OROTONGROUP

FY16 INVESTOR PRESENTATION
22 September 2016

OROTON

GAP

CEO/MD – Mark Newman
CFO – Vanessa De Bono

Strong Net Profit and Dividend Growth as We End Second Year of Transformational Change

	FY16 Reported $ M	FY15 Reported $ M	Change %
Revenue	136.4	132.0	+3%
Gross Margin (%)	60.1%	60.7%	
Total Expenses (%)	55.9%	56.9%	
EBITDA (3)	12.9	10.9	+19%
EBIT	6.2	5.6	+10%
EBIT Margin (%)	4.6%	4.3%	
NPAT	3.4	2.6	+31%
EPS (cents)	8.4	6.4	+32%
DPS (cents) / Fully franked	9.0	6.5	+38%
Net Cash / (Debt)	2.8	(5.8)	
ROCE (4)	14.7%	9.6%	
	FY16 $ M	**FY15 $M**	**Change %**
Underlying EBIT (1)	7.9	6.8	+15%
Underlying NPAT (1)	4.6	3.8	+22%
Underlying EPS (cents) (1)	11.4	9.3	+22%

(1) FY16 Underlying results are reconciled to IFRS audited measurements through the add back of store asset impairments totalling $1,643,000 net of the related tax effect where applicable. FY15 Underlying comparatives are reconciled to IFRS audited measurements through the add back of the onerous Hong Kong Store lease after exit ($832,000), the closure of the Singapore office ($189,000) and the trading losses ($1,827,000) and gain on exit ($1,655,000) from Brooks Brothers Australia. Underlying comparative add backs total $1,193,000.
(2) Underlying HY15 comparatives were changed to be consistent with the FY15 year end presentation by adding back the trading losses from Brooks Brothers Australia joint venture ($1m) following the exit in July 2015
(3) EBITDA is Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment
(4) Return on Capital Employed (ROCE) calculated as: EBIT / (Total Assets – Current Liabilities)

- **Group Revenue up 3% to $136.4m**
  - Strong growth in first half continued in third quarter, last quarter impacted by soft retail environment
  - Group like for like (LFL) sales were +2% in FY16
  - Oroton brand LFL sales growth of +1% for year with strong H1 partially offset by soft retail environment in H2 and exit of non core categories
  - Gap LFL +6% as brand awareness increases
- **Gross margin decline 60bps to 60.1%**
  - The Group has largely offset the continuing downward pressure from the AUD weakening relative to the USD with a conservative hedging policy and retail price increases
- **CODB improved by100bps to 55.9% of sales (FY16: 56.9%)** due to reduced warehouse, distribution and admin costs and retail costs contained, whilst still increasing investment in marketing
- **Underlying EBIT improved +15% (1)**
  - Underlying earnings in first half of +8% (2) accelerated in second half to achieve +15% in FY16
  - Increased revenue together with constant currency gross margin dollar growth, reduced CODB and reduced losses from International and GAP, were offset by approximately $1.7m foreign currency impact
- **EBIT increased to $6.2m or +10%**
  - Reported EBIT growth lower than underlying EBIT (1) after accounting for non- cash asset write-downs of $1.6m to address store location issues
- **Underlying EPS up 22%(1)**
  - EPS growth higher than EBIT growth, as current effective tax rate improves with less non-deductible international losses and financing charges reduce 40% with improved cash position
- **Strong Balance Sheet and $2.8m cash to support growth initiatives**
- **DPS of 9.0 cents fully franked (+38% vs FY15)**
  - The Board has declared an increased final fully franked dividend of 3.0cps (FY15: 2.0cps) taking the full year fully franked dividend to 9.0cps (FY15: 6.5cps) with an underlying payout (1) of 79% (FY15: 70%)

Oroton – 2nd year of re-positioning and strengthening of the brand

- LFL sales for full year of +1% compared to -6% in FY15
  - Strong sales performance in first half, continued into Q3 but lower LFL sales in Q4, due to a soft retail environment and lower inventory of exiting categories of apparel and shoes
  - Women's handbags driving higher growth in full priced stores and online, with unit volume and average transaction value up on flat traffic growth
- Product innovation and development continues with:
  - New Designer in place for Summer 16, with the launch of our first "Resort" collection
  - A focus on core women's handbags, wallets and men's accessories
  - More opening price point styles
  - Expanded higher price Limited Edition options
  - Launch of fragrance and updated jewellery and watch ranges from Summer 16
  - Introduction of personalisation and customisation options
  - Exiting non core categories of apparel, shoes and lingerie
- Increased marketing investment continues with:
  - Further investment in CRM platform to deliver better customer insights and loyalty
  - Focus on digital, content creation and brand partnership
  - Social first, with strong growth in following and engagement

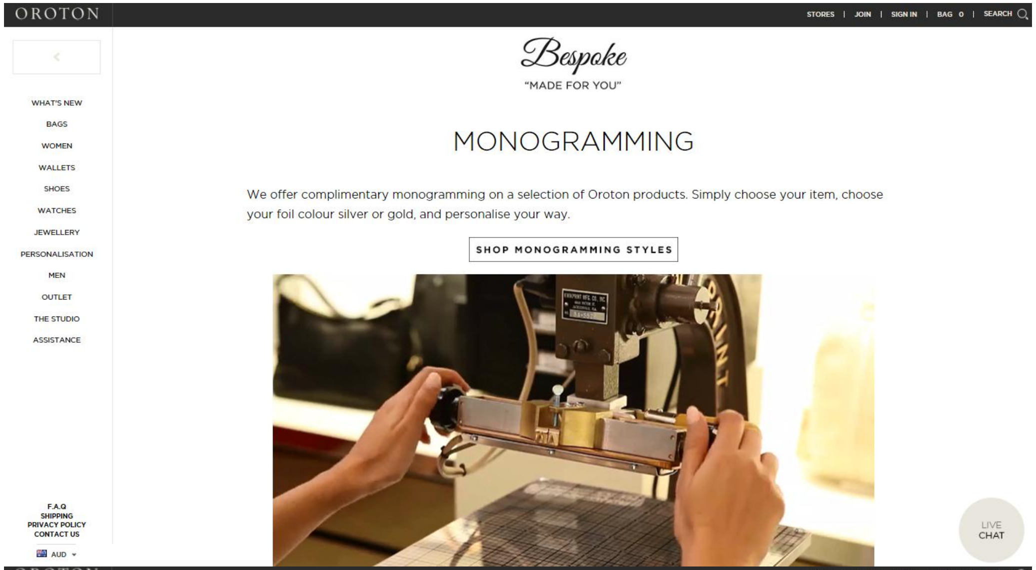
Oroton – New store concept roll out and International rationalisation

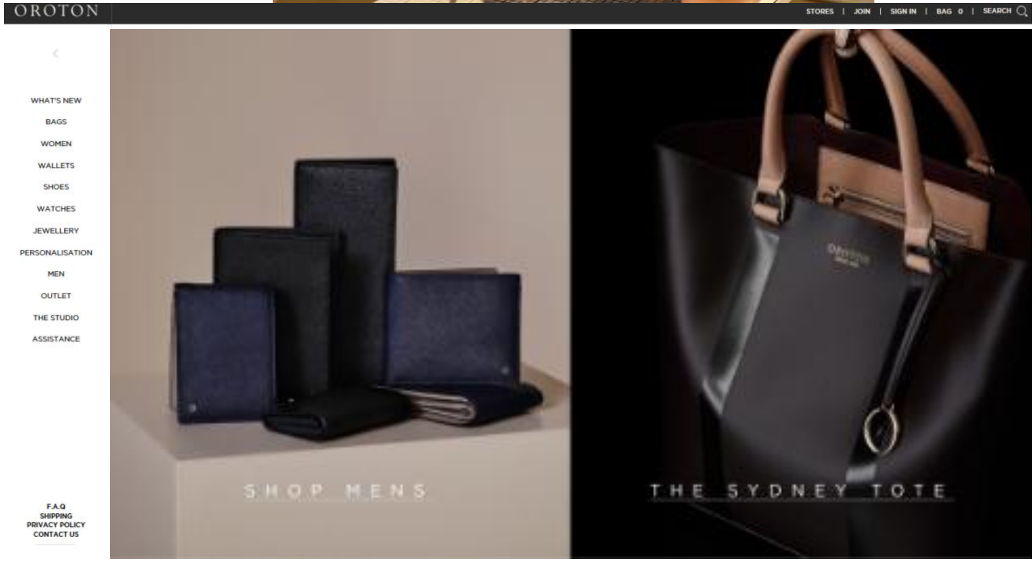
- Further roll out and refining of new store concept and improved in-store experience:
  - Achieving higher sales/m2, average transaction value and average selling price in new concept than old concept stores
  - Focus on in-store experience through 'clientelling' program
  - Bricks store network rationalized further with closure of marginal non performing stores as traffic shift to online continues
  - Closed 6 international and 2 domestic stores during this half
  - Total store network 63 at year end compared to 71 at end of HY16 and FY15

- International losses halved to ~$1.9m (FY15: ~$3.7m):
  - Closed loss making stores and Singapore office over the last 2 years
  - Closed 1 Malaysia store in August 15 and 1 China store in May 16
  - Exited all Malaysia/Singapore department store concessions by May16
  - Underlying International losses reduced to ~$1.7m (FY15: ~$2.7m) after removing the impact of non cash asset write-downs in FY16 and onetime costs in FY15 associated with the closure of the HK store and Singapore office
  - We continue to focus on eliminating losses in this channel
  - Total number of International stores at FY16 was 8 (HY16: 14, FY15: 15)

Oroton – Online growth accelerated through investment in traffic drivers and site useability

- Strong sales growth of +17% with online store now ~12% of brand sales (FY15: ~10%):
  - Visits up +6% due to investment in both paid and organic search & affiliate programs
  - Page views up +23% and time on site +9% due to enhancements in site useability
  - Conversion rate up +12% due to optimisation of on-site search functionality, product page redesigns and updates to checkout
  - Big increase in mobile +20% which is now 62% of mix
  - Launched "Live Chat" leading to increased conversion, higher average spend and enhanced client service levels
  - Online concession with David Jones from June 16





GAP – accelerated trading performance as brand awareness grows

- LFL sales +6% with LFL gross margin dollars outperforming sales growth due to increased brand awareness, strong sell through of core ranges such as logo and denim, seasonally appropriate inventory and effective tactical promotions
- Growth in total GAP sales of +19% achieved due to the full year impact of 3 new stores opened in NSW at the Macquarie, Miranda and Parramatta shopping centres in the first half of FY15 and a temporary outlet store opened in the first half of FY16 (FY16: 7 stores FY15: 6 stores)
- A significant reduction in losses was achieved compared to FY15 thanks to the accelerated trading performance of the network, supply chain efficiencies and strict retail cost control
- Focus on building brand awareness through outdoor campaigns and innovative activations such as the Kids & Baby Casting Call
- Continued review of individual stores performance compared to strict performance criteria

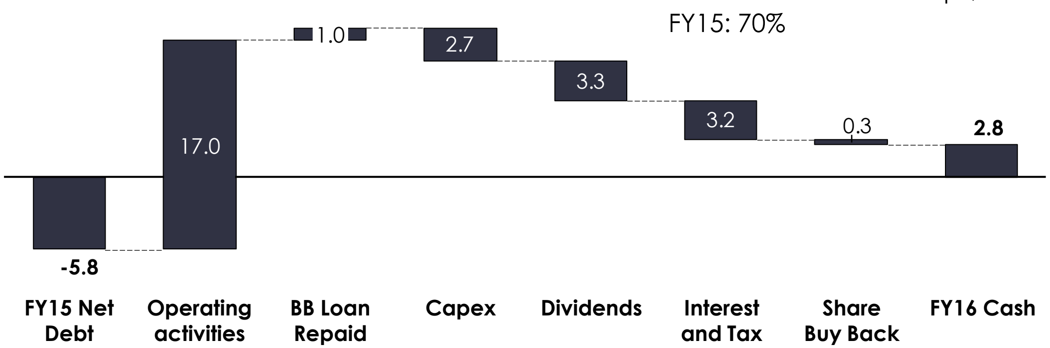
Strong Balance Sheet and Net cash of $2.8m to support growth opportunities

	FY16 Reported ($ M)	FY15 Reported ($ M)
PP&E	10.8	15.3
Inventory	30.7	37.7
Net Assets	35.7	44.9
Net Cash / (Debt)	2.8	(5.8)
Net Debt / Equity	N/A	13%
Operating cash flow (before interest and tax)	17.0	2.4
ROCE[4]	14.7%	9.6%

(4) Return on Capital Employed (ROCE) calculated as: EBIT / (Total Assets – Current Liabilities)

- In the 2nd year of investing to elevate the Oroton brand and following the FY15 expansion of GAP, the Group is well positioned with:
  - A strong balance sheet ($35.7m in net assets)
  - Net cash of $2.8m and no debt
  - A $40m bank facility, including $33m unused at year end
- Operating cash flow (before interest and tax) was $17.0m due to an increase in EBITDA and a decrease in working capital across Oroton and GAP driven mainly by a decrease in inventory with improved stock turns in both brands
- During FY16 the Group's investments were aligned with the strategy to continue capital expenditure in Oroton new concept stores and invest in e-commerce and CRM systems
- Brooks Brothers repaid $1m of outstanding loans with a further $2.25m due to be paid in July 17
- At year end the fair value of cash flow hedges reduced $9m as the USD:AUD spot rate at year end increased from 73c in FY15 to 75c in FY16 and the Group had used the higher value hedges. Conservative Hedging policy in place to manage FX risk covering 85% of forecast USD transactions up to 24 months out
- Return on Capital improved to 14.7%
- Final fully franked dividend increased 50% to 3.0cps (FY15: 2.0cps), making the full year fully franked dividend 9.0cps, +38% compared to FY15 at 6.5cps. Underlying payout [1] : FY16: 79%, FY15: 70%

Cashflow ($m)



Outlook for FY17 – Further strengthening & growth from solid platform

OROTON Brand

- ❑ Focus on core categories of Women's bags and accessories
- ❑ Launch new category fragrance and update jewellery and watches
- ❑ Expanded dept store distribution with Myer and David Jones online
- ❑ New store concept rollout continues
- ❑ Social/digital/mobile first
- ❑ Next generation customer

OROTON International

- ❑ Focus on eliminating losses
- ❑ Seasonal relevant product and marketing
- ❑ Opening Price points
- ❑ Review and benchmark individual stores performance

GAP Brand

- ❑ Eliminate losses
- ❑ Accelerated sales and margin growth
- ❑ Launch Online with David Jones
- ❑ Targeted marketing to drive location awareness
- ❑ Further cost savings and cost control
- ❑ Review and benchmark individual stores performance

- ❑ Strong product and marketing initiatives to react to market conditions
- ❑ New channels of distribution for Oroton and GAP
- ❑ Strong balance sheet and Net cash position to support future investment

Store Listing – as at July 2016 there were 63 Oroton and 7 GAP stores

OROTON

AUSTRALIA & NEW ZEALAND

ACT
CANBERRA

NSW
BIRKENHEAD POINT
BIRKENHEAD POINT LINGERIE
BONDI JUNCTION
BURWOOD
CASTLE TOWERS
CHATSWOOD
DJ's ELIZABETH STREET
DJ'S CHATSWOOD
DJ'S BONDI
HOMEBUSH
HOMEBUSH LINGERIE
HORNSBY
KOTARA
MACQUARIE CENTRE
MIRANDA
PARRAMATTA
PITT ST MALL
Q V B
SYDNEY DOMESTIC AIRPORT
WARRINGAH MALL
WESTFIELD SYDNEY

VICTORIA
CHADSTONE
DJ'S BOURKE STREET
DJ'S CHADSTONE
DONCASTER
EMPORIUM
ESSENDON
EASTLAND
HIGHPOINT
MOORABBIN
NUNAWADING

QUEENSLAND
BRISBANE CBD
BRISBANE DFO
CARINDALE
CAIRNS
CHERMSIDE
DJ'S BRISBANE
HARBOURTOWN
INDOOROOPILLY
PACIFIC FAIR
ROBINA

SOUTH AUSTRALIA
ADELAIDE GAWLER PLACE
BURNSIDE VILLAGE
DJ'S RUNDLE MALL
HARBOURTOWN SA
MARION

WESTERN AUSTRALIA
DJ'S PERTH
GARDEN CITY
HAY STREET
JOONDALUP
KARRINYUP
WATERTOWN

NEW ZEALAND
OSBORNE STREET
ONEHUNGA

ASIA

SINGAPORE
ION
ROBINSONS
VIVO CITY

MALAYSIA
JOHOR BAHRU
KLCC
1 UTAMA

CHINA
NANJING *
JIANGING *

ONLINE
www.oroton.com

(*) Denotes Franchise Store

GAP

AUSTRALIA

NSW
MACQUARIE
MIRANDA
PARRAMATTA
WESTFIELD SYDNEY
BIRKENHEAD POINT

VICTORIA
CHADSTONE
MELBOURNE CENTRAL

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