OROTONGROUP

31 August 2017

Earnings Update

OrotonGroup Limited [ASX:ORL] today announced the following update:

FY17 Results and GAP Exit Update
As OrotonGroup has now concluded FY17 trading it confirms underlying FY17 EBITDA[1,2,3] at the high-end of the previous guidance range of $2m-$3m. This is after taking account of an underlying EBITDA loss of approximately $2.6m attributed to the Gap business, which is due to close by 31st January 2018. As previously announced this underlying Group EBITDA excludes various non-core costs related primarily to the acquisition of the Daily Edited, Leadership transition and Strategic Review which total approximately $1.3m.

The financial impact of the closure of the Gap business on the FY17 results is currently being determined and is excluded from underlying EBITDA. At this time additional non-core costs are estimated at approximately $5m[4] including a non-cash impairment of Gap assets for ~$3.3m and other Gap related exit costs of ~$1.7m. These costs do not include any Gap lease exit costs which are subject to ongoing commercial discussions with lessors.

OrotonGroup is reviewing the carrying value of all assets as part of its year end procedures and the ongoing Strategic Review, and anticipates it will recognise a non-cash impairment charge relating to some Oroton store assets.

OrotonGroup's net debt at FY17 year-end is approximately $5.4m[5] relative to previously announced guidance of approximately $6m[5].

The above estimates exclude any related tax effect and are subject to audit.

FY18 Trading and ongoing Strategic Review
OrotonGroup has experienced positive trading in the first 4 weeks of FY18. Across the Oroton business like for like sales improved against the first 4 weeks of FY17.

OrotonGroup is expected to incur further non-core costs in FY18 including advisory fees from the ongoing Strategic Review, a facility amendment fee of $1.5m payable to Westpac and costs related to the closure of the Gap business including fees, staff redundancy costs and operating losses.

The developments previously announced relating to the end of the Gap franchise and the extension of Westpac financing, enable the Group to work through the closure of the Gap franchise stores and focus resources on the strategy for the core Oroton brand in the future. As part of the Strategic Review the Group is assessing options to maximise value for the Company and its stakeholders which may include sale, recapitalisation or refinancing of debt facilities. For further information on the Westpac facility, Strategic Review and Gap Franchise exit, refer announcements dated 1 and 4 August 2017.

(1) Earnings before interest, tax, depreciation, amortisation and impairment
(2) Includes Oroton and GAP on an underlying basis
(3) Underlying EBITDA[(1)] excludes non core costs primarily associated with the acquisition of the Daily Edited, leadership transition, the Strategic Review, and exit of GAP franchise
(4) Gap exit costs relate to stock provisions, surplus hedges valued at mark to market, advisory fees and impairment of store and other assets
(5) Excluding letters of credit and guarantees of ~$7.5m

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