



# Premier Investments Limited

## First Half FY2013 Results Overview

21 March 2013



THE **JUST** GROUP



peteralexander

portmans



JACQUIE



dotti

# Agenda

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# Financial results

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- Group profit
  - Profit before tax of \$64.5 million, up 19.2% on pcp
  - Profit after tax of \$46.5 million, up 20.7% on pcp
  - Earnings per share of 29.9c, up 20.7% on pcp
- Premier Retail (The Just Group) contribution to Premier performance
  - EBIT of \$56.3 million, up 9.8% on pcp
  - Profit before tax of \$52.6 million, up 14.7% on pcp
- Premier investment income up 34.9% on pcp
  - Strong dividend income from investment in Breville Group, interest and income from other investments
- Group cash flows
  - Net cash flows from operating activities of \$74.9 million, up 64.5% on pcp
  - Premier Retail capex of \$6.5 million, down 5.8% on pcp
- Premier balance sheet remains strong
  - Cash on hand of \$316.7 million, up \$22.6 million
  - Premier Retail debt of \$85.5 million, down \$37.4 million
  - Inventories clean and in a strong position
  - Investment in Breville approximately \$223.9 million (review of Premier's accounting treatment of Breville underway)
  - Franking credit pool of \$218.9 million

## 2

## Premier—Consolidated Income Statement

\$m's	26 weeks to 26 Jan 2013	26 weeks to 28 Jan 2012
Premier revenues (ex The Just Group)	14.3	10.6
Premier expenses (ex The Just Group)	(2.3)	(2.3)
Premier Retail (The Just Group) underlying EBIT	56.3	51.3
Finance costs	(3.8)	(5.5)
<b>Profit before income tax</b>	<b>64.5</b>	<b>54.1</b>
Income tax expense	(18.0)	(15.6)
<b>Net profit after income tax</b>	<b>46.5</b>	<b>38.5</b>



## Premier—Summarised Consolidated Balance Sheet

\$m's	26 Jan 2013	28 July 2012
<b>Assets</b>		
Cash and cash equivalents	316.7	294.2
Inventories	70.0	71.1
Plant and equipment	77.7	80.3
Other assets	28.1	47.1
Available-for-sale financial assets	223.9	152.4
Intangible assets	854.5	854.5
<b>Total assets</b>	<b>1,570.9</b>	<b>1,499.6</b>
<b>Liabilities</b>		
Interest bearing loans and borrowings	85.5	123.0
Trade payables, provisions and other liabilities	169.2	126.8
<b>Total liabilities</b>	<b>254.7</b>	<b>249.8</b>
<b>Equity</b>		
Contributed equity	608.6	608.6
Reserves	131.1	83.3
Retained earnings	576.5	557.9
<b>Total equity</b>	<b>1,316.2</b>	<b>1,249.8</b>

- EBIT up 9.8% to \$56.3 million
- EBIT margin up 84bps to 12.7%\*
- PBT up 14.7% to \$52.6 million
- Gross margin up by 113bps\*
- Clean inventory
- Exceptional internet sales growth – up 51%
- Strong sales performance from Peter Alexander – up 16.7%
- Outstanding sales growth from Dotti and Portmans
- Smiggle Singapore delivering outstanding profit growth
- Strategic review initiatives on track

\* As a percentage of sales and excluding sales to associate

## 3

## Just Group financial results

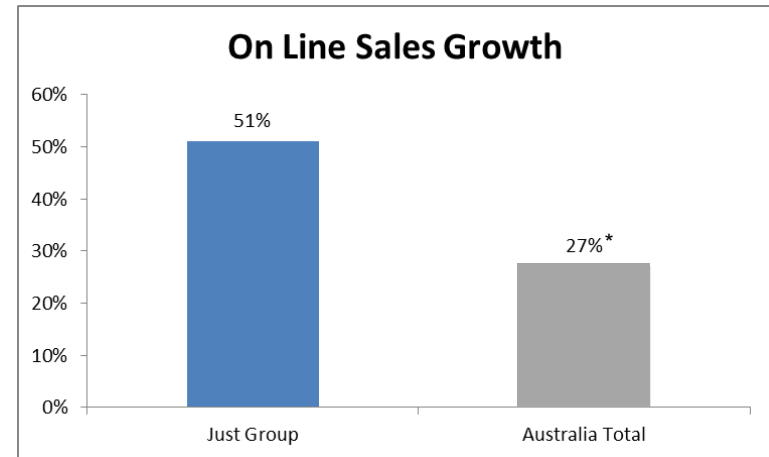
\$000's	1H13	1H12	Var LY
Sales*	444,727	433,823	+2.5%
<i>LFL sales</i>	-0.9%	-7.1%	
Gross Profit*	279,173	267,435	
<i>Gross margin (%)*</i>	62.8%	61.6%	113bps
Salaries	(103,547)	(98,848)	+4.8%
<i>% sales</i>	23.3%	22.8%	50bps
Rent	(88,937)	(87,768)	+1.3%
<i>% sales</i>	20.0%	20.2%	-23bps
Advertising & Direct Marketing	(7,972)	(4,780)	+66.8%
<i>% sales</i>	1.8%	1.1%	69bps
Depreciation, Amortisation & Impairment	(9,164)	(9,973)	-8.1%
<i>% sales</i>	2.1%	2.3%	-24bps
Other CODB	(14,794)	(18,209)	-18.8%
<i>% sales</i>	3.3%	4.2%	-87bps
Other income	1,218	3,443	-64.6%
Share of JV Profit	344	7	
<b>EBIT</b>	<b>56,321</b>	<b>51,307</b>	<b>+9.8%</b>
	12.7%	11.8%	84bps
Borrowing Costs	(3,751)	(5,462)	-31.3%
<b>Profit before tax</b>	<b>52,570</b>	<b>45,845</b>	<b>+14.7%</b>

\* Sales, gross profit and gross margin exclude sales to associate



## Internet

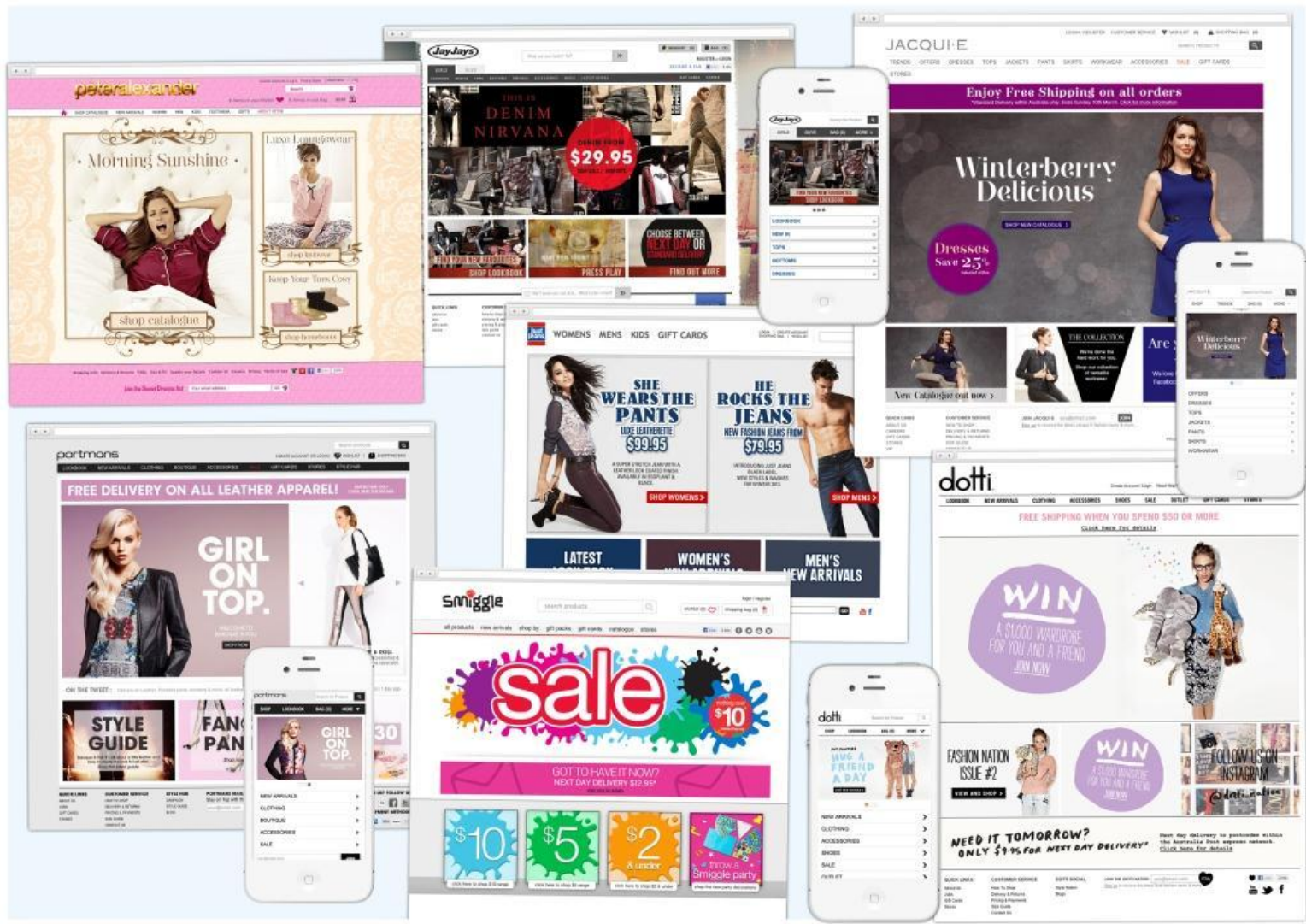
- Internet sales grew 51% for the season—well ahead of the industry growth\*
- All brands delivering strong on-line sales growth
- Leading position with next day deliveries and mobile
- Sales from mobile devices exceptional
- All brands on internationally competitive platform



\* NAB Online Retail Sales Index – January 2013 reported on-line sales grew 27% for the 12 months to January 2013



# Premier Retail internet strategy delivering



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## 5

## Premier Retail investing in stores...

- Store refresh program for 49 Dotti stores completed - next phase planned for 2H13 includes 31 additional stores
- Refresh planned for selected Portmans stores in 2H13 to fuel sales growth
  - Fixture upgrades completed during summer delivering strong sales results across 64 stores
- Jay Jays trial upgrades for 6 stores providing valuable insights
- Jacqui E refresh planned for selected stores in 2H13
  - Fixture upgrades completed during summer delivering strong sales results across 33 stores, with upgrades to another 50 stores planned in 2H13



Jay Jays, Bay Street, Sydney



Portmans fixture upgrade



Dotti store refresh



Jacqui E fixture upgrade

## 5

## Premier Retail investing in brands...

- Brand ambassadors creating connection with customers
- Advertising and direct marketing programs achieving results

Shanina Shaik



**Just Jeans**<sup>®</sup>

Abbey Lee Kershaw



portmans

Nicole Pollard



dotti

Tara Moss



JACQUI-E

Peter Alexander

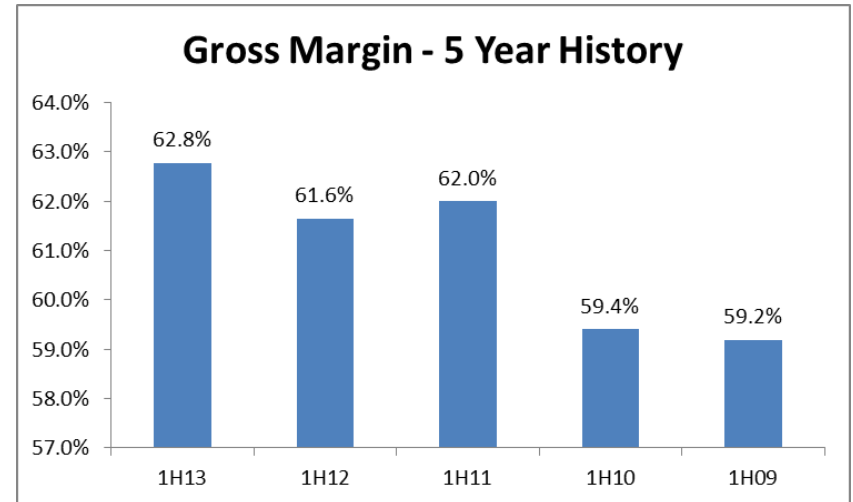


peteralexander



## Gross margin

- Gross margin expansion of 113 bps in 1H13
- Gross margin expansion to continue in FY13/FY14 from:
  - Improved merchandise assortment and planning
  - Improved profitability from factory outlet stores
- Increased sourcing from new markets with established capabilities to service international retailers
  - Greater access to key fashion items
  - Lower landed costs
- Currency risk fully hedged - no exposure to exchange rate volatility in 2H13



Note: Gross margins excluding sales to associate

## 7

## CODB reductions continuing

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- Cost culture well established and continuing to deliver benefits
- Store rental negotiations continue to be a key focus for improving profitability
- Labour efficiency gains retained in stores
- Major supply chain programs underway to deliver significant benefits in all markets over the next 12-24 months
- 20-30 cost reduction activities currently in progress
- \$3.4 million of other cost savings achieved in areas such as:
  - Consumables
  - Visual merchandising
  - Samples

## Smiggle Singapore

- Opened two stores in 1H13; Compass Point and Wisma Atria
- 2 new stores confirmed to open in 2H13; JEM and Tanglin Mall
- 14 stores now trading and highly profitable
- 8 of the top 10 Smiggle stores operate in Singapore
- Supply chain improvements to be implemented in 2H13 for material benefit in FY14



Note: Smiggle store at Wisma Atria during opening week

## Smiggle Japan

- International market development manager appointed
- On the ground, in country research underway
- Disciplined approach to store openings– research will determine the timing

## Smiggle Malaysia

- Landlord discussions on-going
- Disciplined approach to store openings by assessing the best locations initially in Kuala Lumpur

- Continued focus on improving sales from core brands
- Gross margin improvement initiatives to continue
- Internet investment to continue and accelerate sales growth
- Cost efficiency initiatives to continue
  - Supply Chain
  - Discretionary costs
  - Procurement
- Peter Alexander and Smiggle new store openings will continue
- Smiggle International expansion progressing

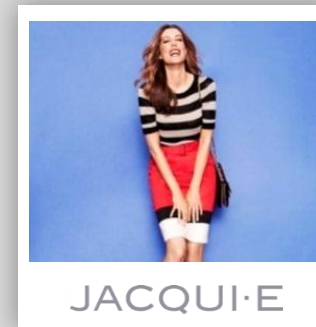
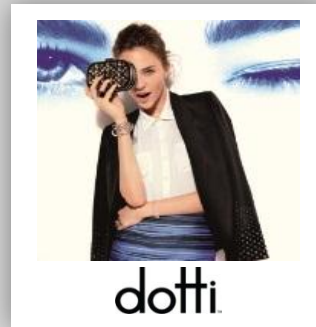
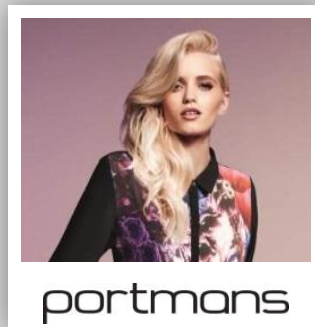


- Trading for the first 7 weeks is in line with our expectations
- Premier Retail remains focused on continuing to implement the strategic initiatives
- Industry pressure continues but Premier is well positioned to take advantage of all its growth opportunities

- The Premier Board has declared an increased interim fully franked dividend of 19 cps (1H12: 18 cps)
- The board's decision to pay a dividend is always shaped by:
  - Assessment of the result
  - Outlook for the market
  - Confidence in the operational performance of Premier's people, brands and processes
  - Maintaining cash reserves for growth opportunities

# THE **JUST** GROUP

## Brand by Brand Performance



### Overview of Results

Sales	\$51.5m
Var LY	+16.7%

Store movements	Beg	Open	Close	End
Australia	40	6	0	46
New Zealand	8	0	0	8
	<b>48</b>	<b>6</b>	<b>0</b>	<b>54</b>

### Highlights

- 6 new stores opened during the season and are trading ahead of expectations
- 6 New stores to open in 2H13
- Successful collaborations providing new opportunities for growth - Disney and Warner Bros
- Substantial growth from Mens, Childrens and Gift departments
- Internet platform upgrade successfully completed in January 2013
- New Zealand performance very strong with brand well accepted and growing in this market



## Overview of Results

Sales	\$54.1m
Var LY	+12.4%

Store movements	Beg	Open	Close	End
Australia	98	13	1	110
New Zealand	22	1	0	23
Singapore	12	2	0	14
	<b>132</b>	<b>16</b>	<b>1</b>	<b>147</b>

## Highlights

- Strong result for the season
- 16 stores opened (13 Aust; 1 New Zealand; 2 Singapore)
- Singapore performance continues to be very pleasing
  - 8 of the top 10 Smiggle stores operate in Singapore
- Successfully launched ORANGE with back to school in January 2013 - first new colour in 5 years
- New product initiatives delivering results
  - Technology
  - Fashion lines
  - Value offers
  - 10<sup>th</sup> birthday special
- Strong opening to 2H13



**Overview of Results**

Sales	\$54.7m
Var LY	+15.5%

Store movements	Beg	Open	Close	End
Australia	93	0	4	89
New Zealand	21	0	0	21
	<b>114</b>	<b>0</b>	<b>4</b>	<b>110</b>

**Highlights**

- Total sales grew 15.5%
- Outstanding on-line sales growth with Dotti a recognised leader in this important channel
- Successful key item programs introduced during the season
- Improved sourcing initiatives increasing margin and delivering great value to customers
- Returns from store upgrades in FY12 ahead of expectations, with further upgrades planned for 2H13
- Refocussed team has delivered significant profit growth



## Overview of Results

Sales	\$54.8m
Var LY	+5.4%

Store movements	Beg	Open	Close	End
Australia	93	0	2	91
New Zealand	12	0	0	12
	<b>105</b>	<b>0</b>	<b>2</b>	<b>103</b>

## Highlights

- Total sales up 5.4%
- Outstanding results from focus on delivering key fashion items at competitive prices
- Sourcing improvements to deliver material margin improvements in 2H13 and beyond
- Store portfolio rationalisation continued with 2 unprofitable stores closed during the season
- Store upgrade program planned for CY13, with new fixtures and lighting planned for selected stores
- Expanded and very experienced product team now in place
- Continued strong emphasis on brand marketing and position to continue



## Overview of Results

Sales	\$100.9m
Var LY	-2.2%

Store movements	Beg	Open	Close	End
Australia*	203	0	3	200
New Zealand	45	0	0	45
	<b>248</b>	<b>0</b>	<b>3</b>	<b>245</b>

\* Includes one group store

## Highlights

- Solid performance for the season - profit contribution increased
- Exploring new brands and other growth opportunities from existing portfolio
- Sourcing initiatives in new countries and regions delivering benefits with higher margins on key volume categories
- Primary focus going forward is women's fashion
- Core denim business very strong with great product at great prices and margins
- Continuing to invest in the brand





### Overview of Results

Sales	\$35.6m
Var LY	-3.9%

Store movements	Beg	Open	Close	End
Australia	83	0	1	82
New Zealand	21	0	0	21
	<b>104</b>	<b>0</b>	<b>1</b>	<b>103</b>

### Highlights

- Turnaround strategy on track
- Winter season opened well with strong LFL sales
- Customer focused strategy delivering strong results
- Strong profit increase during the season
- Margin expanded significantly from better ranges and sourcing
- Key item programs providing material volume increases
- Strong new team focused on target customer



## Overview of Results

Sales	\$93.2m			
Var LY	-8.7%			
<b>Store movements</b>	<b>Beg</b>	<b>Open</b>	<b>Close</b>	<b>End</b>
Australia	194	0	6	188
New Zealand	36	0	0	36
	<b>230</b>	<b>0</b>	<b>6</b>	<b>224</b>

## Highlights

- Turnaround strategy is underway and focused on:
  - Target customer
  - Fashionability, especially for girls
  - ‘Famous for’ offers and categories
  - Great value at key price points
  - Improved sourcing
- Primary management focus
- Investing in store initiatives to improve customer experience, including improved visual merchandising and mini refits for selected stores
- Key item programs delivering excellent results
- 6 loss making stores closed during the season

