out of our larger store concept;

- Review: online sales up 95% on the prior year, first New Zealand store opened and launch of new website and loyalty app; and
- Loyalty membership (excluding Metalicus) grew to 534,000 members at 30 June 2016, an increase of 192,000 members since June 2015. Loyalty sales represent c.72% of total retail sales.

**In FY2017 the key retail growth initiatives include:**

- The opening of a further 11 new stores across the group including the continuation of the successful larger format Black Pepper stores;
- Investment in a new concept and fitout for our Review Myer concession stores which will roll out over the next 18 months;
- The launch of an online collaboration with Myer which enables Myer online customers to access the full Review range;
- Continued investment in online including the launch of new websites for Black Pepper, White Runway and JETS, with increased investment in digital marketing; and
- An upgrade to our loyalty platform to allow us to further target customer segments.

**Wholesale Segment**

**Wholesale sales grew 25.1% to \$133.5 million in FY2016**, driven by strong growth in the Designworks sports and licensed business and new sales from JETS for the 2<sup>nd</sup> half. Wholesale sales in H2 FY2016 continued to grow strongly, up 14.3% on top of the strong Designworks growth of 17.4% in H2 FY2015. In other wholesale, Yarra Trail had a strong year and Black Pepper wholesale was in line with expectations.

**Highlights for FY2016 included:**

- The strong performance from Designworks which has completed the transition from a private brand business to a leading brand and license business;
- Growth in the sports division through Everlast, Dunlop and Slazenger in both the apparel and the sport equipment segment;
- The roll out of Dunlop and Everlast footwear and new equipment ranges;
- The Toys”R”Us Japan business growing ahead of expectations; and

- The design and production of a new licensed product program for a US distributor under the Kardashian Kids brand. This product is being retailed in international department stores including Nordstrom, Hudson Bay, John Lewis and Lane Crawford along with Toys”R”US in the USA.

Designworks continued to expand its design and sourcing capability, positioning it as the brand and license partner of choice in the Australian market. There continues to be a strong pipeline of new brand, license and customer opportunities including further international sales through new distribution agreements, growth in sport and new product categories including workwear, camping and outdoor.

### **New Businesses – JETS Swimwear and White Runway**

Significant progress has been made in integrating the White Runway and JETS businesses acquired during the year and in developing their growth plans. Matt Blashki, a highly experienced retail executive has recently been appointed to the role of Group General Manager – New Business, to drive growth across these businesses and other areas.

White Runway sales grew strongly, up 43.3% on the prior year. During the year 4 new showrooms were opened. Growth in FY2017 will be driven by the new showrooms launched in FY2016, the launch of a new integrated website, increased investment in digital marketing and margin expansion through the growth in their own brand.

JETS sales were in line with expectations. In FY2017 growth in JETS will be driven by the 2 stores opened in FY2016, wholesale expansion and online growth including a new website planned to launch prior to the key summer holiday selling period.

### **Future Growth Plan**

Management are progressing a range of opportunities to drive future growth over the next 3-5 years. These opportunities, which will leverage the strength of the Company’s existing infrastructure and brand portfolio include:

- International expansion of JETS through wholesale and direct online sales;
- Investment in digital marketing and a new top tier web platform commencing with the launch of a new website for JETS in FY2017;
- The launch of a new web platform for White Runway and continuing to explore growth opportunities in the US;

- In Designworks, new license and product expansion opportunities, broadening the customer base and growing international sales;
- Investment in larger format Black Pepper stores; and
- Continuing to explore potential acquisitions and new licensing opportunities.

### **New Board Appointment**

On 22 August PAS appointed Ms Loretta Soffe to the Board as a Non-Executive Director. Ms Soffe has vast experience in the fashion and retail industry with strong skills in digital, social and traditional marketing. Having spent 24 years at US retail giant Nordstrom, latterly as an Executive Vice President, for the past five years she has run her own consultancy advising Fortune 500 companies on multi-channel retailing and consumer brand building strategies. Ms Soffe will also chair a newly established Brand Management and Innovation Committee which will explore new and innovative ways to enhance brand value across the business.

### **Outlook**

Growth in FY2017 will be driven by the initiatives outlined above including:

- Retail sales growth from like for like store sales growth, new stores, the annualisation of stores opened in FY2016 and a continued focus on online growth;
- Product expansion and licensed export sales in Designworks;
- Growth from the new businesses, White Runway and JETS which makes the majority of its EBITDA in H1; and
- The impact of the divestment of Metalicus which ran at a loss in FY2016.

### **Eric Morris, Chief Executive Officer of PAS commented:**

“The Company has delivered a strong full year result with positive like for like retail sales and good earnings growth over the prior year; the result is especially pleasing in light of the challenging trading environment in the second half. The positive like for like sales growth has continued in the first eight weeks of FY2017 in line with expectations.”

“PAS continues to successfully deliver against its growth strategy with several initiatives underway that will underpin this growth over the long term. With no debt and good cash flows, the business is in a strong financial position with the capacity to make further value enhancing acquisitions.”



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For further information, please contact:

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

Citadel-MAGNUS  
Mr Matthew Gregorowski  
(02) 8234 0100

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