



ASX and Media Release – Friday 28 September 2018

Gazal announces 1H 2018 strong profit increase

Highlights

- Continued momentum of the *CALVIN KLEIN* and *TOMMY HILFINGER* businesses driving PVH Brands Australia joint venture (JV) total revenues to \$128.5m, up 34% on pcp
- Strong LFL JV store sales growth of +31% on prior half year
- 7 new JV stores opened in 1H 2018 taking total stores to 71 at half year end
- Net profit after tax from continuing operations increased to \$4.9m, up 99.9% on pcp
- Revaluation of Banksmeadow property, increased to \$73.3m
- Interim dividend of 10 cps fully franked. Payment date extended to 14th December 2018

REVIEW AND RESULTS OF OPERATIONS

Background

The reporting period covered by this report by Gazal Corporation Limited (Gazal) relates to the half year ended 4 August 2018. All comparatives referred to in this report are against the previous corresponding period's results for the 6 months period ended 31 July 2017 and have been reviewed by the auditors (referred to as "previous comparable period" or "pcp") unless otherwise stated.

Continuing Operations

Gazal's Net Profit after tax from continuing operations rose to \$4.9m, an increase of 99% on the previous comparable period. This was driven by a strong result in the share of profit from the PVH Brands Australia joint venture ("PVHBA" or "JV") of \$4.1m, an increase of 71% on the pcp.

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

The tax gain recognised in the accounts of \$1.0m is largely driven by the crystallisation of losses incurred on the disposal of Oroton shares during the first half.

Gazal Results Summary

	6 months ended 4 August 2018 \$m	6 months ended 31 July 2017 \$m	Variance %
Profit before tax from continuing operations	3,930	2,259	74.0%
Tax benefit	1,002	208	381.7%
Profit after tax from continuing operations	4,932	2,467	99.9%

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Sales in PVHBA increased by 34% to \$128.5m for the half-year ended 4 August 2018. PVHBA after tax profit increased by 71% to \$8.3m. Gazal's share of the PVHBA profit after tax was \$4.2m compared to \$2.4m 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 the retail channels.

EBITDA margins 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

	6 months ended 4 August 2018 \$m	6 months ended 31 July 2017 \$m	Variance %
Revenue	128.5	95.9	+34.0%
EBITDA	15.8	10.4	+51.8%
EBITDA margin %	12.3%	10.8%	

Net Debt Position

At 4 August 2018, PVHBA's net debt position increased to \$11.9m (3 February 2018 – net cash position \$9.0m) in line the JV's growth and seasonal inventory investment in readiness for the important upcoming summer and Christmas trading periods.

At 4 August 2018, Gazal's net debt position increased to \$27.6m (3 February 2018 - \$18.5m), mainly as a result of the on-market buy-back of 4,186,384 shares for a total consideration of \$10.5m which was at an average price of \$2.50 per share.

Banksmeadow Property

In September 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 \$73.3m. The directors have adopted the new valuation in the balance sheet as at 4 August 2018.

Interim Dividend

On 28 September 2018 the directors resolved to pay an interim dividend of 10 cents per share fully franked. This is a 25% increase on the dividend paid for the pcp. The record date for determining the shareholders' entitlement to the interim dividend is 30 November 2018 and the interim dividend is payable on 14 December 2018.

The payment date of this dividend has been extended to December based on the new fiscal balance dates and the optimum working capital cycles and resulting dividend flows of the JV.

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Outlook

In line with the trends seen in the past 6 months, the sales momentum of PVHBA has been maintained in first 2 months of the 2nd half year of 2018 and subject to no adverse developments, the directors consider that it is likely to continue for the remainder of the financial year.

For media enquires please contact Tim Allerton at City Public Relations on 0412 715 707.

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 HILFINGER as well as other licensed and JV owned brand names such as Van Heusen, Pierre Cardin, Bracks and Nancy Ganz.

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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.

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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 4D and Investor Presentation.

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