



18 September 2015

## PREMIER INVESTMENTS DELIVERS STRONG FY15 RESULT

**UNDERLYING NPBT<sup>1</sup> UP 11.9% TO \$118.6m, REPORTED NPAT UP 20.7%**

**PREMIER RETAIL FY15 SALES UP 6.4%, 2H15 SALES UP 8.3%<sup>2</sup>**

**INCREASED FINAL ORDINARY DIVIDEND OF 21 CPS FULLY FRANKED,  
BRINGING FULL YEAR TOTAL DIVIDENDS DECLARED TO 51 CPS FULLY  
FRANKED (FY14: 40 CPS)**

### HIGHLIGHTS FOR FY15

- Premier Investments reported net profit after tax (NPAT) of \$88.1 million, up 20.7% on prior year
- Premier Investments underlying net profit before tax<sup>1</sup> (NPBT) of \$118.6 million, up 11.9% on prior year
- Premier Retail underlying earnings before interest and tax (EBIT) of \$105.7 million<sup>1</sup>, up 13.9% and underlying EBIT margin up 74 bps to 11.2%<sup>1,2</sup>
- Premier Retail underlying NPBT of \$100.9 million, up 16.0%<sup>1</sup>
- Strong growth in Premier Retail sales and margin:
  - Total sales up 6.4% to \$946 million (2H15 up 8.3%) with all brands reporting positive sales growth<sup>2</sup>
  - Like-for-like (LFL) sales up 2.2%, with stronger LFL performance in 2H15 (+3.4%)
  - Online channel growing profitably and well ahead of market, with sales up 31% in FY15 (2H15 up 38%)
  - Smiggle and Peter Alexander
    - Smiggle Global sales up 26% (2H15 up 36%) with sales growing strongly in all countries
    - Smiggle UK performing ahead of expectations, with 24 stores trading at year end and a further 16 targeted to open prior to Christmas 2015
    - Smiggle to open stores in Wales, Scotland, Hong Kong and Malaysia within 14 months
    - 14 new Peter Alexander stores opened during FY15, with sales up 14.9% on last year and 40% up over two years
- Final ordinary dividend of 21 cents per share (cps) fully franked (FY14: 20 cps) declared bringing total full year dividends declared to 51 cps fully franked (FY14: 40 cps)

<sup>1</sup>Underlying EBIT and NPBT excludes non-recurring costs in FY15 associated with exit from South Africa joint venture (\$1.7m) and in FY14 non-recurring costs associated with UK market entry (\$3.1m) and supply chain transformation (\$4.5m)

<sup>2</sup>Excluding sales to South African Joint Venture

Premier Investments Limited (“Premier”) today reported net profit after tax of \$88.1 million, up 20.7% on prior year (FY14: \$73.0 million). Premier’s underlying profit before tax was \$118.6 million for the financial year ended 25 July 2015 (FY14: \$106.0 million)<sup>1</sup>.

Premier Retail’s underlying net profit before tax<sup>1</sup> increased 16% to \$100.9 million reflecting the momentum being created by the growth platforms of Smiggle, Peter Alexander and Online as well as the continuing transformation of Premier Retail’s core brands.

The strong growth in total sales and positive LFL sales, combined with margin expansion, contributed to the higher earnings. Total sales for the group were up 6.4%<sup>2</sup> to \$945.7 million (2H15: 8.3%) and LFL sales were up 2.2% across the group (2H15: 3.4%) with all brands experiencing sales growth for the year<sup>2</sup>.

Gross margin was up 103bps to 63.1% despite increasing competition and the impact of the weaker Australian dollar. Underlying EBIT margin increased 74bps to 11.2%<sup>1,2</sup>.

Premier’s Chairman, Mr Solomon Lew said: *“The Premier Retail team, led by Premier Retail CEO Mark McInnes, is to be commended for the high quality of this result. The FY15 results reflect the outcomes of carefully targeted investments made both in growth areas of the business and in transforming the core brands.*

*“Premier has a clearly defined growth strategy. Key highlights include the ongoing Smiggle UK expansion with plans for up to 16 new stores to open by Christmas 2015 and entry into Wales (1H16) and Scotland (2H16) as we progress towards our objective of 200 stores in the UK market.*

*“I am also pleased to announce today the expansion of the Smiggle footprint in Asia through entry into two new markets, Malaysia and Hong Kong.*

*“For Peter Alexander, our plans include eight new stores confirmed for 1H16 and up to 15 new stores over the next two years in Australia and New Zealand.*

*“In addition, we will continue to invest in multi-channel capabilities. During FY15, Premier Retail’s brands delivered 31% online sales growth (2H15 up 38%). We continue to significantly outperform the market and to make significant investments in technology, people and marketing, to achieve our long term aspiration for online sales to contribute 10% of total sales.*

*“The Premier Board has increased the final ordinary dividend to 21 cps fully franked. This results in total full year dividends declared of 51 cps fully franked (FY14: 40 cps), signalling both the strength of Premier’s balance sheet and our confidence in the future.”*

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<sup>1</sup>Underlying EBIT and NPBT excludes non-recurring costs in FY15 associated with exit from South Africa joint venture (\$1.7m) and in FY14 non-recurring costs associated with UK market entry (\$3.1m) and supply chain transformation (\$4.5m)

<sup>2</sup>Excluding sales to South African Joint Venture

Premier Retail CEO, Mr Mark McInnes said: *“Our strategies and first class team have delivered impressive sales growth, gross profit growth and net profit growth in a highly competitive and volatile environment.*

*“We continued to invest in great experiences for our customers and the future growth of the business whilst constantly focusing on our organisation wide cost efficiency program. We completed the new Australian National Distribution Centre, continued to enhance our online experience and completed 220 capital investment initiatives across all brands and markets, including opening 50 new stores both locally and internationally”.*

## **PREMIER RETAIL TRANSFORMATION – FOCUS ON GROWTH & INVESTMENT**

### **Growth**

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

### **Core**

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

## **GROWTH INITIATIVES DELIVER**

### **Strong online growth, with continued multichannel investment planned**

Premier Retail’s online sales continue to significantly outperform industry growth with total sales up 31% on last year (2H15 up 38%) with strong increases in all of the key online customer metrics. The online channel remains extremely profitable with profit margin well above the Group average.

During the year, Premier Retail further enhanced its international online capabilities by successfully launching [dotti.co.nz](http://dotti.co.nz) in New Zealand and [smiggle.co.uk](http://smiggle.co.uk) in the United Kingdom. The Group is now operating full online businesses in three different countries providing international benchmark services in those markets as well as providing a platform for further international expansion.

The online channel continued to grow sales and profitability by investing in new online initiatives such as customer re-targeting programs, optimisation of mobile and desktop sites, affiliate marketing programs, personalised product recommendations, continuing visual enhancement and the continued investment in store-to-door.

### **Peter Alexander strategy on track and delivering strong returns**

Peter Alexander continues to significantly outperform the broader retail market. Total sales for the year grew by 14.9% to \$140.5m. This is a 40% increase over two years.

Peter Alexander opened 14 new stores during the year including a new flagship store in Brisbane CBD. The brand continued to focus on and invest in delivering unique customer experiences both in store and online.

Premier sees the potential for further store openings in Australia (5-10 in FY16 and FY17) and New Zealand (3-5 in FY16 and FY17). Eight new stores have been confirmed to open during 1H16.

## **Smiggle continues to show its unique growth profile**

Smiggle achieved global sales in FY15 of \$132.6 million, up 26% on last year with 2H15 sales growth of 36%. Today Smiggle successfully operates in Australia, New Zealand, Singapore and the UK. The brand delivered strong like for like growth in all countries.

Smiggle Singapore now has 19 stores, including the ION Orchard store in downtown Singapore. The store, which opened in February 2015, has already become the number one store for sales in Singapore. Singapore continues to be a very profitable market for Smiggle.

Smiggle UK had 24 stores trading at the end of FY15, with a further 16 targeted to open before the all-important Christmas 2015 peak trading period. Smiggle UK achieved results above expectations and contributed a profit to the Group in FY15. The brand is now represented in 7 of the top 10 shopping centres in England whilst 18 of the top 30 Smiggle stores globally are in the UK. Smiggle opened its first store in Wales in August 2015 and will open its first stores in Scotland in 2H16 with an aim to have 60 stores trading across the UK by the end of FY16.

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.

*Mr McInnes said: "Smiggle is delivering on its potential as a truly unique global brand. Led by John Cheston, our Managing Director for Smiggle, we achieved a seamless and rapid roll-out across multiple markets and did so profitably. We remain confident in the size of the future opportunity available to Smiggle and our management capability to achieve it."*

Following Smiggle's success in Singapore, Smiggle management have assessed other markets for further Asian expansion and determined to launch the brand in Hong Kong and Malaysia in calendar 2016.

Premier believes Malaysia and Hong Kong combined have the potential for 50 Smiggle stores within 5 years. Hong Kong has a large personal stationery market of US\$840m<sup>3</sup> with a population of 7 million people and 61 million tourists annually. Consistent with Singapore, stationery in Hong Kong is a highly desired category. Malaysia has a personal stationery market of US\$830m<sup>3</sup> and a population of 31 million people. The initial focus in Malaysia will be to open stores in Kuala Lumpur.

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<sup>3</sup>Source: Conlumino report, Dec 2014, Stationery & Cards Retailing in Hong Kong and Malaysia, forecast 2015

## **PROGRESS AGAINST CORE TRANSFORMATION INITIATIVES**

### **Rejuvenation of core apparel brands**

- All brands delivered sales growth in FY15, demonstrating continued targeted investment in our core brands, product offering and store experience is achieving results
- Jay Jays turnaround strategy is on track with continued strong sales growth, margin expansion and a pleasing response from customers to the new store format
- Portmans and Dotti achieved excellent 2H15 results
- Just Jeans “Anchored in Denim” strategy is delivering solid growth in its core category
- Jacqui E continues to please its customers with an improved FY15 result

### **Gross margin expansion program and organisation-wide cost efficiency program**

- Premier Retail's gross margin for the year was 63.1%, up 103bps on last year despite a weaker AUD and highly competitive market<sup>2</sup>
- Direct sourcing initiatives are delivering strong results and the strategies implemented to offset the weaker AUD continue to be successful
- The group margin is benefiting from an increasing contribution from Peter Alexander and Smiggle
- Reduced markdowns and improved ranges supported higher margin from Premier Retail's established brands
- Premier Retail's inventory position is clean
- Costs were well controlled during the year despite strategic investment in growth initiatives, including online, Peter Alexander and Smiggle UK
- The Group has exited its Jay Jays South Africa Joint Venture resulting in a one off exit cost of \$1.7m (before tax) in FY15

### **Supply chain transformation**

- All seven brands are now operating from the new Australian National Distribution Centre
- Cost savings of more than \$2 million per annum will be realised within the first three years of operation
- New Australian National Distribution Centre owned by Premier – delivers a lower cost and future capital growth to the group
- The new Australian DC has the scale, capacity and technology to support our growth aspirations across all channels

<sup>2</sup>Excluding sales to South African Joint Venture

## **PREMIER INVESTMENTS' FINANCIAL STRENGTH**

At the end of the year, Premier's balance sheet reflects free cash on hand of \$281.6 million plus its equity accounted investment in Breville at \$209.5 million. The market value of Premier's holding in Breville was \$228.9 million at year end<sup>1</sup>.

Due to the continued strength of Premier's balance sheet and the performance of Premier Retail, the Board has declared a final ordinary dividend of 21 cents per share fully franked, bringing the full year ordinary dividends to 42 cents per share (FY14: 40 cps). In addition, in March 2015, Premier declared a special dividend of 9 cents per share fully franked. Therefore the total dividends declared for FY15 amounted to 51 cents per share fully franked (FY14: 40 cps). The final ordinary dividend of 21 cents per share will be payable on 20 November 2015. 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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<sup>1</sup>Based on share price of \$6.40 on 24 July 2015

## **APPENDIX**

### **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 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 in the footnotes in order to allow the reader 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.