OROTONGROUP

Trading Update for Half Year ending 28 January 2017

20 January 2017

OrotonGroup Ltd (ORL) today announced:

At the December AGM, the company reported that the start of FY17 was challenging due to cycling strong comparable store sales growth from the previous year in both brands in a very discounted market. Also highlighted was the importance of December and January to the company's half year performance.

Mark Newman, CEO & Managing Director said "With a stronger product offer and more engaging marketing campaigns sales improved in the lead up to Xmas in the Oroton First Retail and Department store concession stores, however as we moved into Boxing Day and the New Year, Group LFL sales did not improve from the -8% year to date reported at the AGM as we began to cycle even stronger comparable store sales from the previous year.

With only two weeks of trade left of the first half of FY17, Group LFL sales are now -10% for the year to date compared to +10% at the same period last year, with sales primarily being impacted by:

- Lower overall foot traffic from Boxing Day onwards
- Lower foot traffic and sales in the Oroton Factory Outlet stores due to increased presence of International brands and their more aggressive promotions
- Lower sales in the GAP stores due to a colder than expected Spring leading to more aggressive discounting and a women's range that did not perform well

Encouragingly for our core Oroton brand, as also communicated at the AGM, our strategy to maintain the premium positioning of this brand continues to make good progress, with LFL store sales excluding discontinued categories(1) in the First Retail and Department Store Concessions, continuing to be positive against strong LFL store sales from last year of +11%. We have also been able to improve constant currency Gross Margin in those stores by 180bps in addition to higher average transaction value and units per transaction than last year. Sales in these stores have not been 'propped up' by heavily discounted friends & family sales events for over 2 years now as we focus on building a strong brand for the long term.

Sales in the GAP stores in the lead up to Christmas continued to be softer than last year due to very aggressive discounting across the apparel market which had been impacted by the colder start to Spring and by a women's range that did not perform well. As a result, LFL sales slipped further from the -8% reported at the AGM to now -11%, compared to +6% in the same period last year.

Accordingly for the Group, as a result of the lower sales and a currency impact of approximately $1m, offset by improving constant currency Gross Margins and costs being held below last year, we now expect Group H1 17 EBITDA(2) to be between $4.5m-$5.0m based on draft December 2016 management accounts. This compares to $8.9m in H1 16 which represented strong growth of 25%.

Furthermore we anticipate a H1 17 net cash position of approximately $2m, with no debt, in line with the H1 16 and only slightly below FY16 ($2.8m).

Our H1 17 earnings announcement is planned for 28th March, at which time we look forward to updating the market on the results in more detail.

(1) Discontinued categories are women's apparel, shoes and lingerie
(2) Earnings before interest, tax, depreciation and impairment

For further information please contact:
Mark Newman, CEO/MD or Vanessa De Bono CFO/Company Secretary, Tel: + 61 2 8275 5500