



# Premier Investments Limited

2010 Full Year Results

21 September 2010



**Just Jeans**

JACQUIE



portmans

peteralexander

dotti

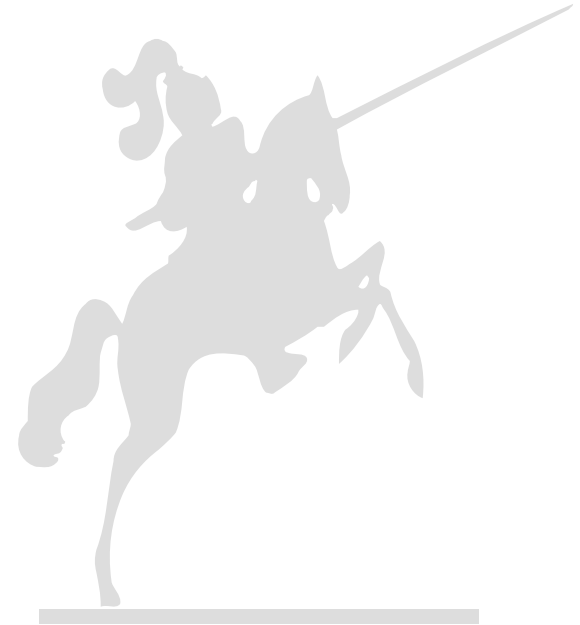
smiggle

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GROUP

# Agenda

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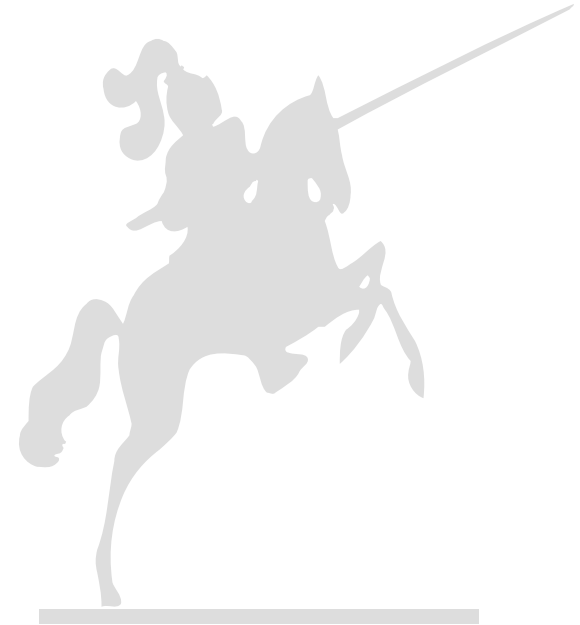
- 1 Highlights
- 2 Financial results
- 3 Just Group performance
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# 1 Highlights

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## Profit result

- FY2010 NPAT \$79.6m (FY2009 - \$82.7m; FY2008 - \$41.8m)
- FY2010 EPS – 52.8c (FY2009 – 62.4c; FY2008 – 46.3c)
- FY2010 comparisons with past years are problematic due to a range of factors including:
  - Premier’s change of financial year date (fewer weeks in FY2010 than FY2009);
  - accounting, tax and interest earned matters related to the acquisition of Just Group; and
  - Changes in depreciation rates charges following a comprehensive review of the Group’s fixed assets
- Result significantly impacted by the challenging retail environment and Portmans



## Ongoing shareholder returns

- Final fully franked dividend of 28c per share comprising:
  - A fully franked ordinary dividend of 18c per share; and
  - A fully franked special dividend of 10c per share reflecting one-off tax benefit brought to account in FY2010
- FY2010 total dividends of 66c per share comprising:
  - Fully franked ordinary dividends 36c per share; and
  - Fully franked special dividends of 30c per share



## Positioned for future growth

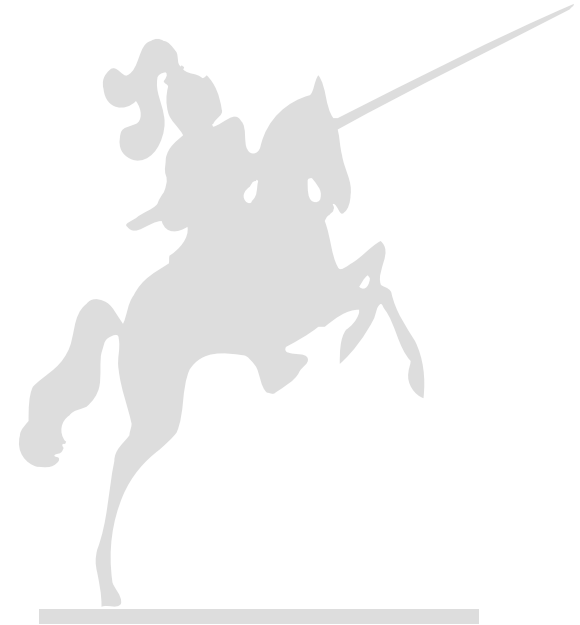
- Significant organic growth potential
- Substantial cash reserves
- Assessing new growth opportunities with focus on long term value creation



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## 2 Financial Results

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### Comparison of FY2010 to FY2009 problematic at the Premier level:

- Premier's FY2010 comprises 53 weeks. FY2009 comprised 55 weeks and 5 days
- Changes in depreciation charges following a comprehensive review of the Group's fixed assets (see below)
- Premier earned substantial interest in FY2009 on cash reserves which were ultimately utilised during FY2009 for the Just Group acquisition



### Key Premier performance metrics:

- Group NPAT for FY2010 of \$79.6m
- EPS for FY2010 of 52.8c per share



### Just Group contribution to Premier performance:

- Reported sales for FY2010 up 3% to \$870.4m
- EBITA of \$84.3m in line with recent guidance



Premier revenues (ex Just Group) comprise mainly interest earned from cash on deposit and dividends received from Premier's investment in Breville Group Limited.



One-off tax benefit of \$16.6m connected with the acquisition of the Just Group



Results take into account a \$5.8m decrease in the depreciation charge for FY2010 following a detailed review to more accurately align the depreciation with the estimated useful lives of the fixed assets (in line with AASB116)

## 2 Premier—Consolidated Income Statement

\$m	26 Jul 09 to 31 Jul 10	1 Jul 08 to 25 Jul 09
Premier revenues (ex Just Group)	16.7	25.5
Premier expenses (ex Just Group)	(3.7)	(3.4)
Just Group EBIT	84.2	95.2
Finance costs	(7.9)	(9.1)
FX accounting benefit due to acquisition accounting	-	2.4
<b>Profit before income tax</b>	<b>89.3</b>	<b>110.6</b>
Income tax expense	(9.7)	(27.9)
<b>Net profit</b>	<b>79.6</b>	<b>82.7</b>



## 2 Premier—Consolidated Balance Sheet

\$m	31 Jul 10	25 Jul 09
<b>Assets</b>		
Cash and cash equivalents	316.6	328.7
Inventories	71.7	69.5
Plant and equipment	91.2	73.3
Other assets	36.3	36.2
Available-for-sale financial assets	72.8	28.7
Intangible assets	854.2	850.1
<b>Total assets</b>	<b>1,442.8</b>	<b>1,386.5</b>
<b>Liabilities</b>		
Interest bearing loans and borrowings	100.7	95.7
Trade payables, provisions and other liabilities	129.6	136.8
<b>Total liabilities</b>	<b>230.3</b>	<b>232.5</b>
<b>Equity</b>		
Contributed equity	608.6	549.2
Reserves	27.5	(5.1)
Retained earnings	576.4	609.9
<b>Total equity</b>	<b>1,212.5</b>	<b>1,154.0</b>



Premier has maintained a robust cash position



Clean inventory position with a stock turn of 5.1 times



Available-for-sale financial assets value has increased as a result of Breville's higher share price



## 2 Premier—Consolidated Cash Flow Statement

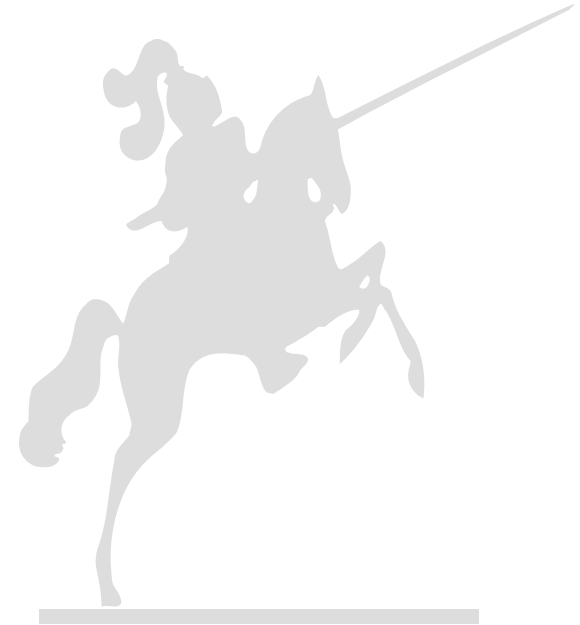
	26 Jul 09 to 31 Jul 10	1 Jul 08 to 25 Jul 09
\$m		
<b>Net cash flows from operating activities</b>	<b>74.6</b>	<b>77.4</b>
Net capital expenditure	(35.3)	(30.2)
Net cash flow - available-for-sale financial assets	(2.0)	(3.0)
Acquisition	-	(433.5)
<b>Net cash flows used in investing activities</b>	<b>(37.3)</b>	<b>(466.7)</b>
Net movement in borrowings	4.8	(23.7)
Net equity dividends paid and DRP	(54.0)	(48.7)
<b>Net cash flows used in financing activities</b>	<b>(49.2)</b>	<b>(72.4)</b>
Net decrease in cash and cash equivalents	(11.9)	(461.8)
Cash and cash equivalents at beginning of period	328.5	790.3
<b>Cash and cash equivalents at end of period</b>	<b>316.6</b>	<b>328.5</b>



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## 3 Just Group Performance

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Just Group trading performance has been significantly impacted by two major factors:

- Challenging retail environment
- Portmans transformation



The retail environment was particularly challenging in 2H 2010:

- Retail trading abnormally volatile
- Successive interest rate rises had a clear adverse impact on consumer confidence and discretionary spending
- Second half impacted by the cycling of the Australian Government economic stimulus and sustained abnormal weather
- Intensive industry-wide discounting



Portmans delivered a disappointing loss for FY2010 of approx \$18.5m linked to significant brand transformation



If Portmans result was excluded from Just Group's FY2010 and FY2009 EBITA, the full year result would be broadly in line with last year.



Portmans turnaround strategy is being pursued in line with the Just Group update in August

- Significant driver of future profit growth



# Full Year Results FY10

21 September 2010



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# Overview of Results

- Total sales increased by 3.0% to \$870.4m
- LFL sales down 3.7% following generally weak results in 2<sup>nd</sup> half
- Gross margin slightly better despite competitive pressure and stock turn remained above 5 times
- Significant focus on cost savings to mitigate impact of LFL sales decline
- EBITA of \$84.3m, in line with recent guidance, with profit before tax of \$76.3m, down 11.4% on FY09
- Portmans transformation remains a key focus with encouraging early results and remains a significant driver of future profit growth for the group
- More than 1,000 stores across all countries and channels, with 92 stores opened in FY10
- Capital expenditure directed to growth initiatives including Smiggle, Dotti and Peter Alexander store openings and new technology investments



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# Just Group – Summary Result

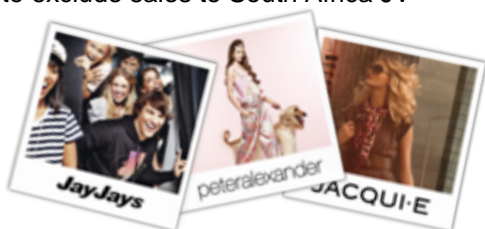
\$'000's	FY10	FY09	Var
Sales	870,385	844,853	+3.0%
LFL sales*	-3.7%	-1.6%	
Gross Profit**	519,073	500,827	
Gross margin (%)**	59.6%	59.3%	36bps
Salaries	(195,767)	(175,127)	+11.8%
	22.5%	20.7%	176bps
Rent	(168,386)	(156,013)	+7.9%
	19.3%	18.5%	88bps
Advertising & Direct Marketing	(12,131)	(13,611)	-10.9%
	1.4%	1.6%	-22bps
Depreciation & Impairment	(19,644)	(25,350)	-22.5%
	2.3%	3.0%	-74bps
Other CODB	(48,183)	(40,351)	+19.4%
	5.5%	4.8%	76bps
Other income	8,873	5,109	+73.7%
Share of JV Profit	492	(145)	
<b>EBITA</b>	<b>84,327</b>	<b>95,339</b>	<b>-11.6%</b>
	9.7%	11.3%	-160bps
Amortisation	(133)	(153)	
<b>EBIT</b>	<b>84,194</b>	<b>95,186</b>	<b>-11.6%</b>
Borrowing Costs	(7,869)	(9,082)	-13.4%
<b>Profit before tax</b>	<b>76,325</b>	<b>86,104</b>	<b>-11.4%</b>

Issue	Response
Stores increased by 53 Increased hourly rates under new EBA	Reduced store rosters Headcount freeze outside of stores
70% of leases with fixed escalations of between 3% and 5% 80 new stores	Limited increases on renewals Closing poor performing stores (27 closures)
General inflation across estate (utilities etc) 53 new stores Redirected marketing to in-store activity	Reduced discretionary costs Negotiated new pricing and volume discounts New policies e.g. travel

## Notes:

\* LFL based on same 53 weeks in FY09

\*\* Gross profit adjusted to exclude sales to South Africa JV



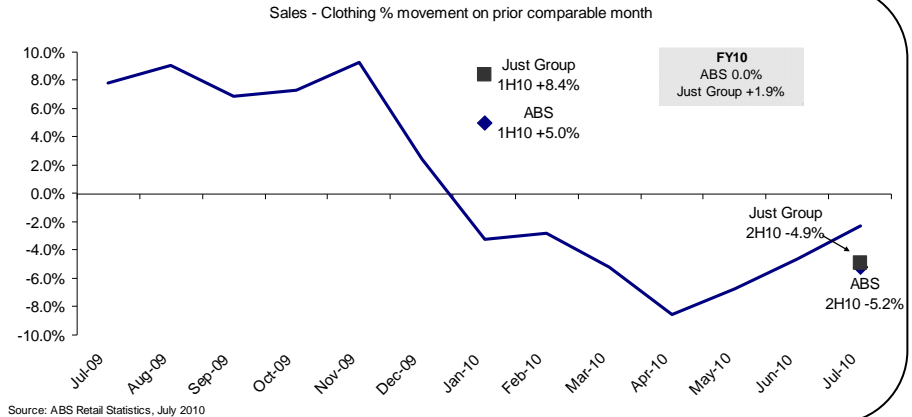
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# Geographic Summary

## Australia

- Total sales up 1.9% (2H10 down 4.9%)
- LFL sales down 4.4% (2H10 down 9.5%)
- 2<sup>nd</sup> half significantly affected by general decline in clothing retail spending as consumers cycled the gov't stimulus from 2H09 and impact of higher interest rates
- Significant cost reductions implemented from March



## New Zealand

- Total sales up 10.9% (2H10 up 6.2%)
- LFL sales up 2.8% (2H10 down 3.1%)
- Significant improvement in profit despite soft second half

- Rapid expansion of Peter Alexander and Smiggle stores during FY10 into a recovering but generally soft economy
- Interest rates beginning to rise

## South Africa

- Total sales up 52.0% (2H10 up 31.8%)
- LFL sales up 11.5% (2H10 up 8.0%)
- 42 Jay Jays stores now operating
- JV now profitable and continuing to grow

- Economy remains solid post World Cup
- Returns remain attractive and will improve further as Jay Jays continues to expand and reaches scale



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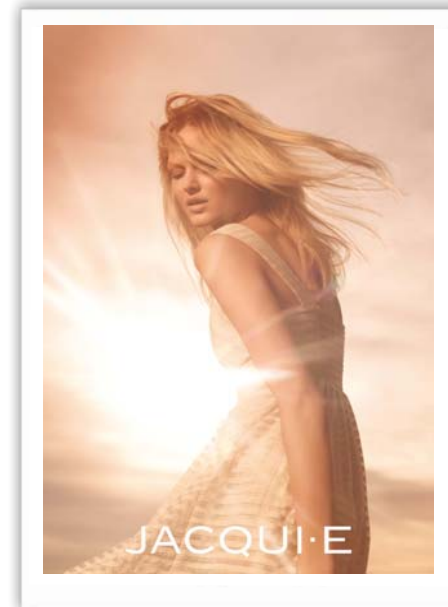
# Just Jeans

- Total sales up 0.9% (2H10 -7.8%)
- Brand remains well positioned to compete via established leadership in denim and casual fashion
- 259 stores at year end



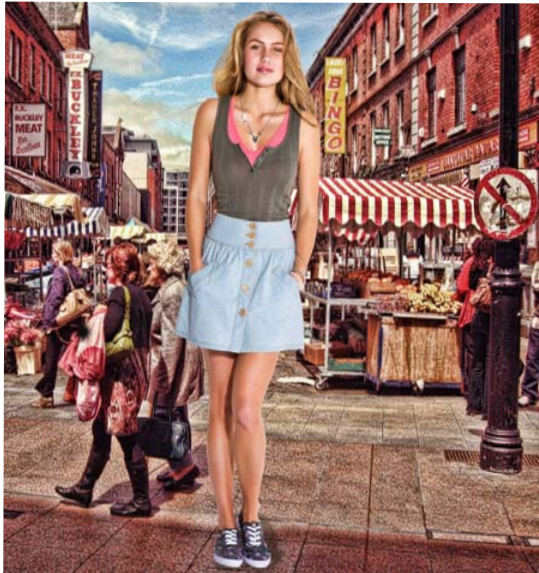
# Jacqui E

- Total sales down 4.7% (2H10 -5.7%)
- New team now experienced, but improvement initiatives hampered by market conditions
- 106 stores at year end



# Jay Jays

- Total sales down 2.7% (2H10 -11.2%)
- Challenging 2nd half. Profile and positioning with youth consumer remains strong. Weak youth market and lack of new fashion trends put sales and margins under pressure
- 249 stores at year end



# Dotti

- Total sales up 22.4% (2H10 +11.5%)
- 26 stores opened during the year, many in premium locations
- Brand continues to be positioned well despite tough market and cycling very strong prior year sales growth
- 110 stores at year end



# Portmans

- Total sales down 13.5% (2H10 -10.5%)
- Generally weak retail conditions in 2<sup>nd</sup> half have slowed the transformation, but confidence remains high
- Primary focus for management and board. Significant progress has been made and early results are encouraging
- 128 stores at year end



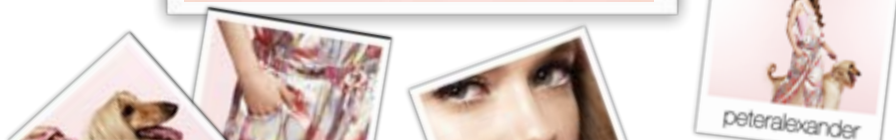
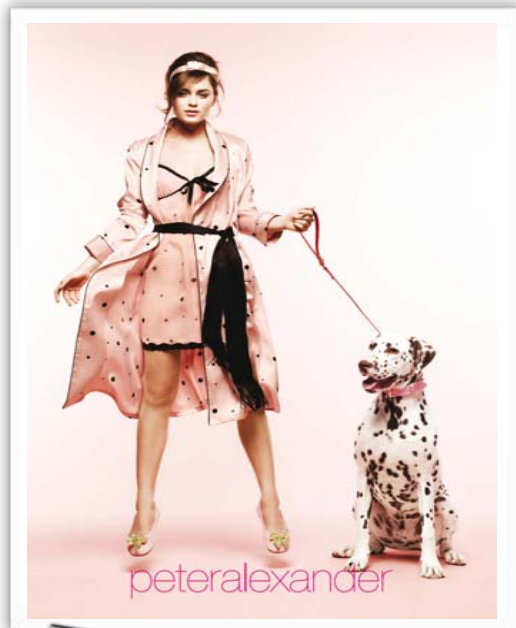
# Portmans Strategy Update

<b>Five key drivers</b>	<b>Status</b>
1. Understand the customer and brand proposition	Target customer clear and brand alignment continuing
2. Have the right team	Team in place
3. Improve the product offer	Offer is improving, emphasising workwear, on trend fashion items, fashion essentials and accessories
4. Right locations & store design	9 stores closed since June '10  Flagship Sydney CBD store opened
5. Enhance the brand experience	Initial focus in-store whilst developing broader communication strategy as product offer improves



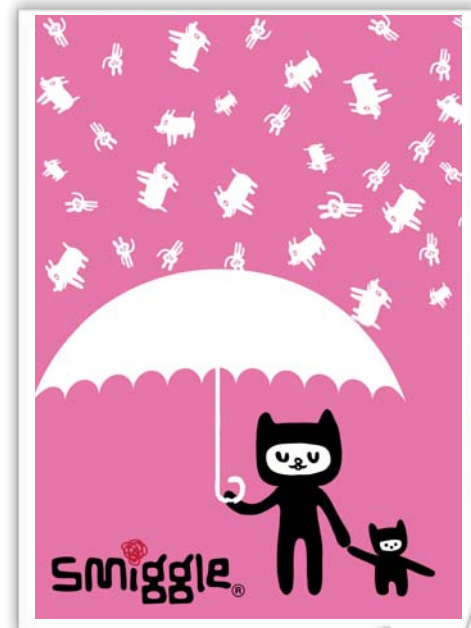
# Peter Alexander

- Total sales up 20.7% (2H10 +16.5%)
- Excellent result in a tough market
- New stores contributing ahead of expectations
- 33 stores at year end



# Smiggle

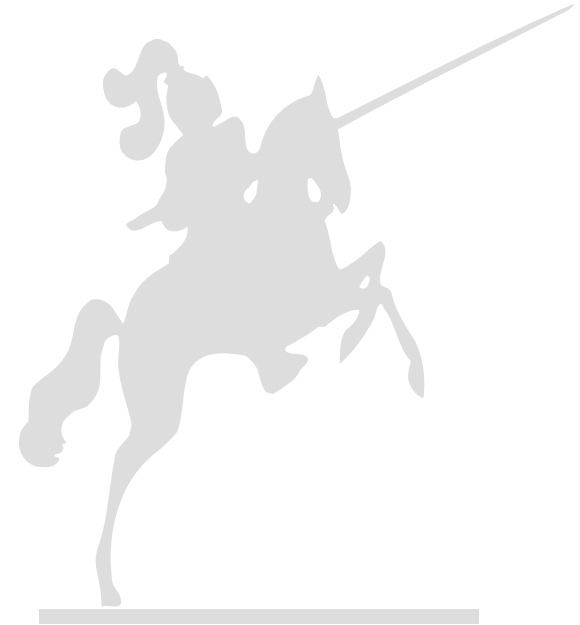
- Total sales up 65.5% (2H10 +36.8%)
- Chain has continued to grow rapidly, with 33 stores opened in FY10
- Existing store sales under pressure in 2H10 due to the tough market and very strong store openings in 2H09
- 93 stores at year end



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## 4 Dividend and capital management

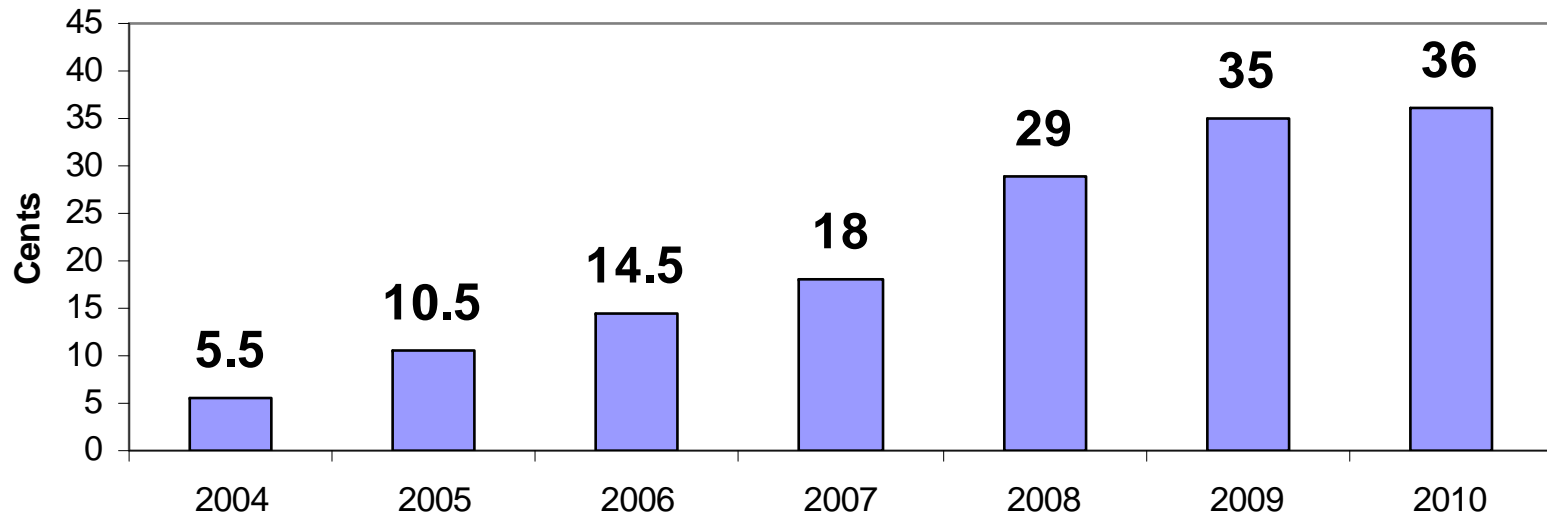
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-  Premier's Board continues to focus on rewarding shareholders and maintaining cash reserves for opportunities that may arise
-  Premier's Board has declared a final fully franked dividend of 28c per share comprising:
  - A fully franked ordinary dividend of 18c per share; and
  - A fully franked special dividend of 10c per share reflecting one-off tax benefit brought to account in FY2010
-  Total FY2010 dividends of 66c per share
  - Fully franked ordinary dividends of 36c per share
  - Fully franked special dividends of 30c per share
-  The DRP Plan will be suspended for the final dividend

## 4 Dividend and capital management

 FY2010 dividends have continued to reward Premier shareholders with real wealth creation.

### Premier ordinary dividend per share history



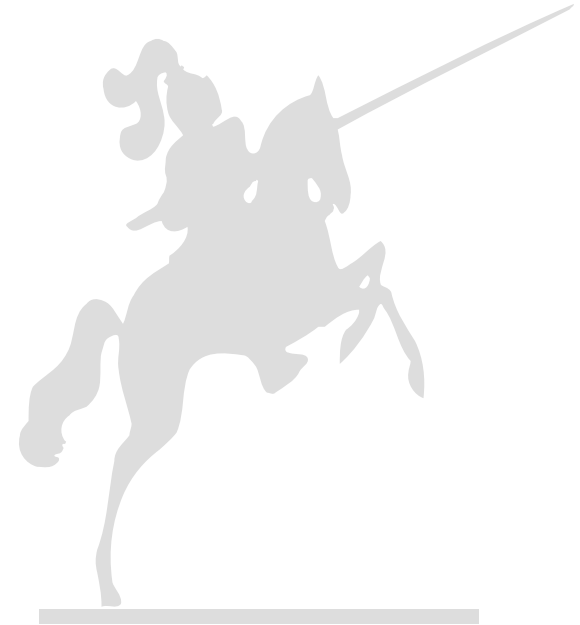
In addition to the ordinary dividends, special dividends declared in FY2010 totalled 30c per share (FY2009 - 40c per share)



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## 5 Outlook

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Premier reaffirms its expectation that Just Group is well positioned for significantly improved performance in FY2011 to be driven by:

- An improved retail environment;
- The significant operating leverage in the Just Group business model;
- A more supportive gross margin environment;
- Continued cost management;
- Commencing the FY2011 financial year with a clean inventory position; and
- Progress in the turnaround of Portmans.



Although Premier remains cautious about the broader macroeconomic environment, Just Group's current trading is in line with expectations and therefore Premier reaffirms its outlook that Just Group FY2011 EBITA will be in the range of \$100 million to \$110 million

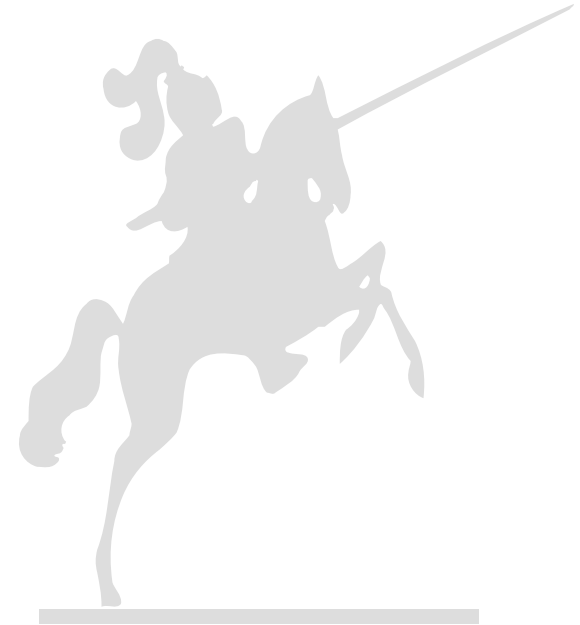


Premier continues to assess acquisition opportunities and other growth opportunities where it can add value and enhance returns for Premier shareholders

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# Additional Information

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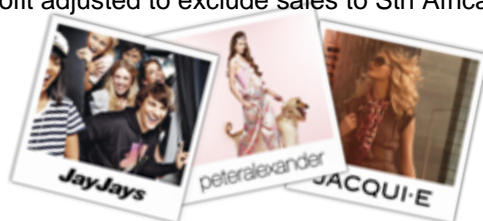
# Just Group – Results by Half

\$'000's	1H10	1H09	Var	2H10	2H09	Var
Sales	472,693	432,683	+9.3%	397,692	412,170	-3.5%
LFL sales*	+1.1%	-4.3%		-8.7%	+2.0%	
Gross Profit**	280,791	256,093		238,282	244,734	
Gross margin (%)**	59.4%	59.2%	22bps	59.9%	59.4%	54bps
Salaries	(100,165)	(86,149)	+16.3%	(95,602)	(88,978)	+7.4%
	21.2%	19.9%	128bps	24.0%	21.6%	245bps
Rent	(82,057)	(77,107)	+6.4%	(86,329)	(78,906)	+9.4%
	17.4%	17.8%	-46bps	21.7%	19.1%	256bps
Advertising & Direct Marketing	(5,975)	(7,705)	-22.5%	(6,156)	(5,906)	+4.2%
	1.3%	1.8%	-52bps	1.5%	1.4%	12bps
Depreciation & Impairment	(12,964)	(11,741)	+10.4%	(6,680)	(13,609)	-50.9%
	2.7%	2.7%	3bps	1.7%	3.3%	-162bps
Other CODB	(24,196)	(20,886)	+15.9%	(23,987)	(19,465)	+23.2%
	5.1%	4.8%	29bps	6.0%	4.7%	131bps
Other income	4,381	3,452	+26.9%	4,492	1,657	+171.1%
Share of JV Profit	495	19		(3)	(164)	
<b>EBITA</b>	<b>60,310</b>	<b>55,976</b>	<b>+7.7%</b>	<b>24,017</b>	<b>39,363</b>	<b>-39.0%</b>
	12.8%	12.9%	-18bps	6.0%	9.6%	-351bps
Amortisation	(72)	(76)		(61)	(77)	
<b>EBIT</b>	<b>60,238</b>	<b>55,900</b>	<b>+7.8%</b>	<b>23,956</b>	<b>39,286</b>	<b>-39.0%</b>
Borrowing Costs	(3,959)	(5,791)	-31.6%	(3,910)	(3,291)	18.8%
<b>Profit before tax</b>	<b>56,279</b>	<b>50,109</b>	<b>+12.3%</b>	<b>20,046</b>	<b>35,995</b>	<b>-44.3%</b>

Notes:

\* LFL based on same 53 weeks in FY09

\*\* Gross profit adjusted to exclude sales to Sth Africa JV



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# Just Group – Key Operating Metrics

		Full Year		
		FY10	FY09	CHANGE
Stores (end)		<b>979</b>	926	+53
Sales	\$'000's	<b>870,385</b>	844,853	+3.0%
LFL sales growth	%	<b>-3.7%</b>	-1.6%	
Gross Profit margin	%	<b>59.6%</b>	59.3%	+36bps
EBITDA	\$'000's	<b>103,971</b>	120,689	-13.9%
EBITA	\$'000's	<b>84,327</b>	95,339	-11.6%
EBITA margin	%	<b>9.7%</b>	11.3%	-160bps
PBT	\$'000's	<b>76,325</b>	86,104	-11.4%
Stockturn (annualised)	times	<b>5.1</b>	5.4	-0.3
Capital Expenditure	\$'000's	<b>34,901</b>	28,999	20.4%
Return on Capital Employed (ROCE)	%	<b>45.5%</b>	52.1%	-6.6%



# Just Group – Key Operating Metrics by half

		1st Half			2nd Half		
		H1 2010	H1 2009	CHANGE	H2 2010	H2 2009	CHANGE
Stores (end)		<b>958</b>		+32	<b>979</b>		+21
Sales	\$'000's	<b>472,693</b>	432,683	+9.3%	<b>397,692</b>	412,170	-3.5%
LFL sales growth	%	<b>1.1%</b>	-4.3%		<b>-8.7%</b>	+2.0%	
Gross Profit margin	%	<b>59.4%</b>	59.2%	+22bps	<b>59.9%</b>	59.4%	+54bps
EBITDA	\$'000's	<b>73,274</b>	67,717	+8.2%	<b>30,697</b>	52,972	-42.1%
EBITA	\$'000's	<b>60,310</b>	55,975	+7.7%	<b>24,017</b>	39,364	-39.0%
EBITA margin	%	<b>12.8%</b>	12.9%	-18bps	<b>6.0%</b>	9.6%	-351bps
PBT	\$'000's	<b>56,279</b>	50,108	+12.3%	<b>20,046</b>	35,996	-44.3%
Stockturn (annualised)	times	<b>5.3</b>	5.2	+0.2	<b>5.1</b>	5.4	-0.3
Capital Expenditure	\$'000's	<b>16,734</b>	19,969	-16.2%	<b>18,167</b>	9,030	+101.2%
Return on Capital Employed (ROCE)	%	<b>54.8%</b>	40.0%	+14.8%	<b>45.5%</b>	52.1%	-6.6%



# Just Group – Sales & Stores

	Stores	Full Year Sales A\$'000's	Growth %
Just Jeans	259	217,894	+0.9%
Jay Jays	249	240,024	-2.7%
Portmans	128	109,390	-13.5%
Jacqui E	106	84,660	-4.7%
Dotti	110	100,823	+22.4%
Peter Alexander	33	60,582	+20.7%
Smiggle	93	57,012	+65.5%
Group	1		
<b>TOTAL GROUP</b>	<b>979</b>	<b>870,385</b>	<b>+2.8%</b>
Jay Jays South Africa	42	23,434	+52.0%



# Just Group – Sales & Stores by half

	1st Half			2nd Half		
	Stores	Sales A\$'000's	Growth %	Stores	Sales A\$'000's	Growth %
Just Jeans	262	117,455	+9.7%	259	100,439	-7.8%
Jay Jays	246	138,340	+4.8%	249	101,684	-11.2%
Portmans	131	54,333	-16.3%	128	55,057	-10.5%
Jacqui E	108	46,447	-3.9%	106	38,213	-5.7%
Dotti	101	50,579	+35.6%	110	50,244	+11.5%
Peter Alexander	32	31,903	+24.7%	33	28,679	+16.5%
Smiggle	77	33,636	+93.7%	93	23,376	+36.8%
Group	1			1		
<b>TOTAL GROUP</b>	<b>958</b>	<b>472,693</b>	<b>+9.3%</b>	<b>979</b>	<b>397,692</b>	<b>-3.5%</b>
Jay Jays South Africa	42	12,852	+21.5%	42	10,582	+31.8%



# Just Group – Store movements

	As at 31 July 2010				Change in stores
	Stores Beg	Openings FY10	Closures FY10	Stores End	
Just Jeans	264	3	-8	259	-1.9%
Jay Jays	248	6	-5	249	+0.4%
Portmans	133	2	-7	128	-3.8%
Jacqui E	108	2	-4	106	-1.9%
Dotti	84	26	0	110	+31.0%
Peter Alexander	27	8	-2	33	+22.2%
Smiggle	61	33	-1	93	+52.5%
Group	1			1	0.0%
<b>GROUP TOTAL</b>	<b>926</b>	<b>80</b>	<b>-27</b>	<b>979</b>	<b>+5.7%</b>
Jay Jays South Africa	36	9	-3	42	+16.7%
Smiggle Franchise stores	0	3	0	3	
<b>Total</b>	<b>962</b>	<b>92</b>	<b>-30</b>	<b>1,024</b>	<b>+6.4%</b>

