



16 March 2018

## PREMIER INVESTMENTS DELIVERS RECORD FIRST HALF NPAT RECORD INTERIM ORDINARY DIVIDEND

### HIGHLIGHTS FOR 1H18

- Premier Investments' underlying record net profit before tax (NPBT) of \$110.5 million, up 9.9% on 1H17<sup>1</sup>
- Premier Investments reported a record net profit after tax (NPAT) of \$78.6 million, up 9.4% on 1H17
- Premier Retail's record underlying earnings before interest and tax (EBIT) of \$102.5 million, up 10.2% on 1H17<sup>1</sup>:
  - Total sales up 7.0% to \$630.1 million
  - Like-for-like (LFL) sales up 2.4% on constant currency basis
  - Smiggle's global sales of \$170.7 million, up 26.7% on 1H17 with the opening of 35 new stores globally and continuing strong LFL growth
  - Peter Alexander's sales of \$114.4 million, up 15.0% on 1H17 with strong LFL growth and the opening of 12 new stores
  - Online total sales growth of 71.2% on 1H17 to \$56 million. Original 2020 online target of \$100 million in annual sales expected to be achieved in calendar year 2018 - two years ahead of original plan
  - Portmans and Jacqui E delivered impressive LFL sales growth
- Record interim ordinary dividend declared of 29cps fully franked, up 11.5% or 3 cps on 1H17 (1H17: 26cps)

Premier Investments Limited ("Premier") Chairman, Mr Solomon Lew said: *"Premier Investments has again delivered a very strong result. Premier Retail today announced an underlying first half EBIT of \$102.5 million. This is the first time the business has achieved an underlying EBIT above \$100 million for a half. It was only two and half years ago that we announced, for the first time, a full year underlying EBIT above \$100 million. This outstanding achievement once again demonstrates the ability of Premier's Board and executives to both set a strategy and rigorously implement that strategy to deliver superior returns to shareholders despite operating in a challenging market."*

Premier today reported underlying net profit before tax of \$110.5 million for the 26 weeks ended 27 January 2018, up 9.9%<sup>1</sup>. The reported net profit after tax for the half was a record \$78.6 million, up 9.4%.

Premier Retail's record underlying EBIT of \$102.5 million was up 10.2% on 1H17 (1H17: \$93.0 million).<sup>1</sup>

<sup>1</sup>PMV 1H18 underlying EBIT and underlying NPBT excludes cost incurred in relation to its investment in Myer Holdings Limited (\$0.9m) including preparation for legal action; costs incurred regarding the Melbourne Head Office move of Premier Retail to Premier Investments owned property scheduled for April 2018 of \$2.0m (Premier investment division \$1.8m; Premier Retail division \$0.2m); and one-off costs investing in Smiggle Europe Expansion of \$0.3m, all included within "Total expenses" in the statutory accounts. PMV 1H17 underlying EBIT and underlying NPBT excludes non-recurring costs of \$3.0m regarding the finalisation of the one-off litigation matter previously reported.

Total sales for Premier Retail were up 7.0% on 1H17 to \$630.1 million. Group LFL sales were up 2.4% on a constant currency basis.

Premier Retail CEO, Mr Mark McInnes said: *“We are relentlessly focused on implementing our strategy. We identified in 2011 that Smiggle and Peter Alexander were unique brands with personalities driven by inhouse design, research and innovation. We set out to invest in these businesses and grow them aggressively. We also identified online as an essential and complementary channel for our brands. Again, we invested, not only in customer online experience, but also in a national distribution fulfilment centre and supply chain infrastructure to maximise returns. In our core apparel brands where we foresaw increased competition, we clarified our market position, invested in product merchants, invested in product ranges and delivered cost efficiencies. In particular, we sought, and we continue to seek, rents in line with centre performance. We have closed and will continue to close unprofitable stores.*

*“Smiggle global sales for the half were up 26.7% to \$170.7 million. At the end of the half, Smiggle had 332 stores across Australia, New Zealand, Singapore, England, Scotland, Wales, Northern Ireland, Malaysia, Hong Kong and the Republic of Ireland. The brand opened 35 new stores globally during the half. We are delighted to announce that Smiggle will open the brand’s global flagship store on Oxford Street London in May 2018. Managing Director of Smiggle, John Cheston, leads Smiggle’s strong and focused global management team. The team continues to investigate new high value countries of size and scale and is planning to open the first store in the Netherlands in Q2 FY19.*

*“Peter Alexander achieved sales growth of 15.0% to \$114.4 million during the half. We look forward to the launch of the full range of Peter Alexander Bath & Body and, our extended childrenswear range and the continued expansion of P.A. Plus size during the second half. These growth initiatives form part of the 2020 Peter Alexander growth strategy with the aim of delivering annual sales above \$250 million by FY2020. The Peter Alexander business, led by Judy Coomber and Peter Alexander, is delivering on this strategy and tracking well ahead of expectations.*

*“Our online business, once again, significantly grew with our online sales for the half up 71.2% on 1H17. Sales from this channel represented 10.2% of the respective markets’ sales.*

*“Today, we are delighted to announce that the online division, led by Georgia Chewing (Group General Manager – Internet & Marketing), now expects to reach our original 2020 target of \$100 million in annual online sales in the current calendar year. Our customers are rapidly choosing the online platform from which to shop. As a result, we will continue to invest in the technology, people and new marketing initiatives to deliver a world class platform and customer experience. Due to our strategic investments over the last seven years and fully integrated nature of our business, the online channel is extremely profitable with the EBIT margin significantly higher than the group average.”*

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

## **GROWTH INITIATIVES DELIVER**

### **Smiggle's record result**

The brand achieved record global sales of \$170.7 million in 1H18, up 26.7% on 1H17 underpinned by the opening of 35 new stores and strong like for like sales growth. Over 60% of Smiggle sales for the half were from outside of Australia.

At the end of 1H18 Smiggle had 332 stores across Australia, New Zealand, Singapore, England, Scotland, Wales, Northern Ireland, Hong Kong, Malaysia and the Republic of Ireland.

#### Smiggle Australia and New Zealand

The Australia/New Zealand market delivered strong LFL and total sales growth in 1H18 with four new stores opened in the half and targeted store refurbishments made in key flagship destinations.

#### Smiggle Asia

The Smiggle Asian division had an exceptionally strong half. Singapore, the most mature of the Asian markets, enjoyed strong LFL growth with tourists providing valuable insights into potential new Smiggle markets. Smiggle in Hong Kong opened three new stores in the half taking the total to 13 stores, in line with the original plan. Smiggle Malaysia opened two stores during 1H18 taking total stores open to 13. The brand now expects to have between 17 and 19 stores operating in Malaysia within three years of first opening. This is well ahead of the original plan.

#### Smiggle Europe

Smiggle UK is already the single largest country market for the brand by sales and management also expects it to be the largest market by store footprint by the end of the financial year (FY18) with an expectation of between 132 and 142 trading stores by July 2018. This will include the opening of a global flagship store on Oxford Street, London in May 2018. The UK transactional website has gone from strength to strength since launching in March 2015. Smiggle UK's online sales in 1H18 significantly outperformed Premier's most optimistic expectations. Given the rapid rise of the UK online business over the last three years the group will continue to invest in technology, people and marketing to maximise this channel, as a result the brand will continue to adopt a very prudent capital allocation policy towards any new Smiggle stores. The UK business reaffirms the expectations of \$200 million in annual sales by 2019.

The Republic of Ireland traded well ahead of expectations with five stores open at the end of the half. The key Irish flagship store in Grafton Street (Dublin) will open in 2H18.

Smiggle will enter continental Europe in Q2 FY19 with the opening of the first store in the Netherlands.

### **Peter Alexander - 2020 Growth Plan tracking well ahead of expectations**

Total sales at Peter Alexander for the half grew by 15.0% on 1H17 to \$114.4 million with strong total and LFL sales growth in both Australia and New Zealand.

The 2020 Growth plan is progressing ahead of expectations, with annual sales expected to exceed \$250 million by FY20:

- Eight stand-alone stores and four Myer concessions opened in 1H18;
- Seven new stores confirmed for opening in 2H18;
- An expanded range of P.A. Plus size delivering exceptional growth;
- Continued growth from our online stores;
- The launch of our Peter Alexander Bath & Body category in April 2018;
- A significant expansion of Peter Alexander's childrenswear; and
- The first Peter Alexander Junior stand-alone store due to open at Highpoint Shopping Centre (Victoria) in Q4 FY18.

## **Online – now expects to deliver \$100 million in annual sales two years ahead of original 2020 plan**

Premier Retail grew online sales for the half by 71.2% to \$56 million. The online business delivered 10.2% of the sales in countries and brands with a transactional website.

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 is delighted to announce that the business expects to reach its original 2020 target of \$100 million in annual online sales in calendar year 2018, two years ahead of the original plan.

## **1H18 EBIT MARGIN UP 47 BASIS POINTS**

Premier Retail's underlying EBIT margin grew by 47 basis points in 1H18, the sixth consecutive year of EBIT margin growth in the critical first half.<sup>1</sup>

### **Gross margin strategies delivering**

- Premier Retail's gross margin of 63.2% for the half was delivered through the effective implementation of key gross margin strategies:
  - 1H18 results were achieved notwithstanding significant external headwinds in the apparel sector, with retailers continuing to discount deeper and for longer to remain competitive;
  - long term foreign currency hedging policies 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 half.

### **Cost efficiency and supply chain**

Cost of Doing Business for the half decreased by 144 bps as a percentage of sales to 47.0%. The group delivered ongoing cost efficiencies, despite structural inflationary pressure.

Over the past five years Premier Retail has opened 260 new profitable Smiggle and Peter Alexander stores (190 of these outside of Australia) but Premier Retail has also closed 82 stores over that time including ten during 1H18 as part of the ongoing program to close unprofitable stores. The closures during 1H18 included Just Jeans and Portmans Melbourne Flagship stores in the Bourke Street Mall. These two stores had been trading for over 30 years and combined generated over \$5 million in annual sales in FY17. Premier Retail closed these stores as a direct result of unrealistic rent expectations.

As consumers continue to increase their shopping online, Premier Retail will continue to focus on store profitability to drive appropriate investment and shareholder returns.

Premier Chairman, Mr Solomon Lew said: *“During the half, our online division delivered 10.2% of the respective markets’ sales and we are investing in this channel to escalate our growth. Customers are choosing which channels and locations they want to shop in, and everyone in the Premier Retail team respects and embraces the customers’ choice. Landlords need to also embrace and respect the changes in consumer behaviour and channel choices customers are making. As we have said before, 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 will be necessary.”*

### **Rejuvenation of core apparel brands – Portmans and Jacqui E delivered impressive LFL sales growth**

Portmans, under the leadership of Linda Levy, had a very strong turnaround in performance in 1H18. LFL sales were up 19.8% in Q2 FY18 and in January LFL sales were up 33.4%. Jacqui E, under the leadership of Nicole Nacarella, had a strong turn around in performance in 1H18. LFL sales in Q2 FY18 were up 6.8% and in January LFL sales were up 10.1%. Both Portmans and Jacqui E have started the new season strongly.

Premier Retail CEO, Mr Mark McInnes said: *“We are delighted with the turnaround in performance in both Portmans and Jacqui E following the appointments of Linda Levy and Nicole Nacarella in the middle of 2017 calendar year. Our performance demonstrates our ability to maximise our market position despite the difficult and extremely competitive clothing markets we operate in. Our performance further demonstrates our ability to attract high performing, key talented executives to our company, with deep apparel experience and proven track records of success.”*

Jay Jays, led by Group General Manager Linda Whitehead, delivered positive LFL sales for 1H18. Jay Jays operates in an extremely competitive and difficult market segment and we are pleased with our brand position and performance.

After delivering a strong 4.7% growth in 1H17, Just Jeans delivered negative 3.6% LFL sales in 1H18. The brand maintains a strong market position. Pleasingly Just Jeans, led by Group General Manager Matthew McCormack, has returned to positive LFL sales for the first six weeks of the new season.

Premier Retail was extremely disappointed in Dotti’s performance and believes it can do much better notwithstanding that this segment of the market is self-evidently structurally challenged. David Bull has resigned from Premier and Judy Coomber has been appointed Managing Director of both Peter Alexander and Dotti. In addition, Deanna Moylan will re-join the group as Group General Manager (“GGM”) of Dotti reporting directly to Judy. The combination of Judy and Deanna’s deep experience in young women’s fast fashion aims to set the brand up for the future. Dotti expects a turnaround in performance as early as 1H19.

Mr McInnes said: *“I am delighted to appoint Judy Coomber to Managing Director Peter Alexander and Dotti, recognising Judy’s experience and ability to deliver results. Judy is an outstanding Managing Director with a long career track record of success in all forms of retail. With Deanna Moylan re-joining the group as GGM Dotti we have significantly strengthened our key product and merchandising management team to significantly improve Dotti’s performance.”*

## **PREMIER INVESTMENTS' BALANCE SHEET AND INTERIM DIVIDEND**

At the end of the half, Premier's balance sheet reflected free cash on hand of \$185.5 million, its investment in Myer Holdings Limited valued at \$54.8 million plus its equity accounted investment in Breville Group Limited at \$221.3 million. The market value of Premier's holding in Breville Group Limited was \$447.4 million at 14 March 2018<sup>3</sup>.

Due to the continued strength of Premier's balance sheet and the performance of Premier Retail, the Board has declared an increased record interim ordinary dividend of 29 cents per share fully franked, up 11.5% or 3 cps on 1H17 (1H17: 26 cps). The interim ordinary dividend will be payable on 15 May 2018 with record date of 1 May 2018.

Premier's Chairman, Mr Solomon Lew said: *"The Premier Board and Premier's executives have consistently set the strategy and rigorously implemented that strategy to deliver superior returns to shareholders. We are delighted that, from 1 July 2018, the Australian Government will implement the GST on all online international sales. This will benefit Premier and all Australian retailers (shareholders, employees and related industries) who now will be able to compete on a level playing field."*

ENDS

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<sup>3</sup>Based on Breville Group Limited share price of \$12.51 on 14 March 2018

## **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, 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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