

19<sup>th</sup> May 2017

## Business Update

The PAS Group Limited (PAS, ASX: PGR) advises that industry-wide traffic headwinds and a highly elevated promotional environment have persisted at levels significantly above expectations, resulting in retail sales in the Black Pepper and Review brands (in particular in Myer concession stores) being below expectation. Two of the Group's wholesale businesses, Black Pepper and Designworks have also been impacted by order reductions and delivery timing changes from some major customers.

Based on the retail trading environment and wholesale deliveries for the balance of the year, the Company expects EBITDA for the continuing business for FY2017 to be in the range of \$18.5m - \$20.0m.

Despite the trading environment PAS has continued to invest in online, loyalty programs and selected new stores. Investment continues across the business specifically in Review, the growing Designworks Sport and Footwear Division and the strongly growing JETS business.

Recent key achievements against our growth strategy include;

- The continued growth of the online business across the group,
- The launch of Review concessions in David Jones where it is expected that up to 12 concessions will open this calendar year,
- The acquisition of a significant new sports licence that is planned to launch in H2 FY2018, which along with the existing Everlast, Slazenger and Dunlop licences strengthens the sports division,
- Significant growth in JETS online since the launch of the new website which has resulted in strong growth in local as well as international sales from the US and UK. JETS wholesale sales in the US have also grown strongly demonstrating the international appeal and scalability of the brand.

In conclusion, despite the trading environment, the business remains debt free, has a strong balance sheet and continues to evaluate potential acquisition opportunities. The Board remains confident in the fundamentals, strategy and outlook for the business.

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