

**FOR IMMEDIATE RELEASE - ASX ANNOUNCEMENT**

28 February 2017

**SurfStitch Group Limited  
Results for the Half-Year to 31 December 2016**

**SurfStitch Group Delivers on Stabilisation and Refocus Initiatives**

**Sydney, Australia** - SurfStitch Group Limited [ASX:SRF] (“SurfStitch”, the “Company”, together with its subsidiaries, the “Group”) today announced the financial results for the six months ended 31 December 2016. All figures are quoted in Australian dollars unless otherwise stated.

The Group today reported a loss from continuing operations of \$5.6m, an \$8.0m improvement to the prior corresponding period (pcp)<sup>1</sup> loss of \$13.6m.

Revenue was 13.1% below the pcp (4.3% down in constant currency) attributed to both the +20% appreciation of the AUD to GBP and a decline in sales in the North American market.

Cash on hand of \$33m was ahead of expectations, up from \$21.4m at 30 June 2016, underpinned by a \$12.2m reduction in gross underlying inventory and \$10m received on the completion of the sale of SHI on 16 December 2016 (a further \$6m from the sale of SHI will be received at 30 June 2017).

Cost of doing business declined with a \$4.8m reduction in opex and capex spend over the pcp, with an acceleration in savings expected to be delivered into H2 FY17.

*UNDERLYING GROUP RESULT, CONTINUING OPERATIONS (\$M)*

	<b>1H FY17<sup>(i),(ii)</sup></b>	<b>1H FY16 Restated Constant Currency<sup>(i),(iii),(iv)</sup></b>	<b>1H FY16 Restated<sup>(i),(iii)</sup></b>
Revenue	\$106.3	\$111.1	\$122.4
Gross profit	\$47.6	\$44.1	\$48.5
<i>Margin</i>	<i>44.8%</i>	<i>39.7%</i>	<i>39.7%</i>
EBITDA	(\$1.3)	(\$6.1)	(\$6.5)
PBT	(\$3.6)	(\$11.4)	(\$12.2)
NPAT	(\$1.5)	(\$8.5)	(\$8.9)
Cash & equivalents	\$33.0	n/a	\$61.2

<sup>(i)</sup> Underlying result excludes one-time, non-recurring items, share based payments and SHI.

<sup>(ii)</sup> Gross profit includes a \$3.6m impairment provision release benefit.

<sup>(iii)</sup> Based on restated statutory P&L. Garage represents partial year numbers.

<sup>(iv)</sup> GBP:AUD FX rate declined by ~20%, from 2.0673x in 1H FY16 to 1.6952x in 1H FY17.

Chief Executive Officer Mike Sonand said, “The teams in each of our businesses across the Group have worked very hard to deliver on the immediate objectives which we set ourselves at the beginning of the financial year; to stabilise and refocus the business. It is pleasing to see that their commitment

<sup>1</sup> The Company restated comparative information in the Group's interim statement of profit and loss to reflect the derecognition of revenue and its income tax impact in respect to a series of agreements that are now before the courts. Refer to Note 16 in the Appendix 4D for additional information. In addition, both current and comparative financial profit and loss statements reflect Surf Hardware International (“SHI”) as discontinued operations, following its sale on 16 December 2016. Unless otherwise indicated, all 1H FY16 figures are based on restated numbers.

and efforts are paying off by delivering meaningful improvements in performance. The important thing is that we are building a solid foundation on which to operate our global business”.

“We have made good progress in containing fixed and variable costs. We do also understand that to improve sales and margins we must appropriately resource the right areas of our business. That means prudently investing in both our business intelligence and data analytic capabilities, as well as building our vertical product team. These initiatives will drive future sales and margins and therefore profitability’ Mr Sonand added.

## **Outlook**

SurfStitch Group experienced trading headwinds in the last few weeks of December and into January and February, similar to other retailers. Accordingly, we are revising our underlying EBITDA loss forecast from the previous range of (\$4.0m) – (\$5.0m) to an underlying EBITDA loss forecast range of (\$5.0m) – (\$6.5m). Cost control initiatives have mitigated some of the impact of these difficult trading conditions and will continue to be carefully managed to deliver on underlying EBITDA closer to the lower end of the updated forecast range.

## **Webcast and Teleconference**

SurfStitch will host a webcast and teleconference at 10:00AM (AEDT) on 28 February 2016. This can be accessed at <http://webcast.openbriefing.com/3308/>. The link can also be used to access a recording of the teleconference later in the day.

ENDS

## **Media and Investor Relations**

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