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PREMIER INVESTMENTS LTD

Half Year 2015 results overview
23 March 2015

dotti

JACQUI·E

Jay Jays



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portmans

sniggle

Agenda

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PREMIER INVESTMENTS LTD

1H15 OVERVIEW

1

Premier Investments 1H15 overview

- Group profit
 - Profit before tax \$78.7 million, up 12.2% on pcp
 - Net profit after tax \$56.8 million, up 9.1% on pcp
 - Earnings per share of 36.5c, up 8.7%
 - Increased interim fully franked dividend of 21 cps (1H14: 20cps)
 - In addition to the ordinary dividend, a special dividend of 9 cps fully franked
- Premier Retail contribution to Premier performance
 - Sales of \$490.8 million, up 4.8% on pcp¹
 - EBIT of \$70.0 million, up 13.8% on pcp
 - Profit before tax of \$67.4 million, up 14.7% on pcp

Note:

1. Excluding sales to South African Joint Venture



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- Premier Retail continuing to grow
 - Net profit before tax up 14.7%
 - Total sales increase of 4.8% pcp¹
 - Online sales up 23%
 - Peter Alexander sales up 14.6%
 - Smiggle sales up 18.9%
 - Smiggle UK results ahead of expectations: 19 stores now trading in the UK with a further 14 identified to open before Christmas 2015
- Premier balance sheet remains strong
 - Cash on hand of \$286.0 million
 - Premier Retail core debt decreased by \$24.2 million during the half
 - Inventories clean
 - Balance sheet at end of half shows investment in associate (Breville) as \$209.6 million. Market value of investment at end of half of \$256.4 million²
 - Franking credit pool of \$204.6 million

Note:

1. Excluding sales to South African Joint Venture
2. Based on share price of \$7.17 on 23 January 2015



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Premier Investments 1H15 consolidated income statement

\$m	26 weeks to 24 Jan 2015	26 weeks to 25 Jan 2014
Premier revenues (ex Premier Retail)	13.8	13.6
Premier expenses (ex Premier Retail)	(2.3)	(2.2)
Premier Retail EBIT	70.0	61.5
Finance costs	(2.8)	(2.8)
Net profit before income tax	78.7	70.1
Income tax expense	(21.9)	(18.0)
Net profit after income tax	56.8	52.1

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Premier Investments summarised consolidated balance sheet

\$m	24 Jan 2015	26 Jul 2014
Assets		
Cash and cash equivalents	286.0	313.3
Inventories	101.0	98.5
Property, plant and equipment	119.1	109.0
Other assets	61.5	32.1
Investment in associates	211.4	188.4
Intangible assets	854.6	854.6
Total assets	1,633.6	1,595.9
Liabilities		
Interest bearing loans and borrowings	95.4	119.5
Trade payables, provisions and other liabilities	189.2	177.9
Total liabilities	284.6	297.4
Equity		
Contributed equity	608.6	608.6
Reserves	27.3	2.5
Retained earnings	713.1	687.4
Total equity	1,349.0	1,298.5

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PREMIER RETAIL



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Premier Retail performance: highlights

- Profit before tax up 14.7%
- EBIT up 13.8% to \$70.0m
- EBIT margin up 112 bps to 14.3%¹
- Total sales up 4.8%²; LFL sales up 1.1%
- All key growth initiatives delivering
 - Online sales up 23% - continuing to grow well ahead of the market – investment to support this growth is continuing
 - Peter Alexander store roll out continues to deliver profitable growth
 - Smiggle continues to deliver strong growth in all markets
 - Smiggle UK has 19 stores currently trading with a further 14 identified to open in CY15
- Gross Margin up 134 bps despite competition and weaker AUD
- Inventory clean
- Targeted capital investment program continues, with 28 new stores opened and capital invested in 182 stores across all brands during the half
- Jay Jays turnaround on track – strong LFL sales and margin growth
- Good growth from Just Jeans and Jacqui E; Portmans and Dotti started 2nd half well

Note:

1. As a percentage of sales excluding sales to South African Joint Venture
2. Excluding sales to South African Joint Venture



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Premier Retail performance: underlying financial results

\$000	26 weeks to 24 Jan 2015	26 Weeks to 25 Jan 2014	Var LY
Sales ¹	490,837	468,355	+4.8%
<i>LFL sales</i>	<i>+1.1%</i>	<i>+4.4%</i>	
Gross Profit ¹	311,179	290,651	+7.1%
<i>Gross margin (%)¹</i>	<i>63.4%</i>	<i>62.1%</i>	<i>134bps</i>
Employee Expenses ²	(118,318)	(110,470)	+7.1%
<i>% sales</i>	<i>24.1%</i>	<i>23.6%</i>	<i>52bps</i>
Rent ²	(99,337)	(93,113)	+6.7%
<i>% sales</i>	<i>20.2%</i>	<i>19.9%</i>	<i>36bps</i>
Advertising & Direct Marketing ²	(7,617)	(7,380)	+3.2%
<i>% sales</i>	<i>1.6%</i>	<i>1.6%</i>	<i>-2bps</i>
Depreciation, Amortisation & Impairment ²	(9,847)	(10,987)	-10.4%
<i>% sales</i>	<i>2.0%</i>	<i>2.3%</i>	<i>-34bps</i>
Other Costs of Doing Business ²	(12,077)	(10,229)	+18.1%
<i>% sales</i>	<i>2.5%</i>	<i>2.2%</i>	<i>28bps</i>
Other income	5,685	2,758	+106.1%
Share of JV Profit	312	280	+11.4%
Underlying EBIT	69,980	<i>61,510</i>	+13.8%
<i>% sales</i>	<i>14.3%</i>	<i>13.1%</i>	<i>112bps</i>
Borrowing costs	(2,614)	(2,769)	-5.6%
Profit before tax	67,366	58,741	+14.7%

Note:

1. Sales, gross profit and gross margin exclude South African Joint Venture
2. Total cost of doing business equates to 50.4% of sales (1H14: 49.6%) excluding sales to South Africa JV, including investment in online, Peter Alexander and Smiggle UK growth initiatives



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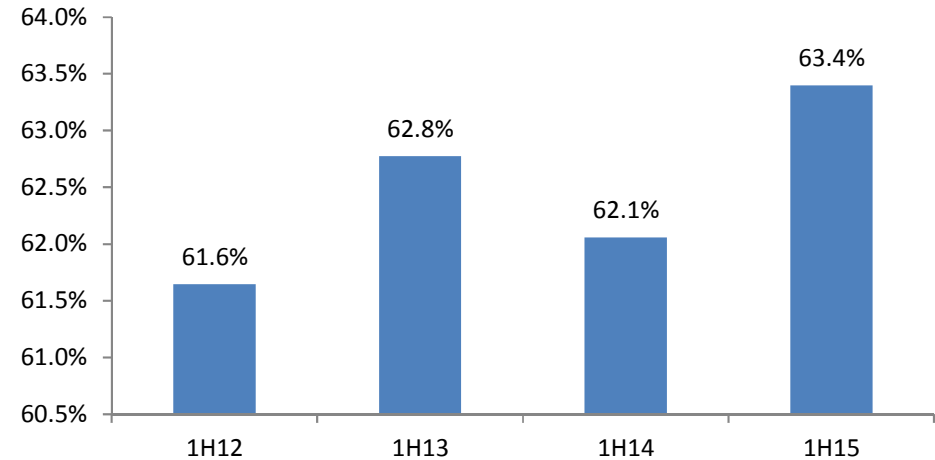
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Gross margin

- Gross margin expanded by 134 bps despite weaker AUD and highly competitive market
- Strategies to offset the impact of the weaker AUD have been effectively implemented across all brands and markets
- Direct sourcing initiatives continuing to deliver benefits from new suppliers and countries
- Improved customer response to new Jay Jays brand and product strategy delivered a significant reduction in markdowns and improvement in margin throughout the half
- Ongoing growth of Peter Alexander and Smiggle continuing to drive margin improvements for the group
- Focus on markdown management continues

Gross margin — 4 year history



Note:
Gross margins exclude sales to South African Joint Venture



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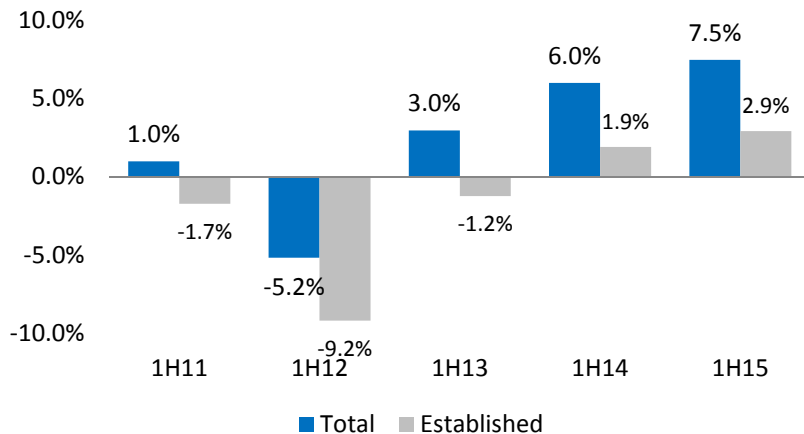
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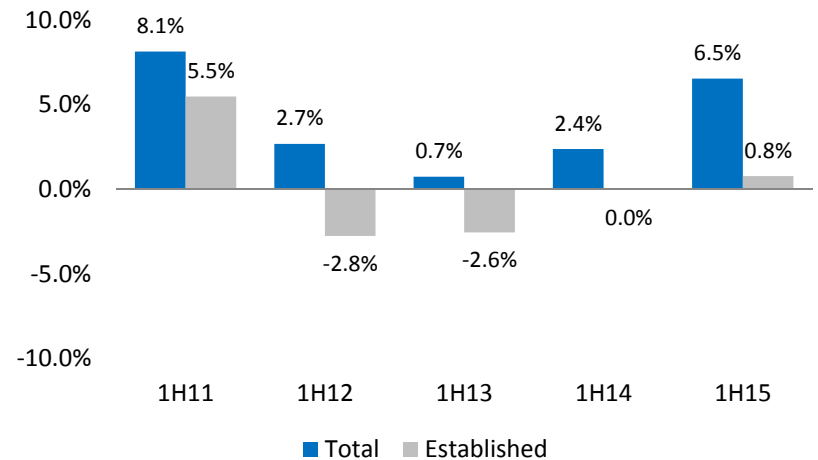
CODB remains a focus

- Costs continue to be well controlled despite strategic investment in growth initiatives, including online, Peter Alexander and Smiggle UK
- Store rent increased by only 0.8% for the established brands, despite inflationary pressures built into leases
- Labour productivity gains in stores for established brands were sufficient to offset the increase in store salaries of 2.9%
- 8 loss making stores closed during the half, as part of our ongoing program to remove underperforming assets

Store Salaries¹



Store Rent¹



Note:

1. Store rental and store salaries only. Established brands includes Just Jeans, Jay Jays, Portmans, Jacqui E & Dotti in Australia and New Zealand. Total includes all brands and countries. Store rental excludes impact of onerous lease provisions in prior years



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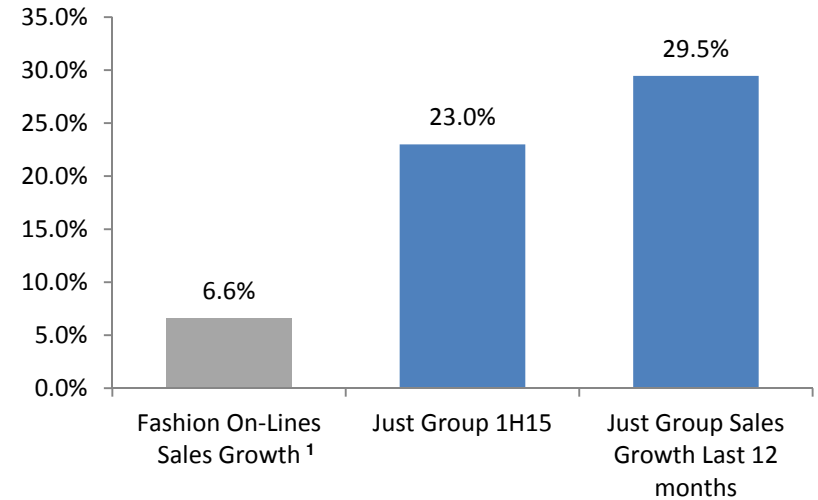
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Premier Retail online strategy delivering

- Online sales up 23.0% for the half and up 29.5% for the past 12 months – well ahead of market growth of 6.6% for the 12 months ended January 2015
- Portmans and Dotti continuing to outperform with online sales up 35% and 32% respectively
- Online channel extremely profitable with profit margin well above group average
- Investment continuing in technology, people and marketing
 - Mobile optimised and enhanced sites and emails for all brands
 - Optimising sites for tablets
 - Personalised product and content recommendations
 - Exploring faster delivery options
 - New traffic driving initiatives
- New sites to be launched in 2H15
 - Dotti.co.nz
 - Smiggle.co.uk
- Multi channel initiatives providing valuable sales growth and enhanced customer experiences
 - “Store to door” delivering incremental sales & EBIT
 - “Click and collect” continuing in Portmans
 - Ongoing growth of customer database and personalised content supporting sales growth across all channels
- New Australian distribution centre to support significant further growth

Online sales growth



Note:

1. NAB Online Retail Sales Index – January 2015. Reported Australian online retail sales in the fashion category grew by 6.6% in the 12 months to January 2015

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Premier Retail investing in growth

Premier Retail continuing to invest in new stores, upgrades and refurbishments to deliver sustainable sales growth; 182 stores received capital investment including 28 new stores that were opened in 1H15

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- 8 new stores opened across Australia and New Zealand
- 1 store relocated into a larger format
- 6 stores refurbished
- 1 new Myer concession store opened
- 19 stores received lighting upgrades
- 23 stores received back of house upgrades
- 22 stores received new kid's fixtures
- 13 stores received kid's fixture upgrades
- 11 stores received POS upgrades



Peter Alexander Dunedin, NZ - opened October 2014

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- 1 store relocated in Australia
- 1 store refurbished

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- 2 new stores opened across Australia and New Zealand
- 4 stores relocated
- 2 stores refurbished



Jacqui E Joondalup, WA - opened November 2014

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Premier Retail investing in growth



- 10 new stores opened in the United Kingdom
- 3 new stores opened across Australia and Singapore
- 2 stores relocated
- 13 Christmas kiosks opened in Australia
- 24 stores received POS upgrades



- 1 new store opened in Australia
- 2 stores relocated



- 2 new temporary stores opened in Australia
- 2 stores relocated
- 4 stores refurbished in Australia
- New store concept under development for flagship Sydney CBD store opening in 2H15



- 2 new stores opened in Australia
- 1 store relocated
- 2 stores refurbished in Australia
- New store concept developed – 1st store to open at Westfield Fountain Gate in late March 2015
- A further 6 stores to be upgraded to new concept in 2H15



Dotti Indooroopilly



Rendering of Jay Jays Fountain Gate new store

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Smiggle International: United Kingdom

- Results to date are ahead of our expectations
- Positive profit contribution to group in 1H15
- 15 of the top 20 Smiggle stores globally are already in the UK
- Smiggle now represented in 4 of the top 10 centres in England: London Westfield, Stratford Westfield, Kent Bluewater (opened 12th February, 2015) and Birmingham Bullring
- Smiggle UK will grow to be a significant profit driver to the Group with the potential for 200 stores and sales of \$200m over the next 5 years



Kent Bluewater, United Kingdom opened 12th February, 2015



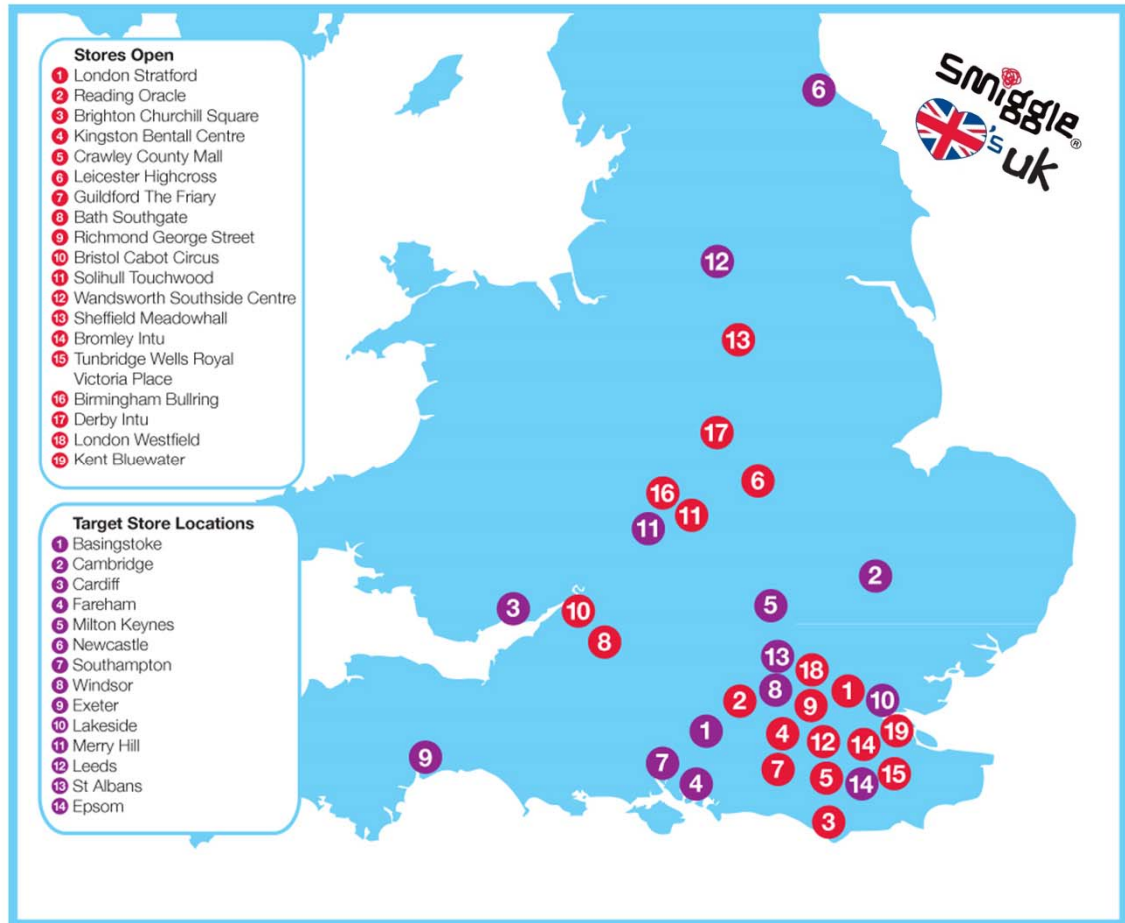
London Westfield, United Kingdom opened 11th December, 2014

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Smiggle International: United Kingdom

19 stores currently trading with a further 14 identified to open prior to Christmas 2015

- 19 stores currently trading in the UK
- A further 14 new stores identified to open in CY2015
- Negotiations for a further 40 stores are underway



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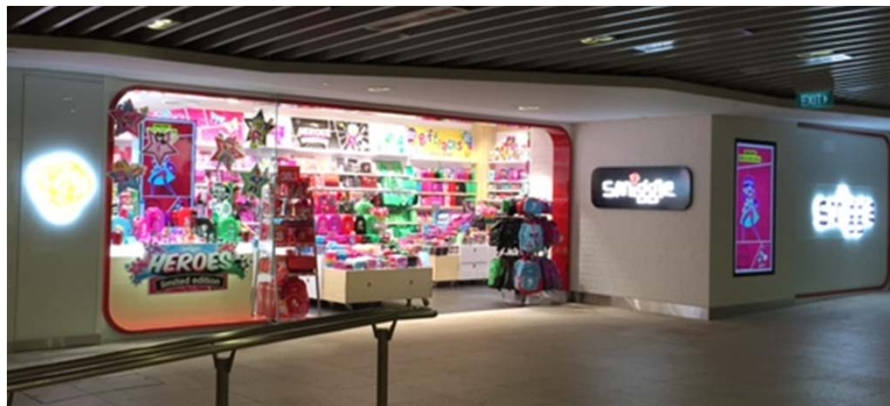
Smiggle International: Singapore

Smiggle Singapore continues to be a significant profit driver for the group

- 19 stores now trading in Singapore
- New ION Orchard store opened on 7th February 2015 in prime Orchard Road Singapore (store no 19)
- Very profitable market and continues to improve from strong sales growth and improved margins following supply chain changes in FY14



ION Orchard, Singapore opened 7th February, 2015



ION Orchard, Singapore opened 7th February, 2015



Great World City, Singapore opened 30th October, 2014

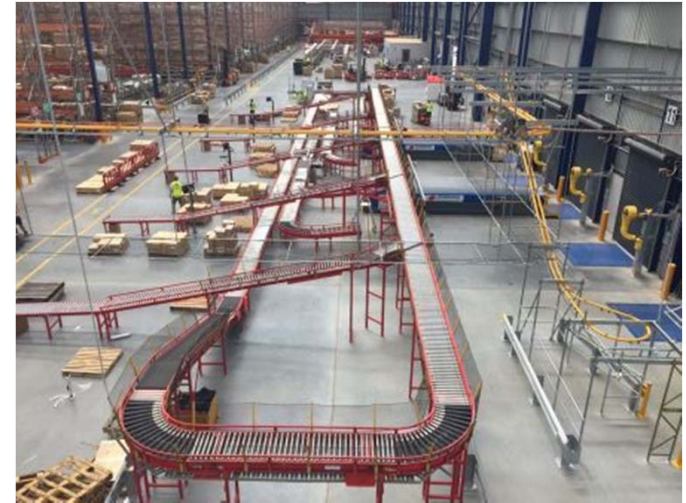
Three year strategic growth plan on track

- Total sales up 14.6%
- 8 new stores opened in 1H15, including new flagship in Brisbane CBD
- 5 new stores confirmed to open in 2H15
- Potential for further stores in Aust (5-10 in FY16) and NZ (3-5 in FY16)
- Significant growth opportunity from expanding existing stores that have limited further growth potential due to small footprint eg Chadstone, Bondi, Karrinyup
- Performance in New Zealand has been outstanding – sales up 28%
- New Zealand online continuing to grow – up 81% on 1H14
- Strong returns on recent investments in existing chain –
 - Mini refurbishments at Westfield Sydney, Chadstone, The Ivy and Doncaster
 - Lighting upgrades
 - Fixture upgrades
 - Point of sale upgrades



New Australian national distribution centre operational

- 4 brands (Just Jeans, Jacqui E, Dotti, Jay Jays) operating from the new National DC
- All brands to be operating by the end of May 2015
- DC operational capability well established with optimisation of new systems and equipment progressing strongly
- Transition costs fully provided for in FY14 with no financial impact on FY15 results
- Cost savings of more than \$2m per annum to be realised within the first 3 years once facility fully operational
- Leveraging the Premier balance sheet delivers a lower cost and future capital growth to the group



New Australian National Distribution Centre

Online growth continues to outperform the broader market

- 1H15 growth of 23% - well ahead of the market
- Continued investment in technology, people and marketing to maximise growth
- Multi channel initiatives delivering incremental sales and EBIT
- Online channel extremely profitable with profit margin well above group average
- Strong management team led by Georgia Chewing (Group General Manager: Internet and Marketing) continuing to grow the business

Peter Alexander delivering

- Strong sales growth continuing
- New store roll out program in Australia and New Zealand delivering profitable growth
- Key investments continue in marketing and online
- Investments in upgrading existing high volume stores to improve LFL growth
- Strong and focused management team lead by Judy Coomber (Managing Director: Peter Alexander) and Peter Alexander (Creative Director: Peter Alexander)

Smiggle International driving future growth

- Smiggle performing well in all markets
- UK results exceeding expectations, with 19 stores currently trading and 14 more identified to open in CY15
- 15 of the top 20 Smiggle stores are in the UK
- UK market reported a small profit contribution for 1H15
- All UK stores expected to be profitable in the first year of operation and UK market expected to break even in FY15
- Smiggle UK is expected to grow to be a significant profit driver to the Group with the potential for 200 stores and sales of \$200m over the next 5 years
- John Cheston (Managing Director: Smiggle) has established a high performance team capable of delivering globally

Core brands strategies on track

- Jay Jays turnaround strategy delivering pleasing results with strong sales growth and margin expansion
- Just Jeans “Anchored in denim” strategy delivering strong sales and profit growth
- Jacqui E continues to perform well
- Portmans and Dotti started 2H15 season well
- Continued targeted investment in improving the existing store network

Supply chain transformation continues

- New Australian national DC operational
 - All brands to be operating from new DC by May 2015
 - Capacity to deliver growth aspirations for the group across all channels
 - Operational savings of more than \$2 million per year within three years

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DIVIDENDS

12 Dividends

- The Premier Board has declared an increased interim fully franked dividend of 21 cps (FY14 Interim: 20 cps)
- The Board's decision to pay ordinary dividends is always shaped by:
 - Assessment of the result
 - Outlook for the market
 - Confidence in the operational performance of Premier's people, brands and processes
 - Maintaining cash reserves for growth opportunities
- In addition, Premier has declared a special dividend of 9 cps (fully franked) as part of its ongoing capital management strategy
- The Board will continue to consider capital management initiatives in the future

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PREMIER RETAIL BRAND BY BRAND PERFORMANCE

Highlights

- Total sales growth 18.9%
- Positive LFL sales growth
- 2 new stores opened in Australia
- 19 stores now trading in the United Kingdom, with a further 14 identified for CY2015
- New flagship store opened at ION Orchard in Singapore (store number 19) in February 2015
- Continuing focus on product innovation delivering sustainable growth in all markets and building a strong platform for expansion

Overview of Results

Sales	\$74.4m
Var LY	+18.9%

Store movements	Jul 14	Open	Close	Jan 15
Australia	116	2	-	118
New Zealand	23	-	-	23
Singapore	18	1	1	18
UK	8	10	-	18
	165	13	1	177



Highlights

- Total sales growth 14.6%
- Positive LFL sales growth
- 6 new stores opened in Australia, including flagships in Brisbane CBD, Miranda and Macquarie
- 2 new stores opened in NZ (the first new stores in NZ for 4 years)
- Focus on social media to drive data base signups and brand awareness – PA now in top 20 for fashion for Facebook followers
- Customer database growth continues to be a key focus - Aust. +43%, NZ +40%
- Investment in existing stores continues to enhance store environment and improve operations

Overview of Results

Sales	\$72.7m			
Var LY	+14.6%			
Store movements	Jul 14	Open	Close	Jan 15
Australia	59	6	1	64
New Zealand	8	2	-	10
Myer Concession	9	1	-	10
	76	9	1	84



Highlights

- Strong LFL sales in 1H15 – momentum from FY14 continuing
- Strong gross margin growth from better assortment, improved sourcing and lower markdowns
- Increase in full price sales and reduced clearance markdowns confirming we are on track and clear with our target customer
- New brand positioning received well by customers
- New stores opened at Macquarie and Indooroopilly during 1H15
- New store format developed with 7 stores to be upgraded to new store concept in 2H15
 - Fountain Gate, Vic
 - Brisbane CBD, Qld
 - Cranbourne, Vic (new store)
 - Loganholme, Qld
 - Albany, NZ
 - Joondalup, WA
 - Baldivis, WA (new store)

Overview of Results

Sales	\$88.8m			
Var LY	+1.2%			
Store movements	Jul 14	Open	Close	Jan 15
Australia	178	2	2	178
New Zealand	35	-	-	35
	213	2	2	213



Highlights

- Total sales growth 3.6%
- Stronger LFL sales growth
- “Anchored in Denim” strategy delivering results with strong growth from fashion & core denim
- New brands performing well
 - The first season of Guess delivered promising results
 - Calvin Klein re-launching during 2015
- New store format under development for launch in 2H15 in new Sydney CBD flagship location

Overview of Results

Sales	\$107.8m
Var LY	+3.6%

Store movements	Jul 14	Open	Close	Jan 15
Australia*	196	2	1	197
New Zealand	45	-	-	45
	241	2	1	242

* Includes one group store



Highlights

- Total sales growth 2.8%
- LFL sales growth stronger
- Strong result for the season
- Margin continuing to improve through:
 - Sourcing initiatives delivering lower costs
 - Improved merchandise assortment reducing markdowns
- Strong growth from dresses
- Continued focus on climatic ranging

Overview of Results

Sales	\$37.4m
Var LY	+2.8%

Store movements	Jul 14	Open	Close	Jan 15
Australia	80	-	1	79
New Zealand	20	-	-	20
	100	-	1	99



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Highlights

- Strong start to new season (2H15)
- New season fashion ranges selling well
- Online sales up 32% in 1H15 and a very profitable channel
- Highly responsive supply chain enabling turnaround of new fashion items in 6-8 weeks
- Introduction of rejuvenated key volume seasonal programs delivering solid results
- Social media campaign increasing customer engagement
- New store format, i.e. Miranda and Macquarie, delivering ahead of plan

Overview of Results

Sales	\$55.5m
Var LY	-2.8%

Store movements	Jul 14	Open	Close	Jan 15
Australia	90	1	2	89
New Zealand	21	-	-	21
	111	1	2	110



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Highlights

- 2H15 commenced well with improved sales momentum
- Key product focus areas include:
 - Skirts and Knitwear continue to be a key growth area with continued momentum in the start of 2H15
 - Dresses category strengthening in key silhouettes and fabrications
 - Tailoring/Workwear new collection launched at the end of 1H15 and has been well received
 - Coats and Jackets delivering a premium product at a lower cost
- Investment in Jess Hart as Brand Ambassador continues
- Online sales up 35% in 1H15

Overview of Results

Sales	\$54.2m
Var LY	-5.0%

Store movements	Jul 14	Open	Close	Jan 15
Australia	88	1	1	88
New Zealand	12	1	-	13
	100	2	1	101



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