



ASX and Media Release – Wednesday 21 March 2018

---

## Gazal announces profit increase in line with previous guidance.

### Highlights for the 7 month period ended 3 February 2018

- Net profit before tax (NPBT) from continuing operations<sup>1</sup> increased to \$5.7m, up 23% on pcp<sup>2</sup>
- NPBT excluding impairment of the Oroton investment<sup>3</sup> increased to \$8.8m, up 91% on pcp
- Net profit after tax increased to \$5.4m, up 21% on pcp.
- Continued momentum of the *CALVIN KLEIN* and *TOMMY HILFINGER* businesses driving PVH Brands Australia joint venture (JV) total revenues to \$144.7m, up 22% on pcp
- Final dividend of 8 cps fully franked, compares to 6 cps fully franked paid in April 2017
- Revaluation of Banksmeadow property increased to \$60.5m, up from \$56.0m at June 2017
- Divestment of Bisley Workwear and the associated share buy-back completed in December 2017

1. Net profit before tax from continuing operations has been restated to exclude results from Bisley Workwear. The sale of Bisley Workwear was completed in December 2017 and therefore has been treated as a discontinued operation in these results.
2. Pcp refers to the previous corresponding period's unaudited results for the 7 months period ending 31 January 2017.
3. Impairment of investment refers to the one-off write down of the Oroton investment pre-tax (\$3.1m).

### REVIEW AND RESULTS OF OPERATIONS

#### Background

The reporting period covered by the accompanying Preliminary Final Report (Appendix 4E) by Gazal Corporation Limited (Gazal) relates to the 7-month period ended 3 February 2018. The shorter financial reporting period bridges the change in financial reporting periods as Gazal moves to align itself closer with its JV partner PVH Corp. and to the retail industry calendar generally. Future financial periods will be for a 52-week period ending on (or around) the end of January each year.

All comparatives referred to in this ASX and Media release are against the previous corresponding period's unaudited results for the 7 months period ending 31 January 2017 (pcp).

#### Continuing Operations

Sales in PVH Brands Australia ("PVHBA") increased by 22% to \$144.7m for the 7 month period ended 3 February 2018. PVHBA after tax profit increased by 47% to \$13.9m. Gazal's share of the PVHBA profit after tax was \$6.9m compared to \$4.7m for the pcp.

The sales and profit growth in PVHBA was driven by the continuing development of new product categories across *CALVIN KLEIN* and *TOMMY HILFINGER* and the ongoing development of our retail channels.

EBITDA margin improved during this period based on a sales mix improvement from accelerated retail growth and overall costs being well contained.

#### PVHBA Joint Venture Results Summary

	7 months to 3 February 2018	7 months to 31 January 2017	Variance %
Revenue	144,659	118,218	+22%
EBITDA	23,939	16,545	+45%
<b>EBITDA margin %</b>	<b>17%</b>	<b>14%</b>	

Corporate Services and Property Services including fee revenue and other income delivered a positive return of \$2.4m (\$0.2m in the pcip).

Overall, profit before tax from continuing operations before impairment, increased to \$8.8m, up 91% on the pcip.

#### Gazal Results Summary

	7 months to 3 February 2018	7 months to 31 January 2017	Variance %
Profit before tax from continuing operations before impairment	8,829	4,628	+91%
Impairment of investment	(3,121)	-	
<b>Profit before tax from continuing operations</b>	<b>5,708</b>	<b>4,628</b>	<b>+23%</b>
Tax expense	(278)	(144)	
<b>Profit after tax from continuing operations</b>	<b>5,430</b>	<b>4,484</b>	<b>+21%</b>
Profit after tax from discontinued operations	5,938	2,381	+149%
<b>Net profit for the period</b>	<b>11,368</b>	<b>6,865</b>	<b>+66%</b>

#### Net Debt Position

At 3 February 2018, PVHBA had a net cash position of \$9.0 million (30 June 2017 - \$6.6m).

At 3 February 2018, Gazal had a net debt position of \$18.5m (30 June 2017 - \$22.8m).

### **Banksmeadow Property**

In January 2018, CBRE were commissioned to undertake an independent valuation of the Banksmeadow warehouse and office property. This valuation ascribed a value to the property of \$60.5 million (including \$2.4 million of plant), up from the \$56.0 million value last year (which included \$2.2 million of plant). The directors have adopted the new valuation in the balance sheet as at 3 February 2018.

### **Impairment of investment in Oroton**

On 6 July 2017, Gazal purchased \$3.1m Oroton shares. At the time of the purchase, Oroton was an ASX listed retailer and wholesaler specialising in leather handbags and accessories.

On 30 November 2017, Oroton announced that the directors had appointed administrators and was suspended from the ASX. Although the shareholding remains valid and Gazal reserves the right to take recovery action, the Directors believe that Gazal should fully provide against the value of the investment.

After allowing for the provision against the Oroton investment, Gazal net profit before tax results for the 7 months improved to \$5.7m, a 23% improvement on the pc.p.

### **Discontinued operations**

On 29 December 2017, Gazal announced that it had completed the sale of its Bisley Workwear business to a company controlled by Mr David Gazal. Associated with the deal, the Company completed a share buy-back of 9.8 million shares, in which a relevant interest was held by Mr David Gazal. The share buy-back was based on a consideration of \$2.50 per share.

The results of the Bisley operations are therefore disclosed as discontinued operations for the 7 month period ended 3 February 2018.

Initial proceeds from the sale of Bisley Workwear were \$35.0m. After deducting the carrying amount of assets, deal costs and tax, the net profit after tax was \$5.1m.

### **Final Dividend**

On 21 March 2018 the directors resolved to pay a final dividend of 8 cents per share fully franked, in line with last year's dividend paid in April of 6 cents per share fully franked. The record date for determining the shareholders' entitlement to the final dividend is 18 April 2018 and the final dividend is payable on 4 May 2018.

## Outlook

The Gazal restructuring and recent divestment plans are now complete. As planned, the forward strategy will focus on the continued growth of the PVHBA joint venture, particularly the *TOMMY HILFIGER* and *CALVIN KLEIN* brands. Overall, the share of profits from the PVHBA joint venture is likely to increase, driven by improvements in the retail offerings of *CALVIN KLEIN*, *TOMMY HILFIGER* and Van Heusen.

Retail sales are likely to increase in line with the continued expansion of categories, new store openings and the expansion of existing stores. In line with the trends seen in the last 7 months, the sales momentum of PVHBA has been maintained in February and March and, subject to no adverse developments, the directors consider that it is likely to continue for the period.

The directors are anticipating only modest like-for-like growth in the wholesale channel.

## 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's iconic lifestyle apparel brands led by *CALVIN KLEIN* and *TOMMY HILFIGER* as well as other licensed and JV owned brand names such as *Van Heusen*, *Pierre Cardin*, *Bracks* and *Nancy Ganz*.

## 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 are subject to risks and 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.*

*Subject to ASX continuous disclosure obligations, 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 statements are based.*

*This ASX and Media Release is not and should not be relied upon as a recommendation by the Company or any offer or invitation to subscribe for, purchase or otherwise deal in any shares in Gazal.*

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