ABN 25 169 477 463

2016 Annual General Meeting

17 November 2016, 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

2016 Annual General Meeting

Chairman and CEO Addresses to Shareholders

1. QUORUM

Good morning, I am Rod Walker, Chairman of the Board of Directors of The PAS Group Limited.

Ladies and gentlemen, welcome to the third Annual General Meeting of the PAS Group. It is now 11:00am, the appointed time for the holding of the Meeting and I am advised that the necessary quorum is present.

I therefore have pleasure in declaring this Annual General Meeting open and may I welcome each of our shareholders here today.

If you have a mobile phone, please could you ensure that it is on silent mode or turned off for the duration of the meeting.

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, our Chief Executive Officer and Managing Director.

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

Introduction of Board, CFOO, Company Secretary and Auditor

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

Adam Gray – Adam joined the board in February 2016 and is a member of the Nomination and Remuneration Committee;

Loretta Soffe – Loretta joined the board in August 2016 and chairs the newly established Brand Management and Innovation Committee; and

Eric Morris – has been Managing Director since inception and is also the CEO.

Unfortunately **Matt Lavelle** who is based in New York cannot join us today. Matt joined the board in February 2016 and is a member of the Audit and Risk Committee;

Also joining us are:

- our Chief Financial and Operating Officer Matthew Durbin; and

- our Company Secretary Kwong Yap.

Stephen Roche 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

Despite the difficult year for many discretionary retailers, I am very happy with the progress made by the company in FY 2016 achieving an increase in sales of 19.9%, an increase in EBITDA of 16.6%, and an increase in NPAT of 14.3%. This is as a result of the strong growth strategy implemented by the management team.

Eric will talk about this in more detail in his address.

Future growth opportunities

During the year the company commissioned global consulting firm LEK to work with management to review the group's growth strategy. This 3 month engagement resulted in a number of initiatives across the business which will drive growth over the next few years. The management team are making good progress in implementing these initiatives.

Board changes

Further to the acquisition of additional shareholding by Coliseum from just below 19% to 45.9%%, the Board has undergone several changes this year.

In February, Mr Adam Gray and Mr Matt Lavelle from Coliseum joined the board as non-executive directors, bringing with them deep and relevant experience to PAS. Adam is a co-founder and Managing Partner of Coliseum, and brings extensive investment, operating and board credentials to the Company. He currently serves on the boards of New Flyer Industries, Blue Bird Corporation, Redflex Holdings, Rocket Dog Brands and USI Inc. Matt has substantial investment management experience and is an investment analyst at Coliseum. Adam is also a member of our Nomination and Remuneration Committee while Matt is a member of the Audit and Risk Committee.

Ms Jacquie Naylor and Mr David Fenlon retired as directors at the same time.

In August, Ms Loretta Soffe was appointed to the Board as a non-executive director. Having spent 24 years at US retail giant Nordstrom and having run her own consultancy advising Fortune 500 companies on multi-channel retailing and consumer brand building strategies, Loretta has vast experience in the fashion and retail industry with strong skills in digital, social and traditional marketing. Loretta chairs a newly established Brand Management and Innovation Committee which will explore new and innovative ways to enhance brand value across the business.

As announced earlier this week, Mr Jon Brett retired as non-executive director, chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee. We are well advanced in the process of identifying a suitable replacement.

We thank the retired directors for their professionalism and contribution towards the company's growth during their tenure and welcome the new directors. The new board will serve well in steering the Company through the next phase of growth and are excited about the range of growth opportunities available to the business. The three new directors will stand for re-election later in the proceedings.

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 FY2016 Results and provide an overview of operations including looking at our growth plans and then conclude by looking at the outlook for the business.

FY2016 Results

Highlights of the results for the FY 2016 year included:

- Sales were up 19.9% % to $135.9m with like for like sales up 3.7%;
- EBITDA was up 16.6% to $23.9m and NPAT up 14.3% to $11.3m;
- The successful transition of the Designworks division, achieving more than $100m in sales for the first time;
- The performance of the online business and implementation of several new initiatives which placed us in a leading position in the Australian digital space; Online sales grew by 149% and now represent more than 9% of retail sales;
- 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;
- Two new acquisitions were added to the portfolio this year, JETS and White Runway; neither of the 2 new acquisitions had a material effect on the FY2016 result;
- Strong cash generation, cash on hand of $7.9m as at 30 June 2016; and
- A final fully franked dividend of 2.6 cents per share, with the total dividends declared of 5.2 cents per share for the full year.

Operational highlights and the year ahead

Retail Segment

Retail sales grew 15.4% to $135.9m. 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%.

Retail Highlights for the year included:

- 31 new stores opened taking the total number of stores as at 30th June 2016 to 251 excluding the 38 Metalicus stores that transferred on completion of the Metalicus sale;
- The performance of the online business and implementation of several new initiatives which placed us in a leading position in the Australian digital space;
- Refurbishments of 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 the successful roll out of our larger store concept; and
- Review: online sales were up 95% on the prior year, the first New Zealand store opened and the launch of the new website and loyalty app;

In FY2017 the key retail growth initiatives include:

- The opening of a further 11 new stores across the group;
- 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 online;
- 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 $133.5m. The result was driven by strong growth in the Designworks sports and licensed business. Wholesale sales in H2 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 focus 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.

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.

Divestment of Metalicus

The company successfully divested its Metalicus business. Completion occurred on 30 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.$25m, the business had been loss making leading up to the divestment.

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.

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 brands.

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 in January 2017. There are further plans to expand JETS internationally once the core infrastructure is in place to do so.

Dividend

The business continued to generate strong cash flows with a cash balance of $7.9m at 30 June 2016. The Board has declared a final fully franked dividend of 2.6 cents per share. Total dividends declared for the year were 5.2 cents per share.

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 across the group 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;
- In Designworks, new license and product expansion opportunities, broadening the customer base and growing international sales; and
- Continuing to evaluate potential acquisitions and new licensing opportunities.

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

Conclusion

In summary, 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.

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.

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.