22 February 2018

THE PAS GROUP LIMITED H1 FY2018 RESULT

The PAS Group Limited (ASX: PGR) ("PAS", "the Group" or "the Company") today reported sales for the half year ended 31st December 2017 of $131.4 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of $8.4 million[1] which is at the upper end of the guidance range of $8.0m-$8.5m provided in the trading update on 9 January 2018.

The H1 FY2018 result was driven by:

- A decline in like-for-like Retail sales due to challenging trading conditions in the current retail environment, particularly for the first 8 weeks of the half year and over the Christmas period;
- Reduced concession sales and lower foot traffic at Myer;
- Online sales growth of 25.5% on top of the 41.0% growth achieved in FY17;
- Positive sales and earnings growth from new stores which included expansion into eight David Jones concessions and annualised stores opened in FY2017;
- Continued strong growth in the Designworks Sport division;
- A 7.1% decline in Wholesale sales due to the discontinuation of $5.1m of low margin sales in Designworks, order delays for Department Store customers and a reduction in Independent Wholesale sales;
- A 1.2% increase in overall gross profit margin; and
- A CODB increase of 3.5%, predominantly due to continued investment in digital marketing, property and employment costs associated with new stores opened in H1 FY2018, the full year impact of stores rolled out in FY2017 and $1.0m of non-recurring costs.[1]

A summary of the Company's financial performance for the half year ended 31 December 2017 is shown below:

$ million	**H1 FY2018**	**H1 FY2017**
Revenue from Sales	$131.4	$135.7
EBITDA	$8.4	$11.6
NPAT – Continuing	$3.0	$5.4
NPAT – Total Business[2]	**$3.0**	**$4.8**

[1] EBITDA is inclusive of $1.0m of non-recurring costs relating to the on-market takeover offer, strategic consulting costs and an unfavourable NZ customs duty ruling.

[2] "Total Business" for H1 FY2017 includes the three month ownership period of the formerly owned Metalicus business which met the criteria to be classified as a discontinued operation for the half year ended 31 December 2016.

SEGMENT PERFORMANCE

Retail

Total Retail sales grew 0.4% to $72.3 million driven by new stores opened during the period, the full year impact of stores opened during FY2017 and strong growth in online sales (refer below). Like-for-like sales across the Retail business were negative due to ongoing subdued consumer sentiment, industry wide traffic headwinds and the elevated promotional environment.

Online

Strong growth in online sales of 25.5% was achieved with online sales now representing 14% of total Retail sales, up from 11.2% in H1 FY2017. This growth was driven by the continued investment in the online customer experience as well as other key initiatives. New online sales channels added in H1 included David Jones Dropship for Review and The Iconic Marketplace for JETS.

Wholesale

Total Wholesale sales were down 7.1% to $59.1 million with growth in the Designworks Sports Division more than offset by a softer Designworks licensed business which was impacted by the discontinuation of $5.1m of low margin sales and delayed orders from Department Store customers.

In other Wholesale, Yarra Trail had a strong half year and Black Pepper was in line with expectations with the continued shift from Wholesale to Retail.

GROWTH OPPORTUNITIES

A key strategic focus for the Group is the continued growth of our online business. In January, Review launched on the Alibaba Tmall platform and we expect to launch on Amazon in Q3 FY2018. In addition to recent launches of the Australian Everlast website and the online direct active wear collaboration with B.O.D by Rachael Finch, there are further digital initiatives planned for H2 FY2018. These initiatives include a relaunch of Review on a new Tier 1 web platform and further enhancements to existing customer loyalty programs across the Group.

As previously announced, notwithstanding the difficult trading environment in the Wholesale space, PAS continued to make progress against a number of strategic initiatives which included securing two major new agreements, being the Lonsdale distribution license and a significant supply contract with Coles supermarkets for their Coles Mix program. The initial deliveries of this program will commence in July 2018 with the total program expected to deliver $15-$20m p.a. in incremental sales across FY2019/FY2020.

The pipeline of opportunities for Designworks remains strong with discussions underway to explore further opportunities including the imminent signing of a further international sports brand.

DIVIDEND

The business continued to generate strong cash flows with a cash balance of $5.7 million at 31 December 2017. The Board has declared an interim dividend of 1.5 cents per share, fully franked and payable on 6 April 2018 with a record date of 16 March 2018.

Eric Morris, Chief Executive Officer of PAS commented: "The Retail apparel segment continues to face unprecedented challenges due to both cyclical and structural changes. Whilst this has had a direct impact on sales, we continue to successfully deliver against our strategy with several initiatives underway that will underpin the Company's success over the long term. Trading conditions for the first six weeks of H2 FY2018 continue to be tough; however, the business is well advanced in the development of plans to drive further efficiencies.

Despite the trading environment, PAS remains debt free, has a strong balance sheet and continues to evaluate potential strategic opportunities whilst maintaining a tight focus on cost control."

-ENDS-

For further information, please contact:

The PAS Group
Mr Eric Morris
Chief Executive Officer & Managing Director
(03) 9902 5501

Citadel-MAGNUS
Mr Matthew Gregorowski
(02) 8234 0100