

## MIRA INFORM REPORT

<b>Report No. :</b>	523768
<b>Report Date :</b>	09.08.2018

### IDENTIFICATION DETAILS

<b>Name :</b>	SHERIDAN AUSTRALIA PTY LTD
<b>Registered Office :</b>	Level 1, 115 Cotham Rd Kew VIC 3101
<b>Country :</b>	Australia
<b>Financials (as on) :</b>	31.12.2017
<b>Date of Incorporation :</b>	10.08.2000
<b>Legal Form :</b>	Australian Proprietary Company
<b>Line of Business :</b>	The subject operates as a premium brand offering luxury bed linen, pillows, quilts, towels, bedding accessories and other lifestyle categories including babywear and loungewear.
<b>No. of Employees :</b>	5,368 (Australian Group)

### RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23<sup>rd</sup> January 2017)

<b>MIRA's Rating :</b>	A
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Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

<b>Status :</b>	Good
<b>Payment Behaviour :</b>	Regular
<b>Litigation :</b>	Clear

#### NOTES :

Any query related to this report can be made on e-mail : [infodept@mirainform.com](mailto:infodept@mirainform.com) while quoting report number, name and date.

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**ECGC Country Risk Classification List**

Country Name	Previous Rating (31.12.2017)	Current Rating (01.04.2018)
Australia	A1	A1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

**AUSTRALIA - ECONOMIC OVERVIEW**

Following two decades of continuous growth, low unemployment, contained inflation, very low public debt, and a strong and stable financial system, Australia enters 2018 facing a range of growth constraints, principally driven by the sharp fall in global prices of key export commodities. Demand for resources and energy from Asia and especially China is growing at a slower pace and sharp drops in export prices have impacted growth.

The services sector is the largest part of the Australian economy, accounting for about 70% of GDP and 75% of jobs. Australia was comparatively unaffected by the global financial crisis as the banking system has remained strong and inflation is under control.

Australia benefited from a dramatic surge in its terms of trade in recent years, although this trend has reversed due to falling global commodity prices. Australia is a significant exporter of natural resources, energy, and food. Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive reserves of coal, iron, copper, gold, natural gas, uranium, and renewable energy sources. A series of major investments, such as the US\$40 billion Gorgon Liquid Natural Gas Project, will significantly expand the resources sector.

Australia is an open market with minimal restrictions on imports of goods and services. The process of opening up has increased productivity, stimulated growth, and made the economy more flexible and dynamic. Australia plays an active role in the WTO, APEC, the G20, and other trade forums. Australia's free trade agreement (FTA) with China entered into force in 2015, adding to existing FTAs with the Republic of Korea, Japan, Chile, Malaysia, New Zealand, Singapore, Thailand, and the US, and a regional FTA with ASEAN and New Zealand. Australia continues to negotiate bilateral agreements with Indonesia, as well as larger agreements with its Pacific neighbors and the Gulf Cooperation Council countries, and an Asia-wide Regional Comprehensive Economic Partnership that includes the 10 ASEAN countries and China, Japan, Korea, New Zealand and India.

Source : CIA

## **COMPANY NAME**

SHERIDAN AUSTRALIA PTY LTD  
ACN: 094 091 380  
ABN: 89 094 091 380

## **SUMMARY PANEL**

Established	1942
Incorporated	2000
Line of Business	Distribution of bed linen and related soft furnishings
Status	Trading
Chief Executive Officer	POLLAERS, John Carl
Adverse Listings	<u>Nil</u>

## **EXECUTIVE SUMMARY**

HBI Australia Acquisition Co P/L - consolidated

	As at 31 Dec 2017	(from 3 May 2016 to 31 Dec 2016)	Change (%)
Revenue	\$844,606,000.00	\$373,640,000.00	126.05%
Profit b/tax	\$59,885,000.00	\$28,473,000.00	110.32%
Profit a/tax	\$48,634,000.00	\$16,302,000.00	198.33%
Net Profit Margin	5.76%	4.36%	1.40%

The subject is noted to have entered into a Deed of Cross Guarantee pursuant to a Class Order with its Australian Holding entity HBI Australia Acquisition Co P/L.

For the same period the closed group recorded an operating profit before tax of \$43,692,000 and an operating profit after tax of \$33,458,000.

As at 31 December 2017, the closed group recorded a deficiency in Working capital of \$116,962,000 and a current ratio of 0.71 to 1 indicating tight liquidity levels.

At the same date the closed group recorded Net Assets of \$505,173,000. After deducting intangibles of \$1,083,825,000 this results in a deficiency in Net Worth of \$578,652,000.

## **CORPORATE SEARCH**

Company Type            Australian Proprietary Company

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INCORPORATED	10 August 2000
REGISTERED ADDRESS	LEVEL 1, 115 COTHAM RD KEW VIC 3101
SHARECAPITAL	\$2
SHAREHOLDERS	HANES AUSTRALIA P/L          Holds 2 shares
Directors	MUSCAL, DAVID CHRISTOPHER – Appointed: 06.11.2014 30 FRANCIS ST BLACKBURN VIC DOB: 22.05.1979  BORTOLUSSI, David Landt – Appointed: 09.06.2009 24 Kent Rd SURREY HILLS, VIC 3127
SECRETARY	GROVER, John Charles
SECURITY INTERESTS	Effective 30 January 2012 the Personal Property Securities Register (PPSR) was introduced to give the different Commonwealth, State and Territory laws and registers regarding security interests in personal property under one national system.  As a result of PPS Reform a number of existing Commonwealth, State and Territory personal property security registers will close. Interests registered on existing security interest registers will be migrated to the national PPS Register. Subsequently Registered Charges are no longer lodged with the Australian Securities and Investments Commission (ASIC).

## ***BUSINESS STRUCTURE***

TRADING ADDRESS	Level 6, 45 Jones St ULTIMO, NSW 2007
TELEPHONE	(612) 8668 3200
EMAIL	<a href="mailto:sbright@pacbrands.com.au">sbright@pacbrands.com.au</a>
WEBSITE	<a href="http://www.sheridan.com.au">www.sheridan.com.au</a>
WAREHOUSE	18 Baker St Port Adelaide, SA
HOLDING ENTITY	HANES AUSTRALIA P/L
AUSTRALIA HOLDING	

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ENTITY	HBI AUSTRALIA ACQUISITION CO P/L
ULTIMATE HOLDING ENTITY	HANESBRANDS INC
ULTIMATE HOLDING ENTITY	HANESBRANDS P/L
BANK	Not determined
EMPLOYEES	5,368 (Australian Group)

## **BACKGROUND**

The subject was incorporated in South Australia on 10 August 2000 as Dreamsheets Australia Pty Ltd, before adopting the current style on 16 November 2000.

The subject was formed to take over the assets and operations of an existing business from CS Brooks.

The subject has origins which date back to 1942 when Australian Cotton Textile Industries Limited (ACTIL) was established in Woodville, South Australia.

In 1963, the brand name Sheridan was registered for the first time as manufacturer of furnishing fabrics. It wasn't until 1968 that Sheridan entered the bed linen market.

In the early 80's when Joseph Brender, founder of Katies, purchased Sheridan from Pacific Dunlop.

The subject was purchased from Brenmoss by CS Brooks Canada in 1996.

In November 2005, Sheridan was acquired by Pacific Brands, Australia's leading manager of consumer brands. Pacific Brands markets some of the most recognised brands including Barley, Bonds, Holeproof, King Gee, Slazenger, Sleepmaker, Tontine and now Sheridan.

On 26 August 2014 the ultimate holding entity Pacific Brands Ltd executed a binding agreement to sell the workwear group (comprising the entire workwear segment) to Westfarmers Ltd for gross proceeds of \$180 million. The transaction is conditional upon receiving ACCC regulatory approval and certain other consents and approvals.

Effective 18 July 2016 the former ultimate holding entity Pacific Brands Ltd (including the subject) was acquired by USA based Hanesbrands Inc for consideration of approximately US\$800 million. As a result, Pacific Brands Ltd was delisted from the ASX.

## **OPERATIONS**

The subject operates as a premium brand offering luxury bed linen, pillows, quilts, towels, bedding accessories and other lifestyle categories including babywear and loungewear.

Sheridan's primary channel to market is retail (75% of sales), with the balance being wholesale. The direct to consumer channel includes Sheridan branded boutiques, Sheridan Factory Outlet ('SFO') stores, DS concessions and online stores.

The majority of sales are in Australia (over 80%), with significant sales also in the UK, New Zealand and Asia.

In terms of categories, bed linen accounts for the majority of sales, followed by towels, quilts, pillows and accessories with the new babywear, loungewear and other lifestyle products being the smallest categories.

Activities are conducted from premises located at the above listed trading address.

## **ADVERSE**

A search of records of on 6 August 2018 failed to trace any litigation listed against the subject at that date.

## **FINANCES**

The subject is not required to lodge financial statements with the Australian Securities and Investments Commission.

Effective 18 July 2016 the former ultimate holding entity Pacific Brands Ltd was acquired by USA based Hanesbrands Inc for consideration of approximately US\$800 million. As a result, Pacific Brands Ltd was delisted from the ASX. The subject changed name to the current style.

Below is a summary of the Australian groups consolidated income results for the past 2 financial years.

### **HBI Australia Acquisition Co P/L - consolidated**

	As at 31 Dec 2017	(from 3 May 2016 to 31 Dec 2016)	Change (%)
Revenue	\$844,606,000.00	\$373,640,000.00	126.05%
Profit b/tax	\$59,885,000.00	\$28,473,000.00	110.32%
Profit a/tax	\$48,634,000.00	\$16,302,000.00	198.33%
Net Profit Margin	5.76%	4.36%	1.40%

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The subject is noted to have entered into a Deed of Cross Guarantee pursuant to a Class Order with its Australian Holding entity HBI Australia Acquisition Co P/L. The effect of the Deed is that each party that forms part of the 'closed group' guarantee the debts of each other.

For the same period the closed group recorded an operating profit before tax of \$43,692,000 and an operating profit after tax of \$33,458,000.

During fiscal 2017, the subject recorded consolidated Net Cashflows from operating activities totalling \$70,943,000.

As at 31 December 2017 the Group recorded consolidated total current assets of \$341,974,000. They included cash of \$133,887,000, receivables of \$65,969,000 and inventories of \$134,801,000.

Current liabilities at the same date totalled \$400,636,000 and included payables of \$111,437,000 and borrowings of \$248,594,000.

As at 31 December 2017, the Group recorded a deficiency in consolidated Working Capital of \$58,662,000 and a current ratio of 0.85 to 1 indicating satisfactory liquidity levels.

At the same date the closed group recorded a deficiency in Working capital of \$116,962,000 and a current ratio of 0.71 to 1 indicating tight liquidity levels.

At 31 December 2017 the group maintains a \$50 million debt facility and a \$10 million overdraft with the Westpac Bank due to expire in 2021. These facilities were not utilised at this time.

Consolidated Net Assets totalled \$512,455,000 as at 31 December 2017. At this date, the subject further recorded a Debt to Equity ratio of 1.97 to 1. After deducting intangibles of \$1,083,825,000 this results in a deficiency in Net Worth of \$571,370,000.

At the same date the closed group recorded Net Assets of \$505,173,000. After deducting intangibles of \$1,083,825,000 this results in a deficiency in Net Worth of \$578,652,000.

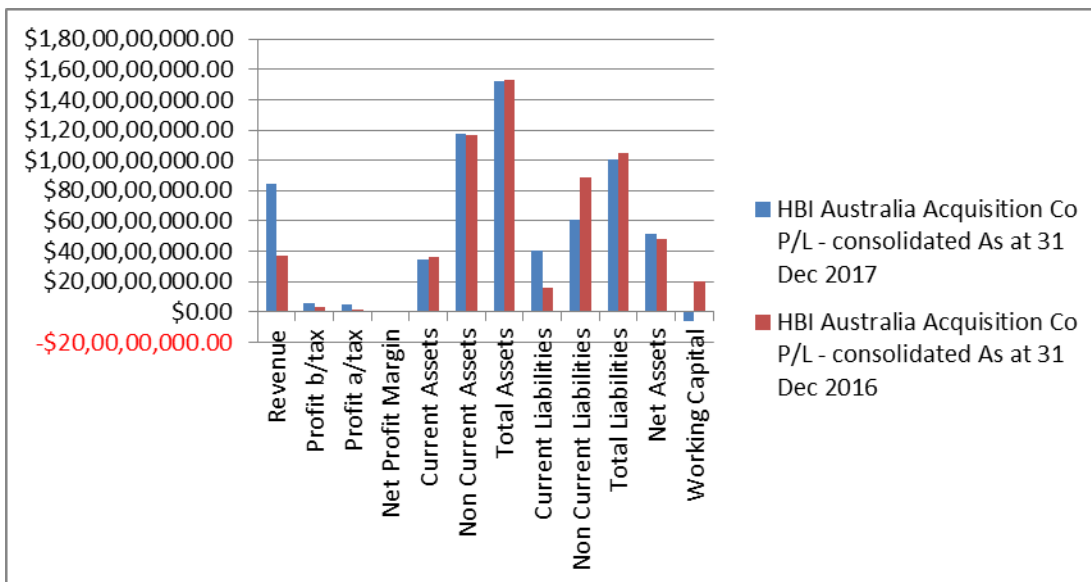
The groups 2017 financial statements were prepared on a going concern basis. The ability for the group to continue on a going concern basis is dependent upon the continued financial support from the ultimate parent Hanesbrands Inc. Hanesbrands inc has confirmed that it will provide financial support for 12 months from 30 April 2018.

**HBI Australia Acquisition Co P/L - consolidated**

	As at 31 Dec 2017	As at 31 Dec 2016	Change (%)
Revenue	\$844,606,000.00	\$373,640,000.00	126.05%
Profit b/tax	\$59,885,000.00	\$28,473,000.00	110.32%
Profit a/tax	\$48,634,000.00	\$16,302,000.00	198.33%
Net Profit Margin	5.76%	4.36%	1.40%
Current Assets	\$341,974,000.00	\$358,604,000.00	-4.64%
Non Current Assets	\$1,178,107,000.00	\$1,169,292,000.00	0.75%
Total Assets	\$1,520,081,000.00	\$1,527,896,000.00	-0.51%

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Current Liabilities	\$400,636,000.00	\$158,973,000.00	152.02%
Non Current Liabilities	\$606,990,000.00	\$886,506,000.00	-31.53%
Total Liabilities	\$1,007,626,000.00	\$1,045,479,000.00	-3.62%
Net Assets	\$512,455,000.00	\$482,417,000.00	6.23%
Working Capital	(\$58,662,000.00)	\$199,631,000.00	-129.39%
Current Ratio	0.85	2.26	-62.16%
Debt to Equity	1.97	2.17	-9.27%



## **TRADE SURVEY**

During the current investigation, details pertaining to the subject's suppliers were unable to be obtained

A trade survey was subsequently unable to be conducted.

Trade payment records from further sources in the past 4 months have traced the following data for the subject.

Total Owing: \$656

Total Past Due: \$656

Average Late Payment Days: 64

All Industries Late Payment Days: 9

Within terms: \$0

1 – 30 days past due: \$0

31 – 60 days past due: \$233

61 – 90 days past due: \$423

91+ days: \$0

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**FOREIGN EXCHANGE RATES**

Currency	Unit	Indian Rupees
US Dollar	1	INR 68.65
UK Pound	1	INR 88.82
Euro	1	INR 79.72
AUD	1	INR 50.93

**Note :** Above are approximate rates obtained from sources believed to be correct

**INFORMATION DETAILS**

<b>Analysis Done by :</b>	VIVR
<b>Report Prepared by :</b>	TRU

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**RATING EXPLANATIONS**

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)