



22 September 2016

**PREMIER INVESTMENTS DELIVERS STRONG FY16 RESULT**  
**RECORD PREMIER RETAIL SALES AND EBIT**  
**FINAL ORDINARY DIVIDEND INCREASED**

**HIGHLIGHTS FOR FY16**

- Premier Investments' underlying net profit before tax (NPBT) of \$145.4 million, up 22.6% on prior year<sup>1,3</sup>
- Premier Retail's underlying earnings before interest and tax (EBIT) of \$133.3 million, up 26.1% and underlying EBIT margin up 152bps to 12.7%<sup>1,2,3</sup>
- Premier Investments reported net profit after tax (NPAT) of \$103.9 million, up 17.9% on prior year
- Premier Retail's sales passed \$1 billion for the first time
- Strong growth in Premier Retail's sales and margin:
  - Total sales up 10.9% to \$1,049.2 million<sup>1,2</sup>
  - Like-for-like (LFL) sales up 3.5%<sup>1</sup>
  - Online channel growing profitably and well ahead of market, with sales up 39.6% on FY15<sup>1</sup>
  - Smiggle's sales up 41.8% with total and LFL sales growing strongly in all countries<sup>1</sup>
    - Smiggle UK performing ahead of expectations
    - New stores opened in Malaysia and Hong Kong trading ahead of expectations
  - Peter Alexander's sales up 20.4% on last year<sup>1</sup>
- Final ordinary dividend of 25 cents per share (cps) fully franked (FY15: 21 cps) declared bringing total full year ordinary dividends declared to 48 cps fully franked (FY15 ordinary: 42 cps)

Premier Investments Limited ("Premier") today reported net profit after tax of \$103.9 million, up 17.9% on prior year (FY15: \$88.1 million). Premier's underlying net profit before tax was \$145.4 million for the financial year ended 30 July 2016 (FY15: \$118.6 million).<sup>1,3</sup>

Premier Retail's underlying EBIT of \$133.3 million was up 26.1% on FY15 (FY15: \$105.7 million). Underlying net profit before tax increased 28.1% to \$129.2 million reflecting the momentum being created by the growth platforms of Smiggle, Peter Alexander and Online as well as the continuing transformation of Premier Retail's core brands.<sup>1,3</sup>

<sup>1</sup>Group result in FY16 includes 53rd week contributing \$16.8m in sales and \$7.4m in EBIT. LFL Sales are reported as 53 weeks v 53 weeks.

<sup>2</sup>Excluding sales to South African Joint Venture in FY15.

<sup>3</sup>Underlying EBIT and NPBT excludes non-recurring costs in FY16 regarding a one-off litigation expense (\$2.3m) included within 'Other Expenses' in the statutory accounts and in FY15 associated with exit from South Africa joint venture (\$1.7m).

Total sales for Premier Retail were up 10.9% to \$1,049.2 million, breaking the \$1 billion mark for the first time. LFL sales were up 3.5% across the group. Gross margin was up 78bps to 63.9% despite the weaker Australian dollar, increasing competition and an unseasonably warm Autumn.<sup>1,2</sup>

Premier's Chairman, Mr Solomon Lew said: *"The Premier Retail team, led by Premier Retail CEO Mark McInnes, has again delivered a very strong performance in a difficult retail environment. The 2016 result demonstrates the continued successful implementation of the Premier Retail Strategy to drive growth through Smiggle, Peter Alexander and our online offer while rejuvenating our core brands and improving efficiencies.*

*"Smiggle sales are up 41.8% for the year and 79% over two years. Smiggle now has stores in Australia, New Zealand, Singapore, England, Scotland, Wales, Malaysia and Hong Kong and is a truly unique international brand. Our strong trading results in each country confirms the long term store roll out targets management have set and we continue to actively review opportunities in new geographies.*

*"Peter Alexander achieved sales growth for the year of 20.4% driven by the opening of 11 new stores, strong LFL growth, innovative products and campaigns that resonate with our customers. We continue to roll out new stores for Peter Alexander and invest in the in-store experience throughout our existing network.*

*"Once again our online sales significantly outperformed the market, with our online sales growing by 39.6%. We will continue to make significant investments in technology, people and marketing, to achieve annual online sales of over \$100 million by 2020."*

Premier Retail CEO, Mr Mark McInnes said: *"Our first class team has delivered record sales, gross profit and EBIT in a highly competitive and volatile environment.*

*"Our strategy is unchanged and we continue to pursue it relentlessly – investing in expanding Smiggle globally, growing Peter Alexander significantly and delivering a superior online experience for our customers while achieving efficiencies and continuing to invest in our core apparel businesses."*

## 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

## GROWTH INITIATIVES DELIVER

### Smiggle's successful global expansion continues

Smiggle opened 52 new stores during the year. The brand achieved global sales in FY16 of \$188.0 million, up 41.8% on last year with strong LFL sales in all geographies (Australia, New Zealand, Singapore and the United Kingdom). Total sales are up 79% over two years.

Smiggle UK opened 40 new stores during the year, taking the FY16 year end store count to 64. The brand expects to have between 85 and 90 stores trading before Christmas 2016. Following the Brexit vote, management performed an analysis of potential macro-economic issues on Smiggle's UK ambitions and actively monitored any impacts on post-Brexit trade. The sales performance of the brand in the UK post Brexit, has been equal to or better than prior to the vote. This strong trading pattern combined with strong market position reinforced the view that Smiggle UK has the potential for 200 stores with annual sales in excess of \$200 million by calendar year 2019.

During 2H16, Smiggle expanded its Asian footprint by opening its first stores in Malaysia and Hong Kong. At year end, the brand had five stores trading across these two markets and expects to have ten stores trading by Christmas 2016. The results have confirmed management expectations that the two markets combined have the potential for 50 Smiggle stores within five years.

Mr McInnes said: *"The sales and customer acceptance of Smiggle in each of the countries we have entered have been exceptional. Our Managing Director of Smiggle, John Cheston, has led Smiggle to become a truly unique global brand. During the year we opened 52 new stores worldwide. More than 50% of Smiggle's revenue for the financial year was delivered by international stores, underscoring our decision to invest in the brand globally."*

### Peter Alexander continues to perform strongly

Total sales at Peter Alexander for the year grew by 20.4% to \$169.1 million with strong total and LFL sales in both Australia and New Zealand.

Peter Alexander opened 11 new stores during the year, including a flagship store in Queen Street, Auckland and its first airport store in Brisbane. Management is reviewing the potential for further airport locations following the success of the Brisbane airport store.

During 1H17, Peter Alexander will open three new stores and upgrade and refurbish a further four existing stores. Management expects to open between five and seven new stores in each of calendar years 2017, 2018 and 2019. Management also plans to upgrade, refurbish or upsize between three and five existing stores per year over the same time horizon.

## **Online strategy delivering**

Premier Retail's online sales continue to significantly outperform industry growth, with total sales up 39.6% on last year.

Online is a profitable channel for Premier with EBIT margin significantly higher than the group average. Premier will continue to invest in further enhancing its online capabilities, customer offering and customer engagement in order to reach \$100 million in annual online sales by 2020.

## **PROGRESS AGAINST CORE TRANSFORMATION INITIATIVES**

### **Gross margin strategies delivering**

- Premier Retail's gross margin for the year was 63.9%, up 78bps on last year despite a weaker Australian dollar and the warmest autumn on record through the effective implementation of gross margin strategies:
  - long range foreign currency hedging policies (in all markets) 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 Australia, New Zealand and United Kingdom offshore purchases for the balance of FY17 and 1H18.
- Premier Retail's inventory position was clean at year end.

### **Rejuvenation of core apparel brands**

- Targeted investment in refurbishments and new store formats continued across the store network and is delivering strong results.
- Core brands capital investments during FY16:
  - 18 new stores;
  - 33 store relocations and refurbishments; and
  - 28 store refurbishments in existing locations.
- Benefits of new sourcing initiatives continue to improve intake margins.

### **Cost efficiency and supply chain**

- Costs continued to be well controlled during the year.
- Supply chain continued to operate smoothly during the year from both the Australian owned distribution centre and the New Zealand leased facility.
- 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 year, Premier's balance sheet reflected free cash on hand of \$283.2 million plus its equity accounted investment in Breville Group Limited at \$213.4 million. The market value of Premier's holding in Breville Group Limited was \$295.1 million at 20 September 2016<sup>4</sup>.

Due to the continued strength of Premier's balance sheet and the performance of Premier Retail, the Board has declared an increased final ordinary dividend of 25 cents per share fully franked (FY15: 21 cps), bringing the full year ordinary dividends to 48 cents per share fully franked (FY15 ordinary: 42 cps). The final ordinary dividend of 25 cents per share will be payable on 18 November 2016. The dividend will be 100% franked.

Premier continues to use its strong balance sheet to fund the expansion of its growth brands, while still retaining the flexibility to pursue other opportunities that may arise in the future.

ENDS

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<sup>4</sup>Based on Breville Group Limited share price of \$8.25 on 20 September 2016

## 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: one-off items, non-recurring costs, 53rd week year, 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 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.