



# Premier Investments Limited

---

## Results FY12 Results Overview

21 September 2012



**Just Jeans**

JACQUIE

*Jay Jays*

portmans

peteralexander

dotti

smiggle

THE **JUST** GROUP

# Agenda

---

- 1 Premier Investments FY12 Overview
- 2 Premier Investments FY12 Consolidated Financial Results
- 3 Just Group Results FY12 Overview
- 4 Industry Structure Pressures and Key Mitigation Strategies
- 5 Premier Investing in Growth
- 6 CODB Reductions to continue
- 7 Gross Margin
- 8 Asia Expansion Opportunity
- 9 The Path to growth is clear
- 10 Trading Update
- 11 Brand by Brand Performance
- 12 Final Dividend



## 1

# Financial results

---

- Group Profit
  - Profit before tax of \$92.8 million up 27% on pcp (underlying basis)
  - Profit after tax of \$68.2 million up 32% on pcp (underlying basis) and 68% up on a reported basis
- Premier Retail (The Just Group) contribution to Premier performance
  - FY12 underlying EBIT of \$80.4 million up 23% on pcp
  - 2H12 underlying EBIT of \$29.3 million up 130% on pcp
- Premier investment income up 26% on pcp
  - Strong dividend income from investment in Breville Group, interest and income from other investments
- Premier balance sheet remains strong with year end
  - Cash on hand of \$294.2 million
  - Just Group debt facilities refinanced during FY12 and extended to March 2015
  - Inventories clean and in a strong position
  - Investment in Breville approximately \$152.3 million at end of year (current value approx. \$177 million)
  - Franking credit pool of \$211.1 million

## 2

## Premier—Consolidated Income Statement

\$m's	52 weeks to 28 July 2012	52 weeks to 30 July 2011
Premier revenues (ex The Just Group)	27.2	21.6
Premier expenses (ex The Just Group)	(4.6)	(3.9)
Premier Retail (The Just Group) underlying EBIT	80.4	65.3
Finance costs	(10.2)	(9.7)
<b>Underlying profit before income tax</b>	<b>92.8</b>	<b>73.3</b>
Underlying income tax expense	(24.5)	(21.8)
<b>Underlying profit after income tax</b>	<b>68.2</b>	<b>51.5</b>
One-off costs related to Strategic Review (after tax)	—	(11.0)
<b>Reported profit after income tax</b>	<b>68.2</b>	<b>40.5</b>

\$m's	28 July 2012	30 Jul 2011
<b>Assets</b>		
Cash and cash equivalents	294.2	307.8
Inventories	71.1	73.4
Plant and equipment	80.3	84.8
Other assets	47.1	37.0
Available-for-sale financial assets	152.4	104.5
Intangible assets	854.5	854.5
<b>Total assets</b>	<b>1,499.6</b>	<b>1,462.0</b>
<b>Liabilities</b>		
Interest bearing loans and borrowings	123.0	133.8
Trade payables, provisions and other liabilities	126.8	134.5
<b>Total liabilities</b>	<b>249.8</b>	<b>268.3</b>
<b>Equity</b>		
Contributed equity	608.6	608.6
Reserves	83.3	39.6
Retained earnings	557.9	545.5
<b>Total equity</b>	<b>1,249.8</b>	<b>1,193.7</b>

## 3

## Just Group results FY12 overview

---

- EBIT on track at \$80.4 million
- EBIT margin up 216bps to 9.7%\*
- 2H FY12 EBIT up 130%\*\*
- Strong cost out performance – costs reduced by 156bps\*
- Gross margin up by 99bps\*
- Clean inventory – setting a strong platform for FY13
- Exceptional internet sales growth
- Strong sales performance from Peter Alexander
- Smiggle Singapore delivering outstanding growth
- Strategic review initiatives on track

\* As a percentage of sales

\*\* FY11 EBIT excluding costs associated with strategic review



## 3

## Just Group financial results

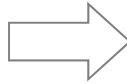
\$000's	52 weeks to 28 July 2012	52 Weeks to 30 July 2011	Var LY
Sales*	<b>829,138</b>	<b>866,045</b>	<b>-4.3%</b>
<i>LFL sales</i>	-6.7%	-2.8%	
Gross Profit*	507,080	521,102	
<i>Gross margin (%)*</i>	61.2%	60.2%	+99bps
Salaries	(196,870)	(204,630)	-3.8%
<i>% sales</i>	23.7%	23.6%	+12bps
Rent	(176,949)	(177,529)	-0.3%
<i>% sales</i>	21.3%	20.5%	+84bps
Advertising & Direct Marketing	(9,616)	(13,462)	-28.6%
<i>% sales</i>	1.2%	1.6%	-36bps
Depreciation, Amortisation & Impairment	(17,327)	(21,733)	-20.3%
<i>% sales</i>	2.1%	2.5%	-42bps
Other CODB	(32,325)	(48,489)	-33.3%
<i>% sales</i>	3.9%	5.6%	-173bps
Other income	6,483	8,818	-26.5%
Share of JV Profit	(102)	1,178	
<b>EBIT</b>	<b>80,374</b>	<b>65,255</b>	<b>+23.2%</b>
	<b>9.7%</b>	<b>7.5%</b>	<b>+216bps</b>
<b>Stock Turnover (times pa)</b>	4.6	4.9	-0.3
<b>Capital Expenditure</b>	13,258	22,768	-9,510

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

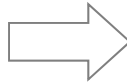


## Industry structure pressures to continue

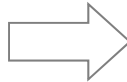
1 Rent increases not in line with centre performance



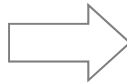
2 EBA Increase not linked to productivity



3 International apparel companies entering the market



4 Online Retailing



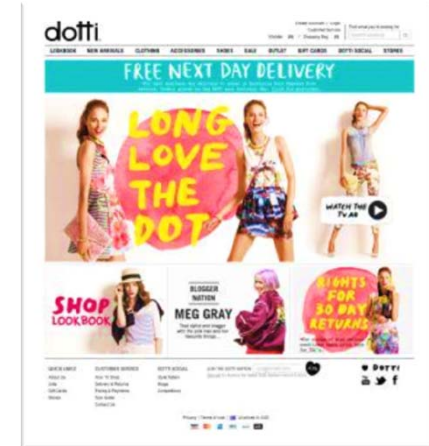
## Key mitigation strategies accelerated

- Continue to close loss making stores-25 stores closed in FY12
- Negotiation about brand and centre performance as lease expires
- Expanded leasing team to negotiate better outcomes
- Aligned rosters to changes in consumer shopping behaviour – 70% of trade Thursday to Sunday
- Negotiating with SDA for productivity improvements to offset any rate increases
- All other store costs under efficiency programs – consumables, cash handling, freight, lighting, maintenance
- Dedicated buying, planning retail team by brand
- Local customer knowledge – colours/fabrics/silhouettes/sizes
- Sourcing from factories that make for international brands at international best price
- Sourcing in new markets at lower fob's
- Shorter lead times to market
- Strong FY12 result
- Significant investment in growth channel to continue
- All brands proprietary to Premier Retail
- The government has it wrong on GST and Duty
- Investment in global competitive internet site for Dotti - Video, Search, Outlet, Social, Mobile, Next day delivery
- All other brands websites to be enhanced following successful Dotti trial
- Third party distribution opportunities being evaluated – ASOS, EBay, auction sites



## Internet

- 67% growth in internet sales in FY12
- All brands, all SKU's on-line
- Material investment to continue—aspiration for 10% of sales
- New Dotti internationally competitive website launched end of Q3 featuring
  - Mobile, Search, Social, Next day delivery
- Outstanding results from Dotti.com.au – online sales up more than 100% since campaign launch
- Upgrade for Portmans, Jacqui E and Jay Jays to Dotti standard in H1FY13
- Just Jeans, Peter Alexander and Smiggle upgrades to Dotti standard in Q3 FY13
- External marketing driving traffic directly back to our website – to be rolled out across all marketing disciplines in FY13
- All Brands proprietary to the Just Group. No brand can be sold cheaper by any competitive website
- Peter Alexander Singapore online store launched in May 2012
- Smiggle game launched as an Apple App in September 2012



**FREE NEXT DAY DELIVERY**  
\*For next business day delivery to areas in Australia Post Express Post network. Orders placed by 2pm AEST each business day. [Click for postcodes.](#)



### Smiggle Australia & New Zealand

- Store roll out strategy accelerated
- 20 stores opened during FY12
- 16 stores confirmed to open prior to Christmas 2012
- All new stores exceeding sales expectations
- Further 15-20 new stores to open each year over the next 3 years
- Landlords providing capital funding for new stores



Smiggle Cairns- Opened 25 August 2012

### Peter Alexander Australia & New Zealand

- Store roll out strategy accelerated
- 9 stores opened during FY12
- 6 stores confirmed to open prior to Christmas 2012
- 3 stores confirmed to open in 2H13
- All new stores exceeding sales expectations
- 5-10 new stores to open each year over the next 3 years
- Landlords providing capital funding for new stores



Peter Alexander Sylvia Park- Opened 8 December 2011

## Targeted Store Re-Investment

- 49 Dotti stores upgraded in FY12
  - improved lighting
  - new fixtures with increased stock holding and visual merchandising flexibility
  - low capital investment per store
- Portmans Chadstone upgraded
- New tables and fixtures in 63 Portmans stores
- New tables and fixtures in 30 Jacqui E stores before Christmas 2012 (increasing unit capacity by 10%)
- Jay Jays Melbourne Central store upgrade trial



## CODB reductions to continue

- Cost reduction programs delivered \$27.8m\* savings in FY12
- Cost of doing business decreased by 156bps in FY12, despite lower sales
- Material benefits to continue in FY13/FY14 from FY12/FY13 initiatives
- Store labour efficiency initiatives continue to focus on aligning staffing hours to customer traffic to maintain service levels and sales, whilst taking out unnecessary hours
- Negotiating with SDA for productivity improvements
- 35 contracts renegotiated during the year delivering more than \$6m of annualised benefits to the company
- 30 new contracts to be negotiated in FY13 – for benefit in FY13/FY14
- Negotiating with landlords for reduction in rents, in line with centre performance
- All discretionary costs reduced with ongoing efficiency programs
  - Consumables
  - Cash handling
  - Freight
  - VM
  - Travel
- Marketing and advertising contracts restructured to deliver better exposure for expenditure and set a platform for reinvestment
- Closure of Maidstone warehouse – consolidated to Altona
- Material reduction in store fit-out expenditure being achieved through new international sourcing program

\* Excluding rent, depreciation and borrowing costs

## Store rental growth (1)



- Established brands' rent decreased by 2.7%, with improved renewal outcomes and closure of loss making stores improving group profitability
- Total store rental growth slowed to 3% in FY12
- Smiggle and Peter Alexander new stores contributed significant profits to the group

(1) Store rental only – all countries. Established businesses includes Just Jeans, Jay Jays, Dotti, Jacqui E and Portmans. Total includes all brands and markets (excl South Africa JV that is equity accounted). Excludes impact of onerous lease provisions.

## Store wages growth (2)



- Store wages decreased by 4.2% in FY12
- Established brands' store salaries decreased by 7.8%
- Continued focus on labour efficiency and productivity

(2) Store wages only – all countries. Established businesses includes Just Jeans, Jay Jays, Dotti, Jacqui E and Portmans. Total includes all brands and markets (excl South Africa JV that is equity accounted).

## Other CODB growth (3)



- Other CODB decreased by 21.7% in FY12
- Discretionary cost reductions and cost efficiency focus delivering benefits
- Further benefits to continue in FY13

(3) Other CODB excludes store salaries, store rental, depreciation, borrowing costs, net income from South Africa JV and FX gains/losses.

- Gross margin expansion of 99bps in FY12
- Further gross margin expansion to continue in FY13 / FY14 from
  - Markdown management—aligning purchases to sales
  - DFO profitability project—engineered product
  - Improved sourcing through negotiations with existing vendors
  - Sourcing from new countries who make for international retailers—two distinct benefits:
    - lowering costs from existing suppliers
    - achieving lower costs from new suppliers
  - All supplier trading terms re-negotiated to benefit FY13
  - Continued roll-out of PA and Smiggle to lift overall margin mix
  - Dedicated planning teams improving:
    - allocations
    - size curves
    - climatic opportunities
    - replenishment

## Smiggle Singapore

- Exceptional performance
- 10 stores opened in FY12
- 13 stores now trading
- 1 new store confirmed to open prior to Christmas
- 5–10 more store opportunities over the next 2 years

Store	Date opened
Plaza Singapura	21 April 2011
Lot One	14 May 2012
Bugis Junction	30 July 2011
Somerset	8 October 2011
Parkway Parade	26 November 2011
United Square	13 December 2011
Hougang	7 January 2012
Vivo City	28 April 2012
Tampines	14 July 2012
City Link	28 June 2012
Jcube	23 June 2012
Nex	7 July 2012
Compass Point	Open 4 August 2013
Wisma Atria	Scheduled 30 November 2012



### Smiggle Asia – represents an exciting growth path for our company



#### Competitive analysis

- Despite a widely held perception that these countries are more competitive in this category, detailed studies conclude that the competitive framework is no more or less competitive than the current Australian market, providing material opportunity for Smiggle

#### Each market is unique

- Requiring careful deliberation on market entry, order and timing
- Singapore success providing the Company with great confidence

#### Further expansion for Smiggle Asia

- Malaysia and Japan identified as priorities for 2013 openings
- Expanded Singapore management team appointed to complete Singapore roll out and establish business in Malaysia (Country Manager, Property Manager) Country Manager appointed for Japan to commence in country in early 2013
- Opportunities for growth into Korea and China in 2014/2015 based on success in new markets

## Smiggle Malaysia

### Country profile

- Malaysia represents an exciting opportunity for Smiggle in a strong and growing economy with a large number of target customers. Given the close proximity to Singapore, the growth can be managed from a regional hub in Singapore

### Competitive environment

- There are no directly comparable competitors to Smiggle in Malaysia

### Malaysia opportunity

- 25 to 35 stores over next 3–5 years
- First store mid to late calendar 2013

	Malaysia	Australia
Population	28m	22m
Female aged 5-19 yrs	3.9m	2.0m
GDP Growth (5 yrs)	8.0%	3.0%
Personal Stationery Market*	\$240m	\$840m
GDP spent on Education	8.1%	4.9%

\* Source: Barnes Report 2011

## Smiggle Japan

### Country profile

- Japan is a large wealthy economy. Whilst national economic growth is minimal, there is a substantial population of target customers and well established consumer infrastructure presenting the opportunity to build a large and profitable Smiggle business in Japan over the next decade

### Japan opportunity

- Up to 200 stores over 7-10 years
- 15-30 stores over the next 3 years
- First store late calendar 2013

### Competitive environment

- Whilst there are a number of large established incumbent stationery retailers in Japan, there is no comparable format to Smiggle. The market is characterised by large format department stores, specialist stationers, gift shops, general merchandisers and book stores. In a large existing market place, Smiggle’s opportunity is to take share

	Japan	Australia
Population	127m	22m
Female aged 5-19 yrs	8.6m	2.0m
GDP Growth (5 yrs)	2.0%	3.0%
Personal Stationery Market*	\$2,440m	\$840m
% GDP spent on Education	3.6%	4.9%

\* Source: Barnes Report 2011

## Peter Alexander Singapore

Internet launched to Singapore in May 2012 – [peteralexander.com.sg](http://peteralexander.com.sg)

Establishing brand profile and positioning

Evaluating opportunity for first flagship store to open in calendar 2013



## Summary

- Continued focus on improving sales and margin from core brands
  - Appointment of Colette Garnsey as Core Brand Director
- Cost efficiency program to continue into FY13 and FY14
- Gross margin benefits continue into FY13 and FY14
- Internet strategy accelerated with significant growth across all brands into FY13 and FY14
- New store openings in Australia and New Zealand for Smiggle and Peter Alexander to continue with 20-30 per year over the next 3 years
- New stores in Singapore for Smiggle
- Evaluating opportunity for a Peter Alexander flagship store to open in Singapore in calendar 2013
- Smiggle Asia expansion plan committed with stores planned to open mid to late calendar 2013 in Malaysia and Japan

- New season has started well. Total sales and LFL sales both up on last year
- The company is well positioned and focused on delivering the key strategic initiatives to continue to improve profitability and returns for shareholders
- Whilst we have seen a recent positive change in sales momentum, it is too early to determine whether this will continue through the important Christmas and Summer trading period

---

# THE **JUST** GROUP

## Brand by Brand Performance



peteralexander



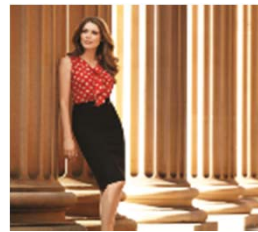
**Just Jeans**



**smiggle**



**JayJays**



JACQUI·E



portmans



dotti

### Overview of Results

Sales	\$85.6m
Var LY	+17.1%

### Store movements

	Beg	Open	Close	End
Australia	32	8	0	40
New Zealand	7	1	0	8
	<b>39</b>	<b>9</b>	<b>0</b>	<b>48</b>

### Highlights

- Outstanding performance from Peter Alexander in FY12
- 9 new stores opened in Australia/NZ in FY12
- Online sales growth well ahead of expectations and industry performance
- Peter Alexander Singapore online store launched in May 2012 to build brand awareness in new market
- Evaluating a Singapore flagship store to open in 2013, subject to confirming a suitable store location
- 9 new stores confirmed to open in FY13 in Aus/NZ



peteralexander



### Overview of Results

Sales	\$78.3m
Var LY	+14.4%

### Store movements

	Beg	Open	Close	End
Australia	79	19	0	98
New Zealand	21	1	0	22
Singapore	2	10	0	12
	<b>102</b>	<b>30</b>	<b>0</b>	<b>132</b>

### Highlights

- Strong results from Australia and New Zealand
- 20 stores opened across Aus/NZ
- Singapore performance exceptional
- 13 stores now trading in Singapore- all exceeding sales expectations
- 1 more store to open in Singapore prior to Christmas
- Excellent results from new technology categories



### Overview of Results

Sales	\$101.0m
Var LY	-3.4%

### Store movements

	Beg	Open	Close	End
Australia	95	0	2	93
New Zealand	21	0	0	21
	<b>116</b>	<b>0</b>	<b>2</b>	<b>114</b>

### Highlights

- Outstanding success from Dotti.com.au.
- New internationally competitive website launched
- Winter sales result very strong +5.2% v LY
- Sales for first 7 weeks of FY13 outstanding
- 49 stores upgraded during the year with improved lighting and fixtures
- Ongoing benefits from sourcing initiatives
- Stores closed were: Cheltenham DFO, Eastland



dotti.

### Overview of Results

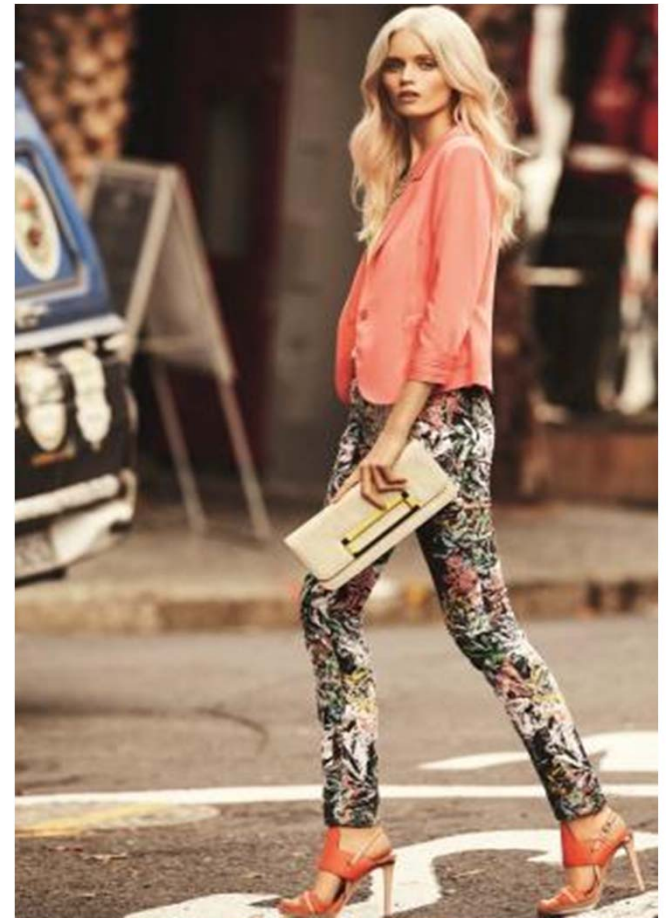
Sales	\$105.3m
Var LY	-5.6%

### Store movements

	Beg	Open	Close	End
Australia	99	0	6	93
New Zealand	12	0	0	12
	<b>111</b>	<b>0</b>	<b>6</b>	<b>105</b>

### Highlights

- Brand returned to profitability in FY12
- Sales rebounded in Q4 FY12
- New season started very strongly with positive LFL sales growth and strong customer reaction to new ranges
- Key sourcing initiatives completed for significant margin benefit in FY13 and beyond
- Store fixtures to be upgraded in 1H13 to improve store layout and merchandising flexibility
- Stores closed were: Warringah, Mosman, Blacktown, The Chase, The Ivy, Macquarie



portmans

### Overview of Results

Sales	\$203.0m
Var LY	-4.0%

### Store movements

	Beg	Open	Close	End
Australia*	205	0	2	203
New Zealand	46	0	1	45
	<b>251</b>	<b>0</b>	<b>3</b>	<b>248</b>

\* Includes one group store

### Highlights

- Solid sales result in a difficult market with soft Q3, improving Q4 and positive growth in the first 7 weeks of FY13
- Continued investment in the brand with the launch of the new face of Just Jeans – Shanina Shaik
- Investing in above the line advertising
- Great success with core denim and fashion denim range to offset weaker performance from Levis
- Sourcing initiatives achieving improved landed costs
- Stores closed were: Cheltenham DFO, Taree, Shirley (NZ)



### Overview of Results

Sales	\$67.9m
Var LY	-16.3%

### Store movements

	Beg	Open	Close	End
Australia	87	1	5	83
New Zealand	21	0	0	21
	<b>108</b>	<b>1</b>	<b>5</b>	<b>104</b>

### Highlights

- Significantly improved trading rate in the first 7 weeks of FY13
- Product and brand transformation continuing
- New Ambassador, Tara Moss introduced June 2012
- New merchandise buyers appointed during 2H12 to enhance product team and benefits expected in 1H13
- Key sourcing initiatives completed for significant margin benefit in FY13 and beyond
- Store portfolio rationalisation will continue with loss making stores to close at lease expiry
- Stores closed were: Bay Street, Blacktown, Liverpool, Macarthur Square, Broadmeadows



JACQUI·E

### Overview of Results

Sales	\$188.1m			
Var LY	-12.9%			
<b>Store movements</b>	<b>Beg</b>	<b>Open</b>	<b>Close</b>	<b>End</b>
Australia	201	1	8	194
New Zealand	37	0	1	36
	<b>238</b>	<b>1</b>	<b>9</b>	<b>230</b>

### Highlights

- First 7 weeks of FY13 show improving sales trend vs FY12
- Product and brand transformation progressing
- Leadership position in the market for coloured denim
- Successful marketing campaign for Summer launch, featuring Cody Simpson
- Sourcing initiatives enabling better entry price points and more competitive value position
- Continued focus on lifting the fashionability of the Jay Jays range with on-trend value items for guys and girls
- Store portfolio rationalisation will continue with loss making stores to close at lease expiry
- Stores closed in FY12 were: Bateau Bay, Bridge Road, Noosa, Waverley Gardens, Hornby F/o (NZ), Bondi, Singleton, Warriewood, Horsham



**JayJays**

- The Premier Board has declared a final fully franked dividend of 18 cps – in line with prior year
- FY12 fully franked dividends of 36 cps – in line with last year
- This represents a payout of 82% of earnings, above the minimum of our policy
- Premier Board made the dividend decision after reviewing
  - Premier Retail trading update
  - Future potential for Premier Group earnings
  - Maintaining cash reserves for future opportunities
  - The strength of the Premier balance sheet