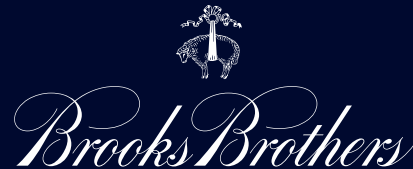


# OROTONGROUP

HY15 INVESTOR PRESENTATION

19 March 2015

# OROTON



GAP

CEO/MD – Mark Newman  
Interim CFO – Simone Taylor

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# Group Highlights – Repositioning of Oroton brand and expansion of distribution of new franchises

	HY15 (3) (\$ M)	HY14 (2,3) (\$ M)	Change
Revenue	66.8	62.9	+6%
Net Margin (%)	62.7%	63.7%	
Total Expenses (%)	55.2%	50.8%	
EBITDA	7.1	10.7	-34%
Reported EBIT	4.5	8.0	-44%
Underlying EBIT (1)	4.8	8.0	-40%
Underlying EBIT Margin (%)	7.2%	12.7%	
Share of Equity Accounted Brooks Brothers JV Loss	(1.0)	(0.2)	
Underlying EBIT (1) excluding share of Brooks Brothers Loss	5.8	8.2	-30%
NPAT	2.2	5.1	-57%
EPS (cents)	5.4	12.4	-57%
DPS in cents (Fully franked)	4.5	8.0	-44%
Group Like for Like Sales Growth (%)	-6.1%	+3.0%	

(1): Underlying EBIT excludes the significant item relating to the onerous lease provision of \$0.3m for the closure of the Hong Kong store

(2): Includes GAP brand from November 2013 (3 months only in HY14)

(3): Includes equity accounting for Brooks Brothers JV

- Repositioning of the Group**
  - Oroton strategy commenced to reduce discounting and elevate the brand
  - Expanded reach of GAP brand - 3 new stores opened in HY15
  - Further developed the Brooks Brothers franchise by launching an online store
- Group Revenue increased to \$66.8m**
  - Group like for like sales of -6.1%
    - -6.5% in Oroton as expected with reduced discounting
    - -0.9% in GAP with strong gross margin growth
  - GAP sales for 6 months of trade (compared to 3 months in HY14)
- Net margin reduced to 62.7%**
  - Higher mix of lower margin GAP sales than HY14 (3 additional stores and brand traded for full 6 months vs. 3 months in HY14)
  - Offset by increase in Oroton net margin due to reduced discounting, despite currency headwinds
- CODB increased to 55.2% of sales due to**
  - Lower sales in the Oroton brand
  - Higher proportion of GAP mix in the overall business
  - Offset by savings in Head Office costs
- Underlying EBIT reduced to \$4.8m**
  - Impact of reduced sales as we reposition the Oroton brand for future growth
  - Start up costs for new GAP stores
  - Start up losses for Brooks Brothers joint venture not trading in HY14
- NPAT of \$2.2m compared to \$5.1m in FY14**
  - Current effective tax rate at 47% due to non-deductibility of BB losses which increased by \$0.8m and international losses (HY14 effective tax rate: 37%)
- DPS of 4.5 cps**
  - The Board has declared an interim fully franked dividend of 4.5 cps compared to 8.0 cps in HY14

# Oroton – Core brand repositioned for growth

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As expected, strategy to reduce discounting led to like for like sales -6.5% (HY14: +3.0%)

- Average mark down significantly reduced
- Importantly net margin percentage to sales improved vs. HY14
- Reduced discounting had less impact in Q2 than Q1
- Online store continues to grow at approx. 11% of sales

Strategy to elevate the brand to a true attainable luxury positioning continued with:

- Launch of first campaign with internationally acclaimed Australian actress Rose Byrne
- Further rollout of new elevated store concept to 10 stores in total with a further 2 stores planned in H2-15. The new concept continues to show positive trends
- Achieved increase in average selling price in first retail stores compared to prior half through redesign of product and price architecture
- Collaboration with Qantas to design the coveted Business Class amenity kit featuring a signature Oroton styled bag

During the half we opened 6 new stores including:

- 3 new stores with the new store concept at Emporium in Victoria, Joondalup in WA and Vivo City in Singapore
- 3 new department store concessions in Singapore and Malaysia

Continue to review the store network for opportunities to relocate in key centers and close non performing stores – 7 stores closed during the half including the underperforming store in Hong Kong



# Oroton International gaining momentum

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- ▣ Continued momentum in Asia with total sales +11%
  - 5 new stores opened during the half:
    - Vivo City in Singapore
    - 3 department store concessions (2 x at Robinsons in Singapore and one at Parkson Gurney Plaza in Penang)
    - A franchised store in Nanjing, China with distribution partner
  - Continue to review current stores performance vs. key metrics. We closed one underperforming store in Hong Kong and one concession in Singapore as the new Vivo City store opened.
  - Total number of International stores is now 14:
    - 6 x Malaysia
    - 5 x Singapore
    - 2 x China (1 x franchised store in Nanjing, China)
    - 1 x franchised store in Dubai
  - Continued growth in press editorial in Asia with a dedicated marketing resource and press agencies to support brand growth
- ▣ Commenced distribution agreement with China Distributor (Golden Eagle) with the first store opened in Nanjing China in December 2014. A second store planned to open in JiangNing during H2-15.
- ▣ Reduced international losses of ~\$1.5m (1) (HY14: \$1.8m) driven by improved results in all markets and wholesale in China. Malaysia is now cash-flow positive
- ▣ Continued focus on reducing losses and maintaining growth in all markets



Singapore – Vivo City Store



NanJing – Franchised Store

(1): Excludes the significant item relating to the onerous lease provision of \$0.3m for the closure of the Hong Kong store

# Oroton on the Red Carpet

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Jennifer Lopez looked stunning accessorising with the Freize Clutch in Light Gold at the American Music Awards in Los Angeles.



Chrissy Teigen looked stunning on the red carpet at the 87<sup>th</sup> Annual Academy Awards in Los Angeles accessorising with OROTON's Opera Crystals Gather Clutch in Zig Zag.



Oroton Face **Rose Byrne** attended the 4<sup>th</sup> Annual AACTA Awards accessorising with the Freize clutch on the red carpet.



**Scarlett Johansson** looked chic carrying OROTON's Freize clutch in gold to the 30<sup>th</sup> Annual Film Independent Spirit Awards in Los Angeles.

# GAP – 3 new stores opened taking total store network to 6

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- Increased distribution with the opening of 3 new stores during the half year at Macquarie Shopping Centre, Miranda and Parramatta in Sydney
- New stores create scale to leverage cost base, drive brand awareness and CRM.
- Like for like sales decline of -0.9% for the 3 existing stores
- Strong growth in margin percentage driven by strategic discounting, careful range planning, improved intake margin and supply chain efficiencies
- Negative contribution as anticipated primarily due to costs associated with the new store openings
- Continued focus to drive efficiencies and manage all variable costs including supply chain, wages and selling costs
- No new stores planned for H2-15 with next opening expected H1-16 with online store due to commence August 16
- Prudently waived rights to launch Banana Republic brand on review of business risk and current retail environment



# Brooks Brothers – Increased distribution with 4 new stores opened including an online store

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4 stores opened during HY15 taking the total portfolio to 14 including the online store:

- 4 x Free standing stores
- 5 x Menswear and 2 x Womenswear concessions at David Jones
- 2 x Factory outlets
- 1 x online store

Trading loss for the half was \$1.0m (vs. \$0.2m loss in H1-14) due to new store openings, delayed launch of the online store and higher outlet sales mix than planned leading to a lower overall gross margin percentage being achieved

OrotonGroup's investment in the brand in H1 is \$2.0m which takes the total investment to date to \$7.7m

Our focus is on innovative ways to drive sales and reduce the cost of doing business including more efficient supply chain planning and staff rostering

Our marketing is focussed on the brand's strength in shirting and suits and strategic promotions to drive conversion

Local online sales website operated by the JV commenced in August 2014.  
[www.brooksbrothers.com.au](http://www.brooksbrothers.com.au)



# Balance Sheet and Cashflow

	HY15 (\$ M)	HY14 (\$ M)
PP&E	15.1	12.3
Inventory	37.2	23.9
Net cash / (debt)	(5.6)	11.3
Net Assets	45.7	42.1
Operating Cash Flow Before Interest and Tax	(0.8)	14.4

- **Year of investment to reposition the Oroton brand and expand the distribution of the new GAP and Brooks Brothers brands**

  - Net debt position of \$5.6m at half year end due to initial investment in the launch of the Brooks brothers Brand and new stores in GAP
  - \$7.0m capital expenditure (LY \$3.5m with a focus on new concept stores in Oroton and CRM software:
    - New concept stores at Emporium, Joondalup and Vivo City. Refurbishments at Indooroopilly, Bondi, Chatswood, Macquarie and Miranda
    - 3 new GAP stores
    - New CRM capabilities
  - \$2.0m investment in Brooks Brothers by OrotonGroup in H1-15 to support inventory and CAPEX requirements (total investment to date \$7.7m)
  - Operating cash flow before interest and tax of (\$0.8m) reflects the investment in the launch of the brands
- **New 3 year \$40m bank facility signed and currently available to support continued investment and growth**
- **Dividend payment of 4.5 cps for the half year** (8 cps HY14)
- **Hedging policy in place** to manage foreign exchange risk by using foreign exchange contracts to hedge 85% of anticipated transactions up to 24 months out



# Outlook for H2 15

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## OROTON

### YEAR OF TRANSFORMATION AND ELEVATION

- ❑ Continue to build a true attainable luxury positioning through:
  - Further investment and roll out of the new store concept
  - Continued partnership with Brand Ambassador Rose Byrne
- ❑ Increase customer engagement using new CRM capabilities and online customer engagement tools
- ❑ Continue to reduce discounting with focus on quality margin generation
- ❑ Continue to grow Oroton International and focus on reducing losses

## GAP

### GROWTH AND INVESTMENT IN NEW STORES

- ❑ Drive performance in new stores through increasing traffic and conversion initiatives
- ❑ Focus on driving supply chain efficiencies with increased scale
- ❑ Innovative promotional activity with a focus on margin generation

## Brooks Brothers

### CONSOLIDATE AND BUILD BRAND AWARENESS

- ❑ Reduce trading loss in H2 through innovative ways to drive sales and traffic to store and careful cost control
- ❑ Continue to drive awareness and traffic to the local online store [www.brooksbrothers.com.au](http://www.brooksbrothers.com.au)
- ❑ Explore wholesale opportunities
- ❑ Continue to work with our JV partner Brooks Brothers USA to build a multi channel global experience of the brand

## OROTONGROUP

### OUTLOOK

- ❑ Expect modest EBIT growth for second half of FY15 through
  - Continued traction with Oroton brand strategy, like for like sales growth and margin improvement
  - Reduced losses in GAP and Brooks Brothers as we cycle last year's start up costs

# Store Listing – As at January 2015 there were 71 Oroton stores, 6 GAP and 13 Brooks Brothers stores

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## OROTON

### AUSTRALIA & NEW ZEALAND

#### **ACT**

Canberra

#### **NEW SOUTH WALES**

Bondi Junction

Burwood

Castle Hill

Chatswood

David Jones Bondi

David Jones Chatswood

David Jones Elizabeth Street

Birkenhead Point (Factory outlet)

Birkenhead Point (Intimates outlet)

Homebush (Factory outlet)

Homebush (Intimates outlet)

Hornsby

Kofoara

Macquarie Centre

Miranda

Parramatta

Pitt Street Mall

Queen Victoria Building

Sydney Domestic Airport

Warringah Mall

Westfield Sydney

#### **WESTERN AUSTRALIA**

Claremont

David Jones Hay Street

Garden City

Harbourtown (Factory outlet)

Joondalup

Perth Hay Street

Karrinyup

### **SOUTH AUSTRALIA**

Adelaide

David Jones Adelaide

Harbourtown (Factory outlet)

Marion

Burnside

### **QUEENSLAND**

Biggera Waters (Factory outlet)

Brisbane Airport (Factory outlet)

Cairns (Factory outlet)

Carindale

Chermside

David Jones Queens Plaza

Brisbane CBD

Indooroopilly

Pacific Fair

Robina

### **VICTORIA**

Chadstone

David Jones Bourke Street

David Jones Chadstone

Doncaster

Emporium

Essendon (Factory outlet)

Highpoint

Howey Place

Moorabbin (Factory outlet)

Nunawading (Factory Outlet)

The Glen

### **NEW ZEALAND**

Newmarket Osborne St

Onehunga (Factory outlet)

### ASIA

#### **CHINA**

Shanghai

NanJing (\*)

#### **SINGAPORE**

ION

Robinsons - The Heeren (Orchard Road)

Robinsons - Raffles City

Tang's - Orchard Road

Vivo City

#### **MALAYSIA**

The Gardens

KLCC

Johor Bahru (Factory outlet)

1 Utama

Parkson Gurney Plaza, Penang

Pavilion

#### **UNITED ARAB EMIRATES**

Dubai (\*)

#### **ONLINE**

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

(\*) Franchised store



### AUSTRALIA

#### **NEW SOUTH WALES**

Macquarie, NSW

Miranda, NSW

Parramatta, NSW

Westfield Sydney

#### **VICTORIA**

Chadstone

Melbourne Central

*Brooks Brothers*

### AUSTRALIA

#### **NEW SOUTH WALES**

Chatswood

David Jones Market Street (Men's)

David Jones Elizabeth Street (Women's)

Homebush (Factory outlet)

Martin Place

#### **VICTORIA**

David Jones Bourke Street (Men's)

David Jones Bourke Street (Women's)

Emporium, Victoria

Essendon (Factory outlet)

#### **QUEENSLAND**

David Jones Brisbane (Men's)

Indooroopilly

#### **SOUTH AUSTRALIA**

David Jones Adelaide (Men's)

#### **WESTERN AUSTRALIA**

David Jones Perth (Men's)

#### **ONLINE**

[www.brooksbrothers.com.au](http://www.brooksbrothers.com.au)

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*This document should be read in conjunction with the HY15 Results Announcement and the HY15 Appendix 4D.*