



Premier Investments Limited
Full Year 2014 results overview
17 September 2014

peteralexander

smiggle

dotti

portmans

JACQUIE



Agenda

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PREMIER INVESTMENTS LIMITED FY14 OVERVIEW

- Group profit
 - Underlying net profit before tax of \$106.0 million, up 10.3%¹
 - Reported net profit after tax of \$73.0 million
 - Reported net profit after tax in FY13 (after adjusting for the \$105.2 million non cash one-off reclassification) was \$69.3 million
 - Increased final fully franked dividend of 20cps (FY13: 19 cps fully franked) taking the full year dividends to 40 cps (FY13: 38 cps) fully franked
- Premier Retail contribution to Premier performance
 - Sales of \$888.4 million, up 6.2% on pcp²
 - LFL sales growth up 4.7% in FY14; 2H14 LFL sales up 4.8% with all brands positive²
 - Underlying profit before tax of \$87.0 million¹, up 13.4% on pcp
 - Underlying EBIT of \$92.8 million¹, up 10.9% on pcp
 - Underlying EBIT margin up 44bps to 10.4%¹
 - Non-recurring investment costs associated with Smiggle UK market entry and supply chain transformation of \$7.6 million incurred in 2H14

Notes:

1. Underlying NPBT, NPAT and EBIT excludes the one off gain due to the reclassification of Breville Group in FY13 and the non-recurring investment costs associated with Smiggle UK market entry (\$3.1m) and supply chain transformation (\$4.5m)
2. Sales exclude sales to South African joint venture



Premier Investments FY14 overview

- Premier continuing to grow
 - Underlying profit before tax up 13.4% to \$87.0 million
 - Total sales up 6.2%¹
 - LFL sales up 4.7%¹
 - All brands achieved positive LFL sales growth in 2H14 (2H14 LFL sales up 4.8%)
 - Peter Alexander continuing to grow – sales up 21.4%
 - Smiggle UK successfully launched with 8 stores currently trading and 18 to be trading by Christmas 2014
 - Online sales up 30.5% and well ahead of the market growth (2H14 online sales up 37.5%)
 - Improvements in Just Jeans and Jay Jays progressing well
- Premier balance sheet strengthened
 - Cash on hand of \$313.3 million
 - Premier Retail core debt facility of \$140 million – refinanced for further 3 years to September 2017
 - New distribution centre acquisition funded by new Premier Investments debt of \$19 million²
 - Inventories clean and in a strong position
 - Balance sheet at year end shows investment in associate (Breville) as \$187.1 million. Market value at year end of \$264.9 million³
 - Franking credit pool of \$214.2 million

Note:

1. Excluding sales to South Africa Joint Venture
2. Based on BRG closing share price of \$7.92 as at 25 July 2014. Valuation based on PMV's 25.7% shareholding at year end. Post year end PMV increased shareholding to 27.3%
3. 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 FY14 consolidated income statement

\$m	52 weeks to 26 July 2014	52 weeks to 27 July 2013
Premier revenues (ex Premier Retail)	23.9	23.8
Premier expenses (ex Premier Retail)	(4.4)	(4.4)
Premier Retail EBIT – underlying	92.8	83.7
Finance costs	(6.3)	(7.0)
Net profit before one off items, income tax and reclassification	106.0	96.1
Non-recurring investment costs		
– Smiggle UK market entry	(3.1)	—
– Supply chain transformation	(4.5)	—
Net profit before tax and reclassification gain	98.4	96.1
Income tax expense	(25.4)	(26.8)
Net profit after tax before reclassification gain	73.0	69.3
One off reclassification gain related to change of accounting for Breville (after tax) in FY13	—	105.2
Reported net profit after tax	73.0	174.5

Premier Investments summarised consolidated balance sheet

\$m	26 Jul 2014	27 Jul 2013
Assets		
Cash and cash equivalents	313.3	313.2
Inventories	98.5	84.0
Property, plant and equipment	109.0	83.4
Other assets	32.1	41.4
Investment in associates	188.4	185.5
Intangible assets	854.6	854.5
Total assets	1,595.9	1,562.0
Liabilities		
Interest bearing loans and borrowings	119.5	102.0
Trade payables, provisions and other liabilities	177.9	159.6
Total liabilities	297.4	261.6
Equity		
Contributed equity	608.6	608.6
Reserves	2.5	16.8
Retained earnings	687.4	675.0
Total equity	1,298.5	1,300.4



PREMIER RETAIL

3 Premier Retail performance: highlights

- Underlying¹ PBT up 13.4% to \$87.0 million
- Underlying¹ EBIT up 10.9% to \$92.8 million
- Underlying¹ EBIT margin up 44 bps to 10.4%²
- Non-recurring investment costs incurred of \$7.6 million
 - Smiggle UK market entry, \$3.1 million
 - Supply chain transformation, \$4.5 million
- Group sales up 6.2% to \$888.4 million³
- LFL sales up 4.7%
- All brands delivered positive LFL sales growth in 2H14 (Group 2H14 LFL sales up 4.8%)
- Online sales continuing to grow strongly and ahead of market – up 30.5% (2H14 up 37.5%)
- Smiggle UK market entry on track – 8 stores trading and 10 new stores to open prior to Christmas 2014
- Targeted capital investment in 322 stores during FY14, including 45 new stores, delivering strong returns
- Inventory clean
- Core debt facilities refinanced for 3 years to September 2017 at lower margins

Note:

1. Underlying EBIT and PBT excludes non-recurring investment costs associated with Smiggle UK market entry (\$3.1m) and supply chain transformation (\$4.5m)
2. As a percentage of sales excluding sales to South African Joint Venture
3. Excluding sales to South African Joint Venture



Premier Retail performance: underlying financial results

\$000	52 weeks to 26 July 2014	52 Weeks to 27 July 2013	Var LY
Sales ¹	888,426	836,454	6.2%
<i>LFL sales</i>	+4.7%	-1.8%	
Gross Profit ¹	551,492	521,359	5.8%
<i>Gross margin (%)¹</i>	62.1%	62.3%	-25bps
Employee Expenses ²	(224,688)	(209,685)	7.2%
<i>% sales</i>	25.3%	25.1%	22bps
Rent ²	(186,687)	(178,343)	4.7%
<i>% sales</i>	21.0%	21.3%	-31bps
Advertising & Direct Marketing ²	(12,193)	(12,481)	-2.3%
<i>% sales</i>	1.4%	1.5%	-12bps
Depreciation, Amortisation & Impairment ²	(21,883)	(19,186)	14.1%
<i>% sales</i>	2.5%	2.3%	17bps
Other Costs of Doing Business ²	(20,179)	(21,910)	-7.9%
<i>% sales</i>	2.3%	2.6%	-35bps
Other income	6,694	4,083	63.9%
Share of JV Profit (loss)	247	(133)	
Underlying EBIT	92,803	83,704	10.9%
<i>% sales</i>	10.4%	10.0%	44bps
Borrowing costs	(5,829)	(6,987)	-16.6%
Profit before tax	86,974	76,717	13.4%

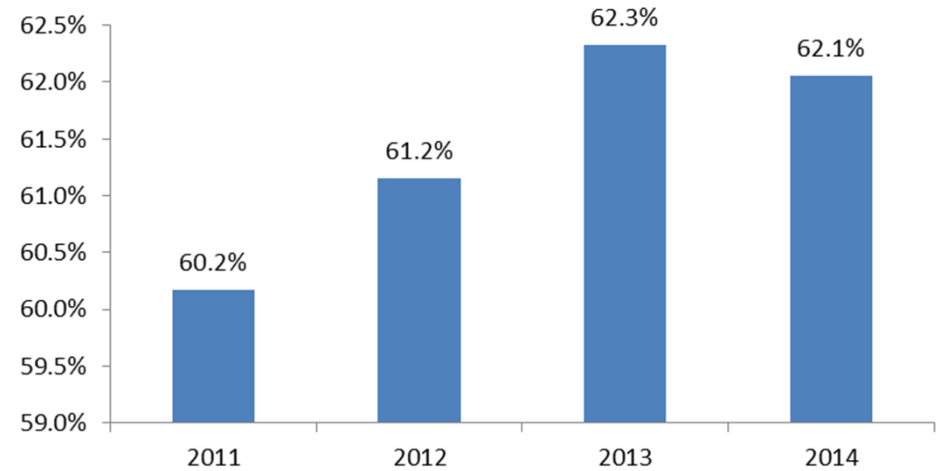
Note:

1. Sales, gross profit and gross margin exclude South African Joint Venture
2. Total cost of doing business equates to 52.4% of sales (FY13: 52.8%) excluding non-recurring investment costs associated to Smiggle UK market entry and supply chain transformation and borrowing costs.



- Gross margin continues to be strong, despite unseasonably warm winter weather, a slow down post budget and a highly competitive market
- New direct sourcing initiatives improving intake margins and quality
- Renewed focus on markdown management in highly competitive market
- Significant margin improvement achieved in Jay Jays in Q4 – positive customer response to improved ranges

Gross margin — 4 year history



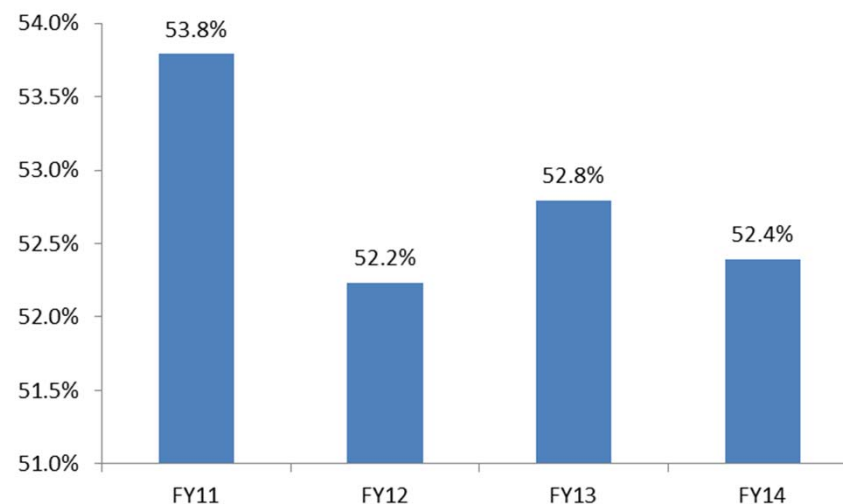
Note:

Gross margins exclude sales to South African Joint Venture

CODB reductions continuing

- Costs of doing business¹ reduced by 38bps as a % of sales as a result of the ongoing organisation wide cost efficiency program implemented as part of the strategic review
- Rent expense decreased by 31bps as a % of sales, with total rent declining by 55bps in 2H14
- Salaries remain tightly controlled with improved labour productivity offsetting most of the EBA increases incurred during the year
- Continued focus on discretionary costs with continued investment in advertising and in store visual merchandising
- 21 loss making stores closed during the year, as part of our on-going program to remove underperforming assets

CODB % sales¹



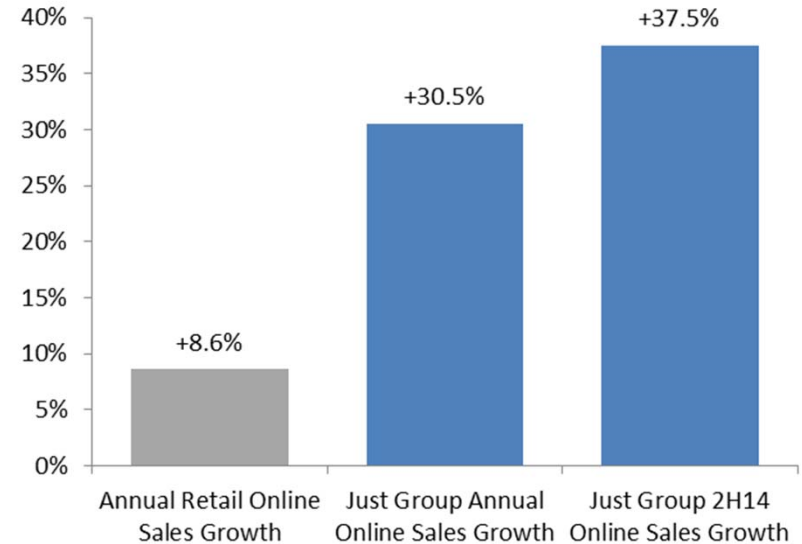
Note:

1. Total costs of doing business is defined in footnote 2 on page 9. Sales exclude sales to South African Joint Venture

Premier Retail online strategy delivering

- Online sales up 30.5% for FY14; 2H14 online sales up 37.5%
 - Portmans and Dotti online sales grew by 39% and 61% respectively
- Online sales continuing to exceed industry growth
 - Just Group online sales up 30.5%
 - Retail online sales growth up 8.6%¹
- Online channel is very profitable and continuing to grow
- Mobile optimised and enhanced sites and emails deployed for all brands
- Continued investment in key areas that drive sales growth and customer loyalty, eg re-targeting emails, e-gift cards, further site optimisation (functionality, promotions, content), performance optimisation & customer service
- Expanded use of affiliate and retargeting advertising delivering very high returns
- Multi channel initiatives delivered during the season:
 - “Store to door” home delivery of items out of stock in store – ensuring never miss a sale
 - Launch of “click and collect” services for Portmans in August 2014
- Enhanced Inventory Management tools implemented to ensure in stock position and maximise revenue
- Successfully launched peteralexander.co.nz (desktop & mobile) 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 – July 2014. Reported Australian online retail sales grew by 8.6% in the 12 months to July 2014

322 stores received capital investment including 45 new stores that were opened in FY14

- peteralexander**
- 8 new stores opened across Australia
 - 4 stores relocated into larger formats
 - 9 new Myer concession stores opened
 - 27 stores received additional children's wear fixtures
 - 40 stores received dog gifting fixtures
 - 15 stores received stockroom upgrades

- JACQUIE**
- 3 new stores opened in Australia
 - 4 stores refurbished across Australia and New Zealand

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



Peter Alexander Indooroopilly, QLD opened June 2014



Portmans Booragoon, WA opened November 2013

dotti

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

JayJays

- 1 new store opened in New Zealand
- 1 store expanded
- 113 stores received fixture upgrades
- 7 stores refurbished across Australia and New Zealand
- New store concept under development

Just
Jeans

- 3 new stores opened across Australia
- 1 store relocated
- New store concept under development

smiggle

- 8 new stores opened in the United Kingdom
- 7 new stores opened across Australia and Singapore
- 2 stores received refurbishments in Australia
- 40 stores received LED lighting upgrades
- 6 stores received off-site storage upgrades



Peter Alexander Emporium, Melbourne opened May 2014



Smiggle Brighton, UK opened March 2014

- 8 stores opened in 2H14
- 10 new stores confirmed for 1H15
- 18 stores will therefore be trading by December 2014 for key Christmas period.
- Secured “zero compromise” locations in key centres including:
 - Westfield London (White City)
 - Birmingham Bullring
 - Sheffield Meadowhall
- Initial customer response excellent
- 3 of top 10 global turnover stores for Smiggle now in the UK
- 25 – 30 stores expected to be trading by the end of FY15
- Non-recurring investment costs associated with UK market entry of \$3.1 million incurred in FY14
- All UK stores expected to be profitable in their first year of operations and Smiggle UK expected to be profitable in FY15



Smiggle International: United Kingdom



Smiggle Kingston, UK opened March 2014



Smiggle Stratford, UK opened February 2014



Smiggle Brighton, UK opened March 2014



Smiggle Bath, UK opened July 2014

Smiggle Singapore

- 18 stores trading and very profitable
- Our 19th store will open at Great World City in 1H15
- Opportunity still exists for a further 3 stores with ongoing discussions with landlords

Smiggle Malaysia

- Continuing to review opportunities for our first stores
- No compromise on quality of centres and store locations within
- Looking to open between two and three stores initially to get scale benefits
- Market entry with 2 – 3 stores possible in CY15 or CY16



City Square, Singapore opened May 2014

Three year strategic growth plan on track

- Sales growth in FY14 delivered in line with the 3 year plan
- New store growth continues to be a focus for the next 2-3 years
 - 5–10 stores planned to open across FY15 and FY16 in Australia, with 4 confirmed to open before Christmas
 - 3–5 stores planned to open across FY15 and FY16 in New Zealand, with 2 confirmed to open before Christmas
- Childrenswear now a significantly larger contributor to the mix of sales
- Investing in existing stores to defend and grow like for like profitability
 - refurbishments planned for Westfield Sydney, Chadstone, The Ivy and Doncaster
 - lighting upgrades in 20 stores
 - larger counters with extra point of sale equipment and improved back of house equipment in 13 busiest stores to increase customer service at peak times
- New initiatives to focus on building data base and driving traffic to online stores



10 Supply Chain transformation underway

New Australian national distribution centre

- Construction was completed in January 2014
- Internal fit out and commissioning is well advanced
- 3 brands currently operating from new facility – Dotti, Just Jeans and Jacqui E
- Non-recurring investment costs of \$4.5 million incurred in FY14 related to:
 - Closure and make good of existing DC in Sydney
 - Relocation costs to new facility
 - Commissioning of new facility
- One off capital expenditure of \$19 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 payable to a third party landlord



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 established

Smiggle International driving future growth

- Smiggle performing well in all core markets with sales exceeding \$100 million for the first time
- Smiggle UK successfully launched with 18 stores trading by Christmas 2014 and 25 to 30 stores expected to be opened by the end of FY15
- All stores expected to be profitable in the first year of operation and UK market expected to be profitable in FY15
- Non recurring investment costs of \$3.1 million (incurred in FY14) far lower investment than the cost of any acquisition with the growth potential of Smiggle UK
- 3 of top 10 global turnover stores for Smiggle now in the UK despite only operating for less than six months
- Capable management team with a proven track record of success in all of the countries we operate

Peter Alexander delivering

- Strong sales growth in FY14 far out performing the broader retail market
- New store roll out program to continue in Australia and New Zealand
- Key investments continue in marketing and online
- Key investments in upgrading existing high volume stores to improve LFL growth
- Strong and focussed management team

11 Summary

Core brands strategies on track

- Strong sales across FY14 despite a highly competitive and volatile consumer market
- LFL growth achieved in all core brands in 2H14
- Just Jeans delivered strong results from the new focus on product
- Strong sales growth in Dotti, Portmans and Jacqui E continues
- Jay Jays delivered three out of four positive quarters of LFL growth with stronger margins and improved customer acceptance
- Continued targeted investment in improving the existing store network

Online growth surges and outperforms the broader market

- Strong sales growth in FY14 far outperforming the market
- 2H14 growth of 37.5%
- Continued investment in technology, people and processes to maximise growth
- Aspiration to achieve 10% of total sales over time through our multi channel capability by delivering global best practice to our customers
- Very profitable channel continuing to grow

Supply chain transformation underway

- New Australian DC commenced operations
 - Capacity to deliver growth aspirations for the group across all channels
 - Operational savings of more than \$2 million per year within three years
 - Non-recurring investment costs of \$4.5 million incurred in 2H14 to close Sydney DC, relocate existing operations and commission new facility
 - DC owned by Premier - Interest costs on the debt far lower than the rent payable to a landlord on the current facilities
- New Zealand, Singapore and UK distribution centres established, delivering operational benefits and scalable





DIVIDENDS

- The Premier Board has declared an increased final fully franked dividend of 20 cps (FY13: 19 cps)
- Brings full year dividends to 40 cps fully franked (FY13: 38 cps fully franked)
- 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

JACQUIE



dotti



portmans

peteralexander



PREMIER RETAIL BRAND BY BRAND PERFORMANCE

Overview of Results

Sales	\$105.2m			
Var LY	+17.4%			
Store movements	July 13	Open	Close	July 14
Australia	112	5	1	116
New Zealand	23	–	–	23
Singapore	16	2	–	18
UK	–	8	–	8
	151	15	1	165

Highlights

- Strong LFL growth in both Summer and Winter seasons in all 3 core markets
- Successful UK market launch in February – 8 stores now trading and a further 10 to open before Christmas 2014
- 3 of the top 10 stores globally for Smiggle are in the UK
- Launched new colour RED in July 2014 – early results ahead of expectations
- Singapore profitability continuing to grow
- Strong KPI's achieved in all key retail metrics
- New product categories and ranges well received and working well
- Strong management team with a proven track record of success in all markets we operate



Overview of Results

Sales	\$122.2m			
Var LY	+21.4%			
Store movements	July 13	Open	Close	July 14
Australia	51	8	–	59
New Zealand	8	–	–	8
Myer Concession	–	9	–	9
	59	17	–	76

Highlights

- Strong total sales growth and LFL sales growth across the year
- Online continues to grow strongly
 - Launched peteralexander.co.nz with fulfilment from New Zealand
 - Total online sales grew 28%
- New product initiatives delivered strong results
 - Expanded childrenswear ranging
 - Doggy gifting
 - Cosmetic bag collection
- Continuing to invest in new and existing stores
 - 8 new stores opened in Australia, including new flagship store at Emporium
 - 9 Myer concession stores opened
 - Expanded 3 existing stores to maximise sales and profitability in these centres



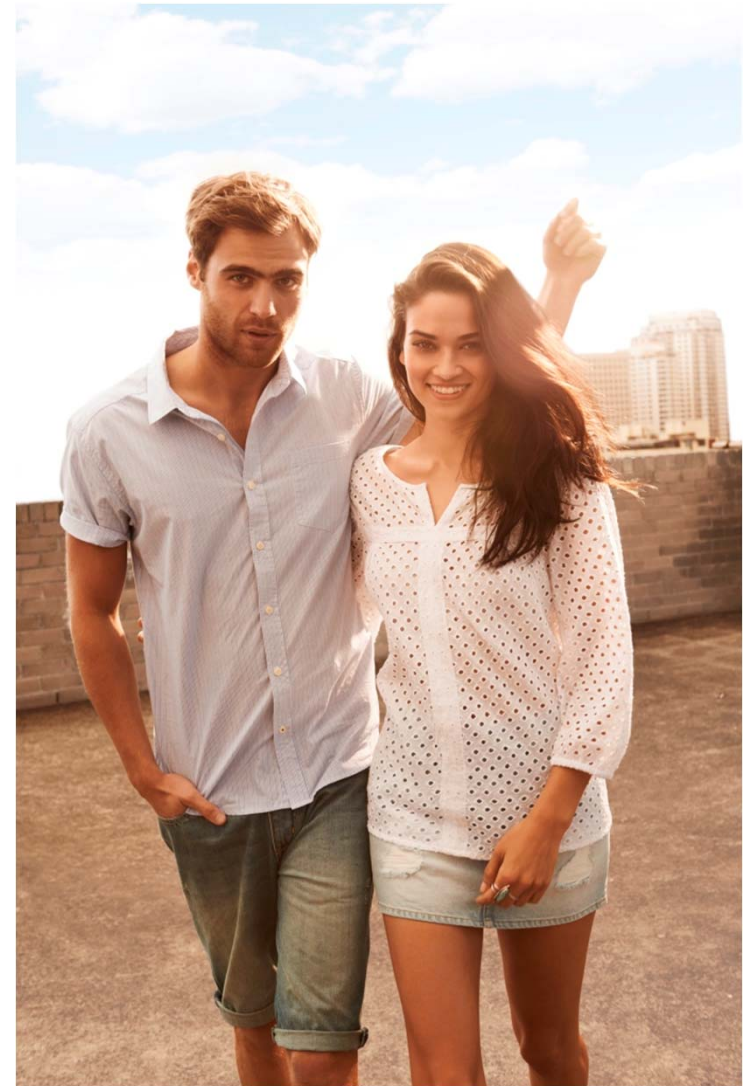
Overview of Results

Sales	\$206.9m			
Var LY	+5.4%			
Store movements	July 13	Open	Close	July 14
Australia*	199	3	6	196
New Zealand	45	–	–	45
	244	3	6	241

* Includes one group store

Highlights

- Total sales up 5.4%, with LFL sales far higher
- Brand is one year into its 'Anchored in Denim' strategy under the leadership of Matt McCormack
- Solid growth in women's with the denim category delivering double-digit sales growth
- Ongoing focus on fabric innovation, fit & size availability all delivered positive results
- Planning & Merchandising structure re-aligned to capitalise on future growth potential
- External branded assortment increased with the introduction of three new brands; Guess, True Religion & Joe's
- Online sales up 28%, well ahead of the market
- New store format under development for launch in FY15
- Closed 4 loss making stores



Overview of Results

Sales	\$112.1m			
Var LY	+3.9%			
Store movements	July 13	Open	Close	July 14
Australia	90	2	4	88
New Zealand	12	–	–	12
	102	2	4	100

Highlights

- Total sales up 3.9%
- LFL sales significantly stronger
- Opened 2 new stores – Shellharbour and Birkenhead Point
- Closed 2 loss making stores
- Online sales increased 39% for the year, well ahead of market growth
- Capital investment into store environment continues to deliver strong results
 - Refreshed 6 stores and trading significantly better than the chain
 - Continued plans to upgrade the remainder of the chain
- Jess Hart continues as the brand ambassador
- Strong category performance from tailoring and fashion tops



Overview of Results

Sales	\$111.7m
Var LY	+3.1%

Store movements	July 13	Open	Close	July 14
Australia	88	4	2	90
New Zealand	21	–	–	21
	109	4	2	111

Highlights

- Total sales growth 3.1%
- LFL sales growth stronger
- Online sales grew by 61% on last year well ahead of the market with :
 - New “Store to Door” service successfully trialled and expanded to all stores
 - Online inventory availability project completed and delivering results
 - Data base growth to over 300,000 members (+14% v LY)
- Opened 4 new stores with upgraded store format at Queens Plaza (Brisbane CBD), Canberra (Civic), Kawana and Indooroopilly
- Closed 2 loss making stores



Overview of Results

Sales	\$68.8m
Var LY	+3.7%

Store movements	July 13	Open	Close	July 14
Australia	80	3	3	80
New Zealand	21	–	1	20
	101	3	4	100

Highlights

- Total sales up 3.7% with LFL sales growth significantly stronger
- Continued emphasis on product development and ranging:
 - Fit and colour
 - Climatic ranging for northern states
 - Career focus with new suiting program re-establishing Jacqui E as a destination for work wear
 - Strong growth from key categories – tops and knitwear
- Improved sourcing model with improved margins
- 3 new stores opened in FY14 at Myer Centre (Brisbane), Shellharbour and Indooroopilly
- Closed 4 loss making stores



Overview of Results

Sales	\$161.4m
Var LY	-3.5%

Store movements	July 13	Open	Close	July 14
Australia	184	–	6	178
New Zealand	36	1	2	35
	220	1	8	213

Highlights

- New merchandise and promotion strategy is cutting through
 - Re-established and invested in “famous for” product categories and ensuring an in stock position throughout the season
 - promotions focused on “famous for” categories and communicating this position to our customers
 - merchandise team settled and have a deeper understanding of our customer's demands
- Positive LFL sales achieved in 3 of the 4 quarters in FY14 with margins improving throughout the 2H14
- New sourcing strategy delivering lower costs and good quality ranges
- New store format under development for launch in FY15
- Closed 8 loss making stores



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: one-off items, non-recurring investment costs, underlying EBIT, underlying NPBT and underlying NPAT
- Any non-IFRS financial information is clearly labelled to differentiate it from reported/IFRS financial information.
- Premier provides reconciliations on the face of the slides 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.