



20 September 2018

PREMIER CONTINUES STRONG PERFORMANCE IN FY18 AND PLANS FOR GROWTH

RECORD SALES AND EBIT FROM PREMIER RETAIL RECORD FINAL AND FULL YEAR ORDINARY DIVIDENDS

| Year ended 28 July 2018 | Statutory Reported | Excluding significant and other one-off items ¹ | Growth on FY17 (excl significant and one-off items ¹) |
|---|--------------------|--|---|
| Premier Retail Sales | \$1,182 m | \$1,182 m | +8.2% |
| Premier Retail EBIT | \$147.9 m | \$150.1 m | +10.3% |
| Consolidated net profit before tax | \$124.0 m | \$160.3 m | +9.2% |
| Final dividend per share (fully franked) | 33cps | 33cps | +22.2% |
| Total full year dividends per share (fully franked) | 62cps | 62cps | +17.0% |

HIGHLIGHTS FOR FY18

- Premier Investments underlying net profit before tax of \$160.3 million,¹ up 9.2% on FY17
- Record final ordinary dividend declared of 33 cps fully franked, up 22.2% or 6 cps on FY17 (FY17: 27 cps) taking full year dividends to 62 cps up 17% (FY17: 53 cps)
- Premier Retail record underlying earnings before interest and tax (EBIT) of \$150.1 million, up 10.3% on FY17¹:
 - Total sales up 8.2% on FY17 to a record \$1.18 billion; 2H18 sales up 9.5%
 - Like-for-like (LFL) sales up 3.3% on constant currency basis; 2H18 LFL sales up 4.2% with improving momentum in Q4-18 with LFL up 6.8%
 - Online sales of \$112.5 million up 65.3% on FY17; 2020 Online sales target of \$100 million delivered two years ahead of original plan
 - Smiggle's global sales up 22.7% on FY17 sales and up 58% over two years
 - Peter Alexander's sales up 14.5% on FY17 and up 31% over two years
 - Apparel brands delivered strong sales growth momentum with 2H18 sales up 5.5% and improving momentum in Q4-18 with total sales up 8.1%
- Net cash generated (including dividends received) for the year up 36% to \$146.9 million

KEY STRATEGIC INITIATIVES DRIVING FUTURE GROWTH

- Smiggle today announces a major strategic accelerated global growth plan with the aim to both deliver the targeted \$450 million in global Smiggle retail sales by FY20 and set up pathways for major growth beyond FY20. The plan involves expanding Smiggle's global reach through four major channels
- Peter Alexander's 2020 growth plan is progressing well ahead of expectations with annual sales expected to exceed \$250 million by FY20
- Premier Retail will continue investment in:
 - Online technology, people and marketing initiatives to deliver a world class platform
 - New stores, upgrades and refurbishments
 - People and processes to deliver better products across all seven brands
- Premier Retail global sales for the first five weeks of FY19 were up 10.2% with an improved gross margin on pcp. Pleasingly this includes Smiggle sales in the UK and Republic of Ireland that were up 29% during the first five weeks, which represent the key "back to school" sales period in these markets.

1. Refer to Appendix for details regarding significant and other one off items excluded from underlying result Page 1 of 8

Premier Investments Limited (“Premier”) delivered underlying net profit before tax of \$160.3 million (up 9.2%) for the year ended 28 July 2018 (FY18) ¹. Premier generated cash (net operating cash plus dividends received) of \$146.9 million during the year and this has allowed Premier to continue to invest, distribute increased dividends to shareholders and, at the same time, increase the substantial cash holdings of the Group.

Premier Chairman, Mr Solomon Lew said: *“Premier Investments has delivered another very strong result. Premier Retail today announced a record \$1.18 billion in sales with record underlying EBIT of \$150.1 million, up 10.3% on FY17. This year’s result was driven by the continued growth of Smiggle and Peter Alexander as well as positive momentum within the apparel brands.*

“I am delighted to report that the online business surpassed our original 2020 target of \$100 million more than two years ahead of plan, delivering sales for the year of \$112.5 million – up 65% on FY17.

“Today we are also announcing a multi-channel accelerated growth strategy for Smiggle – targeting both the \$450 million in global Smiggle retail sales by FY20 and setting up pathways for significant growth beyond FY20. Peter Alexander’s 2020 growth plan targeting \$250 million in annual sales by FY20 is also progressing well ahead of expectations.”

Premier Retail CEO, Mr Mark McInnes said: *“During FY18, we continued to relentlessly focus on implementing our 2011 strategy with our underlying EBIT this year 131% above that reported in FY11 when we started this journey.*

“We have seen significant growth of our unique brands Smiggle and Peter Alexander which benefit from inhouse design, research and constant innovation. We will continue to invest in these businesses and grow them aggressively.

“Our 2011 strategy identified online as an essential and complementary channel for our brands. We have grown this channel from almost zero in FY11 to \$112.5 million this year.

“In our apparel brands where we foresaw increased competition, we clarified our market position and invested in product merchants. In Q4-18 these brands delivered sales growth of 8.1%.

“We have also delivered cost efficiencies across all areas of the business. 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.”

| 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 apparel brands |

GROWTH INITIATIVES DELIVER

Smiggle's record result

Smiggle achieved record global sales of \$293.0 million in FY18, up 22.7% on FY17. The brand opened 52 new stores globally and Online sales exceeded 10% of sales in countries with a transactional website. 67% of the FY18 sales were delivered from outside of Australia.

At the end of FY18, Smiggle had 347 stores across Australia, New Zealand, Singapore, England, Scotland, Wales, Northern Ireland, Hong Kong, Malaysia and the Republic of Ireland.

Smiggle Australia and New Zealand

During 2H18, Smiggle Australia/New Zealand celebrated its 15th Birthday with the launch of a highly successful limited edition birthday range. The brand reported total sales growth and positive LFL sales in FY18.

Smiggle Asia

Smiggle Asia had an exceptional year. Singapore, the most mature of the Asian markets, enjoyed strong LFL growth with tourists providing valuable insights into potential new Smiggle markets. Smiggle Hong Kong opened four new stores during the year, taking the total to 14 stores, in line with the original plan. Smiggle Malaysia opened six stores during FY18 taking total stores open to 17, well ahead of previous guidance.

Smiggle Europe

Smiggle UK is the single largest country market for the brand by store number, sales and profit. Smiggle UK delivered strong sales growth for the year with the brand navigating Brexit better than most retailers due to the unique nature of the brand coupled with high quality management. There were 134 stores trading in the UK at the end of FY18. This includes the opening of the 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. The UK Online channel delivered 15% of total UK sales for the year.

In May 2018, Smiggle also opened its first ever concession store in the iconic Selfridges Oxford Street, providing incredible exposure for the brand attracting customers from across the globe. The capital spent on this concession was approximately one tenth of an average UK Smiggle store. Since opening, this concession has ranked as the fourth highest store for sales in the UK (and in some weeks has been the global number one Smiggle store).

Smiggle announces accelerated global growth strategy

Smiggle today announced a major strategic accelerated global growth plan with the aim to both deliver the targeted \$450 million in global Smiggle retail sales by FY20 and to set up pathways for major growth beyond FY20.

The accelerated global expansion will come from 4 major channels:

1. Online
2. Global concession partnerships
3. Global wholesale arrangements
4. New store growth

1. Smiggle Online strategy

Smiggle Online sales growth continues to exceed management's most optimistic expectations. Smiggle Online sales in the UK have grown from zero in FY14 to £10.2 million in FY18 and contributed 15% of total UK sales.

The acceptance of Smiggle via the online channel gives the brand the confidence to further grow the UK and Australian online channel by investing in people, technology and marketing to maximise this highly profitable channel. Smiggle New Zealand will launch a New Zealand transaction website in 2H19.

In August 2018, for the first time, Smiggle launched on a third party transactional website via a limited edited range with Selfridges. This will expose Smiggle to Selfridges Online website with its more than four million monthly shoppers, half of which are located outside of the UK.

Management is investigating additional major global third-party websites such as Alibaba and Amazon. The focus will be in new markets and to complement the expanding European footprint.

2. Global concession channel

The exceptional results achieved by the new Smiggle concession in Selfridges London has provided a new and very capital efficient channel for future growth. The strategy will involve rolling out concessions stores in iconic retailers in select countries.

The strategy will enable Smiggle to leverage on the foot traffic generated by these iconic operators without the need for long term leases and at a fraction of the capital spend to open stand alone stores.

In addition to the concession opened in Selfridges London, Smiggle in August 2018 also opened a concession store in Selfridges Manchester.

Premier Retail is delighted to announce that Smiggle recently opened a concession store in the world renowned, Harrods London. The results since opening have been well above management expectations.

The concession stores in Selfridges and Harrods are introducing Smiggle to new customers from countries around the world.

3. Global wholesale channel

There are several large potential Smiggle markets globally that Premier Retail have identified as significant opportunities but may choose not to or will unlikely operate company owned stores. The countries identified have significant populations with major emphasis on education and learning.

In these geographies, management will be embarking on wholesale relationships with key iconic retailers to further expand the global reach of Smiggle. The brand will always ensure the integrity and uniqueness of the brand is maintained in all countries.

The brand is aiming to fulfil the first global wholesale orders during 2H19 and increasing into FY20. Premier Retail will announce the countries and partners as and when commercial terms are agreed.

4. New standalone stores

Notwithstanding the above-mentioned new channels for Smiggle distribution, management will continue to identify and open new standalone owned stores either in existing markets or potentially complementing the other channels in new markets. The decision will, as always, be based on maximising returns for shareholders.

Smiggle entry into Continental Europe

Given the stand out successes of Smiggle's online business in the UK and concession stores with Selfridges and Harrods, Smiggle is reviewing the nature of its retail channel entry into the Netherlands and Belgium.

Smiggle remains fully committed to entering into Continental Europe in FY19. Smiggle now sees significantly more penetration into additional countries including France, Spain, Italy and Germany as well as the Netherlands and Belgium. Discussions with key iconic retailers for concession stores have begun with updates to be provided to the market as appropriate. Smiggle now sees significantly more than 40-50 concession stores as well as complementary online penetration across Continental Europe over the next 4-5 years as a function of this strategy.

Peter Alexander: 2020 Growth Plan tracking well ahead of expectations

Peter Alexander delivered record sales for FY18 of \$218.7 million, up 14.5% on FY17 and up 31% over two years. Both total sales and LFL sales were strong for the year.

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

Twenty-one new stores opened in FY18 – putting the brand ahead of the 2020 plan to open 40 new stores between FY18 and FY20. Five new stores are confirmed for opening in 1H19.

The expanded range of P.A. Plus size delivered exceptional 100% growth for the year. The full Peter Alexander Bath & Body range was launched successfully in April 2018.

Online delivers record sales with sales up 65%

Premier is delighted to announce that its Online channel reached its original 2020 target of \$100 million in annual online sales in FY18 – more than two years ahead of the original plan.

Premier Retail grew online sales for FY18 by 65.3% to \$112.5 million. In FY18, the online business delivered 11.0% of the sales in countries and brands with a transactional website. The online business is highly profitable with an EBIT margin significantly higher than the store portfolio.

During 2H18, Premier Retail made a significant investment in upgrading the online platforms for all seven brands across mobile, tablet and desktop. Premier Retail will continue to invest heavily in this fast-paced channel of growth.

Premier is also pleased to announce that the business will launch New Zealand transactional websites for Just Jeans, Smiggle, Portmans and Jacqui E in 2H19. These will be in addition to the already offered and rapidly growing New Zealand Peter Alexander and Dotti transactional websites.

FY18 EBIT MARGIN UP 25 BASIS POINTS

Premier Retail's underlying EBIT margin grew by 25 basis points in FY18, the seventh consecutive year of EBIT margin growth.

Gross margin strategies delivering

FY18 results were achieved notwithstanding significant external headwinds in the apparel sector, with retailers continuing to discount deeper and for longer to remain competitive. The Australian and New Zealand apparel retailing market remains extremely competitive. Premier Retail's gross margin of 62.5% for the year was delivered through the effective implementation of key gross margin strategies:

- Key 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 and delivering better product
- Ongoing focus on disciplined execution of markdown management
- Significant growth from higher margin brands Smiggle and Peter Alexander
- Careful inventory management ensuring a clean inventory position at end of the year

Cost efficiency and supply chain

Cost of Doing Business for the year decreased by 90 bps as a percentage of sales to 49.9%. The group delivered ongoing cost efficiencies, despite structural inflationary pressure and the significant investment in the growth initiatives including Online, Smiggle International and Peter Alexander.

Over the past six years, Premier Retail has opened 307 new profitable Smiggle and Peter Alexander stores (192 of these outside of Australia) but Premier Retail has also closed 103 stores over that time including 17 during FY18 as part of the ongoing program to close unprofitable stores.

The closures during the year included the October 2017 closure of Just Jeans and Portmans Melbourne Flagship stores in Bourke Street Mall. These two stores have 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 year, our Online division delivered \$112 million in sales and contributed 11% of the respective market sales. We are committed to continued investment in this channel to accelerate 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 the channel choices customers are making. As we have consistently said, where landlords do not continue to invest in overall shopping experiences and adjust their rent expectations in line with the performance of their own centres, further store closures may be necessary."

Rejuvenation of apparel brands: strong 2H18 sales growth momentum evident

The apparel brands delivered sales growth of 5.5% for 2H18 with strong momentum into Q4-18 (sales up 8.1% in the fourth quarter). All five of the apparel brands enjoyed sales growth.

Stand out growth performances for the second half included Portmans sales up 17.4% (Q4-18 up 17.6%), Jacqui E sales up 9.4% (Q4-18 up 11.8%) and Just Jeans sales up 3.2% (Q4-18 up 7.2%).

The Australian and New Zealand apparel industries remain difficult, increasingly competitive and structurally challenged. The apparel brands have delivered the growth in the second half through the ongoing investment in product and strong management and merchandising teams.

CURRENT TRADING, STRONG BALANCE SHEET AND RECORD FINAL DIVIDEND

Premier Retail global sales for the first five weeks of FY19 were up 10.2% with an improved gross margin on pcp. Pleasingly this five-week sales growth number includes Smiggle's key UK and Republic of Ireland "back to school" period where sales were up 29%.

Net cash flows from operations (after tax payments and all cash related one-off items) for the year were up 37% to \$133.9 million. In addition, Premier received dividends of \$13.0 million. Combined, Premier generated cash of \$146.9 million during the year and this has allowed Premier to continue to invest, distribute increased dividends to shareholders and, at the same time, increase the substantial cash holdings of the Group.

At the end of the year, Premier's balance sheet reflected free cash on hand of \$178.6 million, its investment in Myer Holdings Limited valued at \$40.6 million plus its equity accounted investment in Breville Group Limited at \$223.2 million. The market value of Premier's holding in Breville Group Limited was \$472.1 million at 17 September 2018².

Due to the continued strength of Premier's balance sheet and the strong performance of Premier Retail, the Board has declared an increased record final ordinary dividend of 33 cents per share fully franked, up 22.2% or 6 cps on FY17 (FY17: 27 cps). The final ordinary dividend will be payable on 16 November 2018 with record date of 29 October 2018. This will bring total full year dividends per share to 62 cps fully franked, up 9 cps or 17%. The FY18 dividends will return a total of approximately \$98 million to Premier shareholders bringing the total dividends declared since FY11 to approximately \$542 million. This outcome represents record final and full year ordinary dividends for Premier shareholders.

Premier's Chairman, Mr Solomon Lew said: *"The Premier Board is delighted to once again reward shareholders with increased dividends. The Premier Board and Premier management remain focussed on delivering strong sustainable returns to shareholders."*

ENDS

For enquiries:

For investors and analysts

Mark Middeldorf
Premier Investments
Tel: +61 3 9650 6500

For media

Lauren Thompson
Mob: +61 438 954 729

²Based on Breville Group Limited share price of \$13.20 on 17 September 2018

APPENDIX

Significant and other one-off items excluded from underlying results

- During 2008, Premier Investments acquired Just Group Limited, and in line with Accounting Standards upon acquisition, recognised \$477.1 million in goodwill and \$376.2 million in brand names. In accordance with Accounting Standards, the carrying values of intangible assets are reviewed annually for impairment. The Board has decided to recognise an impairment expense of brand names within the Casual Wear cash generating unit (CGU) of \$30 million (pre and post tax). The decrease in the recoverable amount of brand names within the Casual Wear CGU Group reflects the increasingly competitive retail landscape and structural changes impacting the apparel industry in Australia and New Zealand. After this impairment expense, Premier reported statutory net profit after tax for the year of \$83.6 million. The applicable Accounting Standards do not allow for the uplifting value either in total or in specific brands beyond the original cost allocation. Therefore, to that extent, the financial statements do not reflect the very significant value creation enjoyed by Premier shareholders since the 2008 acquisition of the Just Group as a whole, and specifically in the case of Smiggle and Peter Alexander. As an example, the combined sales of these two brands were \$512 million in FY18, compared to \$66 million in FY08. These results reflect Premier's successful strategy of growing its unique assets and competing in the apparel industry. The impairment expense for the FY18 year is non-cash.
- Premier's other one-off charges in FY18 totalled \$6.4 million pre-tax (FY17: \$7.7 million pre-tax) and included costs incurred on relocation and pre-moving costs associated with the new Premier owned head office of Premier Retail, costs in relation to Premier's investment in Myer Holdings Limited and small one-off Smiggle Europe expansion costs. Premier's other one-off charges for FY17 included pre-moving costs associated with the new Premier owned head office of Premier Retail, a one-off litigation matter and initial Smiggle Europe expansion costs. The underlying EBIT and underlying NPBT numbers stated in this release exclude the impairment expense and the other one-off charges. Premier will not incur any one-off costs in relation to the new head office in FY19.

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: significant, 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 and appendix 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, target, 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.
- Subject to any obligations under the Corporations Act or the ASX Listing Rules, Premier does not give any undertaking to update or revise any forward looking statements after the date of this document to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.