

Premier Investments Limited

1H14 results overview

25 March 2014



peteralexander

smiggle

dotti

portmans

JACQUIE



JayJays

Agenda

- 1 Premier Investments 1H14 overview
- 2 Premier Investments 1H14 consolidated financial results
- 3 Premier Retail performance
- 4 Gross margin
- 5 CODB reductions continuing
- 6 Premier Retail internet strategy delivering
- 7 Premier Retail investing in growth
- 8 Smiggle International expands
- 9 Peter Alexander growth continues
- 10 Supply chain transformation underway
- 11 Summary
- 12 Interim dividend
- 13 Premier Retail brand by brand performance
- A Appendix



PREMIER INVESTMENTS 1H14 OVERVIEW



- Group profit
 - Profit before tax of \$70.1 million, up 8.7% on pcp
 - Net profit after tax of \$52.1 million, up 12.1% on pcp
 - Earnings per share of 33.6c, up 12.1% on pcp
 - Increased interim fully franked dividend of 20 cps (1H13: 19 cps)
- Premier Retail contribution to Premier performance
 - Sales of \$468.4 million, up 5.3% on pcp¹
 - Profit before tax of \$58.7 million, up 11.7% on pcp
 - EBIT of \$61.5 million, up 9.2% on pcp

Note:

1. Sales exclude sales to South African joint venture

- Premier balance sheet strengthened
 - Cash on hand of \$317.7 million
 - Premier Retail debt of \$76.7 million
 - New distribution centre acquisition funded by new Premier Investments debt of \$19.0 million²
 - Inventories clean and in a strong position
 - Balance sheet at end of half shows investment in associate (Breville) as \$188.5 million. Current market value of \$318.8 million¹
 - Franking credit pool of \$209.3 million
- Premier continuing to grow
 - Smiggle Stratford opened in February 2014 with pleasing results. The company sees the potential for 200 stores in the UK with \$200 million of revenue over the next five years
 - Peter Alexander continues to outperform and grow
 - Online investment and growth to continue across all brands
 - Supply chain network strategic review implemented
 - New National Distribution Centre for Australia – transition expected to be completed by end of FY14
 - New Zealand distribution centre reconfigured
 - Singapore distribution centre operating successfully
 - Strategic investment in stores and brands continuing

Note:

1. Based on BRG closing share price of \$9.53 as at 24 March 2014

2. The full interest incurred by Premier on the new debt will be charged as rent to Premier Retail. This cost will be significantly lower than the equivalent rent



Premier Investments 1H14 consolidated income statement

\$m's	26 weeks to 25 Jan 2014	26 weeks to 26 Jan 2013
Premier revenues (ex Premier Retail)	13.6	14.3
Premier expenses (ex Premier Retail)	(2.2)	(2.3)
Premier Retail EBIT	61.5	56.3
Finance costs	(2.8)	(3.8)
Net profit before income tax	70.1	64.5
Income tax expense	(18.0)	(18.0)
Net profit after income tax	52.1	46.5

Note:

Appendix A contains further pro forma financial information in relation to the income statement

\$m's	25 Jan 2014	27 Jul 2013
Assets		
Cash and cash equivalents	317.7	313.2
Inventories	90.0	84.0
Property, plant and equipment	99.1	83.4
Other assets	50.7	41.4
Investment in associates	190.1	185.5
Intangible assets	854.6	854.5
Total assets	1,602.2	1,562.0
Liabilities		
Interest bearing loans and borrowings	95.7	102.0
Trade payables, provisions and other liabilities	177.0	159.6
Total liabilities	272.7	261.6
Equity		
Contributed equity	608.6	608.6
Reserves	23.3	16.8
Retained earnings	697.6	675.0
Total equity	1,329.5	1,300.4

PREMIER RETAIL



Premier Retail performance: highlights

- PBT up 11.7% to \$58.7 million
- EBIT up 9.2% to \$61.5 million
- EBIT margin up 47bps to 13.1%¹
- Group sales up 5.3% to \$468.4 million¹
- LFL sales up 4.4%¹
- Internet sales growing strongly, up 24%
- Strong sales performance from Peter Alexander (up 23.3%) and Smiggle (up 15.7%)
- Strong LFL sales growth achieved by Smiggle, Peter Alexander, Portmans, Dotti, Jacqui E and Just Jeans. Jay Jays delivered positive LFL growth in Q2.
- Smiggle Singapore continuing to perform well with 17 stores now trading very profitably
- First Smiggle store in United Kingdom opened February 2014 with up to nine more likely for 2H14
- Peter Alexander three year strategic growth plan on track

Note:

1. As a percentage of sales and excluding sales to South African Joint Venture

Premier Retail performance: financial results

\$000's	26 weeks to 25 Jan 2014	26 Weeks to 26 Jan 2013	Var LY
Sales ¹	468,355	444,727	+5.3%
<i>LFL sales</i>	+4.4%	-0.9%	
Gross Profit ¹	290,651	279,173	+4.1%
<i>Gross margin (%)¹</i>	62.1%	62.8%	-72bps
Employee Expenses ²	(110,470)	(103,547)	+6.7%
<i>% sales</i>	23.6%	23.3%	+30bps
Rent ²	(93,113)	(88,937)	+4.7%
<i>% sales</i>	19.9%	20.0%	-12bps
Advertising & Direct Marketing ²	(7,380)	(7,972)	-7.4%
<i>% sales</i>	1.6%	1.8%	-22bps
Depreciation, Amortisation & Impairment ²	(10,987)	(9,164)	+19.9%
<i>% sales</i>	2.3%	2.1%	+29bps
Other Costs of Doing Business ²	(10,229)	(14,794)	-30.9%
<i>% sales</i>	2.2%	3.3%	-114bps
Other income	2,758	1,218	+126.4%
Share of JV Profit	280	344	-18.6%
EBIT	61,510	56,321	+9.2%
	13.1%	12.7%	+47bps
Borrowing costs	(2,769)	(3,751)	-26.2%
Profit before tax	58,741	52,570	+11.7%

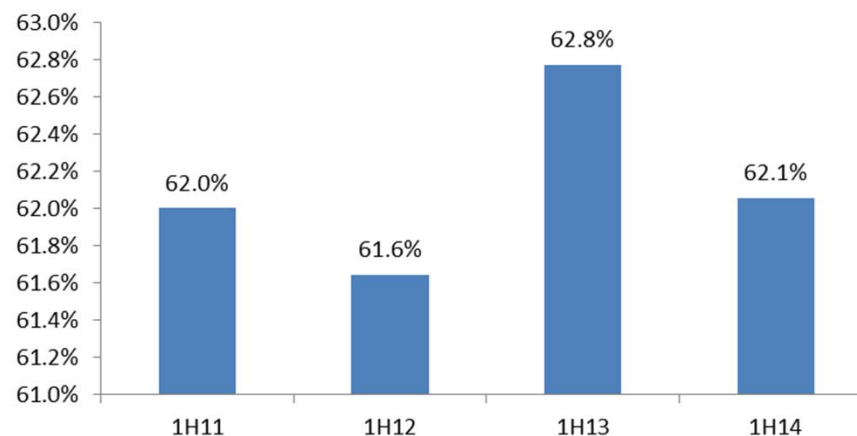
Note: 1. Sales, gross profit and gross margin exclude sales to South African Joint Venture

2. Total cost of doing business equates to 49.6% of sales (1H13: 50.5%) excluding sales to South Africa JV



- Gross margin continues to be strong, despite highly competitive market
- New direct sourcing initiatives improving intake margins and quality
- Renewed focus on markdown management in highly competitive market
- Group protected against fall in AUD for balance of FY14

Gross margin—4 year history



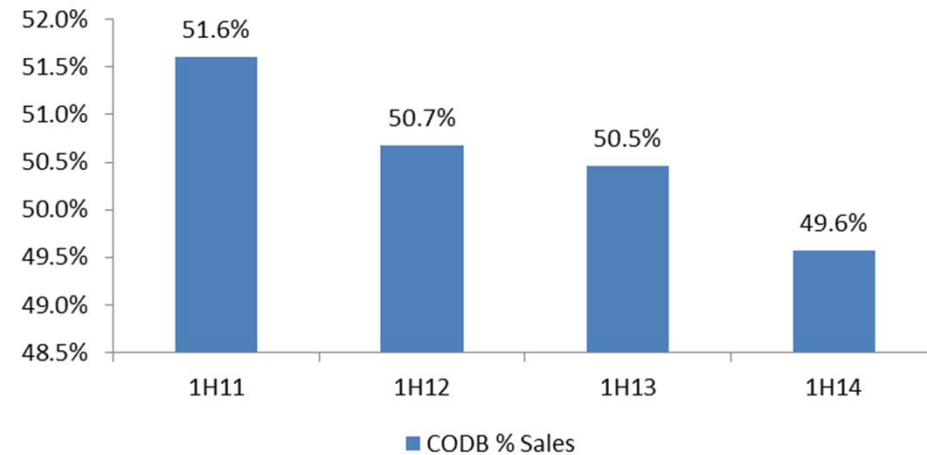
Note:

Gross margins excluding sales to South African Joint Venture

CODB reductions continuing

- Costs of doing business reduced by 89bps as a % of sales as a result of the organisational wide cost efficiency program implemented as part of the strategic review
- Store rent expense grew by 2.4% in total with established brands store rent expense decreasing by 2.5%
- Store salaries grew in line with sales with on-going focus on labour efficiency and productivity
- Reductions in discretionary and other costs continue
- Further supply chain cost efficiencies to be realised over next 3 years
 - New Australian national DC – cost savings of more than \$2 million per year within first 3 years
 - Singapore DC established –annual benefits of more than \$1m from FY14
 - New Zealand DC reconfigured – realising 22% reduction in occupancy costs from FY14

CODB % sales



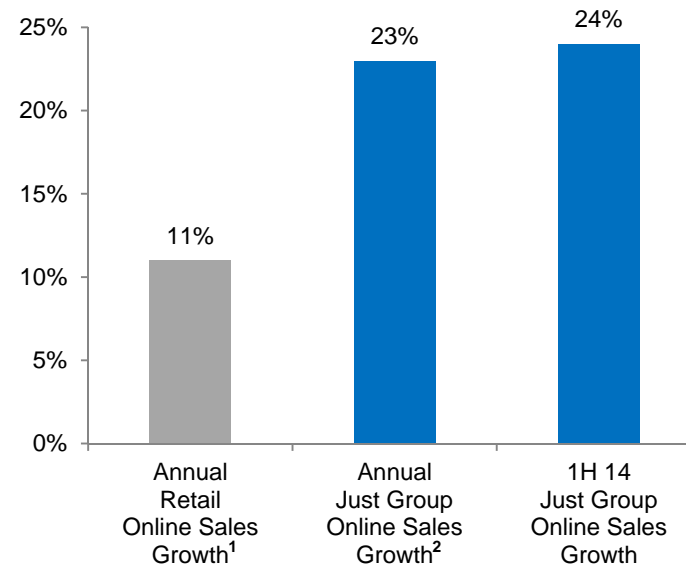
Note:

Total costs of doing business excluding strategic review costs, borrowing costs and net income from South Africa JV

Internet

- Online sales up 24% for 1H14
 - Exceptional results from Just Jeans and Portmans up 41% and Dotti up 34%
- Well ahead of market growth with annual sales growth of 23% vs 11% annual market growth
- Very profitable sales channel
- Mobile optimised and enhanced sites deployed for all brands - further upgrades to be delivered by April to increase conversion and revenue
 - Sessions on a mobile device are up 60%
 - Sales on a mobile device are up 97%
- Continued investment in key areas that drive sales growth and customer loyalty
- Successful trial of new marketing initiatives with high ROI to be rolled out in full in 2H14
 - Affiliate and retargeting advertising
 - Strong email database growth and retargeting
- Multi channel initiatives under development
 - Home delivery of items out of stock in store – rollout 2H14
 - Launch of 'click and collect' services in Portmans in 2H14
- Implementing enhanced Inventory Management tools to ensure in stock position and maximise revenue
- Successfully launched peteralexander.co.nz with fulfilment from NZ DC for NZ orders
- New Australian National DC has capacity to support future online growth aspirations

Online sales growth



Note:

1. NAB Online Retail Sales Index – January 2014.
Reported Australian online retail sales grew by 11.3% in the 12 months to January 2014
2. Just Group Online Sales grew by 23% in the 12 months to January 2014

Premier Retail investing in growth

206 stores received capital investment and 15 new stores were opened in 1H14



- 6 new stores opened across Australia and Singapore
- 2 stores received refurbishments in Australia
- 7 stores received LED lighting upgrades



- 5 new stores opened across Australia
- 1 store relocated
- 27 stores received additional children's wear fixtures
- 15 stores received stockroom upgrades



- 1 new store opened in Australia
- 4 stores refurbished across Australia and New Zealand



- 2 new stores opened and 1 relocated in Australia
- 1 store received a full refit
- 3 stores refurbished across Australia and New Zealand
- 10 stores received VM, furniture and LED lighting upgrades



- 1 new store opened
- 1 store refurbished in New Zealand



- 113 stores received fixture upgrades
- 6 stores refurbished
- New store concept under development



- New store concept under development



Portmans Booragoon, WA



Smiggle International expands: United Kingdom

- First store opened at Westfield Stratford on 20 February 2014
 - Initial response very encouraging
 - Customer feedback very positive
- Potential for up to 20 stores operating by Christmas 2014
- Premier believes the UK market has the capacity for more than 200 stores with sales of more than AU\$200 million and profit margins in line with Australia over next five years
- Management expects the entry into the UK to have a one off net negative impact on the income statement of between \$3 million and \$4 million. This will be incurred in 2H14 as the key investment required for the future growth of the Smiggle brand in the UK market. This is far lower than any premium that would be required to acquire a business with the future earning potential of Smiggle
- Stores expected to be profitable from year one and country profitable after two full years of operation



Smiggle Westfield Stratford opening

- Up to 10 stores to be operating by July 2014
 - Westfield Stratford (open)
 - Reading (open)
 - Brighton (open)
 - Kingston (open)
 - Leicester
 - Crawley
 - Bath
 - Guildford
- Up to a further 20 stores currently under negotiation



Smiggle Singapore

- 17 stores now trading and very profitable
- Opportunity for up to five more stores over next two years
- Very strong Christmas trading period
- Very profitable market and continuing to improve from strong sales growth and improved margins following supply chain changes



Wisma Atria, Singapore

Smiggle Malaysia

- Continuing to review opportunities for first stores
- No compromise on quality of centres and store locations within centres
- Looking to open between two and three stores initially to get some scale benefits



Three year strategic growth plan on track

- Accelerated store roll out program
 - five stores opened during the season and four stores confirmed to open in second half
 - Flagship store to open at Emporium in April/May 2014
 - Expanded stores in Canberra, Indooroopilly and Southland to open in 2H14
 - Potential for a further six to eight stores per year for the next two years across Australia and New Zealand
- Expanded childrenswear range delivering exceptional growth
- On-line sales up 17%
 - Launched peteralexander.co.nz with fulfilment from New Zealand distribution centre
- Nine concession stores for womenswear and 15 wholesale outlets for menswear and childrenswear, opened in Myer in February



New Australian National DC

- Construction completed
- Settlement occurred in January 2014
- Internal fit out in progress
- Transition to occur by end FY14
- Project on budget and on schedule
- One off transition costs of between \$3 million and \$4 million to be incurred in 2H14
- One off capital expenditure of \$18 million for development and purchase of land and buildings by Premier – fully debt funded with cost of servicing the debt significantly lower than rent
- One off capital expenditure of \$8 million for systems and equipment for new facility
- Cost savings of more than \$2 million per year to be realised within first three years of operations¹



Note

1. The full interest incurred by Premier on the new debt will be charged as rent to Premier Retail. This cost will be significantly lower than the equivalent rent

Singapore & New Zealand

- New Zealand DC downsized and reconfiguration completed in FY13 with full benefits being realised in FY14
- Singapore third party logistics established in FY13 providing material margin benefit to Smiggle Singapore in FY14

UK

- Third party logistics established in the UK – same model and partner as Singapore
- Facility fully scalable to support growth
- Direct sourcing from China to UK to be fully rolled out across 2H14 and 1H15

11 Summary

Smiggle International growth opportunity

- Unique and very attractive opportunity to build a large and profitable international business
- High return on investment with no goodwill to acquire
- Potential for more than 200 stores and \$200 million in sales in the UK over the next five years
- UK Market entry key investment to be a one off net negative impact on the income statement in 2H14 of between \$3 million and \$4 million

Brand strategies delivering

- Peter Alexander growth strategy on track
- Brand strategies delivering strong sales growth for Just Jeans, Jacqui E, Portmans and Dotti
- Turnaround of Jay Jays progressing
 - Remains a high priority
 - New leader Chris Thomas appointed

Online growth and investment continues

- All seven brands online and mobile sites growing faster than the market
- Group will continue to invest in multi channel development, branding and distribution

Supply chain transformation underway

- New Australian DC to commence operations in Q4 14
 - Capacity to deliver online growth aspirations for the group
 - Operational savings of more than \$2 million per year within three years
 - One off transition costs of between \$3 million and \$4 million to be incurred in 2H14
 - Interest costs on the debt far lower than the rent payable on the current operations
- New Zealand, Singapore and UK distribution centres established and delivering operational benefits

DIVIDENDS



- The Premier Board has declared an increased interim fully franked dividend of 20 cps (1H13: 19 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

PREMIER RETAIL BRAND BY BRAND PERFORMANCE



Overview of Results

Sales	\$62.6m
Var LY	+15.7%

Store movements	July 13	Open	Close	Jan 14
Australia	112	5	0	117
New Zealand	23	0	0	23
Singapore	16	1	0	17
	151	6	0	157

Highlights

- 1H14 most successful season in history for Smiggle
- All markets achieved strong growth
- LFL sales growth strongest in four years
 - New product categories working
 - Focus on core line availability
- Five stores opened in Australia
- One store opened in Singapore
- Singapore now has 17 stores operating very profitably
 - New third party logistics distribution centre improving margin from FY14 onwards
 - Potential for three to five more stores
- UK stores commenced operations in February 2014
 - A further eight to ten stores confirmed to open between March and July 2014



Overview of Results

Sales	\$63.4m
Var LY	+23.3%

Store movements	July 13	Open	Close	Jan 14
Australia	51	5	0	56
New Zealand	8	0	0	8
	59	5	0	64

Highlights

- Strong LFL sales growth
- Five stores opened during the half
- Four new stores confirmed for second half, including flagship store to open at Emporium in Melbourne
- Successful launch of expanded childrenswear and gift ranges delivering significant growth
- On-line sales continue to grow strongly
- peteralexander.co.nz successfully launched with fulfilment from NZ DC
- Nine Myer concession stores opened in February 2014



Overview of Results

Sales	\$57.1m
Var LY	+4.3%

Store movements	Jul 13	Open	Close	Jan 14
Australia	90	2	4	88
New Zealand	12	0	0	12
	102	2	4	100

Highlights

- Total sales up 4.3%
- LFL sales stronger
- Two new stores opened and four stores closed
- Online sales increased 41% for the season, well ahead of the market
 - Internationally competitive website and mobile site
 - Continuing to invest in online experience, service and delivery
- Investment in product development and store environments delivering exceptional results
 - Four stores upgraded during the season and trading on average 35% better than the rest of the chain
 - Continued investment to upgrade remainder of the chain
 - Outstanding results from tailoring and woven tops categories
- Realigned team structure to support a design and development rich product focus
- New sourcing initiatives achieving better margins and quality
- New face of Portmans – Jessica Hart – resonating well with customers



Overview of Results

Sales	\$57.1m
Var LY	+4.3%

Store movements	Jul 13	Open	Close	Jan 14
Australia	88	1	2	87
New Zealand	21	0	0	21
	109	1	2	108

Highlights

- Total sales up 4.3%
- LFL sales stronger
- One store opened and two stores closed
- Flagship Brisbane CBD (Queens Street Mall) store opened and trading above expectations
- On-line sales increased 34% - well ahead of market growth
 - Internationally competitive website and mobile site
 - Continuing to invest in online experience, service and delivery
- Ongoing focus on supplier relationships and speed to market delivering results



Overview of Results

Sales	\$36.4m
Var LY	+2.2%

Store movements	Jul 13	Open	Close	Jan 14
Australia	80	1	2	79
New Zealand	21	0	0	21
	101	1	2	100

Highlights

- Turnaround strategy for Jacqui E is delivering significant improvements in LFL sales, margin and profitability
- Total sales up 2.2%
- LFL sales significantly stronger
- Establishing Jacqui E as a workwear destination
 - Renewed focus on suiting
 - Concentrating on outfitting and multi item sales
- Strategy to close loss making stores achieving material profit improvements across the portfolio
- One store opened and two stores closed during the half
- Improved sourcing model with improved margins and quality
- Special buys for DFO outlets increasing sales and margins



Overview of Results

Sales	\$104.1m
Var LY	+3.1%

Store movements	Jul 13	Open	Close	Jan 14
Australia*	199	0	3	196
New Zealand	45	0	0	45
	244	0	3	241

* Includes one group store

Highlights

- Brand well positioned under the new leadership of Matt McCormack
- Total sales up 3.1%, underpinned by strong sales in denim
- LFL sales stronger
- Online sales up 41%, well ahead of market
- Three stores closed during the half
- Brand refocusing assortment to be anchored in denim, leading in fit and fabric innovation
- Refocusing on external brand partnerships to drive customer acquisition
- New store format under development for launch in FY15
- Building on the climatic ranging opportunities – both cold & warm store locations



Overview of Results

Sales	\$87.8m			
Var LY	-5.8%			
Store movements	Jul 13	Open	Close	Jan 14
Australia	184	0	2	182
New Zealand	36	0	0	36
	220	0	2	218

Highlights

- Turnaround strategy progressing
 - New product strategy implemented and working
 - Updated approach to promotions gaining traction in Q2
- Encouraging start to new half
 - Strong LFL sales growth since January
 - Positive feedback and sales results on new winter lines
- Total sales down 5.8%
- LFL sales stronger
- Positive LFL sales in Q2
- New sources of supply developed, achieving lower costs and improved margins
- Chris Thomas appointed to lead the brand in the next stage of its turnaround
 - Strong and experienced speciality retailer
- New store format under development for launch in FY15
- Two unprofitable stores closed during the half
- Store portfolio review ongoing to ensure loss making stores are converted to profitability or closed at lease expiry



- Premier commenced equity accounting for its investment in Breville Group Limited during 2H13 due to a change in Breville's Board composition
- To assist investors, Premier has presented the following pro-forma numbers that assume that the investment in Breville Group Limited was equity accounted for both 1H13 and 1H14

	Net Profit Before Tax		Net Profit After Tax	
	26 Weeks to 25 January 2014	26 Weeks to 26 January 2013	26 Weeks to 25 January 2014	26 Weeks to 26 January 2013
	\$'m	\$'m	\$'m	\$'m
Statutory Reported	70.1	64.5	52.1	46.5
Dividend received from BRG accounted for as dividend income in 1H13	—	(3.8)	—	(3.8)
Pro forma PMV's 25.7% interest in BRG NPAT for 1H13	—	8.1	—	8.1
Pro Forma	70.1	68.8	52.1	50.8

Overview of Premier's non-IFRS financial information

- IFRS financial information is financial information that is presented in accordance with all relevant accounting standards.
- Non-IFRS financial information is financial information that is presented other than in accordance with all relevant accounting standards. For example; pro forma financial information.
- Any non-IFRS financial information is clearly labelled “pro forma” to differentiate it from reported/IFRS financial information.
- Premier provides reconciliations on the face of the slides, appendices and in the footnotes of the presentation in order allow the reader of the presentations to clearly reconcile between the IFRS and non-IFRS financial information.
- Premier management believes that the presentation of additional non-IFRS information in its results presentations provides readers of these documents with a greater understanding into the way in which management analyses the business as well as meaningful insights into the financial condition or Premier's overall performance.
- The Australian Securities and Investments Commission (ASIC) acknowledges the relevance of non-IFRS financial information in providing “meaningful insight” as long as it does not mislead the reader.