



The PAS Group Limited (ASX: PGR)

ABN 25 169 477 463

MARKET ANNOUNCEMENT

2017 Annual General Meeting

Chairman and CEO Addresses to Shareholders

CHAIRMAN'S ADDRESS

Intro

The Australian retail environment faced significant headwinds during FY17, including a long list of macroeconomic factors that weighed heavily on discretionary spending, compelling retailers across the sector to discount heavily for lengthier periods in an effort to remain competitive, and to aggressively manage stock positions.

This dynamic certainly impacted trading at the PAS Group. But from a strategic perspective, the Company pursued and gained some traction with a wide range of longer-term initiatives.

- Elevated our digital presence supported by rapidly growing loyalty programs
- Established a new “Centre of Excellence” for Designworks
- Built out the infrastructure in our JETS business necessary to position the brand for meaningful international growth
- And, importantly, we took steps to rationalise our portfolio and refocus the business through the successful divestment of Metalicus

You will hear more about all of this from Eric in a moment, but from your board’s perspective, I am pleased to say that we enter FY18 poised to continue transforming our business.

Administrative

Throughout the course of the year the Group experienced a number of organisational developments that I will touch on briefly:

Supportive On-Market Takeover Bid

In June 2017 the company received a second on market takeover bid from Coliseum Capital. The bid closed on August 10th and resulted in Coliseum increasing its ownership interest in PAS from about 49% to circa 65%. As outlined in the bidder’s statement, Coliseum looks forward to continuing its constructive work with management. Toward this end, the Company recently engaged Houlihan

Lokey to help us review and explore a range of value-enhancing opportunities. We will apprise shareholders of significant progress, as appropriate.

Board Changes

There were several Board changes through the year. In addition to my appointment as Chairman, Craig Holland and Chris Murphy were appointed as Directors, as well as members of various committees. They will stand for re-election later in the formal part of this meeting. Subsequent to the fiscal year end, Silvia Mazzucchelli has also been appointed to join the board as of 1 November, bringing to the team an impressive set of brand, strategy and merchandising credentials. Last month, Rod Walker and Matt Lavelle stepped down from the Board. I would like to thank both Rod and Matt for their service to PAS and wish them well for the future.

Closing

Your board and management remain fully engaged in helping to create and unlock value for all stakeholders. Despite the difficult macro environment, the team is focused and has made progress across a number of strategic and operating priorities for each of our online, retail, and wholesale channels, and within our core and new growth markets. But there remains much work to be done.

This past year, the Company paid fully-franked dividends of 4.1 cents per share, finished with no debt, and retained significant capacity to continue investing in organic and acquisition-led growth for the long-term.

On behalf of the Board, I would like to sincerely thank management and The PAS Group's associates for their hard work throughout the year.

I will now hand the meeting over to Eric Morris, our Group CEO.

MANAGING DIRECTOR AND CEO'S PRESENTATION

Thank you, Adam.

Good morning, everyone.

Intro

Despite the subdued retail environment, the Company delivered EBITDA from continuing operations of \$18.8m. Net profit after tax from continuing operations (excluding the Metalicus business) was \$8.3m.

The Group remains in a strong financial position with no long term debt and strong operating cash flows with cash on hand at 30 June 2017 of \$4.9m.

Segments

In Retail sales grew by 3.7% driven by online and new stores.

The group opened 16 new stores over and above the 31 new stores opened in FY2016. We also refurbished a further 30 stores this past year to enhance the customer experience and more effectively convey our brand messages.

We continued to invest in our digital infrastructure and customer engagement, which resulted in online sales growing by 41% over and above the 149% growth achieved in FY2016. Online sales now represent more than 12% of retail sales.

Whilst LFL store growth was impacted by prevailing conditions and challenging concession performance, Black Pepper achieved retail sales growth due primarily to new store growth and annualization of stores opened in FY16.

Review continued to grow online well ahead of the market growth which was well supported by our retail stores and the rapid growth in our loyalty program. Launching concessions in David Jones will assist in diversifying the customer base and we look forward to expanding this in FY18

During the year 220,000 new loyalty members signed up across our brands, taking the total memberships to more than 750,000 customers. Loyalty sales now represent 76% of total retail sales.

In Wholesale – the Sports Division in Designworks grew at a healthy pace with strong performance in the Everlast boxing, footwear and fitness categories. The Designworks Division is well positioned to continue creating new license opportunities due to its design capability, product quality and speed to market, expanding its presence in Australia and international markets.

The JETS wholesale business continued to grow, driven by strong international growth predominantly in the US market. Expanding the global footprint of the JETS brand is a key initiative for the Group going into FY18.

And finally, Black Pepper wholesale sales declined in line with expectations as we continue to transition the brand to a more retail-oriented channel strategy. Yarra Trail, had another successful year.

Acquisition/divestments

Always looking to leverage our platform and expand our business, in August, we acquired Bondi Bather. This is a small swimwear business located in the Sydney area that complements our JETS business. The brand appeals to a complementary younger customer segment and serves as a strong addition to the PAS swimwear platform.

Future Growth

As Adam referenced in his remarks, the Company has continued to invest in a number of initiatives to drive growth, and I will spend a few moments providing more context around our current and future efforts.

Online and Digital

Working to continue the momentum we have achieved in online and digital, a range of new initiatives are planned for the coming year including:

- The development of a new Review website on a tier 1 web platform;
- A refresh of our loyalty programs for Review, JETS and Black Pepper;
- An Android version of the successful Review loyalty app;
- The launch of Review into China with Alibaba and the launch of selected company brands on Amazon Marketplace.

Combined with the strength and organic growth in our existing business, we expect these initiatives to drive significant online growth and diversify our channels to market.

Store Network

The focus for Black Pepper and Review in FY18 is store profitability; we have stores approaching the end of their lease cycles, and we will critically review every opportunity to negotiate with landlords to optimize our store level returns. In some cases stores will close where the required benchmarks we establish cannot be achieved.

We continue to refresh our stores portfolio and have been working diligently to develop a new store concept for Review which will launch in the Melbourne Central store in November. This concept will be rolled out to top boutique and concessions stores and further support the Review brand proposition.

Designworks Sport and Footwear

The sports Division at Designworks continues to grow driven by Everlast and new category introductions. In the second half of the year, we will launch another major new sports licence, and to support our momentum in the footwear category we have recently appointed a dedicated Footwear General Manager.

Designworks continues to be the partner of choice for both licensors and retailers with has a strong pipeline of new opportunities.

JETS and Bondi Bather

The JETS business is a major growth area for the Group as we invest in a range of initiatives which include, continued investment in digital capabilities, international growth, a new store concept and leveraging the appointment of Jessica Gomes as our brand ambassador.

Moreover, the acquisition of Bondi Bather helps us scale our swimwear platform while delivering a complementary younger customer segment.

In addition to the initiatives outlined, many of which are well progressed, the Company is always evaluating opportunities for acquisition led growth, with strict deal criteria aimed at maximizing value.

Closing

In closing, the management team is looking forward to working with the Board in driving value from our portfolio of brands.

I would like to thank the Board and the shareholders for your ongoing support and to express my appreciation to the entire PAS team for their hard work and dedication during the year.

I will now hand back to Adam for the formal section of the meeting.