



ASX and Media Release – Thursday 27 August, 2015

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## **Total profit increased 149.9% to \$31.1m**

**Sales from continuing operations increased 11.6% to \$51.0m**  
**Full year PAT increased 149.9% to \$31.1m. This included the profit from the sale of discontinued operations**  
**PVH joint venture revenue and earnings significantly increased**  
**The Midford school-wear division sold for \$10.5m**  
**Trade Secret sold to The TJX Companies for \$80m was announced in July 2015**  
**Final dividend of 8 cents per share fully franked**

### **Commentary on Results**

Gazal Corporation Limited has posted a 149.9% rise in Profit After Tax from \$12.5 million last year to \$31.1 million for the 12 months ended 30th June 2015.

The after-tax profit includes profit from ongoing operations, as well as the profit resulting from the sale of businesses during the period.

As previously announced, the Board and Management are viewing FY2015 and FY2016 as an important time to focus on the Group's future strategy. With the changes occurring to the Australian retail landscape, the Group is reviewing opportunities to leverage global relationships, assess the strategic fit of existing businesses and consider other opportunities to grow shareholder value for the long term.

### **Wholesale Group**

The continuing operations of the wholesale group are made up primarily of the workwear and corporate uniforms business. In FY15, wholesale revenue improved by 11.6% as a result of the introduction of new products during the year. Although the wholesale business incurred increased costs as a result of the new product development, these costs were largely offset by the higher sales in the second half. While Gazal does hedge against the currency risks, we were also slightly impacted by the drop in the Australian dollar which is expected to continue into the 2016 financial year.

### **Direct to Consumer Group**

At 30 June, the Direct to Consumer group was totally represented by the off-price retail channel Trade Secret. As noted above, the Trade Secret operations were sold subsequent to the year end and are therefore no longer disclosed as "Continuing Operations".

### **PVH Brands Australia Joint Venture (“JV”)**

As previously announced, the JV gives the Company a unique partnership with one of the world’s leading apparel powerhouses in PVH Corp. As a JV partner, Gazal recognises a 50% share of the JV’s profits, as well as revenue from the provision of corporate services and logistics support.

The JV, which commenced operations on 3 February 2014, initially brought together the Calvin Klein Underwear and Calvin Klein Jeans businesses in Australia and New Zealand. Following the most recent acquisition of Heritage Brands and Tommy Hilfiger, the JV now has a robust stable of key brands which are poised to grow further in the Australian market.

In FY2015, the JV focussed on the integration of the Heritage Brands and Tommy Hilfiger operations into the overall Gazal shared services and logistics platform. A key focus was also the development of new product categories, including Calvin Klein White Label Handbags, Casual Sportswear, Active Sportswear and women’s accessories.

Revenue in the JV increased by 486% due to a full 12 months of operations for Calvin Klein Underwear and Calvin Klein Jeans (5 months in 2014) as well as the introduction of Heritage Brands and Tommy Hilfiger in February 2015. In addition, the JV has acquired and opened 21 new stores and closed 8 stores during the year.

Operating margins have been maintained despite the impact of the deteriorating Australian dollar due to higher underlying margins in the new businesses and the mix of overall sales. As a result, of the higher sales and good cost control, the operating profit after tax has improved to \$1.8 million (FY2014 \$0.6m loss).

### **Sale of Midford Schoolwear division**

In February 2015, Gazal announced it had entered into an agreement to sell its Midford Schoolwear business to schoolwear specialist Georges Apparel and associated entities. The business was formally transferred to Georges Apparel on 30 June 2015 and Gazal received sale proceeds of \$10.5 million.

### **Sale of Trade Secret – Subsequent event**

In July 2015, Gazal announced that it had signed an agreement to sell its Trade Secret off-price retail business to The TJX Companies, Inc. Based in Framingham, Massachusetts, USA, TJX is the leading off-price retailer of apparel and home fashions in the U.S. and worldwide.

The Trade Secret operations are also an off-price retailer, offering branded apparel for women, men and children, as well as footwear, accessories and home fashions. Trade Secret opened its first store in 1992 and has grown to a 35 store chain with locations in New South Wales, Victoria, Queensland and the Australian Capital Territory.

Gross proceeds from the planned sale of shares of the Trade Secret entity are expected to be \$80 million on a cash and debt free basis. Completion of the deal is subject to customary closing conditions, and is targeted to close by the end of calendar 2015.

### **Proposed Distribution to Shareholders**

As part of the Trade Secret sale announcement in July, we informed shareholders that following settlement, surplus proceeds from the sale after providing for the payment of capital gains tax and

reducing debt, estimated to be in the range of \$37 million to \$41 million, are proposed to be distributed to shareholders. Management and the Board are working with its advisors to determine the most effective and efficient method for the distribution. Once this work is completed, further details of the proposed distribution will be communicated to shareholders.

### **Final Dividend**

The directors declared a final dividend of 8 cents per share fully franked compared to the FY2014 final dividend of 11 cents per share fully franked.

The record date for determining the shareholders' entitlement for the full year is 17 September and the full year dividend is payable on 2 October, 2015.

### **Outlook**

In FY16, the results of the Gazal Group will reflect the continuing wholesale operations comprising of work-wear and corporate uniforms, the share of the JV profit and revenue from providing corporate services and logistics support.

Although overall retail trading conditions remain patchy in line with current economic indicators, both the JV and wholesale operations have traded ahead of plan for July. At this stage, the Directors believe it is too early to give shareholders any guidance on the half or full year earnings. However, it is expected that a trading update will be provided at the AGM in November 2015.

As noted above, in FY16 the Board will continue to review opportunities to assess the strategic fit of existing businesses and consider other opportunities to grow shareholder value for the long term.

For further information please contact the Company Secretary, Peter Wood on +61 2 9316 2801.

### **About Gazal Corporation Limited**

Based in Sydney and listed on the Australian Securities Exchange, Gazal is a leading apparel supplier and retailer in Australasia. The Company jointly owns and manages PVH Brands Australia Pty Limited, a joint venture company ("the JV") in partnership with PVH Corp. (NYSE: PVH) one of the largest branded lifestyle apparel companies in the world. The JV licenses and operates PVH's iconic lifestyle apparel brands lead by Calvin Klein and Tommy Hilfiger as well as other licensed and JV owned brand names such as Van Heusen, Pierre Cardin, Bracks, Nancy Ganz, Spanx and HoldmeTight. In addition, Gazal owns and operates the Bisley Workwear brand.

*This release includes "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks uncertainties and other factors, many of which are outside the control of Gazal, and its officers, employees, agents or associates. Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and Gazal assumes no obligation to update such information.*