



ASX and Media Release – Friday 25 August, 2017

Gazal FY2017 after-tax profit up 15.3%

- Net profit after tax from continuing operations increased 15.3% to \$10.4m
- Share of profit from the PVH Brands Australia joint venture ("PVHBA" or "JV") increased 32.8% to \$6.9m
- EPS from continuing operations increased 15.4% to 18.0 cents per share
- Final dividend up 14% to 8 cps fully franked, totaling 14 cps fully franked for the year

REVIEW AND RESULTS OF OPERATIONS

Continuing Operations

Sales revenue in PVHBA increased by 9.7% to \$198.2 million for the year ended 30 June 2017. PVHBA after tax profit increased by 32.8% to \$13.9 million from \$10.2 million last year. Gazal's share of the PVHBA profit after tax was \$6.9 million compared to \$5.1 million for last year.

The sales and profit growth in PVHBA was driven by the continuing development of new product categories across *CALVIN KLEIN* and *TOMMY HILFIGER* with our key wholesale trading partners Myer and David Jones, the ongoing development of our retail channel including strong like-for-like stores sales growth of +12.9%, and 17 net new stores since 30 June 2016 (including 11 concession stores in Myer). The additional stores include a world first opening of the new *TOMMY HILFIGER* design concept in the extension of Chadstone Shopping Centre in Melbourne.

Workwear sales improved in the second half of the financial year mainly due to increased sales of Bisley's fire retardant garments and a good 'in-stock' position of basic replenishment stock items. Whilst sales increased by 4.2% to \$62.1 million, gross margins were impacted by lower Australian dollar exchange rate contracts compared to last year.

Despite this, the higher share of profit from PVHBA combined with higher fees from the joint venture, increased Gazal's net profit after tax from continuing operations by 15.3% to \$10.4 million.

Net Debt Position

During the period, a second special dividend of 35 cents per share (\$20.4 million) was paid in October 2016 following the sale of the Trade Secret business. Additionally, the capital gains tax on the profit on sale of Trade Secret of \$13.2 million was paid in December 2016.

The timing of these two non-recurring items has resulted in the Company's net debt increasing to \$22.8 million as at 30 June 2017. This compares to a net cash position of \$11.6 million as at 30 June 2016 with no debt.

At 30 June 2017, PVHBA had a net cash position of \$6.6 million with \$2.0 million of borrowings.

Banksmeadow Property

In June 2017, CBRE were commissioned to undertake an independent valuation of the Banksmeadow warehouse and office property. This valuation ascribed a value to the property of \$56.0 million (including \$2.2 million of plant), up from the \$47.5 million book value last year (which included \$1.8 million of plant). The directors have adopted the new valuation in the balance sheet as at 30 June 2017.

Final Dividend

On 23 August 2017 the directors resolved to pay a final dividend of 8 cents per share fully franked, up from last year's final dividend of 7 cents per share fully franked. Taking into account the interim dividend of 6 cents per share, total ordinary dividends for the year total 14 cents per share fully franked. The record date for determining the shareholders' entitlement to the final dividend is 15 September 2017 and the final dividend is payable on 3 October 2017.

Post Balance Date Events

Substantial shareholder in OrotonGroup Limited ("Oroton")

On 10 July 2017, Gazal lodged a substantial holder notice with Oroton confirming it had acquired a 7.35% shareholding at \$1.00 per share for a total investment of \$3.1 million.

Gazal notes the strategic process announced by Oroton on 20 June 2017. Gazal has no proposal to put to Oroton but may consider opportunities arising from the strategic process as well as other opportunities as they arise.

Sale of Bisley Workwear

Gazal announced today that it has entered into a conditional agreement to sell its Bisley Workwear business and related assets for \$35 million to DG Holdco Pty Ltd, a company owned by Mr David Gazal.

Associated with the deal, it is proposed that the Company buy back 9.2 million shares owned by Mr David Gazal at \$2.50 per share. As Mr David Gazal is a related party, the transactions are subject to an independent expert's report and ultimately shareholders' approval.

For further details, please refer to the separate ASX announcement and media release.

Change in financial year-end

Gazal's financial year currently commences on 1 July and ends on 30 June. Gazal's JV partner, PVH Corp. listed on the NYSE, however, has a 52-week year financial calendar ending on or around 31 January.

To align itself closer with its JV partner and to the retail industry calendar generally, today Gazal's Board of Directors has resolved to change the Company's financial year end date from 30 June to a 52-week year ending around 31 January each year.

In order to transition to a 52-week period, Gazal will initially have a 31-week transitional financial year beginning on 1 July 2017 and ending on 3 February 2018. Thereafter, the Company will revert to a 52-week financial year. The next full financial year will commence on 4 February 2018 and end on 2 February 2019.

In respect of the transitional financial year, Gazal will lodge an annual report by 31 May 2018 and hold an annual general meeting by 30 June 2018. The date of this annual general meeting will be determined and advised to shareholders in due course.

Outlook for the 31-week period to 3 February 2018

In line with the trends seen in the second half of the financial year, the sales momentum of PVHBA has continued in July and into August and, subject to no adverse conditions, is likely to continue for the period.

As we continue toward the important summer trading period, the Directors will be in a better position to update shareholders on earnings guidance for the 31-week reporting period at the Annual General Meeting of Shareholders in November 2017.

About Gazal

Based in Sydney and listed on the Australian Securities Exchange, Gazal is a leading apparel supplier and retailer in Australasia. The Company jointly owns and manages PVH Brands Australia Pty Limited, a joint venture company ("the JV") with PVH Corp. (NYSE: PVH) one of the largest branded lifestyle apparel companies in the world. The JV licenses and operates PVH Corp's iconic lifestyle apparel brands led by *CALVIN KLEIN* and *TOMMY HILFINGER* as well as other licensed and JV owned brand names such as *Van Heusen*, *Pierre Cardin*, *Bracks*, *Nancy Ganz*, *Spanx* and *HoldmeTight*. In addition, Gazal owns and operates the *Bisley Workwear* brand.

Important Notice and Disclaimer

Gazal advises that the information in this ASX and Media Release contains general information about the Company's activities as at the date of this Release. It is information given in summary form and is based on information available to the Company that has not been independently verified.

The information in this Release contains forward looking statements which may be subject to uncertainties outside the Company's control and therefore no representation or warranty, express or implied, is made or given as to the accuracy, reliability or completeness of the information, opinions and conclusions expressed.

The Company disclaims any obligation or undertaking to disseminate updates or revisions to any forward-looking statements in this document to reflect any change in expectations in relation to forward looking statements or any change in events, conditions or circumstances on which such statement is based.

This ASX and Media Release should not be relied upon as a recommendation or forecast by the Company.

This document should be read in conjunction with the FY2017 Appendix 4E.