



23 March 2015

Premier Investments delivers strong 1H15 result

Premier Retail Profit Before Tax up 14.7%

Premier Retail Sales up 4.8%

Increased interim dividend to 21 cps, fully franked

In addition, a special dividend of 9 cps, fully franked

HIGHLIGHTS FOR 1H15

- Premier Investments net profit before tax (NPBT) of \$78.7 million
- Premier Investments reported net profit after tax (NPAT) of \$56.8 million
- Premier Retail profit before tax of \$67.4 million, up 14.7%
- Premier Retail earnings before interest and tax (EBIT) of \$70.0 million, up 13.8% and EBIT margin up 112 bps to 14.3%
- Strong underlying growth in Premier Retail operations
 - Strong sales growth, up 4.8%¹ across all brands
 - Online channel delivering above-market growth, with sales up 23%
 - Smiggle and Peter Alexander growth strategies continue to deliver
 - Nineteen Smiggle stores now trading in the UK with a further 14 identified to open in calendar year 2015
 - Jay Jays turnaround progressing well with strong LFL sales and margin growth
- Interim dividend increased to 21 cents per share fully franked (1H14: 20 cps)
- Capital management – special dividend of 9 cents per share fully franked

Premier Investments Limited (“Premier”) today reported a consolidated net profit before tax (NPBT) of \$78.7 million for the half year ended 24 January 2015 (1H14: \$70.1 million). Premier’s net profit after tax (NPAT) was \$56.8 million (1H14: \$52.1 million).

Premier Retail’s profit before tax increased 14.7% reflecting strong sales growth, margin expansion and a well-managed cost base in addition to the contribution of new growth platforms identified for Online, Peter Alexander and Smiggle.

¹ Sales exclude sales to South African joint venture

Total sales for the group were up 4.8%¹ to \$490.8 million and like for like (LFL)¹ sales were up 1.1% across the group, with five brands experiencing positive LFL sales including Jay Jays, which is now performing strongly.

Premier Retail reported earnings before interest and tax (EBIT) of \$70.0 million, up 13.8% on 1H14. EBIT margin improved 112 bps to 14.3%² as a result of better assortments, new direct sourcing initiatives and disciplined management of currency given the weaker AUD.

Premier’s Chairman, Mr Solomon Lew said: *“This is an excellent result in a challenging market in which consumer confidence remains volatile. Management has achieved top line sales growth, disciplined cost management and continued margin expansion.”*

“We continue to make investments to support the potential of our key growth brands, Smiggle and Peter Alexander, both in local and overseas markets. We are delighted with the performance of our Smiggle UK business – today we have 19 stores trading and we plan to open a further 14 stores this calendar year.”

“Premier’s Directors have declared an interim dividend of 21 cents per share fully franked, underscoring the strength of Premier’s balance sheet and our confidence in the future.”

“In addition the Board, as part of its ongoing capital management strategy, has declared a special dividend of 9 cents per share fully franked.”

Premier Retail CEO, Mr Mark McInnes said: *“We are pleased with the progress we have made during the half, particularly our continued implementation of our growth plans for Peter Alexander and Smiggle and the continued turnaround of Jay Jays.”*

“We are also pleased to have delivered strong margin expansion in the context of a weaker Australian dollar and mixed consumer confidence. Our relentless and continued implementation of our six point transformation strategy has been instrumental in achieving today’s result.”

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 internet businesses
- Grow Peter Alexander significantly
- Grow Smiggle significantly

¹ Sales exclude sales to South African joint venture

² As a percentage of sales, excluding sales to South African joint venture

GROWTH INITIATIVES REMAIN A FOCUS

Strong online growth, with continued multi-channel investment

Premier Retail's online sales growth continues to significantly outperform the industry with total sales up 23.0% for the half and up 29.5% for the past 12 months. Market growth for the 12 months ended January 2015 was 6.6%¹. Our online business remains a very profitable growth channel for Premier, with EBIT margins for our online businesses significantly higher than group average EBIT margin.

All brands achieved strong growth during the season, with Dotti's online sales up 32% and Portmans' online sales up 35% during the half (off an already-strong base), demonstrating the benefits of our continued investment in this channel across all brands.

Multi-channel initiatives, including our "store to door" service (launched 2H14) are delivering incremental sales and EBIT across the portfolio, allowing our store teams to fulfil sales opportunities from the DC when items are out of stock in store.

Premier is also investing in new online sites in new regions. The sales results from peteralexander.co.nz (launched in 2H14) have been very pleasing and the team is now focused on the launch of dotti.co.nz, which will commence trading in 2H15.

Premier is also pleased to announce that Smiggle will launch a UK online store – smiggle.co.uk – in late March 2015.

Mr McInnes said: *"Premier is delighted that online performance is delivering strong growth above market levels. We continue to invest in technology, people, and marketing to maintain our market leading position."*

Peter Alexander sales up 14.6%, with more growth to come

Peter Alexander continues to execute its three-year strategic plan, achieving total sales growth of 14.6% during 1H15. During the half, Peter Alexander opened eight new stores, including a flagship store in Brisbane's CBD.

Peter Alexander will open a further five stores in 2H15 and management sees potential for:

- Between five and ten additional stores in Australia in FY16
- Between three and five additional stores in New Zealand in FY16
- Expansion of existing stores which are being constrained by their current footprint (for example, Chadstone, Bondi and Karrinyup)

The brand continues to achieve strong returns on investments as evidenced by the pleasing performance of stores that have recently benefited from mini refurbishments, lighting, fixture and point of sale upgrades.

Performance of Peter Alexander in New Zealand continues to exceed expectations with store sales growth of 28% and online sales growth of 81% during 1H15.

¹ Per NAB online survey – fashion category - for January 2015

Smiggle continues international rollout, with more UK stores planned

Smiggle again exceeded expectations with total sales growth of 18.9% for 1H15 and strong profit growth across all regions. During the half, Smiggle opened:

- Ten new stores in the United Kingdom
- Two new stores in Australia
- One new store in Singapore

Singapore continues to be a very profitable market for Smiggle with 19 stores now trading, including a new flagship store at ION Orchard, which opened in February 2015.

Smiggle UK's performance during the half has been very pleasing, with sales exceeding management's expectations. Smiggle UK reported a small profit contribution for the half and is on track to deliver a break-even result or better in its first full year of operations. Nineteen Smiggle stores are now trading in the UK following the opening of a new store at Bluewater in February 2015.

Smiggle now has a presence in four of the UK's top ten shopping centres. A further 14 new stores have been identified to open in the UK before the peak Christmas trading period and Premier continues to see significant opportunity for growth in this market with plans for up to 200 stores over five years and sales in excess of \$200 million. The personal stationery category in the UK is valued at US\$2.4 billion.

Mr McInnes said: *"We are very pleased with the performance of Smiggle UK. In fact, 15 of our UK stores already rank in our global top 20 Smiggle stores by sales performance. We remain confident of the unique opportunity available to Smiggle in the UK and we will continue to invest in building a strong UK footprint in the best centres and locations."*

"We are delighted that Smiggle has become a growth engine for the group and we truly believe we have a unique opportunity to internationalise this exceptional brand."

PROGRESS AGAINST CORE TRANSFORMATION INITIATIVES

Supply chain transformation

- Construction of the new Australian DC was completed in 2014, with internal fit out and commissioning now complete.
- Four brands are currently operating from the new facility (Dotti, Just Jeans, Jacqui E and Jay Jays).
- All seven brands will complete their transition by May 2015.
- Premier is forecasting cost savings of more than \$2 million per year within the first three years of operation once all brands have been transitioned.

Rejuvenation of core apparel brands and investment in store upgrades

- We continue to invest in our core brands, product offering and store experience.
- Jay Jays achieved strong LFL sales and margin improvement in 1H15. A strong increase in full price sales and a reduction in markdowns demonstrates improved merchandising and a renewed focus on the core customer. A new store format that resonates with this customer is currently under development, with seven stores planned to be upgraded during 2H15. The launch of this new store format demonstrates management's confidence that the turnaround strategy for Jay Jays is on track.
- Just Jeans achieved 1H15 sales growth of 3.6%, anchored by a focus on denim, new brands, fabric innovation, fit and stock availability. A new store format for Just Jeans is currently under development for launch in Sydney's CBD during 2H15.
- Jacqui E achieved 1H15 sales growth of 2.8% with continued margin expansion following sourcing and merchandising improvements.
- Portmans and Dotti have made a strong start to the second half.
- We continue to invest in store upgrades and refurbishments across all seven brands. Targeted capital investment in 182 stores was undertaken during the half to support and continue to grow sales in these stores. 28 new stores were opened during 1H15 and 21 are confirmed to open during 2H15.
- We remain focused on delivering better products for our customers in all brands in a highly competitive market.

Gross margin expansion program continues to deliver

- Premier Retail's gross margin of 63.4% continues to be very strong, growing 134 bps during the half, despite a highly competitive market and the weaker AUD.
- Experienced merchants and better product is delivering strong results and enhanced customer experiences.
- Sourcing initiatives have delivered improved gross margin in all seven brands.
- The growth of Smiggle and Peter Alexander will continue to provide gross margin benefits to the group.
- Premier Retail's inventory is clean.

Organisation-wide cost efficiency program

- Costs continue to be well controlled despite strategic investment in growth initiatives, including Online, Peter Alexander and Smiggle UK.
- Labour productivity gains in stores offset store wages growth of 2.9% for the established brands.
- Store rent increased by only 0.8% for the established brands, despite inflationary pressures built into leases.
- Eight loss making stores closed during the half, as part of our ongoing program to remove underperforming assets.

PREMIER INVESTMENTS' FINANCIAL STRENGTH

At the end of the half, Premier's balance sheet reflects free cash on hand of \$286.0 million plus its equity accounted investment in Breville at \$209.6 million. The market value of Premier's holding in Breville was \$256.4 million at end of half.

Due to the continued strengthening of its balance sheet and the strong performance of Premier Retail, the Board has declared an interim dividend of 21 cents per share (1H14: 20 cents). The interim dividend will be payable on 18 May 2015. The dividend will be 100% franked.

In addition, the Premier Board has declared a special dividend of 9 cents per share as part of its ongoing capital management strategy. The special dividend will be payable on 18 May 2015. The dividend will be 100% franked. The Board will continue to consider capital management initiatives in the future.

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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