



22 March 2019

PREMIER INVESTMENTS RECORD 1H NPAT OF \$88.8m, UP 13.0%

RECORD PREMIER RETAIL 1H19 SALES OF \$680.2 MILLION, UP 8.0%

RECORD PREMIER RETAIL 1H19 EBIT OF \$113.9 MILLION, UP 11.1%

RECORD INTERIM DIVIDEND DECLARED

HIGHLIGHTS FOR 1H19

- Premier Investments reported record net profit after tax of \$88.8 million, up 13.0%
- Record interim ordinary dividend declared of 33 cps fully franked, up 13.8% or 4 cps on 1H18 (1H18: 29 cps)
- Premier Retail record earnings before interest and tax (EBIT) of \$113.9 million, up 11.1% on underlying 1H18¹:
 - Total sales up 8.0% to a record \$680.2 million
 - Apparel Brands delivered strong sales growth in 1H19 with sales up 7.5%
 - Online sales of \$75.7 million up 35.2% on 1H18 and contributed 12.9% of respective market sales in 1H19
 - Smiggle's reported record global sales for 1H19 of \$178.8 million. The Accelerated Global Growth Strategy announced in September 2018 is well underway and today Smiggle announces new partnerships with leading iconic retailers via wholesale and online channels, providing significant new exposure of the brand to a combined population over 775 million in ten additional countries
 - Peter Alexander reported record sales of \$130.4 million, up 14.1% on 1H18 with the 2020 Growth Plan tracking well ahead of expectations
- Premier's balance sheet includes an equity accounted value of \$238.9 million for its holdings in Breville Group Limited. The current market value of the investment is \$602.6 million based on a share price of \$16.51 on 20 March 2019.

Premier Investments Limited ("Premier") delivered net profit after tax of \$88.8 million (up 13.0%) for the half ended 26 January 2019 ("1H19").

Premier Chairman, Mr Solomon Lew said: *"Premier Investments has delivered another very strong result during a half that has seen many retailers struggle with challenging trading conditions. Premier Retail's first half sales increased by 8.0% to a record \$680.2 million, with record EBIT of \$113.9 million, up 11.1% on 1H18 underlying EBIT. Premier's outstanding performance for the period was driven by strong growth in all our apparel brands, record sales across our online divisions, record Smiggle global sales and record Peter Alexander sales."*

Premier Retail CEO, Mr Mark McInnes said: *"Premier Retail's record first half results is a testament to the Board and Management's understanding of today's dynamic retail environment. Online continues to exceed our high expectations, Peter Alexander remains well ahead of its 2020 Growth Plan. Smiggle's Accelerated Global Growth Strategy is progressing well with partnerships announced today with leading iconic retailers providing significant new exposure of the brand to a combined population of over 775 million in ten additional countries."*

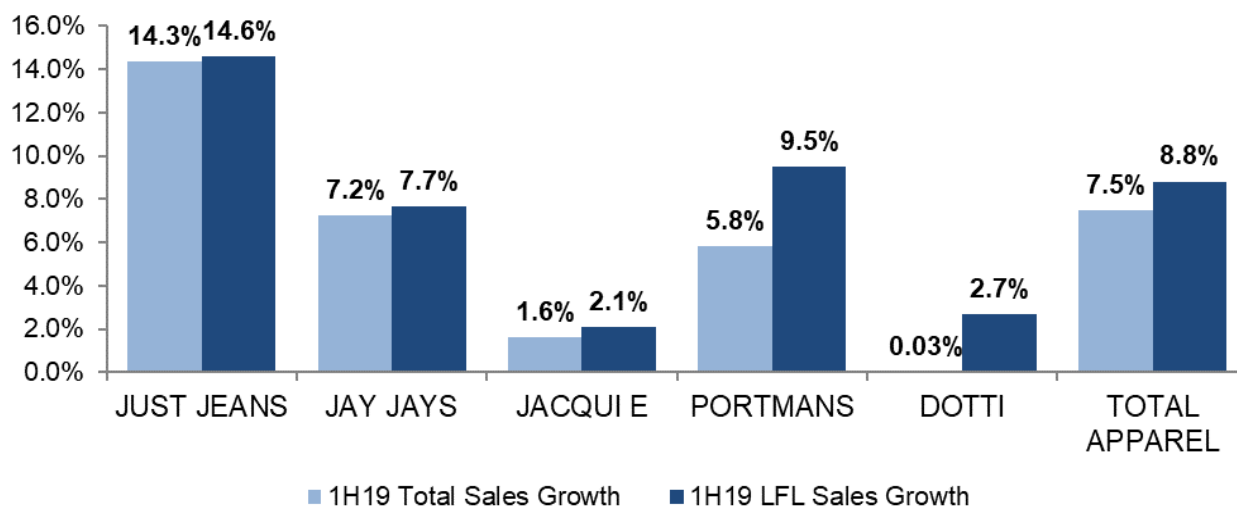
"Our apparel brands for the half delivered exceptionally strong results with sales growth of 7.5%. Our like-for-like growth was even stronger than our total sales growth as we continued to close unprofitable stores due to unrealistic landlord rents. The group closed a further 16 stores over past 12 months and has closed 101 stores over the last six years."

PREMIER RETAIL TRANSFORMATION – FOCUS ON GROWTH & INVESTMENT

Core	Growth
<ul style="list-style-type: none"> • Rejuvenation of Apparel Brands • Gross margin expansion program • Organisation-wide cost efficiency program 	<ul style="list-style-type: none"> • Grow Smiggle significantly • Grow Peter Alexander significantly • Expansion and growth of Online businesses

APPAREL BRANDS DELIVER STRONG SALES GROWTH OF 7.5% WITH LFL SALES INCREASING 8.8%

The Australian and New Zealand retail environment remained very competitive during the half. In the face of this challenging environment, Premier Retail's Apparel Brands remained focused on its key strategies and delivered exceptional results for the half with total Apparel Brand sales up 7.5%, and even stronger like-for-like (LFL) sales of positive 8.8%. All Apparel Brands delivered sales growth and positive LFL sales.



The group's long term focus of investing in better merchants, service, product and best in class online and marketing programs has delivered a very strong result relative to the broader clothing and retail market. The Apparel Brands' LFL performance is far stronger than the total sales result as Premier Retail have and will continue to close unprofitable stores due to unrealistic landlord rents. The closure of these stores is EBIT positive for the group despite the headline loss of sales.

Effective gross margin strategies – deliver strong result in highly competitive markets

Premier's strong 1H19 results were achieved notwithstanding the widely reported external headwinds in the retailing sector in Australia and New Zealand and with Brexit uncertainty in the United Kingdom. Under these conditions, retailers continued to discount deeper and for longer to remain competitive.

Premier Retail's gross margin of 63.0% for the half was delivered through the effective implementation of the following key gross margin strategies:

- Key long-term foreign currency hedging policies allowing for long-term merchandise 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

The disciplined execution of markdown management was integral to delivering a clean inventory position at the end of 1H19.

CODB focus continues to deliver

Cost of Doing Business for the year decreased by 68 basis points as a percentage of sales to 46.3%. The group continued to control costs despite structural inflationary pressure. Investment will continue in the growth initiatives including Online, Smiggle International and Peter Alexander.

Over the past 12 months, Premier Retail has closed 16 stores taking the total closed over the past six years to 101 stores as part of the ongoing program to close unprofitable stores.

As a direct result of unrealistic rent expectations and in a true symbol of the changing nature of the retail market, Premier Retail will close its original flagship Just Jeans store (April 2019) in Chapel Street (Victoria) which opened 48 years ago. Premier Retail's Dotti and Smiggle stores on Chapel Street will also close in calendar 2019. In addition, Just Jeans today announced the closure of its flagship store in Rundle Mall (South Australia) in 2H19, demonstrating the willingness of Premier Retail to walk away from stores with unrealistic rents that deliver unprofitable sales.

GROWTH INITIATIVES

Online delivers record sales - sales up 35.2% on 1H18, representing 12.9% of respective market revenue

Premier Retail grew online sales for the half by 35.2% to \$75.7 million. The online business contributed 12.9% of the sales in countries and brands with a transactional website compared to 10.2% in 1H18. The online business is highly profitable with an EBIT margin significantly higher than the group average.

Premier Retail 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.

Smiggle's record result – 'Pathways to Global Growth' strategy well underway

The brand achieved record global sales for the half of \$178.8 million including a stand out performance from the Asian market which saw sales growth of 34.8% on 1H18 (up 112% over two years).

In September 2018, Smiggle announced a plan to accelerate its global growth from four major pathways:

1. Global wholesale arrangements in markets where Smiggle has a significant opportunity but elects not to or will unlikely operate company-owned standalone stores
2. Online growth, both proprietary and third party
3. Concession partnerships with iconic global retailers
4. New store growth through the continued rollout of standalone stores where the economics and shareholder returns are attractive

Today Smiggle is providing an update on the progress made in relation to key aspects of the Accelerated Global Growth Strategy.

Smiggle's global wholesale arrangements update: Asia and Middle East

Smiggle is partnering with five iconic retailers across Asia and the Middle East to launch Smiggle into five new countries (Korea, Thailand, Indonesia, Philippines and United Arab Emirates). The initial roll-out will see the brand available in over 100 new doors from July 2019.

Combined, these five countries will expose the brand to a population of almost half a billion people with a high proportion of young children and a particularly strong emphasis on education and learning.

The partners chosen in each market are best in class iconic retailers who are obligated and committed to delivering on Smiggle's high brand integrity standards around product, visual merchandising and presentation.

Smiggle's global wholesale arrangements update: Canada

Smiggle today announces the launch of the brand in Canada through an iconic retailer in mid to late 2019. The brand will launch in three major cities as well as on the retailer's online platform. The brand's iconic partner is obligated and committed to deliver Smiggle's high brand integrity standards through product, visual merchandising and brand presentation.

The launch of the brand in Canada will give Smiggle its first exposure to a key North American market.

Smiggle online update: Smiggle to launch into Continental Europe with Amazon

Online sales for the half contributed 19% of the UK sales and 11% of the Australian sales. This is well up on the 16% and 8% respective contribution in 1H18. Smiggle's online growth continues to exceed all previous expectations. Premier Retail will launch a New Zealand Smiggle transactional website during 2H19.

Smiggle has conducted significant due diligence on a launch into Continental Europe over the last two years. As a result of continued major structural changes to the global retail industry, Premier Retail will launch Smiggle with Amazon Europe in France, Italy, Germany and Spain between April and July 2019. This launch will give the Smiggle brand access to four new European countries with a combined population of over 250 million people.

There are also ongoing negotiations with Alibaba and other key retail leaders, focusing on countries in which Smiggle does not currently operate, but is in high demand.

Smiggle Concession update

Smiggle is currently operating UK concessions in three Selfridges stores as well as in Harrods. In addition, the brand has opened its first Asian concessions with two stores in Singapore. The brand sees opportunity for further concession stores in existing markets.

Smiggle - new standalone stores

Six new stores opened globally in 1H19. The brand will continue to explore compelling opportunities to open standalone stores in existing markets where commercial terms and returns on investment are attractive.

Brexit

Brexit, "a once in a lifetime event", negatively impacted the entire UK economy and sapped consumer confidence over the critical Christmas period. Premier's Board and Management recognised over calendar 2018 that historical paths to global growth were no longer as relevant today given the major structural changes in global consumerism, technology and the risks associated with committing to long term leases as the major form of global expansion.

Premier's proactive response was announced in September 2018, highlighting four major pathways to accelerate and diversify Smiggle's growth. The four pathways to accelerate Smiggle growth are well underway and will set Smiggle up for significant global growth. As a direct result of Brexit, Smiggle expects its aspirational target of \$450 million in annual global retail sales will be delivered in calendar 2021 or calendar 2022. Significantly though, the four new pathways to global Smiggle retail sales growth, beginning in 2H19, will deliver much higher EBIT margin with materially less capital and generate far higher cash flows than the originally planned multi country own store rollout.

Peter Alexander: Record half and 2020 Growth Plan remains well ahead of expectations

Peter Alexander delivered record sales for the half of \$130.4 million, up 14.1% on 1H18. The brand opened five new stores and continued its expansion of P.A. Plus sizes and children's sleepwear following strong sales performance in these categories. The brand also delivered significant online sales growth and continues to invest in this channel.

Peter Alexander's strategic 2020 Growth Plan of delivering in excess of \$250 million in annual sales by FY20 is well ahead of plan.

The brand has opened 26 new stores over the past 18 months and therefore remains well ahead of its planned 40 new store openings between FY18 and FY20. Peter Alexander has confirmed four new stores to open in 2H19.

PREMIER'S STRONG BALANCE SHEET, INVESTMENT IN BREVILLE GROUP LIMITED AND RECORD INTERIM DIVIDEND

Breville Group Limited ("Breville") reported a strong 1H19 result with net profit after tax up 19.7%. Premier equity accounts its interest in Breville and included \$12.2 million of associate income in Premier's profit for the half. The equity accounting methodology has resulted in Breville being reflected on Premier's balance sheet with a value of \$238.9 million. The current market value of Premier's interest in Breville is \$602.6 million².

At the end of the half, Premier's balance sheet included free cash on hand of \$183.2 million, its investment in Myer Holdings Limited valued at \$34.9 million (current market value of \$50.4 million²) plus its equity accounted investment in Breville at \$238.9 million (current market value of \$602.6 million²).

Due to the continued strength of Premier's balance sheet and the strong performance of Premier Retail, the Board has declared an increased record interim ordinary dividend of 33 cents per share fully franked, up 13.8% or 4 cps on 1H18 (1H18: 29 cps). The interim ordinary dividend will be payable on 14 June 2019 with a record date of 31 May 2019. The Premier Board will continue to review its capital management.

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2. Based on Breville Group Limited share price of \$16.51 and Myer Holdings Limited share price of \$0.57 on 20 March 2019.

APPENDIX

Underlying Results

- Premier's 1H18 underlying EBIT and underlying NPBT excludes costs incurred in relation to its investment in Myer Holdings Limited (\$0.9m) including preparation for possible legal action; costs incurred regarding the Melbourne Head Office move of Premier Retail to Premier Investments owned property of \$2.0m (Premier Investments \$1.8m; Premier Retail \$0.2m) and one-off costs in investing in Smiggle Europe Expansion of \$0.3m, all included within 'Total Expenses' in the statutory accounts. Premier did not incur any one-off costs in 1H19.

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.
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