



The PAS Group Limited – H1 FY2017 Results Briefing

ABN 25 169 477 463

24 February 2017

H1 FY2017 Results Summary



Financial Summary ⁽ⁱ⁾

- Sales up 4.6% to \$135.7 million
 - Retail sales up 7.3%
 - Wholesale sales up 1.6%
- Flat like for like retail sales due to challenging trading conditions with the late start to spring and summer and significant promotional activity across the industry
- Online sales grew 39.1% on top of the 149% growth achieved in FY2016
- Gross profit of 56% in line with prior year
- EBITDA from continuing business of \$11.6 million, down 5.1% on H1 FY2016. Impacted by higher cost base from investment in new stores and annualisation and growth investment in JETS, acquired November 2015
- Debt free with net cash on hand of \$10.2 million
- EPS of 3.53 cents per share, Interim dividend declared of 2.6 cents per share fully franked, funded from free cash flow

Operational Summary

- Sales growth driven by online, new stores, and the annualisation of stores opened in FY2016
- New store roll-out on track with 9 new stores opened, 257 retail sites as at 31 December 2016
- 30 stores refurbished
- Continued strong growth in loyalty programs; membership up 118,000 (22%) to 652,000
- Clean inventory levels ensuring no requirement for excessive late season clearance
- Investment in infrastructure for JETS, White Runway and Black Pepper retail
- Successful divestment of Metalicus business freed up c.\$3m of working capital

	H1 FY2017	H1 FY2016
Sales	\$135.7 million	\$129.7 million
EBITDA	\$11.6 million	\$12.2 million
NPAT - Continuing	\$5.4 million	\$6.1 million
NPAT – Total Business	\$4.8 million	\$5.0 million

(i) All statutory financials are presented on a "Continuing" business basis unless otherwise noted. See Continuing to "Total Business" reconciliation at Appendix A

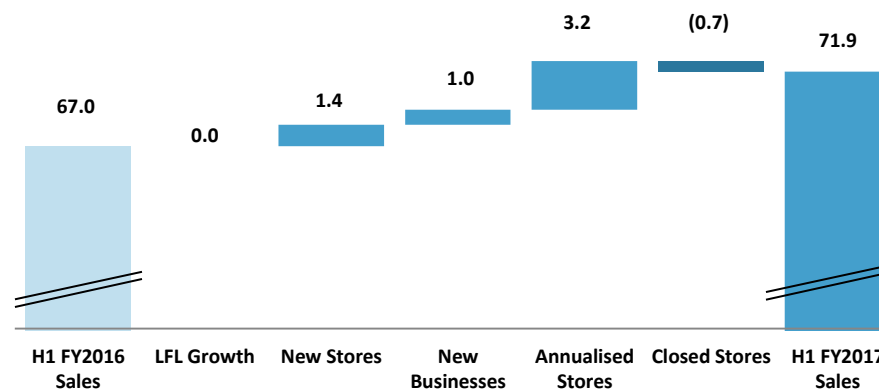
Retail Segment



Summary

- Retail sales growth of 7.3% to \$71.9m
- Growth due to:
 - online sales grew 39.1% in addition to the 149% growth achieved in FY2016
 - the impact of the 9 new stores opened in H1
 - the annualised impact of new stores and closed stores in FY2016

H1 FY2016 to H1 FY2017 Retail Sales Bridge (\$ million)



Retail Sites

- 9 new retail sites opened in H1:
 - Black Pepper; 5 stores
 - Review; 2 stores, 2 concession
- 30 store upgrades completed
- Opened 2 Black Pepper flagship stores in Miranda and Warringah with both trading ahead of expectations
- Active renewal of our store portfolio, with 3 stores closed at lease end
- 4 new stores planned for H2 FY2017

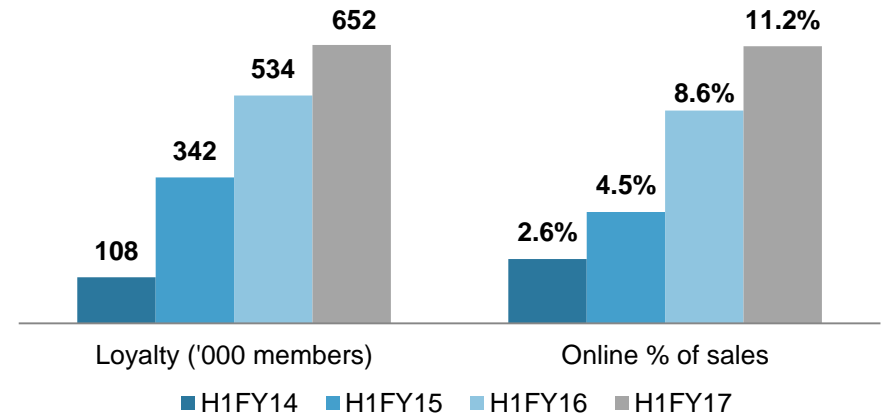
Total Retail Sites by Brand

	FY2016	Opened	Closed	H1 FY2017
Black Pepper	141	5	-	146
Review	106	4	(2)	108
New Businesses & Other	4	-	(1)	3
Total Retail Sites	251	9	(3)	257

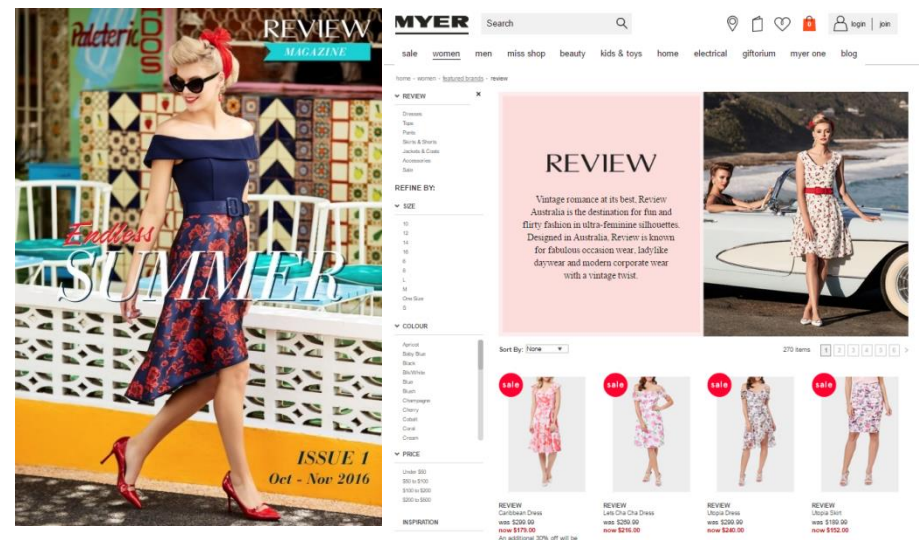
Online & Customer Loyalty

- H1 Online sales now represents 11.2% of retail sales across the group, up from 8.6% in H1 FY2016
- Access to key retail partners online customer base was achieved via the launch of Myer Dropship and The Iconic for Review with sales exceeding expectations
- Launch of new White Runway and Black Pepper websites in H1 incorporating enhanced shoppable catalogue as well as simplified navigation and checkout
- Launched a new JETS website in January 2017 on the new Demandware platform providing improved customer experience and conversion
- Launch of Afterpay in both Review and Black Pepper has contributed to improved sales through increased average order values
- Expanded Store to Door for Black Pepper
- Loyalty membership grew by a further 118,000 members (+22%) in H1 to 652,000 members. Loyalty program sales now represent c.75% of sales and continues to provide improved consumer insights, enable tailored communication and drive traffic to our retail stores
- Successful launch of Loyalty App for Review which drives a high conversion and engagement with Top spenders
- Launch of interactive Review Magazine in October now allows us to showcase new product with direct shopping links and content covering behind the scenes, beauty tips and exclusive interviews

Loyalty and Online Growth (H1 FY2014 – H1 FY2017)



New Review Magazine and Myer Dropship



Wholesale, Design & Distribution



- Wholesale sales in H1 were \$63.7m, up 1.6% on the same period last year
- Sales growth slower in H1 due to delivery delays by department store customers related to their own inventory issues

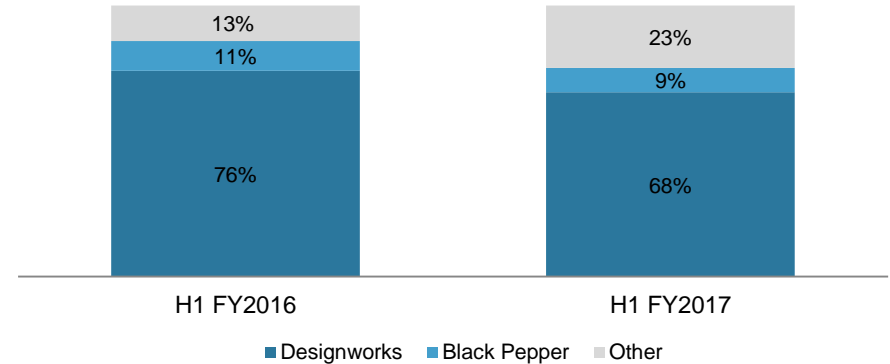
DESIGNWORKS

- H1 sales down 8.9% to \$43.6 million largely due to delayed orders from Kmart for licensed apparel
- 87% of sales now from Licensed business and Sport
- Increased sales in H1 in the Sport Division driven by growth in new Footwear ranges and Sports Equipment
- Business well positioned for moderate growth in H2 incorporating new supply opportunities with Target and Aldi

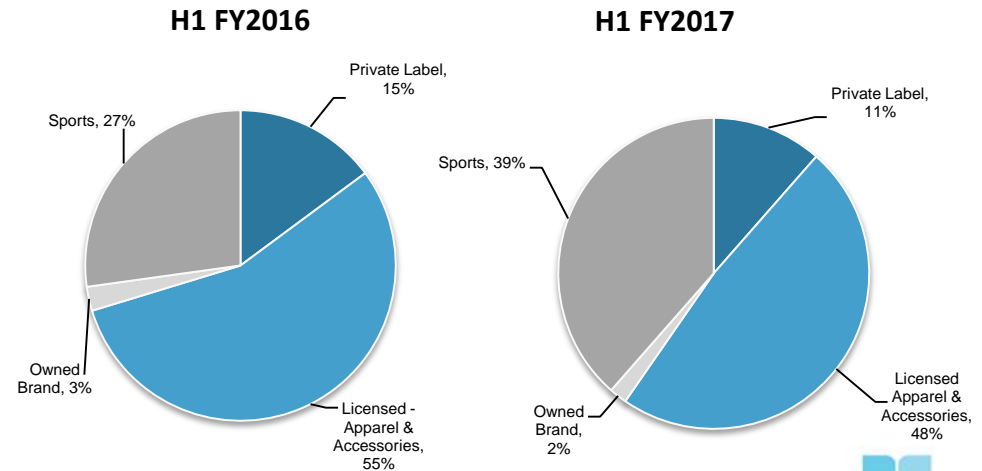
OTHER WHOLESALE

- Strong performance from JETS with encouraging international wholesale growth
- Further investment in JETS infrastructure to drive growth
- Strong performance in Yarra Trail wholesale
- Continued shift from Wholesale to Retail in Black Pepper

Wholesale Sales by Brand – H1 FY2017 v H1 2016



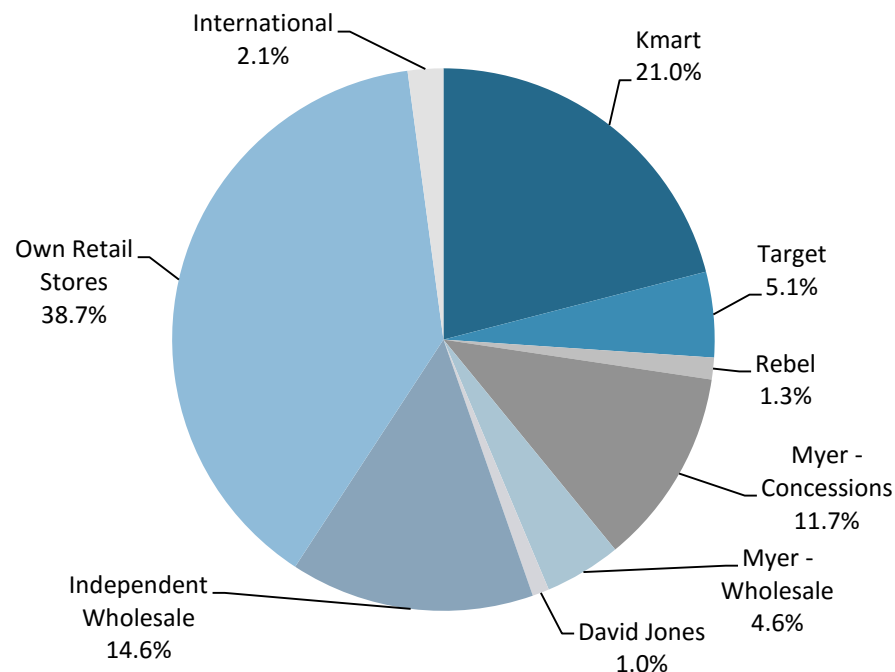
Designworks Product Mix – H1 FY2017 v H1 FY2016



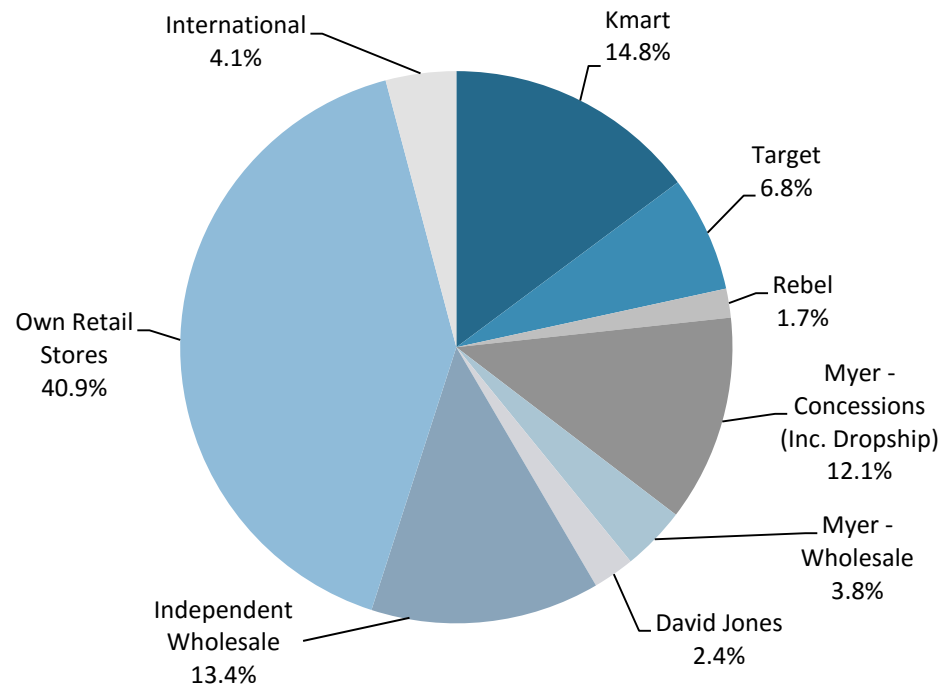
Sales by customer



Sales by Customer /Channel – Full Year FY2016



Sales by Customer /Channel – H1 FY2017



- Investment in own retail and International channels has reduced reliance on local Discount Department stores
- International revenue through Designworks grew strongly
- Continued growth in Sport through Rebel and Independents
- Increase in David Jones due to JETS
- Kmart reduction due to reduced character licensing partially offset by growth in Target

Sales by Brand and Segment



Actual (\$ millions)	H1 FY2017	H1 FY2016	Var
Retail			
Review	39.2	38.4	+2.0%
Black Pepper	29.4	26.2	+12.1%
New Businesses and Other	3.4	2.4	+41.7%
Total Retail Sales	71.9	67.0	+7.3%
Wholesale			
Designworks	43.6	47.8	-8.9%
Black Pepper	5.9	7.1	-17.4%
New Businesses and Other	14.2	7.7	+183.7%
Wholesale Sales	63.7	62.7	+1.6%
Total Sales	135.7	129.7	+4.6%
<i>Retail Sales % of Total Sales</i>	53.1%	51.7%	
<i>Wholesale Sales % of Total Sales</i>	46.9%	48.3%	
<i>Retail Sales Growth (%)</i>	7.3%	18.6%	
<i>Wholesale Sales Growth (%)</i>	1.6%	35.4%	

- Review sales growth driven by online and boutiques with Myer concession performance challenging
- Black Pepper growth driven by new stores
- New business driven by JETS retail and online
- Designworks sales impacted by lower licensed business in Kmart partially offset by new Target sales
- Black Pepper shift from Wholesale to retail in line with plan
- New business growth driven by JETS wholesale growth

Income Statement



Continuing Business (\$ millions) ⁽ⁱ⁾	H1 FY2017	H1 FY2016	Var
Revenue from Sales	135.7	129.7	+4.6%
Gross Profit	76.0	72.7	
<i>Gross Profit Margin (%)</i>	<i>56.1%</i>	<i>56.0%</i>	
Cost of Doing Business (CODB)	(64.4)	(60.5)	
<i>CODB (%)</i>	<i>47.5%</i>	<i>46.6%</i>	
EBITDA	11.6	12.2	-5.1%
Depreciation & Amortisation	(3.9)	(3.0)	
EBIT	7.7	9.2	-16.4%
Net Finance Costs	(0.4)	(0.4)	
PBT	7.3	8.8	-16.7%
Tax Expense	(1.9)	(2.7)	
NPAT – Continuing Business	5.4	6.1	-11.3%
NPAT – Discontinued Business	(0.6)	(1.1)	+46.3%
NPAT – Reported	4.8	5.0	-3.7%

- Gross profit margin up 10 basis points reflecting slight half on half increase to retail mix
- CODB increase on prior year of 90 basis points predominantly due to:
 - Property and employment costs associated with new stores in FY2017 and full year impact of stores rolled out in FY2016
 - Investment in Black Pepper retail infrastructure
 - Investment in JETS and White Runway
 - Investment in digital marketing and fulfilment costs for online sales growth
- Depreciation increase largely due annualisation of new stores, enhanced store refurbishment program and investment in online

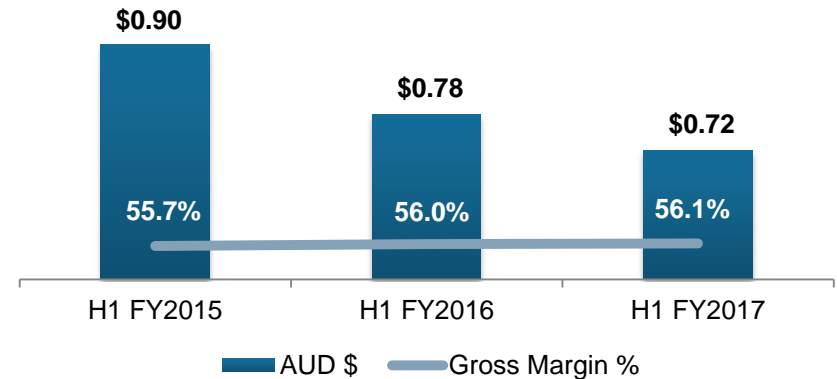
(i) See Continuing Business to Total Business Income Statement reconciliation at Appendix A

Gross Margin and Exchange Rates



- Gross margin has continued to be well managed through the currency cycle
- H1 Gross profit % flat on prior year supported by a higher retail mix
- Forward US dollar currency requirements for Review and Breakaway for the majority covered up to H1 FY2018 at c.\$0.74
- Future currency requirements and wholesale pricing are determined when firm orders are received
- The 3.3% duty reduction in clothing imports from China which came into effect in January 2017 will assist in offsetting the drop in the AUD

Exchange rate and margin



Growth Strategy



1 New Store Roll Out	<ul style="list-style-type: none"> Expected to grow from current 257 retail sites to 261 by end of FY2017 New store roll out progressing in line with plan
2 Store Enhancement	<ul style="list-style-type: none"> Targeted refurbishments planned for 11 more Retail sites in H2 FY2017 Continued opportunity to create larger format Black Pepper stores with expanded brand portfolio Continued refresh of Review concession concepts through H2 FY2017
3 Product and Brand Extension	<ul style="list-style-type: none"> Continued growth in Designworks sports division New sports categories being introduced with Slazenger and Dunlop brands Expansion in Everlast product categories Growing licensed and brand business in Designworks with new customer channels
4 Licensing Opportunities	<ul style="list-style-type: none"> Continue to leverage alliance with UK based global brand owner IBML New sales with Aldi and Target Designworks successful Toys"R"Us Japan relationship Opportunities with Strong portfolio of licences and an ongoing pipeline of new licensed opportunities
5 Online Growth	<ul style="list-style-type: none"> The new websites for JETS, White Runway, and Black Pepper will support planned growth Launch of Borderfree to grow our presence in international markets Gift cards to be replaced by new multi-channel E-cards capable of being redeemed across all channels Introduction of click and collect for Black Pepper Focus on continuing the strong online growth experienced in Yarra Trail
6 Loyalty and Communication	<ul style="list-style-type: none"> Loyalty upgrade to increase customer engagement and deliver a more personalised and tailored experience through targeted offerings Ongoing contribution to improving customer loyalty and retention
7 Acquisitions	<ul style="list-style-type: none"> Continued integration and development of JETS and White Runway businesses acquired in FY2016 Continuing to evaluate further opportunities

Conclusion and Outlook



- **In spite of challenging trading conditions in H1 FY2017 performance was driven by:**
 - Strong online growth;
 - New stores and annualisation of stores opened last year;
 - The FY2016 acquisitions of JETS; and
 - Divestment of the loss making Metalicus business
- **Growth strategy execution according to plan:**
 - Store roll-out and targeted refurbishment continues;
 - Online and loyalty strategy driving revenue online and in-store;
 - Designworks growth from the new Sport Division including new categories in Footwear and Equipment; and
 - Good progress made on the JETS growth strategy
- **Strong cash generation with no debt** and a new flexible banking deal to cost effectively accommodate growth
- **Continuing to explore potential acquisitions & licensing opportunities**
- While the retail environment for the first 8 weeks of H2 FY2017 has remained challenging we are maintaining tight control of our inventory to protect margin. We continue to deliver against our strategy and with no debt and good cash flows the business is in a strong financial position with the capacity to make further value accretive acquisitions.

METALICUS

BLACK PEPPER

REVIEW

WHITE RUNWAY

JETS™



yarra trail

MARCO POLO

STAR
WARS



BREAKAWAY



FIGORELLI



karrimor

marie claire
PARIS



Barbie™



MOOKS
CLOTHING CO.

WORLD
INDUSTRIES

EQUUS

Firetrap™



SISTA D

yb yvonne black

H1 FY2017 Financials



THE
PAS
GROUP
LIMITED

Balance Sheet



Statutory (\$ millions)	31 December 2016	30 June 2016
Cash and Cash Equivalents	10.2	7.9
Trade and Other Receivables	23.4	21.2
Inventory	31.5	30.1
Property, Plant and Equipment	15.5	13.7
Net Deferred Tax Assets	5.5	7.6
Goodwill & Other Intangible Assets	79.4	79.1
Net Assets Held for Sale	-	3.4
Other Assets	8.8	5.6
Total Assets	174.3	168.6
Trade and Other Payables	21.7	18.3
Other Liabilities	22.4	24.5
Total Liabilities	44.1	42.8
Net Assets	130.2	125.8

- No debt
- Net cash of \$10.2 million (as at 31 December 2016)
- Inventory and Trade and Other Payables increase due to increased shipments of stock for new season shipments ahead of Chinese New Year
- PP&E increase due to new stores and refurbishment investment and transition to the new Designworks support office
- Net Assets Held for Sale represents the net value of assets and liabilities relating to the Metalicus discontinued business which completed on 30 September 2016
- Other liabilities decrease primarily due to the previous mark to market FX hedge position transitioning to a receivable

Cash Flow Statement



Statutory (\$ millions)	H1 FY2017	H1 FY2016
Net profit after tax ⁽ⁱ⁾	4.8	5.0
Adjustments (incl depreciation, interest and tax)	4.8	5.3
Cash profit	9.6	10.3
Movement in Working Capital	0.3	(0.2)
<i>Movement in Trade & Other Receivables</i>	(1.8)	5.0
<i>Movement in Inventories</i>	(1.0)	(4.6)
<i>Movement in Trade & Other Payables</i>	3.1	(0.6)
Movement in provisions and prepayments	(0.6)	2.4
Net cash flow from operations	9.3	12.5
Receipts/(Payments) for Businesses	3.0	(11.5)
Capital Expenditure	(5.4)	(4.5)
Lease Incentive - Support Offices	0.7	1.7
Net cash flow before financing activities and tax	7.6	(1.8)
Income Tax Payments	(1.4)	(0.3)
Net Interest	(0.3)	(0.3)
Dividends Paid	(3.6)	(4.2)
Net Cash Flow	2.3	(6.6)

- Positive net cash flow
- Operational cash flows impacted by sale of Metalicus as realisation of working capital is recorded as cash flow from investing (see reconciliation of Operating Cash Flows on next page)
- Capital Expenditure in H1 reflects the continual store roll out program, targeted investment in refurbishments, ongoing development of our online and loyalty infrastructure and build of the the new Designworks support office
- Receipts/(Payments) for Businesses reflect the net cash inflow upon disposal of Metalicus in H1 FY2017 and outflows for the initial payments for White Runway and JETS in H1 FY2016
- Dividends paid reflect the payment of the Final Dividend for FY2016 & FY2015

(i) NPAT includes aggregate impact of Metalicus discontinued business. Refer to Appendix A

Earnings by Segment



Actual Underlying (\$ millions)	H1 FY2017	H1 FY2016
EBITDA		
Retail	9.5	9.6
<i>Margin (%)</i>	<i>13.2%</i>	<i>14.3%</i>
Wholesale	6.9	7.6
<i>Margin (%)</i>	<i>10.8%</i>	<i>12.1%</i>
Unallocated / Corporate	(4.8)	(5.0)
Total EBITDA	11.6	12.2
<i>Margin (%)</i>	<i>8.5%</i>	<i>9.4%</i>
EBIT		
Retail	6.8	7.5
<i>Margin (%)</i>	<i>9.5%</i>	<i>11.2%</i>
Wholesale	6.6	7.5
<i>Margin (%)</i>	<i>10.4%</i>	<i>12.0%</i>
Unallocated / Corporate	(5.7)	(5.8)
Total EBIT	7.7	9.2
<i>Margin (%)</i>	<i>5.7%</i>	<i>7.1%</i>

- Retail EBITDA remained flat compared to prior year despite challenging trading conditions due to strong performance in the underlying business driven by online (39.1% sales growth), the EBITDA accretive impact of new acquisitions, 9 new store openings and the net annualisation of 12 stores opened in FY2016
- Wholesale EBITDA below prior half year predominantly due to delayed department store and discount department store orders
- Unallocated and Corporate underlying EBITDA has been well managed

METALICUS

BLACK PEPPER

REVIEW

WHITE RUNWAY

JETS™

yarra trail

MARCO POLO

STAR
WARS

Slazenger

REPUBLIC

MARVEL
© MARVEL.

BREAKAWAY

DUNLOP
SPORT

FIGORELLI

NO
FEAR

marie claire
PARIS

FREDBARE

Barbie



MOOKS
CLOTHING CO.

WORLD
INDUSTRIES

EQUUS

yb yvonne black

Appendices



THE
PAS
GROUP
LIMITED

Appendix A: Continuing to Total Business Reconciliation



On 27 July 2016 The PAS Group Ltd ('PAS') announced that it had signed an agreement for the sale of its loss making Metalicus business to the General Pants Group. This transaction was successfully completed on 30 September 2016.

On this basis, the Metalicus business met the criteria to be classified as a discontinued operation for the half year ended 31 December 2016. Accordingly, the results of the discontinued operation are presented separately in the consolidated statement of profit and loss and other comprehensive income and the assets and liabilities incorporated in the sale have been presented separately in the statement of financial position as assets held for sale for the comparative period 30 June 2016 in accordance with Accounting Standards.

All prior year comparatives throughout the financial statements and notes are representative of the continuing business only and Note 5 provides further information regarding the disposed business.

Whilst PAS believes that presenting continuing business profit provides a better understanding of its financial performance, for transparency, a reconciliation between the continuing business and the Total Business incorporating the Metalicus Discontinued Operation is provided below.

(\$'millions)	H1 FY2017 Revenue	H1 FY2017 EBITDA	H1 FY2017 EBIT	H1 FY2017 NPAT	H1 FY2016 Revenue	H1 FY2016 EBITDA	H1 FY2016 EBIT	H1 FY2016 NPAT
Continuing Business	135.7	11.6	7.7	5.4	129.7	12.2	9.2	6.1
Financial Impact: Metalicus Discontinued Operation ⁽ⁱ⁾	5.3	(0.8)	(1.6)	(0.6)	13.7	(1.2)	(1.6)	(1.1)
Total Business	141.0	10.8	6.1	4.8	143.4	11.0	7.6	5.0

(i) The H1 FY2017 financial information presented reflects the operations for the three month ownership period ended 30 September 2016 whilst the H1 FY2016 comparative period reflects a full six months trading.

Disclaimer



Forward looking statements: This presentation contains certain forward looking statements, including with respect to the financial condition, results of operations and businesses of The PAS Group Limited ('PGR') and certain plans and objectives of the management of PGR. Forward looking statements can generally be identified by the use of words including but not limited to "project", "foresee", "objectives", "plan", "aim", "intend", "anticipate", "believe", "estimate", "may", "should", "will", "forecast" or similar expressions. Indications of plans, strategies and objectives of management, sales and financial performance are also forward looking statements.

All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of PGR, which may cause the actual results or performance of PGR to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements apply only as of the date of this presentation.

Factors that cause actual results or performance to differ materially include without limitation the following: risks and uncertainties with the Australian, New Zealand and global economic environment and capital market conditions, the cyclical nature of the retail industry, the level of activity in Australian and New Zealand retail industries, fluctuation in foreign currency exchange and interest rates, competition, PGR's relationships with, and the financial condition of, its suppliers and customers, legislative changes or other changes in the laws which affect PGR's business, including consumer law, and operational risks. The foregoing list of important factors and risks is not exhaustive.

No representation or warranty (express or implied) is given or made by any person (including PGR) in relation to the accuracy, likelihood or achievement or reasonableness of any forward looking statements or the assumptions on which the forward looking statements are based. PGR does not accept responsibility or liability arising in any way for errors in, omissions from, or information contained in this presentation.

PGR disclaims any obligation or undertaking to release any updates or revisions to the information to reflect any new information or change in expectations or assumptions after the date of this presentation, except as may be required under securities law.

Disclaimer and third party information: To the fullest extent permitted by law, no representation or warranty (express or implied) is or will be made by any legal or natural person in relation to the accuracy or completeness of all or part of this document, or any constituent or associated presentation, information or material (collectively, the **Information**). The Information may include information derived from public or third party sources that has not been independently verified.

Investment decisions: Nothing contained in the Information constitutes investment, legal, tax or other advice. The Information does not take into account the investment objectives, financial situation or particular needs of any investor, potential investor or any other person. You should take independent professional advice before making any investment decision.

All statutory numbers referred to in this presentation have been audited.

Any adjustments made between statutory and pro forma results are made in accordance with ASIC Guidance Statement RG230.