

Premier Investments Limited

2016 Half Year results overview

18 March 2016



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PREMIER INVESTMENTS LTD 1H16 OVERVIEW

1

Premier Investments 1H16 overview

- Group profit
 - Net profit before tax \$98.3 million, up 24.9% on 1H15¹
 - Net profit after tax \$71.5 million, up 25.9% on 1H15¹
 - Earnings per share of 45.7c, up 25.3% on 1H15¹
 - Ordinary interim fully franked dividend of 23 cps, up 2 cps (1H15 ordinary: 21cps)
- Premier Retail contribution to Premier performance
 - Sales of \$565.0 million, up 15.1% on 1H15^{1,2}
 - EBIT of \$90.7 million, up 29.7% on 1H15¹
 - Profit before tax of \$88.6 million, up 31.6% on 1H15¹

Note:

1. Group result includes 27th week contributing \$16.1m in sales and \$6.8m in EBIT
2. Excluding sales to South African Joint Venture (1H15)



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1 Premier 1H16 overview

- Premier Retail continuing to grow
 - EBIT up 29.7% to \$90.7 million¹
 - Net profit before tax up 31.6% to \$88.6 million¹
 - Total sales increase of 15.1% on 1H15^{1,2}
 - LFL sales up 6.9%, with all brands delivering positive LFL growth¹
 - Smiggle Global sales up 46.5%¹
 - Peter Alexander sales up 22.5%¹
 - Online sales up 47.7%¹
 - Portmans sales up 18.9%¹, including strong LFL growth
 - Targeted capital investment program continues
- Premier consolidated balance sheet remains strong
 - Cash generated of \$79.5 million, up 24.4% on 1H15³
 - Cash on hand of \$288.4 million at end of 1H16
 - Premier Retail core debt decreased by \$21.1 million during the half
 - Inventories very clean
 - Balance sheet at end of 1H16 shows investment in associate (Breville) as \$213.7 million. Current market value of investment \$270.8 million⁴
 - Franking credit pool of \$204.1 million

Note:

1. Group result includes 27th week contributing \$16.1m in sales and \$6.8m in EBIT. LFL sales are reported as 27 weeks v 27 weeks.
2. Excluding sales to South African Joint Venture (1H15)
3. Net cash flows from operations of \$74.9m plus dividends received of \$4.6m
4. Based on share price of \$7.57 on 16 March 2016



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Premier 1H16 consolidated income statement

\$m	27 weeks to 30 January 2016	26 weeks to 24 January 2015
Premier revenues (ex Premier Retail)	12.8	13.8
Premier expenses (ex Premier Retail)	(2.7)	(2.3)
Premier Retail EBIT	90.7	70.0
Finance costs	(2.5)	(2.8)
Net profit before income tax	98.3	78.7
Income tax expense	(26.8)	(21.9)
Net profit after income tax	71.5	56.8

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Premier summarised consolidated balance sheet

\$m	30 Jan 2016	25 Jul 2015
Assets		
Cash and cash equivalents	288.4	281.6
Inventories	112.6	111.8
Property, plant and equipment	129.3	123.5
Other assets	50.9	66.7
Asset classified as held for sale	-	1.0
Investment in associate	213.7	209.5
Intangible assets	854.7	854.7
Total assets	1,649.6	1,648.8
Liabilities		
Interest bearing loans and borrowings	83.0	104.7
Trade payables, provisions and other liabilities	199.8	205.8
Total liabilities	282.8	310.5
Equity		
Contributed equity	608.6	608.6
Reserves	22.0	32.2
Retained earnings	736.2	697.5
Total equity	1,366.8	1,338.3



PREMIER RETAIL

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Premier Retail 1H16 performance: highlights

- EBIT up 29.7% to \$90.7 million¹
- EBIT margin up 180 bps to 16.1%¹
- Profit before tax up 31.6% to \$88.6 million¹
- Total sales up 15.1%^{1,2}
- LFL sales up 6.9%, all brands delivered positive LFL growth¹
- All key growth initiatives delivering
 - Smiggle global sales up 46.5%¹ with all countries delivering strong LFL growth; UK continues to trade ahead of expectation with 18 new stores opened
 - Peter Alexander delivered a 22.5%¹ lift in sales through very solid LFL growth and opened an additional 8 stores
 - Online sales up 47.7%¹, well ahead of the market growth and very profitable with EBIT margin significantly higher than the group average
- Gross margin was up 139bps to 64.8%^{1,2}, despite the weaker AUD and highly competitive market
- Inventory very clean
- Targeted capital investment program continues, with 244 capital investment initiatives across all brands and markets during the half year, including 37 new stores
- Solid performance from established brands with Portmans a standout with total sales growth of 18.9%¹, significant LFL growth and margin expansion
- New Distribution Centre successfully serviced all seven brands through peak Christmas trading

Note:

1. Group result includes 27th week contributing \$16.1m in sales and \$6.8m in EBIT. LFL sales are reported as 27 weeks v 27 weeks
2. Excluding sales to South African Joint Venture (1H15)



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Premier Retail performance

\$000	27 weeks to 30 Jan 2016	26 weeks to 24 Jan 2015	Var LY
Sales ¹	564,951	490,837	+15.1%
<i>LFL sales</i>	+6.9%	+1.1%	
Gross Profit ¹	366,020	311,179	+17.6%
<i>Gross margin (%)¹</i>	64.8%	63.4%	139bps
Employee Expenses ²	(137,255)	(118,318)	+16.0%
<i>% sales</i>	24.3%	24.1%	19bps
Rent ²	(103,450)	(97,462)	+6.1%
<i>% sales</i>	18.3%	19.9%	-154bps
Advertising & Direct Marketing ²	(6,662)	(7,617)	-12.5%
<i>% sales</i>	1.2%	1.6%	-37bps
Depreciation, Amortisation & Impairment ²	(12,126)	(9,847)	+23.1%
<i>% sales</i>	2.1%	2.0%	14bps
Other Costs of Doing Business ²	(16,582)	(12,077)	+37.3%
<i>% sales</i>	2.9%	2.5%	47bps
Other income	794	3,810	-79.2%
Share of JV Profit		312	
Underlying EBIT	90,739	69,980	+29.7%
<i>% sales</i>	16.1%	14.3%	180bps
Borrowing costs	(2,090)	(2,614)	-20.1%
Profit before tax	88,649	67,366	+31.6%

Note:

1. Sales, gross profit and gross margin exclude South African Joint Venture (1H15)
2. Total cost of doing business equates to 48.9% of sales (1H15 50.0%) including investment in online, Peter Alexander and Smiggle UK growth initiatives.



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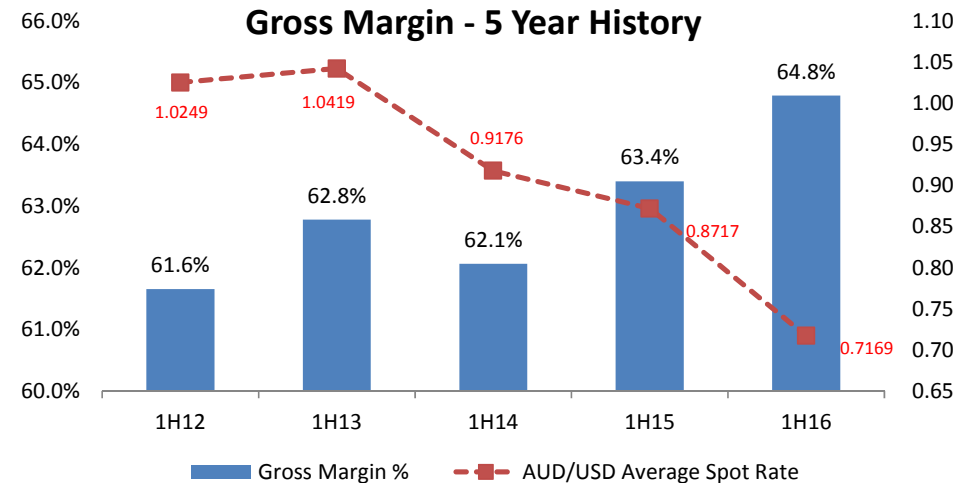
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Gross margin strategies delivering

- Premier Retail gross margin expanded by 139 bps despite the weaker AUD and a highly competitive market through the effective implementation of key gross margin strategies:
 - Long range foreign currency hedging policies allowed for long term merchandise planning
 - Direct sourcing initiatives continued to deliver benefits from new and existing suppliers
 - Sourcing from new geographies
 - Investing in better merchants, delivering better product
 - Focus on disciplined execution of markdown management
 - Significant growth from our 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 FY17



Note:

Gross margins exclude sales to South African Joint Venture (1H12-1H15)



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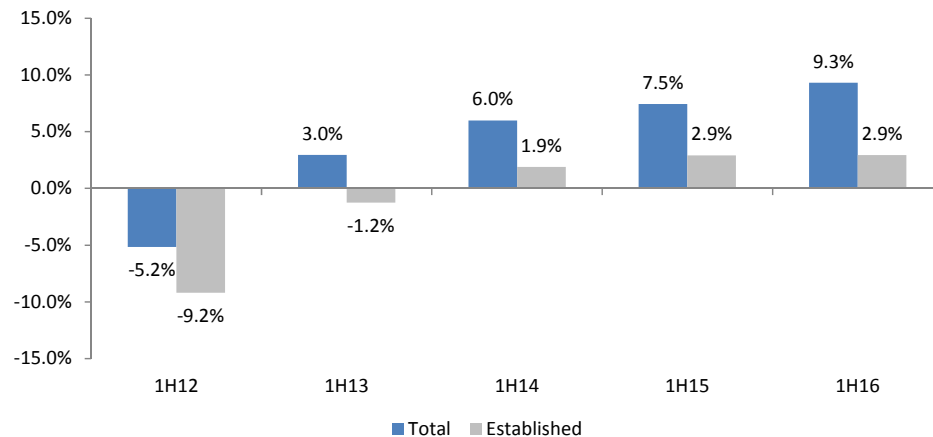
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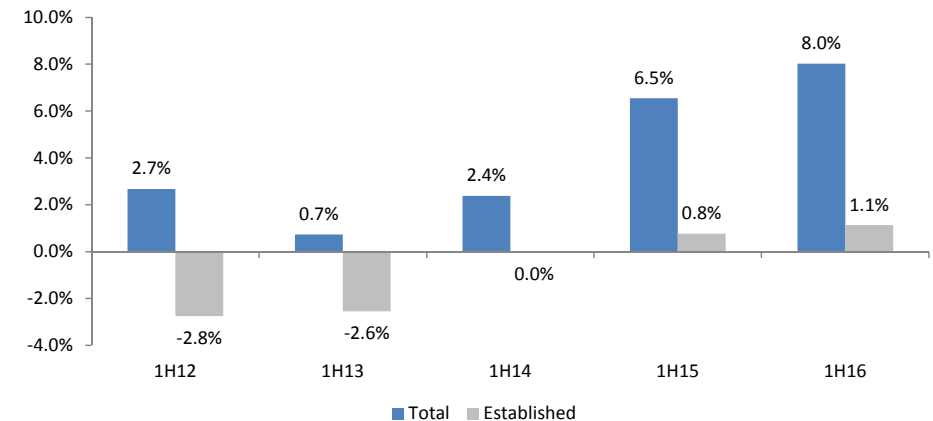
Cost of doing business remains a focus

- Costs continue to be well controlled and investment continues into strategic growth initiatives, including Smiggle International (UK, Hong Kong, Malaysia), Online and Peter Alexander
- The group's two largest costs have grown less in our established brands than sales:
 - Store salaries increased by 2.9%, lower than sales growth showing improved labour productivity
 - Store rent increased 1.1% in 1H16 despite inflationary pressures built into leases
- 6 stores closed during 1H16, as part of the ongoing program to close unprofitable stores
- Supply chain operating well with all 7 brands serviced out of the new distribution centre for peak Christmas trading

Store Salaries¹



Store Rent¹



Note:

1. Store rental and store salaries reflects 26 week period. 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 lease incentives and onerous lease provisions in current and prior years.



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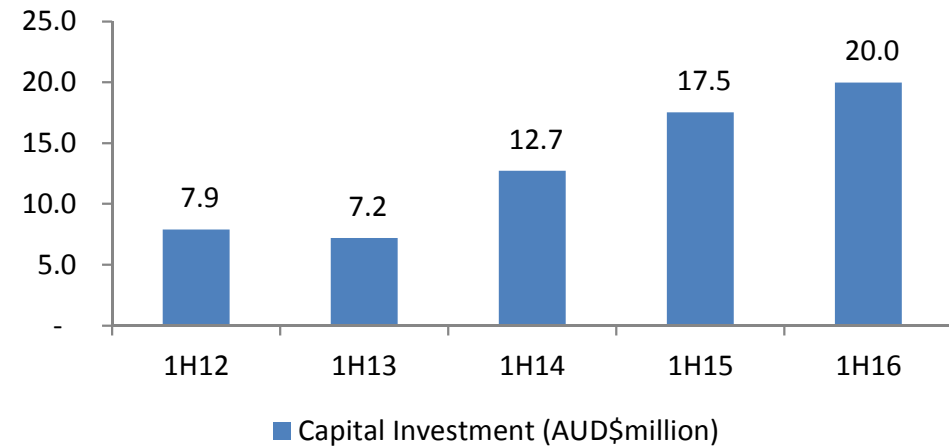
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Premier Retail investing in growth

- Investment in rapid growth of Smiggle continues in international markets
- Investment continues in Peter Alexander new stores, refurbishments, refits, upsizing and back-of-house
- Significant investment continues in all online platforms including the rapid international and local expansion of online capability
- Targeted store upgrades and refurbishments continue in core brand network
- The group will continue to invest to underpin further growth

Capital investment



Note:

Capital invested reflects the total of the group spend and landlord contributions.



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Premier Retail investing in growth

Premier Retail continues to invest in new stores, upgrades and refurbishments to deliver sustainable sales growth; 244 stores received capital investment, including 37 new stores



- 18 new stores opened in the United Kingdom
- 4 new stores opened in Australia
- 12 stores refurbished across Australia, New Zealand and Singapore
- 18 stores received POS and VM fixture upgrades



Smiggle Bristol Cribbs – Opened 16 October 2015



- 8 new stores opened across Australia and New Zealand
- 74 stores received VM fixture upgrades across Australia and New Zealand
- 67 stores received new storage fixtures across Australia and New Zealand



Peter Alexander Claremont Quarter- Opened 23 August 2015



- 2 stores relocated in Australia
- 2 stores refurbished in Australia



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Premier Retail investing in growth



- 3 new stores opened in Australia
- 1 store relocated in New Zealand
- 5 stores refurbished in Australia



- 4 new stores opened in Australia and New Zealand
- 2 stores relocated across Australia and New Zealand
- 6 stores refurbished in Australia
- Flagship Mid City store opened August 2015



- 8 stores relocated across Australia and New Zealand
- 1 store received a full refit
- 4 stores refurbished in Australia



- 2 stores relocated in New Zealand including the flagship store in Lambton Quay which opened in September 2015
- 3 stores refurbished in Australia



Just Jeans Mid City (New Concept) – Opened 27 August 2015



Jacqui E Lambton Quay, NZ- Opened 19 September 2015



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Smiggle: Australia and New Zealand

- Very strong total and LFL growth in both Australia and New Zealand
- Strong 1H16 for the online channel
- Very pleasing results from temporary kiosks over the Christmas and Back to School period, in response to customer requests for more accessibility
- Significant growth in all categories, with strong acceptance of new ranges and products introduced
- A very strong start to 2H16 with new stock well received
- Opening three new stores in 2H16 with scope to open more stores in FY17
- Focus remains on maintaining strong LFL growth



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Smiggle: United Kingdom

- Smiggle UK continues to trade ahead of expectations
- Rapidly investing in store and online growth as a result of strong performance
- Opened 18 stores 1H16
- Targeting the opening of up to a further 28 stores in 2H16, taking the total stores up to 70 by the end of FY16
- Aiming for approximately 100 stores by Christmas 2016
- Plans for a further 40 to 60 stores annually to open in calendar year 2017, 2018 and 2019
- First store opens in Scotland in March (Glasgow) with a further three to four stores to open in Scotland 2H16
- Online channel has had an excellent response within its first year and further investment in this channel is underway
- The UK is on track to deliver revenue of \$200m+ per annum within five years



Maidstone Fremlin Walk, United Kingdom opened 6th November 2015

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Smiggle: Singapore

- Another strong LFL result
- Good growth in portfolio across both tourist and suburban stores. Continued strong acceptance of brand from regional tourists providing excellent insight into which markets Smiggle is coveted
- Ion, a prime Orchard Road store which opened February 2015, continues to be the number one ranked Smiggle store for sales
- One store closure (due to full centre closure pending redevelopment)
- Still see potential for a further two to three stores in FY17
- Strong start to 2H16 with excellent peak Chinese New Year trading recorded



ION Orchard, Singapore opened 7th February, 2015

Hong Kong

- First store to open, Telford Plaza May 2016, a major centre with over 114 million footfall per annum
- Further two sites have already been signed to open later in the year, one before end of FY16 and another in 1H17
- Advanced discussions with a further three centres, targeting up to six stores trading by Christmas 2016
- Landlords acceptance of the brand is strong. Management continues to have a zero compromise on site locations
- High calibre in-market team recruited and inductions commenced
- The market has potential for 25-35 stores over the next five years and management is confident the proposition will be well received in Hong Kong by both locals and tourists



Malaysia

- First store to open, Suria KLCC April 2016, the number one centre in Kuala Lumpur
- Two further sites have been signed off, with an additional four sites in ongoing discussions
- Landlords acceptance of the brand is strong
- High calibre in-market team recruited and inductions commenced
- The market potential sits around 15-25 stores over the next five years



Peter Alexander continues to perform strongly

- Total sales up 22.5% from all channels with strong total and LFL sales in both Australia and New Zealand
- Excellent results from Christmas trading period
- Eight new stores opened, six in Australia including first Airport store in Brisbane, two in New Zealand including flagship store Queen St, Auckland in 1H16
- Three new stores confirmed for 2H16, taking total store numbers to 100 (incl. concessions) by end FY16
- Two relocations confirmed for 2H16 (Pacific Fair and Castle Hill) delivering larger format stores and significantly more revenue
- Success of Brisbane airport store may lead to further opportunities in other airport locations
- Strong performance from Myer concessions with improved customer awareness of the brand
- Continued focus on investing in the current portfolio
- Continue to trial new product categories

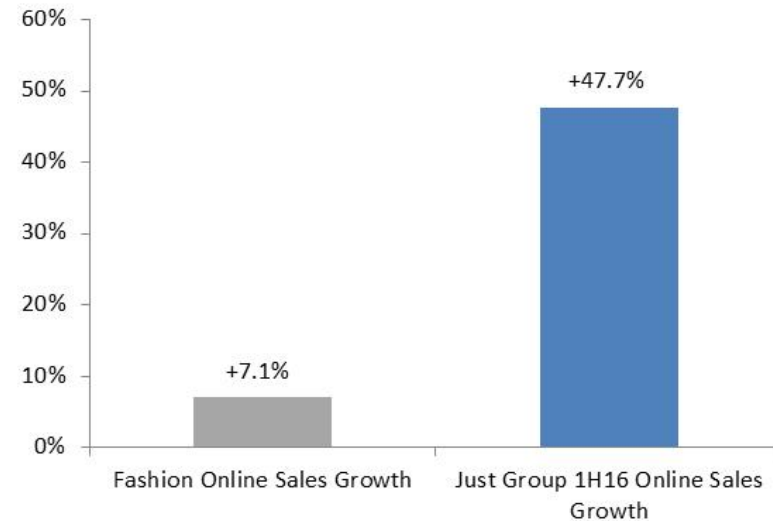


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Online strategy delivering

- Online sales up 47.7% in 1H16 – well ahead of market growth of 7.1%¹ for the 12 months ended December 2015
- Online channel delivers significantly higher EBIT margin than the Group average
- Strong performance of new sites:
 - Smiggle.co.uk for UK/Europe customers, fulfilled from UK
 - Dotti.co.nz for New Zealand customers, fulfilled from NZ
- All brands significantly outperformed the market
- Investment continuing in technology, people and marketing to drive sales
- Store to door multi channel initiative continues to provide excellent customer service delivering incremental sales and profit
- New Australian distribution centre fulfilling online orders for all brands and capable of delivering the aspiration of \$100 million in online sales per annum by 2020

Online sales growth



Note:

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



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Smiggle achieves significant growth

- Smiggle global sales up 46.5% with strong LFL growth in all countries (Australia, New Zealand, Singapore and United Kingdom)
- Solid pipeline of new stores identified for accelerated UK roll out in FY16 and beyond – plans for up to 100 stores by Christmas 2016 and a further 40 to 60 stores annually to open in calendar years 2017, 2018 and 2019
- Scotland to commence operations in 2H16
- Smiggle UK is and will be a significant profit driver to the group over the next five years, with the potential for 200 stores and sales of \$200 million
- Asian expansion to begin with the first stores in Hong Kong and Malaysia to commence operations in 2H16 – potential for 50 stores within five years across these two new markets
- John Cheston (Managing Director: Smiggle) has extensive experience in all existing and new markets and has established a high performance team capable of delivering globally

Peter Alexander performing strongly

- Peter Alexander sales up 22.5% with strong total and LFL sales growth in Australia and New Zealand
- New store roll out program in Australia and New Zealand delivering profitable growth
- Key investments continue in marketing and online to sustain growth
- Number of stores identified for expansion and refit to improve LFL growth
- Strong and focused management team lead by Judy Coomber (Managing Director: Peter Alexander) and Peter Alexander (Creative Director: Peter Alexander)

Online strategy delivering

- Strong sales growth of 47.7%, well ahead of market growth at 7.1%¹
- Continued investment in technology, people and marketing to maximise growth
- Multi channel initiatives delivering incremental sales and EBIT
- Online channel extremely profitable with EBIT margin well above group average
- Strong management team led by Georgia Chewing (Group General Manager: Internet and Marketing) continuing to grow the business
- Aspiration of \$100 million in sales per annum by 2020 through online platforms

Note:

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



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Core brands strategies on track

- All brands delivered positive LFL sales growth in 1H16
- Gross margin improved 139 bps despite weaker AUD and a highly competitive market
- Inventories very clean
- Portmans achieved excellent 1H16 result with total sales up 18.9%, strong LFL sales growth and significant margin expansion
- Targeted investment continues across the store network



ORDINARY INTERIM DIVIDEND

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Ordinary interim dividend

- The Premier Board has declared an ordinary interim dividend fully franked of 23 cps, up 2 cps (1H15: ordinary 21 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
- 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 of 46.5% on 1H15 (total sales up 74% over 2 years)
- Result underpinned by very strong LFL's in all markets
- 4 new stores opened in Australia and 18 in the UK; one closure in Singapore (full centre redevelopment)
- 42 stores plus online trading in the UK at the end of 1H16
- Aiming for up to 100 stores in the UK by Christmas 2016
- Brand remains committed to introducing new products weekly to excite and delight customers who shop on a regular basis
- Continued aggressive rollout of new stores across the globe in response to our fans requests for more accessibility
- Research into new markets for calendar 2017 currently being undertaken

Overview of Results

Sales	\$109.0m
Var LY	+46.5%

Store movements	Jul 15	Open	Close	Jan 16
Australia	122	4	-	126
New Zealand	23	-	-	23
Singapore	19	-	1	18
UK	24	18	-	42
	188	22	1	209



Highlights

- Total sales growth of 22.5%
- Online growth exceptional and well ahead of fashion market
- Strong margin growth despite weaker Australian dollar
- Engineered product for outlet stores performing well
- New Zealand delivered impressive growth on the back of double digit growth last year - focus on continuing to build the brand in this market
- Christmas trading period continues to cement brand as a key gifting destination
- All new stores delivering

Overview of Results

Sales	\$89.1m
Var LY	+22.5%

Store movements	Jul 15	Open	Close	Jan 16
Australia	67	6	-	73
New Zealand	12	2	-	14
Myer Concession	10	-	-	10
	89	8	-	97



Highlights

- 1H16 delivered strong sales of 18.9%
- Significant LFL sales growth and margin expansion was achieved
- Benefit of new sourcing initiatives continues to improve margin
- Online initiatives drove online sales up 35.6%, well ahead of fashion market at 7.1% ¹
- Investment in Jess Hart as Brand Ambassador continues

Overview of Results

Sales	\$64.5m
Var LY	+18.9%

Store movements	Jul 15	Open	Close	Jan 16
Australia	89	-	-	89
New Zealand	13	-	-	13
	102	-	-	102

Note:

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



Highlights

- Total sales up 7.4%
- Positive LFL sales growth across all channels
- 3 new stores opened
- Online sales up 32.0%, well ahead of the fashion market up 7.1% ¹
- Reinvigorated Special Occasion Collection delivered incremental growth during the strong Christmas trading period.
- High customer engagement drove database growth of 14.6% on the prior year.

Overview of Results

Sales	\$59.6m
Var LY	+7.4%

Store movements	Jul 15	Open	Close	Jan 16
Australia	91	3	-	94
New Zealand	21	-	-	21
	112	3	-	115

Note:

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



Highlights

- Total sales growth of 4.8%
- Strong growth from denim and shorts across men's and women's
- Branded Denim drove a very strong performance led by Levi's, Guess and Calvin Klein
- Strong Q2 driven by new women's ranges
- New store format developed for launch with the opening of a new Mid City (Sydney CBD) store and Lambton Quay (Wellington) in 1H16
- 4 new store openings and 2 store closures
- Ash Hart launched as the new brand ambassador in August 2015

Overview of Results

Sales	\$113.0m
Var LY	+4.8%

Store movements	Jul 15	Open	Close	Jan 16
Australia	197	3	1	199
New Zealand	45	1	1	45
	242	4	2	244



Highlights

- Total sales up 3.1%
- LFL sales even stronger than total sales with the closure of unprofitable stores since last year¹
- New store format performing exceptionally well
- Gross margin expansion continues through key product development and new sourcing initiatives

Overview of Results

Sales	\$91.6m
Var LY	+3.1%

Store movements	Jul 15	Open	Close	Jan 16
Australia	176	-	1	175
New Zealand	35	-	-	35
	211	-	1	210

Note:
1. Two additional store closures in 2H15



Jay Jays Pacific Fair– 17 December 2015



Highlights

- Total sales up 2.2%
- LFL sales positive
- 2 unprofitable stores closed during the half
- Seasonal programs continue to perform strongly from special climatic ranges
- Sourcing from new geographies delivering positive margin results
- 2 stores relocated in New Zealand including the flagship store in Lambton Quay which opened in September 2015
- 3 stores refurbished
- New season product trading well

Overview of Results

Sales	\$38.2m
Var LY	+2.2%

Store movements	Jul 15	Open	Close	Jan 16
Australia	78	-	2	76
New Zealand	20	-	-	20
	98	-	2	96



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, 27th week, like for like sales, cash generated.
- Any non-IFRS financial information is clearly labelled to differentiate it from reported/IFRS financial information.
- Premier provides reconciliations on the face of the slides and in the footnotes of the presentation in order allow the reader of the presentations to clearly reconcile between the IFRS and non-IFRS financial information.
- Premier 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.