



20 September 2019

PREMIER INVESTMENTS FY19 NPAT UP 27.7%

RECORD PREMIER RETAIL FY19 SALES OF \$1.27 BILLION, UP 7.5%

RECORD PREMIER RETAIL FY19 UNDERLYING EBIT OF \$167.3 MILLION, UP 11.5%

RECORD FULL YEAR DIVIDENDS OF 70 CPS, UP 12.9%

HIGHLIGHTS FOR FY19

- Premier Investments reported underlying net profit before tax of \$177.6 million¹
- Premier Investments generated net cash (operating less investing) for the year of \$123.3 million, up 32.3%
- Directors declared a record final ordinary dividend of 37 cps fully franked, up 12.1% or 4 cps on FY18 (FY18: 33 cps), taking fully franked full year ordinary dividends to a record 70 cps, up 8 cps or 12.9% on FY18 (FY18: 62 cps)
- Premier Retail underlying earnings before interest and tax (EBIT) of \$167.3 million, up 11.5% on underlying FY18¹
- Total global sales up 7.5% in FY19 to a record \$1.27 billion, with like-for-like (LFL) up 4.2% (constant currency)
 - Apparel Brands delivered strong sales growth with total sales up 6.9% and LFL growth even stronger at 7.8% as the group continues to close unprofitable stores
 - Online delivered record sales of \$148.2 million, up 31.7% and contributing 13.4% of FY19 sales (in countries and brands with a transactional website)
 - Smiggle delivered record global sales of \$306.5 million
 - Peter Alexander delivered record sales of \$247.8 million
- Premier's year-end balance sheet included cash on hand of \$190.3 million, an investment in Myer Holding Limited valued at \$46.9 million and an equity accounted value of \$238.7 million for its holdings in Breville Group Limited. The market value of the Breville investment at year end was \$691.7 million.

KEY STRATEGIC GROWTH INITIATIVES DELIVER

- The strategy of clarifying the market position of each of the Apparel Brands and further investing in products and merchants has delivered total apparel sales growth of 6.9% and even stronger LFL growth of 7.8% for the year – well above market. Investment in strategic initiatives to further grow market share will continue.
- Peter Alexander reported record sales of \$247.8 million and the brand's 2020 Growth Plan has now been delivered a year ahead of schedule. Peter Alexander announces today a new plan for continued growth via the opening of 20-30 new stores over the next two years and material expansion of online-only options in both children's sleepwear and P.A. Plus.
- Online delivered record sales of \$148.2 million, up 31.7% on FY18. In FY18 the online business surpassed its aspirational target of \$100 million in annual sales, two years ahead of schedule. Premier Retail will continue to invest in Online technology, people and marketing to deliver a world class platform in this fast growing and evolving channel.
- Smiggle's' Accelerated Growth Strategy, announced in September 2018, is being successfully delivered with performance to date far exceeding expectations. Smiggle today reaffirms its growth strategy to deliver \$450 million in annual global retail sales in calendar 2021 or calendar 2022.

Premier Chairman, Mr Solomon Lew said: *“The Premier team continues to deliver outstanding returns for shareholders. We have clear growth strategies in place for each brand – which the team executes on relentlessly, refines continuously and measures fastidiously. Capital continues to be invested in growth opportunities with great discipline.*

“In 2019, the Premier portfolio outperformed with strong growth in all our apparel brands, continued Online sales growth ahead of market, record Smiggle global sales and record Peter Alexander sales.

“Our cashflow remains strong and while many of our competitors are failing or struggling in these very challenging times, my fellow Directors and I are pleased to be in a position to reward the confidence of our shareholders with a record final dividend of 37 cps, taking full year dividends to 70 cps, fully franked and up 12.9%.

Premier Retail CEO, Mr Mark McInnes said: *“Premier Retail’s record full year results reflect the relentless delivery of key strategies identified by the experienced Board and Management team of Premier. These key strategies aim to continue to deliver strong returns into the future.*

“Our Online division delivered sales for the year of \$148.2 million, representing 13.4% of the respective markets’ sales. We will continue to invest in this channel to maintain a leadership position. Online continues to deliver EBIT margin significantly higher than the group average.

“Peter Alexander, once again, delivered record sales for the year of \$247.8 million. Today we are pleased to confirm that the brand has now delivered its 2020 plan one year ahead of schedule.

“Recognising the changing nature of global retail, in September 2018 Smiggle announced its Accelerated Global Growth Strategy. The strategy is being successfully delivered with performance to date far exceeding our expectations. Smiggle has now successfully launched its new wholesale channel in seven new countries and in 180 doors. The wholesale orders taken to date have the potential to deliver between A\$35 million and \$45 million in retail sales to consumers in 1H20. These retail sales alone would represent 20%-25% sales growth on Smiggle’s 1H19 actual global retail sales.

“The brand sees the potential to grow with these existing seven partners to over 350 doors within the next 12 to 24 months. In addition, advanced discussions are also underway with new iconic partners in new markets.

“Smiggle’s online growth, both from our proprietary websites and third-party websites, has also far exceeded our expectations. Smiggle concession partnerships with iconic global retailers continue to accelerate whilst the brand’s new store growth is to plan.

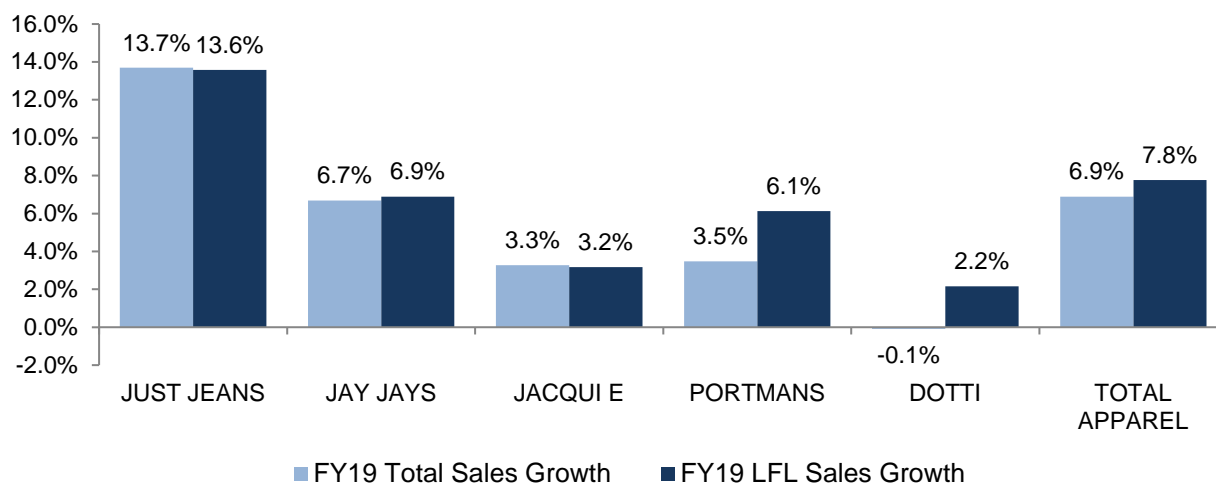
“Our Apparel Brands for the year also delivered exceptionally strong results, with sales growth of 6.9% – well ahead of the market. Our like-for-like sales growth was even stronger at 7.8% as we continued to close unprofitable stores due to unrealistic landlord rents. The group has closed a further 35 stores over the past 12 months and has closed 138 stores over the last seven years.”

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

MAINTAINING A FOCUS ON CORE BUSINESS PERFORMANCE DRIVERS

Apparel Brands deliver strong total sales growth and even stronger LFL growth

The Australian and New Zealand retail environment remained very competitive during FY19 as evidenced by the results and comments made by other discretionary retailers. In the face of this challenging environment, the Apparel Brands remained focused on their key strategies and delivered exceptional results, with sales up 6.9% and even stronger like-for-like (LFL) sales of positive 7.8%. All Apparel Brands delivered positive LFL sales for the year.



The continued long-term focus of investing in better merchants, better product, better service and the 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 despite the loss of sales in these stores.

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

Premier's strong FY19 results were achieved notwithstanding the widely reported retail sector external headwinds in Australia and New Zealand and with Brexit uncertainty in the United Kingdom. Under these conditions, retailers generally continued to discount earlier, deeper and for longer to remain competitive.

Premier Retail's gross margin of 61.9% for the year was delivered through the effective implementation of the following key gross margin strategies:

- Long-term foreign currency hedging strategies 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 delivery of better product and disciplined execution of markdown management was integral to delivering a clean inventory position at the end of FY19.

Premier Retail delivers CODB reduction of 109 basis points

Underlying Cost of Doing Business for the year decreased by 109 basis points as a percentage of sales to 48.8%. The group continued to control costs despite structural inflationary pressure. Investment will continue in the key growth strategies of Online, Smiggle International and Peter Alexander.

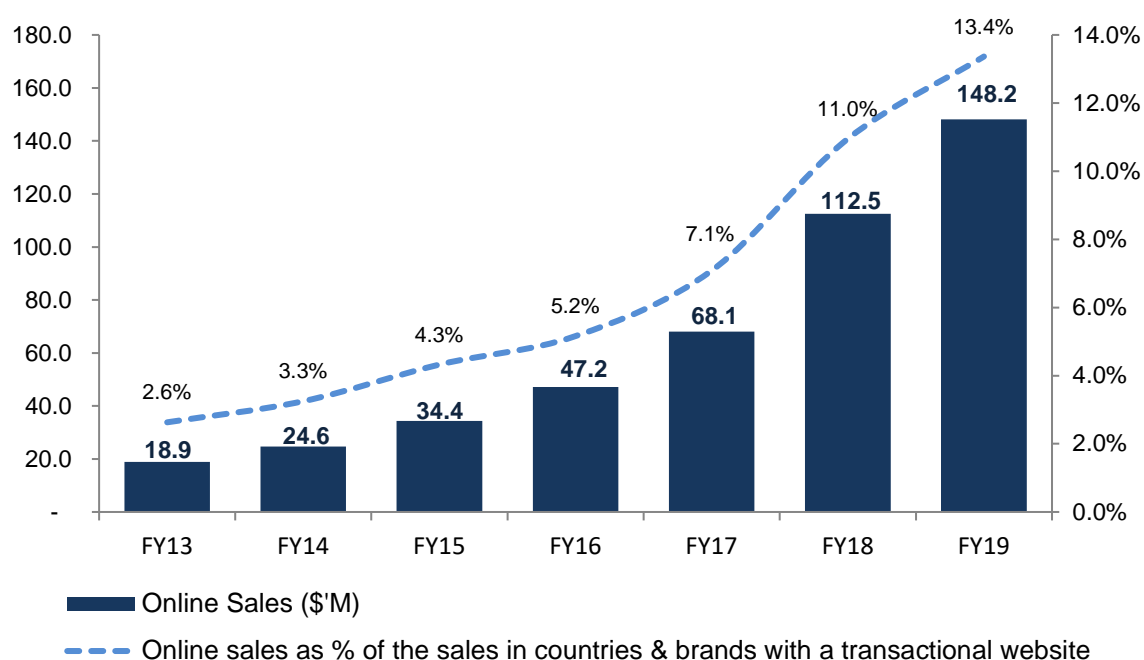
Over the past 12 months, Premier Retail has closed 35 stores, taking the total closed over the past 7 years to 138 stores as part of the ongoing program to close unprofitable stores.

As a direct result of unrealistic rent expectations from landlords, in July 2019 Premier Retail closed 3 prime CBD stores in Auckland (New Zealand). This is in addition to the previously announced closures in the once iconic Chapel Street (Victoria) in 2019 and the closure of Just Jeans flagship store in Rundle Mall (South Australia) in April 2019, demonstrating the willingness of Premier Retail to walk away from stores with unrealistic rents that deliver unprofitable sales.

DELIVERING ON GROWTH INITIATIVES

Online delivers record sales – up 31.7% on FY18

Premier Retail grew online sales for the year by 31.7% to \$148.2 million. The online business contributed 13.4% of the sales in countries and brands with a transactional website (compared to 11.0% in FY18 and 2.6% in FY13). The online business is highly profitable with an EBIT margin significantly higher than the group average.



During 2H19, Premier Retail successfully launched New Zealand transactional websites for Just Jeans, Smiggle, Portmans and Jay Jays. These are in addition to the already-successful Peter Alexander and Dotti transactional websites in New Zealand.

The Group surpassed its aspirational target of \$100 million in global annual online sales in FY18 – two years ahead of schedule. The performance of the online business has surpassed the Group’s expectations. This exceptional outcome has reinforced Premier Retail’s strategies to continue to make major investments in technology, people and new marketing to deliver a world class platform and customer experience.

Smiggle’s ‘Accelerated Pathways to Global Growth’ strategy far exceeding expectations

Smiggle achieved record global sales for the year of \$306.5 million, with particularly strong performance in Asia.

In September 2018, Premier announced Smiggle’s “Accelerated Global Growth Strategy”. The strategy was developed in 2018 as Premier’s Board and Management team recognised that historical paths to global growth were no longer as relevant. The strategy acknowledges major structural changes in global consumerism and technology and the risks associated with committing to long term leases as the major form of global expansion.

The strategy aims to accelerate Smiggle's 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

Significantly, these four pathways aimed to deliver much higher EBIT margin with materially less capital and far higher cash flows than the originally planned multi-country own store roll out.

The 'Accelerated Growth Strategy' is far exceeding expectations, and today Smiggle provides an update on the progress of the strategy.

Smiggle's global wholesale launch successful and far exceeding expectations

In March 2019, Premier announced that in 1H20 it would be launching Smiggle into six new countries via wholesale arrangements with iconic retail partners in each of the respective countries. Today, Smiggle announces that, as planned, the launches into South Korea, Thailand, Indonesia, Philippines, United Arab Emirates and Canada have all been successful. In addition, Smiggle was also launched in Qatar. In total, Smiggle is now available to consumers in 180 new doors through six iconic retailers across seven new countries with a combined population of over half a billion people.

To date, Smiggle has received a total of A\$17 million of orders from its wholesale partners. The A\$17 million of Smiggle wholesale orders has the potential to deliver between A\$35 million and A\$45 million in retail sales to consumers in 1H20. These retail sales alone would represent 20%-25% sales growth on Smiggle's 1H19 actual global retail sales.

Smiggle believes that there is the potential to grow Smiggle to over 350 doors with the existing six wholesale partners within the next 12-24 months. Advanced discussions are ongoing for new wholesale partners in markets which have been identified as high potential with long runways for future global growth.

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

Smiggle online continues to expand and is far exceeding expectations

Smiggle Online sales for the year contributed 18% of the UK sales and 10% of the Australian sales. This is well up on the 15% and 7% respective contribution in FY18. Smiggle's online growth continues to exceed all previous expectations. Smiggle successfully launched a proprietary transactional website in New Zealand in 2H19.

Smiggle continued to expand the brand's global footprint through third-party websites. The brand is successfully operating on UK third-party websites and has successfully launched on Amazon in France, Italy and Spain.

Smiggle continues to explore third-party relationships with other key global leaders including Alibaba, focusing on countries in which the brand does not currently operate but is in high demand.

Smiggle Concession update

Smiggle concession performance in Selfridges and Harrods continues to perform ahead of expectations. In addition, the brand has opened its first Asian concessions stores with three concessions trading in Singapore at the end of FY19. The brand is in final negotiations for a further three to five concessions to be trading across Asia by Christmas 2019.

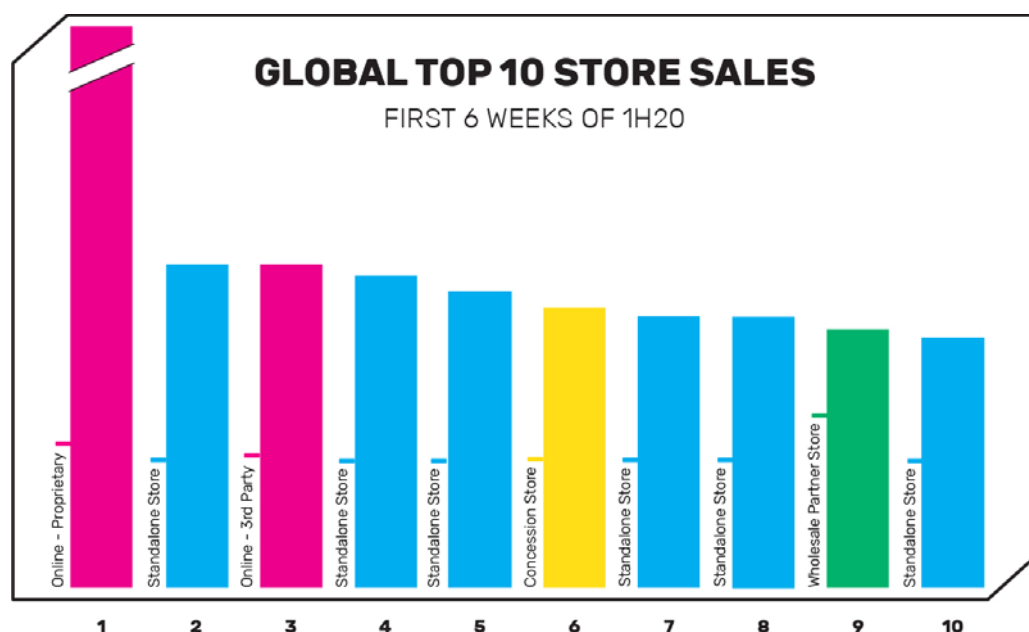
Smiggle – new standalone stores

Seven new standalone Smiggle stores opened globally during FY19. The brand will continue to explore compelling opportunities to open standalone stores in existing markets where commercial terms and returns on investment are attractive.

Smiggle reaffirms its target of \$450 million in annual global retail sales

In September 2018, Premier announced Smiggle’s “Accelerated Global Growth Strategy”. The aim of the strategy was to accelerate Smiggle growth through four different distribution channels.

With the initial launch of Smiggle in 180 of its wholesale partners doors in 1H20, all four pathways are now delivering. The success and diversity of the brand’s distribution channels have far exceeded expectations with all four channels having a store in the top ten Global Smiggle Stores for the first six weeks of 1H20.



Smiggle today reaffirms its growth strategy targeting to deliver \$450 million in annual global Smiggle retail sales in calendar 2021 or calendar 2022.

Smiggle has commenced the new season well with global sales for the first six weeks up 5.2% on prior comparable period (excluding Smiggle’s wholesale business).

Brexit

Recent political developments in the United Kingdom, including the appointment of Boris Johnson as Prime Minister, have added further political and economic uncertainty to an already distressed retail and landlord environment. Many retailers including Top Shop, Paperchase, Debenhams, House of Fraser, Monsoon and Accessorize are currently trading through UK insolvency processes (such as CVAs - Company Voluntary Arrangements) which has led to material reductions in rent being provided by landlords to keep these retailers open and operating.

Smiggle UK successfully launched in February 2014. To date, the business’ store portfolio has generated significantly more cash flow than the capital invested and the brand has achieved a very strong and distinct market position.

To maximise the group’s leverage with landlords to achieve significantly lower rents in a very distressed and uncertain macro-economic environment, the Premier Board has decided to exercise the majority of the lease break clauses that were strategically negotiated as a risk mitigation strategy upon entering the UK market¹. As a direct result, the Premier Board has prudently decided to accelerate the UK store depreciation to lease break dates, incurring a one-off Brexit accelerated depreciation and associated costs charge of \$25.9 million (pre-tax) in FY19.

1. Refer to Appendix for further information

Peter Alexander: Delivers record year with growth set to continue

Peter Alexander delivered record sales for the year of \$247.8 million, up 13.3% on FY18 with positive LFL sales growth in both Australia and New Zealand. The brand opened nine new stores and continued its online expansion of P.A. Plus and children's sleepwear. Peter Alexander's children's sleepwear category has increased sales by 500% since 2013. The Online channel contributes over 50% of the total P.A. Plus sales with this category growing by 150% over the past two years.

Peter Alexander's aspirational target of \$250 million in annual sales has now been delivered one year ahead of schedule.

Peter Alexander today announced that it has plans for significant growth over the next two years. There is the potential for a further 20 to 30 stores to be opened over the next 18 to 24 months, including five confirmed to open in 1H20. Online continues to be a significant growth channel as Peter Alexander materially increases its online-only options of children's sleepwear and P.A. Plus.

STRONG CASH FLOW, STRONG BALANCE SHEET AND RECORD DIVIDENDS

Premier generated net cash flow for the year (operating cash flow less investing) of \$123.3 million, an increase of \$30.1 million or 32.3% over FY18.

Breville Group Limited ("Breville") reported a strong FY19 result with net profit after tax up 15.2%. Premier equity accounts its interest in Breville and included \$18.9 million of associate income in Premier's profit for the year. The equity accounting methodology has resulted in Breville being reflected on Premier's balance sheet with a value of \$238.7 million. The market value of Premier's interest in Breville at year end was \$691.7 million.

In addition to Premier's interest in Breville, Premier's balance sheet at year end included free cash on hand of \$190.3 million and its investment in Myer Holdings Limited valued at \$46.9 million.

The Board has declared record final and full year dividends due to the strong performance of Premier Retail and the strong cash flows generated by the Group. The Board has declared an increased final ordinary dividend of 37 cents per share fully franked, up 12.1% or 4 cps on final FY18 (FY18: 33 cps). The final FY19 dividend will bring total full year dividends to 70 cps, up 8 cps or 12.9% (FY18: 62 cps). The final ordinary dividend will be payable on 15 November 2019 with a record date of 28 October 2019.

ENDS

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APPENDIX

Significant and other one-off items excluded from underlying results

The underlying EBIT and underlying NPBT stated in this release exclude the following one-off items in respective years:

- **FY19** – Recent political developments in the United Kingdom, including the appointment of Boris Johnson as Prime Minister, have added further political and economic uncertainty to an already distressed retail and landlord environment. Many retailers including Top Shop, Paperchase, Debenhams, House of Fraser, Monsoon and Accessorize are currently trading through UK insolvency processes (such as CVAs - Company Voluntary Arrangements) which has led to material reductions in rent being provided by landlords to keep these retailers open and operating. Smiggle UK successfully launched in February 2014. To date, the business' store portfolio has generated significantly more cash flow than the capital invested and the brand has achieved a very strong and distinct market position.

To maximise the group's leverage with landlords to achieve significantly lower rents in a very distressed and uncertain macro-economic environment, the Premier Board has decided to exercise the majority of the lease break clauses that were strategically negotiated as a risk mitigation strategy upon entering the UK market. As a direct result, the Premier Board has prudently decided to accelerate the UK store depreciation to lease break dates, incurring a one-off Brexit accelerated depreciation and associated costs charge of \$25.9 million (pre-tax) in FY19. Typically, specialty store leases in the UK are 10 years or longer. As a risk mitigation strategy, since launching Smiggle UK in February 2014, the Premier Board has strategically negotiated 5 year break clauses in the majority of leases to provide future flexibility. The Brexit accelerated depreciation & associated costs systematically accelerates the depreciation to the strategically negotiated lease break dates remaining in 117 out of 134 stores. The exercising of these lease break options provides Premier maximum flexibility and leverage to achieve lower rents in a distressed retail and landlord environment.

- **FY18** - 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). 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, 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. This result is a function of Premier's strategy to grow its unique assets and competing in the apparel industry. The impairment expense for the FY18 year was non-cash.
- **FY 18** - Premier's other one-off charges in FY18 totalled \$6.4 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 one-off Smiggle Europe expansion costs.

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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