



17 September 2014

Premier Investments delivers strong FY14 result

Underlying Premier Retail profit before tax (PBT) up 13.4%

Premier Retail total sales up 6.2% with LFL sales up 4.7%

**Increased final dividend of 20 cps, fully franked,
bringing the full year dividend to 40 cps fully franked**

HIGHLIGHTS FOR FY14

- Premier Investments underlying net profit before tax¹ (NPBT) of \$106.0 million, up 10.3%
- Premier Investments reported net profit after tax (NPAT) of \$73.0 million
 - Reported NPAT in FY13 (after adjusting for the \$105.2 million non cash one-off reclassification) was \$69.3 million
- Premier Retail underlying profit before tax of \$87.0 million¹, up 13.4%
- Premier Retail underlying earnings before interest and tax (EBIT)¹ of \$92.8 million, up 10.9% and underlying EBIT margin up 44 bps to 10.4%²
- Strong underlying growth in operational performance of Premier Retail
 - Strong total sales growth, up 6.2%²
 - LFL sales up 4.7%, with all seven brands in the portfolio achieving LFL growth in the Winter half (2H14 up 4.8%)
 - Online channel delivering above-market growth, with sales up 30.5% in FY14 (2H14 up 37.5%)
 - Smiggle and Peter Alexander growth strategies continue to deliver
 - Smiggle UK successfully launched, with eight stores currently trading and a total of 18 stores to be open by Christmas 2014
 - Eight new Peter Alexander stores opened in Australia
- Increased total full year dividends of 40 cents per share fully franked (FY13: 38 cps)

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 Limited (“Premier”) today reported a consolidated underlying net profit before tax (NPBT) of \$106.0 million¹ for the year ended 26 July 2014 (FY13: \$96.1 million¹). Premier’s reported net profit after tax (NPAT) was \$73.0 million.

Reported NPAT in FY13 (after adjusting for the \$105.2 million non cash one-off reclassification) was \$69.3 million

Premier Retail’s underlying profit before tax increased 13.4% to \$87.0¹ million reflecting the continued transformation of core brands and the new growth platforms identified for Smiggle, Peter Alexander and online. Total sales for the group were up 6.2%² to \$888.4 million and like for like (LFL) sales were up 4.7% across the group with all brands experiencing positive LFL sales in the second half (2H14 LFL sales up 4.8%).

Premier Retail reported underlying earnings before interest and tax (EBIT) of \$92.8 million¹, up 10.9% on FY13. Underlying EBIT margin improved 44 bps to 10.4%³.

As previously indicated to the market, Premier incurred non-recurring investment costs of \$7.6 million associated with its supply chain transformation and Smiggle’s entry into the UK market in 2H14.

Premier’s Chairman, Mr Solomon Lew said: *“Today’s result is a credit to the Premier Retail team who remain focused on the transformation of our portfolio in a highly competitive and volatile market. During the year, we made a number of major investments to support the forward strategy of Premier Retail both in Australia and in international markets.*

“Premier will continue to deliver sustainable long-term growth for shareholders by both optimising the value of our core retail brands and by unlocking the value of our uniquely-positioned growth brands, Smiggle and Peter Alexander. In addition, we will continue to invest in multi-channel capabilities to achieve our online aspiration of 10% of sales over time.

“We were delighted to see the excellent customer response to Smiggle UK during the year, with eight stores now trading and a further 10 stores planned to open ahead of the peak Christmas trading period.

“Premier Directors have increased the final dividend to 20 cents per share fully franked, taking the full year dividends to 40 cents per share fully franked, signalling the strength of Premier’s balance sheet and our confidence in the future.”

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

³ As a percentage of sales, excluding non-recurring investment costs associated with the Smiggle UK market entry and supply chain transformation. Sales exclude sales to South African joint venture

Premier Retail CEO, Mr Mark McInnes said: *“We are pleased with the progress we have made in FY14. Our relentless focus on the transformation of Premier’s operating model and our continued investment in our core apparel brands, have been instrumental in delivering this pleasing result for shareholders.”*

PREMIER RETAIL TRANSFORMATION – FOCUS ON GROWTH & INVESTMENT

Core

- Rejuvenation of core apparel brands
- Gross margin expansion program
- Organisation-wide cost efficiency program, including supply chain transformation

Growth

- Expansion and growth of online businesses
- Grow Peter Alexander significantly
- Grow Smiggle significantly

GROWTH INITIATIVES REMAIN A FOCUS

Smiggle continues to deliver with strong response to UK launch

Smiggle achieved record sales in FY14 with sales growth of 17.4% and total sales exceeding \$100 million for the first time. Strong LFL growth was achieved in all of our existing markets (Australia, Singapore and New Zealand). In Australia we opened five new stores and continue to invest in existing store upgrades and product innovation. Smiggle Singapore opened two new stores in FY14 with 18 stores now trading very profitably. Our 19th store will open in 1H15 at Great World City with an additional three stores under negotiation to be opened in CY15.

Smiggle UK was successfully launched in February 2014, with eight stores now operating with strong sales and customer acceptance. A further 10 high profile sites are planned to be opened before Christmas 2014. Smiggle UK expects to have between 25 and 30 stores operating by the end of FY15.

Premier Retail continues to believe the opportunity for Smiggle in the UK is substantial, with the personal stationery category valued at \$2.4 billion and a real estate climate conducive to achieving a strong market footprint. Management continues to see the potential for up to 200 stores over five years in the UK with sales in excess of \$200 million.

All Smiggle UK stores will be profitable in their first year of operation with Smiggle UK expected to be profitable in FY15. A non-recurring investment cost of \$3.1 million has been incurred in FY14 to start the business. This non-recurring start up investment cost is far lower than any cost of an acquisition with the growth potential of Smiggle UK.

Mr McInnes said *“ We are delighted with the continued International growth of Smiggle. Led by John Cheston, our Managing Director for Smiggle, we achieved solid sales growth in all our existing countries whilst successfully launching in the UK. We remain confident in the size of the opportunity available to Smiggle and our management capability to achieve it.”*

Peter Alexander strategy on track, with continued store and range rollout

Peter Alexander achieved sales growth of 21.4% during FY14, significantly outperforming the broader retail market.

Across Australia, eight new standalone stores were opened, nine concession stores were launched and a further four stores were expanded to larger formats. Expanded childrens wear merchandising fixtures were also added to 27 stores to support the significant growth in this category during the year.

Premier Retail intends to open four new Peter Alexander stores in Australia and two new stores in New Zealand before Christmas. Management is targeting between five and 10 new stores in Australia during FY15 and FY16 and between three and five stores in New Zealand over the same timeframe.

In addition, management continues to invest in Peter Alexander's existing footprint with refurbishments planned for Westfield Sydney, Chadstone, Doncaster and The Ivy as well as lighting upgrades, larger counters and improved point of sale equipment in existing high volume key locations.

Strong online growth, with continued multichannel investment planned

Premier Retail's online sales continue to significantly outperform the industry growth with total sales up 30.5%¹ and momentum building in the second half (2H14 up 37.5%)¹.

Dotti's online sales grew 61% during the year, and Portmans' online sales grew by 39%, demonstrating the benefits of our continued investment in this channel. Premier has focused its investment in key areas that drive sales growth including online stock availability, affiliate marketing, re-targeting emails, e-gift cards, site optimisation, customer service and delivery arrangements.

During the year, we successfully launched peteralexander.co.nz (desktop and mobile) with the ability to fulfil orders for New Zealand customers quickly from the New Zealand distribution centre.

Premier Retail continues to build its multichannel offering, launching a "store to door" service across the portfolio of brands, allowing our teams to fulfil on sales opportunities in-store with items that are out of stock, ensuring we never miss a sale. Portmans is currently trialling a "click and collect" service in Victoria which, if successful in driving new sales, may provide further growth opportunities for the group.

Premier Retail's new Australian national distribution centre has the scale, capacity and technology to support the business' continued online growth aspirations.

¹ NAB Online Retail Sales Index recorded annual Australian online retail sales growth of 8.6% for the year to July 2014

PROGRESS AGAINST CORE TRANSFORMATION INITIATIVES

Supply chain transformation

- Construction of the new Australian DC was completed in FY14, with internal fit out and commissioning well advanced.
- Three brands are currently operating from the new facility (Dotti, Just Jeans and Jacqui E).
- Non-recurring investment costs of \$4.5 million were incurred in FY14, with Premier Retail forecasting cost savings of more than \$2 million per year within the first three years of operation.
- The full benefits of the New Zealand DC reconfiguration and the establishment of the Singapore DC, which were both completed in FY13, were realised in FY14 results.
- In the UK, third party logistics and direct sourcing has been established and is designed to be scalable and support the growth ambitions of Smiggle UK.
- All supply chain initiatives are designed to support Premier's growth aspirations, including significant growth online and in offshore markets.

Rejuvenation of core apparel brands

- All brands delivered positive LFL growth in 2H14, demonstrating continued investment in our core brands, product offering and store experience.
- The turnaround of Just Jeans continues under Matthew McCormack's leadership. The brand achieved 2H14 sales growth of 7.8% anchored by a focus on denim, fabric innovation, fit and stock availability.
- Portmans, Dotti and Jacqui E continued to deliver strong results and solid growth.
- Jay Jays turnaround is progressing well, with positive LFL sales growth achieved in three of the four quarters in FY14 and margin improving throughout the year.
- Targeted capital investment in 322 stores was undertaken during the year to support and continue to grow sales in these stores.
- We remain focused on delivering better products for our customers in all brands in a highly competitive market.

Gross margin expansion program

- Premier Retail's gross margin of 62% continues to be very strong despite a highly competitive market.
- Winter inventory has been cleared and the business starts the summer season with a clean inventory position and targeted stock investments to drive sales growth in 1H15.
- Sourcing initiatives across all brands have supported gross margin growth with Jay Jays experiencing significant margin improvement in Q4 in line with the positive customer response to improved ranges.

Organisation-wide cost efficiency program

- Cost of doing business as a % of sales reduced by 38 bps¹ as a result of Premier Retail's ongoing cost efficiency program.
- Rent expense decreased by 31bps as a % of sales², with total rent declining by 55bps in 2H14². Twenty-one loss-making stores were closed during the year due to unsustainable rents.
- Salaries remain tightly controlled with improved labour productivity offsetting most of the EBA increases incurred during the year.

Mr McInnes said "We will continue to close stores where the landlords are not willing to offer market rents in line with the performance of their centres."

PREMIER INVESTMENTS' FINANCIAL STRENGTH

At the end of the half, Premier's balance sheet reflects free cash on hand of \$313.3 million plus its equity accounted investment in Breville at \$187.1 million. The market value of Premier's holding in Breville was \$264.9 million³ at year end.

Due to the continued strength of the balance sheet and the strong performance of Premier Retail, the Board has declared a final dividend of 20 cents per share, bringing the full year dividend to 40 cents per share (FY13: 38 cents). The final dividend will be payable on 20 November 2014. The dividend will be 100% franked.

Premier continues to use its strong balance sheet to fund the expansion of its growth brands, while still retaining the flexibility to pursue other opportunities that may arise in the future.

ENDS

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¹ Costs of doing business excludes borrowing costs and non-recurring investment costs associated with UK market entry and supply chain transformation. Sales exclude sales to South Africa joint venture

² Sales exclude sales to South African joint venture

³ 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%

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 NPBT, underlying NPAT, underlying EBIT
- 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.