

18 November 2014

Divestment of Brand Collective business

Pacific Brands today announced that it has entered into three unconditional agreements to sell its Brand Collective business in the Footwear, Apparel and Sport categories, which are expected to complete on or around 1 December 2014:

- Footwear and Apparel will be sold to Australian private equity firm Anchorage Capital Partners. Owned brands, including Grosby, Julius Marlow and Volley, as well as licensed brands Clarks, Hush Puppies, Mossimo and Superdry, and the Iconix Joint Venture will transfer with the business
- Sport brands Dunlop and Slazenger will be sold to IBML, a division of UK-based Sports Direct International Plc, who owns these brands outside Australia and New Zealand. The Everlast equipment licence from IBML to Brand Collective will be terminated in connection with the sale
- Sport assets related to the Sport business, including Everlast equipment, will be sold to Designworks, a division of Australian listed company The PAS Group who will license the Dunlop, Slazenger and Everlast brands from IBML

Gross proceeds from the transactions of approximately \$39 million, on a cash and debt free basis, will be applied to further reduce net debt. The carrying value of related net assets to be disposed is expected to be approximately \$66 million at completion. Subject to cost of disposal and completion adjustments, Pacific Brands expects to recognise a loss on sale of approximately \$30 million in the financial year ending 30 June 2015.

In the financial year ended 30 June 2014, the Brand Collective business reported total sales of \$204.5 million and an EBIT loss of \$22.3 million (reported) or \$0.9 million before significant items. An element of corporate and shared services costs allocated to the Brand Collective business will be unrecovered following full transition of the business, estimated to be approximately \$2 million per annum net of savings from associated restructuring initiatives.

Pacific Brands Chief Executive Officer David Bortolussi said: "The sale of the Brand Collective business is consistent with our strategy to simplify and focus Pacific Brands on maximising the potential of our market leading brands such as Bonds and Sheridan.

"While this has been a complicated divestment to execute, the transactions are all unconditional and should be completed within two weeks with minimal disruption to customers and our core business. From a pricing perspective, the divestment represents good value to our shareholders for an unprofitable division.

"This transaction also represents the conclusion of the strategic review. The divestments of Workwear and Brand Collective will dramatically simplify Pacific Brands and significantly improve the overall quality and growth prospects of the brand portfolio.

"We will continue to consider other options to build shareholder value including further investment in our brands, wholesale partnerships, retail stores, online, category expansion and international distribution."

Conference call

Pacific Brands will host a brief analyst Q&A session today at 1.30pm AEDT to discuss the announcement. Teleconference dial-in details are as follows:

Australia dial: 1800 801 825 (toll free)
International dial: +61 2 8524 5042
Conference ID: 8063922

The teleconference will be recorded and made available on the Pacific Brands website at www.pacificbrands.com.au approximately 24 hours after the event.

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About Brand Collective

Brand Collective comprises a portfolio of brands encompassing the footwear, apparel (outerwear) and sporting goods categories. Owned brands include Volley, Julius Marlow, Grosby, Dunlop and Slazenger, while licenced brands include Hush Puppies, Clarks, Superdry and Mossimo.

Brand Collective supplies major department stores, discount department stores and retail chains throughout the country, while its retail presence in Australia includes 52 stores in addition to a number of online internet sites.

About Anchorage Capital Partners

Anchorage Capital Partners is a specialised Australian private equity firm that focuses on investing in companies which have strong and established track records, as well as robust prospects for earnings improvement and future growth. The funds managed by Anchorage have \$450 million under management. Anchorage's partners and investment professionals have considerable experience in company management, corporate strategy, management consulting and corporate finance and have a long track record of successful partnerships with management teams.

About IBML

Based in London, IBML is a global brand owner which licenses the use of its world-class sport, fashion and lifestyle brands to partners across the world. IBML offers a unique combination of brand management, marketing, commercial, legal and IP expertise and currently has a committed network of over 300 licensing and distribution partners. IBML is a division of Sports Direct, a listed company in the UK.

About Designworks

Designworks is a division of The PAS Group, and operates as a designer, marketer and supplier of owned, licensed and private label and branded apparel. Designworks is the Australian representative for IBML which provides international brands under licence and it has recently been expanding into footwear and accessories.