



18 March 2016

## **PREMIER INVESTMENTS DELIVERS STRONG 1H16 RESULT**

**Consolidated NPAT up 25.9%**

**Premier Retail Record 1H – Sales up 15.1% and EBIT up 29.7%**

**Ordinary interim fully franked dividend of 23 cps, up 2 cps**

### **HIGHLIGHTS FOR 1H16**

- Premier Investments net profit before tax (NPBT) of \$98.3 million, up 24.9% on 1H15
- Premier Investments net profit after tax (NPAT) of \$71.5 million, up 25.9% on 1H15
- Premier Retail earnings before interest and tax (EBIT) of \$90.7 million up 29.7% on 1H15 and EBIT margin up 180 bps to 16.1%
- Premier Retail delivered strong sales and margin growth:
  - Total sales up 15.1% to \$565.0 million
  - Like-for-like (LFL) sales up 6.9%, with all brands reporting positive LFL sales
  - Online sales up 47.7%, well ahead of market growth and very profitable
  - Gross margin up 139 bps despite weaker AUD
  - Smiggle global sales up 46.5% with strong positive LFL sales in all countries
    - UK trading ahead of expectations with 18 new store openings in the half, bringing total UK footprint to 42 stores at end of January 2016
    - Targeting to have up to 70 stores by end of July 2016
    - Aiming for a UK footprint of approximately 100 stores by Christmas 2016
    - First stores in Malaysia and Hong Kong to open in April and May 2016
  - Peter Alexander total sales up 22.5% driven by LFL sales growth and new store openings. Three additional stores to open in 2H16
- Ordinary interim dividend declared of 23 cents per share fully franked, up 2 cents per share on 1H15 (1H15 ordinary dividend: 21 cps)

Premier Investments Limited (“Premier”) today reported consolidated net profit before tax (NPBT) of \$98.3 million for the half ended 30 January 2016, up 24.9% on 1H15<sup>1</sup>. Premier’s net profit after tax (NPAT) for the half was \$71.5 million, up 25.9% on 1H15<sup>1</sup>.

Premier Retail reported earnings before interest and tax (EBIT) of \$90.7 million, up 29.7% on 1H15 (1H15: \$70.0 million)<sup>1</sup>. EBIT margin was up 180 basis points to 16.1% of sales<sup>1</sup>. Premier Retail’s NPBT increased 31.6% to \$88.6 million reflecting strong sales performance, margin expansion, cost control and productivity improvements<sup>1</sup>.

Total sales were up 15.1% to \$565.0 million and like for like (LFL) sales were up 6.9%, with all seven brands delivering positive LFL performance<sup>1</sup>. Gross margin was up 139 bps to 64.8% despite the weaker AUD. Inventory remains clean.

Premier’s Chairman, Mr Solomon Lew said: *“This is a high quality result.*

*“Sales growth is strong both in store and online, proving again that we are delighting our customers across all of our brands. All of our seven brands delivered positive like for like sales growth, demonstrating the strength of our customer offer in each market.*

*“Our two growth brands continue to excel, with Peter Alexander sales growing by 22.5% and opening 8 new stores during the first half. Smiggle delivered global sales growth of 46.5% and our UK roll-out is progressing well ahead of schedule. We continue to believe that Smiggle has the potential to become a truly global brand.*

*“Our online sales grew by 47.7% during the half, significantly outperforming the broader market at an EBIT margin significantly higher than the group average.”*

Premier Retail CEO, Mr Mark McInnes said: *“The entire portfolio of brands is delivering growth and great returns for our shareholders.*

*“The strong sales performance, our targeted capital investments and our disciplined approach to cost, labour, rents and inventory management has allowed us to post a record sales and EBIT result.*

*“These results are proof that the team we have in place is delivering on our strategy to rejuvenate our core brands, focus on efficiency, and drive the growth of Smiggle, Peter Alexander, and our online offer.*

*“We have continued to control our costs well, with store wage and rent productivity improvements throughout the half and our investment in transforming our supply chain paying dividends. We will continue to invest in our people, technology, and brands.”*

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<sup>1</sup> 1H16 represents 27 weeks, compared to a 26 week 1H15. Additional week accounts for \$16.1 million in sales and \$6.8 million in EBIT. LFL sales are reported on a 27 v 27 week basis.

## PREMIER RETAIL TRANSFORMATION – FOCUS ON GROWTH & INVESTMENT

### Growth

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

### Core

- Gross margin expansion program
- Rejuvenation of core apparel brands
- Organisation-wide cost efficiency program, including supply chain transformation

## GROWTH INITIATIVES DRIVING MOMENTUM

### Smiggle achieves significant growth

Smiggle achieved global sales growth of 46.5% and total sales of \$109.0 million with strong positive LFL sales in all geographies (Australia, New Zealand, Singapore and the United Kingdom).

Smiggle UK opened 18 new stores in 1H16 and continued to trade ahead of management expectations. At the end of the half, Smiggle UK had 42 stores trading in high traffic locations, including all of the top ten performing shopping centres. The team is targeting the opening of up to a further 28 new stores before financial year end and aiming for a total UK footprint of approximately 100 stores by Christmas 2016.

Smiggle will open its first two stores in Hong Kong and its first store in Malaysia during 2H16. Management sees potential for 50 stores across Malaysia and Hong Kong over the next five years.

### Peter Alexander performing strongly

Total sales at Peter Alexander increased 22.5%, with eight new stores opening during the half, including a flagship store in Queen Street, Auckland. Sales performance in New Zealand has been outstanding and continues to significantly outpace the market.

Management has confirmed three new stores opening during 2H16 that will result in 100 stores (including concessions) trading across Australia and New Zealand by the end of the financial year. A number of stores have also been identified for expansion and refit which will significantly lift the sales performance of those outlets.

## **Online strategy delivering**

Premier Retail's online sales continue to significantly outperform industry growth with total sales up 47.7% and well ahead of market growth of 7.1%.<sup>1</sup>

Online continues to be a very profitable channel for Premier with an EBIT margin significantly higher than the group average. Premier is delighted with the performance of the international online platform expansion in Dotti New Zealand and Smiggle UK.

The focus on new marketing initiatives continued with affiliate marketing, email retargeting, personalised product recommendations and flash sales all adding to our return on investment in this channel.

Premier Retail's new Australian distribution centre has the scale, capacity and technology to support the group's online aspirational target of \$100 million per annum in sales by 2020 from online platforms.

## **PROGRESS AGAINST CORE TRANSFORMATION INITIATIVES**

### **Gross margin strategy delivering**

- Premier Retail's gross margin improved by 139 bps despite the weaker AUD and a highly competitive market through the effective implementation of gross margin strategies:
  - long range 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 delivering better product;
  - a focus on disciplined execution of markdown management; and
  - significant growth from the higher margin brands Smiggle and Peter Alexander.
- Premier Retail is fully hedged for all Australian and New Zealand offshore purchases for the balance of 2H16 and the entire FY17.

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<sup>1</sup> NAB Online Retail Sales Index – Jan 2016, published 3 March 2016, reported Australian online retail sales in the fashion category grew by 7.1% in the 12 months to January 2016

## **Rejuvenation of core brands**

- All brands delivered LFL sales growth in 1H16.
- Strong performance from Portmans delivering total sales growth of 18.9% including significant LFL sales growth.
- Positive LFL sales were achieved by Just Jeans, Jay Jays, Jacqui E and Dotti. The results demonstrate the benefits of the Group's focus on targeted investments in people, technology, marketing, in-store experience and brand ambassadors.

## **Cost efficiency and supply chain**

- Costs continued to be well controlled during the half.
- Supply chain is operating smoothly with all seven brands having successfully operated out of the new Australian distribution centre during peak Christmas trading.
- Successful third party logistics partnerships are supporting the growth of the group's operations in the UK, Singapore, Malaysia and Hong Kong.

## **PREMIER INVESTMENTS' FINANCIAL STRENGTH**

At the end of the half, Premier's balance sheet reflects free cash on hand of \$288.4 million plus the equity accounted investment in Breville at \$213.7 million. The market value of Premier's holding in Breville was \$270.8 million at 16 March 2016.

Due to the continued strengthening of its balance sheet and the strong performance of Premier Retail, the Board has declared an ordinary interim dividend of 23 cents per share fully franked, up 2 cents per share on 1H15 (1H15 ordinary dividend: 21 cents per share). The interim ordinary dividend will be payable on 17 May 2016. The dividend re-investment plan will not operate for this ordinary dividend.

Premier will continue to utilise the strength of the balance sheet to invest in significant expansion of the growth brands while retaining the flexibility to pursue other opportunities that may arise.

ENDS

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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: EBIT, 27<sup>th</sup> week, like for like sales.
- Any non-IFRS information is clearly labelled to differentiate it from reported/IFRS information.
- Premier management believes that the presentation of non-IFRS information in its release 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 of Premier’s overall performance.
- The Australian Securities and Investment Commission (ASIC) acknowledges the relevance of non-IFRS financial information in providing “meaningful insight” as long as it does not mislead the reader.