OROTONGROUP

Preliminary earnings update for the Half Year ended 24th January 2014

15th January 2015

OrotonGroup Ltd (ORL) today announced :

At the AGM on 3 December 2014, the company highlighted that “The reduction in the level of Oroton discounting with a focus on quality margin generation in the first quarter has as expected led to lower sales than the more discounted first half of FY14, but importantly and strategically has led to an increase in the Gross Margin percentage to sales.
Therefore as a result earnings for the first half of FY15 may be lower than last year’s first half, due to the Oroton strategy to reduce discounting, a potential onerous lease provision on the recently closed Hong Kong store and the continuing startup investment costs in Brooks Brothers, which only commenced trading in the second half of FY14”.

ORL also reminded stakeholders that the biggest trading months of the year were yet to come and accordingly H1 15’s results in particular are hard to forecast and will only become clearer in the New Year.

CEO and MD, Mark Newman commented ‘’ Overall all brands operated in a heavily and greater than anticipated discounted pre and post Xmas period.

‘’Pleasingly, our Oroton brand had a stronger Q2, especially in December, with sales and a gross margin percentage to sales higher than H1 14……but not at a level sufficient to make up the earnings reduction vs. H1 14 in the first quarter. As is becoming increasingly apparent, particularly through Q2, our strategy to elevate the Oroton brand is not just focused on reduced discounting, but is also focused on increasing average selling price, a new store concept that positions the brand correctly against our international competition and a brand campaign with Rose Byrne that is resonating well with our customers.

‘’The Gap brand, the first 3 stores which cycled their first year in November 14 also traded well in December, with L4L sales also above the prior year. However, the brand had a higher negative contribution compared to H1 14, primarily due to 3 new store openings in the quarter and greater than anticipated clearance activity.

‘’The Brooks Brothers business, however, that only commenced operations from Feb 2014, experienced larger start up costs and a greater loss than expected due to a delayed launch of the online store and a higher factory outlet sales mix in its first half trading period.

‘’Now that December trading is behind us and with only a few weeks of January 2015 trade to go, we now anticipate that based on draft December 2014 management accounts, underlying ([i]) H1 15 Group EBIT will be $2.5 - $3.5 m lower than last year’s corresponding half.
On a more comparable basis, however, excluding Brooks Brothers that did not trade in H1 14, this reduction reduces to $1.5 - $2.5m and accordingly underlying EBIT([i]) of between $5.5m and $6.5m (1H 14 EBIT $8.0m).

‘’As also mentioned at the AGM, as the second half of FY15 will start to cycle some of the above events and as we are confident that our strategy to elevate the Oroton brand is gaining traction, we continue to expect H2 15 to return to modest EBIT growth (H2 14 EBIT $5.3m).

‘’The H1 15 earnings announcement is planned for 19th March at which time we look forward to more comprehensively reviewing the results.’’

([i]) Excluding the significant item relating to the closed Hong Kong store onerous lease provision.

For further information contact Mark Newman, CEO/Managing Director or Simone Taylor, Acting CFO/Company Secretary
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