



20 March 2020

## **PREMIER INVESTMENTS RECORD 1H20 NPAT OF \$99.6m, UP 12.2%<sup>1</sup>**

**RECORD PREMIER RETAIL 1H20 SALES OF \$732.1 MILLION, UP 7.6%**

**RECORD PREMIER RETAIL 1H20 EBIT OF \$126.1 MILLION, UP 10.7%**

**RECORD INTERIM DIVIDEND OF 34 CPS**

### **Highlights for 1H20<sup>1</sup>**

- ▶ Premier Investments Group NPAT \$99.6 million, up 12.2% on 1H19
- ▶ Premier Retail EBIT up 10.7% to a record \$126.1 million
- ▶ Premier Retail sales \$732.1 million up 7.6% on 1H19 with like-for-like (“LFL”) sales up 4.3% (constant currency)
- ▶ Apparel brands total LFL sales growth of 7.5% on 1H19 with two year LFL sales growth of 16.9% on 1H18
- ▶ Online sales of a record \$97.2 million, up 28.4%
- ▶ Record Peter Alexander sales up 11.1% to \$144.8 million, underpinned by both strategic growth initiatives and strong LFL sales growth
- ▶ Smiggle Global Retail record sales to consumers up 14.2% on 1H19
- ▶ Record Smiggle reported sales of \$193.7 million, up 8.3% on 1H19
- ▶ Net cash generated (operating less investing activities) of \$133.0 million, up 41% on 1H19
- ▶ Premier’s stake in Breville market value of \$707.4 million at 25 January 2020 (Balance sheet value \$245.6 million)
- ▶ Record interim dividend of 34 cps fully franked reflects the Premier Board’s assessment of the record 1H20 results, strong balance sheet and long-term strength of the Group

### **Commentary**

Premier Investments Chairman, Mr Solomon Lew, said:

“During the reporting period, Premier traded through Brexit uncertainty in the United Kingdom, protests in Hong Kong, devastating bushfires in Australia and a continuing fall in the Australian dollar. These pressures claimed many other retail businesses across Australia and the globe. Despite these factors, Premier delivered record results – this is a testament to the strategy we put in place almost a decade ago and the relentless execution of management against that strategy. Premier today announces record sales and profit with exceptional cashflows allowing us to provide the Group with great flexibility in these uncertain times.”

<sup>1</sup> Premier Investments Limited adopted the Accounting Standard AASB 16 on 28 July 2019 and accordingly, 1H20 Statutory Results presented in the 1H20 Financial Statements have been prepared under the new Standard. The Group used the modified retrospective approach when adopting AASB 16 and as a result, prior period comparatives were not restated. To allow for prior period comparison, all 1H20 results disclosed in this Announcement are pre adoption of AASB 16. Refer to Premier Investments Limited 1H20 results presentation for reconciliations of Statutory and Pre AASB 16 results.

## Premier Retail Continuous Transformation Strategy delivering

Premier Retail strategy has been continually executed to deliver above market returns for shareholders.

### Grow and invest

- ▶ Grow Smiggle significantly
- ▶ Grow Peter Alexander significantly
- ▶ Expansion and growth of online businesses

### Core

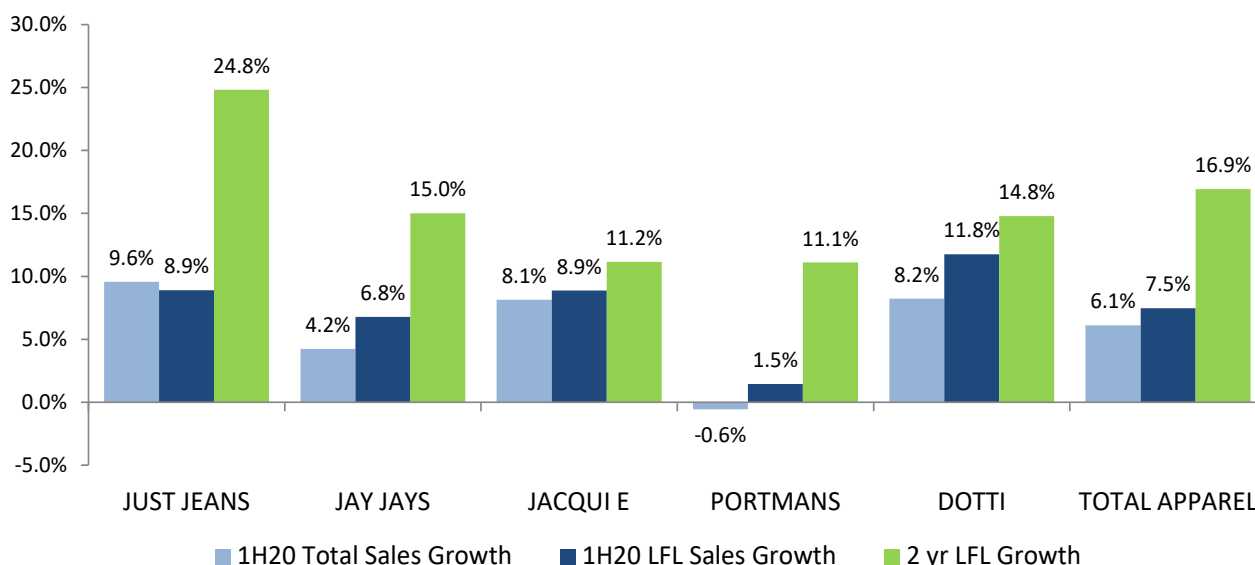
- ▶ Rejuvenation of apparel brands
- ▶ Organisation-wide cost efficiency program
- ▶ Gross margin expansion program

Premier Investments Limited (“Premier”) today reported net profit after tax (NPAT) of \$99.6 million for the 26 weeks ended 25 January 2020 up 12.2% on 1H19 (1H19: \$88.8 million).

Premier Retail delivered record Earnings before interest and tax (EBIT) of \$126.1 million, up 10.7% (1H19: \$113.9 million). Total sales for Premier Retail were up 7.6% to \$732.1 million (1H19: \$680.2 million). Group like-for-like (LFL) sales were up 4.3% on constant currency basis. In Australia and New Zealand, LFL sales were up 6.7% on a constant currency basis with all seven brands delivering positive LFL growth.

### Apparel brands

LFL sales in Premier Retail’s apparel brands (Just Jeans, Portmans, Dotti, Jacqui E and Jay Jays) were up 7.5% for the half with total sales up 6.1% to \$393.5 million. Over a two-year time frame, Premier Retail’s apparel brands have delivered LFL growth of 16.9%.



Premier Retail continued its focus on better product development and product sourcing in a highly competitive environment. Management also continued to invest in product and merchandise teams. During the past 12 months, 21 unprofitable apparel stores have been closed as a result of unreasonable rental costs from landlords.

## **Peter Alexander**

Peter Alexander delivered record sales, up 11.1% to \$144.8 million and underpinned by strong LFL sales growth in both Australia and New Zealand. The brand experienced very strong Christmas trading and January sales.

Seven new stores were opened during the half and all new stores are trading above budget. Landlords funded 96% of the fit out of these stores underpinning the importance of Peter Alexander as an “anchor” brand for shopping centres.

Peter Alexander’s online store continued to deliver impressive growth well ahead of the market and new categories (children’s sleepwear and plus-size) performed strongly.

## **Online**

Premier Retail delivered record online sales of \$97.2 million in 1H20, up 28.4% (1H19: \$75.7 million). The online business contributed 14.6% of respective market sales in countries and brands with a transactional website (1H19: 12.9% contribution).

The recently-launched New Zealand websites for Smiggle, Just Jeans, Portmans and Jacqui E combined exceeded expectations in 1H20.

Premier continues to benefit from its 2013 investment in a centralised and specifically customised Australian Distribution Centre servicing 100% of order fulfilment for all Premier Retail brands and products across the country. Online continues to deliver significantly higher EBIT margin than the Group average with all sites continuing to deliver strong growth and all brands outperforming the market.

Major investment continues in technology, people and new marketing initiatives to deliver a world class platform and customer experience.

## **Smiggle**

Despite protests in Hong Kong and Brexit uncertainty in the United Kingdom, Smiggle’s global retail sales including wholesale partners sales to consumers increased by 14.2% in the half. Smiggle reported record revenue of \$193.7 million for the half, up 8.3% on 1H19. Smiggle’s Accelerated Growth Strategy, announced in September 2018, continued to be successfully implemented with performance in 1H20 far exceeding expectations.

The previously announced wholesale component of Smiggle’s Accelerated Growth Strategy has emerged as providing the greatest global growth opportunity for the brand. The first doors of Smiggle wholesale were opened in 2H19. At the end of 1H20, Smiggle was represented through seven iconic retailers in over 250 doors across nine countries (South Korea, Thailand, Indonesia, Philippines, United Arab Emirates, Canada, Qatar, Pakistan and Oman).

The Smiggle-Disney collaboration between Smiggle and Disney studios was the first time Smiggle has collaborated with another brand. The Smiggle Frozen 2 and Smiggle Star War ranges were launched to coincide with the respective movie releases in all countries where Smiggle is available. Due to the success of this collaboration, Smiggle is planning additional collaborations with leading movie brands that are aligned with Smiggle’s core customers.

## **Premier Retail Continuous Transformation Strategy**

During the reporting period, Premier Retail traded through Brexit uncertainty in the United Kingdom, protests in Hong Kong, devastating bushfires in Australia and a continuing fall in the Australian dollar. Despite these pressures, the business continues to outperform the market with a sustained focus on better product, sourcing and marketing to its core customers.

In addition, Premier Retail continues its focus on:

- ▶ **Margin expansion** with long term currency hedging in place, direct sourcing initiatives well established, investment in merchants, investment in better products and disciplined markdown management
- ▶ **Cost efficiency** with cost of doing business (CODB) down 94 bps as a percentage of sales to 45.4% in 1H20
- ▶ **Store profitability** with 33 stores closed during the last 12 months and a total of 134 stores closed over the last seven years. Premier will continue to close stores where landlords do not continue to invest in overall shopping experiences and landlords do not adjust their rent expectations in line with the performance of their own centres, the major shifts in consumer behaviour or in line with rentals being offered to other local and international retailers, including offering lower rentals to failed retailers.

Premier Retail continues to invest in new stores, upgrades and refurbishments to deliver sustainable sales and profit growth. During the half, 158 stores received capital investment, including 12 new stores and 6 new Smiggle International Concessions. In Australia and New Zealand, 96% of capital investment in stores has been funded via landlord contributions.

## COVID-19

Our absolute priority is the safety and wellbeing of our teams and we will continue to support all customers and communities in the countries we operate in.

Premier Retail closed 1H20 with 19% more inventory than 1H19. This solid opening and current inventory position is a function of increased inventory investment to support strong sales growth following a record 1H20 as well as the strategic decision to bring forward production and deliveries in advance of Chinese New Year.

Over the past 9 years the Group has significantly diversified sourcing within China and to multiple countries outside of China. In addition, over that same timeframe, our strategic investment in high quality merchants has meant at this stage, as our Chinese factories have reopened over the past 4 weeks, we have been able to secure the majority of the balance of our 2H20 inventory with only minor increases in supply chain costs.

It is impossible to predict or forecast the nature and impact of COVID-19 on consumption and supply chains in each of the countries we operate. In this environment our high quality management team are focussed, flexible and nimble to respond to all unfolding scenarios.

Landlords have a major role to play to ensure retailers can operate in the short term for the long term benefit of all stakeholders. Since the outbreak of COVID-19 we have closed 2 stores in Hong Kong, and we are prepared to close many more stores globally if landlords do not respond to the current crisis. In Australia and New Zealand close to 70% of stores are already in holdover or with leases expiring in 2020 providing the Group with maximum flexibility.

At this stage from what we know today trade has been impacted in the following ways:

- Smiggle Hong Kong, Singapore and Malaysia trade has been and is currently severely disrupted
- Smiggle Ireland and United Kingdom trade has deteriorated significantly since the European outbreak and the announcement of a global pandemic
- Trade in all brands in Australia and New Zealand has been impacted in tourist stores, stores historically supported by international students and more recently by the announcement of a global pandemic
- There could be an impact on Gross Margin as we clear inventory in each market to respond to consumption patterns.

We have detailed cost and supply chain mitigation strategies underway which will be deployed depending on the way in which the challenges we face evolve. There could be significant hardship right across our business. We have been transparent in describing the ever evolving impacts on our group. At this stage it is not currently possible to estimate the extent of these impacts on the group's current and future earnings.

Despite the uncertainty surrounding COVID-19, Premier Investments Limited has:

- A strong balance sheet, with cash on hand of \$199.8 million
- Distinctive brands that have delivered a record 1H20 result
- A very experienced Board and a high quality Management team

The Group will be ready to bounce back as soon as possible.

### **Record Interim Dividend and Group Strength**

The 1H20 record results generated net cash (operating cash flow less investing activities) of \$133.0 million during the half. The strong cash flow allowed the group to:

- ▶ **Pay** a record final FY19 fully franked dividend of \$58.6 million to shareholders
- ▶ **Decrease debt** by \$65.9 million to \$101.6 million
- ▶ **Increase cash** on hand by \$9.5 million to \$199.8 million

In February 2020, Breville Group Limited (Breville) announced a record interim result and updated the market on its own successful global growth. The Premier Board is delighted with the success of Breville and strongly believes in the future growth of the business. The market value of Premier's holding in Breville was \$707.4 million at 25 January 2020. The associated equity value of Premier's stake in Breville is reflected at only \$245.6 million on Premier's balance sheet.

Premier's balance sheet also includes its \$40.7 million investment in Myer Holdings Limited and Premier's strategically-owned properties at St Kilda Road (the global Premier Retail head office) and Premier Retail's Australian Distribution Centre. The value of these two properties on Premier's balance sheet reflects their historical cost of \$71.5 million and not their current market value.

Due to the 1H20 record Premier results, the continued strengthening of Premier's balance sheet and the Board's confidence in the long term strategies of both the Premier Retail business and the Breville business, the Premier Board has approved an increased record interim ordinary dividend of 34 cents per share fully franked (1H19: 33 cps). The interim dividend will be payable on 30 September 2020 with a record date of 31 July 2020.

ENDS

For further information please call:

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## 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: Pre AASB 16, 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. 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. In particular the dynamic nature and continuing uncertainty surrounding COVID-19 means it is impossible to predict or forecast the COVID-19 impact on future global consumption, supply chains and therefore Premier's business. 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.