



# 2018 Annual General Meeting

## Investor Presentation



June 28<sup>th</sup> 2018

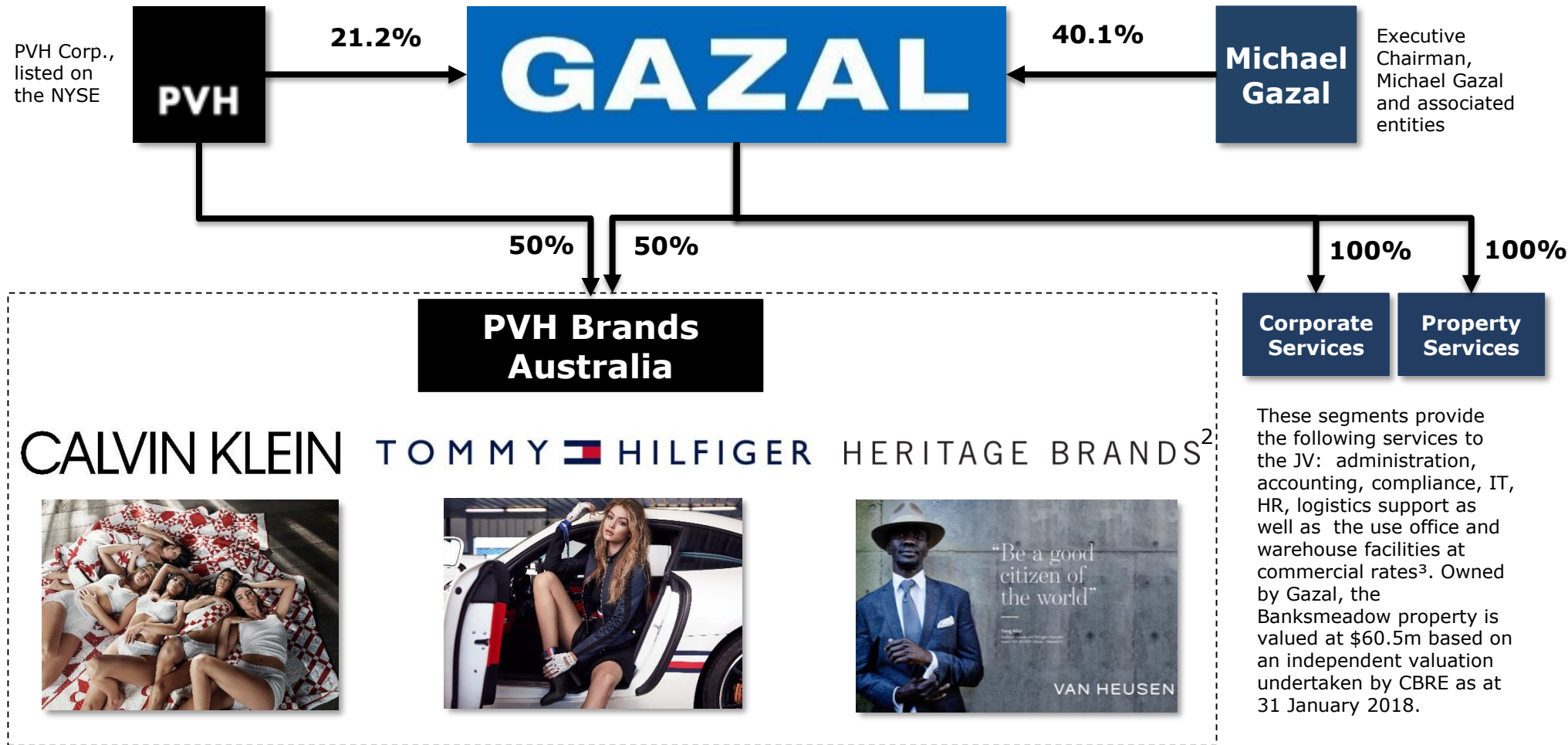
Gazal Corporation Limited | GZL.ASX

# INVESTMENT HIGHLIGHTS

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- One of **Australia's leading apparel companies** – since 1958
- Business **"Re-Set"** complete
- Joint venture partner and 21.2% Gazal shareholder, **PVH Corp.** – owner of iconic global brands **CALVIN KLEIN** and **TOMMY HILFINGER**
- Clear **growth strategy**
  - plan to significantly increase store network
  - expand existing store sizes
  - product categories' expansion
  - e-commerce launch
- **Experienced management team** with execution track record
- Commitment to drive **strong shareholder returns**

# CURRENT STRUCTURE – Continuing operations<sup>1</sup>



## Notes:

1. Following the completion of the sale of Bisley Workwear in December 2017, continuing operations exclude Bisley Workwear.
2. The Heritage Brands business includes owned and licensed brands **VAN HEUSEN**, **NANCY GANZ**, **Pierre Cardin** and **Bracks**.
3. These services are also provided to external parties TJX and Bisley (now acquired by David Gazal's entity) for a limited time under transitional arrangements.

# BUSINESS “RE-SET” FOR GROWTH

- Streamlining the Company
- One operating model
- Greater focus

## TRANSFORMATION PROCESS

## INVEST FOR GROWTH

**2014**

- Joint venture (JV) with PVH Corp. commences trading
- Initially bringing together in the JV **CALVIN KLEIN Underwear** and **CALVIN KLEIN Jeans**

**2015**

- Trade Secret divested for \$83m and surplus proceeds returned to shareholders
- Midford sold for \$10m
- JV expanded to include **TOMMY HILFIGER**
- Also Gazal's Heritage Brands business (which includes **Van Heusen** and **Nancy Ganz**) transferred to the JV

**2016**

- Busy year of successful integration, consolidation and laying the platform for growth in the JV

**2017**

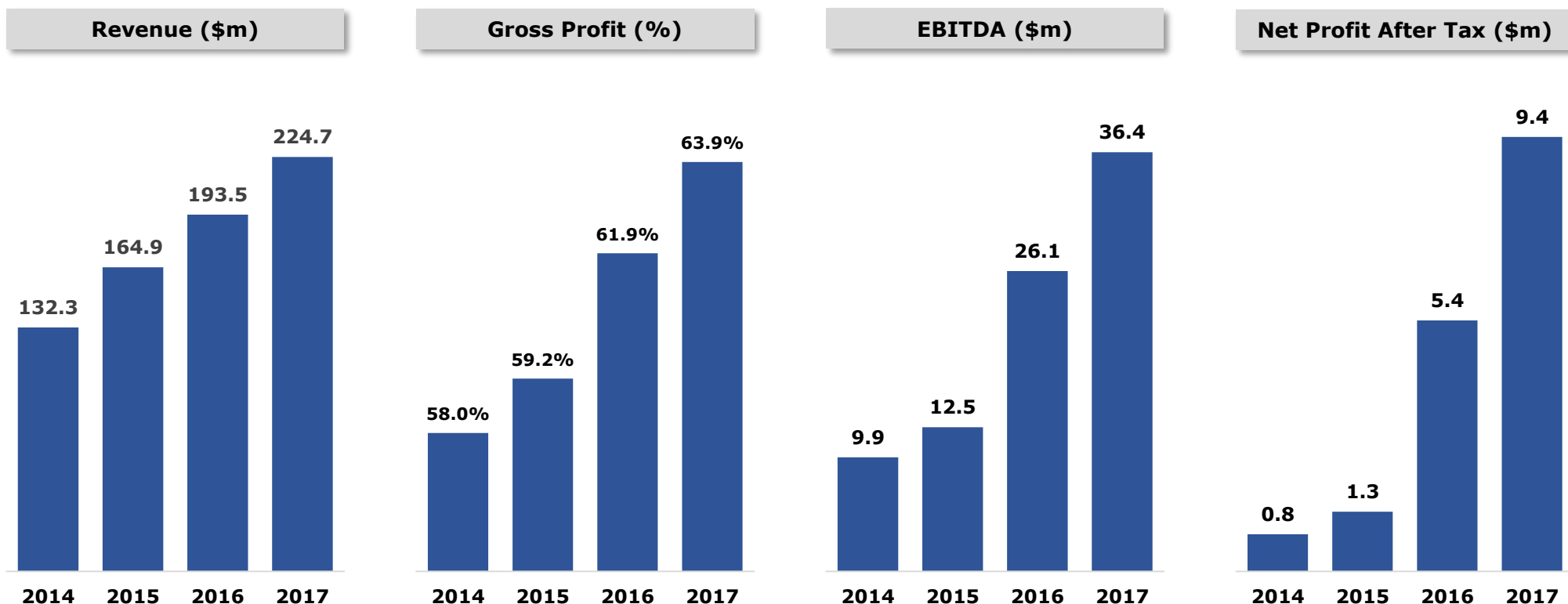
- Bisley Workwear sold for \$38m and the buy-back of 9.8m shares, both concluded in December 2017
- Warehouse system upgraded
- Singapore logistics implemented
- HR system implemented
- GM Tommy Hilfiger and GM Planning hired
- Store rollouts continue

**2018**

- Key CK & TH outlet expansions begin
- Ongoing investment in Merchandise systems and people
- WA and SA expansion started
- Expanded categories across all brands
- Expanded distribution online. Amazon, Iconic, PVH Branded sites



# HISTORICAL FINANCIALS – Continuing Operations<sup>1</sup> (Non-IFRS<sup>2,3</sup>)



## Notes:

1. Following the completion of the sale of Bisley Workwear in December 2017, the results above from continuing operations have been restated to exclude Bisley Workwear.
2. The PVHBA joint venture is a Joint Arrangement under IFRS 11 and therefore in the statutory IFRS results of Gazal, the JV is accounted for using the equity method of accounting. For the purposes of this presentation the Directors are of the opinion that due to the significance of the JV to the operating results of Gazal, it is useful to present non-IFRS consolidated results of Gazal and the JV as reported on above. A reconciliation of the 2017 results to IFRS results is set out in Appendix 2A.
3. 2017 excludes the one-off impairment of the Orotin investment of pre-tax (\$3.1m).
  - 2014 refers to pro-forma unaudited results (assuming like-for-like businesses in the JV) for the 12 months period ending Jan 2015
  - 2015 refers to unaudited results for the 12 month period ending Jan 2016
  - 2016 refers to unaudited results for the 12 month period ending Jan 2017
  - 2017 refers to unaudited results for the 12 month period ending 3<sup>rd</sup> Feb 2018

# BRAND PERFORMANCE<sup>1</sup>

## CALVIN KLEIN



**2017**

Stores#: **37**

Revenue: **\$93.3m**

Sales growth: **+18.9%**

## TOMMY HILFIGER



**2017**

Stores#: **17**

Revenue: **\$79.1m**

Sales growth: **+33.9%**

## HERITAGE BRANDS



**2017**

Stores#: **12**

Revenue: **\$52.3m**

Sales growth: **-6.5%**

# GAZAL - Investing for significant growth

- Continued good performance
- Attractive and desirable brands
- Solid growth opportunities across retail stores and ecommerce
- A capable team to continue the growth story
- Solid balance sheet to fund growth



# ATTRACTIVE, DESIRABLE BRANDS

## Broad demographic appeal

Demographic	18-29	30-39	40-49	50+
Calvin Klein	15%	20%	29%	36%
Tommy Hilfiger	18%	24%	29%	29%
Heritage	9%	26%	25%	40%

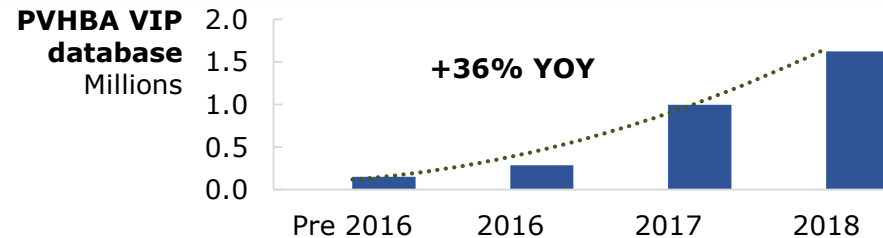


## Powerful global and local ambassadors

- 613 million — Combined global reach of Kardashians, Lewis Hamilton and Gigi Hadid



## Massive local database growth



## Increased local investment in marketing

- +21% YOY





# 2017 HIGHLIGHTS – Continuing Operations<sup>1</sup> (Non-IFRS<sup>2</sup>)

<b>Revenue</b>	<ul style="list-style-type: none"> <li>Total revenue increased 16% to \$224.7m compared to the prior year</li> </ul>
<b>Wholesale</b>	<ul style="list-style-type: none"> <li>Net wholesale sales increased 7.3% to \$112.7m representing 50.2% of total revenue</li> </ul>
<b>Retail Stores</b>	<ul style="list-style-type: none"> <li>Strong like-for-like stores sales growth of +16% on last year</li> <li>8 new stores opened in 2017 taking total stores to 66 (net of closures)</li> <li>Total retail sales increased 26.5% to \$112.0m representing 49.8% of total revenue</li> </ul>
<b>Profit</b>	<ul style="list-style-type: none"> <li>NPAT from continuing operations increased 16% to \$6.3m</li> <li>NPAT from continuing operations excluding impairment of investment<sup>3</sup> increased 73% to \$9.4m</li> </ul>
<b>Dividend</b>	<ul style="list-style-type: none"> <li>Final dividend of 8¢ per share fully franked payable on 4<sup>th</sup> May 2018. This compares to 6¢ per share fully franked paid on 4<sup>th</sup> April 2017</li> </ul>
<b>Property</b>	<ul style="list-style-type: none"> <li>Based on an independent valuation undertaken by CBRE as at 31 January 2018, the Banksmeadow property has been revalued to \$60.5m, up from the previous book value of \$56m</li> </ul>

**Notes:**

- Following the completion of the sale of Bisley Workwear in December 2017, the 2016 and 2017 results from continuing operations have been restated to exclude the profit contribution from Bisley Workwear as well as internal revenue received by Corporate Services from Bisley Workwear.
- The PVHBA joint venture is a Joint Arrangement under IFRS 11 and therefore in the statutory IFRS results of Gazal, the JV is accounted for using the equity method of accounting. For the purposes of this presentation the Directors are of the opinion that due to the significance of the JV to the operating results of Gazal, it is useful to present non-IFRS consolidated results of Gazal and the JV as reported on above. A reconciliation of the 2017 results to IFRS results are detailed in Appendix 2A.
- 2017 impairment of investment refers to the one-off impairment of the Orotan investment of pre-tax (\$3.1m).
  - 2017 refers to unaudited results for the 12 months ending 3<sup>rd</sup> Feb 2018. 2016 ("last year") refers to unaudited results for the 12 months ending Jan 2017 - refer to Appendix 1 on slide 16.

# INVESTING IN STRATEGIC PRIORITIES – Department Stores

- Continue growth of product categories with key partners
- Increased footprint and brand exposure from 179 to **225** total branded installations
- Increased consumer touch points through cross-category merchandising into youth departments
- Ongoing 'brand enhancement' concepts for new categories

Branded Installations	Jan-15	Jan-16	Jan-17	Jan-18 (current)	Jan-19 (forecast)
CALVIN KLEIN	33	56	83	116	120
TOMMY HILFIGER	40	45	52	64	68
VAN HEUSEN	0	16	38	38	38
NANCY GANZ	1	6	6	7	7
<b>TOTAL</b>	<b>74</b>	<b>123</b>	<b>179</b>	<b>225</b>	<b>233</b>



# INVESTING IN STRATEGIC PRIORITIES – New Stores/Expansions

## Grow store portfolio from 66 in 2017 to 74 by year-end 2018

- In-fill metro locations, airports and shopping strips
- Expand into SA and WA

## Increase space +37% vs FY17

- Including Outlet expansions (4 YTD)

## Further expansion opportunity

- E.g., Expansion into New Zealand – new market TBA



Store #	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19 (forecast)	Estimated Capacity <sup>1</sup>
CALVIN KLEIN <sup>2</sup>	19	22	35	37	39	50
TOMMY HILFINGER	12	13	16	17	21	30
VAN HEUSEN	4	6	10	12	14	20
<b>TOTAL</b>	<b>35</b>	<b>41</b>	<b>61</b>	<b>66</b>	<b>74</b>	<b>100</b>

Notes:

1. Estimated store capacity in Australia and New Zealand

2. Calvin Klein stores include 10 Myer concessions stores.

# INVESTING IN STRATEGIC PRIORITIES – New sales channels

## Expanded retail presence:

### Australian e-commerce launch

- Launch of Australian e-commerce sites for Tommy Hilfiger and Calvin Klein in Oct. 18

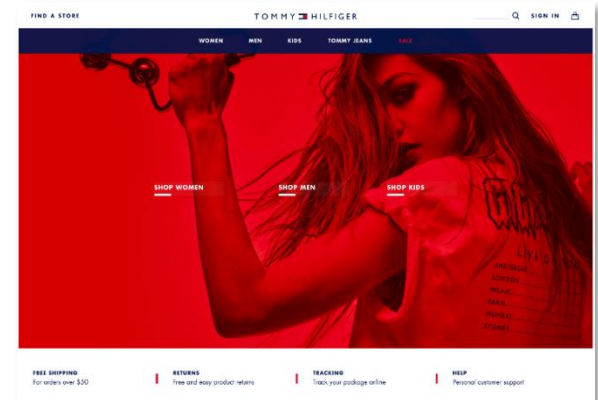
### Strong growth in Online and Specialty Youth retailers

- Continued strong growth in Online & Specialty Youth Retailers (Feb.–May 18 **+61%** vs LY)
  - The Iconic
  - Amazon
  - Universal Stores
  - City Beach

### International expansion

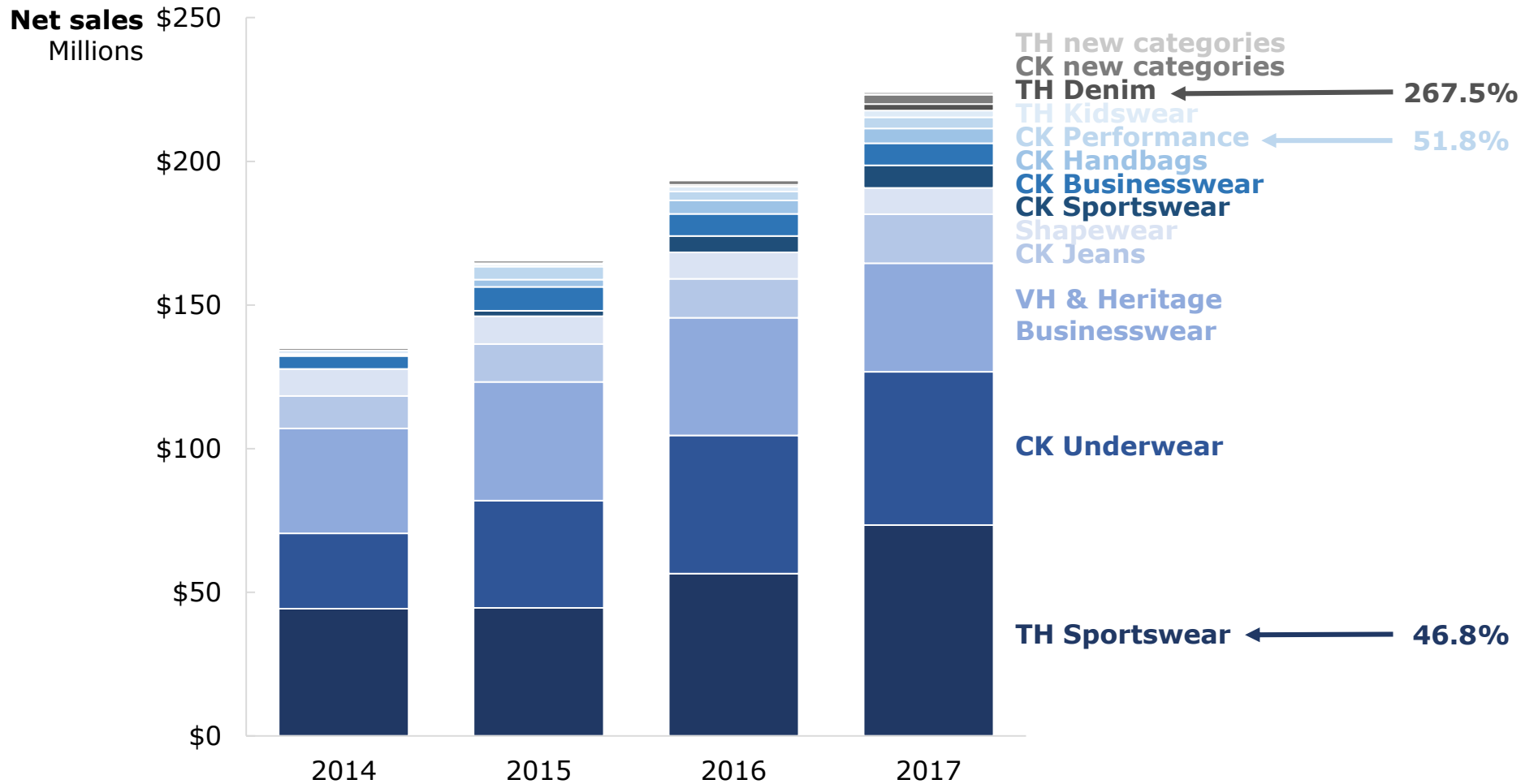
- Nancy Ganz

Shapewear International Distribution	May 18 # Stores
USA - Nieman Marcus	23
USA - Other	2
UK - House of Fraser	13
UK - John Lewis	3
<b>TOTAL</b>	<b>41</b>





# INVESTING IN STRATEGIC PRIORITIES – Growing assortment opportunities



## GROWTH IS SELF-FUNDING

- PVHBA delivered a positive cash flow of \$8.8m ending Jan 2018
- This positive cash flow generation was after key investments in new stores and additional stock levels to support the planned increase in sales
- For FY2018 we expect investment to accelerate in stores, stock and a new planning system to support our growth
- We expect the current business will generate sufficient cash to support all of these activities

Key cash items – FY17	\$m
EBITDA	33.2
Tax/interest payments	(11.0)
Investment in stock	(8.3)
Investment in new stores	(3.8)
Investment in new planning systems	(1.3)
Operating cash flow	8.8

# CONTINUED GOOD PERFORMANCE – End May 18 Update

CALVIN KLEIN TOMMY  HILFIGER HERITAGE BRANDS



2017
Stores#: <b>37</b>
Revenue: <b>\$93.3m</b>
Sales growth: <b>+18.9%</b>



2018
Stores#: <b>37</b>
Sales growth: <b>+23.4%</b>
LFL Retail Stores: <b>+31.5%</b>

2017
Stores#: <b>17</b>
Revenue: <b>\$79.1m</b>
Sales growth: <b>+33.9%</b>



2018
Stores#: <b>18</b>
Sales growth: <b>+53.2%</b>
LFL Retail Stores: <b>+42.6%</b>

2017
Stores#: <b>12</b>
Revenue: <b>\$52.3m</b>
Sales growth: <b>-6.5%</b>



2018
Stores#: <b>13</b>
Sales growth: <b>+1.2%</b>
LFL Retail Stores: <b>+13.8%</b>

2017
Stores#: <b>66</b>
Revenue: <b>\$224.7m</b>
Sales growth: <b>+16.1%</b>



2018
Stores#: <b>68</b>
Sales growth: <b>+26.4%</b>
LFL Retail Stores: <b>+35.1%</b>

## CONTINUED GOOD PERFORMANCE – End May 18 Update

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For the first 4 months of the year ending 2/6/2018:

- Total Sales **+26.4%** (across all channels)
- Like for Like retail sales growth of **+35.1%**
- Underlying EBITDA **+28.3%** for continuing operations
- **Net 2 Stores** opened for the first 4 months
- **4 Stores** expanded for the first 4 months

CALVIN KLEIN

TOMMY  HILFIGER

HERITAGE BRANDS