



ASX and Media Release – Tuesday 19 March 2019

Gazal announces full year strong profit increase

Highlights

- Continued momentum of the Calvin Klein and Tommy Hilfiger businesses driving PVH Brands Australia Pty Limited joint venture ("PVHBA") total revenues to \$298.3m, up 32.8% on pcip
- PVHBA profit after tax increased 48.3% to \$27.2m.
- Gazal Net profit after tax from continuing operations (after impairment) increased to \$15.6m, up 99% on pcip
- Scheme of Implementation with PVH Corp. announced on 21 February 2019.

Background

The reporting period covered by the accompanying Preliminary Final Report (Appendix 4E) by Gazal Corporation Limited (Gazal) relates to the 12-month period ended 2 February 2019.

All comparatives referred to in this review are against the previous corresponding period's unaudited results for the 12-month period ended 3 February 2018 (pcip).

Continuing Operations

Sales in PVHBA increased by 32.8% to \$298.3m for the 12-month period ended 2 February 2019. PVHBA after tax profit increased by 48.3% to \$27.2m - Gazal's share of the PVHBA profit after tax was \$13.6m compared to \$9.2m for the pcip.

PVHBA Joint Venture Results Summary

\$'000	12 months ended 2 February 2019	12 months ended 3 February 2018	Variance %
Revenue	298,260	224,661	32.8%
Net profit after tax	27,204	18,345	48.3%
EBITDA	46,868	33,161	41.3%
EBITDA margin %	16%	15%	

The sales and profit growth in PVHBA was driven by the continuing expansion of sales of additional product categories under both the *CALVIN KLEIN* and *TOMMY HILFINGER* brands and the ongoing development of our retail channels. EBITDA margins improved during this period based on a sales mix improvement from accelerated retail growth and overall costs being well contained.

Gazal Results Summary

\$'000	12 months ended 2 February 2019	12 months ended 3 February 2018	Variance %
Profit before impairment of investment and income tax	15,691	11,082	41.6%
Impairment of investment	-	(3,121)	
Profit before income tax from continuing operations	15,691	7,961	97.1%
Income tax benefit /(expense)	(66)	(123)	-46.3%
Profit after tax from continuing operations	15,625	7,838	99.3%
(Loss)/profit after tax from discontinuing operations	(671)	7,198	
Net profit for the period	14,954	15,036	-0.5%

In addition to the share of joint venture results, Gazal's Corporate Services and Property Services delivered a positive combined return of \$1.9m (loss of \$0.2m in the pcg). Overall, profit before tax from continuing operations rose 41.6% to \$15.7m (profit of \$11.1m in the pcg).

Net Debt Position

At 2 February 2019, PVHBA had a net cash position of \$3.3million (3 February 2018: \$9.0m).

At 2 February 2019, Gazal had a net debt position of \$24.9m (3 February 2018: \$18.5m).

Banksmeadow Property

Gazal completed a Directors valuation of the Banksmeadow property. This valuation ascribed a value to the property of \$83.0m (including \$1.2m of plant), up \$9.7m from the \$73.3m (including \$1.3m of plant) value at the half year on 4 August 2018. The directors based the valuation on market information available including the conditional sale and lease-back arrangement referred to in Gazal's announcement of the Scheme Implementation Agreement (see below).

The directors have adopted the new valuation in the balance sheet as at 2 February 2019.

Events after Balance Date

Scheme Implementation Agreement

On 21 February 2019, Gazal announced that it had entered into a Scheme Implementation Agreement ("SIA") with Sunshine B Pty Ltd ("PVH Bidco"), an indirect wholly owned subsidiary of PVH Corp. ("PVH"), pursuant to which PVH Bidco proposes to acquire by way of a scheme of arrangement all of the Gazal shares PVH does not already own for A\$6.00 cash per share. If the scheme of arrangement becomes effective, Gazal expects to pay a dividend of approximately A\$0.17 per share on or before implementation of the scheme of arrangement.

PVH, a New York Stock Exchange-listed company, is one of the world's largest apparel companies and owns iconic American brands, including *CALVIN KLEIN*, *TOMMY HILFINGER*, *Van Heusen*, *ARROW* and *IZOD*. PVH currently indirectly owns approximately 22% of Gazal's outstanding shares through a subsidiary PVH Services (UK) Limited.

The PVH proposal is subject to customary conditions, including: approvals by Gazal shareholders and the Court, no material adverse change, no prescribed occurrence or material breach of warranty, as well as approval from Australia's Foreign Investment Review Board.

Should the PVH Proposal receive all necessary approvals and proceed to implementation, Gazal will divest its Banksmeadow property pursuant to a sale and lease-back arrangement with a large Australian industrial real estate fund.

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 document should be read in conjunction with the accompanying Appendix 4D.