

# OROTONGROUP

HY16 INVESTOR PRESENTATION  
17 March 2016

# OROTON



CEO/MD – Mark Newman  
CFO – Vanessa De Bono

# Strategic initiatives deliver strong Revenue and Earnings growth

	HY16 Reported \$ M	HY15 Reported \$ M	Change %
Revenue	74.5	66.8	+12%
- Group LFL Sales Growth	+10%	-6%	
Gross Margin (%)	60.1%	62.7%	
Total Expenses (%)	52.2%	55.2%	
EBITDA	8.9	7.1	+25%
EBIT	6.2	4.5	+38%
EBIT Margin (%)	8.3%	6.7%	
NPAT	3.8	2.2	+73%
EPS (cents)	9.2	5.4	+73%
Interim DPS (cents) / Fully franked	6.0	4.5	+33%
Net Cash / (Debt)	2.0	(5.6) HY15 (5.8) FY15	
	HY16 \$ M	HY15 \$ M	Change %
Underlying EBIT <sup>(1)</sup>	6.2	4.8	+30%
- excluding Brooks Brothers <sup>(2)</sup>	6.2	5.8	+8%
Underlying EPS (cents) <sup>(1)</sup>	9.2	6.1	+52%
- excluding Brooks Brothers <sup>(2)</sup>	9.2	8.5	+9%

(1) + (2) No underlying adjustments in HY16

(1) Underlying HY15 comparatives are reconciled to IFRS audited measurements through the add back of the onerous Hong Kong Store lease after exit (\$0.3m) per HY15 presentation

(2) Underlying HY15 comparatives are changed to be consistent with the FY15 year end presentation by adding back the trading losses from Brooks Brothers Australia joint venture (\$1.0m) following the exit in July 2015

- ❑ **Group Revenue up 12% to \$74.5m:**
  - Group like for like (LFL) sales were +10% in HY16 with all channels positive
  - 2<sup>nd</sup> year of the Oroton brand repositioning with LFL sales growth of +11% achieved
  - Oroton International LFL sales growth of +6%
  - Gap sales +29% (LFL +6%) as brand awareness increases with a full 6 months of the recently expanded network
- ❑ **Gross margin declined to 60.1% due to** downward pressure from higher USD purchasing costs in AUD not fully offset by retail price increases
- ❑ **CODB decreased -300bps to 52.2% of sales (HY15: 55.2%)** as the company continued to be vigilant about cost control whilst still increasing investment in marketing
- ❑ **EBIT increased to \$6.2m or +38%:**
  - Increased revenue together with positive gross margin dollar generation, reduced CODB and reduced losses from International and GAP, offset by approximately \$0.9m foreign currency impact
  - No losses following exit from Brooks Brothers joint venture in July 2015 (HY15: \$1m)
- ❑ **Underlying EBIT excluding share of BB losses improved +8% <sup>(2)</sup>**
- ❑ **EPS up 73% to 9.2 cents**
  - EPS increase higher than EBIT increase as current effective tax rate improves from 47% (HY15) to 37% (HY16) due to less non-deductible international losses and no equity accounted losses in Brooks Brothers
- ❑ **Strong Balance Sheet and no debt to support growth initiatives**
- ❑ **Interim DPS of 6.0 cents fully franked (+33% vs HY15)**
  - The Board has declared an interim fully franked dividend of 6.0 cps (HY15: 4.5cps)

# Oroton – Sales growth restored as investment in a true affordable luxury positioning continues to gain traction

- ❑ LFL sales restored to +11% in HY16 compared to -6.5% in HY15 when we cycled the aggressive discounting of FY14 and prior years
- ❑ Womens handbags driving growth in full priced stores and online with unit volume and average selling prices up
- ❑ Brand elevation resonating with customers:
  - Limited edition products, new categories, and clientelling together with the new store concept has positively impacted consumers perception of the Oroton brand luxury positioning and led to higher average selling prices and transaction value
  - New store concept continues to be more productive with higher LFL sales, average transaction value and conversion rates compared to non refurbished stores
  - Compelling brand campaigns across all media are resonating with our customers and we continue to work on innovative ways to engage, retain and convert
  - Increased social media engagement and celebrity endorsement
- ❑ Investment in technology and marketing to maintain position as e-commerce leader with online sales growing from ~10% in HY15 to ~12% in HY16 of sales mix
- ❑ Continue to review store network for opportunities to take more prominent positions in key centres or close marginal non performing stores
- ❑ There were 71 stores at the end of HY16 compared to 71 at the end of FY15 and HY15, with 1 closure and 1 opening during the half year



# Oroton International – a further reduction in losses

- ❑ International losses were significantly reduced to ~\$1m (HY15: ~\$1.8m) with positive LFL sales and gross margin dollar contribution, and the closure of loss making stores and Singapore office
- ❑ We continue to apply strict performance measures to all International stores with a focus on eliminating losses in this channel
- ❑ Store closures since FY15 and the closure of the Singapore Office had a positive impact on earnings in HY16
  - Closed 1 Malaysia store in August 15
  - Exiting all Asia department store concessions by May16
- ❑ Total number of International stores at HY16 was 14 (FY15: 15 HY15: 16)



Vivo City



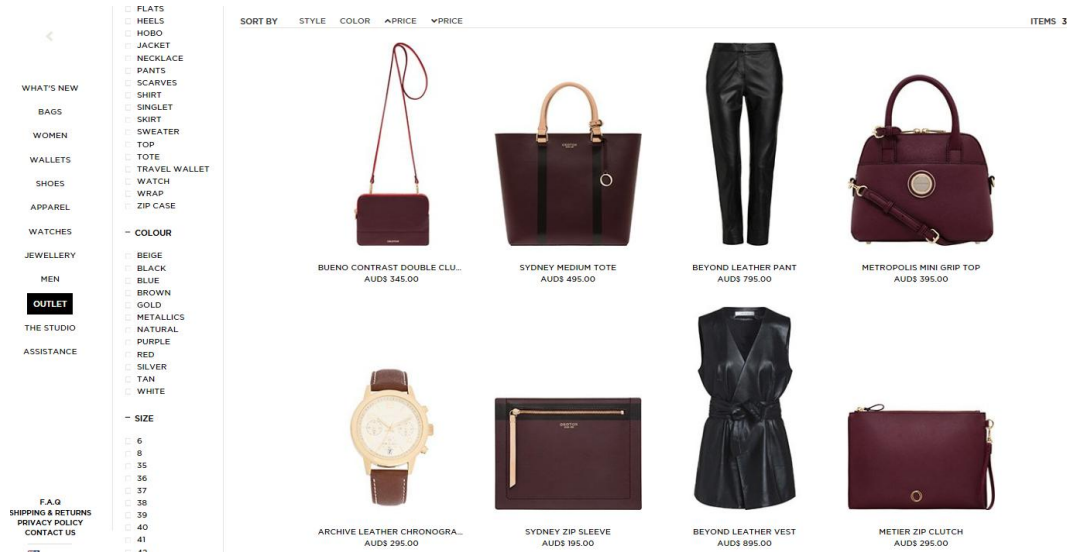
Ion



Tangs

# Oroton – Online growth accelerated through investment in technology and optimisation

- ❑ Strong sales growth with online store now ~12% of brand sales
- ❑ Visits up +12% due to investment in brand repositioning and both paid and organic search with page views up +43% due to enhancements in site useability
- ❑ Conversion rate also up +16% due to optimisation of on-site search functionality, investment in paid and organic search, plus updates to header across devices (improved UX)
- ❑ Big increase in mobile which is now 25% of mix
- ❑ Launched "Live Chat" leading to increased conversion and enhanced client service levels



# 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 +29% achieved due to the 3 new stores opened in NSW at the Macquarie, Miranda and Parramatta shopping centres in HY15 and a temporary outlet store opened in HY16 (HY16: 7 stores HY15: 6 stores)
- ❑ The above results were achieved in a competitive retail environment where consumers remained cautious with their spending as well as increased international competition in all locations
- ❑ A significant reduction in losses was achieved in the half compared to HY15 thanks to the accelerated trading performance of the network and supply chain efficiencies
- ❑ The focus in FY16 is on strategic marketing & customer engagement to drive traffic to stores and supply chain efficiencies with increased scale
- ❑ Continued review of individual stores performance compared to strict performance criteria



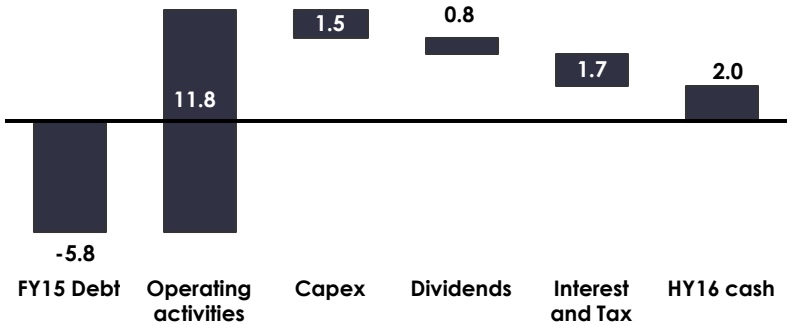


# Strong Balance Sheet and no debt to support growth initiatives

	HY16 Reported (\$ M)	FY15 Reported (\$ M)	HY15 Reported (\$ M)
PP&E	13.6	15.3	15.1
Inventory	33.4	37.7	37.2
Net Assets	46.1	44.9	45.7
Net Cash / (Debt)	2.0	(5.8)	(5.6)
Net Debt / Equity	N/A	13%	12%
Operating cash flow (before interest and tax)	11.8	2.4	(0.8)

- ❑ In the 2<sup>nd</sup> year of investing to elevate the Orotan brand and following the FY15 expansion of GAP, the Group is well positioned with:
  - A strong balance sheet (\$46.1M in net assets)
  - Net cash of \$2.0m and no debt
  - A \$40M bank facility, including \$29M unused at half year end
  
- ❑ Operating cash flow (before interest and tax) was 11.8m due to an increase in EBITDA and a decrease in working capital across Orotan and GAP driven mainly by a decrease in inventory with improved stock turns in both brands
  
- ❑ During HY16 the Group's investments were aligned with the strategy to continue capital expenditure in Orotan new concept stores and invest in e-commerce and CRM systems focused on elevating the client experience
  
- ❑ Conservative Hedging policy in place to manage FX risk covering 85% of forecast USD transactions up to 24 months out
  
- ❑ Interim fully franked dividend payment increased 33% to 6.0cps for the half year (HY15: 4.5cps)

Cashflow (\$m)



# Outlook for FY16 – Repositioning focussed on 3 strategic pillars

## OROTON Brand



- ❑ Focus on core categories of Women's bags and accessories
- ❑ New store concept refurbishment continues
- ❑ Investment in client services both in stores and online
- ❑ Social/digital/mobile first
- ❑ Next generation customer



## OROTON International



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



## GAP Brand



- ❑ Accelerated sales and margin growth
- ❑ Targeted marketing to drive location awareness
- ❑ Further cost control
- ❑ Larger online presence
- ❑ Review and benchmark individual stores performance



- ❑ Good momentum in first half of year
- ❑ Uncertain business environment currently but anticipate positive LFL sales growth in the second half of FY16
- ❑ Strong balance sheet to support future investment



# Store Listing – as at January 2016 there were 71 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  
GLEN WAVERLEY

#### **QUEENSLAND**

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

#### **SOUTH AUSTRALIA**

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

#### **WESTERN AUSTRALIA**

CLAREMONT  
DJ'S PERTH  
GARDEN CITY  
HAY STREET  
JOONDALUP  
KARRINYUP  
WATERTOWN

#### **NEW ZEALAND**

OSBORNE STREET  
ASPECT ONEHUNGA

### ASIA

#### **SINGAPORE**

ION  
ROBINSONS ORCHARD  
ROBINSONS RAFFLES CITY  
TANGS ORCHARD  
TAKASHIMAYA  
VIVO CITY

#### **MALAYSIA**

JOHOR BAHRU  
KLCC  
PARKSON, GURNEY PLAZA PENANG  
1 UTAMA

#### **CHINA**

KERRY CENTRE  
NANJING \*  
JIANGNING \*

#### **UAE**

YAS MALL ABU DHABI \*

#### **ONLINE**

[www.oroton.com](http://www.oroton.com)

(\* Denotes Franchise Store)



### AUSTRALIA

#### **NSW**

MACQUARIE  
MIRANDA  
PARRAMATTA  
WESTFIELD SYDNEY  
BIRKENHEAD POINT

#### **VICTORIA**

CHADSTONE  
MELBOURNE CENTRAL

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