

NONIB

Results Presentation

1H - 2014

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About Noni B

- Women's fashion retailer for today's busy woman who wants to look great and feel special
- Recognised for a wide choice of career, casual and evening wear with great value, style, fit and quality
- Two exclusive fashion labels: Noni B – our *signature collection*; and Liz Jordan – our *designer collection*, both targeting different customers
- 219 stores nationally – in all states and territories
- Brand established for over 35 years
- Differentiated through providing real service and specialised attention
- All garments purchased in AUD from local importers, so no FX risk
- Management team who have experienced retail down-turns before and increased profits as demand recovered

1H Profit summary

For the half year ended	29 Dec 2013 \$'000	30 Dec 2012 \$'000	% change
Revenue	62,429	64,343	(3.0)
Earnings before interest, tax, depreciation and amortisation	4,143	4,151	(0.2)
Earnings before interest and tax	2,503	2,750	(9.0)
Profit before tax	2,582	2,823	(8.5)
Net Profit after tax	1,891	1,946	(2.8)
Earnings per share (cents)	5.9	6.1	(3.3)
Interim dividend per share – fully franked (cents)	1.5	2.5	(40.0)

- Interim dividend record date 14 March 2014 and payable to shareholders on 28 March 2014

Balance sheet

As at	29 Dec 2013 \$'000	30 Dec 2012 \$'000	% change
Cash	15,242	14,326	6.4
Inventory	15,892	17,242	(7.8)
Trade and other payables	19,090	19,800	(3.6)

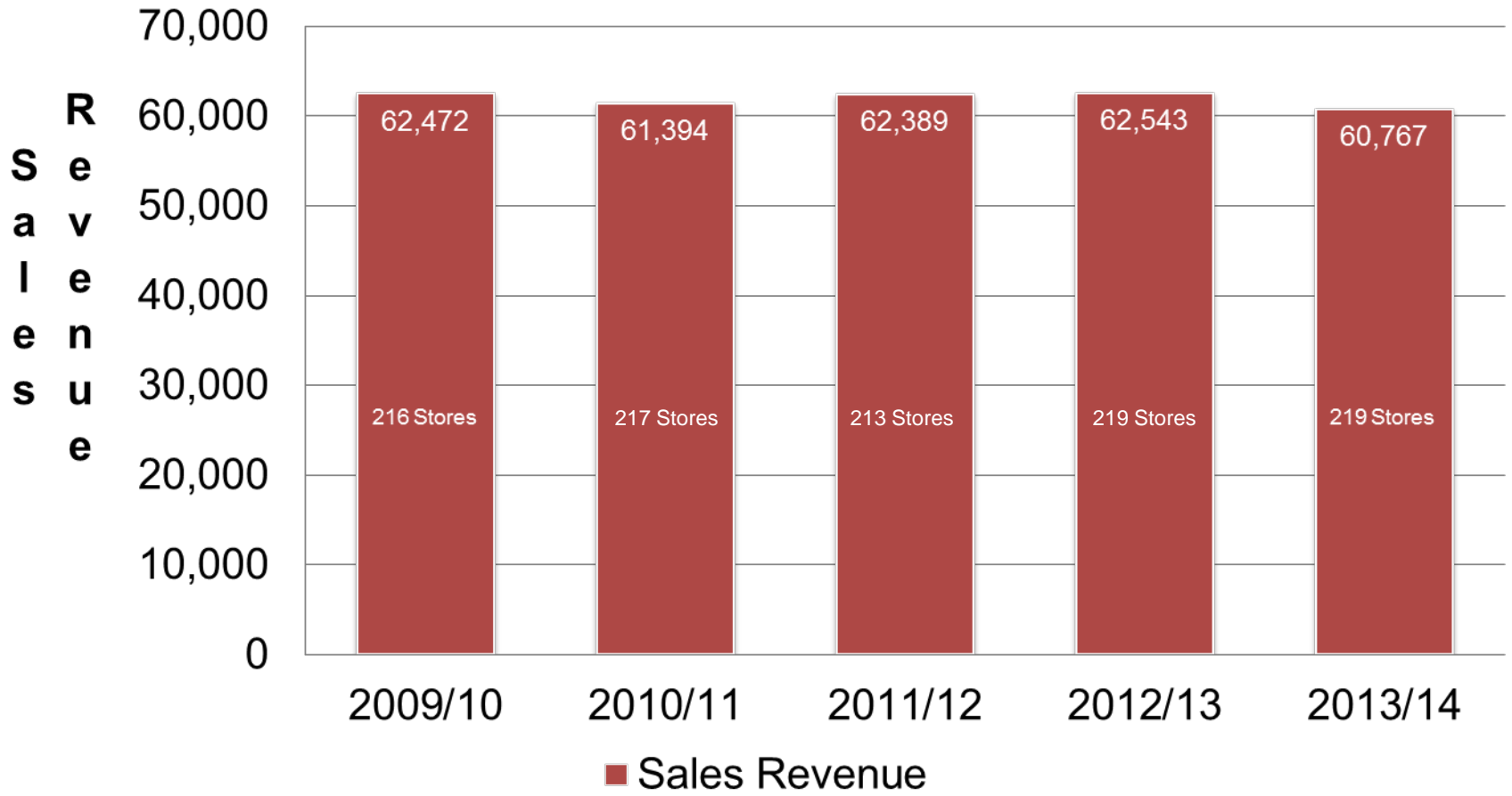
- Cash position remains strong
- Inventory reduced due to weak consumer demand
- Company has no bank borrowings

1H Cash flow

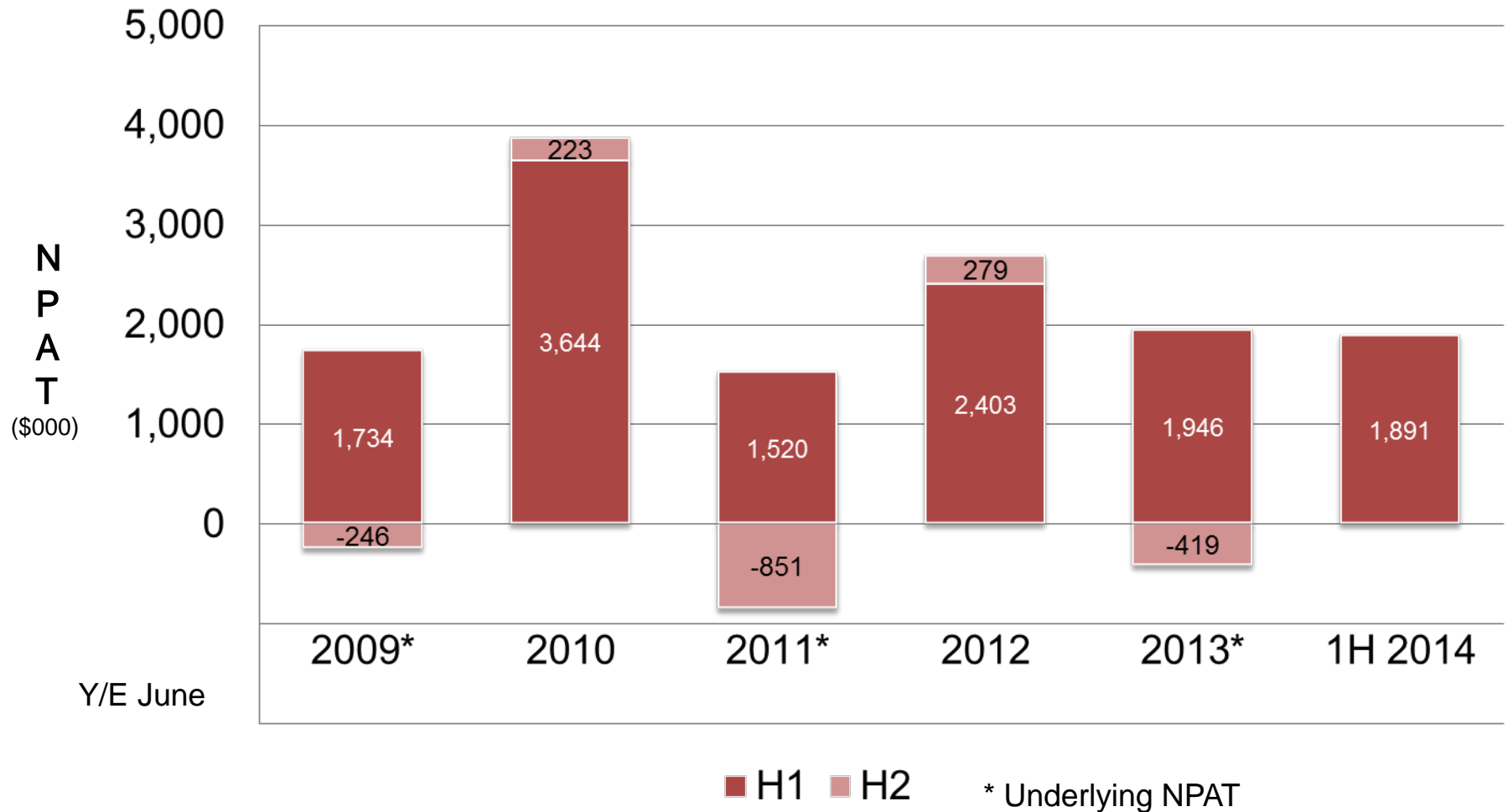
Cash flow for the half year ended	29 Dec 13 \$'000	30 Dec 12 \$'000	% change
Cash from operations	6,647	7,862	(15.5)
Cash used in investing	(1,247)	(1,636)	(23.8)
Cash used in financing	(59)	(1,228)	(95.2)
Net increase in cash and cash equivalents	5,341	4,998	6.9
Cash and cash equivalents at beginning of year	9,901	9,328	
Cash and cash equivalents at end of year	15,242	14,326	6.4

- Operations – reflects fall in sales for the half year
- Investing – includes 2 new stores (last year 6 stores) and 8 refurbishments / relocations
- Financing – reflects no final dividend paid in October 2013 in relation to FY13 year

1H Sales history



NPAT history



Key drivers of the result

Sales

Stores

- Comparable store sales down 3.9%. Demand weak in all states and territories, with aggressive industry discounting continuing.
- VIC, SA and Tasmania weakest states, with signs of improving sentiment in NSW
- Store numbers at 29 December 2013 constant at 219, following 2 new store openings (VIC and SA) and closure of 2 underperforming stores (VIC and NSW)
- Average spend per customer similar to previous half
- 42,000 new loyalty members added to 1.0M plus database (LY 50,000)

Online

- Webshop sales grew to 1.0% of total sales, up from 0.7% last year

Key drivers of the result

Product Margin

- Gross margin increased to 61.4% from 60.8%
- Supplier terms renegotiated
- Buying / first margin continued to grow
- Quality standards of garments was maintained; only best practice suppliers are used
- Increased focus on category management, diverting investment into higher turnover and margin categories

Expenses

- Total expenses, including store wages, occupancy and administration costs fell by 1.7%
- Expenses include a provision for the closure of our Sydney CBD store in February 2014

The new retail world

- Continued growth of online sales
- Customer expectation of browsing full range online
- Personal customer service is still in demand, poor service is not forgiven
- Visiting a physical store location needs a compelling reason - service, range, value
- 'Investment' fashion – key garment pieces that last for many seasons
- Consumers are careful - 'Considered spending' environment
- Expectation that clothes will perform perfectly and are a bargain at the same time
- Rising employment costs

Our philosophy matches new retail world

- Customers will always want clothes with the best quality and that are on-trend in style & design. That is what we offer
- The shopping centre distribution model is changing and so are we. Noni B continues to consolidate the store network yet will still open stores where we are not represented if lease terms are favorable
- Customer feedback tells us they want to see ethical treatment of staff, customers and suppliers, with no pressure for poor manufacturing conditions. We are known for our supportive family culture as well as our high quality garments. We insist on high quality, best practice manufacturing
- Personal Service is still the great differentiator; customers value it and seek it out, even if they are time poor. For Noni B, service is about being friendly and professional. We continually train and measure our team on their service standards.

Outlook

- The women's fashion market remains challenging, with consumers conditioned to receiving discounts
- Sales in January disappointing, although initial sales of our 2014 autumn/winter range were encouraging, and margins continued to improve over pcp
- Focused on managing all parts of the business efficiently as possible, as demonstrated by increase in gross margin, reduction in inventory & expenses and maintenance of strong cash position
- With approx. 30% of store leases expired or due to expire in CY2014, further rent reductions are expected
- Further store consolidation - with a total of 7 stores to be closed in the second half
- We will continue to differentiate Noni B through high standards of personal service and the quality, style, fit and value of our products

“Our core value is customer service above all else.”

Questions

NONI B

