



24 February 2017

**THE PAS GROUP LIMITED H1 2017 RESULTS<sup>1</sup>**

The PAS Group Limited (“PAS”, “The Group” or “The Company”) today reported sales for the half year ended 31 December 2016 of \$135.7 million (up 4.6%).

Retail sales grew 7.3% to \$71.9 million driven by new stores opened during the period, the full year impact of stores opened during FY2016 and 39% growth in online sales. Like-for-like sales across the retail business were flat.

Wholesale sales were \$63.7 million (up 1.6%) driven by growth in JETS swimwear and the Designworks Sports Division, however the Designworks licensed business was impacted by delayed orders from some key department store customers.

Investment in retail infrastructure, new stores opened in FY2016 and during the first half of FY2017, and investment in JETS growth resulted in an incremental increase in costs. EBITDA from the continuing business was \$11.6 million, down 5.1% on the first half of FY2016. With the higher corresponding depreciation charge, NPAT from the continuing business was \$5.4 million.

Eric Morris, Chief Executive Officer of PAS commented: “Trading conditions in the first half were very challenging with a late start to spring and summer, significant promotional activity across the industry, weaker department store sales and overall subdued consumer confidence. Considering the environment the group showed solid progress serving our existing customer base and reaching new shoppers demonstrated by continued expansion of our loyalty program across all brands and strong online sales growth in the first half of the year.”

The business continued to generate strong cash flows with a cash balance of \$10.2 million at 31 December 2016. The Board has declared an interim dividend of 2.6 cents per share in line with H1 FY2016, fully franked and payable on 7 April 2017 with a record date of 17 March 2017.

A summary of the company’s financial performance for the half year ended 31 December 2016 is shown below:

<b>\$ million</b>	<b>H1 FY2017</b>	<b>H1 FY2016</b>
Revenue from Sales	\$135.7	\$129.7
<b>EBITDA</b>	<b>\$11.6</b>	<b>\$12.2</b>
<b>NPAT - Continuing</b>	<b>\$5.4</b>	<b>\$6.1</b>
<b>NPAT – Total Business</b>	<b>\$4.8</b>	<b>\$5.0</b>

(1) The financials in this release are reported on a continuing business basis in accordance with the accounting standards.

## **OPERATIONAL HIGHLIGHTS**

### **Retail Segment**

- Continued growth in online, up 39% in H1 and now represents 11.2% of sales, including new websites for Black Pepper and White Runway. This was on top of the 149% growth achieved in FY2016;
- 9 new stores opened during the half taking the total number of stores to 257 including a new larger format Black Pepper concept store in Miranda (NSW) and a new Review concept store in Chadstone (VIC), with both stores trading ahead of expectations;
- Targeted investment in the refurbishment of 30 stores ensuring they remain current with our latest concepts;
- Loyalty membership grew to 652,000 members, an increase of 118,000 members since 30 June 2016. Loyalty sales represent c.75% of total retail sales;
- Growth in JETS in its first full Summer season with the group and upgrade of its e-commerce platform; and
- The retail business finished the half with clean inventory levels which did not necessitate an extreme late season clearance.

### **Wholesale Segment**

- Continued strong growth in the Designworks Sports equipment and Footwear Division and the Toys"R"Us Japan business;
- In other Wholesale, Yarra Trail had a strong half and Black Pepper was in line with expectations with the continued shift from Wholesale to Retail; and
- Strong pipeline of new brand, license and customer opportunities in Designworks including new sales opportunities with Target as they implement their new strategy.

### **Metalicus Sale**

On 30 September 2016 the company completed the sale of its Metalicus business. Whilst there was no material gain or loss on the sale, it released c.\$3.0m of working capital.

## JETS

JETS sales were up on H1 FY2016 and in line with expectations. The new Noosa store has now been trading for 12 months and has performed well. International wholesale growth in the US has been encouraging. In January we launched a new world class e-commerce platform for our JETS business including dedicated sights in both the UK and USA. Significant progress has been made transforming production and the supply chain which will allow for improved in-stocks in basic styles and in season wholesale customer reorders.

## Outlook

Growth in H2 FY2017 will be driven by:

- Retail sales growth from new stores, the annualisation of stores opened in FY2016 and the ongoing store refurbishment program;
- A continued focus on growing online sales and loyalty programs;
- New sales from Target and continued growth in the Sports Division in Designworks; and
- Growth from JETS online, retail and international wholesale.

Eric Morris concluded: “While trading conditions remain challenging, we are maintaining tight control of our stock levels to reduce the level of discounting and protect our margins. Meanwhile we continue to successfully deliver against our growth strategy with several initiatives underway that will underpin our revenue growth over the long term. With no debt and healthy cash flows, the business is in a strong financial position with the capacity to make further value enhancing organic and acquisition led investments.”

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