



25 September 2017

PREMIER INVESTMENTS DELIVERS STRONG FY17 RESULT

RECORD SALES AND EBIT ACHIEVED BY PREMIER RETAIL

RECORD FINAL AND FULL YEAR ORDINARY DIVIDENDS

HIGHLIGHTS FOR FY17

- Premier Investments' underlying net profit before tax (NPBT) of \$146.8 million, up 5.8% on FY16^{1,2}
- Premier Retail's underlying earnings before interest and tax (EBIT) of \$136.0 million, up 7.3%^{1,2}
- Premier Investments reported net profit after tax (NPAT) of \$105.1 million
- Premier Retail's sales:
 - Total sales up 5.7% to \$1.1 billion despite the negative impact of significant external events during the first half and very low consumer confidence throughout the year (in particular during Q4)¹
 - Like-for-like (LFL) sales up 1.1% on constant currency basis¹
 - Smiggle's global sales of \$238.9 million, up 28.8% on FY16 through the opening of 58 new stores globally and continuing very solid LFL growth in all countries¹
 - Peter Alexander's sales of \$190.9 million, up 14.0% on FY16 through very solid LFL growth and the opening of 11 new stores¹
 - Online channel delivering a world class platform with total sales of \$68.1 million, up 44.3% on FY16, well ahead of the market growth and represents 7.1% of the respective markets' sales in FY17¹
- Smiggle to open in Continental Europe in CY18
- Smiggle announces growth plan to achieve revenues in excess of \$400 million by FY20
- Peter Alexander announces growth plan to achieve revenues in excess of \$250 million by FY20
- Online sales now expected to exceed the original target of \$100 million in annual sales sooner than 2020
- Increased final ordinary dividend declared of 27cps fully franked, up 8.0% (FY16: 25 cps) bringing full year ordinary dividends to 53 cps fully franked, up 10.4% (FY16: 48 cps)

¹Group result in FY16 excludes non-comparable 53rd week which contributed \$15.2m in sales and \$6.6m in EBIT. FY17 Sales, underlying EBIT and LFL growth percentage is reported on comparable 52 weeks of FY16.

²Underlying EBIT and underlying NPBT excludes make-good and other costs to date regarding the planned Melbourne Head Office move of Premier Retail to Premier Investments owned property incurred during FY17 of \$4.5m (Premier Investments \$2.7m; Premier Retail \$1.8m), non-recurring costs incurred during 1H17 regarding the finalisation of the one-off litigation matter previously reported (1H17 \$3.0m; FY16 \$2.3m) and one-off costs investing in Smiggle Ireland Expansion incurred during FY17 of \$0.2m all included within 'Total expenses' in the statutory accounts

Premier Investments Limited (“Premier”) today reported underlying net profit before tax of \$146.8 million for the 52 weeks ended 29 July 2017 (FY16: \$138.8 million). The reported net profit after tax for the year was \$105.1 million. ^{1,2}

Premier Retail’s record underlying EBIT of \$136.0 million was up 7.3% on FY16 (\$126.7 million).^{1,2}

Total sales for Premier Retail were up 5.7%¹ to \$1.1 billion. Group LFL sales were up 1.1%¹ on a constant currency basis.

The strong results were achieved notwithstanding the reported difficulties experienced by other discretionary retailers in Australia (in particular in Q4), as well as significant external events that impacted the business (Hobart stores collapsed in August 2016, unseasonably cold October and the New Zealand earthquake in November).

Premier’s Chairman, Mr Solomon Lew said: *“The Premier Retail team, led by Premier Retail CEO Mark McInnes, has again delivered a very strong performance with solid growth in sales and underlying earnings despite the very difficult retail conditions. Premier Retail’s performance in the year shows the robust nature of our business resulting from key investment decisions made over the past five years in line with the business’ 2011 strategic review. The 2011 strategy of allocating resources to our unique growth brands, developing a world class online platform with a best in-market logistics capability and rejuvenating the core brand propositions have allowed Premier Retail to keep growing profits year on year.*

“Smiggle global sales were up 28.8%¹ to \$238.9 million. At the end of the financial year, Smiggle had 297 stores across Australia, New Zealand, Singapore, England, Scotland, Wales, Northern Ireland, Malaysia, Hong Kong and the Republic of Ireland. The brand opened 58 new stores globally during the year. Smiggle recently opened its 300th store. This is an exciting threshold given there were only 35 stores operating when we bought the business in 2008.

“I am delighted to today announce that Smiggle will enter Continental Europe during CY 2018 with the first stores to open in the Netherlands and Belgium. The Smiggle global business plans to deliver in excess of \$400 million in revenue by FY20.

“Peter Alexander achieved sales growth for the year of 14.0%¹ to \$190.9 million. Today the Peter Alexander business has announced a growth strategy that will see the brand plans to deliver in excess of \$250 million of revenue by FY20.

“Our online business significantly outperformed the market. Our online sales for the year of \$68.1 million were up 44.3%¹. We will continue to enhance our world class online platform by making significant investments in technology, people and marketing. We now believe that we will exceed our annual online sales target of over \$100 million earlier than the originally planned 2020 timeframe.”

Premier Retail CEO, Mr Mark McInnes again re-emphasised the fundamental principles of the 2011 strategy: *“We are relentlessly focussed on implementing our strategies – investing in expanding Smiggle globally, growing Peter Alexander significantly and delivering a world class online experience for our customers while achieving ongoing cost efficiencies and continuing to invest in our core apparel businesses.”*

As previously announced, Premier acquired an office building on St Kilda Road, Melbourne in December 2016. The acquisition price of \$58.0 million was over 85% funded via a new debt facility. The building will become the new head office of Premier Retail. The building will allow for the continued growth of Premier Retail with the ongoing interest cost of the investment less than the current significant escalating rent expense at the existing head office (excluding one-off relocation and make-good costs).

PREMIER RETAIL TRANSFORMATION – FOCUS ON GROWTH & INVESTMENT	
<p>Growth</p> <ul style="list-style-type: none"> • Grow Smiggle significantly • Grow Peter Alexander significantly • Expansion and growth of online businesses 	<p>Core</p> <ul style="list-style-type: none"> • Gross margin expansion program • Organisation-wide cost efficiency program • Rejuvenation of core apparel brands

GROWTH INITIATIVES DELIVER

Smiggle’s successful global expansion continues

Smiggle opened 58 new stores during the year. The brand achieved global sales of \$238.9 million in FY17, up 28.8%¹ on FY16 underpinned by both new stores and strong like for like sales growth. Over 60% of Smiggle sales for the year were from outside of Australia. After only operating for a little over three years in the United Kingdom, 2H17 saw Smiggle UK become the largest Smiggle market.

At the end of FY17 Smiggle had 297 stores across Australia, New Zealand, Singapore, England, Scotland, Wales, Northern Ireland, Hong Kong, Malaysia and the Republic of Ireland. The first two Smiggle stores in the Republic of Ireland (opened in May 2017), have been performing well above expectations. Smiggle expects to operate 15-20 stores in the Republic of Ireland within the next three years.

The brand performance across all geographies has given management confidence to confirm the opening of 100-120 new stores in existing markets during the next two years.

In addition, today Smiggle announced that it will further grow its European markets by entry into Continental Europe. The first stores will open in the Netherlands and Belgium in CY18. Combined these two countries have a personal stationery market size of US\$1.7 billion. Smiggle expects these two countries combined will operate 40-50 stores over the next four to five years. These markets will be serviced from the growing Smiggle European base in the United Kingdom.

Smiggle now plans to deliver global revenues in excess of \$400 million by FY20.

Premier Retail CEO Mr McInnes said: *“Our Managing Director of Smiggle, John Cheston, has led Smiggle to become a truly unique highly profitable global brand. The brand is quickly being recognised as a new and leading retail concept in all of its new markets. We are very excited to have a pipeline of an additional 100-120 new stores in existing markets over the next two years, a rapidly growing Smiggle online business in both the UK and Australia and today’s announcement of the opening of our first stores in Continental Europe in CY18. We continue to investigate new high value countries of size and scale.”*

Peter Alexander continues to perform strongly - 2020 growth plan announced

Total sales at Peter Alexander for the year grew by 14.0%¹ to \$190.9 million with strong total and LFL sales in both Australia and New Zealand.

During the year, Peter Alexander opened six new stand alone stores and five new Myer concessions. The brand also had significant improvements from refurbished and relocated larger stores in Chadstone, Pacific Fair, Spencer Street and Warringah.

Premier Retail today announced Peter Alexander's 2020 growth strategy that plans to deliver \$250 million in annual sales by FY20. This 3 year growth strategy has been built up on previous Peter Alexander platform that saw annual sales grow from \$47.0 million to \$190.9 million over the last ten years.

Peter Alexander's 2020 growth plan includes:

- Targeting 40 new stores over next three years;
- 12 existing stores identified to be upsized or refurbished by 2020;
- Continued investment and growth from online;
- Extension of Peter Alexander brand into the Bath & Body category; and
- Significant expansion of Peter Alexander's childrenswear and P.A. Plus Size ranges.

Premier Retail CEO Mr McInnes said: *"The Peter Alexander business, led by Judy Coomber (Managing Director: Peter Alexander) and Peter Alexander (Creative Director: Peter Alexander), has significantly overachieved the benchmarks previously set, notwithstanding the difficult environment over that time frame. The secret has been management's rigorous focus on the customer, the product, the brand, the online platform, the stores and across the board execution. Today's announcement of the plan to deliver in excess of \$250 million in sales by FY20 again shows a clear pathway to further growing this unique business."*

Online strategy delivering a world class platform and customer experience

Premier Retail grew online sales for year the by 44.3% to \$68.1 million, significantly outperforming industry growth. The online business has grown from 1.1% of the respective markets' sales in FY11 to 7.1% in FY17.

Led by Georgia Chewing (Group General Manager – Internet & Marketing), Premier Retail has innovated and invested to deliver a fully integrated online business with a world class platform and best in class logistics capability. The online business is highly profitable with EBIT margin significantly higher than the group average.

Today, due to the investments made since the 2011 strategic review, Premier Retail is able to fully service customers whether they choose to shop in store or online. Premier now expects to exceed its target of \$100 million annual sales sooner than the original plan of 2020.

PROGRESS AGAINST CORE TRANSFORMATION INITIATIVES

Premier Retail's underlying EBIT increased by 7.3% to a record \$136.0 million with the underlying EBIT margin up 19 bps to 12.4%.^{1,2}

Gross margin strategies delivering

- Premier Retail's gross margin of 63.1% for the year was delivered through the effective implementation of key gross margin strategies:
 - long term foreign currency hedging policies (in all markets) allowing for long term merchandising planning;
 - direct sourcing initiatives continuing to deliver benefits from new and existing suppliers;
 - sourcing from new geographies;
 - investing in better merchants delivering better product;
 - a focus on disciplined execution of markdown management; and
 - significant growth from higher margin brands Smiggle and Peter Alexander.
- Premier Retail's inventory position was clean at end of the year.

Cost efficiency and supply chain

Cost of Doing Business for the year decreased by 101 bps as a percentage of sales to 50.8%.¹ The group delivered ongoing cost efficiencies, despite structural inflationary pressure.

Over the past five years Premier Retail has opened 234 new profitable Smiggle and Peter Alexander stores (143 of these outside of Australia) but Premier Retail has also closed 86 unprofitable stores over that time including 8 during FY17. As consumers continue to shift their spending from physical stores to online, Premier Retail will continue to focus on store profitability to drive appropriate investment and shareholder returns. Where landlords do not continue to invest in overall shopping experiences and/or adjust their rent expectations in line with the performance of their own centres and the major shift in consumer behaviour, further store closures may be necessary.

Rejuvenation of core apparel brands

Premier Retail's record result for the year was achieved notwithstanding significant external events that impacted the business.

The group was forced to temporarily close four Hobart stores from 27 July 2016 in the Cat & Fiddle Shopping Centre due to a partial building collapse. In addition, all group flagship Chadstone stores were temporarily closed and severely disrupted in 1Q17 due to the centre's major upgrade and redevelopment.

The New Zealand Earthquake that hit in the Wellington region on 14 November 2016 severely impacted Premier Retail, with 26 stores facing temporary closures during the all important Christmas quarter.

In Australia, the widely acknowledged cool start to Summer (in particular in October 2016) led to both a negative impact on total and LFL sales that directly led to gross margin decline as all clothing brands were forced to compete on price with all retailers to clear inventory across the critical Christmas quarter.

The year in Australia and New Zealand was characterised by low consumer confidence caused by elevated household debt, out-of-cycle mortgage rate hikes, subdued wages growth and soaring energy prices. The Westpac Melbourne Consumer Sentiment Index for July 2017 recorded a further decline in confidence, the eighth consecutive month where pessimists have outnumbered optimists. This represents the longest succession of weak reading since the period around the Global Financial Crisis. The apparel category has been particularly tough, with a number of retailers going out of business and the sector generally discounting deeper and for longer.

Just Jeans and Jay Jays delivered solid results in very competitive markets. As previously announced both Portmans (Linda Levy) and Jacqui E (Nicole Naccarella) have recently appointed new brand heads to drive turnaround in performance. Pleasingly Portmans has returned to positive LFL growth over the last seven weeks of trade. Nicole Naccarella (Group General Manager Jacqui E) only joined in June 2017 and much progress has already been made since her appointment. Jacqui E is expecting a return to positive sales growth in second quarter of FY18.

Dotti operates in the young fast fashion category and over the last 12 months most large landlords have introduced local and international competitors into this segment. The landlords have provided these competitors large capital incentives and terms that reflect far lower rents and occupancy costs than incumbent retailers. Landlords will be required to significantly adjust the rent and capital incentives to retain Dotti in this category. Without this adjustment many Dotti stores may need to close. Dotti online continues to go from strength to strength at a higher margin than our store business and continues to be an area of investment and focus for the group.

Mr McInnes said *“Focussing on our customer and delivering great product will continue to improve our core clothing brand business while offering customers the product through the channels and locations the customer chooses. The group will continue to invest in people to drive better product for our customers.”*

PREMIER INVESTMENTS’ FINANCIAL STRENGTH

At the end of the year, Premier’s balance sheet reflected free cash on hand of \$170.6 million, its investment in Myer Holdings Limited at year end market value of \$67.7 million plus its equity accounted investment in Breville Group Limited at \$216.9 million. The market value of Premier’s holding in Breville Group Limited was \$383.8 million at 21 September 2017³.

Due to the continued strength of Premier’s balance sheet and the performance of Premier Retail, the Board has declared an increased final ordinary dividend of 27 cents per share fully franked, up 8.0% (FY17: 25 cps), bringing the full year ordinary dividends to 53 cents per share fully franked, up 10.4% (FY16: 48 cps). The final ordinary dividend will be payable on 17 November 2017.

ENDS

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³Based on Breville Group Limited share price of \$10.73 on 21 September 2017

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, non-comparable 53rd week, like for like sales, underlying EBIT, underlying NPBT and underlying NPAT.
- Any non-IFRS financial information is clearly labelled to differentiate it from reported/IFRS financial information.
- Premier Investments provides reconciliations in the footnotes in order to allow the reader to clearly reconcile between the IFRS and non-IFRS financial information.
- Premier Investments' 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.

Forward looking statements

- Any forward looking statements contained in this document have been based on expectations at the date of preparation of this document about future events. The forward looking statements included in this document may generally be identified by use of forward looking words such as believe, aim, expect, planned or other similar words. Similarly, statements that describe Premier's objectives, plans, goals or expectations are, or may be, forward looking statements. Forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual results to differ materially from the expectations. Nothing contained in this document is, or may be relied on as, a promise or representation as to the accuracy or likelihood of fulfilment of any forward looking statements, except to the extent required by law. You are therefore cautioned not to place undue reliance on any such forward looking statements.
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